

The Best 5 States

UNEMPLOYMENT INSURANCE

PROGRESS REPORT

Prepared by the American Institute for Full Employment

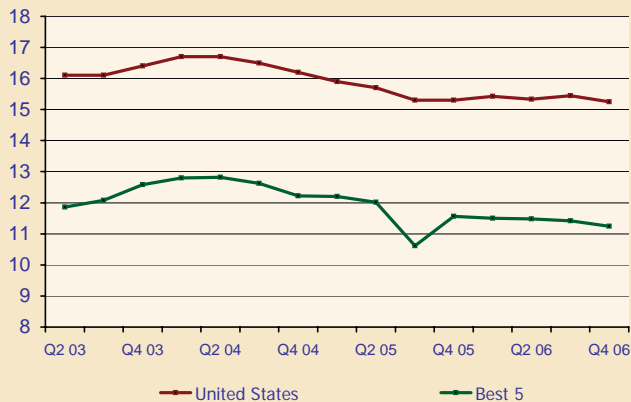
May 2007

States have the opportunity to save millions of dollars and promote the overall well-being of their unemployed workers by implementing best practices in their Unemployment Insurance (UI) programs. UI is an often overlooked, yet critical program for employers and employees. UI policy decisions involve not only significant expenditures in the economy, affecting the business climate and economic development, but also the financial, mental, and physical well-being of the unemployed. In designing their UI programs, federal law allows states substantial flexibility that is too rarely used. This report surveys the best five states' performance and highlights common areas for evaluation for all states. Rankings and individual state analyses can be found at fullemployment.org. For a more detailed policy or program review, please contact the American Institute for Full Employment at (541) 273-6731.

Fairness

On average, unemployment insurance claimants in the best five states 1) found their way off of unemployment insurance nearly one month faster and 2) exhausted their benefits at approximately half the rate of the average state.

Claim Duration (weeks)
Quarterly Data



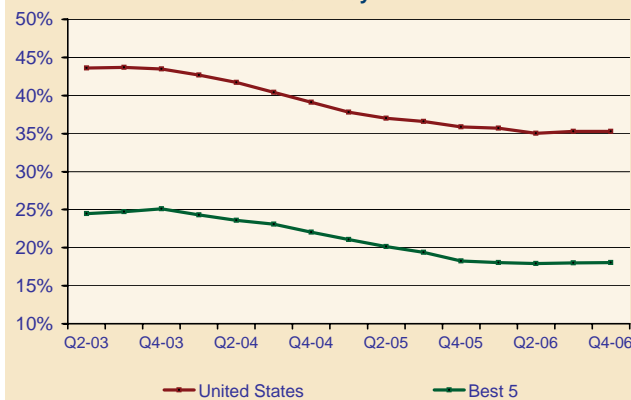
Best 5 States - Duration

January 2006 - December 2006

Average number of weeks a claimant receives benefits during a claim

Rank	State	June 2006 12 Mo. ave
1	Georgia	11.0
1	North Dakota	11.0
3	Alabama	11.3
4	South Dakota	11.4
5	Idaho	11.6
Best Five Average		11.2
United States Average		15.3

Exhaustion Rate
Quarterly Data



Best 5 States - Exhaustion Rate

January 2006 - December 2006

Percentage of UI claimants who exhaust their benefits

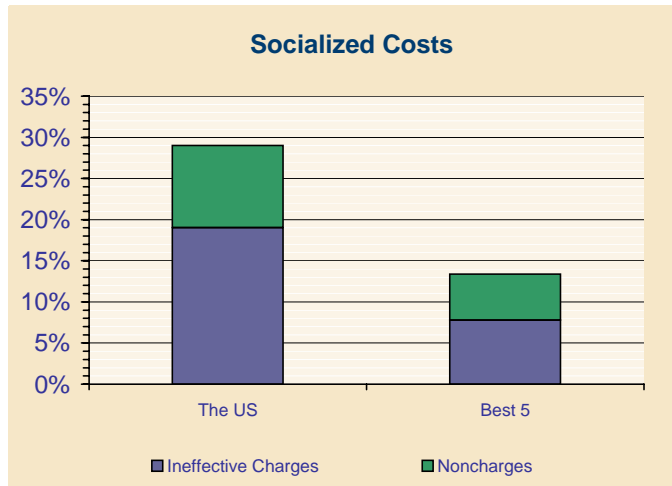
Rank	State	June 2006 12 Mo. ave
1	South Dakota	11.8%
2	New Hampshire	15.9%
3	Vermont	18.7%
4	Hawaii	21.4%
5	Kentucky	22.3%
Best Five Average		18.0%
United States Average		35.3%

For the purposes of this report, "States" include the 50 US states plus the District of Columbia and Puerto Rico.

"Rank" is from 1 to 52, with 1 being the best performance per category. All data for this report was provided by the US Department of Labor.

Efficiency

Compared with the average state, the average best five state promoted employment through a UI tax structure that had less than half as much in socialized costs.



Best 5 States - Socialized Costs *

Rank	State	2006
1	New York	11.5%
2	Illinois	12.0%
3	Washington	12.9%
4	Colorado	14.5%
5	Georgia	15.9%
Best Five Average		13.4%
United States Average		29.0%

* Socialized Costs - The % of benefit costs not charged to responsible employers, but instead socialized as:

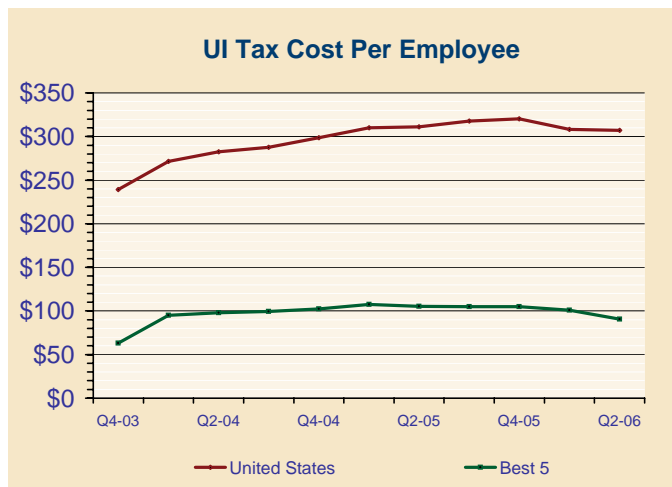
1) Noncharges - the total amount of benefit payments not charged to individual employer experience rating accounts. They often shift to the UI tax system social program costs; such as payments to workers who voluntarily quit and

2) Ineffective Charges - the yearly amount of benefit charges assigned to individual employers that exceed the amount of contributions paid by those same employers in the following year. These charges tend to lessen some employers' responsibility to pay the full cost of their claims, due to e.g. a maximum tax rate that is too low or an otherwise less responsive tax structure.

The levels of both noncharges and ineffective charges UI tax are largely within the control of state policy makers and affect the state's unemployment rates by raising or lowering: 1) the cost of employing a worker and 2) the cost of laying off a worker.

Cost

Comparing UI taxes per employee, employers in the best five states spend less than one third as much as the average US employer.



Best 5 States - UI Tax Cost per Employee

July 2005 - June 2006**

Average annual amount of UI taxes paid by an employer per employee

Rank	State	12 Mo. Ave.
1	South Dakota	\$67.97
2	Arizona	\$102.09
3	Louisiana	\$106.47
4	New Hampshire	\$117.70
5	Mississippi	\$122.59
Best Five Average		\$103.36
United States Average		\$306.98

** Taxable wage data lags other data by two quarters.

BEST PRACTICES

- Analyze claimant information flow between agencies and job source employers, employment agencies, and One Stops.
- Evaluate performance incentives and measures such as placement activities, first spell duration for unattached claimants, and market penetration of services.
- Examine coordination of all employment services, unemployment insurance, and One Stop activities.
- Optimize claimant work search rules, incentives, and assistance.
- Consider a streamlined subsidized wage program to provide a safety net for claimants who cannot find jobs and to leverage employers who are willing to train a new employee.

For a more detailed evaluation
contact our consultants at
541-273-6731
or visit us on the web at
www.fullemployment.org



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