

LEGISLATIVE AUDIT DIVISION

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EXHIBIT 4
DATE 2/18/05
HB 918

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DATE: December 9, 2004
TO: Scott Seacat, Legislative Auditor
FROM: Melissa Heinert, LAD
SUBJECT: Unemployment Insurance for Attached Workers

I spoke with personnel at the Unemployment Insurance Division (division) regarding questions about the bill draft LC1200.

The attached worker does not have to look for work while they are job attached, and they still receive unemployment benefits. The employer must agree to the job attachment. Division personnel said the majority of the employers are experience rated employers. During state fiscal year 2003, the job attached rate was 54.5%, and \$54,192,010 of unemployment insurance was paid out to the attached workers, which amounted to 58.58% of the total benefits and claims paid. During state fiscal year 2004, the job attached rate was 55%, and \$57,551,180 of unemployment insurance was paid out to the attached workers, which amounted to 61.3% of the total benefits and claims paid.

The attached worker could be receiving unemployment benefits chargeable to the experience rating of more than one employer. Each employer is charged a percentage for unemployment benefits paid based on the amount of time the employee worked for the employer. I asked if the division tracks the number of attached workers who actually go back to work for the employer to which they are attached. Division personnel stated that they do not currently track this information. The percentages and amounts of benefits paid to attached workers that were charged to the unemployment insurance account of employers other than the one to whom the worker was attached could not be determined and is not tracked by the division.



Unemployment Should Protect, Not Subsidize

2003-04-01 [email this article to a friend.](#)

At any given time in our community, many employers may be in need of workers, but find none available. At that same moment, there may be hundreds of people, qualified to do the work, who are sitting at home, drawing unemployment benefits. Instead of a paycheck, they receive government checks – even while gainful employment is right under their noses.

Who suffers from this? Everyone. The employer suffers the loss of business and the frustrations of work unfinished. The employee suffers the subtle effects of idleness, the loss of training and the missed employment opportunities. The local economy suffers the aggregate impacts of business depletion, products never produced and services never performed.

Ultimately, all of us bear the human and financial costs associated with paying people not to work.

Everyone would agree that the purpose of unemployment insurance is not to subsidize idleness, and we recognize that the majority of those drawing UI benefits have no desire to be idle. While some (like me) believe the system should be voluntary and private, none would question the legitimacy of an insurance program that assists those who, through no fault of their own, are temporarily unemployed. Like other insurance protections, the idea behind unemployment insurance is not to create an incentive to be unemployed, any more than auto insurance creates an incentive to wreck your car.

But over the years, something has gone haywire, to the point where we now have a system that tolerates – and in some cases even encourages – voluntary unemployment and intentional job avoidance. Like so many other governmental programs, the original intentions were well-meaning, but politics and powerful lobbies took over, twisting and shaping it into a benefit plan for the special interests. Unions, social reformers and favor-seeking business groups all got into the act, resulting in a system where intention takes one path and reality another.

The best example I can think of is the Attached Worker Program. You may have heard Job Service radio spots promoting this "benefit" to local companies. It is nothing short of planned, state-sanctioned unemployment, prompted by business interests from seasonal industries like construction, who think the best way to hold on to their employees is

through a government program that pays them not to work. Apparently the old-fashioned concept of paying these workers with company money instead of public funds did not occur to them. After all, why keep them on your payroll when the government is willing to give them a check for doing absolutely nothing?

Here's how it's done. When work begins to slow down in the fall, the company declares that certain employees are "job attached," meaning they "intend" to hire them back in the spring, and the worker "intends" to rejoin the company. There is no minimum length of time the person needed to work for that company, so previous employers may end up paying the lion's share of the UI costs. All the employer is required to do is give some "reasonable idea" of when work may resume, and "reasonable assurance" that the person will get at least 30 hours per week.

The worker immediately starts drawing full unemployment benefits, and the requirement that they continue to look for work is officially waived. You heard me right. The cornerstone of the unemployment insurance program is the stated goal of getting people back to work. This purpose was used to justify the creation of a nationwide network of Job Service offices charged with the responsibility of placing UI claimants in new jobs. In Montana, these same offices are now promoting a program that gives workers a free ride for many months of protected unemployment – released from any requirement to consider or accept other employment. On the contrary, the program directs them not to accept other employment, because they are supposed to remain "attached" to another job that may or may not (construction being what it is) reopen again.

As a private agency owner, I have witnessed scores of able-bodied employees turn down excellent job opportunities, because as "attached workers" they were looking forward to their four months of government approved idleness to get in some serious skiing, hunting or relaxation. Truly the Life of Riley. Why? Because some employer who was unwilling to keep them on his own payroll at his own expense, could take advantage of a government program that transferred the burden to the taxpayer.

According to the UI Division's own admission, the grim reality of this business-subsidy-through-planned-idleness is the following:

- There is no assurance that an actual job will be awaiting for the worker when the benefits end, and no way to enforce or police this.
- There is no assurance that the "attached worker" will actually go back to the job when the time comes.
- The department keeps absolutely no statistics on this program, so it is anyone's guess what percentage of these "re-attachments" actually occur.
- Depending on the time of the year, up to 45 percent of all U.E. claimants are officially "job attached" and thus removed from the labor market.

I'm sure there are people within the Unemployment Insurance Division who see the need for fundamental reform. But until the Legislature decides to take action, we will continue with a broken system that often hurts the very people it is supposed to help.

In the meantime let's remember that the lure of government subsidy is

not irresistible. There are a number of construction firms in our community, for example, who do not participate in the attached-worker program, believing that the retention of their workers is their responsibility as free enterprisers – an appropriate cost of doing business in a free country. I tip my hat to them. May they serve as an example for the rest of us.

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