# Implications of Enhanced UI Wage Reporting

presented by

NATIONAL PAYROLL REPORTING CONSORTIUM, INC. (NPRC)

*ADP ★ AllianceHCM ★ Apex HCM ★ Asure Software ★ Check*
*CheckWriters ★ Dayforce ★ Gusto ★ Heartland Payroll Solutions ★ Intuit*
*isolved ★ Netchex ★ Paychex ★ Paycom ★ Paycor ★ Paylocity*
*PPI Business Services ★ PrimePay ★ Rippling ★ Symmetry Software*
*TriNet ★ UKG*

March 2025

# Table of Contents

Introduction ..... 3
Background ..... 3
State-Specific Actions ..... 4
Data Overreach ..... 5
EWR Data Validation Dangers ..... 5
Federal Oversight Considerations ..... 6
Conclusion ..... 6
Appendix ..... 7

# Introduction

The National Payroll Reporting Consortium (NPRC) regularly publishes recommendations on matters of employment-related reporting, tax filing and payment methods. Enhancing wage records (EWR) to obtain more data is one area that has recently emerged with unemployment insurance (UI) wage and tax filing processes. This paper will focus on the potential consequences of various EWR initiatives.

The paper will not offer opinions on the benefits of obtaining the EWR data other than to recognize that improved data describing the U.S. workforce and economic sectors could offer important insights that would inform policymakers and educators. The costs of implementing EWR versus the benefits of the data gathered through EWR are not part of this discussion.

# Background

What is EWR? For our purposes, EWR is adding employee-level data elements to the UI quarterly wage report that are not required to administer UI benefits or collect UI taxes. For over 85 years, the quarterly UI wage report has collected a limited number of standardized core data elements for each covered employee: social security number, employee name, and total wages subject to UI tax paid during the preceding calendar quarter. Some states require additional data for UI benefit determinations, such as each employee's hours or weeks worked during the quarter, etc.

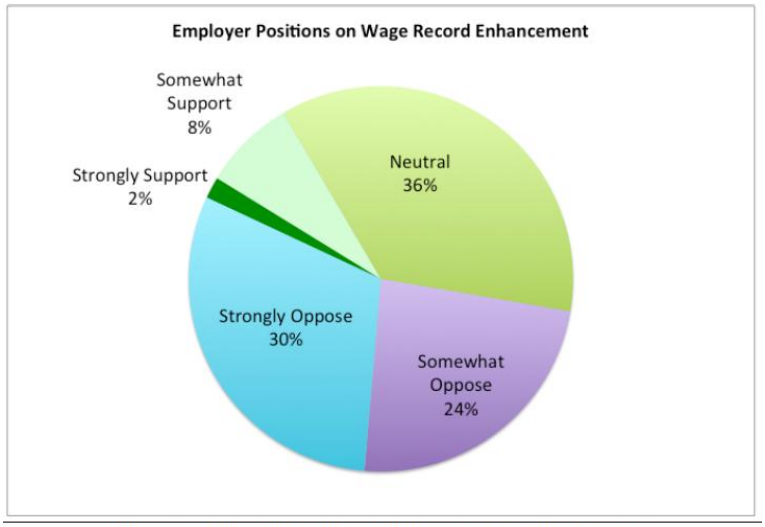
The process of filing and paying UI quarterly tax and wage reports remained essentially static until automation began to emerge in the 1980's, and further accelerated thereafter. Automation reduced the burden for producing and processing tax reports and payments. Automation also made the analysis of data easier and piqued the interest of economists and educators who wanted to use the UI data to make informed decisions regarding the workforce and education. In addition to using the existing data, they began to consider adding data to the UI wage report to enhance their analysis. The granular data was already being collected voluntarily from employer surveys, but – in theory - if the data could be collected for all employees through the existing wage reporting system, it would be more comprehensive than existing surveys and less expensive than developing a separate reporting system.

In September 2015, the Administrative Wage Record Enhancement Study Group published a report titled *Enhancing Unemployment Insurance Wage Records - Potential Benefits, Barriers, and Opportunities – Employer Perspectives*. They "began looking at the administrative records as an alternative source for improving local and state labor market information amid concerns over the adequacy of existing survey-based statistical data for state and local education and training program planning and accountability, economic analysis, career planning, and workforce program administration." The focus of the report is on the results of employer surveys in California, Idaho, Oregon, Texas and Utah.

The Administrative Wage Record Enhancement Study Group study looked at 21 data elements that could potentially be added to the quarterly UI wage report. They were: regular (straight-time) hours worked, premium hours worked, paid leave hours taken, weeks worked, salary paid, regular (straight-time) hourly wages paid, premium hourly wages paid, leave time pay, total cash compensation paid, total non-cash compensation paid, employee's occupation, job title, employer job code, Standard Occupational Classification (SOC) Code, employee's principal work location, employee's home address, employer site number, employee's time spent at alternate work locations, and employee's gender. The report did not

advocate for collecting all this data, but rather examined whether employers already had each data element; how easy it would be to get any information not already available in employers' administrative systems and how difficult it would be to report each data element.

The chart below summarizes some of the key take-aways from the report: 40 to 50 percent of firms that did not have a targeted data element rated its addition as moderately or very difficult; more than half of respondents strongly or somewhat opposed adding data elements to the quarterly UI wage records; and items such as employees' alternate work locations, Standard Occupation Classification coding, and weeks worked presented greater challenges.

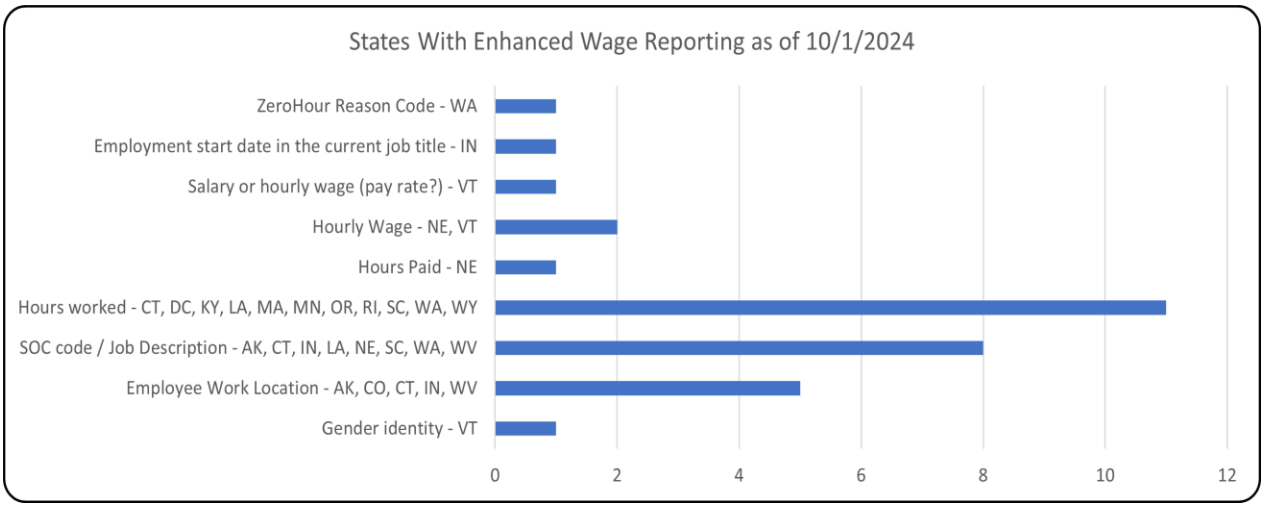



Administrative Wage Record Enhancement Study Group

## State-Specific Actions

- **Louisiana** – In October 2015, Louisiana began to request hours worked and either the job description or Standard Occupation Classification (SOC) code for each employee. Louisiana initially required this information and issued notices to employers that filed UI wage reports with missing or invalid data but has since relaxed the filing requirement and made job title or SOC code optional.
- **Alaska** – For many years Alaska has required employers to submit the SOC code and a geographic code of the work location for each employee. Alaska claims that this EWR "… helps universities, vocational/technical schools and education program administrators make informed decisions about where to focus resources. It helps industries and employers identify labor pools for specific occupations, identify occupational trends and turnover rates and to advocate for training programs to fulfill needs for new recruits in high-demand occupations."
- **Recent Additional States with EWR** – Most recently, **Indiana**, **Nebraska**, **South Carolina**, **Washington**, and **West Virginia** initiated enhanced wage reporting on their quarterly UI wage reports.

The NPRC remains neutral on the perceived benefits of EWR. We do, however, have strong positions on two primary issues that will be addressed here: Overreach of data requests (e.g., Connecticut, explained below); and strict systemic handling of missing or invalid EWR elements.




## Data Overreach

The history of state actions regarding EWR indicates there is a danger that states may request significantly more data than is currently collected on the quarterly UI wage report. When Louisiana initially enhanced its UI wage reporting, it asked for four new data elements. The NPRC and other employer groups concerned with this issue worked with the Louisiana Workforce Commission to reduce the EWR to only employee job description/title and hours worked.

Connecticut enacted a law in 2021 that added 16 new employee data elements to the UI quarterly wage report. Connecticut Section 270 — *Quarterly Reporting Requirements for Employers,* effective July 1, 2021, required all employers to report each employee's gender identity, age, race, ethnicity, veteran status, disability status, highest education completed; home address; address of primary work site; occupational code under the Bureau of Labor Statistics standard occupational classification system; hours and days worked; salary or hourly wage; employment start date in the current job title and, if applicable, employment end date. The NPRC advocated against implementing all the new data elements due to concerns about how it would affect existing wage record systems and the state's ability to administer UI benefits. After discussions with agency and administrative leadership, the 2023 Connecticut legislature significantly reduced the EWR mandate by making any additional data elements optional and limiting the new data elements to occupation, hours worked and worksite zip code, beginning in 2026.

## EWR Data Validation Dangers

Data validation is another area where well-intentioned state agencies may place undue burdens on employers and state UI authorities. For example, some states have sought to reject an employer's entire wage and tax report (i.e., all employees) if any new/EWR elements are missing, incorrect or merely

questionable (such as reporting an occupation code not normally associated with the employer's industry). Rejecting otherwise-valid wage reports may lead to delays in receiving properly formatted employee wage (and EWR) information, which could make it difficult for the agency to administer UI benefit claims. Some rejected wage reports may never be corrected/resubmitted, requiring compliance resources and again making it difficult to administer UI benefits, affecting U.S. DOL state mandates for First Payment Timeliness and Trust Fund Solvency, while potentially increasing improper UI payments. Other states have proposed penalties for imperfect EWR, which may add to a perception by businesses that the state is not employer friendly.

## Federal Oversight Considerations

One must carefully consider how the EWR initiatives impact the core UI benefits and tax systems. While it makes sense to take advantage of an existing reporting system, it may not be done to the detriment of the core UI system. Section 303 (1) of Title III of the Social Security Act requires such methods of administration for each state UI program are "*found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due*." States considering adopting policies that reject UI wage reports for data unrelated to the payment of UI benefits or the collection of UI taxes, should be aware that there could be possible violations of Section 303(1).

Additionally, states have been historically challenged to operate robust UI benefit and tax operations with the federal funds distributed by the US Department of Labor to each state. Using these resources for activities unrelated to the payment of UI benefits or the collections of UI taxes are not permitted. Section 303 (8) of Title III of the Social Security Act states that the administrative funds are "solely for the … proper administration" of the state UI law. Section (9) further requires the "replacement" of any funds expended for purposes other than the proper administration. To the extent states use UI systems to collect non-UI data, there should be cost sharing conducted to identify activities that should be paid for with state funds.

## Conclusion

Enhanced Wage Reporting can be implemented by state UI agencies, but only after careful consideration of important factors.

- Add data elements that provide useful information for state data users
- Adopt clear definitions and try to align with existing systems
- Do not reject otherwise valid UI wage and tax reports for missing or invalid EWR data
- Recognize that the cost to implement and conduct EWR will likely need to be borne by the state

# Appendix

Examples of some EWR data elements, their impact, and their challenges

1. **Hours worked** – generally used by states to calculate hourly rates of pay at the employee level
    a. **Pros** – generally available in most payroll systems
    b. **Cons** – definitions can vary and may conflict with other state definitions. For example, in Oregon, hours worked includes paid time off for workers compensation but not for UI, and these definitions conflict with those of other states such as Washington. Also, states that have adopted hours-based reporting have had to issue extensive instructions on how to impute hours for employees paid on any basis other than hourly.
2. **Highest Education Completed** – Likely used to compare earnings with education.
    a. **Pros** – Helpful additional data that can be used by education and training to determine outcomes.
    b. **Cons** – Not a data element currently in employer payroll systems that handle UI wage reporting. Additionally, this data element would be subject to change. Once populated, this data element would quickly become stale and out of date, with obvious implications for government workforce statistics.
3. **Standard Occupational Classification (SOC) Code** – A nationally recognized system to identify over 800 job types.
    a. **Pros** – An essential data element to track and report employee-level wages by occupation.
    b. **Cons** – This is an additional reporting burden for employers. Although systemic, the small employer without payroll reporting systems or providers will need to determine each employee's job classification. Online tools could make this process easier.
4. **Worksite location** – This data element captures the locations of the employee's work.
    a. **Pros** – The data is useful to identify local job characteristics.
    b. **Cons** – Work locations may be quite complex, as employers would need to measure how long each employee has worked at a given worksite location over different time periods to determine which location was the primary worksite location. Also, states are not consistent in defining worksite location. Alaska uses a unique location code. Other states use the ZIP code of the worksite. Lastly, many office workers now have fluctuating schedules involving home-based remote and in-office work in any work week, making the determination more complex.
5. **Employment Start and / or Stop Dates** – State unemployment agencies could use this information to strengthen integrity initiatives.
    a. **Pros** – This information when used properly may reduce improper UI payments.
    b. **Cons** – How and who will define these data elements? How do we differentiate between a layoff with a return to work and a true separation? Is the start date the date work commences, or the date first wages were paid? Will all states agree on these definitions?