



Memorandum

To: Senator Kevin Mullin, Chair, Senate Economic Development, Housing & General Affairs
Senator Tim Ashe, Chair, Senate Finance
Representative Bill Botzow, Chair, House Commerce & Economic Development
Representative Janet Ancel, Chair, House Ways & Means

From: Anne M. Noonan, Commissioner, Vermont Department of Labor

Date: 1/15/2015

Re: REPORT ON THE ONE-WEEK WAITING PERIOD FOR UNEMPLOYMENT INSURANCE BENEFITS

INTRODUCTION

In the 2010 legislative session, the Vermont Department of Labor (VDOL) was assigned a report due January 15, 2015 relating to the Unemployment Insurance (UI) one-week waiting period.

*S.290 Bill as introduced and as passed Senate and House 2009-2010 Session
Sec. 12. REPORT; ONE-WEEK WAITING PERIOD
The commissioner of the department of labor shall report to the house committees on commerce and economic development and on ways and means and the senate committees on economic development, housing and general affairs and on finance on the implementation of the one-week waiting period. The report shall include an analysis of the relationship between the one-week waiting period and the rate at which claimants return to work. The report shall be made no later than January 15, 2015.*

The laws surrounding UI were overhauled in the 2010 legislative session due to Vermont's diminishing, and ultimately negative, UI Trust Fund (TF) balance. The foundation of the reform's efforts was to balance the impacts to employers and UI claimants. As part of that reform, the Department was assigned a study of the one-week waiting period, i.e. the one-week lag between the filing of an initial UI claim and the paying of the first UI benefit check to the claimant. The one-week waiting period does not preclude a UI recipient from having access to their full 26 weeks of benefits.

The one-week waiting period was in the original Unemployment Insurance Act. The inclusion of the one-week waiting period was standard practice in Vermont's UI system until 2000. The

one-week waiting period was reinstated as part of the 2010 UI reform legislation. The waiting period was made effective July 1, 2012 and is set to sunset on July 1, 2017.

ONE-WEEK WAITING PERIOD RELATIVE TO DURATION

In conducting this analysis the VDOL was not able to draw a direct correlation between the application of the one-week waiting period and claimant duration. The chart provided below outlines average duration of UI claimants in Vermont since the earliest data available – December 1988. During this time span average duration of UI claimants in Vermont fluctuated from a high of 19.0 weeks to a low of 11.2 weeks. However, due to the complexity of the UI system and variables associated with UI claimant duration (economic conditions, unemployment rate, recessionary conditions, application of extended benefits, employer established return-to-work dates, workforce development services and trainings, individual claimant skill profile, etc.) it is not possible for the Department to establish a return to work rate that isolated specifically to the one-week waiting period. In addition and in consultation with federal US Department of Labor staff, no authoritative national research was found which pertains to the one-week waiting period and the rate at which UI claimants return to work.

IMPACT ON THE UNEMPLOYMENT INSURANCE TRUST FUND

In partnership with the U.S. Department of Labor's Employment and Training Administration (ETA), VDOL maintains a statistical model used for forecasting Vermont's UITF net¹ balance. Research conducted by ETA shows that the implementation of a one-week waiting period does create a cost savings to the UITF. VDOL, in partnership with the ETA, estimate an approximate reduction of 4% in the aggregate amount of UI benefits paid with the administration of a one-week waiting period. This relative measure creates a time dependent financial savings based on the current outlay of UI benefits. Under current economic conditions with an approximate payment of \$100M in annual UI benefits, the one-week waiting period results in an approximate annual savings of \$4M to the UITF.

¹ The ETA UITF model currently functions as a 'net' concept in that the individual UI accounts (loan account, cash account, etc.) are rolled up into a net concept. Out of model analysis is necessary to decipher model results.

