

UC Issues Update



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DEPARTMENT OF LABOR & INDUSTRY

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Senate Bill 1310

Governor Tom Corbett signed Senate Bill 1310, a reform bill that modernizes Pennsylvania's unemployment compensation, or UC, law in early June.

The new law – Act 60 – enables Pennsylvania to repay a nearly \$4 billion UC Trust Fund debt to the federal government. The measure also updates certain aspects of the state's UC law, including some provisions relating to benefits and eligibility that had been neglected for nearly 40 years.

"The new UC law repays the state's debt, restores the fund's solvency, does not raise taxes and enables Pennsylvania to be competitive while still providing the UC safety net to unemployed Pennsylvanians," the governor said.

Specifically, the new law will:

- Refinance the UC Trust Fund debt by issuing bonds at a low, fixed rate.
- Reform employer taxes by increasing the taxable wage base from \$8,000 to \$10,000 and by lowering the State Adjustment Factor.
- Modernize benefit eligibility



Governor Tom Corbett and Secretary Julia K. Hearthway

by increasing the base-year wage requirement from an average of 37 percent outside the high quarter to at least 49.5 percent. This change will not affect any current claimants, and will affect less than 10 percent of all claimants when the law goes into effect in January 2013.

- Use 5 percent of employee taxes collected to establish

a re-employment fund for training initiatives to help jobless Pennsylvanians return to work.

Governor Corbett's solution to the state's UC debt and insolvency is unique. Pennsylvania is the only state to both eliminate the debt and establish fund solvency for years to come without raising employer taxes.

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SHARED-WORK: The Alternative to Layoffs

In March 2012, Pennsylvania implemented the Shared-Work Program. Shared-Work allows an employer to temporarily reduce the work hours of a group of employees as an alternative to a layoff. Employees covered by the plan receive a percentage of their UC weekly benefit amount (WBA) while they work the reduced schedule if they are otherwise eligible for UC. The department has begun receiving and reviewing applications for this program.

The percentage by which each employee's work hours are reduced is called the "reduction percentage." The employer determines the reduction percentage. It must be at least 20 percent and cannot exceed 40 percent. The reduction percentage must be the same for all employees participating in a shared-work plan. For example, if an employee normally works 40 hours per week, and the reduction percentage is 20 percent, then the employee's hours would be reduced by 20 percent. He or she would then work 80 percent of 40 hours, or 32 hours per week. If an employee in the same unit works 30 hours per week, then he or she would work 80 percent of 30 hours, or 24 hours per week.

For each week included in the plan, an employee receives a percentage of his or her UC WBA equal to the reduction percentage. For example, if the employee's WBA is \$400 and the employee's hours are reduced by 20 percent under the plan, the employee would receive 20 percent of \$400 or \$80 in shared-work UC. Within the effective period of the plan, the employer will be charged 100 percent of the UC paid to the employees.

Potential benefits to the employer include: keeping its skilled, trained employees; reducing future rehiring and costly retraining; avoiding disruption in the business operations; and maintaining a productive workforce by avoiding the insecurities characteristic of most layoffs.

If you have questions or would like some additional information regarding this program, please visit www.dli.state.pa.us or call 877-785-1531.

EMPLOYERS - Do You Have New Hires?

Report your new hires electronically to the Pennsylvania New Hires Reporting Program, saving time and postage. Simply go to our website at www.pacareerlink.state.pa.us and click on the "Report New Hires" link under the "Employers" section. It's fast, free and paperless.

Call Chris White at 717-214-1125 or visit our website at www.pacareerlink.state.pa.us for more information.

UC's Employer Information Center

The Office of UC Benefits Policy has established an Employer Information Center (EIC) to enhance the services it provides to employers regarding unemployment compensation benefit charge issues. Employers can contact EIC staff for answers to questions about general eligibility, the claims appeal process, specific benefit debits and credits to employer accounts and relief from charge issues. EIC staff will also be able to provide information to employers on new laws or initiatives concerning UC, such as the Shared-Work Program or other legislation and/or initiatives involving unemployment that may impact employers.

The EIC number is 717-783-3140 (option 2) and is available from 7:30 a.m. to 4:30 p.m., Monday through Friday.

Please note that this number is for UC benefit charge issues only. Employers who have questions regarding their quarterly tax information, contribution rates, registration and/or clearance issues should continue to contact the Office of UC Tax Services' Employer Contact Center at 866-403-6163.

Protect Your Business From Higher Taxes

Help Prevent Improper Payment of Unemployment Compensation (UC) Benefits



How Does UC Impact Employers?

In most states, UC benefits are funded by employer taxes.

Improper payment of UC benefits may result in higher taxes to all employers.

UC benefits allow unemployed workers to continue to buy goods and services.

- **What exactly is an improper payment?**
- **What causes an improper UC payment?**

An improper payment of UC benefits means that a claim for benefits was paid in error. An improper payment of benefits can result when **inaccurate information** is provided by the claimant or employer, or when information is not received by the UC office in a timely manner. Once an improper payment is detected, the claimant is notified of an overpayment.

Did you know . . .

- UC benefits to qualified unemployed workers are funded by employer UC taxes.
- The U.S. Department of Labor estimates that in fiscal year 2010 more than 11 percent of UC benefits were paid improperly, usually because of inaccurate or missing information.
- Improper payment of benefits is a serious problem that has a financial impact on employers and can result in higher UC taxes to all employers.

What can you do to help prevent improper UC payments?

Be an active partner to help improve payment accuracy. Help reduce employer costs by taking three critical steps to provide important information to the UC program.

1. Provide complete and accurate employee separation information.

Avoid the need for costly appeals or overpayment of benefits. Provide separation information promptly when requested to help determine claimant eligibility for benefits, and as a result, accurate benefit charges to employers.

2. Respond promptly to any “Request for Verification of Weekly Earnings” from UC.

A prompt response to a request for verification of employee weekly earnings will help prevent improper payment of UC benefits. (An employee may be eligible for a partial UC payment, based on part-time work.)

3. Report all new hires to the State Directory of New Hires by the due date.

Timely reporting of all new hires helps prevent payment of ineligible UC claims after a claimant has returned to work.

The Costs and Consequences of Non-Compliance

Companies that do not comply with state and federal UC requirements for providing employee information face a number of preventable costs and consequences, including:

- ✓ Improper account charges for benefits paid to ineligible claimants
- ✓ Increases in employer UC taxes
- ✓ Possible fines and penalties

In addition to following the UC requirements for reporting employee information, employer partnership with the UC program is just good business.

For more information, please visit www.uc.pa.gov; click on “Employer Services.”

UC Issues Update is published by the Pennsylvania Department of Labor & Industry on a quarterly basis. Questions, comments and feedback can be sent via email to uc-news@state.pa.us. General UC Tax information is available by calling 717-787-7679 or outside of the Harrisburg area, toll free 866-403-6163 from 8 a.m. to 4:30 p.m. If you have questions regarding UC benefit charges to your account, please call 717-787-4677 from 8 a.m. to 4:30 p.m. **If you suspect fraud, contact 800-692-7469.**

Auxiliary aids and services are available upon request to individuals with disabilities. Equal Opportunity Employer/Program