



Debbie Davis (previous page) with Amal on a report runs a staff meeting. Art Matusz (above) gestures to make a point. Davis and Matusz both are computer hard-to-kill in politics of the Illinois unemployment insurance system.

Time For An Overhaul That's what some Southland employers say about state unemployment system

by Kimberley Mathisen

It may be a business closing its doors or relocating to another state. Or perhaps a sluggish economy drives a large corporation to implement massive layoffs.

Those are just two possible scenarios where employees have legitimate reasons for filing to receive unemployment benefits.

However, many business owners throughout the state say Illinois is unfair in its collection of UI (unemployment insurance) funds.

They further state too many claims are being approved in violation of stated policy.

Money to fund state UI coffers is paid solely by employers and their first concern is that payments to fund the account have been raised to an unfair rate.

As with any government taxing office, computing the rate that an employer must pay is a convoluted procedure, they say.

With the fund depleted, an experience factor (for established companies) is computed based on dividing the benefits paid by the net revenues collected.

Depending on benefits paid out to former employees, business owners paid a minimum of 1.2 percent of their gross payroll to a maximum of 9.8 percent in 2005.

That rate for 2006 will drop marginally to 1.1 percent to 8.9 percent, respectively.

Thomas Householder, Vice President and Co-Owner of Staffing Resources, Inc. in Matteson, says the company's payments to UI have multiplied during the past several years.

"In 2001, the company's payment to UI came to 2.4 percent of the gross payroll," Householder says. "That figure had steadily fone up and in 2005, was 9.8 percent of our payroll."

Staffing Resources is an employment service company that places temporary workers as well as direct placement. Householder says the staffing industry is probably the largest employer in the state, and one where the entire product is payroll.

"When we have increases such as those during the last couple of years, the amounts being paid are stifling business," he says. As the employer of record for a large number of workers, Staffing Resources will send approximately 2,800 W-2 forms out for wages earned in 2005, he says.

"Tracking the figures as a percentage of sales means that in 2000, payments were 1.6 percent of our sales; in 2005, that figure jumps to 7.27 percent of our sales, or about \$665,000," he says.

Householder is not a historian, but he says he feels the deficit in the fund and the size of the increase in the experience factor are unprecedented in Illinois.

"Overall the tax structure is driving employers out of the state," he says.

"Look at cities and towns close to the state's neighboring states and you'll see that anyone who can feasibly move has done so, or are seriously considering a move."

In addition, many Illinois business owners also say personnel within the state's UI offices are arbitrarily granting benefits to unworthy claimants.

Householder, who has worked in the staffing industry for 30 years, says fraud is rampant within the system, with bogus claims being filed for unemployment benefits as well as worker's compensation reports. "We have seen all kinds of abuses, such as a full-time student receiving unemployment checks," he says.

Such large amounts being paid to the state hurts business in many ways, he adds.

“It definitely affects one’s bottom line in areas such as employee benefits and reinvestments or growing the company.”

Deborah Davis is the owner of Davis Staffing, Inc., with offices in Oak Lawn, Olympia Fields and Munster, Ind. The company is also an employment services that places temporary employees, temp-to-hire and direct placement, Davis says.

The nature of the business means there are a large number of employees, Davis says. Davis’ payments to UI for 2005 total more than \$500,000.

She says the company is now paying double the UI during the past three years. “Computing state unemployment tax is a complicated formula,” she says. “It used to be paid on the first \$7,000 in wages. But that has also jumped.”

According to the Illinois Department of Employment Security Web site, www.ides.state.il.us/employer/uitax/default.asp, in 2005, employers paid UI on the first \$10,500 earned by each employee, and in 2006, they will pay based on the first \$11,000.

“Even if the worker never leaves his employ, the payments automatically go up,” Davis says. “This (new collection) system was put in place to fix the depleted UI accounts. But that is like putting a Band-Aid on a wound requiring stitches. It’s not going to solve the problem.”

Davis and Householder say unemployment compensation procedures are much fairer in neighboring Indiana. “Multiple past employers share the costs for a particular employee,” she says. As an example, Davis says suppose an employee has worked for a company for three to five years and then quits to take another position. “If the employee stays there for 30 days and is terminated, he will collect unemployment benefits, taken out of my account,” she says.

“Indiana’s Worker’s Compensation rates and unemployment rates are probably one-half of Illinois rates,” Householder says.

Davis also noted that people working in UI offices are granting benefits to ineligible workers.

“It almost seems as if they are making up their own rules when granting these benefits, because they’re certainly not following the guidelines.”

When benefit claims are filed, Householder and Davis fight every claim for unemployment compensation benefits. “We have won 98 percent of our cases,” he says.

“It’s our job to place people and keep them working. If we experience a ‘bad hire’ or the employee is not a good fit, that’s our fault,” Davis says. “But if workers are terminated due to excessive absences or other violations of company policy, we shouldn’t have to pay.”

Householder says the entire program needs revamping.

“The program should be monitored more closely to ensure that fraudulent claims are denied,” he says.

The people in charge of the UI and Illinois Department of Labor are appointed by the governor, he says, noting that they carry out the governor’s policies, which in many instances aren’t good for the business community.

“Business is apolitical. It’s good for all of us,” Householder says, “Illinois has not learned to nurture the business community. They’re looking for ways to kill the golden goose.”

Householder says unemployment benefits are a needed safety net for displaced workers. “Some are viewing the fund as an annuity. It’s become an entitlement program.”

High unemployment tax hits service industries

Arthur Hannus, president and chief executive officer at American Heritage Protective Services, in Alsip, has some definite opinions on the state of Illinois’ Unemployment Compensation program.

Hannus has written several essays on the subject and is outspoken on the topic of changes that negatively impact Illinois businesses.

“In 2001, the state realized they were running out of money,” Hannus says. “We started losing

all our unemployment cases beginning on July 1 of that year - even the ones we should have won.”

According to Hannus, the state doesn’t have a normal welfare program as it did in the past.

“When the mini-recession of 2001 started, suddenly everyone who applied got unemployment,” he says.

The rates started rising at that time, he says.

“Initially, we were told not to worry because the money was coming from the federal government.

But what they didn’t say was that money must be paid back,” Hannus says. “Illinois Department of Employment Security (IDES) is responsible for these changes and the next three years’ rates will fund and rebuild the (money).”

Hannus’ company employs approximately 600 security guards throughout Illinois, as well as a portion who work in Indiana.

American Heritage, while not an employment service company, also has a large turnover rate,

Hannus says.

“Anyone who hires large numbers of entry-level people can expect large turnovers.”

“We’re paying UI on the first \$11,000 of their salaries (in 2006), but when they are gone by July 1, a new employee starts and we start paying all over again.”

Hannus says companies like his end up paying twice what other companies will pay.

As an example, he cited a former employee of American Heritage who

worked 31 days, and received a gross salary of \$1,730.

“After terminating him (for just cause), that employee applied and received UI, and before it ran out, he was paid \$14,000, which came out of our company’s fund.

“That worker’s UI payments of \$14,000 equates to his making about \$16,000 for one month’s work - that is pretty good pay by any standard.”

There also seems to be a Catch-22 situation in that a company’s funds build

up, and when claims deplete the fund, the state raises rates, which employers must pay.

“Service businesses are very competitive and operate with profit margins of 2 percent to 7 percent. With these unfair practices, security employers will have two choices,” he says. “Either raise billing rates to clients, or cut wages and benefits to hardworking employees who deserve better.”

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