

Fiscal Note

2023-2024 Legislative Session

HF3446 - 1E - Unemployment Eligibility During a Labor Dispute

Chief Author: **Kaela Berg**
 Committee: **Workforce Development Finance**
 Date Completed: **3/29/2024 3:58:42 PM**
 Agency: **Employment and Economic Dvlpmt**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology		X
Local Fiscal Impact		
	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

Current unemployment insurance law holds applicants participating in a labor dispute to be ineligible for unemployment insurance benefits while the labor dispute is active. This bill proposes amending Minnesota Statutes, section 268.085, subdivision 13b, r to remove the period of ineligibility due to the labor dispute per se.

The bill:

1. Clearly states that participation in a labor dispute does not make an applicant ineligible for unemployment benefits per se; and
2. Makes a technical change to address separations from employment that may occur during the course of a labor dispute to ensure that they are analyzed under the correct provision of unemployment insurance law.

Assumptions

Changes to UI policy that make a previously ineligible population of applicants now eligible poses challenge for estimating the impact of the change. While many workers who find themselves unemployed do apply for unemployment benefits, it is never the case that all unemployed workers apply for benefits. This is particularly true for groups of workers who understand themselves to be per se ineligible for benefits. With respect to the labor dispute provision, for instance, since the current labor dispute provision has been in place for decades, one must suppose that labor dispute participants forego applying for benefits because they understand themselves to be per se ineligible. Consequently, extant programmatic data on past labor disputes must be understood to be incomplete insofar as it likely reflects only a subset of the affected workers. One should assume that the passage of this bill would result in a larger percentage of workers taking part in a labor dispute in any given year would apply for unemployment benefits than had under the current law.

Additionally, the availability of unemployment benefits to workers participating in a labor dispute would reduce the financial impact for those workers. This might either increase the inclination of the workers to authorize a strike or lengthen the period of the labor dispute.

Consequently, it is not possible to provide a single estimate of the impact of this bill since multiple variables would go into that estimate and those variables are unknown. Instead, a range is provided so that policymakers can understand the potential impact.

Reviewing 2023 unemployment insurance data, we find that the average weekly benefit amount paid to an applicant was \$405.

The unemployment insurance program does not track data related to labor disputes, per se. Only the number of applications for benefits where the applicant indicated that they were not working due to a labor dispute is tracked.

Unemployment Insurance program data over the last twenty years shows that on average, 107 applicants per year reported that they were not working due to a labor dispute. The maximum annual number for this period was 540 in one year. The minimum number was zero. In 2022, there was a labor dispute with a public sector employer that has roughly 7,000 employees. Only a handful of those workers applied for unemployment benefits during the labor dispute.

Neither the average nor maximum duration of a labor dispute is discernable in unemployment insurance program data. The maximum number of weeks of unemployment benefits is 26 weeks.

The table below illustrates the range of cost of this proposal based on an average weekly unemployment benefit payment of \$405 per week. If, for instance, there were 500 workers involved in a labor dispute that resulted in two weeks of unemployment benefits being issued to each, the cost of those benefits would be \$405,000.

Avg Labor Dispute Duration (weeks)	Number of Applicants			
	100	250	500	1,000
1	\$40,500	\$101,250	\$202,500	\$405,000
2	\$81,000	\$202,500	\$405,000	\$810,000
3	\$121,500	\$303,750	\$607,500	\$1,215,000
4	\$162,000	\$405,000	\$810,000	\$1,620,000
5	\$202,500	\$506,250	\$1,012,500	\$2,025,000
6	\$243,000	\$607,500	\$1,215,000	\$2,430,000
7	\$283,500	\$708,750	\$1,417,500	\$2,835,000
8	\$324,000	\$810,000	\$1,620,000	\$3,240,000
9	\$364,500	\$911,250	\$1,822,500	\$3,645,000
10	\$405,000	\$1,012,500	\$2,025,000	\$4,050,000
11	\$445,500	\$1,113,750	\$2,227,500	\$4,455,000
12	\$486,000	\$1,215,000	\$2,430,000	\$4,860,000
13	\$526,500	\$1,316,250	\$2,632,500	\$5,265,000

It may be assumed that, based on the data available, between 107 and 540 additional applicants would receive on average \$405 per week for each week that a labor dispute is active. Assuming, that the labor dispute lasts two weeks, an additional \$86,670 (107 applicants) to \$437,400 (540 applicants) would be paid in a year.

However, it also needs to be assumed that the ratio of workers participating in a labor dispute who apply for unemployment insurance benefits will rise significantly if this bill were to become law.

"Times New Roman";mso-ansi-language:EN-US;mso-fareast-language:EN-US;mso-bidi-language:AR-SA>No alterations of unemployment insurance technology would be required if this bill were made law. No additional administrative funding would be required as unemployment insurance is funded by the federal government based on workload.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Long term fiscal considerations are not possible to estimate because the number of labor dispute participants that might apply and the average duration of a labor dispute are unknown. Currently, because workers who are participating in a labor dispute are not eligible for benefits, there is no impact on either future unemployment insurance tax rates for employers or on the amount of that governmental entities and non-profits reimburse the unemployment insurance trust fund for benefits paid. This would change if this bill became law.

Depending on the frequency of labor disputes, the rate that participants apply and the duration of such labor disputes, the amount of benefits paid to participating workers could be quite significant resulting in higher future unemployment insurance tax rates for affected taxpaying employers or a significant cash reimbursement to the unemployment insurance trust fund for governmental entities (both the State of Minnesota and political subdivisions) and non-profits that reimburse the unemployment insurance trust fund on a quarterly basis for benefits paid in the prior quarter.

Local Fiscal Impact

Quantifying the exact impact is not possible for the reasons set forth above, but it must be noted that counties, cities and school districts are often relatively large employers, and their workforces are often represented by unions. A large labor dispute involving one these local employers could result in a significant expenditure in the following quarter to reimburse the unemployment insurance trust fund.

References/Sources

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