INSIGHT

The US unemployment insurance system

October 2020

SUMMARY

The US unemployment insurance is part of the mandatory social protection system. Mostly funded by the employers, the US unemployment insurance system has a two-level management system. The federal government defines framework laws, sets the objectives and oversees the performance of the system, with the States deciding, on their part, the duration of the compensation period and the benefit amount, as well as the contribution rates which apply in their territories respectively. Thus, the unemployment insurance system is, in the United States, made of 53 different systems. The main specificity of the system, however, lies mainly in the contracyclical nature of its functioning, with the duration of the compensation period varying depending on the economic situation.

TABLE OF CONTENTS

- General presentation of the US system
- Historical background
- The unemployment insurance system
- Annexes

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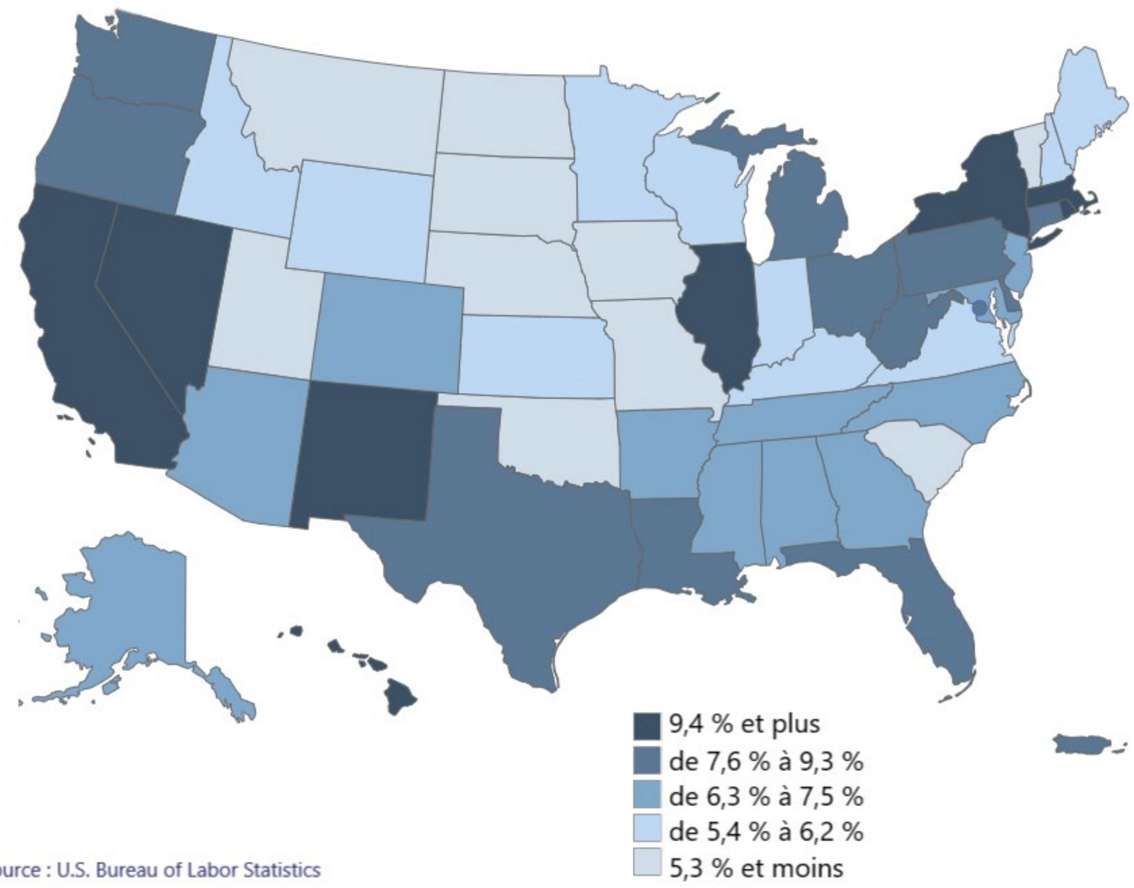
Data relating to employment and the employment market[1]

Total population :	330 402 000 (October 2020)
Unemployment rate :	7.9% (September 2020)
Employment rate :	66.9% (September 2020)
Federal minimum wage :	\$7.25/hour or \$1 255/month (i.e. approximatively €1 067)[2]
Average wage :	\$994/week (third quarter 2020) or \$4 304/month (i.e. approximatively €3 658)

After achieving a record level of 14.7% in April 2020, the US unemployment rate has been constantly decreasing. In September 2020, it was at 7.9%, and was continuing to approach the level at which it was prior to the coronavirus crisis: 3.5% in February 2020.

The differences between the States, however, remain strong: between 3.5% in Nebraska and 15.1% in Hawaii. Of all the States, 5 States have an unemployment rate exceeding 10%; 6 States have an unemployment rate lower than 5%.

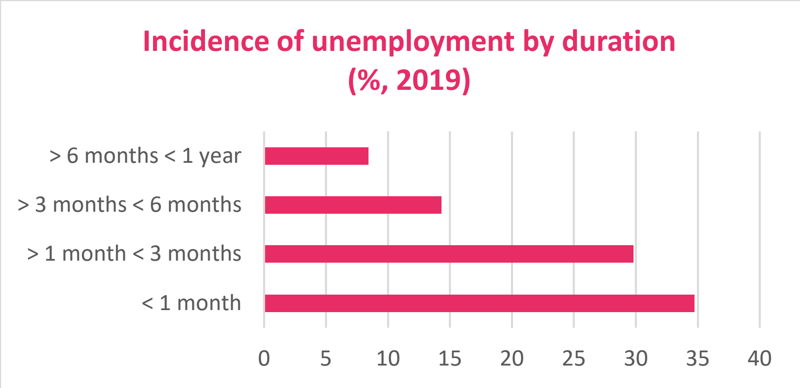
State unemployment rates, seasonally adjusted (September 2020)



Source : U.S. Bureau of Labor Statistics

[1] Sources: U.S. Bureau of Labor Statistics, United States Census Bureau, OECD
[2] In October 2020, \$1 is equal to €0.85.

Long term unemployment (1 year and over) in the United States has been slowly decreasing over the last ten years, going from 16.3% in 2009 down to 12.7% in 2019. The average of the OECD countries was 23% in 2009 and 25.8% in 2019.



Youth unemployment is relatively low. In September 2020, it amounted to 13.5%, the OECD average being 15.3%.

In 2017, the percentage of salaried employees with a temporary employment contract was 4%, way below the OECD average of 12% for the same year.

GENERAL PRESENTATION OF THE US SYTEM

The US unemployment insurance system was created in the 1930's, later than in other western countries. Affected by the context of the Great Depression, its main objective was to counter the economic variations and play a stabilising role in times of crisis. This objective was reflected in the funding structure of the system and the duration of the compensation period, which was extended in the event of high unemployment.

The unemployment insurance system is therefore highly reactive and contracyclical. In times of economic growth, the revenues of the system increase and enable to fund the system during the recession period.

A two-level governance system

The US unemployment insurance system stands out by its two levels of governance, state and federal. On the one hand, each of the States finances and manages its own unemployment insurance system; on the other hand, the federal government defines the framework laws, supervises the States' performance and funds the system administration. The States have significant flexibility to determine the main benefit parameters (benefit amount and compensation period) and to set the contribution rates. Thus, the United States have 53 different unemployment insurance systems: one for each of the 50 States, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

States governed by the federal laws

The States' unemployment insurance systems are governed by the rules defined by the US Department of Labour (DOL), the US equivalent of the *Ministère du travail*. Thus, the federal law relating to the unemployment insurance system mainly governs the following areas:

- The categories of workers covered by the insurance;
- The conditions for extending the compensation period;
- The conditions of repayment of the credits granted to the States;
- The cap of the employers' contributions to the unemployment insurance.

At the level of each State, the management of the unemployment insurance system is performed by an agency named "State Workforce Agency". The States are responsible for the functioning of the system, collecting the contributions from the employers, controlling the beneficiaries' eligibility and paying the benefits.

The federal laws

The main federal laws governing the unemployment insurance system are the following:

- **Social Security Act of 14 August 1935:** this act sets out the general framework of a two-level unemployment insurance system, and specifies the provisions relating to the payment of the federal contributions (Federal Unemployment Tax Act, FUTA), to the federal funding of the administrative costs and to the States' autonomy with respect to the management and definition of the unemployment insurance rules in their territory.

- **Employment Security Administrative Financing Act of 5 August 1954 ("Reed Act"):** this law introduces a mechanism whereby any excess of the federal proceeds dedicated to administrative expenses is allocated to the Unemployment Trust Fund (UTF). The law provides for two accounts within this fund: the Employment Security Administrative Account (ESAA), aimed at funding the administrative costs, and the Federal Unemployment Account (FUA), aimed at funding the loans granted to the States. The law also sets the statutory ceiling of the balances of these accounts. Under certain conditions, the excesses of these accounts are returned to the States (State Accounts).

- **Federal-State Extended Unemployment Compensation Act of 10 August 1970:** this statute establishes the automatic extension of unemployment insurance system during times of recession. This extension of a maximum duration of 13 weeks is funded equally by the federal government and by the States.

The funding mechanism between the Federation and the States

The US funding mechanism is based on the constitution of reserves by each State, and on temporary federal transfers. In the context of this mechanism, the federal government grants credits to the State governments where a State does not have sufficient financial means to cover its unemployment insurance expenses. Thus, the federal transfers aim at providing support to the States hit by high unemployment rates. These credits must then be repaid within the following two years. If the State fails to repay its credit within the specified deadline, the federal contribution rate for employers is increased until the credit of the State is repaid.

The temporary transfers thus enable to cushion the effects of the crisis without significant budgetary transfers between the different States. The federal fund also funds all the administrative costs of the system, both at the state level and at the federal level, as well as the costs of the extension programs (50% of the costs of the extended benefits program and 100% of the costs of the emergency unemployment compensation extension program).

Until 2008, the benefits granted at the federal level tended to balance the contributions received. However, the 2008 crisis and the emergency plan implemented by Congress led to unprecedented permanent transfers which, whilst they enabled to mitigate the economic and social effects of the crisis, led the majority of States to become net debtors of the federal transfers. According to the DOL, 15% of the labour force directly benefited from the emergency plan.

HISTORICAL BACKGROUND

Creation of an unemployment insurance system in response to the Great Depression

The US unemployment insurance system was created following the Great Depression of the 1930s. Although efforts to set up an unemployment insurance system had been initiated, in numerous States, prior to this date, it was only because of the negative economic consequences of the crisis (unemployment rate of 25% in 1933) that the creation of a federal mechanism became necessary.

The first step towards the establishment of an unemployment insurance system dates back to the adoption of the federal Social Security Act in 1935. Whilst this law did not oblige the States to create their unemployment insurance system, it encouraged them and offered a framework and a coverage of the administrative costs. Eventually, all the US States established their own system within the two years following the adoption of the federal Law (except for Wisconsin, the only State which had done it beforehand, in 1932), with all the systems being operational in 1939. It shall be noted that the federal mechanism initially served only to cover the administrative costs of the system and did not provide for federal transfers to the benefit of the States.

Development of the unemployment insurance system in the post-war context

With the working population being mobilised during World War II, the United States had a very low unemployment rate and a significant shortage of workers. However, in order to prepare themselves to face a strong increase of unemployment in the post-war period, 26 States introduced, in 1945, stricter unemployment benefit eligibility criteria, which excluded the workers who had been laid off for gross misconduct or who had declined a suitable job. Then, in 1952, 12 States imposed the active job seeking criteria, which is now applied across all the US States.

Progressively, the amount of the benefits was increased and the compensation period was extended. Whilst the maximum amount in the majority of States was $15 per week in 1938 (and an average wage of $25.28), it was of $40-50 per week in 1960.

Extension of the federal powers by federal transfers and the extension programs

The adoption of the Temporary Unemployment Compensation Act in 1958 significatively extended the federal powers and installed the legal transfers in the context of the Emergency Unemployment Compensation program. This extension program, voted by the Congress and fully funded by the federal fund, enabled to extend the benefits aimed at the jobseekers who had exhausted their rights. This development had a significant effect on the maximum compensation period under the basic program, which, in 1959, was extended to 26 weeks in 32 States.

The Extended Benefits program was, for its part, introduced in 1970, with the adoption of the Federal-State Extended Unemployment Compensation Act. This program is automatically triggered as soon as the unemployment rate of a State crosses a certain threshold and does not require a decision of the Congress. It is funded equally by the federal level and by the States.

Impact of the 2008 economic crisis

In 2008, the Congress voted the Emergency Unemployment Compensation program, subsequently supplemented by the American Recovery and Reinvestment Act in 2009. In the context of this law, the compensation period was extended from 26 to 99 weeks (between June 2008 and January 2014), and all the automatic extension programs were funded by the federal fund.

The financial transfers made during the crisis had been the most significant since 1970: the net transfers reached 2.3% of the GDP of the United States, whereas they had never exceeded 0.4% of the GDP before. The unemployment rate reached its maximum, 10%, in October 2009, i.e. the highest rate since the 1982 crisis. Following this crisis, the majority of States became net debtors.

Response to the 2020 coronavirus pandemic

In March 2020, a massive plan to safeguard the US economy was implemented to face the coronavirus pandemic (Coronavirus Aid, Relief and Economic Security Act, CARES Act).

The CARES plan includes notably three measures relating to the unemployment insurance system:

- Allocation of an additional benefit of $600 per week to all the beneficiaries of the unemployment insurance system (Federal Pandemic Unemployment Compensation, FPUC),
- Extension of the persons eligible to receive the benefits to the self-employed workers (Pandemic Unemployment Assistance, PUA),
- Extension of the compensation period by 13 additional weeks (Pandemic Emergency Unemployment Compensation, PEUC).

In April 2020, the unemployment rate was 14.7%, the highest level since the Great Depression, with 30 million of persons having filed an unemployment insurance request between mid-March and the end of April 2020.

THE UNEMPLOYMENT INSURANCE SCHEME

Architecture of the system

The US unemployment insurance system comprises three levels, used depending on the economic situation:

Basic program: Unemployment Insurance (UI) benefits

The "standard" program, applying in times of low unemployment rate, is fully funded by the States' accounts. In the majority of States, the compensation period is of 26 weeks maximum.

Automatic extension program: Extended Benefits (EB)

The extended benefits program, providing a maximum of 13 additional weeks of benefits, is automatically triggered as soon as the unemployment rate of a State crosses a certain predefined threshold. It is funded equally by the States and the federal fund.

Two indicators are used to measure the unemployment rate in the United States: the Insured Unemployment Rate (IUR), i.e. the percentage of the beneficiaries of unemployment benefits among the persons covered by the unemployment insurance, and the Total Unemployment Rate (TUR), i.e. the percentage of jobseekers among the working population.

Mandatory trigger threshold

For all the States, the extension is triggered when the following cumulative conditions are met:

- the insured unemployment rate exceeds 5% for 13 consecutive weeks,
- the insured unemployment rate exceeds 120% of the average of this rate over the corresponding 13-week period in each of the two previous years.

Optional trigger thresholds

Moreover, the States may apply two other optional trigger thresholds:

- As far as the first one is concerned, the 13-week extension applies as soon as the insured unemployment rate exceeds 6% for 13 consecutive weeks, regardless of the rate of the previous years.
- As far as the second one is concerned, the 13-week extension is triggered if the total unemployment rate exceeds 6.5% and 110% of the average of this rate over the corresponding 13-week period of either or both of the two previous years; if the total unemployment rate exceeds 8% and 110% of the average of this rate over the corresponding period of either or both of the two previous years, the extension is of 20 weeks (see below).

Among all the States, 32 States use at least one of the optional trigger thresholds, 9 States use both[3].

[3] Legislation applicable before the Covid-19 pandemic.

	Mandatory trigger	Optional trigger 1	Optional trigger 2
Unemployment rate	5% (IUR)	6% (IUR)	6.5% and 8% (TUR)
Percentage of the average of the unemployment rate over the 13-week period of the previous years	120%	-	110%
Base period	the same period in the two previous years	-	the same period in either or both of the two previous years
Maximum extension duration	13 weeks	13 weeks	13 and 20 weeks

Automatic benefit extension during the Covid-19 pandemic – examples:

Example 1: Trigger threshold
In California, the automatic benefit extension was triggered on 10 May 2020, when the insured unemployment rate reached 6.49%, which corresponded to 295% of the average of the unemployment rate of the two previous years (in 2019, the unemployment rate for the same period was 2.15% and in 2018, 2.26%). If the two conditions of the mandatory trigger had not been met, the first optional trigger could also have triggered a benefit extension (the unemployment rate being above 6%). On 7 July 2020, the governor of California decided to apply the second optional trigger, which had not been applicable in California until then. The unemployment rate having exceeded 8% during several weeks, the extended compensation period went directly from 13 to 20 weeks.

Example 2: Duration of the automatic extension
Since March 2020, certain States increased the basic compensation period to 26 weeks (the period was increased from 20 to 26 weeks in Michigan, from 14 to 26 weeks in Georgia), in order to be able to benefit from a longer extended compensation period. These developments are part of a specific federal law whereby the automatic benefit extension duration must be equal to the shorter of the 13-week duration and of half of the maximum number of weeks under the basic program. For example, in Florida, the maximum compensation period being 12 weeks, the extension is of 6 weeks. In Montana, where the maximum duration of the basic program is 28 weeks, the extension is of 13 weeks.

Example 3: Total duration of the automatic extension
The unemployment rate having exceeded 8% at the end of June 2020 in North Carolina and South Carolina, these two States triggered the second optional trigger. However, these two States were not able to benefit from the maximum benefit extension duration because a specific rule applies in this situation: the total duration of the benefit extension cannot exceed 80% of the basic compensation period. Thus, in North Carolina, where the basic compensation period is 12 weeks, the duration of the extension is 9.6 weeks. In South Carolina, where the basic compensation period is 20 weeks, the duration of the extension is 16 weeks.

- In addition to the automatic benefit extension, the compensation period was extended by 13 additional weeks in all the States, as part of the federal extension of the benefits - Pandemic Emergency Unemployment Compensation (PEUC).

Emergency benefit extension program: Emergency Unemployment Compensation (EUC)

In times of exceptional crisis, the Congress can decide to set up an emergency unemployment compensation program. This decision must be adopted jointly by the House of Representatives and the Senate. This program is entirely funded by the federal government. Contrary to the basic program and to the automatic benefit extension program which result must be positive (the sum of the contributions collected must exceed the expenses of these programs), the emergency unemployment compensation program is not subject to this obligation. In the event of high expenses, it is financed by the federal Treasury.

Since its first use in 1958, the Congress voted the emergency unemployment compensation program in eight instances: in 1961, 1972, 1975, 1982, 1991, 2002, 2008 and 2020. The total duration of the three programs (UI, EB and EUC) used in a consecutive manner varies from 40 to 99 weeks. The extended benefit program does not need to be used prior to the emergency unemployment compensation program; the State can decide to use them in the reverse order.

In addition to the federal extension programs, certain States propose an additional benefit extension (State Additional Benefits). This extension is aimed at the jobseekers who are in training, in times of high unemployment.

Funding of the unemployment insurance system

The unemployment insurance system is funded by the state contributions (State Unemployment Tax Act, SUTA) with respect to the basic program and a part of the benefits under the extended benefits program, and by the federal contributions (Federal Unemployment Tax Act, FUTA) with respect to the administration (at the State and federal level), benefits under the extension programs and loans to the States which do not have sufficient resources to cover the expenses of the system in their territory.

The US unemployment insurance system is funded, in the majority of States, only by the employer contributions. The employers thus pay state and federal contributions. Only three States (Alaska, New-Jersey and Pennsylvania) receive, under certain conditions, employee contributions.

All the state and federal contributions are allocated to the Unemployment Trust Fund. This Fund is made of 59 different accounts: 53 State accounts, 4 federal accounts and 2 special accounts for the railway salaried employees. Whilst the SUTA proceeds are directly deposited onto the State accounts, the FUTA proceeds are deposited onto the Employment Security Administration Account, before being redistributed (see below).

Federal contributions (FUTA)

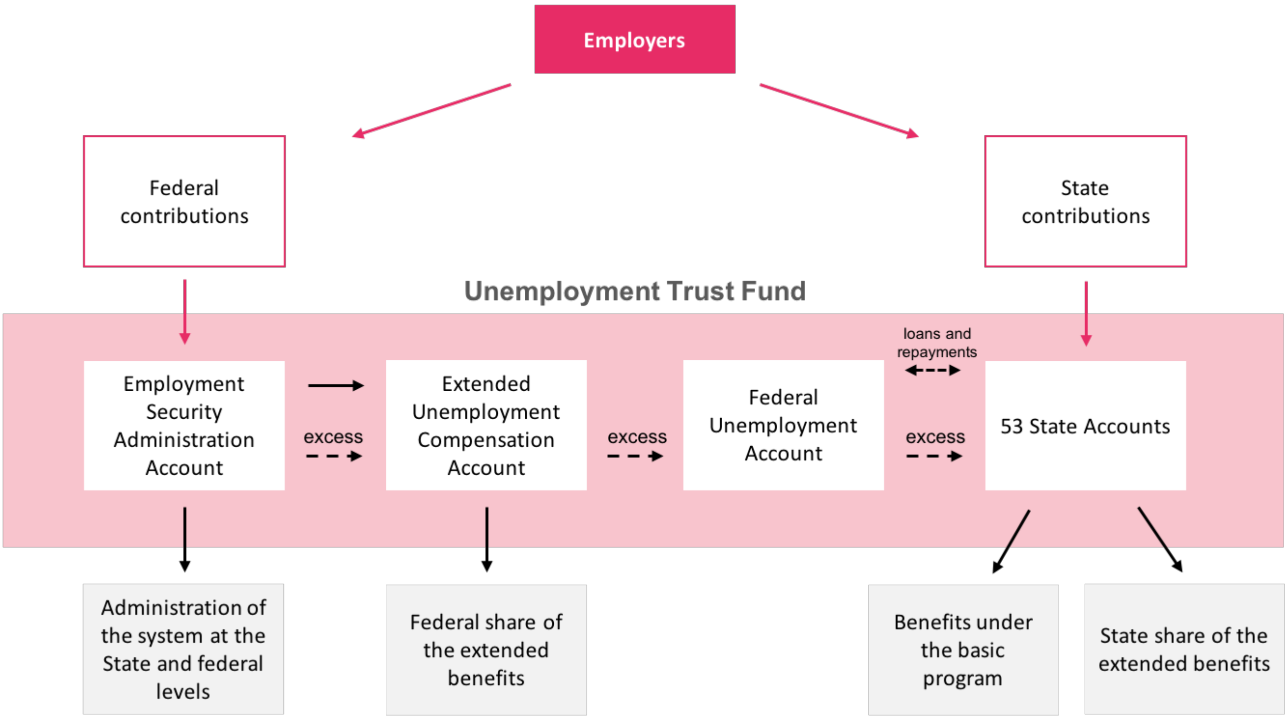
The funding of the unemployment insurance system at the federal level is governed by specific rules. The employers are, in theory, subject to an unemployment insurance contribution of 6% (Federal Unemployment Tax) on the annual wage amounting up to $7 000. However, if the performance of the unemployment insurance system at the State level corresponds to the federal requirements (repayment of the federal loans within the specified deadlines), the employers can receive a credit of a maximum of 5.4% of this amount, thus reducing their federal contribution rate to 0.6%. Thus, in the States meeting the requested criteria, the amount of the federal contribution is $42 maximum per employee and per year (0.6% of $7 000). It shall be noted that the cap of the contribution base used to calculate the federal contribution to unemployment insurance has remained stable since 1983.

Distribution of the federal proceeds

Employment Security Administration Account (ESAA)
All the FUTA proceeds are deposited onto the Employment Security Administration Account, intended to fund the unemployment insurance system, both at the federal level and at the State level. At the end of each month, 20% of the ESAA proceeds are allocated to the Extended Unemployment Compensation Account. If the balance of the ESAA exceeds a predetermined threshold at the end of the year (40% of the annual proceeds which are allocated thereto), the excess is also allocated to the EUCA.

Extended Unemployment Compensation Account (EUCA)
The EUCA is intended to fund the federal share of the benefits paid in the context of the extension benefit program. The cap of the balance of the EUCA is set at 0.5% of all the wages covered by the unemployment insurance system; if this cap is reached, the excess is allocated to the Federal Unemployment Account.

Federal Unemployment Account (FUA)
The FUA is used to fund the loans granted to the States if the State accounts become insolvent. The States are under the obligation to repay the loans within a period of approximatively two years[4]; once this period is expired, the State's federal contribution rate increases by 0.3% per year of delay of repayment. The 5.4% credit is thus reduced to 5.1%, thereby increasing the contribution rate from 0.6% to 0.9%. The portion of federal contribution beyond 0.6% is directly allocated to the FUA. The cap of the balance of the FUA is set at 0.5% of the wages covered by the unemployment insurance system. Pursuant to the "Reed Act", the excess of the FUA balance is allocated to the States' accounts.



State contributions (SUTA)

A special reserve account intended to fund the unemployment insurance system exists for each State. The specificity of the unemployment insurance system funding is the experience rating system.

According to this system, the employers' contributions are modulated based on the historical figures of the redundancies made during the most recent years (in general, the last three years). More specifically, the contribution levels are calculated based on the number of persons laid-off by the company who actually receive unemployment benefits.

This system aims, in theory, at encouraging companies to let go their salaried employees as little as possible. In reality, the contribution levels depend only partially of the historical figures of the redundancies: in each State, there exists minimum and maximum contribution levels, and these are applied only to part of the wage base (within the limit of the contribution base cap).

[4] This period varies between 22 and 34 months, depending on the time of the year where the loan is granted.

It should be noted that companies can also choose to pay the unemployment insurance invoice directly. In this case, the employers repay the benefits paid to their former employees during a given period.

Different calculation formulas are used to define the contribution rates:

- the Reserve Ratio Formula;
- the Benefit Ratio Formula;
- the Benefit Wage Ratio Formula;
- the Payroll Decline Ratio Formula.

The most frequent formula is the reserve ratio, which is used in 33 States. This ratio is obtained with the following calculation:

$$\textbf{Reserve ratio} = \frac{\text{contributions paid} - \text{benefits charged}}{\text{total taxable payroll}}$$

In the context of this formula, the contributions paid correspond to the aggregate contributions paid by the company to the unemployment insurance account of its State, and the benefits charged correspond to the unemployment benefits which its former salaried employees effectively received. The difference is divided by the taxable payroll of the company, expressed in general as the average of the three previous years. This ratio is then compared to the scale of the year, specific to each State, to determine the company's contribution rate. In general, the higher the ratio, the lower the contribution rate.

The company's contribution rate also varies depending on the balance of the State's insurance fund. When the balance decreases, the contribution rate increases (and vice versa).

The second calculation formula, the benefit ratio, is used in 18 States. It is similar to the first formula, but does not take into account the contributions paid by the company. The ratio is obtained by dividing the benefits charged by the taxable payroll.

The two last calculation formulas significantly vary from one another but are seldom used: the benefit wage ratio is used in two States, Delaware and Oklahoma, and the payroll decline ratio is used only in Alaska.

In 2019, the minimum State contribution rate varied between 0% (in 16 States) and 2.4% (in Pennsylvania), whereas the maximum rate went from 5.4% (in 14 States) to 11% (in Pennsylvania). This 5.4% minimum rate is a requirement set by federal law, so that the employers may receive a credit on their federal contribution[5].

The States can set the cap of the contribution base used to calculate the State contribution above $7 000; however, in 16 States, the cap of the contribution base is below $10 000. In 19 States, the cap of the contribution base is flexible and corresponds to a percentage of the average wage of the State (between 50% and 100% in general). It is adjusted on an annual basis[6].

[5] See Annex 1 for the list of the minimum and maximum contribution rates in each State.
[6] See Annex 1 for the list of the contribution bases used to calculate the contribution in each State.

Take-up rate

A large number of jobseekers decide not to collect the unemployment insurance benefits. By making this choice, they intend to send a positive signal to the potential employers whereby they will not cause them an additional cost (experience rating system). Thus, in times of high unemployment rate, with more difficulties to find a job, the jobseekers decide more often not to receive the benefits in order to increase their chances on the employment market.

The unemployment insurance system take-up rate varies greatly from one State to another, the highest rate being in States with high replacement rates. In 2015, 70% of the eligible jobseekers actually received benefits.

Beneficiaries

All the salaried workers are covered by the unemployment insurance system, the self-employed workers being, save for exceptions, excluded thereof. However, in the event of a major disaster, the self-employed workers may be eligible to the assistance specially provided for in these situations (Disaster Unemployment Assistance, DUA). Federal employees and ex-servicemembers are covered by specific programs[7].

Eligibility conditions

To be eligible to receive unemployment insurance benefits, the jobseekers must meet the conditions specific to each State. In general, all States require these three main conditions:

be involuntarily deprived of a job

The jobseekers must be without a job for reasons outside their will, mainly as a result of economic lay-offs. In certain States, the salaried employees who were guilty of a misconduct are not eligible, in other States, they can have access to the unemployment insurance benefits after a certain period. The reasons for legitimate resignation also vary from State to State.

Legitimate reasons for resigning and disqualification

In principle, the voluntarily departure of a salaried employee does not entitle to receive benefits. However, certain reasons are considered legitimate and allow for entitlements. These are notably reasons related to work (harassment in the workplace, bad working conditions, change in the working conditions), but also personal reasons: sickness of the salaried employee or of a member of his/her family, domestic violence, joining the military, resignation to follow one' spouse, problems with commuting to the work place or acceptance of a voluntary departure plan (depending on the legislation of the respective State).

If the reason of the salaried employee's resignation is not considered legitimate, or if the salaried employee was laid off for misconduct, he/she can be "disqualified" from receiving the benefits. In the event of a "voluntary resignation", the resigning salaried employee must generally recharge his/her rights, by working for a certain number of weeks (between 4 and 10 weeks) and/or by receiving a certain remuneration (corresponding to between 3 times and 15 times the weekly benefit amount), depending on the State. Depending on the reason of the resignation, the payment of the benefits can be postponed by several weeks in certain States. In 10 States, the benefit amount is reduced (reduction corresponding to an amount comprised between 3 times and 12 times the weekly benefit amount).

[7] See Annex 2 for the special unemployment insurance programs.

In the event of a lay-off for misconduct or gross misconduct, the conditions for allocating the benefits can be stricter. With respect to lay-off for misconduct, used notably if the salaried employee was guilty of a criminal work-related offence, the postponement of the benefit payment can go up to 52 weeks in 6 States, and all the earnings received during the base period or at the last employer's can be excluded from the benefit calculation in 16 States (as if the salaried employee had not received any wage during the given period). The definition of "misconduct" and "gross misconduct" varies in each State.

show evidence of a certain period of prior activity and certain earnings during the base period

The majority of US States take into account the earnings received during the first four quarters of the last five completed quarters (see diagram below).

During this Base Period, the worker's revenues must have reached two thresholds, set at different amounts depending on the State:

- the first threshold is the Highest Quarter Earnings of the base period, which must reach a certain amount to enable access to the benefits payment;
- the second threshold, expressed as a percentage of the highest quarterly remuneration, applies to all the earnings of the four quarters. This criterion aims at excluding the salaried employees who worked in an irregular manner (thus it is not sufficient to have worked during only one quarter during the base period)[8].

The federal law enables the States to develop enlarged definitions of the base period. Also, more than half of the States allow the salaried employee who would not be otherwise eligible to use the Alternative Base Period. The base period can also be extended in case of sickness.

If a jobseeker files his/her application in…

October November December	January February March	April May June	July August September		January February March			
October November December	January February March	April May June	July August September	October November December		April May June		
	January February March	April May June	July August September	October November December	January February March		July August September	
	January February March	April May June	July August September	October November December	January February March	April May June		October November December

PREVIOUS YEAR **CURRENT YEAR**

…his/her base period is marked in pink.

[8] See Annex 1 for the list of earnings needed to qualify in each State.

Show evidence of certain earnings during the base period – examples:

Example 1:
A person who lost his/her job in May 2020 must show evidence of his/her earnings for the period from January to December 2019. To be eligible to receive unemployment insurance benefits in the State of New York, his/her highest quarterly remuneration of the year 2019 must amount to $2600 at a minimum (Highest Quarter Earnings). In addition, his/her earnings over the entire year 2019 must amount, at a minimum, to 1.5 times the earning of his/her best quarter.

Example 2:
In Texas, a person is eligible to receive benefits is he/she received earnings during at least two quarters of the base period, and if the sum of his/her earnings is equal to 37 times the amount of his/her weekly benefit. The weekly benefit amount is equal to the highest quarterly remuneration, divided by 25.
If we take the example of a person who has worked during three quarters of the base period, and who received a wage of $5000 during his/her best quarter and a wage of $2000 during each of the two other quarters. This person will be eligible to receive benefits because the sum of his/her earnings of the base period ($9000) exceeds 37 times the amount of his/her weekly benefits (5000 divided by 25 is equal to 200, 200 multiplied by 37 equals 7400, and 7400 is lower than 9000).

be fit for work, available to work and be actively seeking a job

Depending on the State, the jobseekers must provide between four and twenty pieces of evidence of their job seeking per month, in order to retain their benefits. In 21 States, the jobseekers must actively seek a full-time job.

Benefit amount

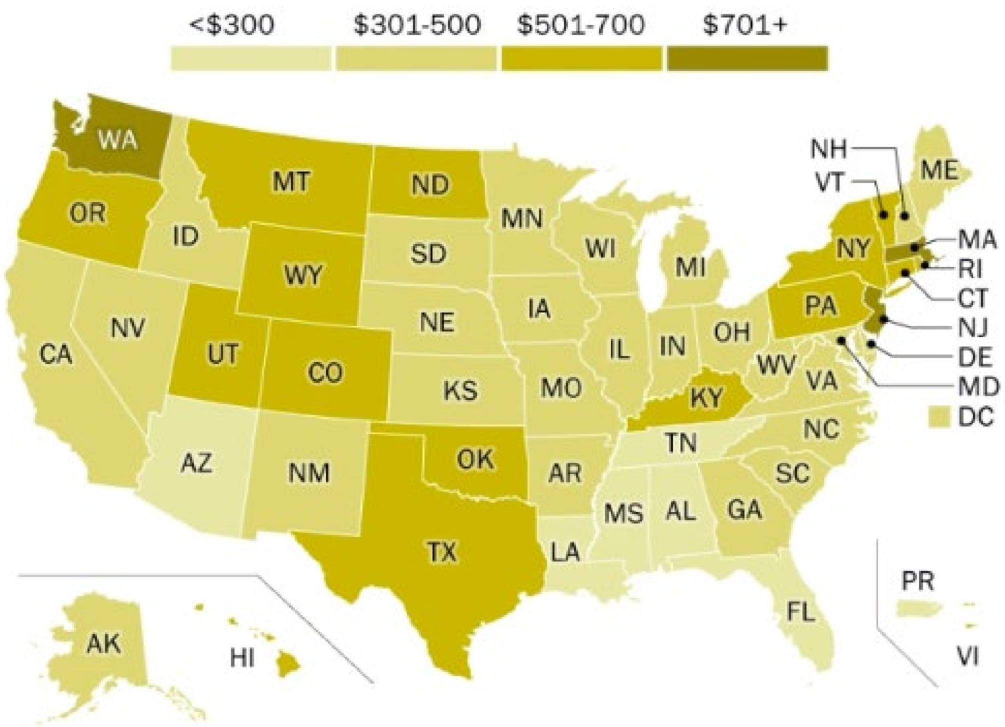
In the US, the unemployment insurance benefits are paid on a weekly basis. The amount of the benefits varies depending on the calculation formula used in each State. Generally, the replacement rate is between 40 and 60% of the base wage (the national average being 45%), up to the cap of the benefit amount. In the majority of States, the base wage corresponds to the highest quarterly remuneration of the base period, and as the case may be, to the two highest quarterly remunerations (see box below). The base wage is not capped[9].

The differences between the maximum benefit amounts of the different States are significant. The highest maximum amount is in Massachusetts, $795 ($1192 in case of dependent persons), whereas the lowest amount is in Puerto Rico ($190). In 10 US States, the amounts can be higher for jobseekers with dependent persons. In 2019, the average weekly benefit amount was $378 (i.e. $1636/month)[10].

In all the States, the benefit amount is constant during the compensation period. At the beginning of the compensation period, when the benefit amount is set, the States also calculate the Maximum Benefit Entitlement, by specifying the sum of all the benefits to which a jobseeker is entitled during the compensation period. This capital is calculated based on the base wage, and can vary according to the distribution of wages over the base period. This maximum entitlement plays a role in the determination of the compensation period (see "Duration of the compensation period").

[9] See Annex 1 for the list of the calculation methods of the weekly benefit amount in each State.
[10] See Annex 1 for the list of the minimum and maximum amounts of the benefit in each State.

MAXIMUM WEEKLY BENEFIT AMOUNT BY STATE (JANUARY 2020)



Source : US Department of Labor, Pew Research Center

Calculation of the benefit amount – examples:

Example 1:
In two-thirds of the States, the weekly benefit amount is expressed as a fraction (generally between 1/21 and 1/26) or a as percentage (between 3.85% and 4.25%) of the highest quarterly remuneration. Certain States use as the base wage two highest quarterly remunerations (Alabama, Missouri, Virginia, Washington, etc.).

Example 2:
One-third of the States take into account all the wages of the base period to calculate the benefit. The weekly benefit amount is expressed either as a percentage of the average weekly wage (47% in Indiana, 50% in Massachusetts, 60% in New Jersey), or as a percentage of all the wages of the base period (1.1923% in Kentucky, 1.25% in Oregon).

A large part of the States regularly readjusts the benefit amounts, depending on the average weekly wage of the State. The maximum benefit amount thus corresponds, in general, to a replacement rate comprised between 50% and 70% of the average wage. Eight States use a percentage of the average wage to also readjust the minimum benefit amount, generally comprised between 4% and 20% of the average wage at a minimum. Depending on these percentages, the benefit caps are, in principle, readjusted every year on 1 January or 1 July.

Duration of the compensation period

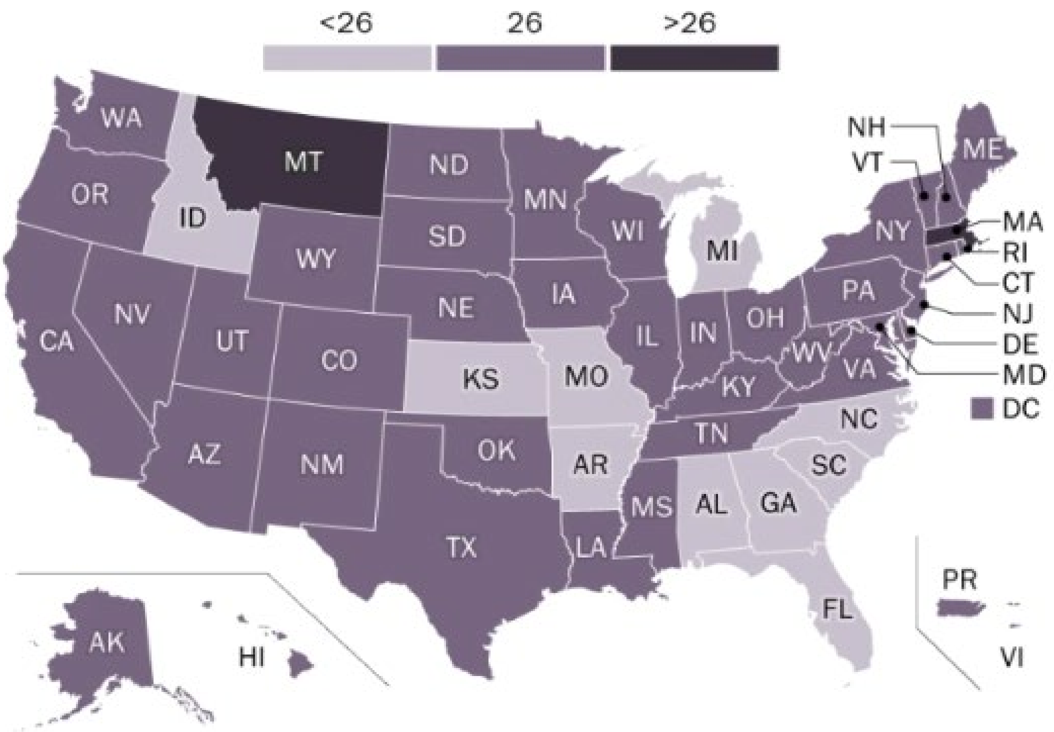
In the majority of States, the maximum period during which a jobseeker can receive benefits is 26 weeks (6 months). In 10 States, the maximum period is shorter, the shortest period being 12 weeks (in Florida and North Carolina). However, two States use a longer maximum period: 28 weeks in Montana and 30 weeks in Massachusetts. The shortest minimal period is one week in the State of Washington[11].

In 11 States, the compensation period is identical for all eligible jobseekers; in the other States, it varies between the minimum period and the maximum period, depending on the relevant person's previous earnings. These States determine the compensation period by dividing the maximum benefit entitlement by the weekly benefit amount (see "Benefit Amount"). In four States (Florida, Georgia, Idaho, Kansas), the compensation period varies depending on the relevant person's prior earnings and on the unemployment rate of the State: as soon as the unemployment rate exceeds a certain threshold, an additional compensation period is added.

Also, 22 States offer an Additional Benefits extension to the jobseekers meeting certain conditions (example: jobseekers in training and those who exhausted their rights. This extension usually varies between 13 and 26 weeks.

Lastly, in all the States, the compensation period can be extended by 13 or 20 weeks maximum in the context of the Extended Benefits program.

MAXIMUM COMPENSATION PERIOD BY STATE (IN WEEKS, JANUARY 2020)



Source: US Department of Labor, Pew Research Center

[11] See Annex 1 for the list of the compensation periods in each State.

Payment rhythm

Most of the US States apply a waiting period of one week before starting paying the benefits. This waiting period can be removed in certain situations, such as in the event of a natural disaster. The benefits are then paid every two weeks.

Combining the unemployment benefit and the income of a salaried activity

It is possible to combine the unemployment benefit and the income of a salaried activity in the event of a part-time job or of a reduction of the hourly work volume. This combination is possible where the relevant person's weekly earning is lower than the weekly benefit amount to which he/she would potentially be entitled to (the exact definition of the situations enabling the eligibility to this mechanism varies from State to State).

The amount of the beneficiary's benefit is obtained by deducting his/her earning from the weekly benefit amount. However, to encourage jobseekers to work even part-time, a portion of the earning is not taken into account for the deduction. Each State uses a different formula to calculate the portion of the earning which is not deducted from the benefit; most often, it is the earning amounting to 20-50% of the weekly benefit amount.

Example:
A person who has worked in California is eligible to receive weekly benefits of $400; this person receives $280 in his/her part-time job. In the calculation of the benefit, California does not take into account $25 or ¼ of the salaried employee's earning (the highest of the two) in the deduction of the amount. Thus, California will not take into account one fourth of the person's wage ($70), and the balance ($210) will be deducted from the benefit amount. The $400 benefit will therefore be reduced to $190.

Short-Time Compensation, STC

Known as the "shared work", the compensation of part-time jobs allows individuals to benefit from partial unemployment benefits where their working hours are reduced. This program allows the employers to reduce several salaried employees' working hours instead of carrying out a lay-off. The benefits paid to the salaried employees are a proportion of the weekly unemployment benefits, calculated based on the number of hours not worked. The short-time compensation program is currently operational in 26 States. However, the use of this mechanism remains limited (at the end of June 2020, approximatively 0.8% of all beneficiaries of the unemployment insurance system used the short-time compensation).

ANNEX 1

Provisions of State Unemployment Insurance Laws (January 2020)

	Earnings needed in base period to qualify	Computation of weekly benefit amount	Weekly benefit amount		Compen-sation period (in weeks)	Contribu-tion base	Contribution rates		
			Min	Max			Min	Max	New employer
AL	1.5 x HQW	1/26 avg of 2 HQs	$45	$275	14	$8 000	0.65%	6.80%	2.70%
AK	$2 500; wages in 2 quarters, at least $250 outside HQ	0.9-2.2% of annual wages + $24 per dependent up to $72	$56 - $128	$370 - $442	16 – 26	$41 500	1.00%	5.40%	1.09%
AZ	1.5 x HQW and 390 x minimum wage in HQ; or wages in 2 quarters with HQW sufficient to qualify for maximum WBA, and total BPW ≥ $7 000	1/25 HQW	$187	$240	8 – 26	$7 000	0.05%	12.85%	2.00%
AR	35 x WBA; wages in two quarters	1/26 of the avg of the 4 quarters in BP	$81	$451	9 – 16	$7 000	0.10%	6.00%	2.90%
CA	$1 300 in HQ or $900 in HQ with BPW = 1,25 x HQW	1/23 to 1/26 HQW	$40	$450	14 – 26	$7 000	1.50%	6.20%	3.40%
CO	40 x WBA or $2 500 (whichever is greater)	higher of 60% of 1/26 of 2 consecutive HQW (capped by 50% of State avg weekly earnings), or 50% of 1/52 BPW (capped by 55% of State avg weekly earnings)	$25	$561 or $618 (depending on the calculation formula)	13 – 26	$13 600	0.58%	7.40%	1.70%
CT	40 x WBA	1/26 avg of 2 HQs + $15 per dependent, up to 5 (capped at WBA); 1/26 HQW for construction workers	$15 - $30	$649 - $724	26 (uniform duration)	$15 000	0.50%	5.40%	3.20%
DE	36 x WBA	1/46 of 2 HQs	$20	$400	24 – 26	$16 500	0.10%	8.00%	1.60%
DC	$1 300 in HQ and $1 950 in 2 HQs	1/26 HQW	$50	$444	26 (uniform duration)	$9 000	1.60%	7.00%	2.70%
FL	1.5 x HQW; minimum $3 400; wages in 2 quarters	1/26 HQW	$32	$275	9 – 12	$7 000	0.10%	5.40%	2.70%
GA	1.5 x HQW; or total earnings in 2 quarters totaling at least 40 x WBA	1/42 of wages in 2 HQs or 1/21 HQW	$55	$365	6 – 14	$9 500	0.04%	7.56%	2.70%
HI	26 x WBA; wages in 2 quarters	1/21 HQW	$5	$648	26 (uniform duration)	$48 100	0.00%	5.60%	2.40%

ID	1.25 x HQW; $1 872 in HQ	1/26 HQW	$72	$448	10 – 20	$41 600	0.25%	5.40%	0.97%
IL	$1 600; $440 outside HQ	47% AWW in 2 HQs	$51 - $77	$484 - $667	26 (uniform duration)	$12 740	0.20%	6.40%	3.13%
IN	1.5 x HQW, totaling at least $2 500 in last 2 quarters; not less than $4 200 in BP	47% of AWW in BP	$37	$390	26	$9 500	0.50%	7.40%	2.50%
IA	1.25 x HQW; ½ HQW in quarter other than HQ	1/23 HQW or 1/19 – 1/22 HQW for claimants with dependents	$72 - $87	$481 - $591	8 – 26	$31 600	0.00%	7.50%	1.00%
KS	30 x WBA; wages in 2 quarters	4.25% HQW	$122	$488	10 – 16	$14 000	0.00%	7.10%	2.70%
KY	1.5 x HQW; 8 x WBA in last 2 quarters, $1 500 in HQ	1.1923% BPW	$39	$552	15 – 26	$10 800	0.30%	9.00%	2.70%
LA	$1 200, wages in 2 quarters; 1.5 x HQW	1/25 of the avg of wages in 4 quarters of BP x 1.05 x 1.15	$10	$247	26 (uniform duration)	$7 700	0.09%	6.00%	industry average
ME	2 x AWW in 2 different quarters; total BPW = 6 x AWW	1/22 avg wages paid in 2 HQs + $10 per dependent up to ½ WBA	$77 - $115	$445 - $667	15 – 26	$12 000	0.06%	5.46%	1.86%
MD	1.5 x HQW; $1 176 in HQ and $1 800 in 2 quarters	1/24 HQW + $8 per dependent, up to 5	$50 - $90	$430	26 (uniform duration)	$8 500	0.30%	7.50%	2.60%
MA	30 x WBA; $5 100 minimum	50% AWW + $25 per dependent up to ½ WBA	$98 - $147	$823 - $1 234	10 – 30	$15 000	0.94%	14.37%	2.42%
MI	1.5 x HQW, $3 667 in HQ; or 20 x State AWW in 2 quarters	4.1% HQW + $6 per dependent, up to 5	$150 - $180	$362	14 – 20	$9 000	0.00%	6.30%	2.70%
MN	5.3% of State AAW	higher of 50% of 1/13 HQW up to 43% of State AWW or 50% of 1/52 BPW up to 66.6% of State AWW	$28	$462 or $740	11 – 26	$35 000	0.10%	9.00%	industry average
MS	40 x WBA; $780 in HQ; wages in two quarters	1/26 HQW	$30	$235	13 – 26	$14 000	0.00%	5.40%	1.00%
MO	1.5 x HQW, $1 500 in HQ; or wages in 2 quarters and BPW = 1.5 x maximum taxable wage base	4% of the avg of 2 HQs	$35	$320	8 – 20	$11 500	0.00%	5.40%	2.38%

MT	1.5 x HQW and total wages equal to at least 7% of AAW; or BPW equal to at least 50% of AAW	1% BPW or 1.9% wages in 2 HQs	$163	$552	8 – 28	$34 100	0.00%	6.12%	industry average
NE	$4 324; $1 850 in HQ and at least $800 in 1 other quarter	1/2 AWW	$70	$440	10 – 26	$9 000 (or $24 000 for high contribu-tion group employers)	0.00%	5.40%	1.25%
NV	1.5 x HQW and $400 in HQ; or wages in 3 quarters and $400 in HQ	1/25 HQW	$16	$469	8 – 26	$32 500	0.25%	5.40%	2.95%
NH	$2 800; $1 400 in each of 2 quarters	1% - 1.1% annual wages	$32	$427	26 (uniform duration)	$14 000	0.10%	7.50%	1.70%
NJ	20 weeks employment at 20 x State hourly minimum wage or 1000 x State hourly minimum wage ($11 000)	60% of AWW + DA	$120 - $138	$713	20 – 26	$35 300	0.40%	5.40%	2.80%
NM	$2 089.72 in HQ and wages in at least 1 other quarter	53.5% of AWW in HQ	$86 - $129	$461 - $511	14 – 26	$25 800	0.33%	5.40%	industry average
NY	1.5 x HQW; $2 600 in HQ	1/25 to 1/26 HQW	$104	$504	26 (uniform duration)	$11 600	0.0%	6.9%	2.5%
NC	6 x AWW; wages in 2 quarters	last 2 quarters of BP/52	$15	$350	12 – 20 (uniform duration)	$25 200	0.06%	5.76%	1.00%
ND	1.5 x HQW; wages in 2 quarters	1/65 of wages in 2 HQs + ½ wages in 3rd HQ	$43	$618	12 – 26	$37 900	0.08%	9.69%	1.02%
OH	20 weeks employment with wages averaging 27.5% of State AWW; wages in 2 quarters	½ AWW + DA of $1 - $155 based on AWW and number of dependents	$135	$480 - $647	20 – 26	$9 000	0.30%	9.40%	2.70%
OK	$1 500 and 1.5 x HQW; or $18 700 (contribution base)	1/23 HQW	$16	$539	16 – 26	$18 700	0.10%	5.50%	1.50%
OR	$1 000 and 1.5 x HQW; or 500 hours of employment in BP	1.25% BPW	$151	$648	3 – 26	$42 100	0.70%	5.40%	2.10%

PA	$2 718; $1 688 in HQ and at least 37% of BPW outside HQ; 18 weeks of work	(4% HQW + 2) x 0.98 + 2 DA ($5 for 1st dependent, $3 for 2nd dependent)	$68 - $76	$572 - $580	18 – 26	$10 000	1.29%	9.93%	3.69%
PR	40 x WBA and wages in 2 quarters; $280 minimum	1/11 – 1/26 HQW	$33	$190	26 (uniform duration)	$7 000	1.20%	5.40%	2.80%
RI	1.5 x HQW; 200 x minimum hourly wage in HQ and 400 x minimum hourly wage in BP; or 1 200 x minimum hourly wage	3.85% of avg 2 HQs + greater of $15 or 5% of WBA per dependent (capped at the greater of $50 or 25% of WBA)	$53 - $103	$586 - $732	17 – 26	$24 000 (or $25 500 for high contribu-tion group employers)	0.90%	9.40%	1.27%
SC	1.5 x HQW; $1 092 in HQ and $4 455 in BP	50% of HQ AWW	$42	$326	13 – 20	$14 000	0.00%	5.40%	0.81%
SD	$728 in HQ and 20 x WBA outside HQ	1/26 HQW	$28	$414	15 – 26	$1 5 000	0.00%	9.30%	1.20%
TN	40 x WBA; $780 avg wages in 2 HQs; BPW outside HQW greater than 6 x WBA or $900	1/26 of avg 2 HQs	$30	$275	13 – 26	$7 000	0.01%	10.00%	2.70%
TX	37 x WBA; wages in at least 2 quarters	1/25 HQW (capped at 47.6% of State AWW)	$69	$521	10 – 26	$9 000	0.00%	6.00%	2.70%
UT	1.5 x HQW and $3 900	1/26 HQW minus $5	$32	$580	10 – 26	$36 600	0.00%	7.00%	industry average
VT	1.4 x HQW and $2 871 in HQ	1/45 of 2 HQs	$72	$513	21 – 26	$16 100	0.80%	6.50%	1.00%
VA	$3 000 in 2 HQs	1/50 of 2 HQs	$60	$378	12 – 26	$8 000	0.10%	6.20%	2.50%
VI	1.5 x HQW and $858 in HQ; or $858 in HQ and 39 x WBA in BP	1/26 HQW	$33	$602	13 – 26	$28 900	2.50%	2.50%	2.00%
WA	680 hours	3.85% of avg of 2 HQs	$188	$790	1 – 26	$52 700	0.00%	5.40%	industry average
WV	$2 200 and wages in 2 quarters	55% of 1/52 of median wages in worker's wage class	$24	$424	26 (uniform duration)	$12 000	1.50%	7.50%	2.70%
WI	35 x WBA, $1 350 in HQ and 4 x WBA outside HQ	4% HQW	$54	$370	14 – 26	$14 000	0.00%	10.70%	2.50%
WY	1.4 x HQW; at least 8% of State AAW	4% HQW	$36	$508	11 – 26	$26 400	0.00%	8.50%	industry average

Note: In October 2020, $1 is equal to €0.85

Abbreviations:

avg	average
AAW	Average Annual Wage
AWW	Average Weekly Wage
BP	Base Period
BPW	Base Period Wages
DA	Depedents Allowance
HQ	High Quarter
HQW	High Quarter Wages
WBA	Weekly Benefit Amount

State Abbreviations:

AL	Alabama
AK	Alaska
AZ	Arizona
AR	Arkansas
CA	California
CO	Colorado
CT	Connecticut
DE	Delaware
DC	District of Columbia
FL	Florida
GA	Georgia
HI	Hawaï
ID	Idaho
IL	Illinois
IN	Indiana
IA	Iowa
KS	Kansas
KY	Kentucky
LA	Louisiana
ME	Maine
MD	Maryland
MA	Massachusetts
MI	Michigan
MN	Minnesota
MS	Mississippi
MO	Missouri
MT	Montana
NE	Nebraska
NV	Nevada
NH	New Hampshire
NJ	New Jersey
NM	New Mexico
NY	New York
NC	North Carolina
ND	North Dakota
OH	Ohio
OK	Oklahoma
OR	Oregon
PA	Pennsylvania
PR	Puerto Rico
RI	Rhode Island
SC	South Carolina
SD	South Dakota
TN	Tennessee
TX	Texas
UT	Utah
VT	Vermont
VA	Virginia
VI	US Virgin Islands
WA	Washington
WV	West Virginia
WI	Wisconsin
WY	Wyoming

ANNEX 2
The special unemployment insurance programs

In parallel to the basic unemployment insurance program (and the extension programs), there exists several special programs. They cover certain categories of specific workers (federal employees, ex-servicemembers) or offer an additional protection in the event of certain events (major disaster).

Unemployment Compensation for Federal Employees, UCFE

This program grants unemployment benefits to the civil federal employees under the same conditions as those which apply to the workers under the basic program. The federal employee's eligibility to received unemployment benefits is determined pursuant to the applicable laws in the State where he/she last worked. The program is administered by the State agencies which act in the name of the federal Government. The program expenses are borne by the federal agencies.

Unemployment Compensation for Ex-Servicemembers, UCX

As the above-described program, this program grants unemployment benefits to ex-servicemembers under the same conditions as those which apply to the workers under the basic program. The program is administered by the State agencies which act in the name of the federal Government. In general, the ex-servicemembers must have been honourably discharged and have ended their first period of service to be fully eligible. However, certain servicemembers may be eligible without having ended their first period of service.

Disaster Unemployment Assistance, DUA

The Disaster Relief Act, adopted in 1974, enables to grant an assistance to those, including the self-employed workers, who lost their job because of a major natural disaster. The persons living or working in areas affected by a natural disaster are eligible to receive the DUA only if they are not eligible to the basic unemployment insurance program. The assistance is available for a maximum period of 26 weeks after the statement of a major natural disaster.

Trade Readjustment Allowances, TRA

Those of the workers who lost their job because of the international competition, including from the imports from abroad, may benefit from the trade readjustment allowances. The eligible persons can receive benefits after they have exhausted their rights to the basic program, and provided that they follow a training in the context of the Trade Adjustment Assistance, TAA.

Self-Employment Assistance, SEA

The self-employment assistance program is a program designed to assist people create new businesses for workers without a job. To be eligible to the program, the workers must meet the basic program eligibility criteria and be identified as likely to be exhausting their rights. The beneficiaries of this program receive the SEA benefits instead of the unemployment benefits to become self-employed worker. The States' participation in this program is voluntary, and can be activated temporarily. Currently, the program is active in five States: Delaware, Mississippi, New Hampshire, New York and Oregon.

Reemployment Services and Eligibility Assessment, RESEA

The RESEA is not a special unemployment insurance program, but rather an assistance program. It aims at helping the jobseeker to return to the labour market, and at controlling whether they remain eligible to receive benefits. The program notably targets the jobseekers who are likely to exhaust their rights and the ex-servicemembers who benefit from the UCX program. The States' participation in the program is not mandatory, however, the large majority of States participate thereto: in 2019, 50 US States and territories took part in the program. The exact format of the assistance provided to the jobseekers varies from one State to the other.