

Unemployment Compensation Reforms

Issue

Governor Joe Manchin has formed a special task force to examine ways to ensure the state's unemployment compensation trust fund remains healthy. The trust fund, which is funded through an employer tax, is designed to provide unemployment compensation benefits to workers who lose their jobs. Unlike many other states, West Virginia's fund has a balance of roughly \$256 million, which has remained healthy for the past several years. In addition, a proposal was outlined in a past legislative session that, if enacted, would have increased the base wage amount of state Unemployment Compensation taxes from the current level of \$8,000 per employee per year to \$12,000. This would have resulted in a 50 percent increase in this tax on state employers – large and small.

The Chamber believes a “tax hike” at this time may be problematic for many employers and likely will hinder employment and wage growth. The appropriate solution would be to make needed reforms in the state's unemployment compensation program and benefits.

Background

West Virginia provides unemployment compensation benefits to workers involved in work stoppages or strikes. In addition, the state's program is unique in that it awards benefits to employees discharged, even for cause. Outrageous examples involve instances where benefits have been awarded to terminated employees even in cases of gross misconduct, such as failing workplace drug tests for heroin, cocaine and other illegal substances. In another recent situation, employees of one major employer who took an early retirement financial package in early 2005 filed for and received unemployment compensation benefits. Why are people who elected voluntarily to take an early retirement package eligible for these benefits? These payments are reserved generally for those who lose their jobs due to unfortunate business or economic conditions.

These situations drain and undermine unemployment compensation funds for legitimate claimants – current and future. The state's unemployment compensation trust fund, which is presently in reasonably sound financial condition, would be in a much better financial condition if it did not provide payments to striking workers or to those discharged for drug-related matters.

Also, West Virginia's current taxable wage base is in line with the wage bases in surrounding states:

WV	\$8,000
KY	\$8,000
VA	\$8,000
PA	\$8,000
MD	\$8,500
OH	\$9,000

The Chamber's Position

The West Virginia Chamber of Commerce is concerned about an increase, at this time, in state Unemployment Compensation taxes or benefits. If any legislation is to be considered regarding West

Virginia's unemployment compensation program, then the West Virginia Chamber urges adoption of reforms that will bring this program in line with nearly all other states.

Needed changes include:

- establishing mandatory disqualification from unemployment comp benefits if a worker is terminated for failing a workplace drug or alcohol test;
- discontinuing the awarding of benefits to temporary workers who decline new assignments;
- eliminating "out of step" provisions that award benefits to employees who elect to engage in a strike or work stoppage action;
- disallowing payment of unemployment compensation benefits to an individual who elects to take a voluntary retirement incentive package;
- providing that if an employee is compelled to leave work for his or her own health reasons, then a written certification from a physician must be delivered to the employer prior to the employee leaving employment, and that this doctor's certification state the medical reasons and include an advisement that continued work will worsen the employee's health; and
- modifying hearing procedures and rules to reduce the burden on small businesses.