

Policy Basics: Unemployment Insurance

The federal-state unemployment insurance (UI) system helps people who have lost their jobs and are eligible for benefits by temporarily replacing part of their wages.

Created in 1935, unemployment insurance is a form of social insurance, with contributions paid into the system on behalf of working people so that they have income support if they lose their jobs. The system also helps sustain consumer demand during economic downturns by providing a continuing stream of dollars for families to spend.

The states run the basic unemployment insurance (UI) program, although the U.S. Department of Labor oversees the system. The basic program in most states provides up to 26 weeks of benefits to unemployed workers, replacing about half of their previous wages, up to a maximum benefit amount. States provide most of the funding and pay for the actual benefits provided to workers; the federal government pays only the administrative costs. In February 2020, average weekly benefits were about \$387 nationwide but ranged from a low of \$215 in Mississippi to \$550 in Massachusetts. (Weekly benefits were \$161 in Puerto Rico.)

Although states are subject to a few federal requirements, they are generally able to set their own eligibility criteria and benefit levels. In recent years, for example, a handful of states have reduced their maximum number of weeks of regular UI benefits below 26 weeks. For more information about the UI benefits available in each state, see [Policy Basics: How Many Weeks of Unemployment Compensation Are Available?](#)

Extra Weeks Available When Unemployment Is High

The permanent Extended Benefits (EB) program provides an additional 13 or 20 weeks of compensation to jobless workers who have exhausted their regular UI benefits in states where the unemployment situation has worsened dramatically (regardless of whether the national economy is in recession). The total number of weeks available depends on a state's unemployment rate and its unemployment insurance laws. Normally, the federal government and the states split the cost of EB.

Design flaws have prevented the EB program from responding rapidly and effectively in recessions, which has led federal lawmakers to enact temporary programs providing additional weeks of UI benefits in recessions on an *ad hoc* basis since the late 1970s. Measures enacted in the Great

Recession of 2007-09 included not only extra weeks of benefits from mid-2008 through 2013, but also full federal funding of EB and a \$25 increase in weekly UI benefits.

The new Coronavirus Aid, Relief, and Economic Security (CARES) Act takes bold but short-term actions to combat the human hardship and economic damage flowing from the COVID-19 pandemic. It provides 100 percent federal funding for states to provide up to 13 weeks of Pandemic Emergency Unemployment Compensation (PEUC), and it creates a Pandemic Unemployment Assistance (PUA) program for people who exhaust their regular and extended benefits as well as many others, including “gig” workers, who would not normally be eligible for UI in most states. Until July 31, weekly benefits in all these programs are the amount determined by state rules plus \$600.

CARES Act Boosts Jobless Benefits in 2020

Examples of how Pandemic Emergency Unemployment Compensation (PEUC) and Pandemic Unemployment Assistance (PUA) make more weeks of unemployment insurance (UI) available



The PEUC and PUA benefits under the CARES Act last through December 31, 2020 and work with UI to make **up to 39 weeks** of benefits available to workers.



All UI claimants receive an additional **\$600 per week** through July 31, 2020.

A new UI claimant

Regular benefits

26 weeks

PEUC benefits

13 weeks

An existing UI claimant

A worker with only 13 weeks of regular benefits available

Regular benefits

13 weeks

PEUC benefits

13 weeks

PUA benefits

Up to 13 weeks*

A claimant only eligible for PUA

A worker who would not normally be eligible for UI, like a rideshare driver

PUA benefits

Up to 39 weeks*

* Depending on how many weeks are left in the year at the time of the claim.

Notes: CARES Act = Coronavirus Aid, Relief, and Economic Security Act. Most states provide 26 weeks of regular unemployment insurance benefits, but a handful provide fewer weeks of benefits.

Source: CBPP examples based on CARES Act provisions

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These provisions provide up to 39 weeks of UI but are only in effect through the end of this year. A new UI claimant eligible for 26 weeks of regular benefits would be eligible for 13 weeks of PEUC. At the other extreme, someone who is eligible only for PUA would get up to 39 weeks, depending on how many weeks are left in the year at the time of their claim. A person with 13 weeks remaining on their regular UI who exhausts them and the 13 weeks of PEUC would be entitled to as many weeks of PUA that are left in the year, up to a maximum of 13. (See graphic.)

UI Needs Strengthening and Modernization

Unemployment insurance helps eligible workers weather a bout of joblessness, and UI benefits score high in “bang-for-the-buck” calculations of their economic impact as stimulus in fighting recessions, but UI has not adapted to changes in the labor market since it was established. When UI was designed, the typical job loser was a married male breadwinner laid off from a full-time job to which he could expect to return when business picked up. In the 21st century labor market, the program’s outdated eligibility requirements in many states exclude people such as unemployed workers looking for part-time work and those who leave work for compelling family reasons, like caring for an ill family member. This prevents large numbers of unemployed workers, many of whom are women and people of color, from receiving UI benefits.

The CARES Act temporarily expands eligibility through the PUA and makes PEUC available to those who exhaust their regular state benefits. Comprehensive UI reform, such as [President Obama’s 2016 proposal](#), would expand eligibility and improve the program’s ability to respond automatically to rising unemployment in a weakening economy.

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For more information, see:

Policy Basics: How Many Weeks of Unemployment Compensation Are Available?

<https://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available>

Introduction to Unemployment Insurance

<https://www.cbpp.org/research/introduction-to-unemployment-insurance>

Policy Basics: The Minimum Wage

<https://www.cbpp.org/research/economy/policy-basics-the-minimum-wage>