

# Kentucky

## UNEMPLOYMENT INSURANCE

### OPPORTUNITY REPORT

Prepared by the American Institute for Full Employment • April 2016

**Kentucky** has the opportunity to save millions of dollars and promote the overall well-being of its unemployed workers by implementing additional best practices in its Unemployment Insurance (UI) program. 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 rarely used. The American Institute for Full Employment has the resources and personnel to help you design and implement innovative UI and workforce programs that make impact. For a comprehensive review and analysis of how to make a difference, please contact Bill Starks, Unemployment Insurance Project Director at 801-556-2942 or [bills@fullemployment.org](mailto:bills@fullemployment.org).

#### Unemployment Rate and Caseload

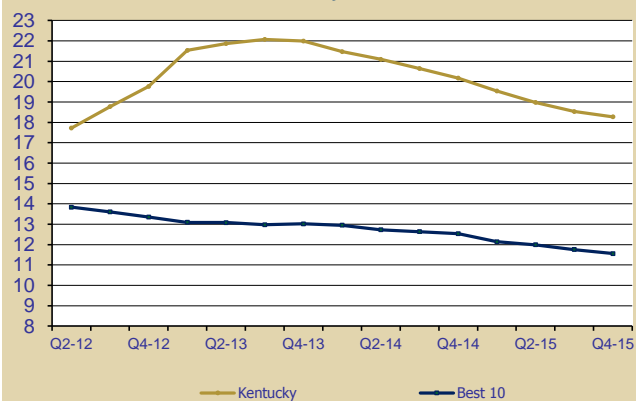
	Dec-14	Dec-15
Unemployment Rate *	5.40%	5.70%
Civilian Labor Force	1,962,090	1,952,734
Unemployed	105,770	112,030
Daily UI Caseload **	23,480	20,153
Total Benefits Paid ***	\$362 mil	\$327 mil

\* Seasonally Adjusted \*\* Regular UI Claims \*\*\* Annual

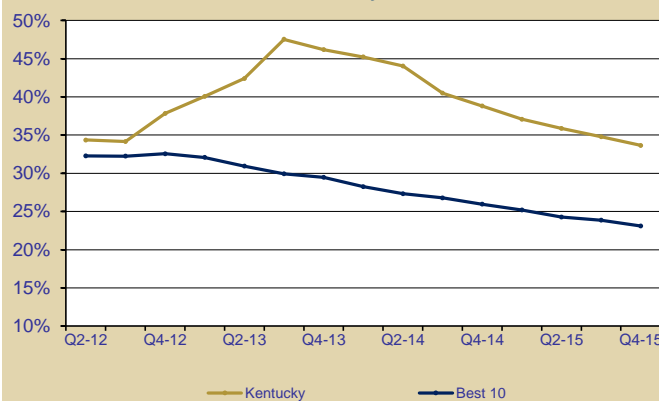
## Effectiveness

On average, UI claimants in Kentucky did not find their way off of unemployment insurance for over four months, and over one third of all claimants exhausted their benefits.

#### Claim Duration (weeks) Quarterly Data



#### Exhaustion Rate Quarterly Data



Jan 2015 - Dec 2015 Average	Best 5	Best 10	KY	KY Rank
<b>CLAIM DURATION</b> The average number of weeks UI claimants received benefits	10.9	11.6	18.3	51
<b>EXHAUSTION RATE</b> The average percentage of UI claimants who exhausted their benefits	19.2%	23.1%	33.6%	26

CLAIM DURATION

The average number of weeks UI claimants received benefits

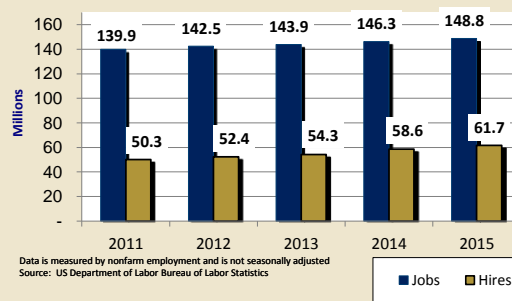
EXHAUSTION RATE

The average percentage of UI claimants who exhausted their benefits

#### US Total Jobs & Annual Hires Summary

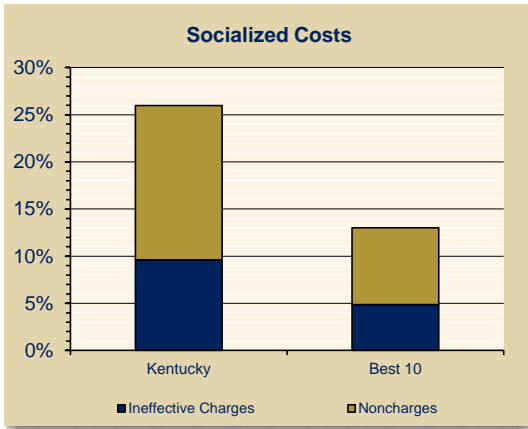
In an economy of approximately 150 million jobs, US employers made over 60 million hires - more than one hire for every three jobs. Common statistics track only net new jobs, but our dynamic economy creates many more opportunities than just those from net new jobs. Job openings and hiring activity come from a variety of sources normally, including: 1) quits, 2) retirement, 3) moves, 4) firing, 5) total new job creation and other causes

#### US Total Jobs & Annual Hires 2011-2015 (January - December)



# Efficiency

Kentucky's UI tax structure had 99% more socialized costs than the Best 10 states, costing all employers \$128 million for such charges.



2014	Best 5	Best 10	KY	KY Rank
<b>SOCIALIZED COSTS *</b>				
	11%	13%	26%	33

The percentage of benefit costs not charged to responsible employers, but instead socialized as:

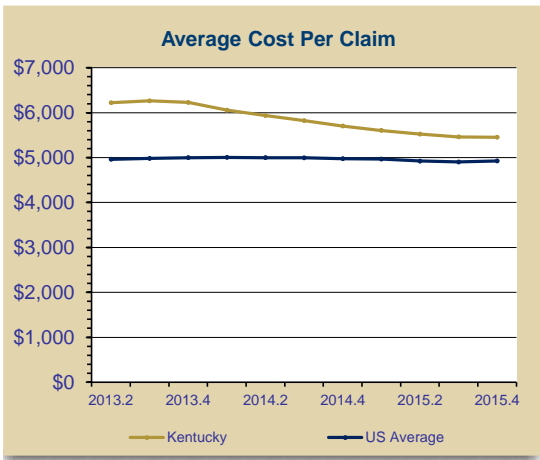
- 1) Noncharges - the total amount of benefit payments not charged to individual employer experience rating accounts. They often shift to the UI tax system social program costs; such as payments to workers who voluntarily quit, and
- 2) Ineffective Charges - the yearly amount of benefit charges assigned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

\* Data from the 2013 Significant Measures Report - U.S. Department of Labor Office of Workforce Security

# Cost

The average UI claim cost in Kentucky was 12% more than the US average.



Jan 2015 - Dec 2015 Average	KY	US Average
<b>AVERAGE COST PER CLAIM</b>		
The average annual amount of regular benefits paid per first payment. This is a function of duration and benefit levels.	\$5,452	\$4,927
<b>WAGE REPLACEMENT RATE</b>		
The average amount of weekly UI benefits paid per claimant divided by the average amount of weekly wages earned.	38.8%	33.9%

## 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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