FACT SHEET

NEW YORK STATE OF OPPORTUNITY. | Unemployment Insurance

Unemployment Insurance Reform for Employers

About Unemployment Insurance

Unemployment Insurance provides benefits to workers who lose their job through no fault of their own. Every state has its own Unemployment Insurance system overseen by the federal government. To be eligible for benefits, workers must have earned a certain minimum amount of money before they lost their job; be ready, willing and able to work; and look for work and be able to prove it.

How Unemployment Insurance is Funded

The program is funded by employer contributions. Employers in the state pay two types of Unemployment Insurance contributions:

- The Federal Unemployment Tax Act (FUTA) pays for program administration at the federal and state level, federal unemployment extensions, and loans to states. The FUTA contribution rate is the same for all employers.
- The New York State Unemployment Insurance contribution pays for regular state benefits to claimants. The contribution rate is based largely on how many employees an employer has laid off and, to a lesser extent, the financial health of the Unemployment Insurance Trust Fund. Employers receive a credit on the FUTA when they are current on their state contributions, though that credit can be reduced when the state has outstanding federal loans.

Why Reform Was Needed

- The Unemployment Insurance Trust Fund is Insolvent. The Trust Fund holds the money that pays for weekly benefits. The state is forced to borrow from the federal government when contributions paid by employers are insufficient to pay benefits to workers. To cover increased costs during the recession, New York, like many other states, borrowed from the federal government. At the beginning of 2013, New York owed $3.5 billion. By law, employers are responsible for paying back this money, with interest, to the federal government. Charges by the federal government are billed to employers at a flat rate through higher FUTA rates and interest assessments.
- The Cost to Employers is High and Unpredictable. Without reform, the Trust Fund would have remained insolvent, unable to weather changes in economic conditions. As a result, high and unpredictable federal and state costs for employers would have continued.

What Reform Does

Reduces Interest Payments. As a result of the reforms, it is anticipated that employers will be able to pay off the $3.5 billion debt to the federal government by 2016 – two years earlier than planned – reducing interest payments by nearly $200 million.

ESTIMATED SAVINGS TO EMPLOYERS (over a ten year period)	
Region	**Estimated Savings**
Capital Region	$21 million
Central New York	$16 million
Finger Lakes	$24 million
Hudson Valley	$41 million
Long Island	$60 million
Mohawk Valley	$8 million
New York City	$183 million
North Country	$6 million
Southern Tier	$11 million
Western New York	$30 million
Statewide	**$400 million**

Improves Sustainability and Predictability. Reform restructures the Unemployment Insurance system to make it self-correcting and sustainable. As the risk of borrowing to pay benefits decreases and the Trust Fund returns to health, employers' contributions will decrease.

Prevents Fraud. New fraud detection and prevention measures help combat Unemployment Insurance fraud.

Brings Equity. Reform allows employers to protest a former employee's claim when the loss of employment was the employee's fault (for example, a voluntary quit or due to misconduct).

Encourages Claimants to Return to Work. Reform requires claimants to look for work more aggressively and thereby return to work quickly.

Reform Measures Already In Place

The Shared Work Program provides an alternative to laying off workers by providing partial Unemployment Insurance benefits to employees during temporary declines in business. Reform measures extend the program to businesses with as few as two employees and includes part-time employees. Also, benefits are now available for up to 26 weeks. As a result of changes in state law, this expanded program will run through August 2015, when federal reimbursement is scheduled to end.

Reform Measures That Took Effect October 1, 2013

Late Response. Pursuant to a federal requirement, an employer will not be relieved of charges to their account if there is an overpayment to a claimant because the employer or their representative (for example a payroll agent) responded to Department of Labor inquiries late or with insufficient information.

Reform Measures that Began January 1, 2014

Wage Base. Employers pay Unemployment Insurance contributions on each employee's earnings up to a certain threshold called the wage base.

The wage base will be adjusted on January 1 of each year as follows:

2014 - $10,300	2021 - $11,800
2015 - $10,500	2022 - $12,000
2016 - $10,700	2023 - $12,300
2017 - $10,900	2024 - $12,500
2018 - $11,100	2025 - $12,800
2019 - $11,400	2026 - $13,000
2020 - $11,600	

After 2026, the wage base will be adjusted annually on January 1st to 16 percent of the state's average annual wage.

Contribution Rate Schedules. Reform eliminates the six lowest contribution rates for employers. As the Trust Fund balance increases, contribution rates for all employers will decrease.

Requalification Standard. Claimants must now earn 10 times their benefit rate in order to requalify for benefits after exhausting benefits or being disqualified for misconduct, a voluntary quit without good cause, or declining a job offer.

Dismissal or Severance Pay. If a claimant receives dismissal or severance pay that is greater than the maximum benefit rate within 30 days of their last day of employment, he or she may not be able to collect benefits.

Pension Payments. If a claimant is collecting a pension from an employer that is chargeable on the claim and that employer contributed to the pension, the claimant's benefit rate may be reduced.

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