

2003 Unemployment Insurance Reform

SB 6097, which passed in the final hours of the 2003 legislative session, makes dramatic changes in our Unemployment Insurance (UI) system that affect eligibility, benefits and employer taxes. Because little is known about these changes, the Washington State Labor Council, AFL-CIO has prepared this brief summary of those changes. It is not intended to be comprehensive; just a quick overview. For more information, contact the state Employment Security Department or visit www.wa.gov/esd.

BENEFITS

In current law, the weekly benefit is based on the average wages earned in the two quarters of the preceding year in which wages were highest. **Under SB 6097**, wages will be based first on the three highest-wage quarters (in 2004) and then simply on the entire previous year (in 2005). The effect of this “four-quarter averaging” will be to cut weekly benefits for all recipients, but especially those whose work is sporadic such as construction workers, agriculture workers, part-time college faculty, etc. **Bottom line:** Weekly benefit checks will be cut by an estimated \$50 to \$200.

In current law, maximum weekly benefits are \$496 and the maximum duration of benefits is 30 weeks. **Under SB 6097**, that maximum weekly benefit will be frozen for four or five years at \$496 and the maximum duration is cut to 26 weeks.

ELIGIBILITY

In current law, you are eligible if you have worked 680 hours in the past year AND you lost your job through no fault of your own AND you are actively seeking work. Most people who are laid off qualify, but so do some in cases of “good-cause quits,” such as quitting because a spouse’s job has been relocated, domestic violence or a drastic wage cut. Generally, the state has some discretion as to what is considered good cause. **Under SB 6097**, the state loses that discretion and good-cause quits are specified by law. Spousal relocation is no longer good cause, except for military relocations. Another change is that a 25% reduction in wages is required for good cause, whereas the rule of thumb had been 10-12%. So if you earn \$9.35 an hour and your pay is cut to minimum wage, you would not be eligible if you couldn’t afford to stay in that job. **Bottom line:** Fewer people “forced” to quit their jobs will qualify for benefits.

In current law, if you are fired for “misconduct” you are not eligible for UI benefits until you requalify at a subsequent job(s). Misconduct is defined as will-

ful disregard of employer’s interest where the worker’s actions harmed the employer’s business. **Under SB 6097**, the misconduct threshold is lowered to violation of employer rules workers knew about or *should have known about*. **Bottom line:** More people who lose their jobs will also lose their UI eligibility with this change.

EMPLOYER TAXES

In current law, a system of 20 tax rates depends upon an employer’s experience rating as determined by the number of former workers they have collecting benefits. But employers who top out at the highest tax rate end up paying less into the system than their workers take out, and those costs are subsidized by other, more stable employers. **Under SB 6097**, the entire tax system is replaced with a pay-as-you-go system of 40 tax rates thought to more fairly distribute costs among employers. The trade off is that UI taxes will be more volatile and the entire system less stable; employers tax rates will jump quickly when a recession hits and they are forced to lay off people. **Bottom line:** Next year, employers will actually have to pay higher UI taxes, but in the long term they will pay less because of all the benefit cuts.

OTHER CHANGES

In current law, in “gray area” cases involving unique circumstances, the benefit of the doubt goes to the unemployed worker. **Under SB 6097**, that language is deleted. **Bottom line:** Workers in unique circumstances will be less likely to receive benefits.

The Washington State Labor Council opposed this legislation. It unfairly cuts benefits at the worst possible time for hundreds of thousands of people, and undermines the very foundation of our UI system. The WSLC will work in future years to restore what was lost with this so-called “reform.”