

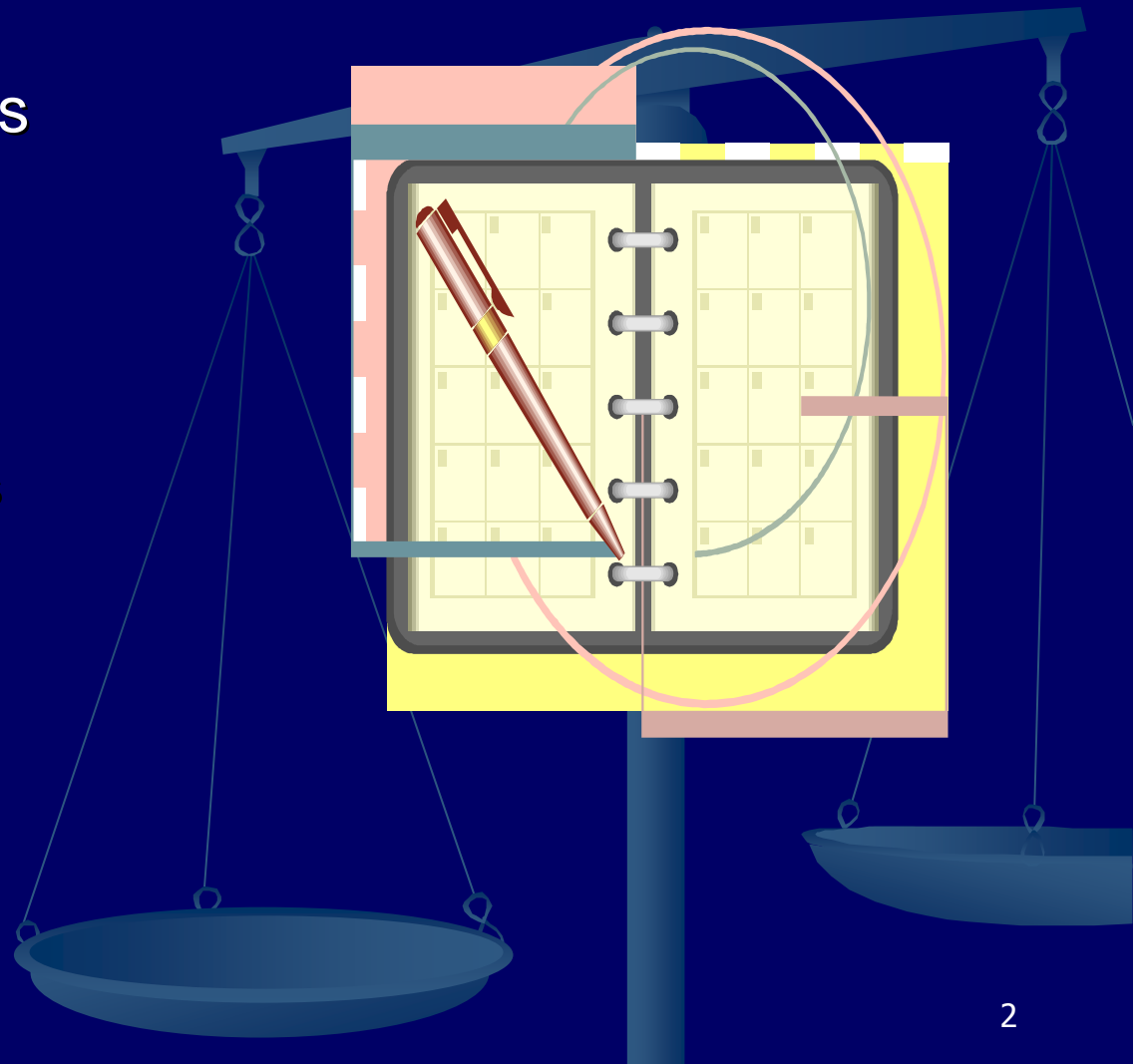
Unemployment Insurance Cost Management



**Creative Staffing Solutions in a
Difficult Economy**

Today's Agenda

- Introductions
- Unemployment Basics
- UI Costs
- Staffing Options
 - Better Hiring Choices
 - PEO's/Temp Staffing
 - Furloughs -vs- Layoffs
 - HR Practices
- Thank you



Today's Issues

Problems for employers are

- US economic climate = increased employer UI costs.
- Federal and State UI Extensions = longer claims.
- UI charges > employer UI taxes = insolvent UI trust funds.

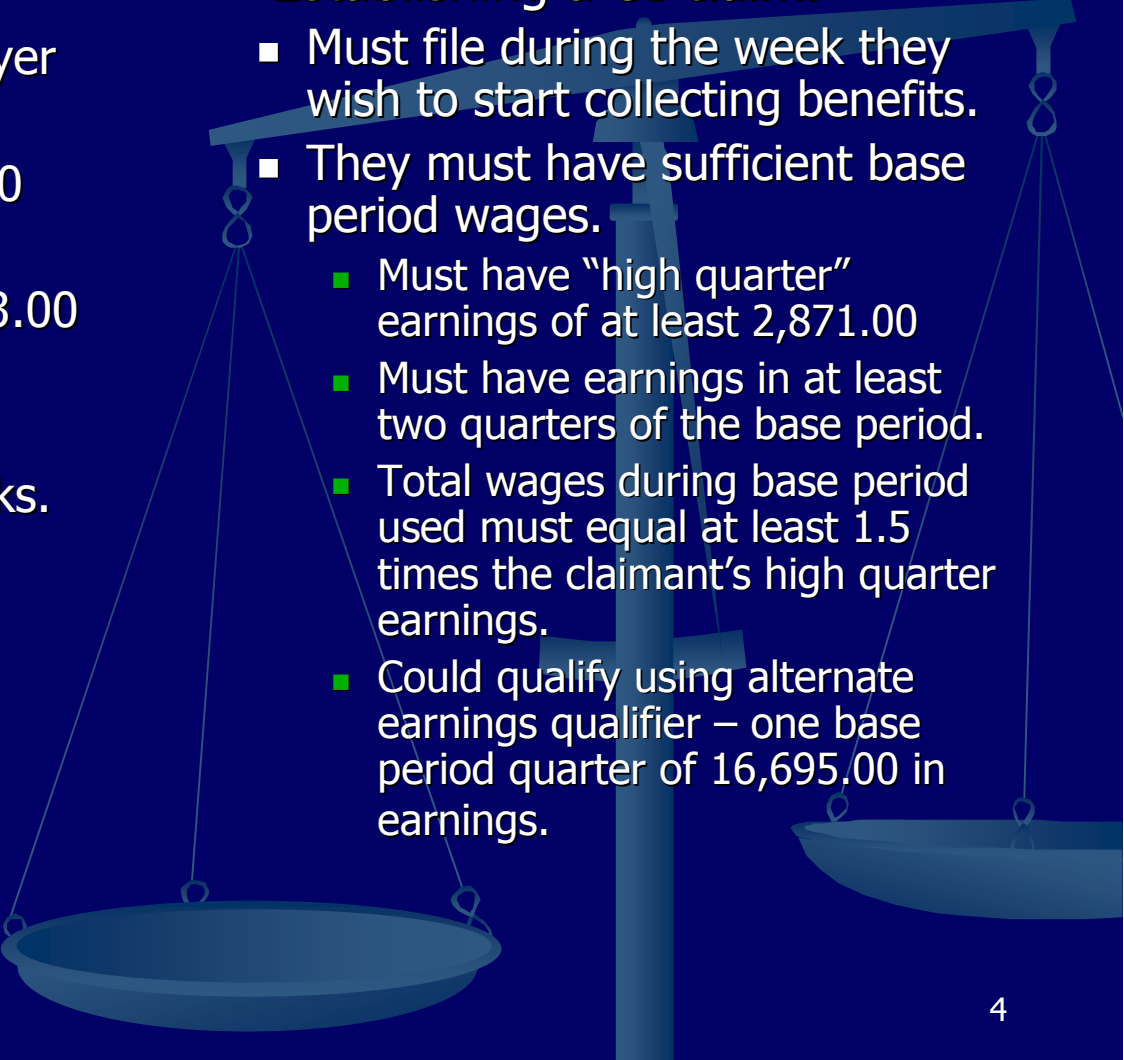
These issues are leading to

- Increased benefit amounts, UI tax rates, and payment multipliers without ideas in how to fund them.
- Unemployment already represents the third largest employer cost.
- UI costs to employers are expected to triple over the next 10 years.

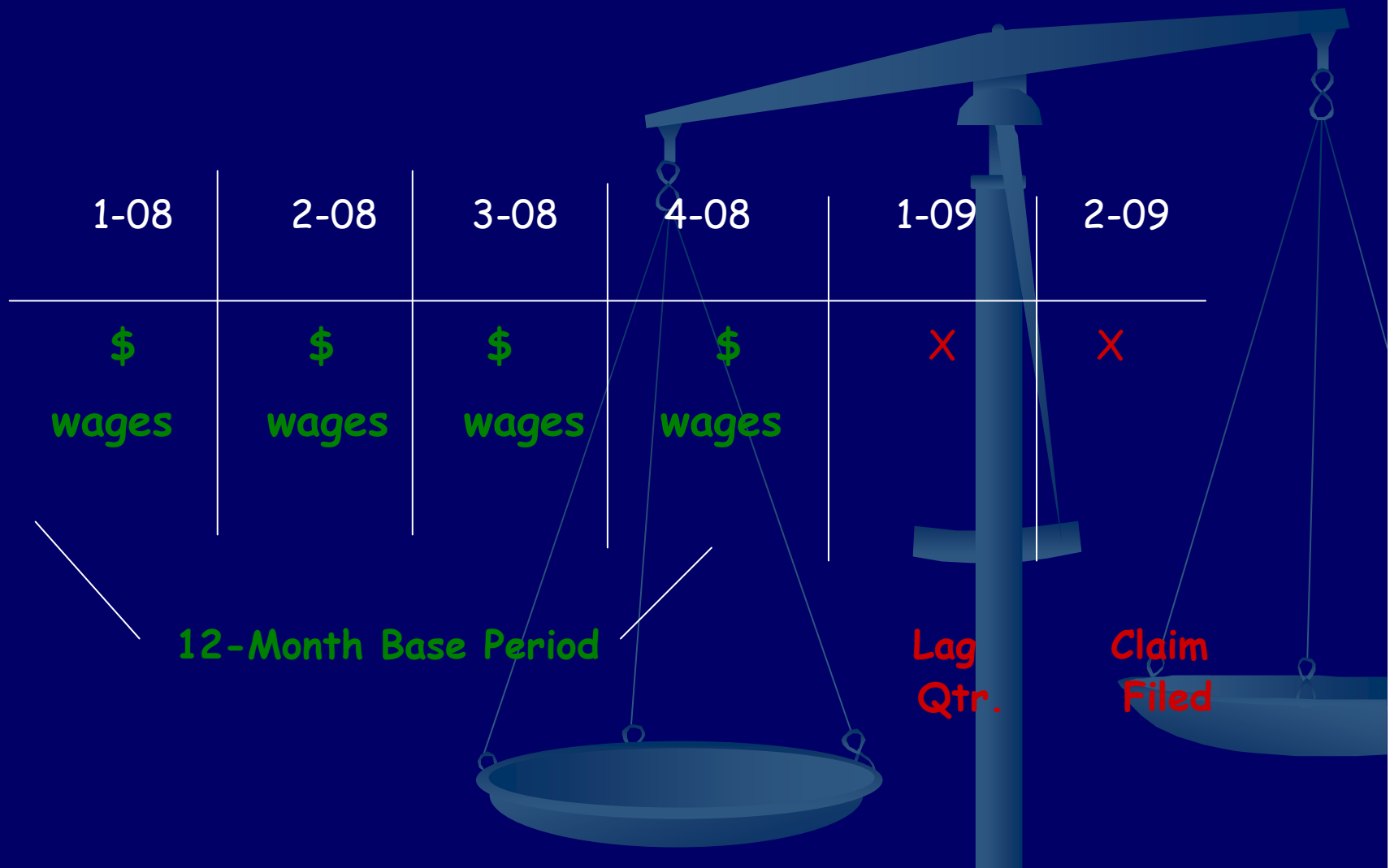
Why should employers care?

- Poor staffing/hiring choices will affect your ability to manage your UI costs significantly.
- The average overcharge can cost employers up to \$14,000 dollars in increased UI taxes over time.
- The average UI claim costs employers about \$7,500 dollars in UI charges.

Unemployment Basics

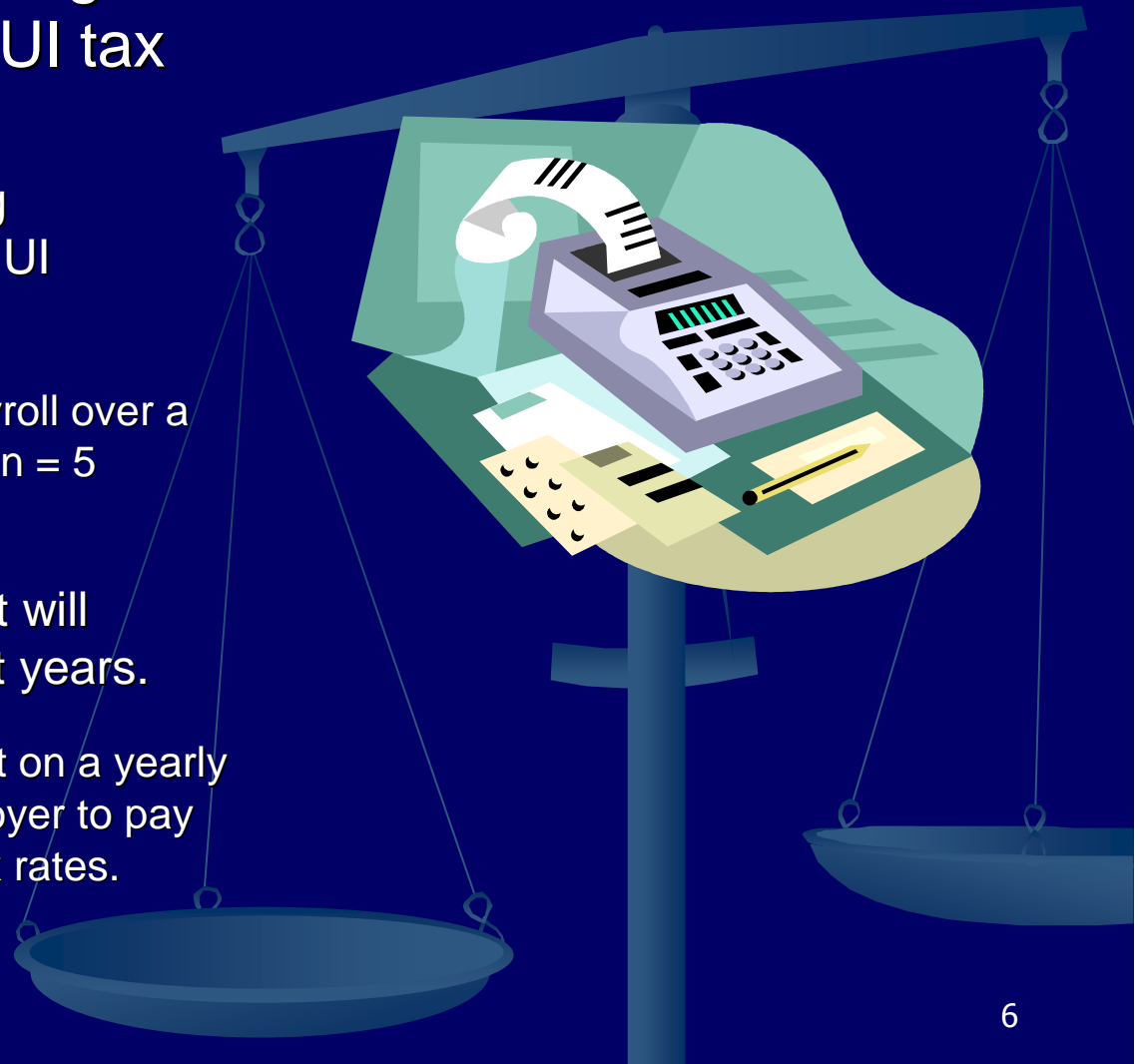
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- Claims filed and monetary determination sent to employer and claimant.
 - Employer or claimant have 10 days to protest claim.
 - Weekly benefit rate from 113.00 to 362.00/week (plus 25.00 federal increase).
 - Claim duration up to 26 weeks.
 - Four levels of protest for employer or claimant.
 - ✓ Initial protest.
 - ✓ Redetermination.
 - ✓ Hearing.
 - ✓ Board of Review
 - Establishing a UI claim.
 - Must file during the week they wish to start collecting benefits.
 - They must have sufficient base period wages.
 - Must have “high quarter” earnings of at least 2,871.00
 - Must have earnings in at least two quarters of the base period.
 - Total wages during base period used must equal at least 1.5 times the claimant’s high quarter earnings.
 - Could qualify using alternate earnings qualifier – one base period quarter of 16,695.00 in earnings.

What is a base period?



How are my UI taxes calculated?

- What is experience rating and how does it affect my UI tax rate?
 - Experience rating = taxing employers based on their UI performance.
 - ✓ Their UI charges and payroll over a period of time (in Michigan = 5 years).
 - Poor UI cost management will “haunt” you in subsequent years.
 - ✓ Poor claims management on a yearly basis will cause an employer to pay increasingly higher UI tax rates.



UI Costs

Employer A

200 employees.

6.5 % tax rate

\$9,000.00 (taxable wages)

\$117,00.00 (UI taxes)

- 1% rate reduction = \$18,000 in savings on UI taxes.
- 1% rate increase = \$18,000 in additional costs on UI taxes.

Employer B

1,000 employees

6.5 % tax rate

\$9,000.00 (taxable wages)

\$585,000.00 (UI taxes)

- 1% tax rate reduction = \$110,000 in savings on UI taxes.
- 1% tax rate increase = \$110,000 in additional costs on UI taxes.

How can employers reduce their tax rates?

By Lowering their UI Claims and Charges!

Hiring/Selection

Do ...

- the research to ensure the position is needed.
- make a plan for this process.
- Job descriptions are critical to every step of the process.
- ask the right questions before you post the position.
- the background and reference checks on all potential candidates.
- stage a proper interview (see handout).
- start training new staffer right away.

Do not ...

- hire from the “gut”.
- Ignore the job description or fail to update it periodically.
- forget to involve that position’s direct supervisor in the process.
- hire “warm bodies” (heartbeat optional).
- hire already employed candidates for potentially short term positions (at least not without realizing the additional costs).
- throw the new hire “to the wolves”.

PEO –vs- Temp Staffing

PEO's

■ Pluses

- Eliminates UI, W/C, Benefits, and Payroll administrative costs for employees.
- Your employees may get less expensive benefits.

■ Minuses

- Your employees often become their employees.
- The administrative fees/markup.
- You may lose your say in the day to day management of the staff.
- Many states are working to eliminate this type of organization.

Temporary Staffing Firms

■ Pluses

- You are not responsible for any of the administrative costs of the employee (UI, W/C, Benefits, and Payroll).
- You may have a larger pool of talent to draw from.
- You may eliminate positions with little repercussion.

■ Minuses

- These are not your employees.
- The fees often range from 35 to 100% of the employees wage.
- Depending on the firm, you may lose input into the employees placed at your location.

Make sure you negotiate the best deal possible (get help where needed)!

Layoffs –vs- Furloughs

Layoffs

■ Pluses

- Provides immediate financial relief (in relation to payroll).
- If layoffs are short-term, you may not lose staff permanently.

■ Minuses

- Negative morale among staff due to layoffs and increased workload.
- You must pay UI if they file.
- Long term layoffs will result in likely permanent loss of staff.
- Repeated layoffs will result in significant increase in UI tax rates.

Furloughs

■ Pluses

- Spreads the “pain” of cost savings.
- You may not lose staff in the short term.
- The likelihood of UI claims can be lessened with only 1 or 2 day furloughs.

■ Minuses

- Negative image with staff.
- Salaried staff must be furloughed for a full week (FLSA laws).
- When other work becomes available, the likelihood of furloughed staff leaving is high.

Make sure you effectively plan for either option before you implement it!

HR Practices

Important HR Practices

- Be smart in hiring/selection.
- Learn the UI system (get help).
- Develop a strong handbook, policies, and procedures.
 - These are your best chance to effectively manage your staff and UI costs.
- Train, Train, Train!
- Document, Document, Document!
 - This is your best chance to win UI claims.
- Institute an effective UI Claims Management Program asap.
 - Without this UI costs go up.

What makes you good at managing your staff also makes you good at managing your UI Costs (and others).





Thank You For Attending!

Any Questions?