

Update: February 2009

Tax Intelligence

Employer Downsizing – Impact on Unemployment Tax Costs

Situation

During the current economic downturn, many employers have been forced to layoff a portion of their workforce in an effort to reduce expenses. Recent information from the Bureau of Labor Statistics indicates nonfarm payroll employment fell by 598,000 in January, and the national unemployment rate rose from 7.2% to 7.6% in the same month.

Layoffs have long-term cost implications in the area of unemployment taxes. Unemployment claims filed by laid-off employees can not be protested and therefore the benefit charge activity impacts future unemployment tax rates.

Solution

Provide Early Layoff Notification

For many years, employers have been required by the Worker Adjustment and Retraining Notification (WARN) Act to give at least 60 days notice to all employees who will be affected by a plant closing or other mass layoff. Compliance with WARN, by design, can actually assist an employer in some layoff situations. Employees who know they will lose their jobs are likely to begin their work search sooner, and if they find work, will not file and collect unemployment benefits. Where possible, consider similar early notification, regardless of layoff size, to potentially reduce unemployment claims activity.

Consider Resources for Rapid Re-employment

Another resource to consider is offering some level of worker transition service to employees who have been or will be laid off. If the employee returns to work quickly, they are less likely to draw maximum unemployment benefits. The reduction in benefits will have a positive impact on future unemployment tax rates. By using the tools provided by a third-party service, such as an outplacement firm, employees will increase their ability to find new employment opportunities.

Value

TALX can provide **unemployment tax rate projections** to assist employers in forecasting the impact of increased unemployment claims activity.

For more information, regarding TALX Unemployment Cost Management solutions, please contact Pete Krieshok at (314) 214-7325 or by e-mail at pkrieshok@talx.com.