



BUSINESS BRIEFCASE

UNEMPLOYMENT IN 2021: UI FUND AND RATES

HR & LABOR LAW

What is Unemployment?

- Established in 1935 as part of the Social Security Act.
- Oklahoma first enacted unemployment legislation in 1936. It was amended in 1941 and removed the administration of the act from the Oklahoma Department of Labor to the Oklahoma Employment Security Commission(OESC). OESC collects unemployment insurance taxes from employers for financing payment of unemployment benefits to jobless workers. The agency also administers workforce services, economic research and analysis.

Goals of Unemployment Insurance:

- Intended to offer workers maintenance during periods of unemployment due to lack of work by providing partial wage replacement.
- Help maintain purchasing power and stabilize the economy, especially during recessions.

How It Works

Unemployment Insurance (UI): Unemployment insurance, often referred to as UI, is a federal-state partnership. It is a form of social insurance designed to help those who have lost their jobs through no fault of their own by temporarily replacing part of their wages.

Federal Role: States run the program but the federal government, through the U.S. Department of Labor, administers it. Grants are provided to states to administer the state's UI program.

State Role: States run their own UI program but it is overseen by the federal government. States pay the actual benefits (funded by taxes on employers) and the federal government pays the administrative costs. The costs of the benefits are funded by **payroll taxes paid by employers**. The taxes go into a fund called the unemployment insurance (UI fund). The funds in the UI fund can only be used to pay for unemployment compensation.

Employers pay a state and federal tax. States must comply with some federal requirements but are generally able to set eligibility criteria and benefit levels.

What are the Benefits: States determine the number and amount of benefits. Each individual receives a number of weeks and weekly dollar amount, which varies due to:

Qualifying for Unemployment (*must meet all three provisions*):

- Lost a job through no fault of their own,
- "Able to work, available to work, and actively seeking work"
- Earned a certain amount of money during a "base period"

2020

Oklahoma's Unemployment Benefits

Maximum Weekly Benefit Amount

Maximum weekly benefit amount for 2020 is \$539.

- This does not mean everyone will receive \$539.
- The amount an individual will qualify for depends on wages earned from covered employers during the base period.
- *This does not include CARES funding or extension of benefits.*

Maximum Number of Weeks

Oklahoma provides for a base of 26 weeks of unemployment. *This does not include CARES funding or extension of benefits.*

Work Search Requirements

A work search is typically required for individuals on/seeking unemployment benefits but is currently waived due to COVID-19.

Employer Unemployment Insurance (UI) Oklahoma Contribution Rates

Also referred to as unemployment tax

- Three factors contribute to the amount of an employer's contribution rate, which are set forth in state statute:

1. Benefit Wage Charges

- Benefit wage charges are the taxable base period wages reported by the employer to OESC for the claimant which have been used in determining the claimant's eligibility to receive benefits. These benefit wage charges are used in computing an employer's contribution rate.
- The best comparison for this is car insurance. The more claims an individual has, the higher the insurance premium. Therefore, the more claims an employer has, the higher the employer's contribution rate.

2. Conditional Factors

- Contribution rates on employers are increased when the balance of the UI fund dips below certain monetary thresholds. There are four conditional factors (a-d). Currently, Oklahoma is in no conditional factor. The state will be in "Conditional Factor D" in 2021.

3. Estimate of Financial Condition of the UI Fund – Surcharge

- If the UI Fund estimate for any quarter shows a balance at any time during the quarter of less than \$235 million, the OESC is directed to assess and collect a surcharge for that calendar quarter in an amount sufficient to keep the balance at \$25 million.