

## **Pennsylvania Unemployment Compensation Gets Slimmer Beginning January 1, 2012**

This past spring, the Pennsylvania Legislature passed amendments to the Pennsylvania Unemployment Compensation Law. Of special importance to Pennsylvanians who may be anticipating a lay-off are an offset for severance payments and the new “active search” requirement.

Effective January 1, 2012, an unemployment claimant’s severance pay may be used to reduce the amount of unemployment benefits. Previously, the only offsets to unemployment benefits were the amount owed for services performed and some vacation pay. Now, severance pay will also be a factor in determining payment.

“Severance pay” is defined as “one or more payments made by an employer to an [employee] on account of separation from the service of the employer, regardless of whether the employer is legally bound by contract, statute or otherwise to make such payments. The term does not include payments for pension, retirement or accrued leave or payments of supplemental unemployment benefits.” The amount of severance pay attributable will be calculated by subtracting 40% of the average annual wage in Pennsylvania as calculated on June 30<sup>th</sup> of the immediately preceding year (currently estimated at \$17,853) from the total amount of severance pay paid or payable to the claimant. This means that only the amount in excess of 40% of the average annual wage in Pennsylvania will be counted against a claimant’s benefits. Applicants whose termination and initial application were prior to January 1, 2012 are not affected by the new severance offset.

Also effective January 1, 2012 is an “active search” requirement. At a minimum, a claimant must register for unemployment search services offered by the Pennsylvania CareerLink within 30 days of the initial application for benefits, must post a resume in the system’s database (with exceptions, such as those seeking employment in sectors that do not commonly use resumes) and must apply for positions that are similar to the claimant’s prior employment and are within forty-five minutes commuting distance.

The severance offset and the new “active search” requirement are only a few of the changes to the Unemployment Compensation law. Over the next year, the weekly minimum benefit will increase from \$35 per week to \$70 per week. In 2015, unemployment compensation will not be available to individuals with less than 18 credit weeks, and applicants will be limited to the total number of credit weeks they have earned.

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