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Why Every State Should Pay 26 Weeks of UI Benefits

Question: How many states offer less than 26 weeks of available regular state UI benefits?

Answer: Forty-five of the 53 UI jurisdictions paid a maximum duration of at least 26 weeks of benefits in 2015.

The eight states offering less than 26 weeks of available benefits are Florida, Georgia, Kansas, Michigan, Missouri, Arkansas, North Carolina, and South Carolina. All these states acted to cut available weeks in 2011, except Kansas and North Carolina, which adopted changes in 2013. Of these eight states, Arkansas (25), Michigan (20) and Missouri (20) cut to a fixed number of available weeks below 26. In Florida, Georgia, Kansas and North Carolina, a so-called sliding scale of available weeks was adopted as the means to cut benefits. These sliding benefits scales, mostly ranging between 20 weeks down to as low as 12 weeks, adjust the number of available weeks annually based upon each state's unemployment rate in the prior year (or semi-annually in NC). For claims filed in January 2015, Florida offered a maximum of 14 weeks, Georgia 17, Kansas 16, and North Carolina 15.

During 2015 sessions, the legislatures in both Arkansas and Missouri decided to move beyond their already-reduced number of available weeks – Missouri by adopting sliding scales similar to those in Florida, Georgia, Kansas and North Carolina and Arkansas by cutting their benefits weeks further from 25 back to 20. (The Missouri change has been vetoed and its status is likely to end up in the courts there.)

Question: What is meant by "maximum available weeks of benefits"?

Answer: The maximum available weeks is NOT the same as the actual duration of benefits. This issue concerns what is commonly known as "maximum duration," which refers to the maximum potential weeks for UI claims offered in a state, and not the number of weeks that individual claimants will each receive. In all states, the maximum number of available weeks is only applicable for claimants who remain eligible and claim benefits for the entire potential duration of their claim. Even during the depths of the recession, many workers found jobs prior to drawing the full number of weeks that applied to their UI claims. By the end of 2014 only 40 percent of claimants drew their final week of benefits—marking a return to pre-recession levels of benefit exhaustions.

Whatever maximum number of available weeks a state sets in law, each individual claim has a maximum duration that is determined for each claim when it is filed. The number of weeks and the weekly benefit amount determined at that time remain in place for the next year. States use two main methods to set the number of maximum duration of each claim. The term *uniform duration* means that every worker who is monetarily eligible for benefits qualifies for a full 26 weeks of benefits if their joblessness lasts for 26 weeks. Currently only 9 states have uniform duration of benefits. Again, this does not mean that all workers get 26 weeks of benefits in uniform duration states, only that those who cannot find jobs before exhausting a claim will receive the full 26 weeks.

In the 42 states without uniform duration, workers with a history of less than full-year work frequently do not have sufficient pre-layoff earnings to qualify for 26 weeks of benefits. These remaining states use a *variable duration* formula that caps the total benefit amount based on a share of the worker's base period wages, most commonly one-third of the base period wages. The duration period is calculated by dividing this total benefit amount by each individual's weekly benefit amount. In many cases, this results in claimants qualifying for less than 26 weeks on a claim.

In the majority of states with variable duration, another less-discussed form of benefit cut has been to tighten the statutory formula that determines each claimant's weekly maximum of UI. In 2012, Pennsylvania adopted a more restrictive variable duration formula for weeks of benefits as one cost-cutting measure, but did not cut its maximum available weeks below 26. Instead, Pennsylvania changed the formula—which previously required 18 credit weeks to qualify for 26 weeks of benefits—to now pay the number of weeks determined by multiplying the number of credit weeks by the weekly benefit amount. In addition, the minimum number of credit weeks was raised from 16 to 18 weeks. As a result, every claimant with less than 26 credit weeks received a maximum available weeks of UI less than 26 weeks down to the cap of 18 weeks, and individuals with fewer than 18 credit weeks were not monetarily eligible for UI.

Question: What are the main reasons states should have at least 26 weeks of UI?

Answer: In the US, policy discussion concerning the number of weeks available was traditionally focused on four assumptions identified by Merrill Murray in 1974. First, providing a definite number of weeks was preferable to paying benefits for the duration of unemployment. Second, available weeks of benefits should be related to the number of weeks of each claimant's prior year of employment. Third, state UI programs are primarily designed for short-term unemployment. Fourth, longer durations of benefits should be provided during recessions through benefit extensions. After many years, 26 weeks emerged from this mixture of policy discussion and legislative debate, and was established as a US norm for state UI programs. Many states paid 26 weeks in the 1950s. South Carolina was the last state to reach the 26 week norm, waiting until 1968.

The main purpose of UI is to provide partial replacement wages to jobless workers. While the income replacement and economic stimulus goals of UI are more often mentioned, other goals of UI include keeping jobless workers connected to the labor market and supporting their job search activities. The goal of state UI programs should be to provide enough weeks to permit an adequate number of weeks of job search in non-recession years, with federal benefit extensions taking up the slack during recessions.

Part of the debate about maximum duration should consider the underlying labor market. In 2014, the annual unemployment rate had fallen to 6.2 %, and average duration of UI claims was 16.4 weeks. Just over 40% of 2014 claimants received a final payment on their claim. In contrast, the average duration of unemployment in 2014 was still 37.3 weeks with long-term unemployment (27 weeks or more) above 30 % in the 4th quarter of 2014. Setting a duration of benefits below 26 weeks clearly cuts some claimants off benefits before they can reasonably be expected to find a job even in an improved labor market.

Some critics contend that cutting claimants off benefits is a better way to encourage them to accept jobs. Recent studies (discussed in Chapter 4) have confirmed that UI claimants do seek work and that more stop participating in the labor market when they exhaust benefits than find jobs in the weeks following exhaustion. In addition, there is evidence that UI does support job search and better job matching.

Question: So, states are not required by federal law to provide 26 week of state benefits?

Answer: No. On most matters of benefits, states are given control in our federal-state UI system. But, in fact, there were four prior decades of all states of paying at least 26 weeks of benefits in the US prior to 2011 and most states had done so since the 1950s. As a result, at the start of 2011, all 53 UI jurisdictions paid up to 26 weeks of state benefits. (Two states, Massachusetts and Montana, pay weeks beyond 26.) States started abandoning the 26-week norm for available weeks of benefits only in 2011, and while the numbers have grown slowly in recent years, this restrictive trend has evident potential to spread to other states.

Although there is no federal law designating the maximum weekly duration of benefits, in 1962 the Department of Labor recommended that states provide a least 26 weeks of benefits if using a uniform duration formula or 30 weeks of benefits if using a variable duration formula. Two federal advisory bodies adopted 26 weeks of state benefits as a standard duration for benefit payments in 1995 and 1980.

Question: What reasons are given for providing less than 26 weeks of available benefits?

Answer: There are two main arguments against providing a maximum of 26 weeks of benefits. First, states may restrict benefits as a way of reducing the cost of their UI programs. Secondly, proponents of reducing weeks of benefits claim that collecting unemployment insurance benefits is a disincentive to returning to work. Indeed, these critics expect jobless worker to find jobs immediately when they are cut off benefits, rather than accepting that UI supports work search and helps jobseekers find better job matches.

Common sense and studies both show that the financial strain of trying to make ends meet on a small fraction of prior earnings provides adequate pressure for most workers to diligently search for work. For a detailed discussion of the policy debates around work disincentives as well as the positive roles played by UI in supporting work search and job finding see Chapter 4 of the Toolkit.

Resources:

Advisory Council on Unemployment Compensation. Unemployment Insurance in the United States: Benefits, Financing, Coverage, p. 20 Recommendation No. 22 (1995), http://workforcesecurity.doleta.gov/dmstree/misc_papers/advisory/acuc/February_1995/adv_council_0295.pdf.

Center on Budget and Policy Priorities, "How Many Weeks of Unemployment Compensation Are Available?" (July 15, 2015), http://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available.

Murray, Merrill G., The Duration of Unemployment Benefits. Kalamazoo, MI: Upjohn Institute for Employment Research (1974).

Woodbury, Stephen A., and Murray Rubin. "The Duration of Benefits." In Unemployment Insurance in the United States: Analysis of Policy Issues, Christopher J. O'Leary, and Stephen A. Wandner, eds. Kalamazoo, MI: Upjohn Institute for Employment Research, pp. 211-283 (1997).