

# **Enhancing Unemployment Insurance Wage Records: Potential Benefits, Barriers, and Opportunities**

## **A Summary of First-Year Study Activities and Findings**

*Workforce Information Council  
Administrative Wage Record Enhancement Study Group  
September 2014*

Extract from: <http://www.workforcedqc.org/sites/default/files/images/Wage%20Record%20Study%20Year%201%20Report-Finalpdf.pdf>

### **Executive Summary**

In late 2012, the federal-state Workforce Information Council established an Administrative Wage Record Enhancement Study Group to examine the feasibility of adding variables to the quarterly wage record reports that employers submit to all states as part of the Unemployment Insurance (UI) Program. They began looking at the administrative records as an alternative source for improving local and state labor market information amid concerns over the adequacy of existing survey-based statistical data for state and local education and training program planning and accountability, economic analysis, career planning, and workforce program administration.

In its first year of investigation, the Study Group has surveyed state agencies responsible for UI wage record collections, user organizations that might benefit from wage record enhancement, and payroll services/software companies that compile and report the wage records for many employers. Those activities have resulted in some key findings and recommendations for future steps.

### Key findings

The Study Group found several structural factors that could contribute favorably to wage record enhancement:

- **Growth in Electronic Reporting:** more states are requiring more employers to report electronically which facilitates modifications to the wage records and lowers the marginal costs of adding variables and collecting data.
- **Increased Reporting Frequency:** Illinois now requires some employers to report monthly which, if expanded to other states, could broaden the benefits and uses of the wage records.
- **Improvements in State UI Automated Systems:** many states have replaced decades-old technology with modern databases that are more flexible in handling modifications such as added wage variables.
- **Employers Already Report Enhanced Data:** twelve states collect one or more of ten different enhanced wage variables demonstrating that employers are capable of producing the desired data.

- Payroll Service Providers Can Accommodate Enhanced Records: a majority of payroll services firms contacted are capable of handling most of the enhanced wage record variables.
- Wide Usage of Wage Records: state UI agencies currently work with many potential customers/users that are calling for enhanced wage records.
- Strong User Support: user organizations across a wide spectrum are enthusiastic about the possible access to the enhanced wage records and the labor market information goals those records could help achieve.
- Users Value the Potential Offered by Enhanced Wage Records: the users surveyed indicated that enhanced wage records would be highly valued by their organizations and those they serve, and described many specific uses for the improved wage data.
- Federal Statutes Support Enhanced Wage Records: a number of current laws require employers to compile variables being considered for enhancement.
- Enhanced Wage Records Could Reduce Employer Survey Burden and Improve Labor Market Statistics: several federal statistical programs use surveys and reports to collect the same information that the enhanced wage records could provide. In addition, the geographic detail from the wage records would enable far greater precision and timeliness at the state and local level than current surveys.
- The Study Group also found a number of current conditions that, without attention, could hinder wage record enhancement:
  - Lack of Coordination: wage record enhancement costs are magnified when the states are not working together or with employers to develop solutions. Similarly the overall benefits are understated when all the different users and organizations involved are not recognizing and communicating their common needs.
  - Competing Priorities: economic conditions and the need to deal with antiquated systems keep many states focused solely on paying benefits, not on enhancing the system.
  - Continued Use of Paper Transactions: even as more employers are using electronic means to report wage data, a large number still rely on paper and fax, which makes wage record enhancement much more difficult and costly.
  - Lack of Adequate Employer Incentives for Complete, Accurate, and Timely Reporting: requiring additional variables on the wage records is pointless unless employers report the data and do so correctly and timely.
  - Uncertainties Over Ongoing Funding Support: to date, the costs of wage record enhancement have not been determined and no funding sources have been identified.
  - Data Security Concerns: public concerns are possible with any increase in the compilation and storage of additional confidential information.
  - Inflexible State Systems: Many states have not yet replaced legacy UI systems with technology that can handle additional wage record variables.
  - Inconsistent Definitions: definitions for wage record elements often differ among the states and between states and the federal government; this increases the complexity and cost of reporting for employers and leads to inaccurate and late reports.
  - Lack of Occupational Coding Skills and Tools: employers often do not understand the definitional distinctions in the Standard Occupational Classification structure and do not know how to access or use online tools to assign and maintain these codes.

- **Lack of Standard Coding to Reflect Variety in Compensation Packages:** current compensation options used by employers are complex and varied and there is not a standard method for coding employee compensation across states.

### Next Steps and Recommendations

For the coming year, the Study Group has established plans to collect input directly from employers through the use of focus groups and state employer surveys, and document the considerations, costs, processes, and actions taken in states that have enhanced their wage records and those that are currently working through it.

Finally, the Study Group recommends the wider community of participants, including the Bureau of Labor Statistics, Employment and Training Administration, NASWA, and the states take the following steps:

- **Encourage Electronic Reporting:** develop incentives and assistance for states to increase the number of employers that report electronically.
- **Develop Tools to Assist Employers with Occupational and Geographic Coding:** build on tools developed by O\*NET and the states that currently enhance their wage records and work with the payroll software companies to integrate systems that make it easier for employers to assign and maintain accurate codes.
- **Identify Financial Support for State UI Upgrades:** renew grants to states for modernization of UI tax systems, include incentives to work collaboratively and build systems that can accommodate wage record enhancement.
- **Establish a Wage Record Enhancement Practitioners' Working Group:** this would facilitate collaboration among states engaged in or planning for wage record enhancement.
- **Establish a Wage Record Enhancement Advisory Council to recommend:** 1) common data elements, definitions, and coding structures; 2) incentives for accurate, complete, and timely reporting; 3) alternative implementation strategies; 4) allowable and appropriate funding mechanisms; and 5) legislative actions required to implement universal wage record enhancement.