

# Exploring Unemployment Insurance (UI) Program Options for Guam: Options Brief

Unemployment insurance (UI) serves as a crucial safety net, providing temporary financial assistance to eligible workers who have lost their jobs while also playing a vital role in stabilizing the economy during downturns. As Guam does not have an existing federal-state UI program, temporary programs like the Disaster Unemployment Assistance (DUA) and Pandemic Unemployment Assistance (PUA) programs helped Guamanians affected by major economic disasters.<sup>1,2</sup>

This brief presents findings from an exploratory study to examine the feasibility of implementing a UI program in Guam. It also identifies factors relevant to UI program implementation in Guam and five potential UI program design options.

## Standard UI Design Factors



**Legal requirements.** Regardless of UI design, Guam will need to enact local legislation. Any design that uses federal support will also require congressional approval.



**Funding source.** Guam will have to figure out a funding source that is best for its needs. Program sustainability relies on a state trust fund to remain solvent. Most trust funds are generated and replenished through employer taxes. Some UI programs are also supported through employee taxes or worker savings accounts.



**Eligibility requirements.** Guam must develop its own applicant eligibility requirements in accordance with the UI laws that it enacts.



**Benefit amounts.** Every state or territory can determine the appropriate amount and duration of benefits dispersed to eligible workers. In 2023, average weekly benefit amounts in comparable states and territories ranged from \$204.69 (Puerto Rico) to \$629.08 (Hawaii). Table 13 in the corresponding Technical Appendix also provides similar figures for the U.S. Virgin Islands (USVI).



**Support and resources.** Guam can build on much of its existing IT infrastructure that it uses for the DUA program. Some UI designs include additional support from the federal government, such as program management and administrative funding.



**Program integrity.** Each state or territory detects and prevents fraud differently. Guam can continue practices from DUA and PUA, such as restricting claims to those submitted using Guam-based IP addresses, and adopt new strategies based on lessons learned from UI programs in other states or territories.

## Employer Concerns Regarding the Implementation of Unemployment Insurance:



*“Guamanians need to learn that this is insurance, not a social service.”*  
—Surveyed employer



*“I can’t afford it. The taxes will come out of employee wages.”*  
—Surveyed employer

*“If people earn more from UI than working, they won’t come back.”*  
—Surveyed employer

## Employment Distribution Across Sectors in Guam’s Labor Market (Quarter 3 of 2023)<sup>3</sup>

Sector	Industry	Number of People Employed	Percent of Total
Private	Services*	16,180	24%
	Retail Trade	12,110	18%
	Construction	12,080	18%
	Other	10,000	15%
Public	Government of Guam	12,040	18%
	Federal Government	4,110	6%

\*Includes “hotels and other lodging places” and “all other services.”

The U.S. Virgin Islands [UI website](#) maintains a library of helpful information for Virgin Islanders, offering a point of reference for Guam as it considers its own UI design.

Methodology, limitations, the survey instrument, and additional findings from the study can be found in the corresponding [Technical Appendix](#).

# Potential UI Design Options for Guam at a Glance

FEDERAL DESIGNS

1

## Federal-State Unemployment Compensation (UC) Program

**Design.** Implements a traditional UI design used by 53 jurisdictions in the United States. The federal government provides funding to cover some administrative costs. Jurisdictions have the flexibility to design their own programs as long as it is compliant with federal requirements.<sup>4,5</sup>

**Considerations.** Requires congressional approval for Guam to be considered a “state” under the Federal Unemployment Tax Act (FUTA).<sup>5</sup> If approved, Guam could use the designs of 53 other jurisdictions as templates for success and access resources/support services from the federal government.

2

## Federal Joint-State UI Program

**Design.** Involves collaborating with another state or territory’s existing UI program. Guam would likely adopt or replicate the partner’s funding source to support the program and pay out benefits. This could include creating a Guam-based trust fund modeled after the partner state’s structure. To comply with federal guidelines, Guam’s legislation may need to align with the partner state’s laws. The partnership could also cover activities like claims processing and fraud prevention. Furthermore, Guam may be eligible for federal funding to help offset some administrative costs.

**Considerations.** Requires further legal analysis to identify the specific limitations of this design, as no such program currently exists. Guam must also identify and develop a partnership with an existing UI program.

3

## Non-Federal Permanent Program

**Design.** Establishes an independent UI system that is tailored exclusively to Guam’s needs. It is exempt from federal requirements. Allows for flexible design, funding mechanisms, and tailored eligibility requirements. Guam would be independent in funding all aspects of this program, which can come from employer taxes (most common), employee taxes, or worker savings accounts (less common) as revenue streams. This program could be developed with the intention to join the Federal-State UC program in the future.<sup>4</sup>

**Considerations.** Involves developing comprehensive local legislation, managing solvency risks, and ensuring long-term funding sustainability without federal support or guidelines. These risks include ensuring sufficient revenue generation, particularly in times of economic downturns when claim volume may increase. No federal amendments are required to institute this program.

4

## Non-Federal Temporary Program

**Design.** Launches a temporary UI system triggered by economic indicators. This design expands during economic downturns and contracts during booms to foster program sustainability. Prioritizes long-term trust fund stability over breadth of coverage by focusing on time-sensitive relief for workers.

**Considerations.** Requires establishing economic triggers to activate benefit periods. Temporary nature limits support for workers; benefits may not be available when some workers need it. Guam must determine the funding source to promote financial stability and sustainability for flexible UI design.

5

## Non-Federal Industry-Specific Program

**Design.** Targets specific industries or occupations most vulnerable to economic volatility (e.g., construction, teachers).<sup>6</sup> This scope of coverage allows the program to be tailored to specific groups of workers but may leave others unprotected.

**Considerations.** Requires industry-specific legislative changes and employer buy-in. Guam must determine who will be taxed—and at what rate—to ensure sufficient funding for a program that only covers certain sectors.

NON-FEDERAL DESIGNS

# 1

## Federal-State Unemployment Compensation (UC) Program

The Federal-State UC program is the traditional UI model that is currently used by all 50 states, Puerto Rico (PR), the USVI, and the District of Columbia. In this type of program, states finance UC through taxes collected from employers. The federal government provides some funding for program administration. To join the Federal-State partnership, Guam must seek congressional approval to amend federal legislation. Once amended, Guam can use successful design elements and lessons from the 53 other programs to tailor its own UI program.

### UI DESIGN FACTORS



**Legal requirements.** Guam must receive congressional approval to amend the FUTA and other federal legislation to treat Guam as a state under FUTA.<sup>7</sup> Local legislation must be enacted to maintain compliance with federal guidelines including funding, eligibility, and benefit amounts.



**Eligibility requirements.** States can customize some program aspects, including eligibility factors such as qualified unemployment, to address local economic and demographic conditions.<sup>8</sup> Program cost will vary based on the breadth and depth of access to coverage.



**Funding source.** This model relies on a trust fund to remain solvent. FUTA mandates an excise tax of 6% on the taxable wage base. Most states receive credits (up to 5.4%) for complying with federal guidelines.<sup>7</sup> Guam would similarly receive federal funding to help partially cover administrative costs, with the amount determined by its level of compliance with these federal guidelines.



**Benefit amounts.** Through comprehensive analysis, Guam must determine how much its program can cover the unemployed—coverage is based on many economic factors. States vary widely in terms of provided benefits. UI experts recommend covering half of workers' typical wages.<sup>9</sup>



**Program integrity.** Guam can adopt best practices from 53 other states and territories to detect and prevent fraud while using its own experiences from DUA and PUA to reduce improper payments, such as by restricting claims to those submitted from Guam-based IP addresses.



**Support and resources.** Guam gains access to extensive support from the U.S. DOL and National Association of State Workforce Agencies (NASWA). This support includes access to NASWA's Integrity Data Hub (IDH), best practices, lessons learned, and some financial support for program administration.

### MAIN TAKEAWAYS & DECISION POINTS FOR GUAM

- Congress must amend federal law to allow Guam access to this design.
- Some program design elements are required but have room for customization.
- Guam will receive federal funding to assist in covering administrative costs.

# 2

## Federal Joint-State Unemployment Insurance (UI) Program

The federal joint-state design offers Guam a creative approach to partner with another U.S. state or territory that already has an established UI program. A joint-state design allows Guam to collaborate with a partner state or territory to share administrative resources, expertise, and possibly even funding sources for operating the UI program. While further legal analysis is required to confirm the specifics, there are many potential benefits. Guam would need to partner with the host state through a series of complex legislative analyses and enactments to ensure state and federal conformity. This design is atypical, so Guam could be the first to further explore and employ it as a long-term approach to a sustainable UI program.

### UI DESIGN FACTORS



**Legal requirements.** Guam would likely need to develop UI laws that are complementary to the host state or territory's legislation, which should be in compliance with federal law. It is unclear whether the partner state would need to amend its own laws or if federal legislation would need to be amended. Federal intervention may also be required to amend or approve dispersion of federal funds between the partner state or territory and Guam.



**Funding source.** The tax rate, taxable wage base, and other funding criteria would all likely mirror those of the partner state or territory. Guam may be eligible to share the partner's administrative funding provided by the federal government but would need to consider compensating the hosting state for its administration.



**Program integrity.** Guam and the partner state or territory can share fraud detection and prevention efforts.



**Eligibility requirements.** Guam would likely need to comply with all partner policies, potentially limiting its ability to tailor the UI program to Guam's labor market. To account for this, Guam should seek partnership with a state or territory with a similar labor force and industrial or occupational makeup.



**Benefit amounts.** Benefit amounts would likely be determined by the partner state or territory.



**Support and resources.** This design benefits from extensive support from the host state and the U.S. DOL. Guam may not be required to staff the program or set up its own infrastructure for the program.

### MAIN TAKEAWAYS & DECISION POINTS FOR GUAM

- Guam must identify, contact, and establish a willing partnership with an existing state or territory's UI program office that closely aligns to Guam on labor mix and economic outlook.
- The partner state or territory's UI program must currently be solvent and sustainable.
- There is much uncertainty surrounding the viability of this option.

# 3

## Non-Federal Permanent Unemployment Insurance (UI) Program

The permanent, non-federal UI program design option allows Guam to create a program independently, free of any prior restrictions coming from typical UI designs. Guam would be solely responsible for designing, supporting, and funding this program. An existing U.S. example of this program is the Railroad Retirement Board, which administers UI benefits for railroad workers. While this design offers Guam a great deal of flexibility, it does not offer much outside support.<sup>10</sup>

### UI DESIGN FACTORS



**Legal requirements.** Guam would not be required to follow any federal mandates. It would only be responsible for enacting local legislation. It could use local legislative changes as a springboard to later join the Federal-State partnership like the USVI did.<sup>11</sup>



**Funding source.** Guam is fully responsible for all aspects of funding for this program. This may come through employer taxes, employee taxes, or both. Some other countries use worker savings accounts where workers set aside a portion of their earnings as a creative way to ensure financial stability and maintain solvency.<sup>5</sup>



**Program integrity.** Guam can apply its experience with DUA and PUA to detect potentially fraudulent claims, such as applications submitted by deceased citizens. All fraud detection efforts will be carried out independently, without assistance from external entities.



**Eligibility requirements.** Access to benefits will be entirely at Guam's discretion, allowing the UI program to best suit local economic conditions and demographic needs. Guam should consider the eligibility of the Micronesian population and the eligibility of good cause quits. Table 5 in the corresponding [Technical Appendix](#) provides insights into Guam's working population.



**Benefit amounts.** Guam can determine optimal benefit levels to support its working population by considering cost of living, economic conditions, and workforce needs.



**Support and resources.** Federal support will be limited. Guam can leverage lessons learned from existing UI programs but will not have direct access to federal resources. It is unclear if Guam would have access to support from NASWA.

### MAIN TAKEAWAYS & DECISION POINTS FOR GUAM

- Guam has total flexibility to design and administer a program that fits its needs.
- The program must be fully funded by Guam without any federal support.
- Designing a program with a path to a Federal-State UC program was successful in the USVI.

# 4

## Non-Federal Temporary Unemployment Insurance (UI) Program

The temporary, non-federal UI program approach is designed to address periods of high unemployment. Guam's government would have the discretion to distribute payments during economic downturns without amending federal law. This design also allows flexibility on when to provide benefits. While it would not be granted federal funding like with DUA and PUA, Guam's temporary UI program could pose a lower risk of insolvency than a permanent UI program given its ability to expand and contract support as needed.

### UI DESIGN FACTORS



**Legal requirements.** Guam would not be required to follow any federal mandates. It would only be responsible for enacting local legislation to address factors including funding, eligibility, and benefit amounts, among others.



**Funding source.** Guam is fully responsible for all aspects of funding for this program. It has potential to be cheaper than permanent design options, allowing funds to be replenished during periods of economic stability.



**Program integrity.** Guam can apply its experience with DUA and PUA to detect potentially fraudulent claims, such as restricting claims to those submitted from Guam-based IP addresses. All fraud detection efforts will be carried out independently, without assistance from external entities.



**Eligibility requirements.** Access to benefits will be entirely at Guam's discretion, allowing the UI program to best suit local economic conditions and Guam workforce's needs.



**Benefit amounts.** Guam can determine optimal benefit levels to support its working population.



**Support and resources.** Federal support will be limited. Guam can leverage lessons learned from DUA and PUA but will not have direct access to federal resources.

### MAIN TAKEAWAYS & DECISION POINTS FOR GUAM

- Guam must establish triggers to activate the program using the unemployment rate, interest rates, or other economic metrics. These may be factors external to Guam, such as a downturn in East Asian tourism.
- The temporary nature of this UI design limits continued support for workers; benefits will not always be available when some employees need it.
- Guam must determine the applicable tax rate to fund the program and decide whether taxes are levied continuously or only while the program is active.



# 5

## Non-Federal Industry-Specific Unemployment Insurance (UI) Program

The industry-specific, non-federal UI program design provides coverage for specific sectors of the labor market that may be more likely to experience periods of unemployment. Built around a narrowed scope of coverage, this option limits UI benefits to workers in specific occupations and industries within Guam. This targeted approach could be less costly than a program that insures the majority of the Guamanian workforce.

### UI DESIGN FACTORS



**Legal requirements.** Guam would not be required to follow any federal mandates. It would only be responsible for enacting local legislation including funding, eligibility, and benefit amounts. Guam must consider the narrow scope of benefits when enacting legislations.



**Eligibility requirements.** Access to benefits hinges on a worker's occupation or industry as well as other application details (reason for unemployment, work history, and search for a new job).



**Funding source.** Guam is fully responsible for all aspects of funding for this UI program. It may choose to tax all employers or employees or only those covered by the program, making employer buy-in particularly crucial for this option.



**Benefit amounts.** Guam can determine optimal benefit levels to support the covered population.



**Program integrity.** Guam can apply its experience with DUA and PUA to detect potentially fraudulent claims, such as duplicative claims from the same applicant. All fraud detection efforts will be carried out independently, without assistance from external entities.



**Support and resources.** Federal support will be limited. Guam can apply lessons learned from existing UI programs but will not have direct access to federal resources.

### MAIN TAKEAWAYS & DECISION POINTS FOR GUAM

- Guam has the flexibility to design a UI program that targets industry-specific needs and challenges.
- This model does not cover all workers; limiting eligibility to workers in targeted sectors focuses support on jobs most vulnerable to economic volatility and layoffs, such as construction workers and teachers.
- The taxable wage base and associated tax rates should be calculated based on a narrower scope of coverage.

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### About this Resource:

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