

Unemployment Update for Reimbursing Employers

Save Money by Winning Claims Up Front

A reimbursing employer is a not-for-profit employer that has elected to directly reimburse the state, on a dollar for dollar basis, for unemployment benefits paid to their former employees. This is different from merit rated employers that pay unemployment taxes based on a pre-determined tax rate. While this "pay as you go" formula has proven to be an effective cost control strategy, the rules are different. Knowing the rules in your state can keep you from paying more than your fair share.

Why is it so Important to Win Contestable Claims Up Front?

If you win at the initial level, the state will not be assessing any charges against you unless your former employee files an appeal and is able to get the decision reversed at a hearing. This has an immediate impact on unemployment costs. The result is smaller checks being written to reimburse the state for benefits paid on your behalf.

If you lose at the initial level, the former employee will immediately begin receiving benefits and the state will continue to assess charges against your account for each week they remain unemployed. You will continue to be invoiced for these charges until you are able to overturn the unfavorable decision by participating in an unemployment hearing and convincing the state to rule in your favor.

Due to the current economic environment and the large number of claims being appealed to hearings, it can take many weeks before an unemployment hearing is actually scheduled. Often, a high percentage of the liability associated with a claim may very well have been paid out and charged to your account before the hearing finally takes place.

Credits for Reimbursing Employers

Should you successfully plead your case and gain a disqualification following a hearing, the state will discontinue payments to the former employee and charges to your account will cease.

However, since reimbursing employers are not paying a tax that is deposited into the state's general fund, most states will not deplete this fund by issuing credits for reimbursable benefits already assessed and paid while waiting for a hearing to be scheduled. Credits will not be issued until an overpayment is established with your former employee and restitution is made to the state. This can be a lengthy process that results in the receipt of credits in very small amounts paid out over several years.

Formula for Winning Contestable Claims at the Initial Level

The formula is very simple. The only way to win claims up front is by providing specific details regarding an individual's reason for separation, along with the documentation necessary to back up your statements when requested.

The Department of Labor estimates unemployment benefit over-payments of approximately 9% - 10%. While 2009 data has not been released, if this ratio continues that means approximately \$8 billion in overpayments for 2009. About 20% of overpayments can be traced back to actions by the employer, such as they either didn't respond with adequate information or didn't respond at all.

In these challenging economic times, it has become even more critical to manage these controllable costs. If you provide a thorough and well documented initial response to the state, you will be able to save unemployment costs and use your cash to support other company initiatives.

TALX's experience, expertise, and proven results help employers navigate the uncertainty of the unemployment insurance system. For additional information regarding this article or other proactive unemployment cost management techniques, please visit our corporate blog at <http://blog.talx.com/> or contact Pete Krieshok at 314-214-7325, or by e-mail at pkrieshok@talx.com.