



Analytics

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RE: The Error Ridden Unemployment Insurance System

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As evidenced by recently released data from the U.S. Department of Labor, Delaware is part of a nationwide carelessness in the administration of unemployment insurance benefits.

Over the past twelve months Delaware has made an estimated overpayment of unemployment benefits of more than \$12 million, an administrative error rate of 9.5%. The total overpayment in Delaware for the last three years is almost \$43 million, for an error rate of 9.3%.

Among all the states Delaware has the 26th highest error rate. At one extreme is Louisiana with a 45% error rate and at the low end is Kentucky at 3%. The national average is 9.9%.

The leading cause of overpayment in Delaware is continuing to pay benefits after the individual has returned to work. Second is paying unemployment to individuals who are actually ineligible because they voluntarily quit or were discharged with cause. The third leading source of error is inaccurate tracking of other deductible income.

The unemployment insurance tax on Delaware employers ranges from 0.1% to as high as 8.0% depending upon the benefit wage ratio and the industry experience rating. This is no small cost item for firms at the high end of the scale.

The Delaware Department of Labor could save Delaware firms on average an estimated \$4.6 million over three years by simply reducing its UI benefit error rate by 1 percentage point. That would be a decent tax reduction and could encourage firms to hire more folks.

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