

**The
Unemployment
Insurance
Program**

General Principles Of Unemployment Insurance

Unemployment insurance (UI) is a program of social insurance providing for temporary, partial wage replacement to workers who are unemployed through no fault of their own.

Unemployment insurance replaces other methods for relieving unemployment distress based on need. The unemployed worker no longer has to rely on public or private relief programs. Properly qualified workers can claim unemployment benefits as their right in the same way they can claim benefits in other insurance programs. The UI program sustains the morale, conserves the skills, and helps maintain the standard of living of those who become unemployed. It enables them to meet essential expenses for a reasonable period until they are able to obtain employment.

The UI program provides a way of meeting the costs of unemployment to the individual and the community. Properly financed, the system makes it possible to accumulate reserves during good economic years in order to meet the drain on the fund during poor years. In this manner, the full cost of unemployment need not be a fiscal burden when business and the community are least able to meet it. As one of the built-in stabilizers in the economy, unemployment insurance maintains consumer purchasing power, on which business production plans are based. Payments are made promptly and automatically without the delays involved in passing new relief legislation. The program thus provides a brake on down turns in business activity and helps to stabilize the economy.

Each state's UI laws specify the conditions under which an individual can establish an entitlement to benefits and the eligibility requirements for drawing against this entitlement for a particular week of unemployment. Although no two state's laws are exactly alike, many are similar.

Establishing An Entitlement To Benefits

To establish an entitlement to UI benefits an individual must file an application for an initial determination. If the state's qualifying requirements have been met, an entitlement is established specifying: the period during which benefits maybe drawn, the amount that can be received for a week of total unemployment, and the total amount payable during the benefit period. Washington claimants do not have to be unemployed to establish a potential entitlement to benefits.

Qualifying Requirement

Each state UI law specifies the amount of wages and/or length of employment necessary during a past period to establish an entitlement. Since October 1978, Washington's qualifying requirement has been 680 hours of employment.

No other state exclusively uses an hourly requirement; however, Oregon uses total base period wages of at least one and one half times the wages in the highest quarter in the base period and at least \$1000 in wages earned in subject employment, *or 500 hours of subject employment*. This type of requirement, however, has several advantages concerning equity and effectiveness that provisions in other states do not have: 1) it is independent of the claimant's usual weekly wage (a low wage worker can qualify with the same length of employment as a high wage worker); 2) it does not require a specific quarterly

distribution of employment throughout the base period; and 3) it does not have to be updated periodically to keep pace with the state's wage level.

Benefit Period

Since April 1970, Washington's benefit period has been the 52 weeks beginning with the Sunday of the week the application for initial determination was filed. Only three states have definitions which differ appreciably from this.

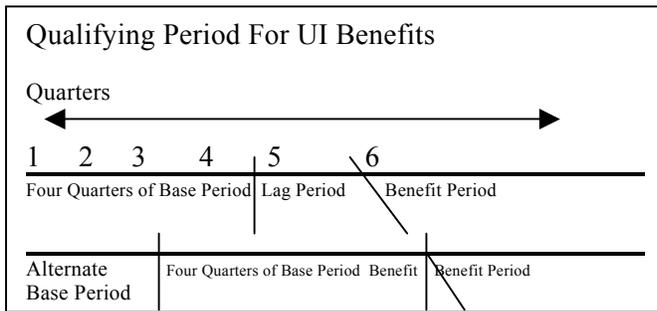


Figure 1

Base Period

Since April 1970, Washington's primary base period has been the first four of the last five completed calendar quarters immediately preceding the first day of the benefit period. Only six states have definitions which differ appreciably from this.

Under the primary provision, there is a lag period of no less than three months but no more than six months from the end of an individual's base period to the beginning of the benefit period. Since July 1987, claimants who cannot otherwise establish a valid benefit year may now seek to base a benefit year on work in the last four completed quarters. This is called an Alternate Base Year (ABY) claim. The use of lag period wages to establish a second entitlement is subject to the state's requalifying requirement. Figure 1 depicts the qualifying period for benefits.

Requalifying Requirement

Under federal law, compensation is not payable in two successive benefit periods to an individual who has not worked in covered employment after the beginning of the first benefit period. In Washington, a benefit year cannot be established if the base year wages include wages earned prior to the establishment of a prior benefit year unless the individual worked and earned wages since their separation from employment equal to at least six times the weekly benefit amount for the individual's new benefit year.

If the individual is unemployed at the time of the application, the wages must be earned since the last separation from employment immediately before the application for initial determination in the previous benefit year. If the individual is not unemployed at the time of filing an application for initial determination for the previous benefit year, the wages must be earned since the initial separation in the previous benefit year.

No special provisions for requalification are needed in six other states, because a claimant could not fulfill the states' qualifying requirements with only lag period wages (five states) or earnings in the last

half of the base period are required of all claimants (one state). The majority of the provisions in the other states specify wages subsequent to the beginning of the preceding benefit period.

Computation For Weekly Benefit Amount (WBA)

In Washington, effective for claims filed April 24, 2005, and later, an individual's weekly benefit amount is 3.85 percent of the average of the claimant's wages during the two quarters of the base period in which the wages were the highest. (Twelve other states average wages in two or three quarters for computing the WBA.)

Prior computations:

- From January 2, 2005, to April 23, 2005, Washington's computation was 1 percent of base year wages.
- In 2004, the computation was four percent of the average of the claimant's wages in the three highest quarters.
- From July 1977, through December 2003, the computation was four percent of the average of the claimant's wages during the two quarters of the base period in which the wages were the highest.
- Prior to July 1977, Washington's computation was 1/25th of high quarter wages.

Changing to the "average" concept affected only a small percentage of the state's claimants, those with short-term employment, and provided equity among these claimants. Under the former provision, the WBA of a claimant with the majority of the base period wages in one calendar quarter was higher than that of a claimant with the same total work experience but with the wages spread evenly between two quarters.

Thirty states base the WBA on a fraction or a percentage of the claimant's high quarter wages. The formulas for computing the WBA in the remaining eight states use the claimant's average weekly wage (two states) or annual wage (six states).

Minimum And Maximum WBA

Washington's UI law has an escalator provision on both the minimum and maximum WBA. Each increases with the state's wage level. They are defined as percentages (15% and 63%, respectively) of the state's average weekly wage in covered employment for the previous calendar year. Currently in Washington State the maximum is the lesser of \$496 or 63% of the state's average annual wage. The computations are made each June, and the new WBA's are effective for all entitlements established during the fiscal year beginning the first full week in July. The weekly rates for July 2005 through June 2006 are a minimum of \$112 and maximum of \$496 (for two quarter wages averaging at least \$12,883). Washington is one of seven states with escalator provisions in their definitions of minimum WBA.

**Escalator Provisions In Definitions Of Maximum WBA In 34 States
Table 1**

<u>Percentage of Average Weekly Wage</u>	<u>Number of States</u>
50	4
52	2
53	1
55	3
56 62	9
63 70	11

Two states increase their maximum WBA's by the percentage increase in the state's weekly wage.
Data Source: Comparison of State Unemployment Laws, US Department of Labor

- Washington is one of 34 states with escalator provisions in their definitions of maximum WBA. The percentages used range from 50 to 70. See Table 1 above.

Maximum Benefits Payable (or Duration of Benefits)

Washington's maximum amount of regular benefits payable to an individual is the lesser of 26 times the WBA or 1/3 of the base period wages. Potential duration of benefits, then, varies among claimants but is limited to 26 weeks.

- Seventeen of the 43 states with variable duration limit claimants to one third of the base period wages. The other 26 of these states use some other fraction of base period wages to determine maximum payable or a fraction of the claimant's weeks of employment to determine the duration of benefits.
- Eight state laws contain uniform duration provisions at 26 weeks. Each claimant's maximum benefits payable is equal to the product of the WBA and 26 weeks.
- Massachusetts is a variable duration state that limits the maximum duration to 30 weeks.

Waiting Period

A Washington claimant with an entitlement must serve a one-week waiting period before filing for a payable week of unemployment insurance benefits. This waiting week is a week of unemployment which is not compensable and for which all eligibility requirements must be met.

Thirty-seven other state laws include a waiting week. In a few of these states, however, the claimant may be paid for this week later in the benefit period under certain conditions (e.g., after a specified number of weeks, or consecutive weeks, of benefits have been received.)

Eligibility Requirements

In order to draw benefits for a particular week of unemployment in the benefit period, the individual must be free from disqualification and meet all eligibility requirements. With certain exceptions, a

claimant must register for work with the Employment Service to be eligible for benefits. In addition, during the period of the claim the individual must report as directed for re-employment services and job search review. At the time of filing a benefit claim, the individual must certify eligibility and report any wages payable or work performed with respect to the week or weeks for which benefits are being claimed.

Able And Available

To receive benefits an individual must be ready, able, and willing to accept any work immediately for which the claimant is reasonably suited and must be actively seeking work pursuant to departmental law.

Voluntarily Quitting Work

An individual is disqualified from benefits under Washington's law for leaving work voluntarily without good cause. Since January 2004, good cause for quitting may be established and no denial is imposed under 10 clearly defined circumstances:

1. To accept a bona fide job offer.
2. Because of the illness or disability of the claimant or the death, illness, or disability of a member of the claimant's immediate family if:
 - (A) The claimant pursued all reasonable alternatives to preserve his or her employment status by requesting a leave of absence, by having promptly notified the employer of the reason for the absence, and by having promptly requested reemployment when again able to assume employment. These alternatives need not be pursued, however, when they would have been a futile act, including those instances when the futility of the act was a result of a recognized labor/management dispatch system; and
 - (B) The claimant terminated his or her employment status, and is not entitled to be reinstated to the same position or a comparable or similar position.
3. (A) Left work to relocate for the spouse's employment that, due to a mandatory military transfer: (I) Is outside the existing labor market area; and (II) is in Washington or another state that, pursuant to statute, does not consider such an individual to have left work voluntarily without good cause; and (B) remained employed as long as was reasonable prior to the move.
4. The separation was necessary to protect the claimant or the claimant's immediate family members from domestic violence, as defined in RCW 26.50.010, or stalking, as defined in RCW 9A.46.110.
5. The individual's usual compensation was reduced by twenty-five percent or more.
6. The individual's usual hours were reduced by twenty-five percent or more.
7. The individual's worksite changed, such change caused a material increase in distance or difficulty of travel, and, after the change, the commute was greater than is customary for workers in the individual's job classification and labor market.

8. The individual's worksite safety deteriorated, the individual reported such safety deterioration to the employer, and the employer failed to correct the hazards within a reasonable period of time.
9. The individual left work because of illegal activities in the individual's worksite, the individual reported such activities to the employer, and the employer failed to end such activities within a reasonable period of time.
10. The individual's usual work was changed to work that violates the individual's religious convictions or sincere moral beliefs.

Disqualifications under this provision remain in effect for seven weeks following the week of the quit and until the individual has earned wages of at least seven times the weekly benefit amount in employment is covered by unemployment insurance.

- Washington is one of forty-five states which postpones benefits for the duration of unemployment. The most common requirement (imposed by twenty-eight states) is earnings of some multiple of the WBA, ranging from three to seventeen, with no mention of the number of weeks worked.
- In the six states which do not require reemployment, four have a fixed number of weeks for the disqualification period, ranging from five to 26. The other states use a variable number of weeks, from five to ten.

Work Connected Misconduct

A Washington claimant who is discharged or suspended for work connected misconduct is disqualified from benefits for 10 weeks following the week of discharge for misconduct and until wages of at least 10 times the weekly benefit amount have been earned in employment that is covered for unemployment insurance.

An individual separated because of gross misconduct connected with the work is disqualified for 10 weeks following the week of discharge for gross misconduct and until wages of at least 10 times the weekly benefit amount have been earned in employment that is covered for unemployment insurance AND all hourly wage credits based on that employment or six hundred eighty hours of wage credits, whichever is greater, are removed from the claim.

- Washington is one of forty states which postpones benefits for the duration of unemployment for a discharge for work-connected misconduct. The typical provision for removing the disqualification is earnings of some multiple of the WBA, ranging from three to seventeen, with no mention of number of weeks worked.
- Eleven state laws do not require reemployment. Six of these states disqualify for a fixed number of weeks, ranging from five to ten. The other five disqualify for a variable number of weeks the lowest maximum is four weeks and the highest is twenty-six weeks.

- Thirty-one states make a distinction between simple and gross misconduct and apply different disqualifications for each. Gross misconduct involves a crime or felony connected to the claimant's work.

Refusal Of Suitable Work

Under Washington's law, an individual who fails either to apply for available suitable work or to accept suitable work when offered without good cause is disqualified from benefits for seven weeks following the week of refusal and until wages of not less than seven times the WBA have been earned in employment that is covered for unemployment insurance.

- Washington is one of 41 states which postpones benefits for the duration of unemployment. The most common requirement is earnings of some multiple of the WBA, ranging from three to seventeen with no mention of number of weeks of work.
- In the ten states which do not require reemployment, six have a fixed number of weeks, ranging from one to twenty, and four use a variable number of weeks. The lowest maximum required is one week and the highest is twelve weeks.

Labor Dispute

A Washington claimant is disqualified from benefits for any week with respect to which the unemployment is due to the existence of a strike. A similar provision is found in ten other state laws. Twelve states disqualify claimants while a labor dispute is in active progress. Twenty-two states disqualify if the unemployment is due to a stoppage of work which exists because of a labor dispute. A fixed period of disqualification is contained in one state law. Various provisions are found in the remaining six laws.

If the workers are unemployed because of a lockout, benefits are allowed, except in multiemployer disputes where one employer is struck and other employers from the same agreement lock out their workers.

Misrepresentation

An individual who is determined to have willfully misrepresented the facts in filing a benefit claim in Washington is disqualified from receiving benefits for the week in which the act occurred and for twenty six additional weeks beginning with the first week for which the claimant completes an otherwise compensable claim (for waiting period credit or benefits) following the delivery of the disqualification notice. The disqualification, however, does not extend beyond two years following the delivery of the notice. The individual is also liable to repay the amount of any benefits received fraudulently.