

Tennessee

UNEMPLOYMENT INSURANCE

OPPORTUNITY REPORT

Prepared by the American Institute for Full Employment • November 2016

Tennessee 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.

Unemployment Rate and Caseload

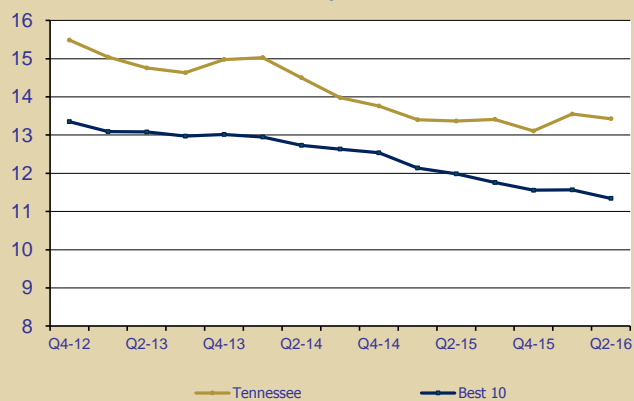
| | Jun-15 | Jun-16 |
|-------------------------|-----------|-----------|
| Unemployment Rate * | 5.70% | 4.10% |
| Civilian Labor Force | 3,052,871 | 3,133,200 |
| Unemployed | 174,335 | 129,697 |
| Daily UI Caseload ** | 27,517 | 16,028 |
| Total Benefits Paid *** | \$299 mil | \$257 mil |

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

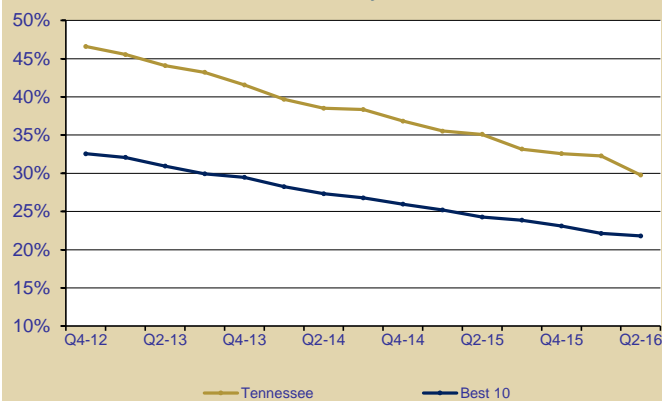
Effectiveness

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

Claim Duration (weeks) Quarterly Data



Exhaustion Rate Quarterly Data



Jul 2015 - Jun 2016 Average

Best 5

Best 10

TN

TN Rank

CLAIM DURATION

The average number of weeks UI claimants received benefits

10.4

11.3

13.4

16

EXHAUSTION RATE

The average percentage of UI claimants who exhausted their benefits

18.0%

21.8%

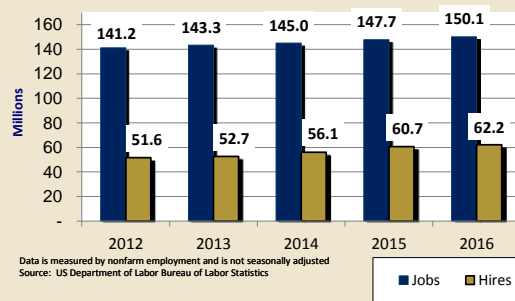
29.8%

18

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

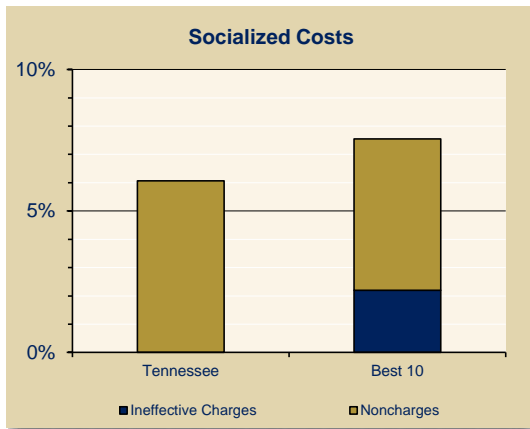
US Total Jobs & Annual Hires 2012-2016 (July - June)



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 base data used and developed in this report was sourced from the US Department of Labor and the Bureau of Labor Statistics.

Efficiency

Tennessee's UI tax structure had 20% less socialized costs than the Best 10 states, costing all employers \$18 million for such charges.



| 2015 | Best 5 | Best 10 | TN | TN Rank |
|---------------------------|--------|---------|----|---------|
| SOCIALIZED COSTS * | 5% | 8% | 6% | 4 |

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

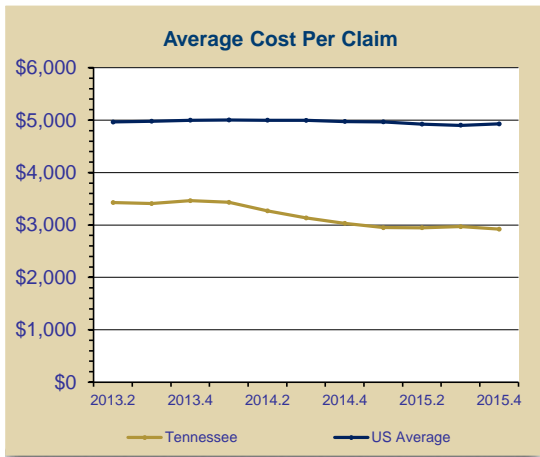
- 1) Noncharges - the total amount of benefit payments not charged to individual employer experience rating accounts. They often shift to the UI tax system social program costs: such as payments to workers who voluntarily quit, and
- 2) Ineffective Charges - the yearly amount of benefit charges assigned 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 2015 Significant Measures Report - U.S. Department of Labor Office of Workforce Security

Cost

40



| Jul 2015 - Jun 2016 Average | TN | US Average |
|--|---------|------------|
| AVERAGE COST PER CLAIM | \$2,918 | \$4,927 |
| The average annual amount of regular benefits paid per first payment. This is a function of duration and benefit levels. | | |
| WAGE REPLACEMENT RATE | 27.1% | 34.4% |
| The average amount of weekly UI benefits paid per claimant divided by the average amount of weekly wages earned. | | |

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

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