

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 281 (Delegate Hough, *et al.*)
Economic Matters

**Determination of Unemployment Insurance Benefits - Voluntarily Leaving Work -
Valid Circumstances**

This bill prohibits an individual from receiving unemployment insurance (UI) benefits if the only reason the individual voluntarily leaves work is due to a reduction in wages, unless the reduction was at least 10%.

Fiscal Summary

State Effect: The Department of Labor, Licensing, and Regulation (DLLR) can implement the bill with existing budgeted resources. State expenditures for reimbursements are not expected to be materially affected. Revenues are not affected.

Unemployment Insurance Trust Fund (UITF): The bill is expected to apply to a very limited number of UI claimants. The impact on UITF is insignificant.

Local Effect: Local expenditures for reimbursements are not expected to be materially affected.

Small Business Effect: Minimal.

Analysis

Current Law/Background: A circumstance for voluntarily leaving work without good cause is valid only if it is (1) a substantial cause that is directly attributable to, arising from, or connected with employment conditions or the actions of the employer; (2) of such necessitous or compelling nature that the individual has no reasonable alternative other than leaving employment; or (3) caused by the individual leaving employment to

follow a spouse either who serves in the U.S. military or is a civilian Department of Defense employee or related agency and who receives a mandatory transfer. If a valid circumstance exists, an individual is disqualified from receiving UI benefits for at least 5 but not more than 10 weeks after the last work day, based on the seriousness of the circumstances.

Leave Employment for Good Cause

DLLR can determine an individual who voluntarily leaves work left for good cause only in three types of situations. First, the cause is directly attributable to, or connected with, the employment conditions or actions of the employer. Second, an individual is laid off through no fault of the individual; obtains subsequent employment that pays weekly wages that total less than 50% of the weekly wage earned in the employment from which the individual was laid off; and leaves subsequent employment for specified training programs. Third, an individual voluntarily left employment because the individual or the individual's spouse, minor child, or parent was a victim of domestic violence and meets specified criteria. An individual who leaves work for good cause is eligible to receive UI benefits without a disqualification penalty.

DLLR advises that a reduction in pay is a detrimental change in the agreed-upon conditions of employment and voluntarily quitting due to a substantial detrimental change in the conditions is good cause for voluntarily leaving work. Generally, if factors involving the separation include a greater than 10% reduction in wages, DLLR determines there was good cause and the individual is eligible to receive UI benefits without a disqualification penalty.

Leave Employment without Good Cause but with Valid Circumstance – Disqualification Penalty

A circumstance for voluntarily leaving work without good cause is valid only if it is (1) a substantial cause that is directly attributable to, arising from, or connected with employment conditions or the actions of the employer; (2) of such necessitous or compelling nature that the individual has no reasonable alternative other than leaving employment; or (3) caused by the individual leaving employment to follow a spouse who either serves in the U.S. military or is a civilian Department of Defense employee or related agency and who receives a mandatory transfer. If a valid circumstance exists, an individual is disqualified from receiving UI benefits for at least 5 but not more than 10 weeks after the last work day, based on the seriousness of the circumstances.

Leave Employment without Good Cause and without Valid Circumstance – Disqualification Penalty

In addition to other circumstances for which a disqualification for UI benefits may be imposed, a disqualification is imposed if an individual leaves employment to (1) become self-employed; (2) accompany a spouse to a new location or join a spouse in a new location unless the conditions described previously apply; or (3) attend an educational institution.

If a valid circumstance for voluntarily leaving work does not exist, an individual is disqualified from receiving UI benefits until the individual is reemployed and has earned wages that cover 15 times the weekly UI benefit amount.

Noncharging

UI benefits may not be charged against the earned rating record of an employing unit for a claimant who (1) left employment voluntarily without good cause; (2) was discharged by the employer for gross or aggravated misconduct; or (3) left employment voluntarily to accept better employment or enter training approved by DLLR. Further, UI benefits may not be charged against the earned rating record of an employing unit if the employer participates in a work release program with a correctional institution.

UITF Effect: DLLR estimates that about 90% of the fiscal 2012 UI benefit determinations in which a claimant was awarded benefits due to a reduction in wages involved a 10% or greater wage reduction. In the other instances, it was not possible to determine the reduction or multiple factors were involved. UITF expenditures for benefit payments may decrease by a negligible amount, as individuals voluntarily leaving employment are disqualified from receiving UI benefits. DLLR advises that the occurrence that such an individual may receive benefits under current law is relatively rare.

State/Local Fiscal Effect: The State and local governments reimburse UITF for benefits charged. To the extent the bill results in more UI claimants being disqualified from receiving benefits, State and local expenditures to reimburse UITF decrease. The number of claimants that will be disqualified as a result of the bill is expected to be negligible.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

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