



Massachusetts Municipal Association

MMA BEST PRACTICES SERIES

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Best Practice Recommendation: Managing Unemployment Insurance Claims and Costs

BEST PRACTICE: Develop and implement a comprehensive set of steps to manage Unemployment Insurance (UI) claims and costs. This includes timely response to the Department of Unemployment Assistance when a claim is filed, identifying a UI point person in the municipality, working with the school department to understand all of the community's cost exposures, and including mitigating language in collective bargaining agreements.

Cities and towns face several unique challenges when managing their Unemployment Insurance (UI) costs. Most municipalities are reimbursable (as opposed to contributory), meaning they pay dollar-for-dollar for UI claims instead of paying into an insurance pool like most of the private sector. This can cause significant financial difficulty for a city or town when a claimant unjustifiably receives benefits. Additionally, municipalities have a large number of part-time and seasonal employees, particularly in school departments, which adds to the complexity.

There are several strategies cities and towns can implement to manage their UI costs. It is recommended that municipalities have a point person to manage UI and/or a point person assigned to work with their Third-Party Administrator (TPA). It isn't always clear who "owns" the management of UI claims in a community, and it varies from one municipality to the next. Additionally, many communities use a TPA. It is important that one person have ownership of managing and reviewing all UI claims, and that if a municipality is using a TPA there is a dedicated internal staff person in regular communication with that firm.

It is also important to have a clear partnership with the school department. Many of the part-time employees that generate UI claims are school employees. It is absolutely critical for the municipal point person to have a clear line of communication and understanding with the school department.

Municipalities are urged to always respond to the Department of Unemployment Assistance's notice of a claim, and, if possible, attend the hearing. According to the DUA, the employer does not respond to the DUA approximately 50 percent of the time when a claim is filed. It is critical that hearing officers understand the employer's side of the situation. Additionally, municipalities are encouraged to submit as many documents as possible with the employer questionnaire.

Lastly, municipalities are encouraged to include language in collective bargaining agreements to mitigate claims, and to exercise options to reduce exposure. This includes making it clear up front that seasonal and part-time employees are not eligible for UI, and, if feasible and affordable, assigning seasonal workers to other departments or functions during

the year. It is also important to provide timely notification to school department employees (such as school bus drivers, cafeteria workers and crossing guards) before holiday weeks and summer vacation that there is a “reasonable assurance” they will be back to work after the breaks, which avoids the possibility of these part-time employees filing for UI benefits during the December, February, April and summer vacations. (Currently, the reasonable assurance protection is only applicable to school employees funded through the school budget, and is not available for these school-based employees if they are funded through the municipal side of the budget.) It is also important to use the DUA’s seasonal certification for seasonal employees.

These best practices offer several key approaches that can mitigate the cost of Unemployment Insurance claims for cities, towns and local taxpayers.