

INTRODUCTION

An understanding of the Vermont Unemployment Insurance Program must begin with its inextricable relationship to Federal law and regulations. It must be recognized that the program is an insurance program; it is paid for in advance by employer contributions and its benefits are paid based upon an individual's work and wages.

The unemployment insurance program is a product of the Great Depression of the 1930's. Title III of the Social Security Act of 1935 is the basis of the program. Vermont accepted the provisions of the Act, "to provide for the establishment of a national employment system ... and other purposes" in December of 1936. The U.S. Department of Labor oversees the general operations of the program; it sets performance goals, evaluates the state's operations, provides technical assistance, and allocates funds to cover administrative costs.

The financial condition of the Vermont Unemployment System has fluctuated during the last four decades. At the start of the 1970's, the trust fund seemed to be in good condition with a balance that was 4.1 percent of the total wages. Back to back recessions that began in 1969 and 1973 drained the fund. The unemployment trust fund went broke in 1974 and Vermont was forced to borrow from the federal government to pay benefits to workers. In 1985, eleven years after Vermont borrowed money from the U.S. Treasury, a final loan payment was made from the unemployment trust fund. During the late 1980's and 1990's the fund grew to the point that there were attempts to divert its resources to other causes. This decade saw a strong trust fund which, like the 1970's, declined rapidly as the economy slipped into the recession that many predict to be worse than any since the 1930's.

The unemployment insurance law has developed over the years with many compromises. It is a complicated system and the interaction with federal law adds another layer to that complication. This briefing is designed to provide the committee with an understanding of the unemployment insurance program and to benchmark its features to other states' programs.