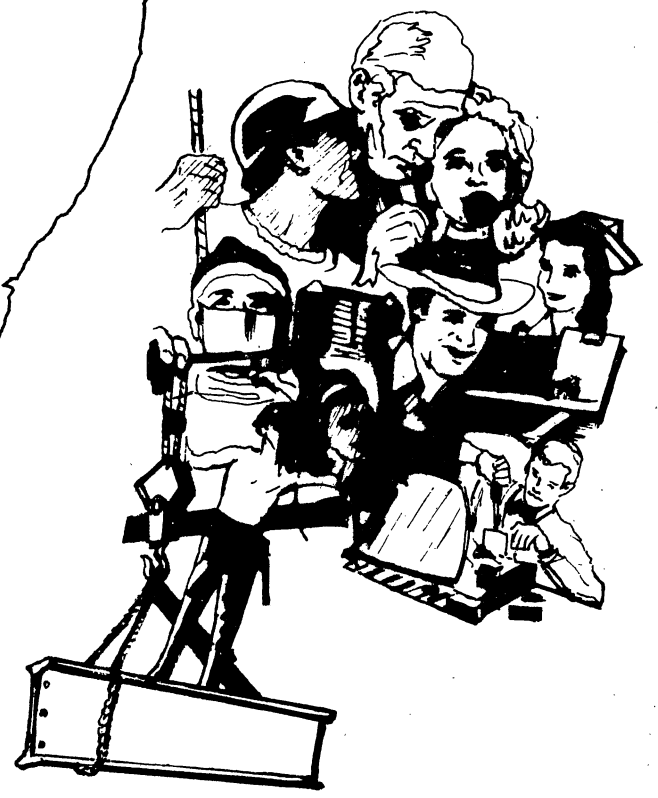
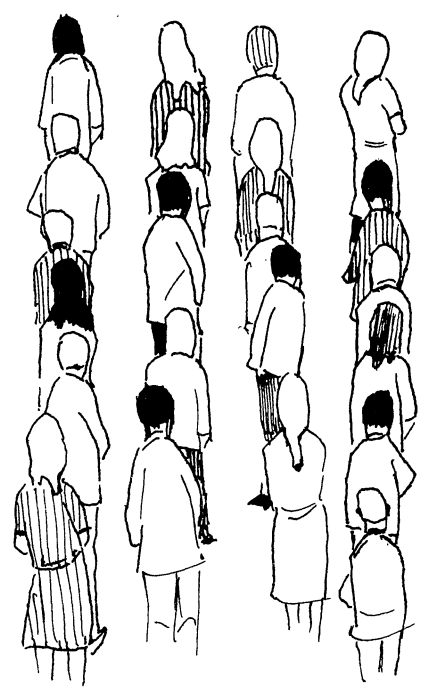


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# UNEMPLOYMENT INSURANCE TASK FORCE

## FINAL REPORT 1975



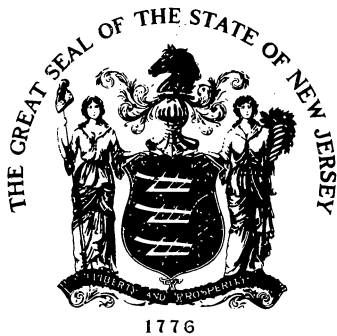
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NEW JERSEY STATE DEPARTMENT OF LABOR AND INDUSTRY

BRENDAN T. BYRNE, Governor

JOSEPH A. HOFFMAN, Commissioner





# UNEMPLOYMENT INSURANCE TASK FORCE

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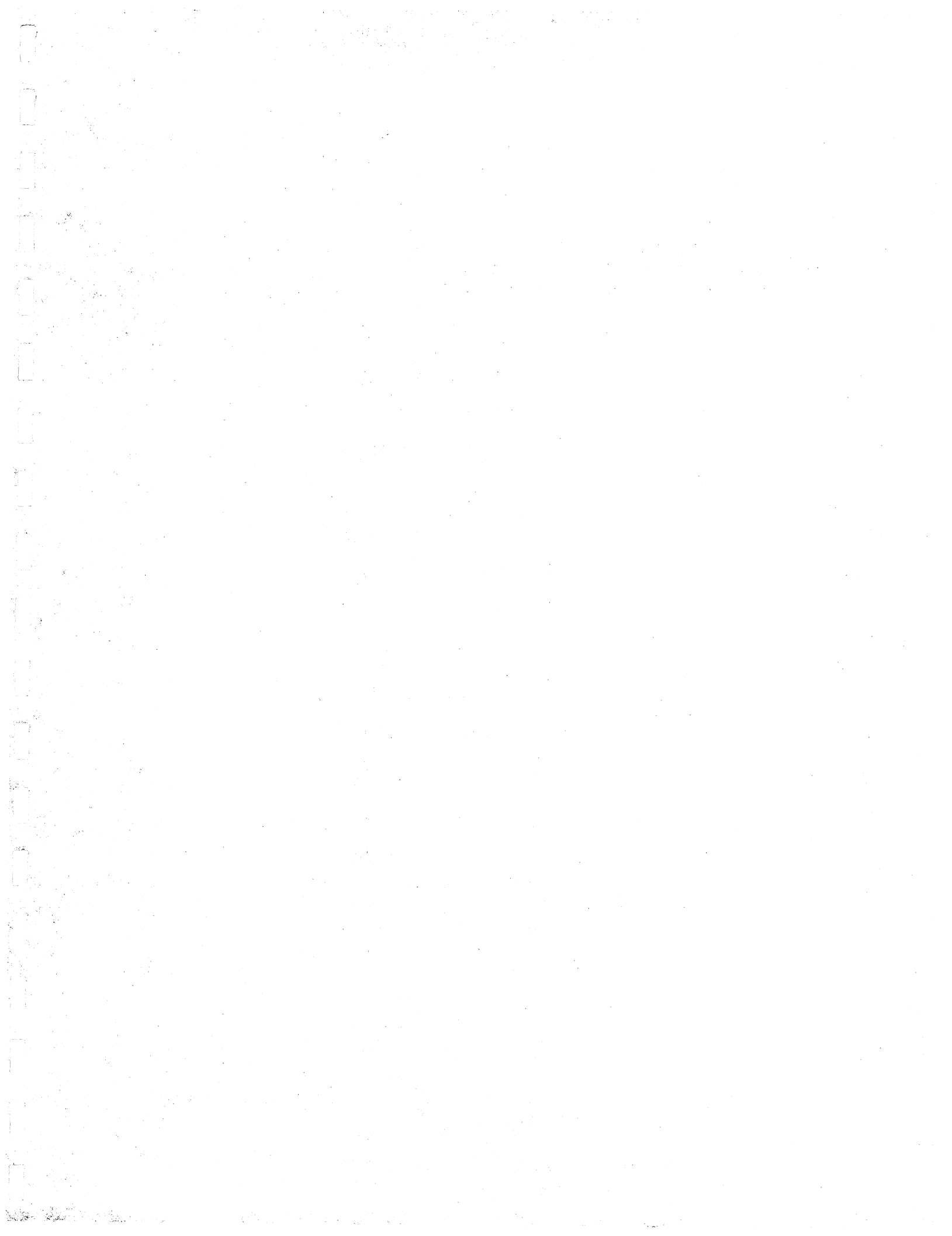
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## **Preface**

The Unemployment Insurance Task Force was established by Commissioner Joseph A. Hoffman in September of 1974. The Commissioner requested the Task Force to "undertake a comprehensive reevaluation of the New Jersey Unemployment Insurance Program, including its purposes, the law and its administration". During the past year, representatives from business, labor and the general public have worked together to generate a set of recommendations which forcefully address major problems and point to areas where improvements can be made in the structure and administration of the unemployment insurance program.

The effort has been a diligent one. At the outset of the comprehensive evaluation, the Task Force was aware that their charge was one of considerable breadth. The Task Force responded to this demanding charge, and beyond that, insisted upon depth and precision of analysis. Our pre-scheduled monthly meetings evolved into bi-monthly meetings, which in turn evolved into weekly sessions as research and debate gave form to this final report.

It is my hope that this report will serve not only as a guide for program planners and legislators in the months and years ahead, but that it may also be used as a model for future comprehensive evaluations in New Jersey and in other states.

I wish to thank the Task Force Members for the long hours and boundless energy so generously contributed in this cooperative effort to develop a more effective program of unemployment insurance in New Jersey.

*Joan H. Wiskowski, Director  
Unemployment Insurance Task Force*





STATE OF NEW JERSEY  
DEPARTMENT OF LABOR AND INDUSTRY  
JOSEPH A. HOFFMAN, COMMISSIONER

September 16, 1974

Dear Task Force Member:

I have established a Task Force on Unemployment Insurance to undertake a comprehensive reevaluation of the New Jersey Unemployment Insurance Program, including its purposes, the law and its administration. Such an extensive reevaluation can only be arrived at by assembling a group of individuals with long standing interest and commitment to develop a more effective program of Unemployment Insurance in New Jersey.

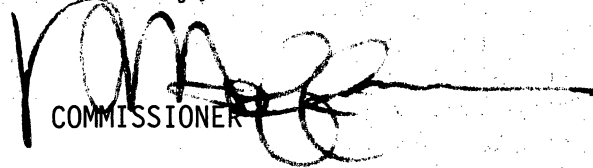
Since its enactment in 1935, the Unemployment Insurance Program has often been characterized as a controversial program. Many would agree that the difference of opinion regarding the purposes of the program are greater today than when it was formulated and enacted almost 40 years ago. It seems to me that this divergence of views is a result of many factors, including developments in the labor force, the economy and in economic knowledge. To some extent, it has arisen from differences in economic philosophy and opinions concerning the role of social insurance in our society. And, to some extent, it stems from fundamental disagreement about the primary objectives of Unemployment Insurance and the proper means of achieving them. More recently, conflict has increased as a result of changes in the character of the work force and by the changing nature of unemployment and the general economy.

The direct effect of the Unemployment Insurance Program on the personal incomes, employer taxes, federal-state relations and competition for economic development is felt with great impact in our State today. For these reasons, I feel we must shift our attention and methods away from piecemeal revisions addressing short run problems and pressures, toward comprehensive and carefully thought out revisions based on balance and consistency in objectives, following developments in economic knowledge, the economy and the work force. Such a study of the purposes and specifics of unemployment insurance will necessarily probe such issues as the equitable wage base, benefit levels, and eligibility requirements; also, experience rating, deficit accounts, federal matching programs for

high periods of unemployment, the role of the Employment Service, and the integration of wage replacement programs will be important to consider. This list is not intended to be exhaustive, but rather representative of the variables that should be considered in developing your policy recommendations on the purposes, the law and the administration of the Unemployment Insurance Program in New Jersey.

The establishment of this Task Force marks the first time in almost 40 years of experience with the Unemployment Insurance Program that a group of individuals has undertaken a comprehensive review and critique of all aspects of this social insurance institution. Such an important endeavor requires the kind of commitment I know you have made in agreeing to participate on the Task Force. I again wish to thank you for your participation on this Task Force and for your willingness to give of your time and knowledge to help us develop a more effective program of unemployment insurance for the State.

Sincerely,

  
COMMISSIONER

October 16, 1975

Honorable Joseph A. Hoffman  
Commissioner, Department of  
Labor and Industry  
Labor and Industry Building  
Trenton, New Jersey 08625

Dear Commissioner Hoffman:

This report marks the completion of our formal evaluation and analysis of the New Jersey Unemployment Insurance Program. We have found that much has been written over the years on the specific controversial issues surrounding the Unemployment Insurance Program, but few comprehensive studies have been made. It is our hope, in conducting a comprehensive review of the issues, that we have made a contribution toward a better understanding of this dynamic program.

In general, we have found that the Unemployment Insurance Program has won acceptance as one of our fundamental institutions of income security. However, we have also found the program to be subject to criticism from every side.

It has become clear to us during the course of the Task Force that the reasons for the controversy surrounding the Unemployment Insurance Program spring from differences in social philosophy. Workers who receive the benefits of the program put more emphasis on the adequacy of such benefits. Employers who pay the greatest cost of the program are more concerned with restrictions on those eligible for benefits and on the prevention of unwarranted benefit payments. In addition, there are also differences in political points of view as to whether the program should include greater state autonomy or more federal participation.

It is clear that we are able to present the wide range of recommendations for reform of the Unemployment Insurance Program contained in this report not because we reached unanimous agreement on each of the specific issues but because of our willingness to consider among alternatives in the interest of improving the entire Unemployment Insurance Program.

We trust that this report will be of assistance to you in your continuing efforts to improve the character and operation of the New Jersey Unemployment Insurance Program.

Unemployment Insurance Task Force





## **Introductory Issues**





## **Introductory Issues**

The body of this report is structured about five major chapters which delve into the wide range of coverage, eligibility, benefit, financing, and administrative issues confronting program administrators and legislators today. The most important deliberations, however, are perhaps the philosophical ones discussed below which have helped to direct and guide the work of the Task Force from the beginning of our investigations.

### **BASIC GOAL**

**THE BASIC GOAL OF THE PROGRAM IS TO PROVIDE LIMITED TERM FINANCIAL ASSISTANCE TO INVOLUNTARILY UNEMPLOYED INDIVIDUALS IN A RELIABLE AND DIGNIFIED MANNER.**

Most of what follows in this report reflects the thinking of the Task Force about what ought to be done in the interest of achieving this basic goal. It is agreed that benefits ought to be adequate enough to assist the individual in bridging the gap between productive employment. At the same time, it is affirmed that benefits ought not be overly generous to the extent that unemployment compensation becomes a desirable alternative to productive employment.

The Federal-State unemployment insurance program has traditionally adhered to insurance principles and has generally limited the term of compensation to 26 weeks. In recent years, however, repeated extensions of benefit duration up to 65 weeks have cost billions of dollars nationally and have added to the financial burdens of the states. During recession there is a need for continuing adequate financial aid beyond the basic 26 week program. However, the method of financing extended benefits needs to be thoroughly reevaluated.

### **WORK ETHIC**

**THE PROGRAM SHOULD BE DEFINED, DESIGNED, AND ADMINISTERED SUCH THAT IT IMPLICITLY AND EXPLICITLY PROMOTES THE WORK ETHIC.**

The Task Force agrees there is a need to clarify and reaffirm the consistency and relatedness of unemployment compensation and the work ethic. The unemployment compensation system was originally designed as an alternative to welfare; as a mechanism for assisting the individual in the transition between jobs. It is emphasized that this program should continue as a program for the working population and that it should be continuously scrutinized and molded so as to enhance the work ethic. Where possible, work

incentives should be introduced into the program, work disincentives should be deleted from the program.

The Task Force has consciously sought to identify and evaluate those elements of the ongoing unemployment compensation program which provide disincentives to return to work. For example, after-tax considerations, the wage replacement rate of two dollars for every three of earnings approaches former take home pay. After four full weeks of unemployment claimants may receive a bonus payment — regular payment plus payment for the waiting week. The partial benefit provision of the law permits the claimant to retain only a small percentage of partial earnings. The Task Force is concerned that, in some instances, these provisions may discourage individuals from seeking and accepting productive employment. The redrafting of these provisions to change the mix of benefit payments, to compensate for the waiting week upon return to work and to allow claimants to retain a larger share of part-time earnings would place the program in a more rational light of encouraging, rather than discouraging, return to work.

## **ECONOMIC AND SOCIAL WELL BEING**

### **THE UNEMPLOYMENT INSURANCE PROGRAM SHOULD CONTRIBUTE TO THE ECONOMIC AND SOCIAL WELL BEING OF THE GENERAL PUBLIC.**

Although the focus of the program is upon the unemployed individual, the objectives of the program are much broader. The benefit and financing provisions of the law ought to produce countercyclical impacts which benefit the entire community. Likewise, the program should make an important community-wide contribution of helping to maintain social stability by alleviating some of the inevitable financial stress resulting from unemployment and the loss of income and purchasing power. Finally, the program should not be viewed in a vacuum. Rather, it should be evaluated in the context of its complementary role to other manpower, income security, and economic development programs.

## **FUND SOLVENCY**

### **THE OBJECTIVES OF FUND SOLVENCY AND RESERVE ADEQUACY ARE CRITICAL TO THE INTEGRITY OF THE PROGRAM AND TO THE DE- GREE TO WHICH THE STATE MAY EXERCISE INFLUENCE IN DETERMINING THE FUTURE OF THE INSTITUTION.**

During the past nine months New Jersey has had to borrow funds in order to continue paying benefits to the insured unemployed. As of October 1, 1975, the outstanding loan totalled \$312 million.

The Task Force recommends that reserves be re-established in line with traditional standards of fund adequacy. Such a policy directive should be tempered by evolving economic conditions; that is, we should not rebuild our depleted unemployment insurance trust fund too rapidly for to do so would be inconsistent with the states need for economic regeneration. However, a definitive plan for re-establishing solvency and fund adequacy will help to improve the integrity and viability of New Jersey's unemployment compensation program.

## **PROGRAM EFFECTIVENESS AND IMAGE**

### **THE LAW AND ADMINISTRATION OF THE UNEMPLOYMENT INSURANCE PROGRAM SHOULD BE IMPROVED WHEREVER POSSIBLE TO ENHANCE THE EFFECTIVENESS AND IMAGE OF THE PROGRAM.**

After almost forty years of experience with Unemployment Insurance, in which time the program has become accepted as one of our basic social institutions there remains controversy and disagreement about the basic objectives of the program. Consequently, as differences in social philosophy give rise to controversy over basic program objectives, the effectiveness and image of the program suffer. Because of fundamental philosophical differences of opinion, the task of revising the program is a particularly difficult one. However, the program can and must be improved by a continuing effort on behalf of government, labor, management, and the general public.

Effectiveness and image are highly interrelated. It is advised that more effective services would improve the image of the unemployment insurance program. In turn, an improved image would lead to greater acceptability and program effectiveness. The Task Force would like to witness a more positive image growing out of a more personal service; a more positive image growing out of an innovative effort to assist unemployed individuals in the search for productive employment; and a more positive image growing out of an awareness that unemployment insurance is intended for the working population. It cannot be permitted to develop the image of a welfare program or an alternative to work.

These broad philosophical conclusions have aided the Task Force in sorting through a maze of difficult issues and in formulating a set of recommendations which will more effectively orient the program toward its basic goal of providing limited term financial assistance to involuntarily unemployed individuals in a reliable and dignified manner.





## **Summary of Recommendations**





## **Summary of Recommendations**

### **I. COVERAGE ISSUES**

#### **OBJECTIVE**

Unemployment insurance coverage should be extended to all wage and salary workers to the maximum degree practicable.

#### **A. AGRICULTURAL WORKERS**

Unemployment insurance protection should be extended to agricultural workers in establishments with four or more workers.

#### **B. STATE AND LOCAL GOVERNMENT**

Unemployment insurance protection should be extended to all state, local government and public school system employees.

#### **C. SELF-EMPLOYED**

The self-employed should continue to be excluded from the unemployment compensation law.

#### **D. HOUSEHOLD WORKERS**

Unemployment insurance protection should continue to household workers where the worker is employed by a commercial domestic service company or where the employer voluntarily elects coverage.

### **II. ELIGIBILITY ISSUES**

#### **OBJECTIVE**

Eligibility and disqualification provisions of the law should be defined such that only individuals demonstrably attached to the labor market are entitled to receive benefits.

#### **A. LABOR FORCE ATTACHMENT**

The alternative labor force attachment test should be defined as 1/3 the statewide average annual wage in covered employment.

**B. MISCONDUCT**

Distinguish between regular misconduct and gross misconduct. For regular misconduct, disqualify individual for a period of six weeks and reduce potential benefits by six times the weekly benefit rate. For gross misconduct, disqualify individual for a period of one year.

**C. VOLUNTARY QUIT**

Distinguish between voluntary quit with good personal cause and voluntary quit without good personal cause. For voluntary quit with good personal cause, disqualify individual for a period of four weeks and reduce potential benefits by four times the weekly benefit rate. For voluntary quit without good personal cause, disqualify individual until he/she earns ten times the weekly benefit rate and reduce potential benefits by ten times the weekly benefit rate.

**D. SUITABLE WORK**

Define suitable work such that claimants may be required to accept a wider range of related work. For refusal of suitable work, disqualify individual until he/she earns ten times the weekly benefit rate and reduce potential benefits by ten times the weekly benefit rate.

**E. FRAUD**

An individual who receives benefits as the result of any false or fraudulent representation should be disqualified from receiving benefits for a period of one year.

**F. PENSION INCOME INTERVIEW**

Amend law to provide that a retirement pension beneficiary "is presumed to have withdrawn from the labor force and shall be ineligible for unemployment compensation benefits unless and until it is demonstrated that such individual has not voluntarily withdrawn from the labor force".

**G. PENSION OFFSET**

Deny or limit benefits to persons receiving private pensions to which a chargeable employer is contributing or has contributed on behalf of the individual. The unemployment benefit will be reduced in the same manner that benefits are reduced when the claimant has partial earnings.

**H. ACTIVE SEARCH FOR WORK**

Develop a comprehensive range of claimant services to assist the unemployed in the search for productive employment.

**III. BENEFIT ISSUES**

**OBJECTIVE**

Unemployment benefits should be high enough to enable the unemployed individual to obtain living essentials through limited periods of unemployment. However, unemployment benefits should not be so high as to serve as an economic disincentive to remain unemployed.

**A. BENEFIT FORMULA**

Provide one-half wage replacement up to a maximum weekly benefit amount of two-thirds the statewide average weekly wage. Supplement this basic formula with dependency benefits of \$5 per dependent up to a maximum of \$15 in additional benefits.

**B. REGULAR DURATION (MAXIMUM TOTAL BENEFITS)**

Amend formula for determining each claimant's regular duration (maximum total benefits) potential such that the individual may receive the higher of three-fourths base weeks or one-third total wages divided by the weekly benefit rate. Maximum regular duration should continue to be limited to 26 weeks.

**C. EXTENDED DURATION**

All extended benefit payments beyond the regular 26 week limit should be supported exclusively by the federal government through the use of general revenues.

**D. WAITING WEEK**

Provide for payment of the waiting week upon return to work.

**E. PARTIAL BENEFITS**

It is recommended that the partial benefit provision of the law be restructured to provide incentives for the unemployed individual to seek and accept part-time work if full-time work is unavailable.

**F. AVERAGE WEEKLY WAGE**

Review formula for determining an individual's average weekly wage and evaluate methods by which the formula might be defined to more equitably reflect the individual's earnings experience.

**G. BENEFIT RIGHTS DETERMINATIONS**

Evaluate relative cost and feasibility of establishing a "wage record system" for determining claimant eligibility and benefit entitlement.

**IV. FINANCING ISSUES**

**OBJECTIVE**

The overriding financing objective is to provide funds for the payment of unemployment benefits as mandated by law. Ideally, surplus funds should be acquired during times of economic expansion; during economic downturns, these reserves should be utilized to finance high recessionary benefit costs.

**A. FUND STANDARD**

Continue the present fund standard of 8.5 percent of taxable wages.

**B. WAGE BASE**

Continue the recently enacted adjustable taxable wage base defined as 28 times the statewide average weekly wage in covered employment.

**C. CONTRIBUTION RATES**

Increase employer contribution rates above the current maximum of 6.2 percent; change distribution of the 1.0 percent worker contribution rate such that .75 percent is earmarked for unemployment insurance benefits and .25 percent is earmarked for temporary disability insurance benefits. Authorize Commissioner to redistribute the 1.0 percent worker contribution rate as deemed most desirable to obtain funding objectives in the future.

**D. SURTAX**

Levy a limited duration surtax upon workers and employers as part of an overall strategy to rebuild fund reserves.

**E. EMPLOYER RESERVE RATIOS**

Redefine employer reserve ratio categories to make the tax table more symmetrical and increase the revenue producing capacity of the program.

**F. FUND RESERVE RATIOS**

Redefine fund reserve ratio categories to increase the degree of responsiveness built into the system of rate adjustments.

**G. AVERAGE ANNUAL PAYROLL FORMULA**

For experience rating purposes, define the employers payroll as the taxable payroll of the "last three preceding years" rather than the "last three or five preceding years, whichever average is the higher".

**H. EXPERIENCE RATING INFORMATION BASE**

Conduct additional study of the impact on the fund which would result from redefining the experience rating information base as "all experience of the past ten years" rather than "all experience of all years".

**I. CHARGES TO EMPLOYER ACCOUNTS**

Monitor benefit charges to employers' accounts so that employers are not charged more than 50% of claimants' base period wages. Also, do not charge benefit payments to an employer's account where benefits are due directly to a disaster or where the individual has voluntarily terminated employment with the employer.

**J. FINANCING INCENTIVES**

Introduce additional financing incentives into the unemployment insurance program to encourage more economically desirable employment practices, to encourage business to locate and expand in New Jersey, and to encourage employers to hire unemployment insurance claimants.

**K. THE LOAN**

Efforts should continue to promote legislation which will establish a more lenient loan repayment schedule.

**L. GENERAL FEDERAL REVENUES**

It is recommended that the state promote the use of general federal revenues. States should continue to finance "normal" costs -- benefits related to unemployment rates of 6.0% and less; the federal government should use general revenues to finance "recessionary" costs -- benefits related to unemployment rates above the 6.0% level. All extended benefits beyond 26 weeks should also be financed by the federal government through the use of general federal revenues.

**V. ADMINISTRATIVE ISSUES**

**OBJECTIVE**

The primary charge to program administrators is to continuously provide for the fair and uniform determination of eligibility rights and the prompt payment of unemployment benefits.

**A. PREAMBLE**

The preamble to the unemployment compensation law should be interpreted to affirm that provisions of the law should be developed and administered consistent with the goal of complementing and promoting the work ethic.

**B. ROLE OF FEDERAL GOVERNMENT**

The Task Force supports the federal-state allocation of responsibility for the unemployment compensation program and opposes abrupt or evolutionary federal dominance of the program.

**C. SERVICES-TO-CLAIMANTS PROGRAM**

Reintroduce and further develop the services-to-claimants program.

**D. AUXILIARY FUND**

Promote legislation to permit the auxiliary fund to be utilized for a variety of purposes including claimant services, research studies aimed at promoting employment opportunities for unemployment

insurance claimants, and the development and implementation of pilot projects to try out new ideas and innovative approaches to unemployment problems.

**E. EMPLOYER MANUAL**

Develop an employer manual which will include a summary of the program, the law, precedent decisions, employer responsibilities, samples of forms, and instructions for completing forms.

**F. DATA RESOURCES**

There is a need for a comprehensive review of currently available data resources and implementation of an improved management information system.

**G. RESEARCH AND DEVELOPMENT**

Unemployment insurance research and development activities in the agency typically focus upon analysis of emerging management problems. It is recommended that research studies (experience of seasonal industries, post-exhaustion experience, repeater claimants, claimant characteristics, causes of unemployment, benefit adequacy, etc.) which contribute to more informed policy decision making be conducted.

**H. UNEMPLOYMENT RATE**

There is a need for a comprehensive philosophical and methodological review of the definition and calculation of the unemployment rate.

**I. EMPLOYER ACCOUNT NUMBER**

Evaluate advantages and feasibility of establishing a uniform interagency account number. Such a common number would streamline both business and government administration.

**J. STAFF TRAINING**

Develop a more thorough, ongoing program of technical staff training including training in claims taking, claims examinations, adjudications, claimant services, and public service relations.

**K. ACCOUNTS RECEIVABLE**

Mount a vigorous accounts receivable collection campaign. Increase interest rate for late payment from 1% per month to 1 1/2% per month.

**L. UNCOLLECTIBLE ACCOUNTS RECEIVABLE**

Study the possibility of appointing a special commissioned constable to seek collection of the difficult "uncollectible accounts receivable".

**M. APPEALS SYSTEM**

Review the Appeals System with the objective of standardizing time limits and introducing other changes which would make the overall appeal process more equitable and efficient.

**N. FRAUD PENALTY AND PROCEDURES**

Implement penalty and procedural changes to discourage and reduce the incidence of fraud.

**O. SECURITY DEPOSITS**

Require the provision for collecting 1% security deposit required of non-profit organizations electing to finance benefits on a reimbursement basis be mandatory.

**P. VOLUNTARY REGISTRATION**

The Task Force recommends a review of the voluntary registration procedure.

**Q. UNEMPLOYMENT INSURANCE - EMPLOYMENT SERVICE RELATIONSHIP**

The current Unemployment Insurance - Employment Service organizational structure establishes a reasonable division of task responsibility. This structure should be affirmed and implemented in the interest of improving the services of the Department to the public.

**CHAPTER 1**

**Coverage Issues**



## Coverage Issues

*The primary objective of unemployment insurance is to alleviate the hardships that result from the loss of wage income during unemployment. Other objectives are secondary.*

*William Haber and Merril G. Murray,  
Unemployment Insurance in the  
American Economy.*

### OBJECTIVE

#### **UNEMPLOYMENT INSURANCE COVERAGE SHOULD BE EXTENDED TO ALL WAGE AND SALARY WORKERS TO THE MAXIMUM DEGREE PRACTICABLE.**

Unemployment insurance is widely recognized as the American worker's first line of defense against the hardships and stress associated with involuntary unemployment and the loss of one's income. In large measure, this fundamental social security objective can be met only to the extent to which workers are brought under the fold of unemployment insurance coverage. The original federal-state unemployment insurance system excluded the following:

- Agricultural Labor
- Domestic service in private homes
- Maritime workers
- Service performed by an individual in the employ of his son, daughter, spouse, or by a minor child in the employ of his mother or father
- Federal, State, and local government workers
- Nonprofit organizations
- Small establishments employing less than eight workers

In 1940, only 60% of New Jersey's labor force was afforded unemployment insurance coverage. Over the years, coverage has been extended to maritime workers, federal workers, state workers employed in institutions of higher education, state hospitals, nonprofit organizations, and small establishments employing one or more individuals. Today, approximately 80% of New

Jersey's labor force is covered by a permanent\* state or federal unemployment insurance program.

New Jersey's business and labor communities have periodically considered the desirability and feasibility of extending coverage to additional segments of the labor force. Over the years, many of the serious reservations about legality (maritime workers), administrative feasibility (small establishments), cost (agricultural workers), the measurement of loss (unpaid family workers), and labor force attachment (work-study programs) have been overcome as state-wide conditions dictate need and feasibility. Today, it is generally agreed that universal coverage of wage and salary employees is desirable and feasible.

## **AGRICULTURAL WORKERS**

### **UNEMPLOYMENT INSURANCE PROTECTION SHOULD BE EXTENDED TO AGRICULTURAL WORKERS IN ESTABLISHMENTS WITH FOUR OR MORE WORKERS.**

One out of every 100 New Jersey workers is engaged in agriculture. In the past, questions of cost, seasonality, transience, and administration have persisted and prevented extension of unemployment insurance to the agricultural industry. Today the mood is different. Routine administrative experience with voluntary coverage of agricultural establishments has demonstrated that concern about administrative feasibility ought not to prevent extension of coverage to this segment of the labor force. Average costs to cover agricultural workers will be higher than average overall costs. It is expected that the net fund drain during the first three years of the program will approximate \$2 million annually. After this three year period, experience rated premiums will be levied, thus reducing the annual net fund drain.

The Task Force recommends that unemployment insurance coverage be extended to agricultural workers. The coverage provision which is currently suggested by the federal government (cover establishments with four or more workers) is viewed as the most desirable provision.

## **STATE AND LOCAL GOVERNMENT**

### **UNEMPLOYMENT INSURANCE PROTECTION SHOULD BE EXTENDED TO ALL STATE, LOCAL GOVERNMENT AND PUBLIC SCHOOL SYSTEM EMPLOYEES.**

*\* A special Unemployment Assistance Program was adopted by the Congress to temporarily extend unemployment insurance coverage to workers who are excluded from regular coverage. The program is an anti-recessionary measure which will continue by law through March, 1977. Until then, agricultural workers, state and local government workers, public school system employees, and household workers may receive unemployment benefits if involuntarily unemployed and able to meet the states' labor force attachment tests.*

State and local government employees represent the largest single group of workers remaining outside the scope of the unemployment insurance program. At present, there are approximately 364,000 individuals employed in New Jersey state and local government.

● State Government	74,000
● Local Government	131,000
● Public School Systems	159,000

Of this public work force, approximately 26,000 individuals employed in state hospitals and state institutions of higher education are covered by provisions of the regular state unemployment compensation law. Coverage was extended to these workers in 1972, as a consequence of federal legislative initiatives. Unemployment insurance benefit costs for these government workers (\$51 per covered job during 1974) are substantially less than the overall average benefit cost per covered worker (\$196 per covered job during 1974). Extension of coverage to these New Jersey government workers has presented no major costs or administrative problems. On the basis of the experience of recent years, it is recommended that coverage be extended to all state and local government employees. Costs would be financed on a reimbursable basis by individual governmental units and public school systems. Worker contributions (maximum \$24 during 1975) will finance approximately half of anticipated costs.

#### **SELF-EMPLOYED**

##### **THE SELF-EMPLOYED SHOULD CONTINUE TO BE EXCLUDED FROM THE UNEMPLOYMENT COMPENSATION LAW.**

The Task Force recommends continued exclusion of the self-employed from New Jersey's unemployment compensation law because of the conflict of interest problems in determining availability for work, active search for work, and employment status which such a provision implies. California has experimented with a limited provision which covers certain self-employed individuals upon request. However, overall experience with this provision has been unfavorable.

#### **HOUSEHOLD WORKERS**

##### **UNEMPLOYMENT INSURANCE PROTECTION SHOULD CONTINUE TO HOUSEHOLD WORKERS WHERE THE WORKER IS EMPLOYED BY A COMMERCIAL DOMESTIC SERVICE COMPANY OR WHERE THE EMPLOYER VOLUNTARILY ELECTS COVERAGE.**

A majority of household workers are independent day workers, who for purposes of unemployment insurance coverage, highly characterize the self-employed. The same conflict of interest problems inherent in extending unemployment insurance coverage to the self-employed are of concern in extending coverage to household workers.

The law currently covers household workers employed by commercial domestic service companies. In addition, employers with full-time domestic staff may provide coverage through voluntary election provisions of the law.

**CHAPTER 2**

**Eligibility Issues**



## Eligibility Issues

*The common opinion is, and always has been, that the objective of the program is to protect the "regular" worker against wage loss.*

*George S. Roche,  
Entitlement to Unemployment  
Insurance Benefits*

### OBJECTIVE

**ELIGIBILITY AND DISQUALIFICATION PROVISIONS OF THE LAW SHOULD BE DEFINED SUCH THAT ONLY INDIVIDUALS DEMONSTRABLY ATTACHED TO THE LABOR MARKET ARE ENTITLED TO RECEIVE BENEFITS.**

While the primary objective of unemployment insurance is to protect against wage loss, even this objective is a limited one, not intended to affect every unemployed worker in the labor market. It has already been noted that unemployment insurance coverage is not universal and that among industries which are covered, benefits are paid only to individuals who are involuntarily unemployed. Beyond these broad legal constraints, the unemployment insurance system is fundamentally oriented toward paying benefits only to those who are regularly attached to the labor market while excluding from benefits those who are marginally attached. If unemployment insurance is extended to marginally attached workers, there is the prospect that the program might be systematically abused as a wage supplement program, as a substitute for work. It is important that such economic disincentives be excluded from the program. Conversely, where possible, work incentives should be introduced.

Beyond the basic labor force attachment test, the unemployment insurance claimant may have benefits reduced or denied for a variety of reasons including misconduct, refusal of suitable work, voluntarily leaving one's job, or fraud. The Task Force reviewed each of these disqualifying provisions and investigated additional eligibility provisions which might be incorporated into New Jersey's Unemployment Insurance Program.

### LABOR FORCE ATTACHMENT

**THE ALTERNATIVE LABOR FORCE ATTACHMENT TEST SHOULD BE DEFINED AS 1/3\* THE STATE-WIDE AVERAGE ANNUAL WAGE IN COVERED EMPLOYMENT.**

*\* One-third the statewide average annual wage during the second preceding calendar year, increased to the next highest multiple of \$100.*

An individual meets the labor force attachment requirement of the law if he/she has 20 base weeks\*\* of earnings in the base year\*\*\* or in the alternative, earns at least \$2,200 in the base year. This recommendation defines the eligibility requirement as a relative earnings amount so that the intention of the law will not be undermined by continuing wage inflation.

## MISCONDUCT

**DISTINGUISH BETWEEN REGULAR MISCONDUCT AND GROSS MISCONDUCT. FOR REGULAR MISCONDUCT, DISQUALIFY INDIVIDUAL FOR A PERIOD OF SIX WEEKS AND REDUCE POTENTIAL BENEFITS BY SIX TIMES THE WEEKLY BENEFIT RATE. FOR GROSS MISCONDUCT, DISQUALIFY INDIVIDUAL FOR A PERIOD OF ONE YEAR.**

About half of the states currently make a distinction between regular and gross misconduct. Gross misconduct is most frequently defined by these states in terms of criminal actions by the employee against the employer. While this provision might add to administrative costs associated with adjudications and appeals, overall benefit costs would decline, since these disqualification terms are more stringent than the current disqualification terms for misconduct.

Regular misconduct is typically defined in the following terms:

- Willful misconduct
- Deliberate misconduct in willful disregard of the employing units interest
- Breach of duty reasonably owed an employer by an employee

It is recommended that gross misconduct, which carries the more severe disqualification, be defined as follows:

- Discharge for conviction of a felony in connection with the claimant's work
- Discharge for arson or sabotage

\*\* *Week with earnings of \$30 or more with a covered employer.*

\*\*\* *First 52 of the 53 calendar weeks preceding date of claim.*

## **VOLUNTARY QUIT**

**DISTINGUISH BETWEEN VOLUNTARY QUIT WITH GOOD PERSONAL CAUSE AND VOLUNTARY QUIT WITHOUT GOOD PERSONAL CAUSE. FOR VOLUNTARY QUIT WITH GOOD PERSONAL CAUSE, DISQUALIFY INDIVIDUAL FOR A PERIOD OF FOUR WEEKS AND REDUCE POTENTIAL BENEFITS BY FOUR TIMES THE WEEKLY BENEFIT RATE. FOR VOLUNTARY QUIT WITHOUT GOOD PERSONAL CAUSE, DISQUALIFY INDIVIDUAL UNTIL HE/SHE EARNS TEN TIMES THE WEEKLY BENEFIT RATE AND REDUCE POTENTIAL BENEFITS BY TEN TIMES THE WEEKLY BENEFIT RATE.**

Under current law, an individual is disqualified until "he has earned in employment at least four times his weekly benefit amount" if he/she voluntarily terminated former employment "without good cause attributable to such work." The proposed provision would be more restrictive under some conditions and less restrictive under others.

It is recommended that voluntary quit with good personal cause be defined as:

- Illness of spouse, dependent child, or other members of the immediate family.
- Leaving work in good faith to join the armed forces.
- Leaving work to accompany spouse, providing that claimant immediately enters labor market and is available for work at the new residence.

## **SUITABLE WORK**

**DEFINE SUITABLE WORK SUCH THAT CLAIMANTS MAY BE REQUIRED TO ACCEPT A WIDER RANGE OF RELATED WORK. FOR REFUSAL OF SUITABLE WORK, DISQUALIFY INDIVIDUAL UNTIL HE/SHE EARNS TEN TIMES THE WEEKLY BENEFIT RATE AND REDUCE POTENTIAL BENEFITS BY TEN TIMES THE WEEKLY BENEFIT RATE.**

Under current law a four week waiting period is imposed for refusal of suitable work. The Task Force recommends that the disqualification terms for

refusal of suitable work be the same as the disqualification for voluntary quit without good personal cause. It is reasoned that refusal of a suitable job is tantamount to voluntarily quitting a job.

Additional study is required to identify the feasible alternatives for re-defining suitable work such that claimants may be required to accept a wider range of related work. It is recommended that a review of potential methods (i.e., practices in other states, wider use of prevailing wage data, development of "families" of occupations) be undertaken to determine the feasible alternatives for amending this provision of the state law.

#### **FRAUD**

**AN INDIVIDUAL WHO RECEIVES BENEFITS AS THE RESULT OF ANY FALSE OR FRAUDULENT REPRESENTATION SHOULD BE DISQUALIFIED FROM RECEIVING BENEFITS FOR A PERIOD OF ONE YEAR.**

Under existing law an individual who fraudulently receives benefits is disqualified for a period of 17 weeks. In addition, maximum potential benefits are reduced by an amount equal to 17 times the individual's weekly benefit rate. The Task Force recommends a one year disqualification period which would serve as a stronger deterrent to false or fraudulent representation.

#### **PENSION INCOME INTERVIEW**

**AMEND LAW TO PROVIDE THAT A RETIREMENT PENSION BENEFICIARY "IS PRESUMED TO HAVE WITHDRAWN FROM THE LABOR FORCE AND SHALL BE INELIGIBLE FOR UNEMPLOYMENT COMPENSATION BENEFITS UNLESS AND UNTIL IT IS DEMONSTRATED THAT SUCH INDIVIDUAL HAS NOT VOLUNTARILY WITHDRAWN FROM THE LABOR FORCE."**

Thirty-four states deny or limit unemployment benefits to persons receiving pension income. Under this provision an individual who is receiving pension income will be given a labor force attachment interview to determine whether he/she is genuinely attached to the labor force.

#### **PENSION OFFSET**

**DENY OR LIMIT BENEFITS TO PERSONS RECEIVING PRIVATE PENSIONS TO WHICH A CHARGEABLE EMPLOYER IS CONTRIBUTING OR HAS CONTRIBUTED ON BEHALF OF THE INDIVIDUAL.**

**THE UNEMPLOYMENT BENEFIT WILL BE REDUCED IN THE SAME MANNER THAT BENEFITS ARE REDUCED WHEN THE CLAIMANT HAS PARTIAL EARNINGS.**

Under this proposal, the individual will be paid an amount equal to the weekly benefit rate, less any subject pension amount in excess of 20 percent of the weekly benefit rate, or \$5.00, whichever is the greater. The limited pension offset will apply only where the pension income is a private pension to which a chargeable employer is contributing or has contributed. Benefits will not be reduced for social security or other retirement pensions.

**ACTIVE SEARCH FOR WORK**

**DEVELOP A COMPREHENSIVE RANGE OF CLAIMANT SERVICES TO ASSIST THE UNEMPLOYED IN THE SEARCH FOR PRODUCTIVE EMPLOYMENT.**

In the best of times, some irreducible level of unemployment persists, as a consequence of the normal transition of individuals and firms moving within the economic environment. There is little that can, or ought, to be done by government to reduce this normal frictional level of unemployment. At other times, individuals and firms are dealt economic setbacks by cyclical movements of the economy. In spite of governmental efforts at the national level to reduce the incidence and duration of recession, it has become clear that the federal government has had only limited success in its efforts to reduce and control cyclical unemployment.

However, there are other causes of unemployment where governments, firms and individuals can work to reduce unemployment. For example, seasonal unemployment is often predictable. Firms ought to continue efforts to innovate and to diversify operations so as to offer year round employment.

Structural unemployment, the result of a rapidly changing industrial mix, imposes two dilemmas upon the labor market: (1) a surplus of skilled individuals seeking few available jobs in their skill line; and (2) expanding job opportunities in expanding industries, for which there exists an undersupply of specially skilled applicants. Responsive, innovative training and retraining programs are required to address the problem of structural unemployment.

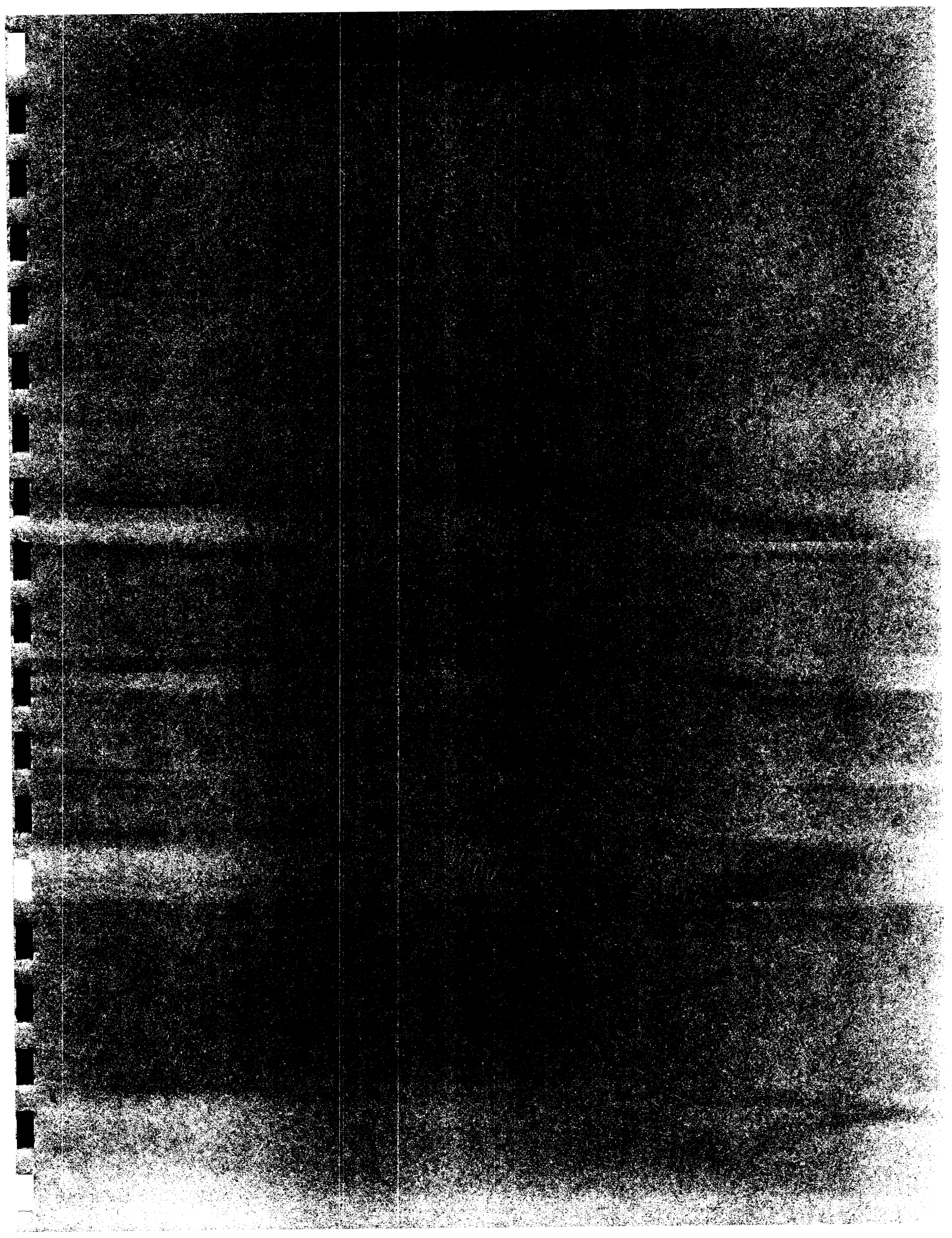
Finally, there is a unique dimension of unemployment, "search unemployment", which compounds the unemployment generated by all other causes. Search unemployment results from the fact that once an individual is unemployed, the duration of unemployment becomes critical to the aggregate unemployment rate. For instance, given an unemployment rate of 8% and average duration of unemployment of 20 weeks, the unemployment rate would be reduced proportionately (assuming that the incidence of unemployment

remains the same) with a reduction in duration; i.e., 15 week duration, 6% unemployment rate; or 10 week duration, 4% unemployment rate. It is clear that the search-for-work becomes a critical activity, as time wasted in ineffective search for work represents a waste of human resources, prolonged economic hardship for the individual, and lost productivity for the community.

The Task Force discussed a range of issues pivoting about the critical search-for-work activity including (1) improved enforcement of active search provision, (2) intensive counseling services, (3) training and re-training programs, and (4) information and referral services. The Task Force recommends that the search-for-work activity be given increased attention and the development and implementation of a comprehensive services-to-claimants program should be given highest priority.

**CHAPTER 3**

**Benefit Issues**



## **Benefit Issues**

*The weekly benefit payment is the central element in the unemployment insurance program, the instrument for implementing its prime and basic goals. The amount of that payment is, therefore, critical.*

*Saul J. Blaustein,  
Unemployment Insurance Objectives  
and Issues*

### **OBJECTIVE**

**UNEMPLOYMENT BENEFITS SHOULD BE HIGH ENOUGH TO ENABLE THE UNEMPLOYED INDIVIDUAL TO OBTAIN LIVING ESSENTIALS THROUGH LIMITED PERIODS OF UNEMPLOYMENT. HOWEVER, UNEMPLOYMENT BENEFITS SHOULD NOT BE SO HIGH AS TO SERVE AS AN ECONOMIC DISINCENTIVE TO REMAIN UNEMPLOYED.**

The issue of benefit adequacy has traditionally been controversial. There are many possible standards of benefit adequacy --- adequate to meet non-deferrable expenses, adequate to enable one to maintain one's usual standard of living, adequate to provide one with a sense of economic security. It is clear that this issue is a highly individualized one. In attempting to address the issue, New Jersey's program standards were evaluated by the Task Force against the backdrop of the empirical fifty percent wage replacement standard which has been a part of the institution since its inception.

The vast majority of states have structured their benefit systems to replace fifty percent of wage loss for most workers. This widely accepted criterion of benefit adequacy has been the norm throughout the history of the American experience with the program. There is no clear-cut rationale as to why this is the right, or even optimum, level of wage replacement benefits. It has, however, proven to be a functional norm of benefit adequacy. Since 1954, it has been the policy of the federal government to encourage extension of this fifty percent wage replacement standard to a greater proportion of unemployment insurance beneficiaries. President Eisenhower first introduced the federal benefit standard which recommends that states provide fifty percent wage replacement up to a maximum weekly benefit amount of two-thirds the statewide average weekly wage. Proponents of this benefit standard estimate that extension of the maximum weekly benefit amount to two-thirds the statewide average weekly wage would insure that approximately eighty percent of beneficiaries would then receive at least fifty percent of their average weekly

earnings. At present, New Jersey's benefit formula does not meet this standard. Rather, our law provides two-thirds wage replacement up to a maximum weekly benefit amount of fifty percent of the statewide average weekly wage.

In addition to the wage replacement objective, unemployment benefits serve a broader economic purpose of sustaining purchasing power and bolstering demand for goods and services. This counter-cyclical contribution to economic stability is most important during economic downturns as relatively higher than average unemployment rates automatically generate higher than average volumes of unemployment compensation. Because beneficiaries are unemployed, savings ratios will be extremely low and expenditure ratios will be extremely high. A subsequently high multiplier effect will compound the economic stabilization effects of initial expenditures. These positive economic implications are important and should be considered in coverage, eligibility, duration, and weekly benefit amount decisions, all of which influence the volume of unemployment insurance benefit payments. In fact, the 1965 Economic Report of the President recommended that: "Strengthening the unemployment compensation system deserves high priority among possible steps to increase the automatic resistance of the economy to recessions."

#### **BENEFIT FORMULA**

**PROVIDE ONE-HALF WAGE REPLACEMENT UP TO A MAXIMUM WEEKLY BENEFIT AMOUNT OF TWO-THIRDS THE STATEWIDE AVERAGE WEEKLY WAGE. SUPPLEMENT THIS BASIC FORMULA WITH DEPENDENCY BENEFITS OF \$5 PER DEPENDENT UP TO A MAXIMUM OF \$15 IN ADDITIONAL BENEFITS.**

The Task Force considered a wide range of alternative benefit formulas, giving particular attention to the federal benefit standard which is incorporated in proposed legislation before the Congress.

Adoption of the federal standard as proposed (fifty percent wage replacement up to two-thirds the statewide average weekly wage) would result in an increase of the maximum weekly benefit from \$90 to \$119. Under this provision overall program expenditures would decline, rather than increase, because low wage workers who receive two-thirds wage replacement under the present formula would receive fifty percent wage replacement. With inclusion of the dependency provision, aggregate benefits would remain about the same. Under this benefit formula, New Jersey's unemployment compensation law would conform to the federal standard, the maximum basic rate would increase from \$90 to \$119, and the negative impact upon low wage workers who are heads of families would be minimized.

It is recommended that administrative procedures for implementing the dependency provision should be designed in consultation with states which presently provide such benefits.

The weekly benefit amount table on the following page illustrates the impact of alternative benefit formulas upon different income groups.

#### **REGULAR DURATION (MAXIMUM TOTAL BENEFITS)**

**AMEND FORMULA FOR DETERMINING EACH CLAIMANT'S REGULAR DURATION (MAXIMUM TOTAL BENEFITS) POTENTIAL SUCH THAT THE INDIVIDUAL MAY RECEIVE THE HIGHER OF THREE-FOURTHS BASE WEEKS OR ONE-THIRD TOTAL WAGES DIVIDED BY THE WEEKLY BENEFIT RATE. MAXIMUM REGULAR DURATION SHOULD CONTINUE TO BE LIMITED TO 26 WEEKS.**

The Task Force reviewed the recent change of law which deleted the 1/3 total wage alternative in determining maximum duration and maximum total benefits. It is recommended that this provision be reintroduced into the law in the interest of providing more equitable benefit determinations for individuals employed in highly specialized occupations which are particularly vulnerable to the risk of unemployment.

#### **EXTENDED DURATION**

**ALL EXTENDED BENEFIT PAYMENTS BEYOND THE REGULAR 26 WEEK LIMIT SHOULD BE SUPPORTED EXCLUSIVELY BY THE FEDERAL GOVERNMENT THROUGH THE USE OF GENERAL REVENUES.**

The extended duration provision of the law was originally conceived as a technique for supplementing the regular 26 week maximum during times of unusually high unemployment. Experience has demonstrated, however, that the extended benefits trigger point is so low and New Jersey's average unemployment rate is so high, that for practical purposes we now provide 39 weeks of benefits as the rule, rather than as the exception. The Task Force recommends that the extended benefits program, established through federal initiatives, and mandated by federal law, should be financed exclusively by the federal government. State financing systems could then gear, with more actuarial accuracy, to fully financing state mandated benefits; i.e., first 26 weeks of unemployment.

## WEEKLY BENEFITS AMOUNTS UNDER ALTERNATIVE BENEFIT FORMULAS

No. of Dependents (1)	Present Law <u>1/</u> (2)	Federal Standard <u>2/</u> (3)	Federal Standard Plus Dependency Allowance <u>3/</u> (4)
<u>LOW WAGE WORKER</u> \$90 per week			
0	\$60	\$ 45	\$ 45
1	60	45	50
2	60	45	55
3	60	45	60
<u>AVERAGE WAGE WORKER</u> \$190 per week			
0	\$90	\$ 95	\$ 95
1	90	95	100
2	90	95	105
3	90	95	110
<u>HIGH WAGE WORKER</u> \$400 per week			
0	\$90	\$119	\$119
1	90	119	124
2	90	119	129
3	90	119	134

- 1/ Two-thirds wage replacement up to one-half the statewide average weekly wage (\$90 maximum weekly benefit during 1975).
- 2/ One-half wage replacement up to two-thirds the statewide average weekly wage (\$119 maximum weekly benefit during 1975).
- 3/ Dependency provision allowing \$5 per dependent up to a maximum of \$15 in additional benefits.

## **WAITING WEEK**

### **PROVIDE FOR PAYMENT OF THE WAITING WEEK UPON RETURN TO WORK.**

Under current law an individual is compensated for the waiting week after four full weeks of unemployment. This provision provides a negative incentive for newly unemployed individuals to remain unemployed; i.e., individual may receive up to \$180 in compensation for both the current week of unemployment and the waiting week. Adoption of this recommendation would eliminate this economic disincentive from the program, and in its place, introduce a payment condition which will serve as an incentive for the individual to return to work. In addition, this provision would better assist individuals in the financial transition between jobs, since the waiting week payment at end of the period of unemployment would help to cover expenses incurred during that period in which the individual has not yet received remuneration from the employer.

## **PARTIAL BENEFITS**

### **IT IS RECOMMENDED THAT THE PARTIAL BENEFIT PROVISION OF THE LAW BE RESTRUC- TURED TO PROVIDE INCENTIVES FOR THE UNEMPLOYED INDIVIDUAL TO SEEK AND ACCEPT PART-TIME WORK IF FULL-TIME WORK IS UNAVAILABLE.**

The partial benefit provision of the law permits individuals to earn up to twenty percent of the weekly benefit rate without any reduction of the unemployment benefit (\$18 limit for persons receiving \$90 weekly benefit amount). As part-time earnings exceed this \$18 limit, the law specifies that the benefit amount is to be reduced dollar for dollar per earnings in excess of \$18. An individual who is entitled to a \$90 weekly benefit is given little incentive to seek or to accept limited part-time employment. For instance, if the individual were able to earn \$80 in part-time employment, the weekly benefit would be reduced by \$62 ( $\$80 - \$18 = \$62$ ). The \$28 weekly benefit amount ( $\$90 - \$62 = \$28$ ) plus \$80 earnings would total \$108. The net gain for two or three days work would be only \$18. The unemployed worker would be more likely to seek and accept limited part-time work if there was a prospect of keeping a greater share of the earnings.

## **AVERAGE WEEKLY WAGE**

### **REVIEW FORMULA FOR DETERMINING AN IN- DIVIDUAL'S AVERAGE WEEKLY WAGE AND EVALUATE METHODS BY WHICH THE FORMULA MIGHT BE DEFINED TO MORE EQUITABLY REFLECT THE INDIVIDUAL'S EARNINGS EX- PERIENCE.**

An average weekly wage is calculated for each claimant as a part of the procedure for determining the claimant's weekly benefit amount. The law specifies that the individual's average weekly wage is to be calculated on the basis of the earnings experience with the most recent employer for whom the individual worked at least 20 base weeks. If no such employer exists, all base year earnings are used to determine the average weekly wage.

A problem of equity arises where an individual has two part-time jobs, becomes fully unemployed, and has the weekly benefit rate calculated on the basis of the most-recent employer only. Such individuals either accept the reduced benefit amount or seek redress through the appeals system. Appeals workloads are increased and some claimants must wait for unnecessarily long periods before there is an equitable monetary arrangement. It is recommended that a review of the method for determining the average weekly wage should be undertaken. Such review should include an evaluation of alternative methods which might more equitably reflect earnings experience.

### **BENEFIT RIGHTS DETERMINATIONS**

#### **EVALUATE RELATIVE COST AND FEASIBILITY OF ESTABLISHING A "WAGE RECORD SYSTEM" FOR DETERMINING CLAIMANT ELIGIBILITY AND BENEFIT ENTITLEMENT.**

New Jersey gathers information for determining claimant eligibility and benefit entitlement by mailing wage information requests to employers. An outstanding advantage of this system is the fact that eligibility and benefit entitlement can be determined on the basis of the individual's most current employment and earnings experience. An alternative information gathering device - the wage record system - is utilized by many of the states. Under this system a computerized data bank of earnings of all covered workers is maintained. Eligibility and benefit determinations can be made more quickly, but on the basis of an older store of information. The method for determining an individual's average weekly wage would also need to be revised under a wage record system.

With the continuing development of computerized record-keeping in both industry and government, the cost of the "wage record system" is declining, while the cost of the "request reporting" system has increased with higher levels of unemployment. Therefore, it is recommended that a study be undertaken to evaluate relative cost and feasibility of a wage record system.

**CHAPTER 4**

**Financing Issues**



## Financing Issues

*The objective of fund solvency permits tradeoffs between (1) the degree of responsiveness built into the system of rate adjustments and (2) the level of trust fund reserves.*

*John Haldi,  
Financing the Maryland Unemployment  
Insurance Program*

### OBJECTIVE

**THE OVERRIDING FINANCING OBJECTIVE IS TO PROVIDE FUNDS FOR THE PAYMENT OF UNEMPLOYMENT BENEFITS AS MANDATED BY LAW. IDEALLY, SURPLUS FUNDS SHOULD BE ACQUIRED DURING TIMES OF ECONOMIC EXPANSION; DURING ECONOMIC DOWNTURNS, THESE RESERVES SHOULD BE UTILIZED TO FINANCE HIGH RECESSIONARY BENEFIT COSTS.**

Through the first thirty-five years of the program, New Jersey's combination of (1) pre-recessionary reserves and (2) tax system responsiveness, financed benefit payments through several economic cycles. Typically the duration of recession approximated eighteen months, however, the current recession has hit New Jersey unusually hard. It is clear that with New Jersey's total unemployment rate in excess of 6 percent for the past 60 months, and with the current unemployment rate approximating 13 percent, our unemployment insurance program was not designed to finance this magnitude of benefit costs. On the basis of this experience, it is obvious that the concepts of fund adequacy and individual state financial responsibility need to be redefined.

The unemployment insurance revenue system incorporates insurance principles of experience rating as a technique for pursuing additional financing objectives of employment stabilization and cost allocation. Employment stabilization is enhanced to the degree to which employers adjust employment practices to minimize layoffs and turnover in the interest of receiving favorable tax rate assignments. Experience rating also contributes to the economic objective of effective cost allocation so that the final costs of goods and services more nearly reflects true production costs in the interest of optimum consumer utilization.

New Jersey uses a reserve ratio financing system. Under this system a standard rate is assigned to new employers and variable "experience rates" are assigned to all employers who have at least three years of experience under the program. Experience rates are determined by first calculating a reserve balance

for each employer. The reserve balance is calculated by summing total contributions paid, and subtracting from this sum, the total of benefits charged to the employer's account; i.e., benefits paid to former workers. This reserve balance is then divided by the employer's payroll. The percentage relationship of reserve balance divided by payroll is termed the employer's reserve ratio. Employers are assigned variable contribution rates depending upon how their individual reserve ratios fit into a predetermined rate schedule established by law. The law further provides that rates may be adjusted upward or downward depending upon the status of the fund. Even in the absence of rate adjustments based on fund reserve status, the aggregate tax yield may vary from year to year as individual employer reserve ratios vary. Annual tax yields could be stabilized by introducing either an "array schedule" (predetermined percentage distribution of taxable wages assigned to each rate category) or a "final rate adjustment" (across-the-board rate increase or decrease to generate predetermined tax yield). Neither of these financing techniques would alter the basic reserve ratio system. It was concluded that the reserve ratio system, which is employed by 32 of the states, is appropriate to New Jersey's needs. Many of the recommendations which follow, however, suggest changes in the parameters of the ongoing reserve ratio system.

#### **FUND STANDARD**

##### **CONTINUE THE PRESENT FUND STANDARD OF 8.5 PERCENT OF TAXABLE WAGES.**

The law outlines a basic tax rate schedule applicable when fund reserves range from 7 percent to 9.99 percent of taxable wages. Tax rates are increased when reserves fall below 7 percent; tax rates are decreased when reserves are 10 percent or more. The center of this range, 8.5 percent of taxable wages, is defined as the implicit fund standard. The federal government suggests a pre-recessionary fund standard of one and one-half times the state's high benefit cost rate. At present, the 8.5 percent criteria slightly exceeds the federally recommended standard. However, once cost rate information for calendar year 1975 becomes available, it is expected that even a fund of 8.5 percent of taxable wages will fall below the federal government's relatively high standard of fund adequacy. It is concluded that a fund of 8.5 percent of taxable wages -- approximately one billion dollars -- will provide a reasonable margin of reserves. The financing problem is not so much in determining whether pre-recessionary reserves ought to be \$800 million, \$1.0 billion, or \$1.2 billion, rather the problem is to get the fund to this general safety level, and once there, to maintain this pre-recessionary standard so that reserves are available when recession occurs.

#### **WAGE BASE**

##### **CONTINUE THE RECENTLY ENACTED ADJUST- ABLE TAXABLE WAGE BASE DEFINED AS 28 TIMES THE STATEWIDE AVERAGE WEEKLY WAGE IN COVERED EMPLOYMENT.**

This wage base formula is expected to yield an effective revenue base (portion of total wages subject to tax) of fifty percent. Continuation at the fifty percent level implies that any additional revenue to be generated by the tax system will be realized only through increased contribution rate assignments.

## **CONTRIBUTION RATES**

**INCREASE EMPLOYER CONTRIBUTION RATES ABOVE THE CURRENT MAXIMUM OF 6.2 PERCENT; CHANGE DISTRIBUTION OF THE 1.0 PERCENT WORKER CONTRIBUTION RATE SUCH THAT .75 PERCENT IS EARMARKED FOR UNEMPLOYMENT INSURANCE BENEFITS AND .25 PERCENT IS EARMARKED FOR TEMPORARY DISABILITY INSURANCE BENEFITS. AUTHORIZE COMMISSIONER TO REDISTRIBUTE THE 1.0 PERCENT WORKER CONTRIBUTION RATE AS DEEMED MOST DESIRABLE TO OBTAIN FUNDING OBJECTIVES IN THE FUTURE.**

The Task Force expended considerable time and thought to the critical issue of tax rates. Permanent across-the-board employer rate increases were considered, but rejected in favor of selected rate increases for negative reserve employers. It was concluded that those employers generating the highest unemployment costs should bear more financial responsibility. Worker experience rating (variable worker tax rates based upon each individual's draw experience upon the fund) was considered but rejected in favor of a redistribution of the 1.0 percent worker tax between the unemployment and disability insurance programs.

## **SURTAX**

**LEVY A LIMITED DURATION SURTAX UPON WORKERS AND EMPLOYERS AS PART OF AN OVERALL STRATEGY TO REBUILD FUND RESERVES.**

The surtax would be levied for a limited duration only, either for a specified number of years or until reserves reached some predetermined level. At today's wage levels, a 0.1% tax on workers and employers would generate about \$24 million annually; a 1.0% surtax would generate \$240 million. The surtax is viewed as a preferable alternative to an across-the-board tax rate increase which would permanently increase tax rates of all employers.

## **EMPLOYER RESERVE RATIOS**

**REDEFINE EMPLOYER RESERVE RATIO CATEGORIES TO MAKE THE TAX TABLE MORE SYMMETRICAL AND INCREASE THE REVENUE PRODUCING CAPACITY OF THE PROGRAM.**

Presently, there are ten rate categories for positive account employers and only three rate categories for deficit account employers. The most favorable

tax rate is levied when the employer's positive reserve (excess of contributions over benefits) exceeds eleven percent of the taxable payroll; the least favorable tax rate is levied when the employer's deficit reserve (excess of benefits over contributions) exceeds 20 percent of the taxable payroll. The tax table on the following page illustrates the matrix of tax rates established by law. The Task Force recommends that the employer reserve ratio categories be redefined, to make the tax table more symmetrical and increase the revenue producing capacity of the program.

**FUND RESERVE RATIOS**

**REDEFINE FUND RESERVE RATIO CATEGORIES TO INCREASE THE DEGREE OF RESPONSIVENESS BUILT INTO THE SYSTEM OF RATE ADJUSTMENTS.**

Maximum contribution rates are not levied until reserves fall below 2.5 percent of taxable wages. This 2.5 percent trigger represents reserves of about \$300 million. Experience has proven this trigger point to be too low. Maximum rates should take effect before reserves decline to this relatively low level - four months of recessionary level benefits. The fund reserve ratio categories of the tax table should be redefined as follows:

<u>Current Ratios</u>	<u>Proposed Ratios</u>
2.49% and Under	3.99% and Under
2.50% to 3.99%	4.00% to 5.49%
4.00% to 6.99%	5.50% to 6.99%
7.00% to 9.99%	7.00% to 9.99%
10.00% to 12.49%	10.00% to 12.49%
12.50% and Over	12.50% and Over

**AVERAGE ANNUAL PAYROLL FORMULA**

**FOR EXPERIENCE RATING PURPOSES, DEFINE THE EMPLOYERS PAYROLL AS THE TAXABLE PAYROLL OF THE "LAST THREE PRECEDING YEARS" RATHER THAN THE "LAST THREE OR FIVE PRECEDING YEARS, WHICHEVER AVERAGE IS THE HIGHER."**

By simplifying the formula to include the "last three years" only, administration of the law is streamlined. This provision will affect only a minority of employers, those with declining payrolls. Such employers might be assigned lower contribution rates as a result of this proposal; i.e., lower payroll yields higher employer reserve ratio; higher employer reserve ratio might yield lower contribution rate.

# EMPLOYER EXPERIENCE RATING SCHEDULE

JULY 1, 1975

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## FUND RESERVE RATIO 1/

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12.5% & over	10% to 12.49%	7% to 9.99%	4% to 6.99%	2.5% to 3.99%	2.49% & under
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## EMPLOYER RESERVE RATIO: 2/

### Positive Reserve Ratio:

.00% to 2.99%	2.5%	2.5%	2.8%	3.1%	3.4%	4.1%
3.00% to 3.99%	2.2	2.5	2.8	3.1	3.4	4.1
4.00% to 4.99%	1.9	2.2	2.5	2.8	3.1	3.7
5.00% to 5.99%	1.6	1.9	2.2	2.5	2.8	3.4
6.00% to 6.99%	1.3	1.6	1.9	2.2	2.5	3.0
7.00% to 7.99%	1.0	1.3	1.6	1.9	2.2	2.6
8.00% to 8.99%	0.7	1.0	1.3	1.6	1.9	2.3
9.00% to 9.99%	0.4	0.7	1.0	1.3	1.6	1.9
10.00% to 10.99%	0.4	0.4	0.7	1.0	1.3	1.6
11.00% and over	0.4	0.4	0.4	0.7	1.0	1.2

### Deficit Reserve Ratio:

.00% to - 9.99%	3.1	3.4	4.0	4.3	4.6	5.5
-10.00% to -19.99%	3.4	3.7	4.3	4.6	4.9	5.9
-20.00% and over	3.7	4.0	4.6	4.9	5.2	6.2

Basic Rate <u>3/</u>	2.8	2.8	2.8	2.8	2.8	3.4
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1/ Fund as a percentage of taxable wages.

2/ Employer's reserve balance (contributions minus benefits) as a percentage of employer's taxable wages.

3/ Basic rate assigned to employers with less than three years of coverage under the law.

## **EXPERIENCE RATING INFORMATION BASE**

**CONDUCT ADDITIONAL STUDY OF THE IMPACT ON THE FUND WHICH WOULD RESULT FROM REDEFINING THE EXPERIENCE RATING INFORMATION BASE AS "ALL EXPERIENCE OF THE PAST TEN YEARS" RATHER THAN "ALL EXPERIENCE OF ALL YEARS."**

The experience rating information system requires that all employer experience for all years be included in the information base used for determining each employer's contribution rate. Consideration should be given to changing this statute such that the information base includes the last ten years of experience only. This would give deficit account employers a realistic opportunity, and incentive, to attain a favorable rate through more cautious employment practices. If deficit rates are indeed increased, as recommended elsewhere in this report, the proposal becomes all the more desirable. The Task Force recommends that a detailed analysis of the impact of this recommendation should precede any legislative effort to change the experience rating information base.

## **CHARGES TO EMPLOYER ACCOUNTS**

**MONITOR BENEFIT CHARGES TO EMPLOYERS' ACCOUNTS SO THAT EMPLOYERS ARE NOT CHARGED MORE THAN 50% OF CLAIMANTS' BASE PERIOD WAGES. ALSO, DO NOT CHARGE BENEFIT PAYMENTS TO AN EMPLOYER'S ACCOUNT WHERE BENEFITS ARE DUE DIRECTLY TO A DISASTER OR WHERE THE INDIVIDUAL HAS VOLUNTARILY TERMINATED EMPLOYMENT WITH THE EMPLOYER.**

Under current provisions of law, benefit charges to an employer's account may be reduced so that they do not exceed 50% of base-period base-week wages, only when the employer monitors for and applies for a reduction of such excess charges. It is recommended that the administration perform this account service for employers.

Regarding disaster benefits, it is presumed that benefit payments due directly to a disaster (as declared by the Governor for purposes of obtaining aid through Disaster Relief Act) are due to extraordinary circumstances beyond the control of the employer. It is recommended that such benefits ought not be charged to an employer's account if the employer rebuilds in New Jersey. It is further recommended that benefits not be charged to an employer's account where the individual has voluntarily terminated employment with the employer. Under current law, if the individual is subsequently involuntarily

unemployed and collects benefits, the previous employers from whom he/she had voluntarily quit may be charged with a portion of the benefit payments. It is anticipated that the recommended non-charging of benefits will affect only a very small fraction of overall benefits and will have a very small effect on subsequent revenue losses.

## **FINANCING INCENTIVES**

### **INTRODUCE ADDITIONAL FINANCING INCENTIVES INTO THE UNEMPLOYMENT INSURANCE PROGRAM TO ENCOURAGE MORE ECONOMICALLY DESIRABLE EMPLOYMENT PRACTICES, TO ENCOURAGE BUSINESS TO LOCATE AND EXPAND IN NEW JERSEY, AND TO ENCOURAGE EMPLOYERS TO HIRE UNEMPLOYMENT INSURANCE CLAIMANTS.**

There was considerable interest in the broad implications of introducing additional "financing incentives" into the program. It was observed that the tax incentives currently built into the experience rating system do affect the hiring practices of some employers and that the following financing incentives ought to be introduced into the program:

1. Reduce the employer's tax rate by a certain amount, for a certain period of time, when a new employer locates in the state or when an established employer measurably expands operations within the state. The employer's account would be credited as if the full rate were paid, or else the employer's reserve ratio would decline and higher rates would be assessed at some future time.
2. Permit tax reductions where an employer hires an unemployment insurance beneficiary and retains the worker for a specified period of time -- two or three years. Tax reduction could be calculated as a percentage of tax paid on individual's wages and might be applicable for a number of years, if the employer continues to retain the individual.
3. Allocate interest earnings to accounts of positive balance employers as additional incentive for employers to prefer positive reserve status. The vast majority of reserves held in trust for the payment of UI benefits are derived from tax payments from employers. Because employers are required to forego use of these resources, it seems appropriate that they should share in the interest income that is derived from earnings on reserves. Earnings could be allocated once annually, at the time the employer reserve ratio is computed for the upcoming tax year. The entire interest earnings amount could be distributed proportionately to the percentage distribution of the aggregate positive reserve balance.

Investigation should continue into elaborating other financing incentives which would result in bona fide tax reductions for employers who hire unemployment insurance claimants and locate or expand operations in New Jersey.

## **THE LOAN**

### **EFFORTS SHOULD CONTINUE TO PROMOTE LEGISLATION WHICH WILL ESTABLISH A MORE LENIENT LOAN REPAYMENT SCHEDULE.**

The Federal Unemployment Tax Act (FUTA) places unlimited liability on the states for financing of unemployment insurance benefits to their unemployed workers. However, no social program can be truly an insurance system unless the maximum risk is measurable. The experience of nearly four decades of the Federal-State system has made it clear that no state fund can be built up high enough to guarantee solvency during severe national recessions. Even if the attempt is made to do this, the accumulation of immense reserves with a relatively low probability of utilization would be fiscally undesirable and a threat to the Federal-State system.

Widespread use of the Federal Loan Fund with the required repayment schedule will only adversely affect the economic recovery of the borrowing states. Inasmuch as New Jersey has borrowed and at least 29 other states will have borrowed from the Federal Unemployment Insurance Trust Fund during fiscal 1976, the Task Force supports the recommendation of Commissioner Joseph A. Hoffman to place a ceiling on the unemployment insurance liabilities of states during catastrophic national recessions.

Specifically, the Task Force supports the following legislation:

Given that borrowing states are cognizant of their responsibility to repay their loans in full, repayment must be geared to the financial capability of the state, consistent with its need for economic regeneration, by enabling a borrowing state to repay its loan over a period of twenty years.

In order to become eligible for such a program, borrowing states must:

1. Upon application by the Governor of a State, subject to the approval of the Secretary of Labor, the State will submit a summary report of the annual insured unemployment rate, the 10 year average employer contribution rate, the year-end trust fund balance, and the Trust Fund Reserve Ratio (Fund divided by total wages).

2. In any year the average employer contribution rate of the State is 150% of the ten year average employer contribution rate or 2.7%, whichever is

lesser, and the ratio of the State fund balance to total covered wages is 1.25% or less, such state may defer payment of advancement for that fiscal year.

3. If at any time the 52 week average Insured Unemployment Rate of a state, which has qualified to borrow, averages 6% or more for a period of 52 consecutive weeks, the state shall not be required to pay to the Federal Unemployment Trust Fund, in that year, the amount previously agreed upon in the repayment schedule.

#### **GENERAL FEDERAL REVENUES**

**IT IS RECOMMENDED THAT THE STATE PROMOTE THE USE OF GENERAL FEDERAL REVENUES. STATES SHOULD CONTINUE TO FINANCE "NORMAL" COSTS -- BENEFITS RELATED TO UNEMPLOYMENT RATES OF 6.0% AND LESS: THE FEDERAL GOVERNMENT SHOULD USE GENERAL REVENUES TO FINANCE "RECESSIONARY" COSTS -- BENEFITS RELATED TO UNEMPLOYMENT RATES ABOVE THE 6.0% LEVEL. ALL EXTENDED BENEFITS BEYOND 26 WEEKS SHOULD ALSO BE FINANCED BY THE FEDERAL GOVERNMENT THROUGH THE USE OF GENERAL FEDERAL REVENUES.**

The Task Force supports the above recommendation made by Commissioner Joseph A. Hoffman before the Subcommittee on Unemployment Compensation of the House Ways and Means Committee. This recommendation provides that when a state experiences an insured unemployment rate of 6% for 52 consecutive weeks the federal government assume 100% of the regular benefit costs above 6% for subsequent weeks in which the insured unemployment rate exceeds 6%. In addition, all extended benefit programs mandated by the federal government will be funded solely by the federal government.

The Federal-State cost sharing program recommended above would limit state liability to an actuarially predictable upper cost limit -- costs at a 6.0% unemployment rate. Under such a program states would be responsible for designing and implementing actuarially sound financing systems to cover costs up to the 6.0% level. The Federal Government would reimburse states for recessionary level costs -- costs related to unemployment in excess of 6.0%. Administration of the proposed cost sharing program would require monthly reimbursement determinations much like the ongoing extended benefits program. There would be a monthly determination of each state's unemployment rate. Where the unemployment rate exceeds 6.0%, there would be a calculation of the reimbursement amount due the state.

While this specific cost equalization proposal is a relatively new one, the concept of cost equalization in unemployment insurance and specific proposals to implement cost equalization have been discussed for decades. Today, many states have exhausted all reserves and face demanding fund rebuilding schedules. It is expected that at least 30 states will need to borrow to meet continuing recessionary level benefit responsibilities by the end of Fiscal Year 1976. Therefore, the Task Force recommends that the states and the federal government give serious consideration to this proposed plan for cost equalization of catastrophic unemployment insurance benefits.

**CHAPTER 5**

**Administrative Issues**



## **Administrative Issues**

*Federal intervention has become more direct and commonplace in problem areas that were once exclusive state preserves.*

*W. E. Upjohn Institute for  
Employment Research,*

*Unemployment and Income Security  
Goals for the 1970's*

### **OBJECTIVE**

**THE PRIMARY CHARGE TO PROGRAM ADMINISTRATORS IS TO CONTINUOUSLY PROVIDE FOR THE FAIR AND UNIFORM DETERMINATION OF ELIGIBILITY RIGHTS AND THE PROMPT PAYMENT OF UNEMPLOYMENT BENEFITS.**

The role of the federal government in unemployment insurance program development and administration is very much at issue today. For better or worse, the federal government is assuming an expanded lawmaking and financial responsibility role. Ostensibly, this expanded role is geared toward enhancing the achievement of established policy goals and objectives. In fact, the outcome of continuing federal legislative initiatives may indeed alter or expand program goals and objectives. While program administrators ought to be concerned with and participate in the ongoing developmental process, the primary charge to administrators is to meet the objective of aiding unemployed persons by fairly determining rights and promptly paying benefits. The Task Force is aware that the payment process has been given priority consideration and is satisfied that the benefit payment system does provide prompt payment to eligible individuals. However, there are additional administrative areas where policy review and program evaluation ought to be undertaken in the interest of improving operations.

### **PREAMBLE**

**THE PREAMBLE TO THE UNEMPLOYMENT COMPENSATION LAW SHOULD BE INTERPRETED TO AFFIRM THAT PROVISIONS OF THE LAW SHOULD BE DEVELOPED AND ADMINISTERED CONSISTENT WITH THE GOAL OF COMPLEMENTING AND PROMOTING THE WORK ETHIC.**

In the "Introductory Issues" section of this report, the Task Force expressed its concern that unemployment compensation should not be permitted

to evolve into, nor should its administration reinforce, a program of general relief. Today, more than ever, there is a need to reaffirm the work ethic, and a need to affirm that the provisions of the Unemployment Compensation Law be developed and administered consistent with the work ethic.

#### **ROLE OF FEDERAL GOVERNMENT**

##### **THE TASK FORCE SUPPORTS THE FEDERAL-STATE ALLOCATION OF RESPONSIBILITY FOR THE UNEMPLOYMENT COMPENSATION PROGRAM AND OPPOSES ABRUPT OR EVOLUTIONARY FEDERAL DOMINANCE OF THE PROGRAM.**

The Task Force recommends that New Jersey administrators continue to provide a leadership role in the continuing program review and development activities of the Interstate Conference of Employment Security Agencies. Although the Task Force opposes federal dominance of the system, it is recognized that the issues of federal benefit and taxable wage base standards are difficult ones to categorically support or oppose. The entire system is structured about minimal federal standards. Changes in the standards to adjust for inflationary trends or to insure against gross benefit inadequacy may well enhance New Jersey's position vis-a-vis interstate competition differentials which are currently undermining economic development efforts in this state. Therefore, each specific proposal must be considered in turn.

#### **SERVICES-TO-CLAIMANTS PROGRAM**

##### **REINTRODUCE AND FURTHER DEVELOP THE SERVICES-TO-CLAIMANTS PROGRAM.**

The Task Force recommends that priority effort be given toward re-establishing the services-to-claimants program in the interest of providing information, counseling, and job search services in local unemployment insurance claims offices. It is further recommended that a performance review and evaluation system be drafted and monitored to measure the effects of the new services-to-claimants program on the duration of unemployment, earnings, and worker attitudes about the program.

#### **AUXILIARY FUND**

##### **PROMOTE LEGISLATION TO PERMIT THE AUXILIARY FUND TO BE UTILIZED FOR A VARIETY OF PURPOSES INCLUDING CLAIMANT SERVICES, RESEARCH STUDIES AIMED AT PROMOTING EMPLOYMENT OPPORTUNITIES FOR UNEMPLOYMENT INSURANCE CLAIMANTS, AND**

## **THE DEVELOPMENT AND IMPLEMENTATION OF PILOT PROJECTS TO TRY OUT NEW IDEAS AND INNOVATIVE APPROACHES TO UNEMPLOYMENT PROBLEMS.**

The Unemployment Compensation Auxiliary Fund is a depository for all interest and penalties collected in the administration of the program. The law specifies that expenditures from the fund shall be "under legislative appropriation, solely for the purpose of aiding in defraying the costs of administration of this chapter (R.S. 43:21-1 et. seq.) and for essential and necessary expenditures in connection herewith not provided in or by grants of the Federal Government." The Task Force recommends that the scope of this legislation be broadened to permit the fund to be used for a wider variety of purposes, at the discretion of the Commissioner of Labor and Industry.

### **EMPLOYER MANUAL**

**DEVELOP AN EMPLOYER MANUAL WHICH WILL INCLUDE A SUMMARY OF THE PROGRAM, THE LAW, PRECEDENT DECISIONS, EMPLOYER RESPONSIBILITIES, SAMPLES OF FORMS, AND INSTRUCTIONS FOR COMPLETING FORMS.**

Employers are presently provided with pamphlets which describe the program and necessary forms and instructions. However, development of a complete employer manual will better orient employers to the nature and operations of the program.

### **DATA RESOURCES**

**THERE IS A NEED FOR A COMPREHENSIVE REVIEW OF CURRENTLY AVAILABLE DATA RESOURCES AND IMPLEMENTATION OF AN IMPROVED MANAGEMENT INFORMATION SYSTEM.**

Data resources on the unemployment insurance program are extensive. However, the Task Force is concerned that the selectivity and timeliness of the data currently available be carefully examined and improved to permit administrators to make more informed policy decisions.

### **RESEARCH AND DEVELOPMENT**

**UNEMPLOYMENT INSURANCE RESEARCH AND DEVELOPMENT ACTIVITIES IN THE AGENCY TYPICALLY FOCUS UPON ANALYSIS OF EMERGING MANAGEMENT PROBLEMS. IT IS RECOMMENDED THAT RESEARCH STUDIES (EXPERIENCE OF SEASONAL INDUSTRIES, POST-EXHAUSTION EXPERIENCE, REPEATER CLAIMANTS, CLAIMANT CHARACTERISTICS, CAUSES OF UNEMPLOYMENT, BENEFIT ADEQUACY, ETC.) WHICH CONTRIBUTE TO MORE INFORMED POLICY DECISION MAKING BE CONDUCTED.**

Considering the size of the administration, and the far-reaching scope of the unemployment insurance program, there is a lack of effective program research and evaluation. Two approaches to this problem are suggested. First, the organization and deployment of currently available research and program evaluation resources ought to be reviewed and improved. Secondly, the administration should make concerted and continual efforts to obtain research grants for the undertaking of the studies outlined above.

#### **UNEMPLOYMENT RATE**

##### **THERE IS A NEED FOR A COMPREHENSIVE PHILOSOPHICAL AND METHODOLOGICAL REVIEW OF THE DEFINITION AND CALCULATION OF THE UNEMPLOYMENT RATE.**

The system for calculating unemployment rates needs to be thoroughly reviewed. It is obvious that serious problems in method persist as states and the Federal Government argue over alternative methodological approaches to the problem. It is emphasized that plausible alternatives exist not only at the methodological level but at the conceptual level as well. Our basic assumptions about what constitutes unemployment ought to be periodically reviewed by the states. Under present assumptions, individuals, including those with extensive work histories, who have temporarily ceased the search-for-work because of a scarcity of jobs are not considered unemployed. It is recommended that this fundamental issue be reviewed by the Interstate Conference of Employment Security Agencies or some other formal organization which includes all of the states.

#### **EMPLOYER ACCOUNT NUMBER**

##### **EVALUATE ADVANTAGES AND FEASIBILITY OF ESTABLISHING A UNIFORM INTERAGENCY ACCOUNT NUMBER. SUCH A COMMON NUMBER WOULD STREAMLINE BOTH BUSINESS AND GOVERNMENT ADMINISTRATION.**

Development of this proposed system would require interagency and intergovernmental participation. The volume of required governmental forms and reports impose problems and costs upon employers. Government should be sensitive to such problems and costs and where possible minimize and strive to expedite reporting activities. Such a system, if developed, might be utilized as a step toward coordinated and consolidated reporting aimed at reducing the volume of reports to government agencies.

## **STAFF TRAINING**

**DEVELOP A MORE THOROUGH, ONGOING PROGRAM OF TECHNICAL STAFF TRAINING INCLUDING TRAINING IN CLAIMS TAKING, CLAIMS EXAMINATIONS, ADJUDICATIONS, CLAIMANT SERVICES, AND PUBLIC SERVICE RELATIONS.**

Because of the dynamic nature of the unemployment insurance program, the Task Force supports a program of continuing staff training to enable agency personnel to maintain and improve the level of services to claimants and employers.

## **ACCOUNTS RECEIVABLE**

**MOUNT A VIGOROUS ACCOUNTS RECEIVABLE COLLECTION CAMPAIGN. INCREASE INTEREST RATE FOR LATE PAYMENT FROM 1% PER MONTH TO 1 1/2% PER MONTH.**

Employer contribution accounts receivable have been mounting in recent years as (1) the recession has caused a financial squeeze for many establishments, (2) the rate and volume of employer contributions have increased as the fund has declined, and (3) the interest rate charged employers for late payments has continued at 1% per month. The Task Force recommends that the volume of accounts receivable be reduced by mounting a vigorous collection campaign and increasing the interest rate to a level more consistent with prevailing economic conditions.

## **UNCOLLECTIBLE ACCOUNTS RECEIVABLE**

**STUDY THE POSSIBILITY OF APPOINTING A SPECIAL COMMISSIONED CONSTABLE TO SEEK COLLECTION OF THE DIFFICULT "UNCOLLECTIBLE ACCOUNTS RECEIVABLE."**

Employer contribution accounts receivable which are long overdue and uncollectible in spite of repeated collection efforts by the Agency are categorized as "uncollectible accounts receivable." Only a very small percentage of these accounts are ever collected. There has been success among

states which have approached this problem by appointing a special commissioned constable to seek satisfactory disposition of these accounts. It is recommended that New Jersey study the possibility of appointing such a special commissioned constable.

#### **APPEALS SYSTEM**

**REVIEW THE APPEALS SYSTEM WITH THE OBJECTIVE OF STANDARDIZING TIME LIMITS AND INTRODUCING OTHER CHANGES WHICH WOULD MAKE THE OVERALL APPEAL PROCESS MORE EQUITABLE AND EFFICIENT.**

Time limits for filing appeals through various stages of the appeals process range from 7 to 45 days. A standardized time limit of 30 days would make the overall process more equitable and efficient. Other changes which ought to be introduced to improve the appeals system include improved scheduling by requiring appellant to confirm intention to appear at hearing and relaxation of requirement that only legal counsel may represent parties.

#### **FRAUD PENALTY AND PROCEDURES**

**IMPLEMENT PENALTY AND PROCEDURAL CHANGES TO DISCOURAGE AND REDUCE THE INCIDENCE OF FRAUD.**

The monetary penalty for fraud is prescribed by statute as \$20 per each week of illegal receipt of benefits. The Task Force recommends that this penalty should be revised in line with inflationary trends. The \$20 per week penalty should be increased to a weekly penalty of 50% of the individual's average weekly benefit. Three procedural changes should be implemented to discourage fraud. Most importantly, the application procedure for benefits should include a clear explanation that illegal receipt of benefits will be detected and will be prosecuted. Secondly, the agency should encourage employers to emphasize in company policy statements that collecting benefits while working is illegal, that the company receives reports of individuals who collect benefits, and that the company will report to the agency any case of illegal receipt of benefits. Finally, every ID card should include a picture of the claimant.

#### **SECURITY DEPOSITS**

**REQUIRE THAT PROVISION FOR COLLECTING 1% SECURITY DEPOSIT REQUIRED OF NON-PROFIT ORGANIZATIONS ELECTING TO FINANCE BENEFITS ON A REIMBURSEMENT BASIS BE MANDATORY.**

Under present law, security deposits may be waived at administrative discretion. This provision should be applicable to all employers and universally enforced to insure against default and to provide equal treatment under the law.

## **VOLUNTARY REGISTRATION**

### **THE TASK FORCE RECOMMENDS A REVIEW OF THE VOLUNTARY REGISTRATION PROCEDURE.**

The current voluntary registration procedure was adopted after a thorough study of the mission and aim of the Employment Service in light of changing priorities and budgetary cutbacks. The Task Force suggests a review of this procedure and an analysis of modifications of the procedure which would help to enforce the availability and active search-for-work provisions of the law and expose unemployment insurance beneficiaries to a wider range of job opportunities.

A selective registration procedure should be considered. Such a procedure would exempt certain categories of workers, i.e., those unemployed due to temporary shutdown or temporary layoff; individuals whose skills are least in demand; workers usually hired through union halls; and individuals who return to work within a specified duration of unemployment.

## **UNEMPLOYMENT INSURANCE – EMPLOYMENT SERVICE RELATIONSHIP**

**THE CURRENT UNEMPLOYMENT INSURANCE –  
EMPLOYMENT SERVICE ORGANIZATIONAL  
STRUCTURE ESTABLISHES A REASONABLE  
DIVISION OF TASK RESPONSIBILITY. THIS  
STRUCTURE SHOULD BE AFFIRMED AND  
IMPLEMENTED IN THE INTEREST OF IMPROVING  
THE SERVICES OF THE DEPARTMENT TO THE  
PUBLIC.**

The Task Force reviewed alternative organizational policies of greater separation and greater integration of activities which have been suggested over the years by the Manpower Administration. The Task Force recommends a policy of greater cooperation, coordinated effort in designing and implementing an innovative services-to-claimants program, and concerted promotional effort to increase job listings.





## **Future Directions**





## Future Directions

The unemployment insurance program is at a developmental crossroads at both the State and National levels. This report evidences the range of options which the State may employ to better direct the system in achieving its goals and objectives. Hopefully, this report will contribute to a serious legislative effort to improve New Jersey's unemployment insurance program. On the federal level, the Employment Security Amendments of 1970, which compelled the states to extend coverage, increase the wage base, and adopt an extended benefits program, marked the beginning of a new era in Federal-State relations; an era of federal initiatives. There have been several federally mandated extended benefit programs since 1970, and continuous effort to legislate additional coverage, benefit, and wage base standards which all states would be obliged to adopt.

The recent use of general revenues to finance extended benefits, and benefits to unemployed individuals not covered under state systems, may open the door to other uses of general revenues. For instance, states would be better able to predict and meet their financial responsibilities if there were a Federal-State financing system where the federal government financed recessionary costs related to unemployment rates in excess of 6.0%.

The Task Force emphasizes that there is a need to provide more effective employment services to the unemployed who are collecting benefits. Because employment service local office financing and staffing are based primarily upon the volume of placements, employment service priorities have not been directed toward unemployment insurance claimants. An intensified program of employment services for claimants should be developed to address this shortcoming in the system.

Finally, in looking to the future, the Task Force recommends that policy makers follow the literature and criticisms which have recently emerged focusing attention upon economic incentives and disincentives which might be advantageously introduced or deleted from the system. The tasks of restructuring the law and rebuilding reserves will require the continuing cooperative efforts of labor and management. The decade ahead will be a demanding one for all who share a fiduciary interest in this program.





# Appendix

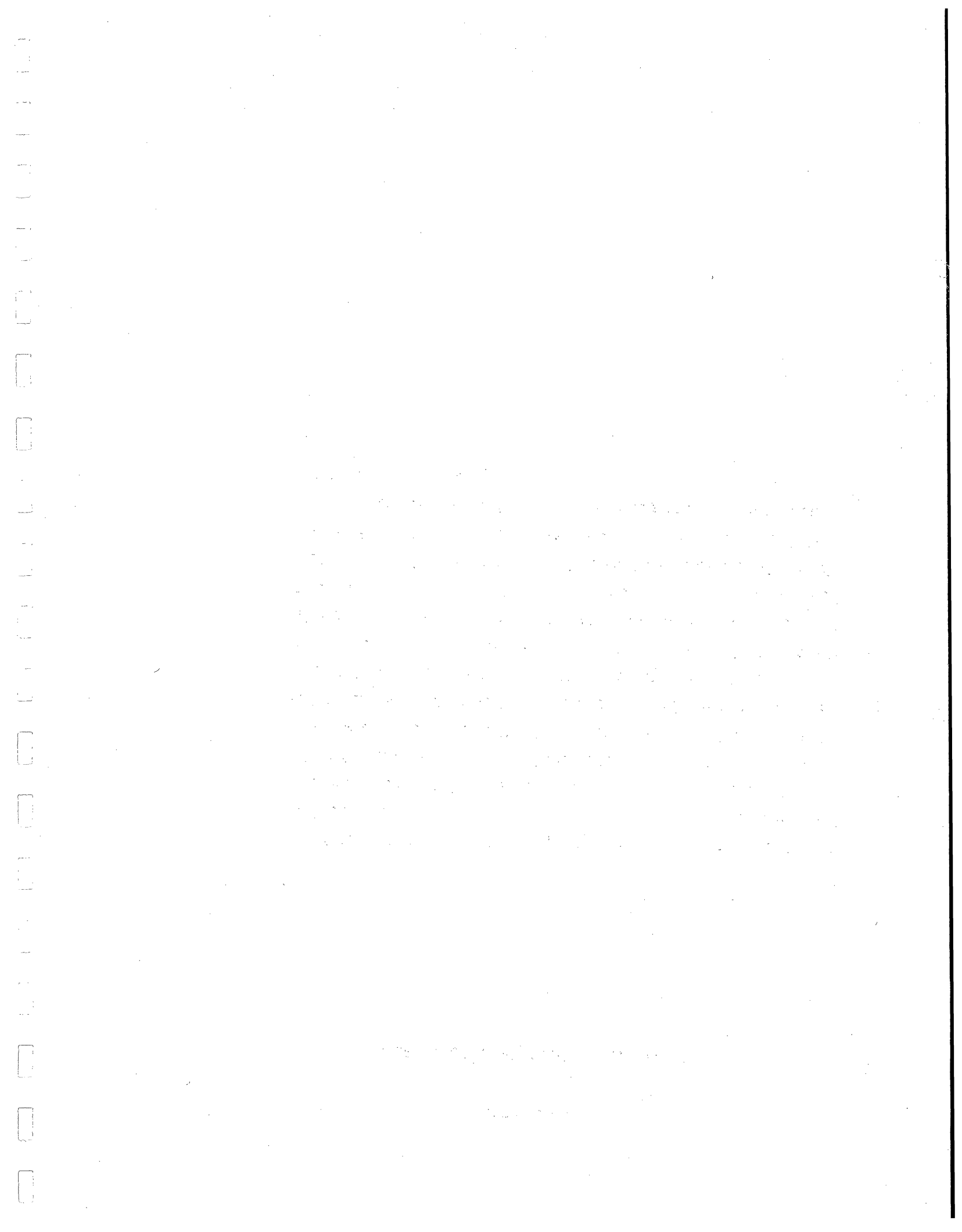




## **Appendix A**

### **Statements of Task Force Members**

THE RECOMMENDATIONS IN THIS REPORT GENERALLY REFLECT MAJORITY AGREEMENT. ONLY IN A FEW INSTANCES DO RECOMMENDATIONS REFLECT UNANIMOUS AGREEMENT. IN VIEW OF THE COMPLEX AND CONTROVERSIAL NATURE OF THE PROGRAM AND THE HETEROGENEOUS MAKEUP OF THE TASK FORCE, THE OVER-RIDING OBJECTIVE HAS BEEN ONE OF SEEKING COMPROMISE RATHER THAN CONSENSUS. IN THE INTEREST OF PRESENTING INDIVIDUAL POINTS-OF-VIEW, EACH TASK FORCE MEMBER REPRESENTING LABOR, MANAGEMENT AND THE GENERAL PUBLIC WAS INVITED TO SUBMIT A STATEMENT FOR INCLUSION IN THE FINAL REPORT. THE INDIVIDUAL STATEMENTS WHICH FOLLOW ARE REGARDED AS IMPORTANT COMPLEMENTS TO THE COMMENTARY AND RECOMMENDATIONS PRESENTED IN THE MAJORITY REPORT.



**STATEMENT  
OF  
ARCHER COLE  
INDUSTRIAL UNION COUNCIL  
AND  
MARTIN GERBER  
UNITED AUTO WORKERS**

**GENERAL STATEMENT**

We go along with the General Statement embodied in the Report, although we may not agree with the formulation of some of the issues.

**COVERAGE ISSUES**

**Agricultural Workers**

All agricultural workers should be covered, not just establishments with four or more workers.

**Household Workers**

Employers with full-time domestic staff should be required to provide coverage.

**ELIGIBILITY ISSUES**

**Misconduct**

Regular misconduct should only disqualify worker for six weeks, not reduce total benefits.

**Voluntary Quit With Cause**

Worker should only be disqualified for four weeks not reduction of total benefits. Persons who quit with no cause but who can provide proof of poor conditions, harrassment and other problems on the job, relating to employer relations should be classified as with cause.

**Suitable Work**

Present law of four weeks disqualification to be continued, no reduction of total compensation.

**Fraud**

Fraud penalties to apply to employers also. Do not change present penalty of 17 weeks.

**Pension Offset**

Object to any reductions of benefits where termination is involuntary under private pension plan.

## BENEFIT ISSUES

### Benefit Formula

2/3 of individual wage below maximum benefit and 2/3 of state average for maximum benefit. Dependency advocated but not with the above formula.

### Waiting Week

Keep present system and propose collection of waiting week if worker laid off a total of four weeks in an eligibility period.

### Partial Benefits

Understand objective, but must withhold support until we see a concrete proposal to deal with it. Workers should keep a greater share of earnings.

### Average Weekly Wage

We support move to liberalize interpretation of individual weekly wage.

### Benefit Rights Determinations

We support the undertaking of a study on the feasibility of a wage record system.

## FINANCING ISSUES

### Fund Standard

Continue the present standard of 8.5% of taxable wages.

### Wage Base

Recently enacted taxable base of 28 times weekly wage should be continued.

### Contribution Rates

We agree that they should increase the employer contribution to a maximum of 6.2% and redistribute the present 1% worker contribution rate so that a .75% is earmarked for unemployment and .25% for disability benefits.

### Charges to Employer Accounts

We agree that the administration monitor benefit charges to employers accounts to reduce amount of benefit charged where it is justifiable, and that the administration perform this service for employers. Go along with recommendation that disaster benefits not be charged to employers accounts.

### Financing Incentives

We agree that the system should provide financial incentives to encourage jobs to locate and expand in New Jersey and encourage employers to hire the unemployed.

### Loan Repayment

We endorse efforts by the states to promote federal legislation which will establish a more lenient loan payment schedule.

### General Federal Revenues

We agree that states should continue to finance normal costs of 6% and less and federal government to finance recessionary costs, above 6%. All extended benefits beyond 26 weeks should be financed, completely, by the federal government.

### Surtax

We recommend that any consideration of a surtax to replenish the unemployment insurance fund be levied on employers.

## ADMINISTRATIVE ISSUES

### Employer Manual

Along with an employer manual, propose that an employee manual be developed defining rights and responsibilities under the law.

### Unemployment Rate

In calculating true unemployment rate in state and nation, a determination should be made once and for all that those who desire to enter labor market and cannot obtain work be included as unemployed and those who have dropped out of the labor market because they are too discouraged to report also be counted as unemployed. Also, people who work part-time should have their time off the job counted as unemployment. In this way we would get a true picture of the extent of unemployment in a given period.

### Accounts Receivable

We notice that there is a recommendation to increase penalties for fraudulent securing of unemployment benefits on the part of working people. Shouldn't there be penalties for fraud where employers who collect 1% from the workers' do not forward these and their own contributions, which end up as uncollectible accounts receivable.

Archer Cole  
Industrial Union Council

Martin Gerber  
United Auto Workers



**STATEMENT  
OF  
C. ROY EPPS**  
*THE URBAN LEAGUE OF GREATER NEW BRUNSWICK*

Ms. Joan H. Wiskowski  
Special Assistant to the Commissioner  
State of New Jersey  
Department of Labor and Industry  
Labor and Industry Building  
Trenton, New Jersey 08625

Dear Joan:

In my review of the recommendations to Commissioner Joseph A. Hoffman, I would like to indicate my pleasure in having the opportunity to participate on the Task Force, but specifically the fine work that resulted in the document which will be presented at our October 16th meeting.

The recommendations covering the sub-divisions outlined indicate an extensive review for a realistic approach to state unemployment insurance. The recommendations clarify many of the outdated procedures presently in operation within the state offices. I sincerely hope that the Commissioner will respond to the recommendations positively to enable a more efficient and effective procedure and process to be instituted concerning state unemployment insurance.

It has been a real pleasure to have worked with you and your office in developing the recommendations which will be presented to the Commissioner.

C. Roy Epps  
The Urban League  
of Greater New Brunswick



**STATEMENT  
OF  
ARTHUR W. ERICSON  
PRUDENTIAL INSURANCE COMPANY**

**GENERAL STATEMENT** – The foregoing recommendations lack the necessary resolve for promoting the work ethic principle stressed in the introductory issues of this report. Changes are desperately needed which will re-establish self-respect and regenerate industry amongst the workers of this state. The evils of idleness created by the administration of a dole program must be eliminated.

**COVERAGE ISSUES** – Coverage should be extended to all workers on a fiscally sound basis. The added financial strain on the program does not warrant extending coverage to agricultural workers, as proposed.

**ELIGIBILITY ISSUES** – Eligibility for benefits should be equitable for everyone. The alternative attachment to work requirement based on a percentage of annual wage is much too liberal, discriminates against the lower paid workers and encourages dependence upon the program as a wage supplement.

Awarding benefits after voluntarily quitting employment for certain personal causes will be difficult to administer equitably and will not promote the work ethic.

Income from all employer contributed benefit programs, not just pension income, should offset the need for and the amount of benefit.

**BENEFIT ISSUES** – A dependency benefit injects welfare principles into a program which should base entitlement on work history and benefits on wages.

Partial benefits must provide an incentive to return to full-time employment. When added to earned wages, such benefits should not make it profitable to prolong work on a partially employed status.

The maximum total benefits under the alternative basis for determining eligibility rewards a special group of workers with benefits far in excess of the value related to their attachment to the labor force. This becomes a wage maintenance program, not unemployment insurance.

**FINANCIAL ISSUES** – Increasing employer taxes to a higher rate schedule when reserve funds decrease below fixed levels should not be proposed until the program has been modified significantly to promote the work ethic and to eliminate the existing give-away features. Neither should a more lenient loan repayment schedule be suggested. Also, excessive subsidization of the deficit employers by the more stable employers must be avoided.

**ADMINISTRATIVE ISSUES** – A great need exists to completely overhaul the program's administrative practices and procedures in order to enhance the effectiveness and image of the program.

**ADDITIONAL COMMENTS** – I am very concerned that unless the unemployment insurance program is restructured to acknowledge the current characteristics of the labor force, to recognize the need for fiscal responsibility and to promote the work ethic principle, the program's monetary difficulties will add immeasurably to the already strained financial burdens of employers and citizens of New Jersey.

Arthur W. Ericson  
Prudential Insurance Company

**STATEMENT  
OF  
JAMES A. FRAZER  
NEW JERSEY BELL TELEPHONE COMPANY  
REPRESENTING  
NEW JERSEY STATE CHAMBER OF COMMERCE**

**GENERAL STATEMENT** – Our over-riding objective is to provide good job opportunities for unemployed workers. Unfortunately, the economic and business climate in New Jersey is poor. To achieve our goal of more jobs, basic legislative reform is essential. Temporary, expedient measures to attract new business, often at the expense of existing firms, are frequently counter-productive.

New Jersey's costly, average employer tax rate 67% above the National average, U. C. law is an important contributing factor resulting in our relatively unfavorable economic climate and loss of job opportunities. To be meaningful, legislative changes must accomplish three objectives; namely, (1) reduce excessive employer tax burden relative to interstate competition, (2) apportion U. C. tax burden more equitably by significantly reducing the present substantial subsidization of deficit employers by stable employers and (3) insure, by means of tight administrative controls as well as legislation, that benefits are paid only to those who demonstrate prior and present labor market attachment.

**COVERAGE ISSUES** – Oppose coverage of agricultural workers. Most other states do not cover agricultural workers nor is such coverage included as a permanent Federal standard. Inconsistent with objectives 1 and 2 above. Employees of Public School Systems must be precluded from entitlement during traditional summer or other vacation periods.

**ELIGIBILITY ISSUES** – Any voluntary quit should disqualify claimant until labor market attachment is re-established by regular employment. "Personal cause" exception would complicate administration, lead to abuse and conflict with objectives 1 and 3 above.

**BENEFIT ISSUES** – "Objective" should not involve "living essentials", a welfare program concept, but rather wage replacement. Oppose "dependency benefits" as contrary to wage replacement principle and as an inadequate measure of need. Oppose one-third wage alternative as discriminating against lower paid workers. Agree in principle to partial benefit proposal with qualification that total retained earnings must be kept sufficiently below prior after-tax wages so as not to be a disincentive for seeking full-time work.

**FINANCING ISSUES** — In revising "employer reserve ratio" schedule, object should be to substantially improve experience rating principle so that no employer will pay less than a \$.75 tax per \$1 benefit charged to his account. Suggest increase maximum tax rate in several steps. This will reduce present excessive subsidization of deficit employers by stable employers, in line with objective 2 above. Oppose change in "experience rating base" since proposal to extend and increase rate categories will provide an equitable and continuing incentive to both stable and deficit ratio employers to promote stability of employment. Oppose "financing incentives" proposals 1 and 2 as administratively onerous and probably counter-productive. Oppose attempt to establish more lenient "loan repayment schedule" as merely delaying necessity for State to face up to economic realities. Oppose promoting more "Federal revenue" since this inevitably means more Federal control at a higher cost to New Jersey taxpayers.

**ADMINISTRATIVE ISSUES** — There is need for specific proposals requiring tight administrative controls to insure that only individuals demonstrably attached to the labor market receive benefits. Claimants do not now have to demonstrate that they are actively seeking work. Clerks merely ask questions to elicit routine responses. There is little if any verification of answers. As a result, studies show that a substantial number of benefit recipients are only marginally, if at all, attached to the labor market. The Division must accept responsibility to insure that only claimants who qualify under the law receive benefits.

**ADDITIONAL COMMENT** — Improvements recommended by the U. C. Task Force in this report, together with suggestions cited above, provide a sound basis for meaningful and essential legislative reform.

James A. Frazer  
New Jersey Bell Telephone Company  
Representing  
New Jersey State Chamber of Commerce

**STATEMENT  
OF  
FRANK W. HAINES  
*NEW JERSEY TAXPAYERS ASSOCIATION***

I agree generally with most of the recommendations. I decided not to list exceptions which might detract from the extensive effort which underlies the report.

Many of the recommendations involve action contingent on up-dated re-search and evaluation prior to final decision on implementation.

I urge that implementation of recommendations that involve additional cost to employers and employees be first evaluated according to impact on the overall business economy. Maintenance of a competitive business climate in New Jersey should be a major objective of the Department of Labor and Industry. Changes in unemployment insurance laws which involve adding significant business cost to an already extremely high cost function should be assiduously avoided unless it can be definitely proven that there will be no adverse economic impact.

Frank W. Haines  
New Jersey Taxpayers Association



STATEMENT  
OF  
CHARLES H. MARCIANTE  
*NEW JERSEY STATE AFL-CIO*

GENERAL STATEMENT — We endorse the approach of the Task Force in attempting a comprehensive evaluation of the UI Program rather than a piecemeal approach addressing short run problems.

COVERAGE ISSUES — Insofar as Unemployment Insurance constitutes the American Worker's primary, and often sole, buffer to the social and economic privations of unemployment, its social, remedial purposes can only be fully recognized by the extension of coverage to all wage and salary workers. We, therefore, commend the Task Force for its recognition of this philosophical base and endorse the extension of coverage to agricultural, state and local government and educational workers. To further coverage, however, we would urge careful consideration of reciprocal coverage owing to the high mobility of the American Worker.

ELIGIBILITY ISSUES — We favor the "voluntary quit" recommendation as recognizing that "personal cause" may constitute "good cause" to quit under certain circumstances and commend the Task Force for recognizing that personal reasons may mandate withdrawal from the labor force which may in no realistic sense be deemed voluntary. We also favor the alternative earnings test for eligibility, i.e., 20 base weeks or \$2,200.00 in base year. The alternative calculation ameliorates the discriminatory impact upon workers earning a high proportion of their income during a relatively short time period. We also agree that intensified assistance in the search for work should receive optimum effort insofar as employment, not benefits, is the ultimate answer to the ills of unemployment. We note a theme of strict interpretation running through the recommendations regarding suitable work and would suggest that the fiscal integrity of the Fund be achieved by restructuring of funding methods, not denial of benefits.

We strongly oppose any presumption that a pensioner has withdrawn from the labor market and any concept of a pension offset unless an individual has, in fact, voluntarily withdrawn from the labor market. Many individuals capable and desirous of productive labor, face mandatory retirement on a small pension and are required to work in order to survive. To offset their meagre pensions against UI benefits to which they might otherwise be entitled is unconscionable.

BENEFIT ISSUES — We feel that the recommended benefit formula, while attempting to realistically upgrade benefits on the high end of the scale, finances this upgrading by penalizing the low-end wage earner who, in all likelihood, will have no resources other than UI Benefits to draw upon during periods of unemployment. We would, therefore, recommend a more general upgrading of benefits throughout the entire benefit scale to keep pace with the cost of living. We fully concur in the recommendation to reintroduce the 1/3 total wage alternative in determining maximum duration and maximum total benefits so as to eliminate the discriminatory effect of the present law upon the wage earner earning a high proportion of his income during a relatively short period of time. We also favor the restructuring of the partial benefits provision to permit retention of more part-time earnings as encouraging employment.

FINANCING ISSUES – We favor the equitable concept embodied in the recommendations that those employers generating the highest rates of unemployment should bear a greater share of the costs in funding the system and endorse the recommendation calling for further study regarding the rating information base with the objective of restructuring same to provide inducements for employment. We do, however, have reservations regarding increasing dependence upon Federal General Revenues which are subject to the whims of Congress and the Administration. Our comments upon the recommended surtax to achieve sufficient reserves will be withheld insofar as no specific proposals as to the amount and upon whom the tax will be levied have been forthcoming.

ADMINISTRATIVE ISSUES – We support the recommendation to develop and foster informational, counseling and job search services in order to promote employment among beneficiaries. Employment services must be developed and fully integrated into the UI system if the system is to function within its philosophical framework as a temporary cushion bridging the gap between productive employment. Neglect of the reintegration function will result in a dead-end system feeding upon the social ill which it seeks to alleviate.

ADDITIONAL COMMENTS – By way of final comment, we would urge that a comprehensive review of the UI program be undertaken at periodic intervals in order to develop, implement and evaluate dynamic innovative approaches to meet the ever-changing problems occasioned by the blight of unemployment.

Charles H. Marciante  
New Jersey State AFL-CIO

STATEMENT  
OF  
LAWRENCE W. MUTH  
*JOHNSON & JOHNSON*

*REPRESENTING  
NEW JERSEY MANUFACTURERS ASSOCIATION*

In evaluating the report, I believe it is important that Commissioner Hoffman recognize that it represents a series of compromises reached after long and intensive study by the task force members based on a great deal of information developed by the staff of the Department. It is, therefore, important for the Commissioner to recognize the need to accept the report as a single unified and interrelated recommendation.

There are, however, a few items which have been included in the report even though they received little or no attention at any of the task force meetings. My reaction to these items is spelled out below:

The revision of the regular duration of benefits to include an alternative based on one-third of the employee's total wages divided by the weekly benefit rate, received only minimal attention in the work of the task force. There seemed to be little support for the reintroduction of this kind of a provision which has only recently been removed from the law.

In the provision recommending a change in the benefit formula to provide one-half of wage replacement up to a maximum weekly benefit amount to equal two-thirds of the statewide average weekly wage, there is a recommendation that this revised formula be supplemented with dependency benefits of \$5.00 per dependent up to a maximum of \$15.00. There is concern with the dependent add-on. The concern has to do with the fact that New Jersey's Unemployment Benefit Fund is already so far in debt that action should be taken to overcome this deficit before we consider the addition of provisions which liberalize the unemployment benefits program. Furthermore, before considering such an add-on, studies should be made of the administrative problems involved, the possibility of fraud, and the fundamental change this represents in a program which is supposedly predicated on insurance principles. I believe this subject requires much research and study before such a recommendation can be supported. I do, therefore, urge that the proposal concerning dependents' benefits be modified along these lines:

- a) No dependent add-on for two years.
- b) A commitment that the dependent add-on will be thoroughly studied in that time by an appropriate agency.

In the extension of unemployment insurance protection to state and local government and public school system employees, there is no reference to the exclusion of those professionals whose contract only extends for the school year even though the salary is based on a calendar year. I assume this is an oversight and will be corrected.

The definition of voluntary quit with good personal cause is another liberalization of the present law and must be dealt with in a careful manner so as to avoid problems. Strong, precise language is necessary and clear administrative guidelines are required to keep this feature from being abused. Moreover, there was no indication that leaving work in good faith to join the armed forces should be considered as being eligible for unemployment benefits.

Lawrence W. Muth  
Johnson & Johnson  
Representing  
New Jersey Manufacturers Association

**STATEMENT  
OF  
HARRY F. STARK  
RUTGERS UNIVERSITY**

Joan H. Wiskowski  
Assistant to the Commissioner  
Department of Labor and Industry  
P. O. Box V  
Trenton, N. J.

Dear Joan,

It is good to see that the Unemployment Insurance Task Force Report is in the final form. The transmittal to the Commissioner should make clear that individual members may support the report in general, as I do, and may also have reservations on specific recommendations, as I do.

My only serious reservation concerns the several statements on E.S.-U.I. relationships. We seem to defend the current organizational structure and oppose federal dominance of the program and at the same time want federal assumption of certain payments and services to claimants which probably concern E.S. functions. Do we favor federal minimum benefit standards? This relates to the economic development aspects of financing incentives. The E.S.-U.I. and federal-state interactions will require continuing review.

Harry F. Stark  
Rutgers University



**STATEMENT  
OF  
MARGARET WALKER  
*LEAGUE OF WOMEN VOTERS***

Ms. Joan Wiskowski  
Department of Labor and Industry  
P. O. Box V  
Trenton, N. J. 08625

Dear Joan,

In reply to your letter of September 2, transmitting the Task Force Report, rather than reviewing the issues item by item, I prefer to indicate my general agreement with the recommendations of the Unemployment Insurance Task Force.

I believe the recommendations represent a consensus worked out by thorough study and analysis of the existing program and all the possible alternatives. The members of the Task Force, representing various interests within the State, worked diligently to explore all possibilities before arriving at generally acceptable areas of agreement. The members of the Department were extremely efficient in gathering and presenting all the facts available for us to make our judgements.

The Report recognizes the limitations of insuring against all possible contingencies; that some needs must be met out of general revenue and some burdens shared by the entire country.

The public interest will be served by acceptance of these recommendations by the Commissioner and implementation by legislation. The result should be a more equitable system of financing, a fairer distribution of benefits and a more efficient administration.

To add a personal note, I would like to say that it was indeed reassuring to find that each member of the Department I met is dedicated both to strengthening the Unemployment Insurance program and to meeting the needs of the citizens of the State. It was a pleasure working with you.

Margaret Walker  
League of Women Voters



## **Appendix B**

### **Cost Estimates**

Cost estimates have been prepared for recommendations which would have the greatest impact upon benefits and revenues.

Percentage estimates indicate the annual percentage increase or decrease in benefits resulting from each proposal. With two exceptions, dollar estimates are presented in terms of 1974 experience. During 1974, regular state benefits plus the state share of extended benefits totalled \$496 million. "Contribution Rate" estimates are presented in terms of projected 1976 wage levels; "Surtax" estimates are presented in terms of projected wage levels from 1976 through 1985.

#### **AGRICULTURAL WORKERS**

Extend unemployment insurance coverage to agricultural workers in establishments which employ four or more workers for 20 or more weeks in a calendar year.

Cost Estimate:

0.8% annually

\$4.0 million benefit increase if effective during 1974

Gross benefit payments of \$4.0 million would not be fully covered by worker and employer contributions. The annual net fund drain will approximate 0.3% annually - \$1.5 million if effective during 1974. After three years of coverage experience under the law, agricultural employers would be experience rated. Thereafter, the average employer contribution rate assigned to agricultural employers would increase, and in turn would reduce the annual deficit attributable to the agricultural industry.

#### **STATE AND LOCAL GOVERNMENT**

Extend unemployment insurance coverage to all state, local government, and public school system employees.

Cost Estimate:

3.4% annually

\$16.9 million benefit increase if effective during 1974

State hospitals and state institutions of higher education are currently covered by the unemployment compensation law. These governmental establishments finance unemployment benefits on a reimbursement basis. It is presumed that all additional governmental coverage would be financed in this manner. Employee contributions will finance approximately one-half of anticipated costs. If the UI allocation of the worker contribution rate is increased to .75 percent as proposed in this report, employee contributions would finance three-fourths of anticipated costs. Costs in excess of employee contributions will be covered by governmental employing units on a reimbursement basis. Consequently, there will be no net change in fund reserves due to this coverage provision.

#### **LABOR FORCE ATTACHMENT**

Define alternative labor force attachment test as one-third the statewide average annual wage in covered employment.

Cost Estimate:

-1.7% annually

\$8.4 million benefit decrease if effective during 1974

The alternative labor force attachment test would have been \$3,000 of earnings in 1974 and \$3,100 in 1975.

#### **FRAUD**

Provide one year disqualification where individual receives benefits as a result of false or fraudulent representation.

Cost Estimate:

-0.054% annually

\$270,000 benefit decrease if effective during 1974

#### **PENSION INCOME INTERVIEW**

Amend law to provide that a retirement pension beneficiary "is presumed to have withdrawn from the labor force and shall be ineligible for unemployment compensation benefits unless and until it is demonstrated that such individual has not voluntarily withdrawn from the labor force".

A study of Oregon's experience with a similar pension income interview provision indicated that 85% of pension recipients who were interviewed adequately demonstrated labor force attachment; 15% were disqualified. If New

Jersey experiences a similar disqualification rate, annual benefits would be reduced as shown below.

**Cost Estimate:**

-0.9% annually

\$4.5 million benefit decrease if effective during 1974

**PENSION OFFSET**

Deny or limit benefits to persons receiving private pensions to which a chargeable employer is contributing or has contributed on behalf of the individual. The unemployment benefit will be reduced in the same manner that benefits are reduced when the claimant has partial earnings.

**Cost Estimate:**

-1.2% annually

\$6.0 million benefit decrease if effective during 1974

**BENEFIT FORMULA**

Provide one-half wage replacement up to a maximum weekly benefit amount of two-thirds the statewide average weekly wage. Supplement this basic formula with dependency benefits of \$5 per dependent up to a maximum of \$15 in additional benefits.

**Cost Estimate:**

-0.8% annually

\$4.0 million benefit decrease if effective during 1974

**REGULAR DURATION (MAXIMUM TOTAL BENEFITS)**

Amend formula for determining each claimant's regular duration (maximum total benefits) potential such that the individual may receive the higher of three-fourths base weeks or one-third total wages divided by the weekly benefit rate.

**Cost Estimate:**

1.0% annually

\$5.0 million benefit increase if effective during 1974

## EXTENDED DURATION

All extended benefit payments beyond the 26 week limit should be supported exclusively by the federal government through the use of general revenues.

If incorporated into the federal-state statutes, this provision would represent an important source of unemployment insurance tax relief for New Jersey employers. The fund would have realized an additional \$45.8 million in federal reimbursements for extended benefit payments if this provision were effective during 1974. The fund would have realized approximately \$220 million from January 1971 through September 1975 under such a provision.

## CONTRIBUTION RATES

Increase employer contribution rates above the current maximum of 6.2 percent; change the distribution of the 1.0 percent worker contribution rate such that .75 percent is earmarked for unemployment insurance benefits and .25 percent is earmarked for temporary disability insurance benefits.

At projected 1976 wage levels, the unemployment insurance system would realize an additional \$32.6 million from the proposed redistribution of the worker tax. Revenues would vary depending upon the amount of the rate increases assigned to deficit account employers.

The following table illustrates the range of revenues which could be generated by selective employer contribution rate increases.

Maximum Employer Contribution Rate	Rate Increase Above 6.2%	Additional Employer Contributions
6.6%	0.4%	\$10.3 million
7.0%	0.8%	\$19.5 million
7.3%	1.1%	\$29.5 million
7.7%	1.5%	\$39.8 million



Regarding the possible use of general federal revenues to finance extended benefits, there are two distinct issues which should be clarified. First, the state fund would benefit if the federal government were to assume the state share of extended benefits (weeks 27 through 39). It was noted earlier in this appendix section that the state fund would have gained \$45.8 million in 1974, or \$220 million from January 1971 through September 1975, if this provision were in effect. Secondly, employer federal unemployment tax liability (FUTA taxes) would be reduced if all extended benefits were paid by general revenues. For instance, the federal share of extended benefits (weeks 27 through 39) and the federal supplemental benefit programs (weeks 40 through 65) are funded by a Federal Extended Benefits Account within the Unemployment Trust Fund. As of June 30, 1975, this account was deficit by \$1.1 billion. The deficit is rapidly rising as emergency extended benefit programs continue. Covered employers (nationwide) are liable for these benefit payments which are to be funded through FUTA taxes.

## Appendix C

### Historical Statistics

#### UNEMPLOYMENT COMPENSATION FUND, BENEFITS AND WEEKLY BENEFIT AMOUNTS

1939 - 1974

Year	Unemployment Compensation Fund 1/	Unemployment Benefits	Maximum Weekly Benefit Amount 3/	Average Weekly Benefit Amount
1939	\$ 99,085,561	\$ 14,905,579	\$15	\$ 9.68
1940	130,067,382	15,965,345	15	9.45
1941	180,099,884	15,169,730	18	10.79
1942	230,989,393	17,811,145	18	12.57
1943	308,026,821	5,196,007	18	14.33
1944	393,452,980	3,948,007	18	15.59
1945	437,005,337	36,441,586	22	19.96
1946	434,389,730	78,672,206	22	20.19
1947	474,038,029	55,936,199	22	19.17
1948	467,715,016	47,693,442	22	19.46
1949	425,504,785	87,390,065	22	20.26
1950	418,986,756	64,142,877	26	20.14
1951	448,075,765	43,844,363	26	21.83
1952	474,984,998	51,162,940	30	23.29
1953	503,622,803	59,756,572	30	26.64
1954	471,216,850	117,252,397	30	27.82
1955	461,186,214	94,792,553	35	27.69
1956	456,891,164	100,328,680	35	30.19
1957	436,876,081	123,409,777	35	31.15
1958	356,188,073	186,419,228	35	31.75
1959	341,293,598	126,155,143	35	31.36
1960	328,889,666	131,486,394	35	31.49
1961	313,880,811	149,810,914	50	32.58
1962	316,390,278	143,433,349	50	36.85
1963	298,325,427	161,946,887	50	37.91
1964	289,782,244	150,926,457	50	38.38
1965	313,939,612	124,163,393	50	38.56
1966	365,588,896	105,040,611	50	39.14
1967	417,770,163	118,615,704	50	39.87
1968	447,735,363	145,732,401	62	48.13
1969	477,137,367	161,661,943	65	52.94
1970	441,680,237	241,956,865	69	56.32
1971	237,692,589	370,509,671 2/	72	60.22
1972	128,908,128	348,335,871 2/	76	64.32
1973	141,894,509	351,909,380 2/	81	66.41
1974	30,590,513	495,675,615 2/	85	71.99

1/ Fund balance as of December 31.

2/ Regular UI benefits plus state share of extended benefits.

3/ Since January 1, 1968 the maximum weekly benefit amount has been determined as one-half the statewide average weekly wage in covered employment.

## COVERED EMPLOYERS, JOBS, AND WAGES 1939 - 1974

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Year	Number of Covered Employers As Of December 31	Total Wages	Taxable Wages	Taxable Wages As A Percent of Total Wages	Average Annual Covered Jobs	Average Total Wages Per Covered Job	
						Annual	Weekly
1939	17,169	\$ 1,294,768,947	\$1,294,768,947	100.0%	901,361	\$1,436	\$ 27.62
1940	18,026	1,491,751,420	1,366,507,887	91.6	973,983	1,532	29.46
1941	19,287	1,960,888,895	1,798,326,465	91.7	1,127,483	1,739	33.44
1942	19,643	2,591,716,067	2,329,343,488	89.9	1,228,218	2,110	40.58
1943	19,154	3,130,568,363	2,760,014,464	88.2	1,297,404	2,413	46.40
1944	19,795	3,281,435,359	2,824,576,663	86.1	1,254,859	2,615	50.29
1945	20,299	2,995,275,679	2,596,447,897	86.7	1,138,403	2,631	50.60
1946	34,496	3,243,362,845	2,799,642,899	86.3	1,221,672	2,655	51.06
1947	37,987	3,694,974,122	3,088,766,742	83.6	1,281,488	2,883	55.44
1948	40,209	4,047,970,470	3,278,885,793	81.0	1,304,656	3,103	59.67
1949	42,239	3,941,034,670	3,152,655,473	80.0	1,238,548	3,182	61.19
1950	43,509	4,335,275,933	3,365,092,831	77.6	1,293,836	3,351	64.44
1951	45,718	5,080,998,610	3,774,443,941	74.3	1,393,889	3,645	70.10
1952	47,556	5,510,941,712	3,961,008,098	71.9	1,425,213	3,867	74.37
1953	48,835	5,953,097,759	4,148,842,018	69.7	1,465,881	4,061	78.12
1954	50,459	5,904,789,323	4,060,750,432	68.8	1,423,829	4,147	79.75
1955	51,946	6,290,165,776	4,192,129,453	66.6	1,452,340	4,331	83.29
1956	54,353	6,857,694,816	4,420,560,453	64.5	1,511,145	4,538	87.27
1957	56,415	7,211,732,622	4,499,238,251	62.4	1,528,503	4,718	90.73
1958	58,331	7,128,801,552	4,351,314,178	61.0	1,471,159	4,846	93.19
1959	60,931	7,759,161,350	4,566,127,420	58.8	1,519,218	5,107	98.21
1960	63,249	8,160,142,655	4,677,171,660	57.3	1,554,760	5,248	100.92
1961	64,895	8,436,704,824	4,717,858,353	55.9	1,556,600	5,420	104.23
1962	66,087	9,022,150,980	4,898,843,951	54.3	1,605,222	5,620	108.07
1963	66,321	9,360,685,082	4,985,514,587	53.2	1,620,961	5,775	111.06
1964	67,179	9,908,815,351	5,105,785,579	51.5	1,644,543	6,025	115.87
1965	68,206	10,639,525,850	5,369,144,066	50.5	1,715,343	6,203	119.28
1966	68,974	11,543,294,370	5,659,453,559	49.0	1,792,900	6,438	123.81
1967	69,195	12,275,129,374	5,853,610,913	47.7	1,833,654	6,694	128.73
1968	70,071	13,291,828,051	6,917,462,523	52.0	1,873,704	7,094	136.42
1969	119,489	15,047,050,496	7,561,907,699	50.2	2,024,966	7,431	142.90
1970	127,048	16,238,062,246	7,815,104,978	48.1	2,066,216	7,859	151.13
1971	132,382	17,062,709,466	7,808,909,366	45.8	2,041,972	8,356	160.69
1972	137,228	19,176,192,861	9,160,266,157	47.8	2,186,159	8,772	168.69
1973	140,792	21,202,036,271	9,617,857,209	45.4	2,288,130	9,266	178.19
1974	141,931	22,784,326,461	9,703,127,694	42.6	2,289,743	9,951	191.37

FIRST PAYMENTS, WEEKS COMPENSATED, AND EXHAUSTIONS 1939 - 1974

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Year	First Payments	First Payments Per 100 Covered Jobs	Weeks Compensated			U.I. Claimants Exhausting Benefits	
			Number	Per Covered Job	Per First Payment	Number	Percent of First Payments
1939	208,021	23.08	1,540,588	1.71	7.41	111,594	53.65
1940	203,963	20.94	1,692,067	1.74	8.30	123,767	60.68
1941	176,818	15.68	1,410,293	1.25	7.98	83,222	47.07
1942	163,722	13.33	1,422,436	1.16	8.69	72,302	44.16
1943	46,734	3.60	366,154	.28	7.83	15,407	32.97
1944	36,043	2.87	255,619	.20	7.09	7,462	20.70
1945	206,802	18.17	1,834,000	1.61	8.87	14,477	7.00
1946	221,722	18.15	3,907,788	3.20	17.62	128,088	57.77
1947	231,688	18.08	2,927,748	2.28	12.64	86,177	37.20
1948	206,579	15.91	2,463,518	1.89	11.87	62,707	30.21
1949	330,154	26.66	4,331,315	3.50	13.12	87,546	26.52
1950	233,111	18.02	3,206,035	2.48	13.75	76,971	33.02
1951	199,043	14.28	2,022,477	1.45	10.16	41,751	20.98
1952	216,227	15.17	2,207,138	1.55	10.21	41,228	19.07
1953	210,877	14.39	2,251,819	1.54	10.68	36,393	17.26
1954	294,288	20.67	4,229,915	2.97	14.37	78,990	26.84
1955	227,322	15.65	3,401,390	2.34	14.96	73,752	32.44
1956	256,851	17.00	3,313,293	2.19	12.90	61,699	24.02
1957	300,499	19.66	4,008,362	2.62	13.34	78,330	26.07
1958	368,839	25.07	5,885,889	4.00	15.96	139,166	37.73
1959	288,875	19.01	4,038,197	2.66	13.98	94,640	32.76
1960	302,724	19.47	4,195,409	2.70	13.86	89,282	29.49
1961	311,414	20.01	4,619,267	2.97	14.83	108,061	34.70
1962	290,829	18.12	3,911,303	2.44	13.45	80,015	27.51
1963	312,787	19.30	4,291,970	2.65	13.72	88,902	28.42
1964	285,693	17.37	3,955,523	2.41	13.85	86,939	30.43
1965	254,682	14.85	3,240,642	1.89	12.72	64,961	25.51
1966	228,654	12.75	2,702,576	1.51	11.82	50,245	21.97
1967	244,180	13.32	2,990,627	1.63	12.25	54,502	22.32
1968	241,391	12.88	3,043,352	1.62	12.61	56,230	23.29
1969	236,146	11.66	3,067,339	1.51	12.99	57,228	24.23
1970	265,343	12.84	4,311,623	2.09	16.25	62,594	23.59
1971	350,000	17.14	5,548,418	2.72	15.85	104,000	29.71
1972	330,000	15.10	4,952,600	2.27	15.01	122,118	37.01
1973	351,108	15.34	4,841,971	2.12	13.79	116,488	33.18
1974	448,950	19.61	6,271,700	2.74	13.97	156,688	34.90

## FUND INCOME, INTEREST, CONTRIBUTIONS, AND EMPLOYER CONTRIBUTION RATE 1939 - 1974

Year	Total Fund Income	Interest Credited To Fund	Worker Contributions	Employer Contributions	Effective Employer Contribution Rate (Percent)
1937	\$ 32,869,540	\$ 207,540	none	\$ 32,662,000	.9 and 1.8
1938	42,599,272	907,272	\$ 10,580,000	31,112,000	2.7
1939	47,733,535	1,787,535	11,678,000	34,268,000	2.7
1940	52,119,261	2,650,261	13,326,000	36,143,000	2.7
1941	69,905,854	3,517,854	17,901,000	48,487,000	2.7
1942	65,453,303	4,653,303	23,200,000	37,600,000	1.61
1943	84,169,362	5,274,362	27,600,000	51,295,000	1.86
1944	86,544,817	6,185,817	28,226,000	52,133,000	1.85
1945	75,951,000	7,901,000	25,876,000	42,174,000	1.62
1946	82,122,526	8,180,526	27,672,000	46,270,000	1.65
1947	96,739,331	8,987,331	30,542,000	57,210,000	1.85
1948	75,470,667	9,954,667	14,908,000	50,608,000	1.54
1949	52,424,704	9,510,704	7,869,000	35,045,000	1.11
1950	60,445,892	8,921,927	8,320,747	43,143,218	1.28
1951	73,597,697	9,196,109	9,428,073	54,973,515	1.46
1952	79,896,927	9,943,009	9,915,267	60,038,651	1.52
1953	88,220,112	11,148,498	10,346,917	66,724,697	1.61
1954	84,609,324	11,687,044	10,139,656	62,782,624	1.55
1955	85,979,795	10,604,828	10,416,002	64,958,965	1.55
1956	95,176,518	10,672,601	11,022,235	73,481,682	1.66
1957	101,301,886	11,384,733	11,251,378	78,665,775	1.75
1958	104,392,059	10,690,468	10,791,747	82,909,844	1.91
1959	111,260,670	9,211,822	11,293,980	90,754,868	1.99
1960	124,661,348	9,659,707	11,350,974	103,650,667	2.22
1961	135,187,926	10,019,341	11,712,045	113,456,540	2.40
1962	145,942,817	9,407,746	12,205,103	124,329,968	2.54
1963	143,882,034	9,594,976	12,376,725	121,910,333	2.45
1964	142,383,274	9,606,313	12,656,104	120,120,857	2.35
1965	148,320,760	10,098,077	13,234,953	124,987,730	2.33
1966	156,689,896	11,743,239	14,018,569	130,928,088	2.31
1967	159,156,177	14,707,388	14,482,190	129,966,599	2.23
1968	174,268,713	17,134,991	16,937,366	140,196,356	2.04
1969	190,555,508	19,707,293	18,501,193	152,347,022	2.01
1970	206,024,950	22,590,581	19,500,218	163,934,151	2.10
1971	205,296,136	18,600,612	19,323,001	167,372,523	2.14
1972	243,012,885	9,630,764	20,771,009	212,611,112	2.32
1973	348,395,637	6,430,472	29,934,247	312,030,918	3.24
1974	375,301,118	6,883,638	30,629,708 *	337,787,772	3.31

\* PRELIMINARY

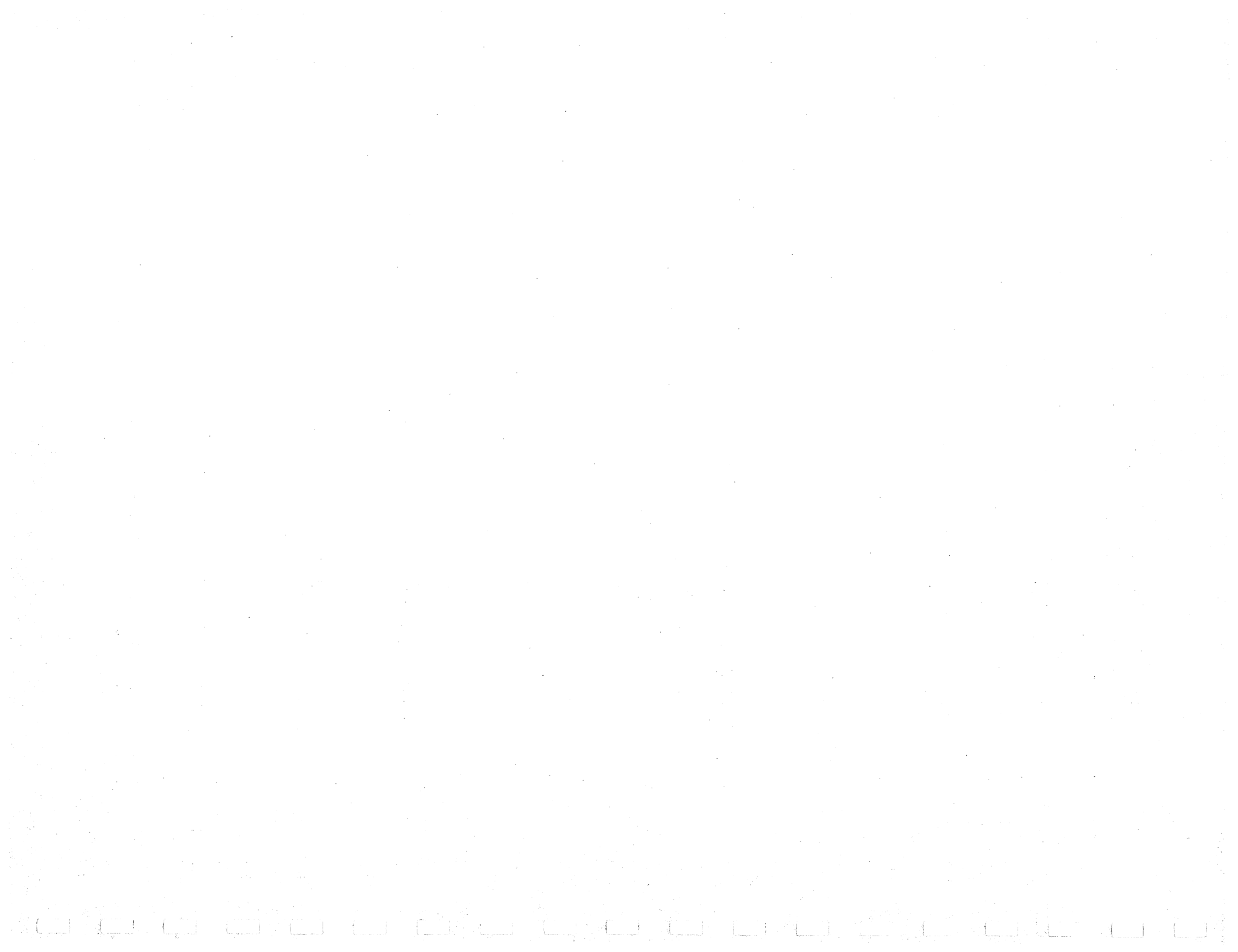
**ANNUAL TOTAL INCOME, CONTRIBUTION (EMPLOYER AND WORKER) INCOME, FUND BALANCE (YEAR-END RESERVES), AND  
BENEFITS PAID, AS PERCENTS OF TOTAL AND TAXABLE WAGES  
1939 - 1974**

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Year	Ratios (%) to Total Wages					Ratios (%) to Taxable Wages				
	Fund Income	Net Benefits Paid	Year-end Reserves	Contribution Income	Interest Income	Fund Income	Net Benefits Paid	Year-end Reserves	Contribution Income	Interest Income
1939	3.69	1.15	7.64	3.55	.14	3.69	1.15	7.64	3.55	.14
1940	3.49	1.07	8.72	3.32	.18	3.81	1.17	9.52	3.62	.19
1941	3.57	0.77	9.18	3.39	.18	3.89	0.84	10.01	3.69	.20
1942	2.53	0.69	8.91	2.35	.18	2.81	0.76	9.92	2.61	.20
1943	2.69	0.17	9.84	2.52	.17	3.05	0.19	11.16	2.86	.19
1944	2.64	0.12	11.99	2.45	.19	3.06	0.14	13.93	2.84	.22
1945	2.54	1.22	14.59	2.27	.26	2.93	1.40	16.83	2.62	.30
1946	2.53	2.43	13.39	2.28	.25	2.93	2.81	15.52	2.64	.29
1947	2.62	1.51	12.83	2.37	.24	3.13	1.81	15.35	2.84	.29
1948	1.86	1.18	11.55	1.62	.25	2.30	1.45	14.26	2.00	.30
1949	1.33	2.22	10.80	1.09	.24	1.66	2.77	13.50	1.36	.30
1950	1.39	1.48	9.66	1.19	.21	1.80	1.91	12.45	1.53	.27
1951	1.45	0.86	8.82	1.27	.18	1.95	1.16	11.87	1.71	.24
1952	1.45	0.93	8.62	1.27	.18	2.02	1.29	11.99	1.77	.25
1953	1.48	1.00	8.46	1.29	.19	2.13	1.44	12.14	1.86	.27
1954	1.43	1.99	7.98	1.24	.20	2.08	2.89	11.60	1.80	.29
1955	1.37	1.51	7.33	1.20	.17	2.05	2.26	11.00	1.80	.25
1956	1.39	1.46	6.66	1.23	.16	2.15	2.27	10.34	1.91	.24
1957	1.40	1.71	6.06	1.25	.16	2.25	2.74	9.71	2.00	.25
1958	1.46	2.62	5.00	1.31	.15	2.40	4.28	8.19	2.15	.25
1959	1.43	1.63	4.40	1.32	.12	2.44	2.76	7.47	2.23	.20
1960	1.53	1.61	4.03	1.41	.12	2.67	2.81	7.03	2.46	.21
1961	1.60	1.78	3.72	1.48	.12	2.87	3.18	6.65	2.65	.21
1962	1.62	1.59	3.51	1.51	.10	2.98	2.93	6.46	2.79	.19
1963	1.54	1.73	3.19	1.43	.10	2.89	3.25	5.98	2.69	.19
1964	1.44	1.52	2.92	1.34	.10	2.79	2.96	5.68	2.60	.19
1965	1.39	1.17	2.95	1.30	.10	2.76	2.31	5.85	2.57	.19
1966	1.36	0.91	3.17	1.26	.10	2.77	1.86	6.46	2.56	.21
1967	1.31	0.97	3.40	1.18	.12	2.74	2.03	7.14	2.49	.25
1968	1.32	1.10	3.37	1.19	.13	2.53	2.11	6.47	2.29	.25
1969	1.28	1.07	3.17	1.14	.13	2.54	2.14	6.31	2.28	.26
1970	1.27	1.49	2.72	1.13	.14	2.64	3.10	5.65	2.35	.29
1971	1.20	2.17*	1.39	1.09	.11	2.63	4.74*	3.04	2.39	.24
1972	1.25	1.82*	.67	1.20	.05	2.63	3.80*	1.41	2.52	.11
1973	1.63	1.66*	.67	1.60	.03	3.59	3.66*	1.48	3.52	.07
1974	1.63	2.17*	.13	1.60	.03	3.64	4.86*	0.30	3.57	.07

NOTE: Income is the sum of employer and worker contributions, and interest credited to the Unemployment Compensation Fund. For purposes of this table, Benefits Paid were adjusted by subtracting the amount of recoveries of overpayments. Year-end Reserves is the balance in the Unemployment Compensation Fund as of December 31. Contribution Income is the sum of employer and worker contributions.

\* Regular UI benefits plus State share of Extended Benefits.



**Appendix D**  
**Comparison of**  
**Present Law and Proposed changes**  
**to the Unemployment Compensation Law ( R.S. 43:21-1 et seq. )**

ISSUES	PRESENT	PROPOSED
<b><u>COVERAGE ISSUES</u></b>		
<b>AGRICULTURAL WORKERS</b>	<b>NOT COVERED</b>	<b>*UNEMPLOYMENT INSURANCE PROTECTION SHOULD BE EXTENDED TO AGRICULTURAL WORKERS IN ESTABLISHMENTS WITH FOUR OR MORE WORKERS.</b>
<b>STATE AND LOCAL GOVERNMENT</b>	<b>ONLY STATE HOSPITALS AND STATE INSTITUTIONS OF HIGHER EDUCATION ARE COVERED</b>	<b>*UNEMPLOYMENT INSURANCE PROTECTION SHOULD BE EXTENDED TO ALL STATE AND LOCAL GOVERNMENT AND PUBLIC SCHOOL SYSTEM EMPLOYEES.</b>
<b>SELF-EMPLOYED</b>	<b>NOT COVERED</b>	<b>THE SELF-EMPLOYED SHOULD CONTINUE TO BE EXCLUDED FROM THE UNEMPLOYMENT COMPENSATION LAW.</b>
<b>HOUSEHOLD WORKERS</b>	<b>ONLY COMMERCIAL DOMESTIC SERVICE EMPLOYMENT IS COVERED</b>	<b>UNEMPLOYMENT INSURANCE PROTECTION SHOULD CONTINUE TO HOUSEHOLD WORKERS WHERE THE WORKER IS EMPLOYED BY A COMMERCIAL DOMESTIC SERVICE COMPANY OR WHERE THE EMPLOYER VOLUNTARILY ELECTS COVERAGE.</b>
<b><u>ELIGIBILITY ISSUES</u></b>		
<b>LABOR FORCE ATTACHMENT TEST</b>	<b>20 WEEKS OF EMPLOYMENT AT \$30 OR MORE PER WEEK</b>	<b>NO CHANGE</b>
<b>ALTERNATIVE LABOR FORCE ATTACHMENT TEST</b>	<b>EARNINGS OF AT LEAST \$2,200 IN BASE YEAR</b>	<b>*THE ALTERNATIVE LABOR FORCE ATTACHMENT TEST SHOULD BE DEFINED AS 1/3 THE STATEWIDE AVERAGE ANNUAL WAGE IN COVERED EMPLOYMENT.</b>
<b>MISCONDUCT</b>	<b>DISQUALIFIED FOR PERIOD OF SIX WEEKS</b>	<b>*DISTINGUISH BETWEEN REGULAR MISCONDUCT AND GROSS MISCONDUCT. FOR REGULAR MISCONDUCT, DISQUALIFY INDIVIDUAL FOR A PERIOD OF SIX WEEKS AND REDUCE POTENTIAL BENEFITS BY SIX TIMES THE WEEKLY BENEFIT RATE. FOR GROSS MISCONDUCT, DISQUALIFY INDIVIDUAL FOR A PERIOD OF ONE YEAR.</b>
<b>VOLUNTARY QUIT</b>	<b>DISQUALIFIED UNTIL INDIVIDUAL EARNS AT LEAST FOUR TIMES WEEKLY BENEFIT AMOUNT</b>	<b>*DISTINGUISH BETWEEN VOLUNTARY QUIT WITH GOOD PERSONAL CAUSE AND VOLUNTARY QUIT WITHOUT GOOD PERSONAL CAUSE. FOR VOLUNTARY QUIT WITH GOOD PERSONAL CAUSE, DISQUALIFY INDIVIDUAL FOR A PERIOD OF FOUR WEEKS AND REDUCE POTENTIAL BENEFITS BY FOUR TIMES THE WEEKLY BENEFIT RATE. FOR VOLUNTARY QUIT WITHOUT GOOD PERSONAL CAUSE, DISQUALIFY INDIVIDUAL UNTIL HE/SHE EARNS TEN TIMES THE WEEKLY BENEFIT RATE AND REDUCE POTENTIAL BENEFITS BY TEN TIMES THE WEEKLY BENEFIT RATE.</b>

\*Requires Legislation

(Cont.)

## Comparison of Present Law and Proposed changes to the Unemployment Compensation Law ( R.S. 43:21-1 et seq. )

ISSUES	PRESENT	PROPOSED
REFUSAL OF SUITABLE WORK	DISQUALIFIED FOR WAITING PERIOD OF FOUR WEEKS	*DEFINE SUITABLE WORK SUCH THAT CLAIMANTS MAY BE REQUIRED TO ACCEPT A WIDER RANGE OF RELATED WORK. FOR REFUSAL OF SUITABLE WORK, DISQUALIFY INDIVIDUAL UNTIL HE/SHE EARNS TEN TIMES THE WEEKLY BENEFIT RATE AND REDUCE POTENTIAL BENEFITS BY TEN TIMES THE WEEKLY BENEFIT RATE.
FRAUD	DISQUALIFIED FOR WAITING PERIOD OF 17 WEEKS; DISQUALIFICATION PERIOD BEGINS FROM "DATE OF DISCOVERY"	*AN INDIVIDUAL WHO RECEIVES BENEFITS AS THE RESULT OF ANY FALSE OR FRAUDULENT REPRESENTATION SHOULD BE DISQUALIFIED FROM RECEIVING BENEFITS FOR A PERIOD OF ONE YEAR.
PENSION INCOME INTERVIEW	PENSION INCOME RECIPIENTS ARE NOT DIFFERENTIATED FROM OTHER UNEMPLOYED CLAIMANTS	*AMEND LAW TO PROVIDE THAT A RETIREMENT PENSION BENEFICIARY "IS PRESUMED TO HAVE WITHDRAWN FROM THE LABOR FORCE AND SHALL BE INELIGIBLE FOR UNEMPLOYMENT COMPENSATION BENEFITS UNLESS AND UNTIL IT IS DEMONSTRATED THAT SUCH INDIVIDUAL HAS NOT VOLUNTARILY WITHDRAWN FROM THE LABOR FORCE".
PENSION OFFSET	NO REDUCTION OF BENEFITS	*DENY OR LIMIT BENEFITS TO PERSONS RECEIVING PRIVATE PENSIONS TO WHICH A CHARGEABLE EMPLOYER IS CONTRIBUTING OR HAS CONTRIBUTED ON BEHALF OF THE INDIVIDUAL. THE UNEMPLOYMENT BENEFIT WILL BE REDUCED IN THE SAME MANNER THAT BENEFITS ARE REDUCED WHEN THE CLAIMANT HAS PARTIAL EARNINGS.
ACTIVE SEARCH FOR WORK	CLAIMANT UNASSISTED BY UNEMPLOYMENT INSURANCE ADMINISTRATION	DEVELOP A COMPREHENSIVE RANGE OF CLAIMANT SERVICES TO ASSIST THE UNEMPLOYED IN THE SEARCH FOR PRODUCTIVE EMPLOYMENT.
<b><u>BENEFIT ISSUES</u></b>		
BENEFIT FORMULA	TWO-THIRDS WAGE REPLACEMENT UP TO MAXIMUM WEEKLY BENEFIT OF ONE-HALF THE STATEWIDE AVERAGE WEEKLY WAGE	*PROVIDE ONE-HALF WAGE REPLACEMENT UP TO A MAXIMUM WEEKLY BENEFIT AMOUNT OF TWO-THIRDS THE STATEWIDE AVERAGE WEEKLY WAGE. SUPPLEMENT THIS BASIC FORMULA WITH DEPENDENCY BENEFITS OF \$5 PER DEPENDENT UP TO A MAXIMUM OF \$15 IN ADDITIONAL BENEFITS.
REGULAR DURATION	THREE-FOURTHS BASE WEEKS	*AMEND FORMULA FOR DETERMINING EACH CLAIMANT'S REGULAR DURATION (MAXIMUM TOTAL BENEFITS) POTENTIAL SUCH THAT THE INDIVIDUAL MAY RECEIVE THE HIGHER OF THREE-FOURTHS BASE WEEKS OR ONE-THIRD TOTAL WAGES DIVIDED BY THE WEEKLY BENEFIT RATE.

\*Requires Legislation

(Cont.)

# Comparison of Present Law and Proposed changes to the Unemployment Compensation Law ( R.S. 43:21-1 et seq. )

ISSUES	PRESENT	PROPOSED
EXTENDED DURATION	WEEKS 27 THROUGH 39 ARE FINANCED JOINTLY BY STATE AND FEDERAL GOVERNMENT	MAXIMUM REGULAR DURATION SHOULD CONTINUE TO BE LIMITED TO 26 WEEKS.  *ALL EXTENDED BENEFIT PAYMENTS BEYOND THE REGULAR 26 WEEK LIMIT SHOULD BE SUPPORTED EXCLUSIVELY BY THE FEDERAL GOVERNMENT THROUGH THE USE OF GENERAL REVENUES.
WAITING WEEK	COMPENSATE FOR WAITING WEEK AFTER FOUR WEEKS OF UNEMPLOYMENT	*PROVIDE FOR PAYMENT OF THE WAITING WEEK UPON RETURN TO WORK.
PARTIAL BENEFITS	BENEFIT IS REDUCED BY PART-TIME EARNINGS IN EXCESS OF 20% OF THE WEEKLY BENEFIT RATE, OR \$5.00, WHICHEVER IS THE GREATER	*IT IS RECOMMENDED THAT THE PARTIAL BENEFIT PROVISION OF THE LAW BE RESTRUCTURED TO PROVIDE INCENTIVES FOR THE UNEMPLOYED INDIVIDUAL TO SEEK AND ACCEPT PART-TIME WORK IF FULL-TIME WORK IS UNAVAILABLE.
AVERAGE WEEKLY WAGE	DETERMINED AS AVERAGE WEEKLY WAGE EARNED FROM MOST RECENT EMPLOYER FOR WHOM INDIVIDUAL WORKED AT LEAST 20 WEEKS; IF NO SUCH EMPLOYER EXISTS, ALL BASE YEAR EARNINGS ARE USED TO DETERMINE AVERAGE WEEKLY WAGE	REVIEW FORMULA FOR DETERMINING AN INDIVIDUAL'S AVERAGE WEEKLY WAGE AND EVALUATE METHODS BY WHICH THE FORMULA MIGHT BE DEFINED TO MORE EQUITABLY REFLECT THE INDIVIDUAL'S EARNINGS EXPERIENCE.
BENEFIT RIGHTS DETERMINATIONS	NEW JERSEY GATHERS INFORMATION FOR DETERMINING CLAIMANT ELIGIBILITY AND BENEFIT ENTITLEMENT BY MAILING REQUESTS TO THE CLAIMANT'S FORMER EMPLOYER(S)	EVALUATE RELATIVE COST AND FEASIBILITY OF ESTABLISHING A "WAGE RECORD SYSTEM" FOR DETERMINING CLAIMANT ELIGIBILITY AND BENEFIT ENTITLEMENT.
<b>FINANCING ISSUES</b>		
FUND STANDARD	8.5 PERCENT OF TAXABLE WAGES	CONTINUE THE PRESENT FUND STANDARD OF 8.5 PERCENT OF TAXABLE WAGES.
WAGE BASE	28 TIMES THE STATEWIDE AVERAGE WEEKLY WAGE IN COVERED EMPLOYMENT	CONTINUE THE RECENTLY ENACTED ADJUSTABLE TAXABLE WAGE BASE DEFINED AS 28 TIMES THE STATEWIDE AVERAGE WEEKLY WAGE IN COVERED EMPLOYMENT.
CONTRIBUTION RATES	MAXIMUM EMPLOYER CONTRIBUTION RATE OF 6.2%; WORKER CONTRIBUTION RATE OF 1.0% IS DISTRIBUTED EQUALLY BETWEEN THE UNEMPLOYMENT INSURANCE AND TEMPORARY DISABILITY INSURANCE PROGRAM	*INCREASE EMPLOYER CONTRIBUTION RATES ABOVE THE CURRENT MAXIMUM OF 6.2 PERCENT; CHANGE DISTRIBUTION OF THE 1.0 PERCENT WORKER CONTRIBUTION RATE SUCH THAT .75 PERCENT IS EARMARKED FOR UNEMPLOYMENT INSURANCE BENEFITS AND .25 PERCENT IS EARMARKED FOR TEMPORARY DIS-

\*Requires Legislation

(Cont.)

## Comparison of Present Law and Proposed changes to the Unemployment Compensation Law ( R.S. 43:21-1 et seq. )

ISSUES	PRESENT	PROPOSED
		ABILITY INSURANCE BENEFITS. AUTHORIZE COMMISSIONER TO REDISTRIBUTE THE 1.0 PERCENT WORKER CONTRIBUTION RATE AS DEEMED MOST DESIRABLE TO OBTAIN FUNDING OBJECTIVES IN THE FUTURE.
SURTAX	NO SURTAX IN EFFECT	*LEVY A LIMITED DURATION SURTAX UPON WORKERS AND EMPLOYERS AS PART OF AN OVERALL STRATEGY TO REBUILD FUND RESERVES.
EMPLOYER RESERVE RATIOS	10 POSITIVE RESERVE RATIO CATEGORIES; 3 NEGATIVE RESERVE RATIO CATEGORIES	*REDEFINE EMPLOYER RESERVE RATIO CATEGORIES TO MAKE THE TAX TABLE MORE SYMMETRICAL AND INCREASE THE REVENUE PRODUCING CAPACITY OF THE PROGRAM.
FUND RESERVE RATIOS	6 RESERVE RATIO CATEGORIES; MAXIMUM RATES TRIGGERED AT 2.49% OF TAXABLE WAGES	*REDEFINE FUND RESERVE RATIO CATEGORIES TO INCREASE THE DEGREE OF RESPONSIVENESS BUILT INTO THE SYSTEM OF RATE ADJUSTMENTS.
AVERAGE ANNUAL PAYROLL FORMULA	TAXABLE WAGES OF LAST THREE OR LAST FIVE YEARS, WHICHEVER IS THE HIGHER	*FOR EXPERIENCE RATING PURPOSES, DEFINE THE EMPLOYERS PAYROLL AS THE TAXABLE PAYROLL OF THE "LAST THREE PRECEDING YEARS" RATHER THAN THE "LAST THREE OR FIVE PRECEDING YEARS, WHICHEVER AVERAGE IS THE HIGHER".
EXPERIENCE RATING INFORMATION BASE	ALL EXPERIENCE OF ALL YEARS	CONDUCT ADDITIONAL STUDY OF THE IMPACT ON THE FUND WHICH WOULD RESULT FROM REDEFINING THE EXPERIENCE RATING INFORMATION BASE AS "ALL EXPERIENCE OF THE PAST TEN YEARS" RATHER THAN "ALL EXPERIENCE OF ALL YEARS".
CHARGES TO EMPLOYER ACCOUNTS	BENEFITS PAID TO FORMER WORKERS ARE CHARGED TO EMPLOYER ACCOUNTS WITH FEW EXCEPTIONS	*MONITOR BENEFIT CHARGES TO EMPLOYERS' ACCOUNTS SO THAT EMPLOYERS ARE NOT CHARGED MORE THAN 50% OF CLAIMANTS' BASE PERIOD WAGES. ALSO, DO NOT CHARGE BENEFIT PAYMENTS TO AN EMPLOYER'S ACCOUNT WHERE BENEFITS ARE DUE DIRECTLY TO A DISASTER OR WHERE THE INDIVIDUAL HAS VOLUNTARILY TERMINATED EMPLOYMENT WITH THE EMPLOYER.
FINANCING INCENTIVES	NO U. I. TAX INCENTIVES TO ENCOURAGE EMPLOYERS TO LOCATE OR EXPAND IN NEW JERSEY OR TO HIRE U. I. CLAIMANTS	*INTRODUCE ADDITIONAL FINANCING INCENTIVES INTO THE UNEMPLOYMENT INSURANCE PROGRAM TO ENCOURAGE MORE ECONOMICALLY DESIRABLE EMPLOYMENT PRACTICES, TO ENCOURAGE BUSINESS TO LOCATE AND EXPAND IN NEW JERSEY, AND TO ENCOURAGE EMPLOYERS TO HIRE UNEMPLOYMENT INSURANCE CLAIMANTS.

\*Requires Legislation

# Comparison of Present Law and Proposed changes to the Unemployment Compensation Law ( R.S. 43:21-1 et seq. )

ISSUES	PRESENT	PROPOSED
UNEMPLOYMENT TRUST FUND LOAN	LOAN TO BE REPAYED ON PROGRESSIVE SCHEDULE OF .3%, .6%, .9% ETC. PER YEAR	EFFORTS SHOULD CONTINUE TO PROMOTE LEGISLATION WHICH WILL ESTABLISH A MORE LENIENT LOAN REPAYMENT SCHEDULE.
GENERAL FEDERAL REVENUES	GENERAL FEDERAL REVENUES ARE NOT NORMALLY USED FOR PAYMENT OF UNEMPLOYMENT INSURANCE BENEFITS	IT IS RECOMMENDED THAT THE STATE PROMOTE THE USE OF GENERAL FEDERAL REVENUES. STATES SHOULD CONTINUE TO FINANCE "NORMAL" COSTS -- BENEFITS RELATED TO UNEMPLOYMENT RATES OF 6.0% AND LESS; THE FEDERAL GOVERNMENT SHOULD USE GENERAL REVENUES TO FINANCE "RECESSIONARY" COSTS -- BENEFITS RELATED TO UNEMPLOYMENT RATES ABOVE THE 6.0% LEVEL. ALL EXTENDED BENEFITS BEYOND 26 WEEKS SHOULD ALSO BE FINANCED BY THE FEDERAL GOVERNMENT THROUGH THE USE OF GENERAL FEDERAL REVENUES.
<b><u>ADMINISTRATIVE ISSUES</u></b>		
PREAMBLE	DECLARATION OF STATE PUBLIC POLICY	THE PREAMBLE TO THE UNEMPLOYMENT COMPENSATION LAW SHOULD BE INTERPRETED TO AFFIRM THAT PROVISIONS OF THE LAW SHOULD BE DEVELOPED AND ADMINISTERED CONSISTENT WITH THE GOAL OF COMPLEMENTING AND PROMOTING THE WORK ETHIC.
ROLE OF FEDERAL GOVERNMENT	FEDERAL INITIATIVES AND FEDERAL LEGISLATION ARE SHAPING STRUCUTRE OF THE PROGRAM	THE TASK FORCE SUPPORTS THE FEDERAL-STATE ALLOCATION OF RESPONSIBILITY FOR THE UNEMPLOYMENT COMPENSATION PROGRAM AND OPPOSES ABRUPT OR EVOLUTIONARY FEDERAL DOMINANCE OF THE PROGRAM.
SERVICES-TO-CLAIMANTS PROGRAM	PROGRAM DOES NOT CURRENTLY EXIST	REINTRODUCE AND FURTHER DEVELOP THE SERVICES-TO-CLAIMANTS PROGRAM.
AUXILIARY FUND	USE OF AUXILIARY FUND RESTRICTED BY LAW	*PROMOTE LEGISLATION TO PERMIT THE AUXILIARY FUND TO BE UTILIZED FOR A VARIETY OF PURPOSES INCLUDING CLAIMANT SERVICES, RESEARCH STUDIES AIMED AT PROMOTING EMPLOYMENT OPPORTUNITIES FOR UNEMPLOYMENT INSURANCE CLAIMANTS, AND THE DEVELOPMENT AND IMPLEMENTATION OF PILOT PROJECTS TO TRY OUT NEW IDEAS AND INNOVATIVE APPROACHES TO UNEMPLOYMENT PROBLEMS.
EMPLOYER MANUAL	NO EMPLOYER MANUAL	DEVELOP AN EMPLOYER MANUAL WHICH WILL INCLUDE A SUMMARY OF THE PROGRAM, THE LAW, PRECEDENT DECISIONS, EMPLOYER RESPONSIBILITIES, SAMPLES OF FORMS AND INSTRUCTIONS FOR COMPLETING FORMS.

\*Requires Legislation

(Cont.)

# Comparison of Present Law and Proposed changes to the Unemployment Compensation Law ( R.S. 43:21-1 et seq. )

ISSUES	PRESENT	PROPOSED
DATA RESOURCES	EXTENSIVE DATA RESOURCES INHERENT IN PROGRAM	THERE IS A NEED FOR A COMPREHENSIVE REVIEW OF CURRENTLY AVAILABLE DATA RESOURCES AND IMPLEMENTATION OF AN IMPROVED MANAGEMENT INFORMATION SYSTEM.
RESEARCH AND DEVELOPMENT	FOCUS IS UPON ROUTINE ANALYSIS OF EMERGING MANAGEMENT PROBLEMS	UNEMPLOYMENT INSURANCE RESEARCH AND DEVELOPMENT ACTIVITIES IN THE AGENCY TYPICALLY FOCUS UPON ANALYSIS OF EMERGING MANAGEMENT PROBLEMS. IT IS RECOMMENDED THAT RESEARCH STUDIES (EXPERIENCE OF SEASONAL INDUSTRIES, POST-EXHAUSTION EXPERIENCE, REPEATER CLAIMANTS, CLAIMANT CHARACTERISTICS, CAUSES OF UNEMPLOYMENT, BENEFIT ADEQUACY, ETC.) WHICH CONTRIBUTE TO MORE INFORMED POLICY DECISION MAKING BE CONDUCTED.
UNEMPLOYMENT RATE	DEBATE ABOUT METHOD OF CALCULATING THE UNEMPLOYMENT RATE	THERE IS A NEED FOR A COMPREHENSIVE PHILOSOPHICAL AND METHODOLOGICAL REVIEW OF THE DEFINITION AND CALCULATION OF THE UNEMPLOYMENT RATE.
EMPLOYER ACCOUNT NUMBER	DIFFERENT ACCOUNT NUMBERS ASSIGNED TO EMPLOYER FOR DIFFERENT GOVERNMENT PROGRAMS	EVALUATE ADVANTAGES AND FEASIBILITY OF ESTABLISHING A UNIFORM INTERAGENCY ACCOUNT NUMBER. SUCH A COMMON NUMBER WOULD STREAMLINE BOTH BUSINESS AND GOVERNMENT ADMINISTRATION.
STAFF TRAINING	FORMAL PROGRAM IN OPERATION	DEVELOP A MORE THOROUGH, ONGOING PROGRAM OF TECHNICAL STAFF TRAINING INCLUDING TRAINING IN CLAIMS TAKING, CLAIMS EXAMINATIONS, ADJUDICATIONS, CLAIMANT SERVICES, AND PUBLIC SERVICE RELATIONS.
ACCOUNTS RECEIVABLE	DIFFICULT TO COLLECT ACCOUNTS RECEIVABLE; INTEREST RATE IS 1% PER MONTH	*MOUNT A VIGOROUS ACCOUNTS RECEIVABLE COLLECTION CAMPAIGN. INCREASE INTEREST RATE FOR LATE PAYMENT FROM 1% PER MONTH TO 1 1/2% PER MONTH.
UNCOLLECTIBLE ACCOUNTS RECEIVABLE	LONG OVERDUE ACCOUNTS WITH LITTLE EXPECTATION OF EVER COLLECTING	STUDY THE POSSIBILITY OF APPOINTING A SPECIAL COMMISSIONED CONSTABLE TO SEEK COLLECTION OF THE DIFFICULT "UNCOLLECTIBLE ACCOUNTS RECEIVABLE".

\*Requires Legislation

(Cont.)

# Comparison of Present Law and Proposed changes to the Unemployment Compensation Law ( R.S. 43:21-1 et seq. )

ISSUES	PRESENT	PROPOSED
APPEALS SYSTEM	VARIABLE TIME LIMITS THROUGH DIFFERENT STAGES OF APPEALS SYSTEM	REVIEW THE APPEALS SYSTEM WITH THE OBJECTIVE OF STANDARDIZING TIME LIMITS AND INTRODUCING OTHER CHANGES WHICH WOULD MAKE THE OVER-ALL APPEAL PROCESS MORE EQUITABLE AND EFFICIENT.
FRAUD PENALTY AND PROCEDURES	ONGOING PROGRAM OF FRAUD DETECTION AND PROSECUTION	*IMPLEMENT PENALTY AND PROCEDURAL CHANGES TO DISCOURAGE AND REDUCE THE INCIDENCE OF FRAUD.
SECURITY DEPOSITS	SECURITY DEPOSIT OF 1% REQUIRED OF NON-PROFIT ORGANIZATIONS ELECTING TO FINANCE BENEFITS ON REIMBURSEMENT BASIS MAY BE WAIVED AT ADMINISTRATIVE DISCRETION	*REQUIRE THE PROVISION FOR COLLECTING 1% SECURITY DEPOSIT REQUIRED OF NON-PROFIT ORGANIZATIONS ELECTING TO FINANCE BENEFITS ON A REIMBURSEMENT BASIS BE MANDATORY.
VOLUNTARY REGISTRATION	JOB APPLICATION FILED WITH EMPLOYMENT SERVICE AT DISCRETION OF EACH INDIVIDUAL CLAIMANT	THE TASK FORCE RECOMMENDS A REVIEW OF THE VOLUNTARY REGISTRATION PROCEDURE.
UNEMPLOYMENT INSURANCE - EMPLOYMENT SERVICE RELATIONSHIP	CLEAR SEPARATION OF TASK RESPONSIBILITY	THE CURRENT UNEMPLOYMENT INSURANCE - EMPLOYMENT SERVICE ORGANIZATIONAL STRUCTURE ESTABLISHES A REASONABLE DIVISION OF TASK RESPONSIBILITY. THIS STRUCTURE SHOULD BE AFFIRMED AND IMPLEMENTED IN THE INTEREST OF IMPROVING THE SERVICES OF THE DEPARTMENT TO THE PUBLIC.

\*Requires Legislation

