

# The Best 10 States

## UNEMPLOYMENT INSURANCE

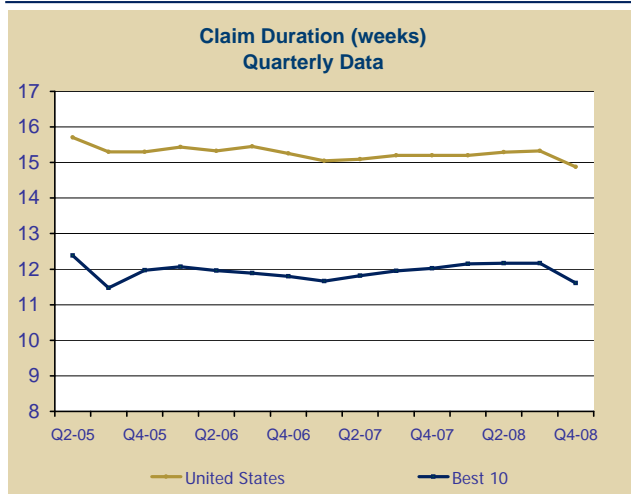
### OPPORTUNITY REPORT

Prepared by the American Institute for Full Employment • May 2009

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 Ten states' performance and highlights common areas for evaluation for all states. Rankings and individual state analyses can be found at [www.fullemployment.org](http://www.fullemployment.org). For a more detailed policy or program review, please contact the American Institute for Full Employment at (303) 681-1351.

## Fairness

*On average, unemployment insurance claimants in the Best 10 states 1) found their way off of unemployment insurance nearly one month faster and 2) exhausted their benefits at almost half the rate of the average state.*

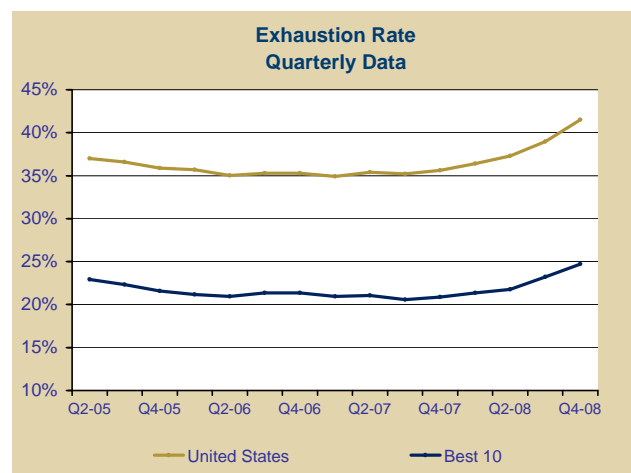


### Best 10 States - Duration

January 2008 - December 2008

Average number of weeks a claimant receives benefits during a claim

Rank	State	12 Mo. Ave
1	South Dakota	10.2
2	North Dakota	10.3
3	Alabama	11.2
4	Nebraska	11.5
5	Iowa	11.6
6	Georgia	11.6
7	Idaho	11.9
8	Virginia	12.3
9	Indiana	12.8
10	Colorado	12.8
Best 10 Average		11.6
United States Average		14.9



### Best 10 States - Exhaustion Rate

January 2008 - December 2008

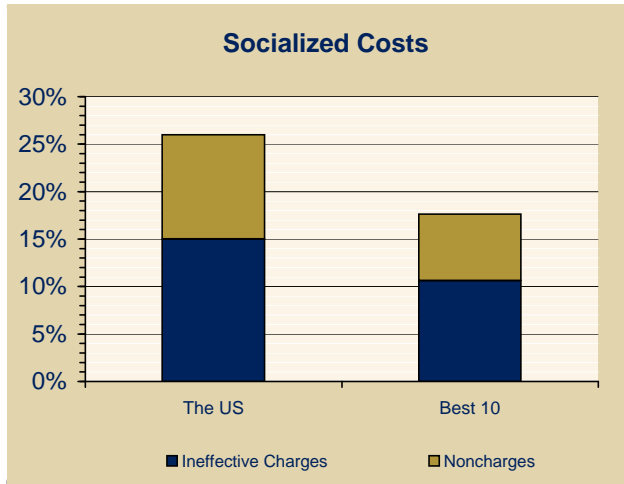
Percentage of UI claimants who exhaust their benefits

Rank	State	12 Mo. ave
1	South Dakota	12.4%
2	Vermont	22.1%
3	New Hampshire	22.9%
4	West Virginia	24.5%
5	Kentucky	25.1%
6	Washington	25.4%
7	Iowa	26.7%
8	Wisconsin	27.8%
9	Wyoming	29.2%
10	Hawaii	31.2%
Best 10 Average		24.7%
United States Average		41.5%

For the purposes of this report, "States" include the 50 US states plus the District of Columbia, the Virgin Islands and Puerto Rico. "Rank" is from 1 to 53, 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 10 state promoted employment through a UI tax structure that had a third less in socialized costs.



## Best 10 States - Socialized Costs \*

Rank	State	2007
1	Colorado	7.0%
2	New York	9.2%
3	Illinois	14.7%
4	Washington	18.6%
5	Georgia	19.6%
6	Connecticut	19.7%
7	Minnesota	19.8%
8	Tennessee	21.8%
9	New Hampshire	22.7%
10	Kentucky	23.0%
	Best 10 Average	17.6%
	United States Average	26.0%

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

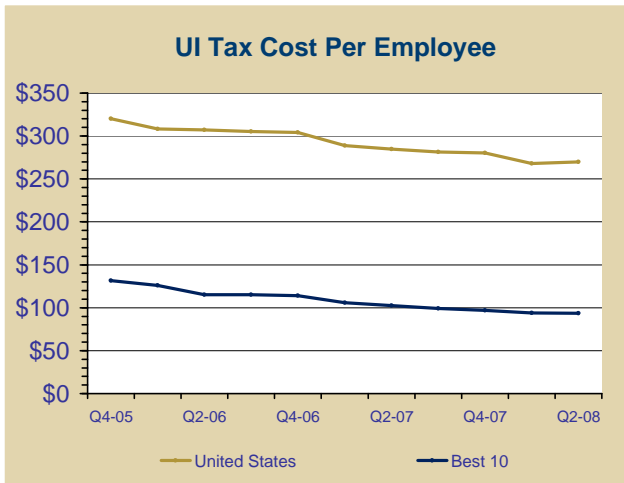
1) Noncharges - the total amount of benefit payments not charged to individual employer experience rating accounts. They often shift to the UI tax system social program costs; such as payments to workers who voluntarily quit and

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 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

Employers in the Best 10 states spend almost less than one third as much on UI tax as the average US employer.



## Best 10 States - UI Tax Cost per Employee

July 2007 - June 2008\*\*

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

Rank	State	12 Mo. Ave.
1	Virgin Islands	\$36.24
2	South Dakota	\$80.89
3	Mississippi	\$92.06
4	Virginia	\$94.84
5	Florida	\$97.60
6	New Hampshire	\$98.00
7	Arizona	\$98.45
8	Louisiana	\$98.90
9	Hawaii	\$100.39
10	Alabama	\$114.68
	Best 10 Average	\$91.20
	United States Average	\$269.88

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

### How We Can Assist Your State in Improving Performance

- Analysis of claimant information flow between agencies and job sources.
- Evaluation of performance measures and incentives.
- Examination of coordination of all agencies involved with UI claimant.
- Integration of claimant work search rules, incentives and assistance.
- Analysis of a subsidized wage program for employers willing to train UI claimants.

For a more detailed evaluation contact our consultants at

**800-562-7752**

or visit us on the web at [fullemployment.org](http://fullemployment.org)

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