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 April 2020, average weekly benefits were about $333 nationwide but ranged from a low of $101 in Oklahoma to $531 in Massachusetts.

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. The new Coronavirus Aid, Relief, and Economic Security (CARES) Act provides full federal funding for EB through the end of the year, and EB is already “on” in almost all states.

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

**Temporary Measures Addressing Pandemic-Related Unemployment**

The CARES Act takes bold actions to combat the human hardship and economic damage flowing from the COVID-19 pandemic, but all its provisions expire at or before the end of the year. The Act provides 100 percent federal funding for states to provide up to 13 weeks of Pandemic Emergency Unemployment Compensation (PEUC) ahead of any EB to workers who exhaust their regular state benefits. PEUC is the current version of the extra weeks of emergency federal benefits policymakers have enacted in past recessions.

The CARES Act also creates a new federally funded program, Pandemic Unemployment Assistance (PUA), for unemployed workers who exhaust their regular and extended benefits, as well as for many others who are not normally eligible for state UI. The latter include the self-employed, those seeking part-time work, those who do not have a long enough work history, and those who must leave work for compelling family reasons.

The weekly benefit amount in all UI programs is the amount determined by each state’s UI laws supplemented by a $600 Pandemic Unemployment Compensation Payment through July 31.

As long as the CARES Act provisions have not expired, they allow qualifying workers to receive at least 39 weeks of benefits from regular state UI, followed by PEUC, then EB (if it is on in their state), and finally PUA. Since PUA provides up to 39 weeks of benefits minus the number of weeks of regular UI and EB a worker has received, a worker who has already received 26 weeks of UI and 13 weeks of EB would not qualify for PUA, while a worker with no weeks of UI or EB would qualify for the full 39 weeks of PUA. People receiving PUA are not eligible for PEUC.

The graphic provides examples for UI claimants in states where EB is not yet available. The first is for a new claimant eligible for 26 weeks of regular UI, followed by up to 13 weeks of PEUC. At the other extreme, someone not eligible for regular state benefits could be eligible for up to 39 weeks of PUA. A person with 13 weeks of regular UI remaining could receive up to 39 weeks of benefits: the last 13 weeks of regular benefits, then 13 weeks of PEUC, then 13 weeks of PUA.

In some circumstances a person could receive more than 39 weeks of benefits. For example, unlike the CARES act provisions, EB does not expire at the end of the year. Hence someone who has exhausted 26 weeks of regular UI and 13 weeks of PEUC before the end of the year could be eligible for an additional 13 or 20 weeks in a state where EB is “on.”
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

<table>
<thead>
<tr>
<th>Regular benefits</th>
<th>PEUC benefits</th>
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<tbody>
<tr>
<td>26 weeks</td>
<td>13 weeks</td>
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</tbody>
</table>

An existing UI claimant

A worker with only 13 weeks of regular benefits available

<table>
<thead>
<tr>
<th>Regular benefits</th>
<th>PEUC benefits</th>
<th>PUA benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 weeks</td>
<td>13 weeks</td>
<td>Up to 13 weeks*</td>
</tr>
</tbody>
</table>

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
UI Needs Permanent 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 expands eligibility through the PUA, but only temporarily. Permanent, comprehensive UI reform, such as President Obama’s 2016 proposal, would expand eligibility, raise benefit levels, and automatically provide extra weeks of benefits in a recession, which would strengthen the program’s automatic stimulus response in a weakening economy.

Updated June 25, 2020

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