

# 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 by employers 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. Just before the start of the COVID-19 recession in February 2020, average weekly benefits were about \$387 nationwide but ranged from a low of \$215 in Mississippi to \$550 in Massachusetts, and were only \$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. Following the 2007-09 Great Recession, for example, a handful of states reduced their maximum number of weeks of regular UI benefits below 26 weeks (even in many states with a maximum of 26 weeks, many recipients only qualify for a lower maximum), and while the economy was still recovering from the COVID-19 recession, many states stopped providing fully federally funded emergency UI benefits before those measures expired. 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.

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The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 and subsequent extensions provided full federal funding for EB until September 6, 2021. As a result of the sharp increase in unemployment in March and April 2020, by late June EB was “on” in every state except South Dakota, plus the District of Columbia, Puerto Rico, and the Virgin Islands. But by the end of 2020, it was “off” in more than half the states despite high unemployment persisting in many of them, reflecting design flaws in the program – although the temporary measures described below filled the gap until September 6, 2021.

Those 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. For some of this time, workers in hard-hit states were eligible for up to 99 weeks of UI benefits.

### **Temporary Measures Addressing Pandemic-Related Unemployment**

The March 2020 CARES Act took bold actions to combat the COVID-19 pandemic’s human hardship and economic damage and included several pandemic emergency UI provisions that were in place until September 6, 2021. Besides full federal funding of EB, these included measures providing additional weeks of federally funded benefits, a federal supplement to weekly benefit payments, and an expansion of eligibility to receive unemployment assistance for people not eligible for regular state UI. Although federal funding was available until September 6, 2021, almost half of the states stopped providing these benefits before then.

Pandemic Emergency Unemployment Compensation (PEUC) was the latest version of the extra weeks of emergency federal benefits policymakers have enacted in past recessions. Extensions of the original legislation, which ran through December 26, 2020, ultimately funded weekly benefits to workers who exhausted their regular state benefits until the September 2021 expiration date in states that continued to provide them.

The CARES Act also created a new federally funded program, Pandemic Unemployment Assistance (PUA), for some unemployed workers who exhausted their regular and extended benefits, but primarily for many others who were not normally eligible for regular state UI. The latter includes the self-employed, contract workers, 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. As with PEUC, subsequent legislation renewed PUA so that anyone receiving PUA received benefits until September 6, 2021.

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The CARES Act provided a Pandemic Unemployment Compensation (PUC) payment of \$600 a week to supplement the weekly benefit determined under state UI laws for all programs (including regular UI, PEUC, EB, and PUA) through July 31, 2020. A \$300 weekly supplement was subsequently added for a handful of weeks after July 31, and legislation passed in December 2020 and March 2021 extended that \$300 federal supplement until September 6, 2021.

Because the duration of the original CARES Act provisions and their subsequent extensions were tied to arbitrary calendar dates rather than economic conditions nationally or in states, recipients faced benefit cliffs each time an expiration date approached. Uncertainty about whether the provisions would be extended created administrative problems for states already struggling to deliver benefits, and uncertainty for recipients about whether they would continue to receive the financial support they needed amid a health and economic crisis. The September 6, 2021, cliff was the largest ever, with several million people losing their UI benefits. The relief provided by pandemic emergency UI measures was substantial, but with their expiration, too many workers who lose their jobs through no fault of their own will receive inadequate UI benefits or no benefits at all.

### **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 2020-21 relief measures expanded eligibility through PUA, but only temporarily. Permanent, comprehensive UI reform would expand eligibility, raise benefit levels, establish a floor of 26 weeks under the maximum number of weeks of UI available in all states, and automatically provide extra weeks of benefits in a recession, which would both provide better assistance to unemployed workers and strengthen the program’s automatic stimulus response in a weakening economy.

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For more information, see:

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

## Policy Basics – Unemployment Insurance

<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>