

UNEMPLOYMENT INSURANCE

The unemployment insurance (UI) system is a unique federal-state partnership, grounded in federal law, but administered through state law by state officials. It was created with the Social Security Act in 1935 as a means to alleviate personal hardship and stabilize the economy. Benefits are available as a matter of right to unemployed workers who meet state qualifying and eligibility requirements.

Coverage and Benefits

- Approximately 130 million Americans work in jobs that are covered by unemployment insurance laws estimated by the U.S. Department of Labor as about 97% of all employees.
- Unemployment benefits not only help individuals to bridge the gap between jobs, but also help to stabilize the economy during recessions.

Qualifying and Eligibility

- To qualify for benefits, individuals must have worked recently, in the past 12 to 18 months in most states, and earned at least a minimum amount set by each state.
- The amount of benefits for which an individual qualifies is based on his past work and wages.
- Up to 26 weeks of benefits are available in most states. However, most UI beneficiaries are experienced workers who go back to work before receiving their maximum entitlement.
- During periods of high unemployment an additional 13 weeks of extended benefits, financed equally by the states and federal government, may be available. Congress may also act to provide special federally financed benefits during recessions.
- To be eligible for benefits, unemployed workers must be unemployed through "no fault of their own." Individuals who voluntarily leave a job or who are fired may be disqualified for benefits. Each state's law defines "good cause" for voluntarily leaving work and the circumstances under which terminated employees may be disqualified.
- Individuals who qualify for benefits based on past work and wages and who are determined to be unemployed through no fault of their own, must certify each week that they meet state eligibility requirements. These requirements generally include that the individual is physically able to work and is available for work. Most states require beneficiaries to make an active search for work.

Financing

- State unemployment benefits are financed through state payroll taxes, which are held in individual state trust fund accounts in the Unemployment Trust Fund in the U.S. Treasury. These funds are invested by the Secretary of the Treasury in non-marketable government securities in the same manner as social security trust funds. Federal law prohibits the use of these funds for any purpose other than payment of unemployment benefits.
- The Unemployment Trust Fund also holds revenues from the Federal Unemployment Tax, in three federal accounts:
 - 1) The Employment Security Administration Account from which state and federal administrative costs for unemployment insurance, employment services and certain veterans employment programs are appropriated;
 - 2) The Extended Unemployment Compensation Account which provides the federal share of extended unemployment benefits which are available during periods of high unemployment; and,
 - 3) The Federal Unemployment Account from which repayable advances are made to depleted state trust fund accounts in order to ensure that benefit obligations are met.

Insured and Total Unemployment Rates

- The average number of weekly claims for unemployment benefits as a percent of employment covered by unemployment insurance is called the "Insured Unemployment Rate" (IUR). This rate is calculated for each state and for the Nation based on quarterly reports filed by employers and weekly records of those filing for benefits.
- The "Total Unemployment Rate" (TUR) represents the number of persons who are looking for jobs as a percent of the labor force. The TUR includes those who are receiving benefits in addition to new entrants and reentrants to the labor market, those who have received all benefits to which they were entitled, as well as those who do not meet qualifying and eligibility requirements. The TUR for the Nation is determined by a monthly survey of 50,000 households which are selected to be representative of the population. The TUR for states is calculated by a formula specified by the Bureau of Labor Statistics using unemployment insurance and other economic data.