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President Obama Announces New Wage Insurance Program That Could Potentially Increase Employer Costs

As a way to incentivize individuals who are unemployed to return to work and create additional opportunities for these individuals, President Obama recently outlined a new wage insurance plan that would provide supplemental payments to employees who lose their jobs and subsequently obtain lower-paid positions.

 Under President Obama's plan, a worker laid off from a job he held for at least three years would be eligible for state-based wage insurance if (i) his new job paid less than his old job; and (2) the new job paid less than \$50,000. This insurance benefit would replace half an employee's wages, up to \$10,000 over two years.

Fortunately for employers, it does not appear that they would have to pay into this wage insurance plan. Rather, this wage insurance would be federally funded and fully paid for in the budget, even though it would be administered through state unemployment insurance programs. However, the White House did not say how much the plan would cost. One possible way to cover the cost would be to slightly increase employers' unemployment insurance tax. Thus, if this plan comes into fruition, it is likely that employer costs will rise in at least some capacity.

This wage insurance proposal is just one part of a program designed to overhaul the unemployment insurance system. Details about the program's proposed funding are expected to be outlined in Obama's budget for fiscal year 2017, which is expected to be released on February 9, 2016. Thus, employers should pay close attention to the budget, as it may become apparent through the budget as to whether there will be an increase in unemployment insurance tax payments.

Other measures proposed by the White House include (1) a requirement that all states provide at least 26 weeks of unemployment insurance benefits and expand coverage to include part-time and "intermittent" workers; (2) the creation of a permanent program that would automatically provide up to 52 additional weeks of federally-funded benefits for states experiencing rapid job losses or high unemployment; and (3) providing grants to help create work-sharing programs that help employers reduce hours instead of laying off workers while providing partial unemployment benefits to workers whose hours are cut.

We will keep you apprised of further developments as they become available.

