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NONCHARGEABLE BENEFITS: COMBINED WAGE PLANS

**House Bill 4461 as introduced
First Analysis (7-3-97)**

**Sponsor: Rep. Lynne Martinez
Committee: Labor and Occupational
Safety**

THE APPARENT PROBLEM:

The Michigan Employment Security Act establishes the unemployment compensation fund and provides guidelines and restrictions for the collection of contributions from employers and the distribution of funds to unemployed workers. Under the act, the yearly unemployment insurance tax rate for "contributing" employers in business for at least five years is made up of three "components" which are computed separately (according to a formula specified in the act) and then added together. The three components are the chargeable benefits component (CBC), the account building component (ABC), and the nonchargeable benefits component (NBC). The act also allows unemployment insurance benefits to be paid to a claimant under a combined wage plan (an agreement between states that allows claimants to combine their wage credits when they become unemployed). The act provides that each employer under a combined wage plan will be charged with an appropriate portion of the claimant's unemployment benefits.

Occasionally, claims filed by a former employee in another state may be payable in that state even though if the claim had been filed in Michigan it would not have been paid. Unfortunately, when a claim is filed in another state, the Michigan employer is frequently unaware that benefits are being paid until notice of the benefit charges to their account is received. It is argued that this unfairly affects the employer's unemployment insurance tax rating. Legislation has been offered to prevent such charges for unemployment benefits in these situations from being attributed to the Michigan employer.

THE CONTENT OF THE BILL:

House Bill 4461 would amend the Michigan Employment Security Act to provide that, under certain circumstances, unemployment insurance benefits paid to a claimant under a combined wage claim that had been filed in another state would be charged to the nonchargeable benefits account. Specifically, if an employee left employment

with a Michigan employer either voluntarily without good cause or because he or she had been discharged for misconduct connected with his or her work or for intoxication while at work, and then requalified for unemployment benefits in another state and made a claim for benefits under a combined wage plan, then the portion charged to the Michigan employer for the employee's claim would be charged to the nonchargeable benefits account.

The bill would also provide that benefits paid to a claimant under an interstate arrangement for combining employment and wages that were not chargeable to the claimant's employer under the act's provisions for the charging of benefits could be charged to the nonchargeable benefits account.

MCL 421.11 and 421.17

FISCAL IMPLICATIONS:

According to the Michigan Employment Security Agency (MESA), there could be an increase in administrative costs involved in obtaining information available on combined wage claim cases filed in another state. (7-1-97)

ARGUMENTS:

For:

The bill would prevent a significant inequity which can occur under the current law. Currently, if an employee leaves employment with one employer on grounds that prevent the employee from claiming unemployment benefits, and then requalifies with another Michigan employer and makes a claim, any portion of the claim attributable to the employment with the first company is charged to the nonchargeable benefits account, not the employer. On the other hand, if the second employer is an out-of-state employer, the first business is charged for a portion of the benefits. Thus, the rating system

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used in Michigan to determine a business' unemployment

insurance tax rate unfairly uses some claims that would have been denied in Michigan to increase an employer's tax rate. The bill would prevent businesses from bearing unemployment benefits charges from out-of-state claims when the business would not have been responsible for them had the claim been filed in Michigan. There is no good reason to require an employer to suffer the consequences of a claim even though the claim could not have been made directly against that business, simply because the claimant went out-of-state to find a new job.

Against:

The purpose of the nonchargeable benefits account is to support the socialized costs of unemployment benefits (those benefits paid to claimants who requalify for benefits or those benefits charged against employers that have gone out of business). As a result, whenever benefits are paid and not charged to an employer a drain is made on the nonchargeable benefits account trust fund. Too many of these claims could affect the solvency of the fund.

In addition, the bill would increase costs for the Michigan Employment Security Agency. Under the bill, the agency would have to investigate and determine whether claims filed in another state should be charged to the Michigan employer or to the nonchargeable benefits account.

Furthermore, the situation which the bill seeks to address is quite rare; particularly so since workers are no longer going out-of-state as much to find work.

POSITIONS:

The Michigan Jobs Commission, which houses the Michigan Employment Security Agency, has not yet taken a position on the bill. (7-1-97)

Analyst: W. Flory

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.