

Preliminary Cost-Benefit Analysis

Definition of Job Search Requirements

Introduction

Pursuant to RCW 34.05.328, the Employment Security Department (Department) hereby analyzes the costs and benefits of adopting the amendments to WAC 192-180-010. In order to be eligible to receive unemployment benefits, an unemployed individual must, among other requirements, be actively seeking work. RCW 50.20.010(1)(c). RCW 50.20.240(1)(b) requires individuals to make contacts with at least three employers per week or at least three documented in-person job search activities at the local reemployment center per week, or as otherwise directed by the Department to meet the intent of rigorous reemployment efforts. The proposed rule changes modify the definition of job search contacts and in-person job search activities. The proposed amended rule also clarifies that an in-person job search activity can take place virtually or remotely.

Costs

COSTS FOR THE DEPARTMENT

The Department anticipates a one-time cost of \$80,000 to implement the amended rule. The costs include Information Technology updates, policy manual updates, and staff training.

COSTS FOR THE PUBLIC

Employer contributions to the Unemployment Insurance Trust Fund (Trust Fund) are based on two factors: Experience Rating and Social Cost. Just as drivers with a history of at-risk behavior pay higher automobile insurance premiums, employers with a history of more benefit claims generally will pay a higher unemployment tax rate. During 2020, employers paid unemployment taxes on the first \$52,700 of each employee's earnings. The total tax for the year ranged from \$68 (employers in rate class 1) to \$3,014 (rate class 40). On average, the total tax per employee for 2020 was \$200.

Experience Rating

An employer's experience rating is based on charged benefits to the individual employer. The experience-based tax is based on the amount of unemployment benefits paid to former employees over the previous four years. The four-year rolling average cushions the effect of one bad year for an employer. There are 40 experience-rate classes, and employers move up and down those classes based on their past experience. New businesses are charged an experience rating associated with their respective industry until the business establishes an individual experience rating, with a federal mandated minimum of 1% for new businesses.

Social-Cost Tax

A social cost tax is paid by nearly all employers to cover the shared costs of the insurance system. For example, it recovers costs from the previous year that can't be attributed to a specific employer (e.g., benefits paid to workers whose company went out of business). During a deep recession, when benefit payouts far exceed the taxes collected, the social cost tax also increases somewhat to slow the decline of the trust fund's reserves, so employers aren't hit by sharper, more sudden tax increases in the future to protect the solvency of the fund.

Job Search Requirements Claims Costs

The proposed job search requirement changes do not expand a claimant's eligibility for benefits. As such, the proposed rule change will not create an additional tax liability for employers.

Benefits

Washington's economy has profoundly changed due to the COVID-19 pandemic and the emergency measures taken to prevent its spread. The proposed rule changes provide Washington's unemployed workers with more options and flexibility in how they search for work in order to adapt to this dynamic situation. Furthermore, as the state considers long-term pandemic response plans, requiring physical proximity between claimants and WorkSource staff unnecessarily increases safety risks for both claimants and staff, especially when claimants can receive support for their job search activities remotely or virtually.

Conclusion

The rule change supports the Department's mission to develop the nation's best and most future ready workforce with opportunities for all by providing UI claimants additional options and flexibility to meet work search requirements, providing economic stability to claimants while imposing no costs on employers. The proposed rule changes provide flexible and dynamic options to allow claimants to reenter the workforce. Therefore, the Department concludes the probable benefits of the proposed rule are greater than its probable costs.