Governor Walz Orders Unemployment Insurance Relief For Reductions Due To COVID-19

by Dennis J. Merley - Thursday, March 19, 2020

On Tuesday, Minnesota Governor Walz issued Emergency Executive Order 20-05, “Providing Immediate Relief to Employers and Unemployed Workers during the COVID-19 Peacetime Emergency.”

The Executive Order temporarily suspends strict enforcement of the state’s unemployment insurance (“UI”) statute in order to: (1) pay more benefits to unemployed workers and (2) reduce the financial impact on employers.

No More “Waiting Week”

Typically, workers needed to wait a week (the “waiting week”) before they were eligible for UI benefits. Gov. Walz’s Executive Order waives that requirement.

Vast Expansion of Eligibility for UI Benefits

The Executive Order makes applicants eligible for unemployment benefits if:

- A healthcare professional or health authority recommended or ordered them to avoid contact with others.
They have been ordered not to come to their workplace due to an outbreak of a communicable disease.

They have received notification from a school district, daycare, or other childcare provider that either classes are canceled or the applicant’s ordinary childcare is unavailable, provided that the applicant made reasonable effort to obtain other childcare and requested time off or other accommodation from the employer and no reasonable accommodation was available.

According to an FAQ published by Minnesota Department of Employment and Economic Development (“DEED”), many of the traditional scenarios that would have disqualified an application for UI benefits are no longer disqualifying. Here are some noteworthy topics:

Q. My employer reduced my hours as a result of COVID-19. Will I be eligible for unemployment benefits?

If your hours or your rate of pay have been substantially reduced, you may be eligible for unemployment benefits. We encourage all workers affected by COVID-19 to apply for unemployment benefits. The UI Program will review your application and determine your eligibility for benefits.

Q. My employer temporarily laid me off as a result of COVID-19. Will I be eligible for unemployment benefits?

Unemployment benefits are available to individuals who are unemployed through no fault of their own. If your employer shut down operations and no work is available, you may be eligible for unemployment benefits (assuming you meet other eligibility requirements).

NOTE – DEED gave exactly the same answer for permanent layoffs due to COVID-19.

Q. I am unable to work because my children are out of school or I have lost childcare as a result of COVID-19. Will I be eligible for unemployment benefits?

Unemployment benefits are available to individuals who are unemployed through no fault of their own. If your child’s school district, daycare, or other childcare provider has notified you that your ordinary childcare is unavailable, and you have requested accommodation from your employer and were denied, you may be eligible for unemployment benefits (assuming you meet other eligibility requirements).

Q. I took a voluntary layoff. Will I be eligible for unemployment benefits?

Unemployment benefits may be available to some workers who take a voluntary layoff to avoid the layoff of another worker (and meet certain other requirements). Contact us if you have questions about voluntary layoffs.

Q. Will I be required to look for work while receiving unemployment benefits?
If you are temporarily laid off, you can meet work search requirements by staying in regular contact with your employer. If you are permanently laid off, you will need to actively seek suitable employment.

Under Governor Walz’s executive order, you may meet this requirement by seeking suitable employment that does not pose a risk to your health or to the health of others.

Q. My employer required me to take a leave of absence due to COVID-19. Will I be eligible for unemployment benefits?

Workers who are receiving vacation pay, sick pay, or personal time off (PTO) pay equivalent to their normal rate of pay are ineligible for unemployment benefits. If your employer required you to take an unpaid leave of absence, you may be eligible for unemployment benefits.

Relief for Businesses

Typically, if an employer lays off employees or reduces employee hours, benefits paid to employees are factored into the employer’s future tax bill. Gov. Walz’s Executive Order makes clear that UI benefits paid as a result of COVID-19 will not be used to increase Minnesota employers’ costs:

Notwithstanding Minnesota Statutes 2019, section 268.047, I order that the Minnesota Unemployment Insurance Program not use unemployment benefits paid as a result of the COVID-19 pandemic in computing the future unemployment tax rate of a taxpaying employer. This will provide immediate relief to employers impacted by the COVID-19 pandemic and will better allow their employees to access unemployment benefits.

This will provide considerable relief to employers that are forced to make difficult staffing decisions in the coming weeks (and months).

What about Non-Profit Employers with a Reimbursable Account?

The UI statute allows non-profit employers to choose between (a) paying UI taxes or (b) creating a reimbursable account whereby they repay the state on a dollar-for-dollar basis for any benefits chargeable to their account.

While the Governor’s Executive Order clearly provides relief for employers who pay unemployment taxes, it is not clear if it also applies to reimbursing employers since the Order uses the term “taxpaying employer.” It is our belief, however, that the tax relief provided by the Executive Order should be extended to all employers, including non-profit employers. This is because the clear intent of Emergency Executive Order 20-05 was to provide relief to all employers impacted by COVID-19. Indeed, not unlike other Minnesota employers, non-profit employers have been hit hard by COVID-19, both in terms of a drop in donations and an increased need for their services.
We have not received confirmation of this fact from DEED or Gov. Walz’s office. Nevertheless, we have heard unconfirmed reports that DEED has stated that it will apply the same relief to reimbursable employers as it does to employers paying UI taxes. We will update you when we know more.

**Bottom Line**

Gov. Walz’s Executive Order provides relief to both employees who lose paychecks as a result of the COVID-19 outbreak and employers who are forced to make difficult staffing decisions during this time.

We will continue to update you as this situation develops.