

# South Carolina Department of Employment and Workforce



# Changes in Administration



- Renamed Department of Employment and Workforce (DEW)
  - Renewed commitment to reemployment services
- Moved administration of the Workforce Investment Act (WIA) and Trade Adjustment Assistance (TAA) programs from the Department of Commerce to DEW



# Changes in Administration



- Replaced three Commissioners with Executive Director
  - Appointed by the Governor for 4 year term
  - Responsible for daily operations

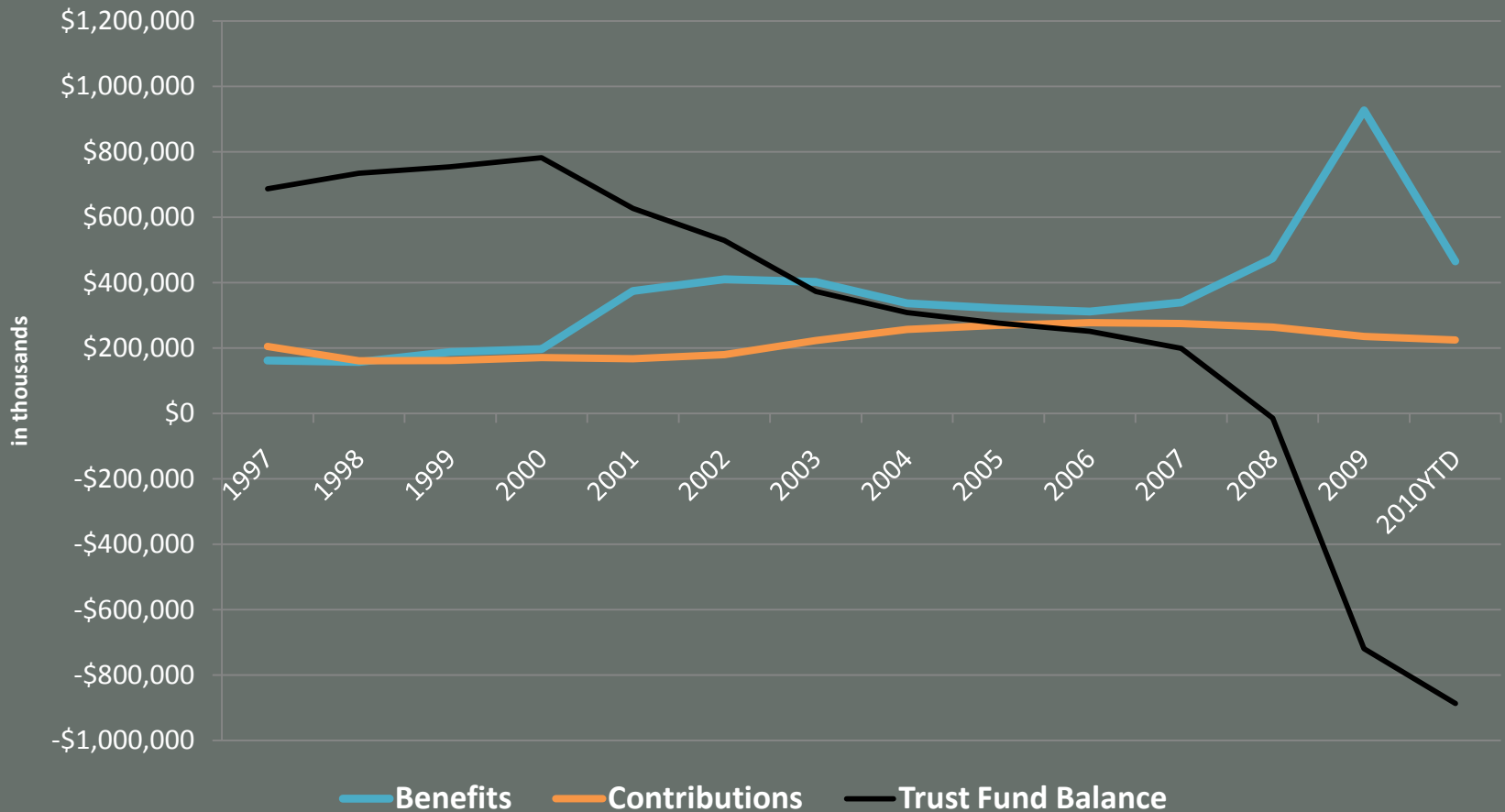


- Created three member Appellate Panel to hear higher level appeals for unemployment benefits
  - Replaced three Commissioners



# Factors Necessitating Change

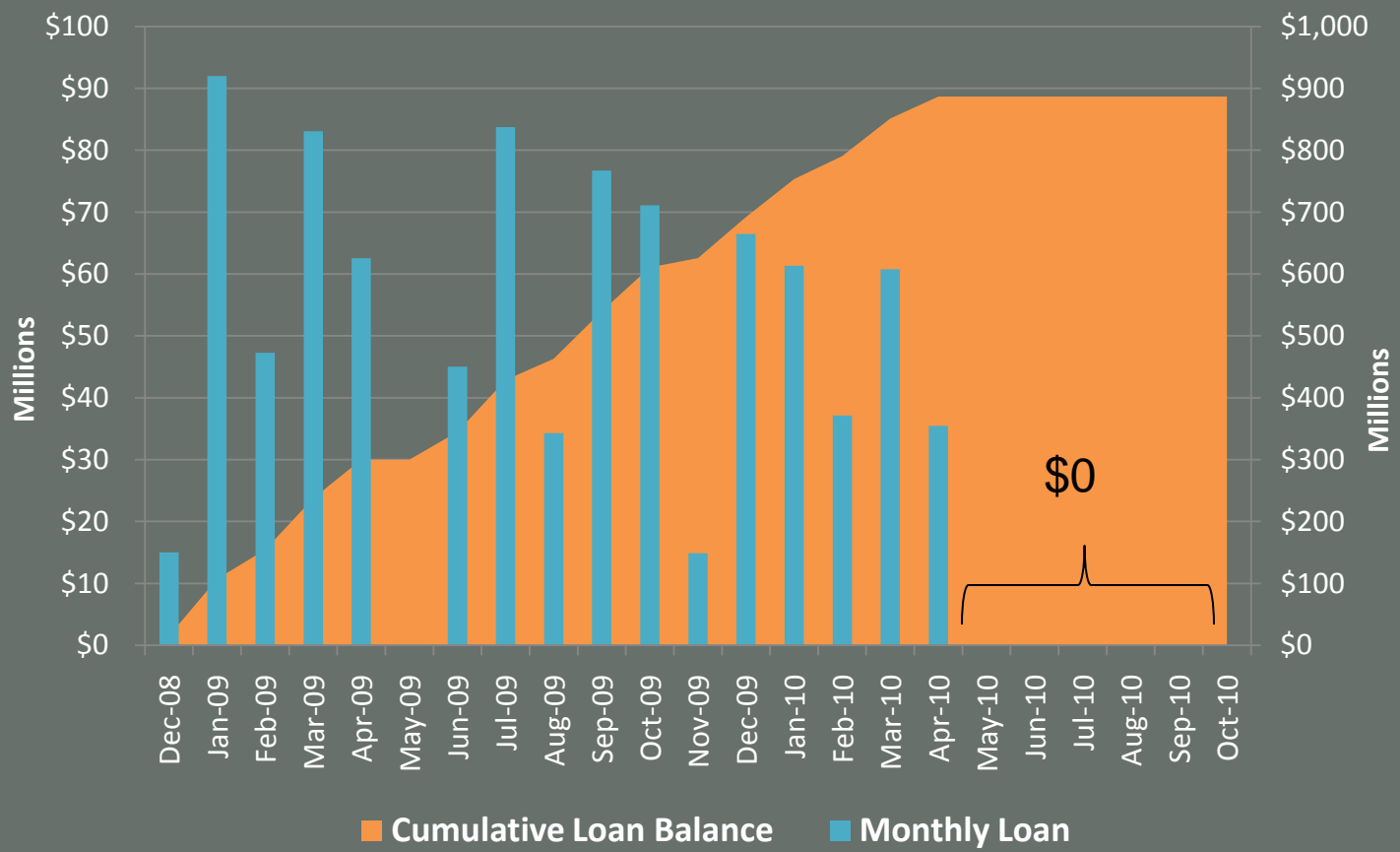
- Insolvent Unemployment Insurance (UI) Trust Fund





# Factors Necessitating Change

- Need to repay outstanding loans and interest to federal government.



Cumulative Loan Balance = \$886,662,352



# Factors Necessitating Change

- Estimated revenue needed in 2011

Benefits	Loan	Interest	Total
\$500 mil	\$146 mil	\$34 mil	\$680 mil

- Income generated with old tax system

Year	Contributions
2005	\$269.4 mil
2006	\$277.5 mil
2007	\$274.9 mil
2008	\$264.1 mil
2009	\$235.6 mil



# Fixing the Problem

- Raising Taxable Wage Base

Year	Contributions
2011	\$10,000
2012	\$12,000
2015	\$14,000
National Average	\$15,000+

- Basing tax rates and surcharges on estimated revenue needed to:
  - Pay benefits
  - Repay outstanding loans
  - Pay interest on loans



# Fixing the Problem

- Change in “experience rating” system to benefit ratio
  - Higher benefit ratio = more charges to system = higher tax class/rate
  - Lower benefit ratio = less charges to system = lower tax class/rate
  - Employers grouped by benefit ratio into 20 tax classes

## Old System = Reserve Ratio

- Uses lifetime contributions, benefit charges, and current year taxable wages to determine tax rate.
- “Long memory”

$$\frac{(Contributions - Benefits)}{TaxableWages} = RR$$

## New System = Benefit Ratio

- Uses up to 7 years of benefit charges and taxable wages to determine tax rate.
- “Rewards/punishes” more quickly

$$\frac{(Benefits)}{(TaxableWages)} = BR$$

# Official Tax Table 2011



Rate Class	Base Rate	Interest & Contingency	Total Effective Rate	Cost per Worker
1	0.00%	0.1031%	0.1031%	\$10.31
2	0.93%	0.1083%	1.0383%	\$103.83
3	1.03%	0.1170%	1.1470%	\$114.70
4	1.15%	0.1178%	1.2678%	\$126.78
5	1.28%	0.1220%	1.4020%	\$140.20
6	1.42%	0.1311%	1.5511%	\$155.11
7	1.58%	0.1368%	1.7168%	\$171.68
8	1.75%	0.1509%	1.9009%	\$190.09
9	1.95%	0.1554%	2.1054%	\$210.54
10	2.16%	0.1727%	2.3327%	\$233.27
11	2.40%	0.1852%	2.5852%	\$258.52
12	2.67%	0.1958%	2.8658%	\$286.58
13	5.11%	0.3181%	5.4281%	\$542.81
14	5.67%	0.3545%	6.0245%	\$602.45
15	6.30%	0.3872%	6.6872%	\$668.72
16	7.00%	0.4236%	7.4236%	\$742.36
17	7.78%	0.4618%	8.2418%	\$824.18
18	8.65%	0.5009%	9.1509%	\$915.09
19	9.61%	0.5509%	10.1609%	\$1,016.09
20	10.67%	0.6133%	11.2833%	\$1,128.33



# What if We Had Done Nothing?

- Would continue to borrow to pay benefits through at least 2018
  - Total loan of \$2.7 billion by 2018
- Federal Unemployment Taxes would increase to repay loan
  - Imposes greater burden of repayment on employers using system least
- Doesn't address interest payments
- Doesn't rebuild trust fund to adequate level

Year	Est. Tax Collections	Est. Benefit Payments	Additional Borrowing	Additional Cost per Worker
2011	\$275.4 m	\$500 m	\$224.6 m	\$42
2012	\$280.9 m	\$445 m	\$164.1 m	\$63
2013	\$286.5 m	\$345 m	\$58.5 m	\$84
2014	\$292.3 m	\$335 m	\$42.7 m	\$105
2015	\$298.1 m	\$317 m	\$18.9 m	\$126
2016	\$304.1 m	\$323 m	\$19.3 m	\$147
2017	\$310.1 m	\$330 m	\$19.7 m	\$168
2018	\$316.3 m	\$336 m	\$20.1 m	\$189



- Imposes greater burden of repayment on employers using system least

Rate Class	Legislated Solution (2011-18)	Do Nothing (2011-18)	Change in Average Cost (2011-2018)
1	\$1.82	\$202.30	-\$200.48
2	\$77.34	\$202.30	-\$124.96
3	\$85.93	\$202.30	-\$116.37
4	\$95.48	\$202.30	-\$106.82
5	\$106.09	\$202.30	-\$96.21
6	\$117.87	\$202.30	-\$84.43
7	\$130.97	\$202.30	-\$71.33
8	\$145.53	\$202.30	-\$56.77
9	\$161.69	\$202.30	-\$40.61
10	\$179.66	\$202.30	-\$22.64
11	\$199.62	\$202.30	-\$2.68
12	\$221.81	\$214.55	+\$7.26
13	\$424.35	\$239.05	+\$185.30
14	\$471.50	\$263.55	+\$207.95
15	\$523.89	\$288.05	+\$235.84
16	\$582.10	\$316.63	+\$265.47
17	\$646.78	\$349.30	+\$297.48
18	\$718.64	\$349.30	+\$369.34
19	\$798.49	\$388.50	+\$409.99
20	\$889.71	\$491.87	+\$397.84

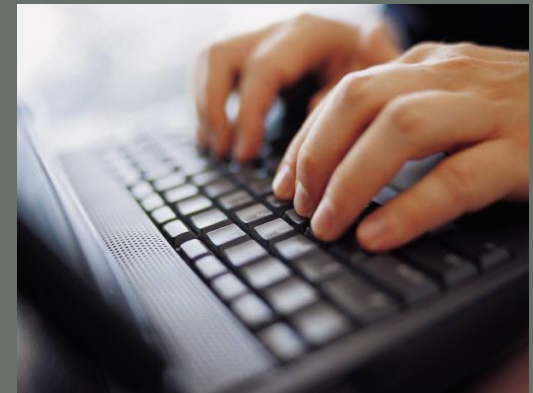
Approx. 60% of taxable wages; approx. 70% of employers

Excludes contingency assessment of 0.06%

# What We're Doing



- Compliance with disqualification periods for misconduct.
  - Increased disqualification periods for “fired for cause”-- expected to save Trust Fund \$20-\$30 million per year.
  - Ineligibility for “gross misconduct” expected to save Trust Fund \$4-\$8 million per year.
- Registering Unemployment claimants for work when they file their claim.
  - Researching a system to allow benefits to depend on attending mandatory meeting with employment services staff within 3 weeks of filing initial claim.



# What We're Doing

[www.SCOneStop.org](http://www.SCOneStop.org)



- New tool available for job seekers and employers looking for qualified workers.
  - Services for Job Seekers
    - Resume builder
    - Information on training and educational opportunities
    - Job search from spidered sites like Monster and CareerBuilder.com
  - Services for Employers
    - Candidate search/Virtual Recruiter
    - Post job openings
    - Labor market information



# What We're Doing



- Eliminating paper intensive processes.
  - Converting all unemployment benefit payments to direct deposit or prepaid debit card.
  - Employers have the ability to file contribution reports and pay taxes online through SCBOS or DEW website.
  
- Investing in technology to help identify and collect overpayments from fraud.
  - Keeps benefit costs and ultimately tax rates down.
  - Investigating federal tax offset program to help with collections.





# How Employers Can Help

## Employer “DEWs”

- Report new hires to the national and state new hire database to prevent overpayment
- Inform DEW if an individual refuses a suitable offer of work.
- Respond timely to agency request for separation information.
- Appeal eligibility decisions you believe to be inaccurate.
- Keep records of disciplinary action including warnings.

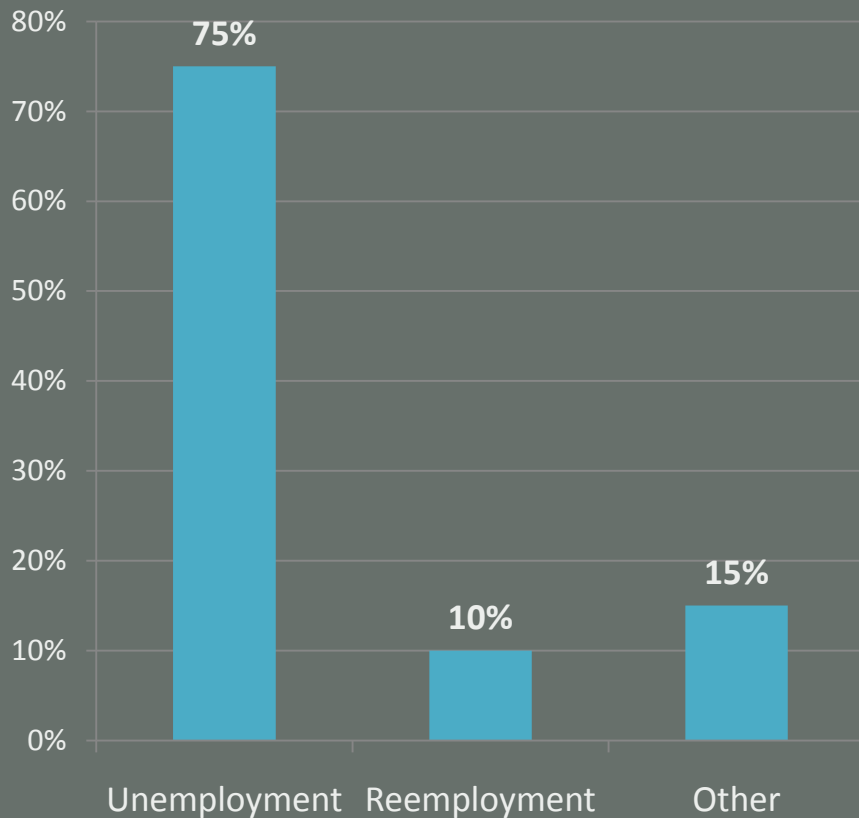
## Employer “DEW Nots”

- Do not rely on verbal policies...get it in writing.
- Do not assume the agency knows an individual voluntarily quit, retired, was fired for cause, or is reemployed...let us know.
- Do not use unemployment as a stop gap measure...use employees for other tasks during slow periods.
- Do not file contribution reports or pay taxes late to avoid penalties.

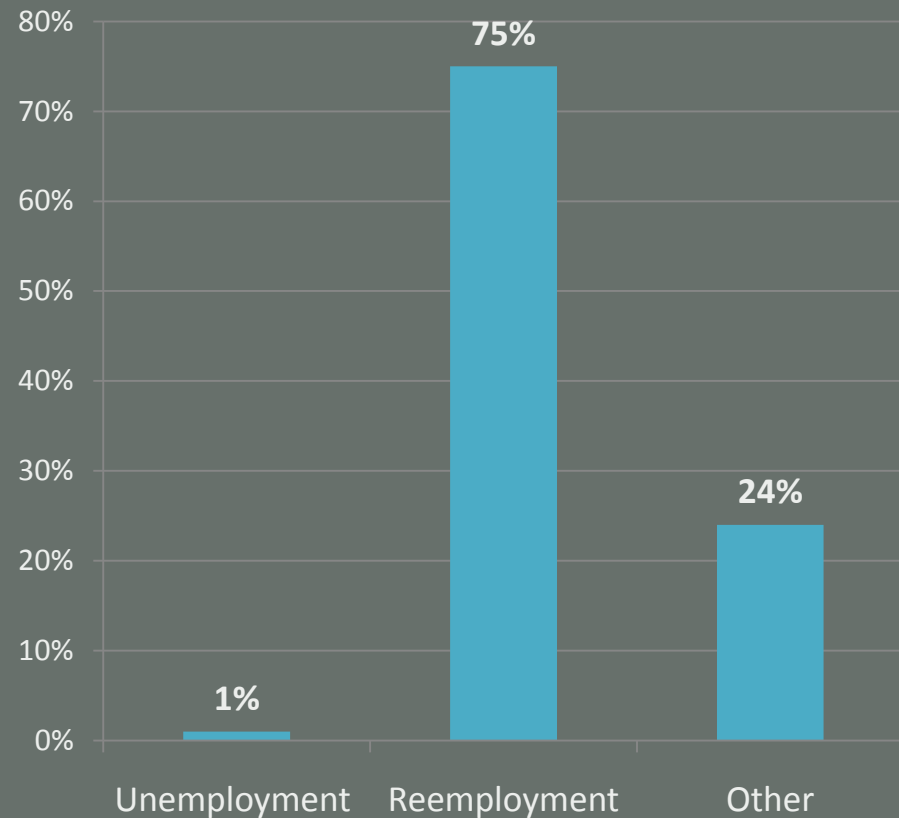
# Changing Focus from Unemployment to Re-employment



## Current One-Stop Services



## Future One-Stop Services





# How do we get there?

- Use call center approach and internet to serve UI claimants, freeing time for One-Stop staff to focus on re-employment issues.
- Train One-Stop staff in new job search methodology, training techniques for adults, customer service, etc.
- Require all claimants to report to a job counselor within 3 weeks of filing claim and to have a resume in the system no later than the end of the first month. If either requirement is not fulfilled, a hold will be put on the UI check.
- Institute a two-tiered UI “profiling” system:
  - Likely to exhaust or not;
  - A four to five category system from “basic skills deficient (no HS diploma or GED)” to “marketable” from the UI data file.
- Indicate categories on the electronic file sent to the re-employment counselors prior to the claimant’s first visit that will automatically determine the claimant’s first next steps: if basic skills deficient—immediate referral to WIA for GED preparation and test; if marketable—immediate scheduling for resume writing/interviewing workshop and first job referral, etc.



# How do we get there?

- Create a “marketing plan” for each individual listing the steps in his/her re-employment efforts.
- Create forms in SCBOS to alert businesses of referrals and to facilitate feedback on claimant follow-through, the adequacy of claimant’s qualifications, and the acceptance or rejection of job offers.
- Follow through at DEW based on the feedback—stop UI if a job has been accepted; stop UI if a job has been rejected or a claimant did not come to the interview; adjustment of desired qualifications of referrals if needed; revisit individual’s marketing plan if job not offered.

# Results

- Emphasis in One-Stops on re-employment through one-on-one counseling; workshops on resume writing, soft skills, etc; individual marketing plans; referrals for training and jobs; timely follow-up.
- Quick and easy service for UI through internet and call centers.

