



# Unemployment Insurance at 75: Assessing Benefit Eligibility, Adequacy and Duration

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# UI Benefits: How Much is Enough?

- UI is insurance for loss of wages during periods of involuntary unemployment; employers pay premiums on wages
- Benefits are intended to relate in some way to wages lost – UI reflects the worker's standard of living and is intended to help keep the worker and his/her family from falling into poverty
- From the beginning, general acceptance that weekly UI benefit should replace half the worker's wages.
  - Wisconsin UI law (pre-SSA)
  - Committee on Employment Security (1935)
  - Social Security Board (1936)
  - All administrations through 1970's
  - National Advisory Councils in 1980 and 1995

# UI as of Replacement of State's Average Weekly Wage: Closer to a Third than Half

- **National Wage Replacement Rate: 35.6%**
  - Average UI benefit of \$307 replaces 35.6% of U.S. average weekly wage (\$863)
- **Only 6 states replacing more than 45% of their state's average weekly wage**
  - Hawaii (54.6% - only state over 50%), Kansas, Rhode Island, North Dakota, Washington, Iowa
- **7 programs replacing less than 30%**
  - DC (22.1%), Arizona, Alaska, Delaware, Alabama, New York, Tennessee

# Wide Fluctuation in Benefit Levels

## Average Weekly Benefit Paid:

- High: HI (\$420), MA (\$409), WA (\$408), NJ (\$397), RI (\$384)
- Low: MS (\$193), AL (\$208), AZ (\$217), TN (\$222), LA (\$226)

## Maximum Weekly Benefit:

- High: MA (\$629), NJ (\$600), MN (\$585), PA (\$564), WA (\$560)
- Low: MS (\$235), AZ (\$240), LA (\$247), AL (\$265), FL (\$275), TN (\$275)



# State UI Program Reciprocity

- Nationally, 35% of unemployed workers are receiving state UI benefits
- With 32 state trust funds borrowing for the foreseeable future, there will be pressures to cut benefits and impose eligibility restrictions over the next few years
- During 1980's solvency crisis, many states cut benefits and imposed new eligibility restrictions
- Reciprocity declined from 50% in 1975 to 28.5% in 1984



# UI Duration and Long-Term Unemployment

- Nationally, average UI duration is 20 weeks
- Over 42% of all unemployed jobless for more than 6 months
- Nearly quarter of unemployed have been looking for work over a year
- Only 10 state UI laws provide uniform duration of 26 weeks
- Costs of EUC and EB programs have Congress debating whether to continue federal extension programs even though national unemployment rate has stayed over 9% for 16 consecutive months



# The Coming Storm: Defending the Need for a Strong UI System

- National solvency crisis requires a responsible federal-state solution that will help states rebuild forward financing without undermining key program goals - helping workers maintain a standard of living between jobs, preventing poverty, stimulating local economies.
- Any federal loan assistance should be conditioned on maintaining federally-recognized benefit standards
- A meaningful permanent federal extension program
- Stronger labor market intervention policies
- Administrators as UI program champions