

Client Training HQ

Unemployment Cost Mitigation and State Regulations

Introduction

This document discusses the difference between **basic state compliance** and a **proactive unemployment cost mitigation strategy** in managing unemployment costs (UC).

Meeting State Requirements

What Does It Mean?

State unemployment agencies often require employers to respond to unemployment claims with a minimum set of information:

- Dates of employment
- Reason for separation

This is considered **basic state compliance**. It satisfies regulatory requirements and helps prevent penalties for non-response.

Financial Implications

- Short-term benefits: Avoids fines or loss of appeal rights
- Long-term costs: Failing to provide detailed or timely information can increase the likelihood of unjustified claims being approved, which can lead to:
 - Increased charges to the employer's state reserve account
 - A higher State Unemployment Insurance (SUI) tax rate over time

State Minimums Don't Always Offer a Company the Best Protection for UC Costs

Providing only the basics often does little to help protect your financial bottom line. It's a "check-the-box" strategy that could cost more in the long run.

More Proactive Cost Mitigation: Strategic Claim Responses

What Does It Mean?

This approach focuses on delivering detailed, accurate, and timely claim responses that aim to help:

- Reduce improper benefit payouts
- Support more favorable determinations
- Reduce chargeable claims

Examples of Additional Effort

- Supplying supporting documentation (write-ups, signed policies, resignation letters)
- Including specific details around misconduct or voluntary quits
- Attaching witness statements or managerial notes
- *Working with Equifax® to help recognize potentially high-risk claims*

Examples of Financial Impact

- **Help Reduce SUI Tax Rates:** By successfully contesting ineligible claims, the employer's chargeable wages are typically lowered, which can stabilize or reduce SUI tax rates.
- **Healthier Reserve Account:** Fewer charges can mean more reserves remain intact, helping strengthen financial posture.
- **Long-term savings:** Investing time and resources now can help lead to a lower cost burden over time.

UI Integrity versus Minimum Requirements

What is UI Integrity?

UI Integrity is a federal initiative aimed at ensuring the accuracy and legitimacy of UI benefits. It requires employers to:

- Provide accurate, complete, and timely responses
- Prevent fraud and improper payments
- Collaborate with states to uphold the integrity of the unemployment system

Source: US Dept of Labor

Key Differences

<i>Aspect</i>	<i>UI Integrity</i>	<i>Basic State Requirementse</i>
Goal	Prevent improper payments and fraud	Avoid penalties for late or incomplete responses
Content	Detailed documentation, context, and evidence	Employment dates, a basic reason for separation
Result	More accurate determinations, cost savings	Can increases likelihood of incorrect claim approvals
Impact	Protects employer reserve account(s)	Can lead to higher SUI Tax Rates

Bottom Line: Why it Matters

<i>Strategy</i>	<i>Impact on SUI Taxes</i>	<i>Impact on Reserve Account</i>	<i>Long-Term Financial Effect</i>
State Requirements Only	Could cause higher tax rates due to more approved claims	Might drain reserves faster	Could increase labor cost over time
Proactive Cost Mitigation/ Meeting UI Integrity	Better stabilized or reduced SUI tax rates	Helps preserves reserve funds	Improved long-term cost control and budget predictability

Choosing Strategy Over Simplicity

The difference between meeting basic requirements and cost management is substantial. While meeting minimum requirements is essential, it doesn't necessarily help control costs. Strategic and a more comprehensive claim response approach that aligns with UI Integrity principles can be crucial. A more proactive approach helps to reduce financial loss and provides greater safeguards for your organization from additional unemployment costs.

Key Takeaways

- Doing more now, can help save more later!
- UI Integrity equals greater financial protection plus helping meet state requirements
- Meeting basic requirements without a strategy could equal unnecessary additional expenses

Source: US Dept of Labor

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