

# WORKERS' EXPERIENCES WITH UNEMPLOYMENT INSURANCE

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FEDERAL RESERVE BANK  
OF MINNEAPOLIS



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The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System



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## TODAY'S AGENDA

- Intro to Community Development & Engagement
- Unemployment insurance 101
- Unemployment insurance and the labor market
- Worker access to unemployment insurance
- What's next
- Q&A



# COMMUNITY DEVELOPMENT AT THE MINNEAPOLIS FED

- The Community Development and Engagement team supports the Minneapolis Fed's mission to **pursue a growing economy** that works for all of us.
- **We advance the economic well-being of Indian Country and low- to moderate-income individuals, households, and communities.**
- Through policy analysis, applied research, and convening, **we inform public policy discussions.**



CENTER FOR  
**INDIAN COUNTRY  
DEVELOPMENT**

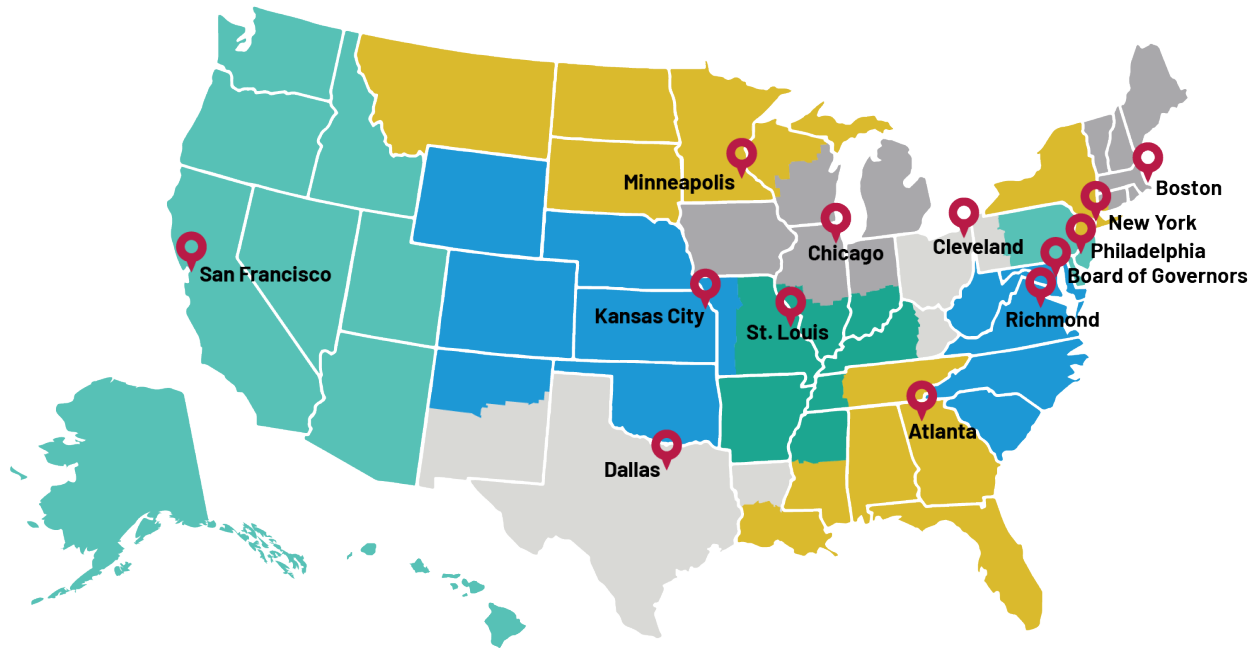


FEDERAL RESERVE BANK OF MINNEAPOLIS

We are proud to be the home of the Center for Indian Country Development, which **advances the economic self-determination and prosperity of Native nations and Indigenous communities** through actionable data and research that inform public policy discussions.



# COMMUNITY DEVELOPMENT



- Community development is **one of the Federal Reserve's core functions** as the central bank of the United States.
- Community development work **helps improve economic outcomes** in low- and moderate-income communities.
- It's an important responsibility of the Federal Reserve that is **rooted in its mandates from Congress**.
- These efforts **promote a healthy economy and a strong financial system** and aim for people in every community to have opportunities to participate in the economy and prosper.





# UNEMPLOYMENT INSURANCE 101



# WHAT IS UNEMPLOYMENT INSURANCE (UI)?

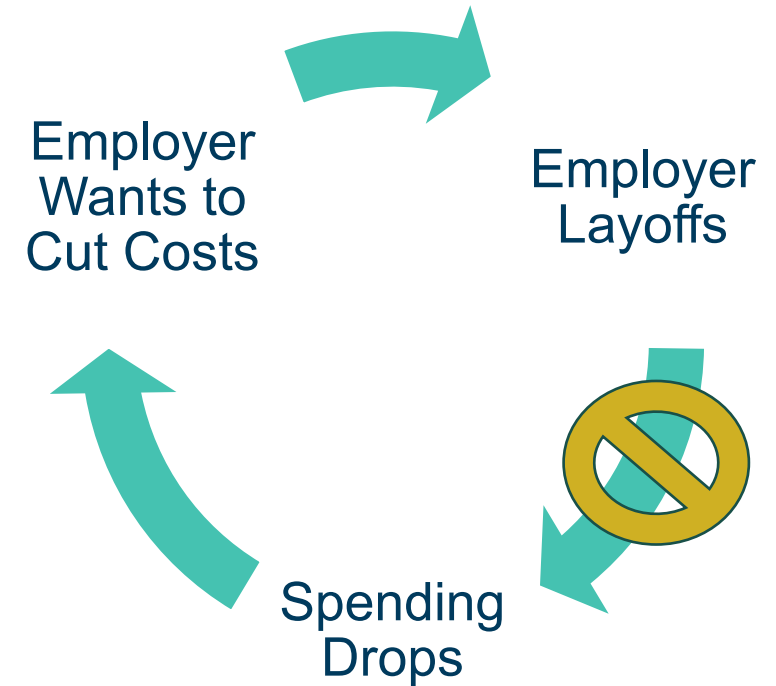
## UI policy essentials:

- Replaces a portion of lost wages after a layoff
- Has eligibility restrictions based on
  - Previous earnings
  - Reason for separation
  - Job search
- Only available up to a max number of weeks
- Funded by taxes on employers
- Joint federal-state system



# WHAT UI AIMS TO DO

- Supports workers during times of job loss with
  - Partial income replacement
  - Reemployment services
- Supports economy during economic downturns
- UI affects many workers:
  - Just under 2 million recipients now (Spring 2025)
  - Tens of millions during the Pandemic Recession





# HOW THE FEDERAL-STATE PARTNERSHIP WORKS

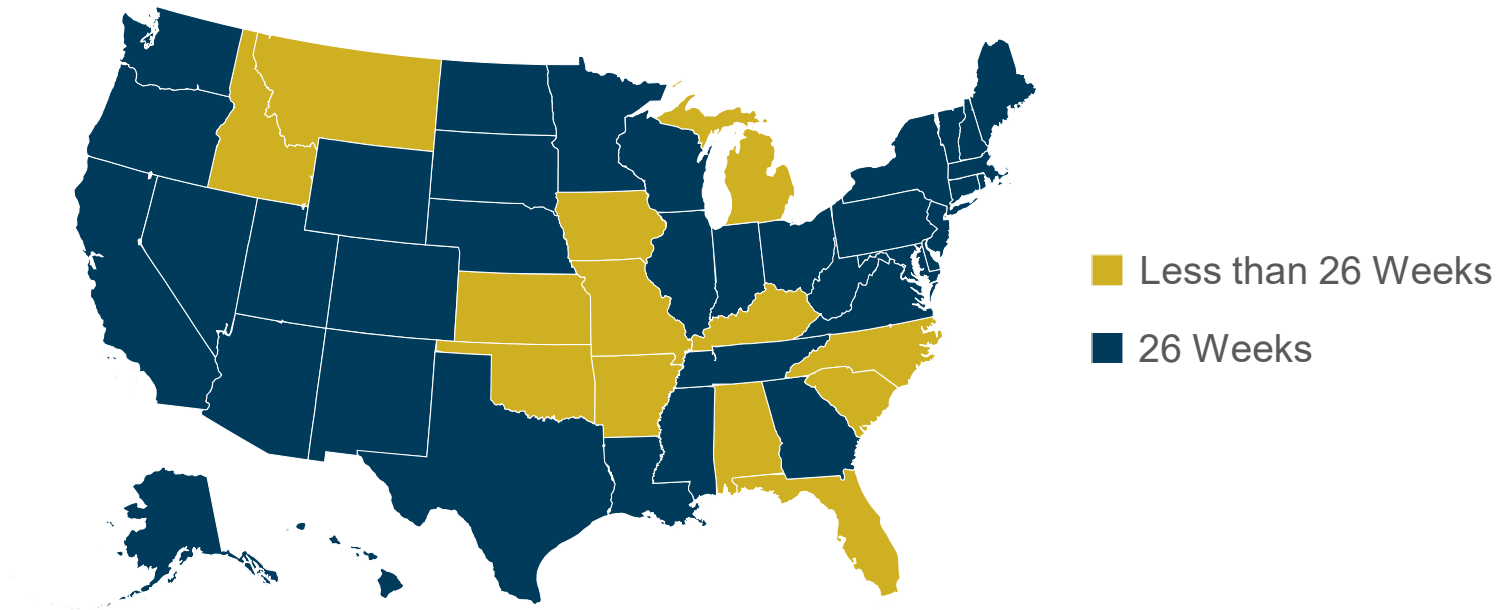
- Joint federal-state system created under 1935 Social Security Act
- Federal role
  - Sets minimum standards, provides loans to states, supports state initiatives
  - Extends and/or enhances benefits during downturns
- State role
  - Sets eligibility criteria, benefit levels, employer tax rates
  - This leads to large variation in experiences across states



# WHAT DOES UI PROVIDE WORKERS?

- UI replaces roughly 1/3 to 1/2 of weekly wages on average
- UI is available for up to 26 weeks in most states, with 13 states having fewer than 26 weeks

## 2024 Maximum Weeks by State



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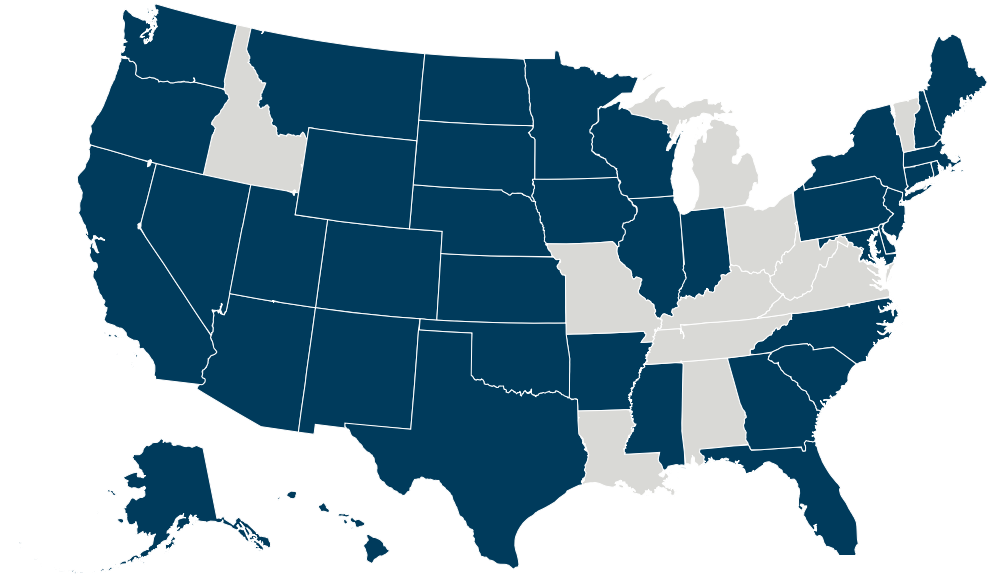
Source: Center on Budget and Policy Priorities and Montana Department of Labor and Industry



# WHO RECEIVES UI?

- Basic eligibility criteria:
  - Have lost their job through no fault of their own
  - Be “able to work, available to work, and actively seeking work”
  - Sufficient work history
- In practice, requires implementation choices
- States differ widely when considering factors such as:
  - Work search activities and reporting
  - Seasonal employment (e.g., school bus drivers)
  - Sexual harassment
  - Domestic violence
  - Family obligations

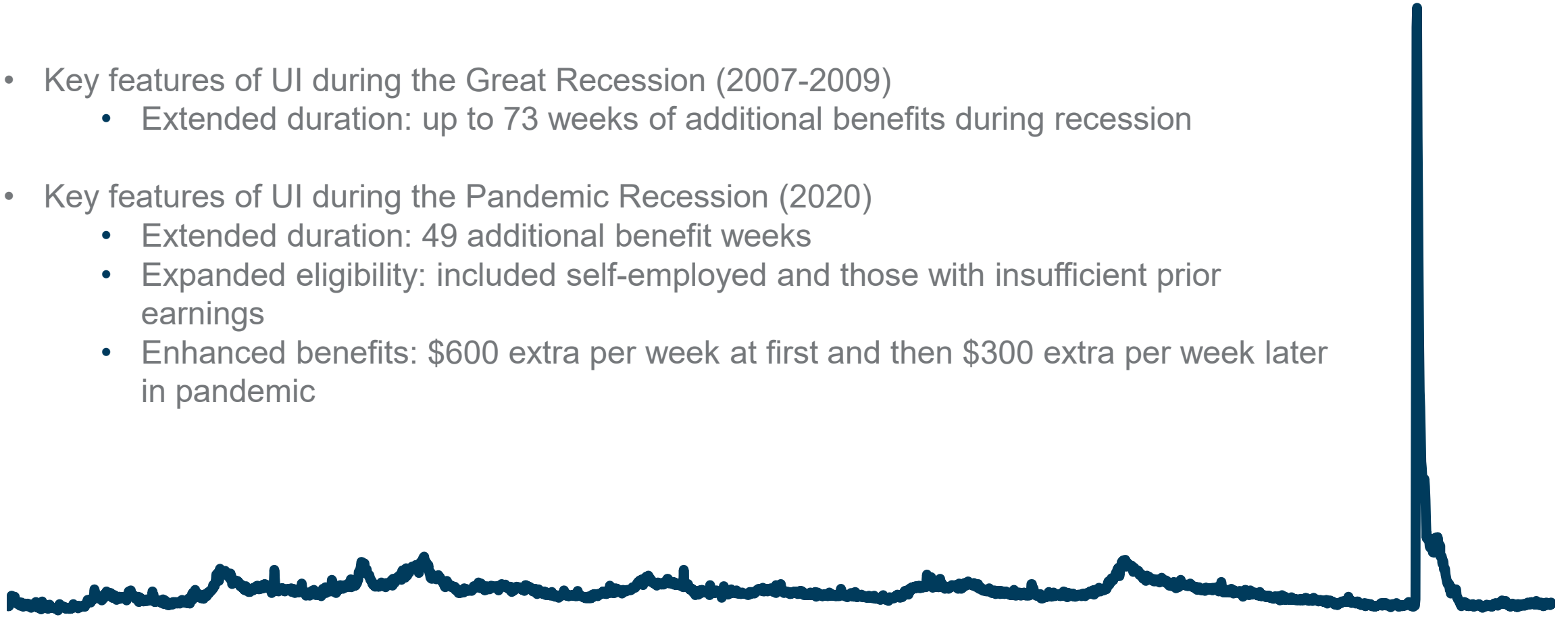
## States with "Good Cause" Provisions for Circumstances Surrounding Domestic Violence



Source: Department of Labor 2023 UI Law Comparisons

# FEDERAL UI POLICY IN RECENT RECESSIONS

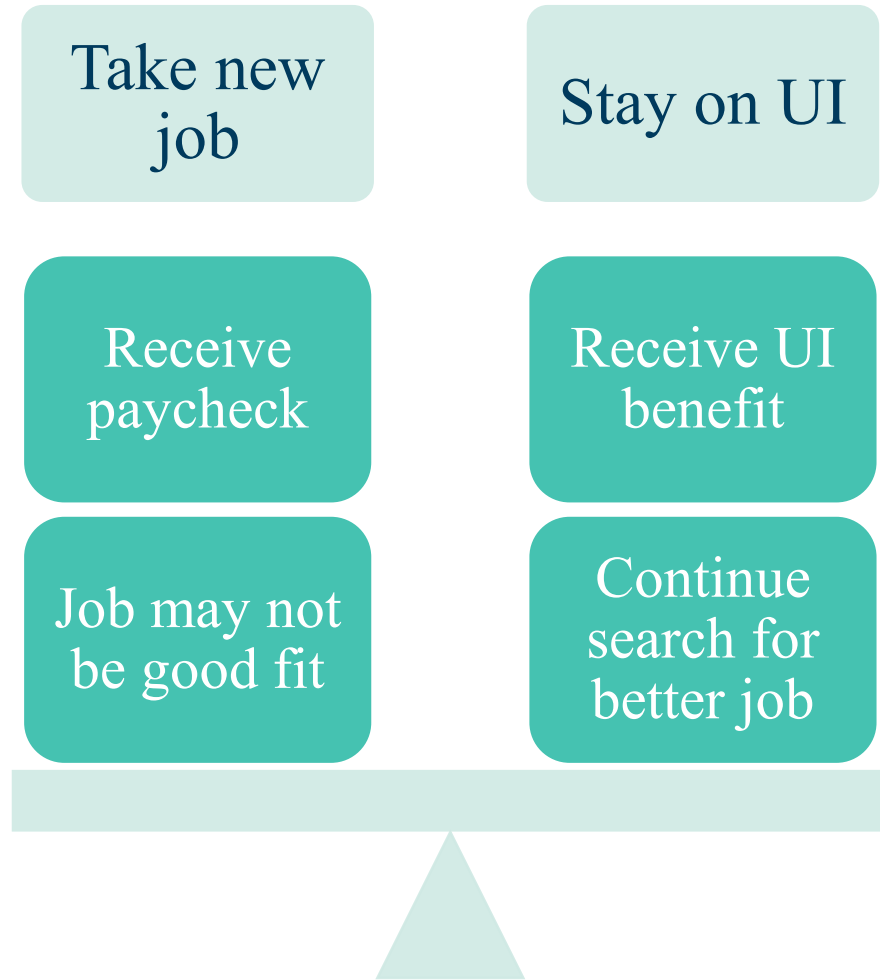
- Key features of UI during the Great Recession (2007-2009)
  - Extended duration: up to 73 weeks of additional benefits during recession
- Key features of UI during the Pandemic Recession (2020)
  - Extended duration: 49 additional benefit weeks
  - Expanded eligibility: included self-employed and those with insufficient prior earnings
  - Enhanced benefits: \$600 extra per week at first and then \$300 extra per week later in pandemic



The background features a faint, light blue circular seal. Inside the seal, there are several five-pointed stars arranged in a semi-circle at the top. A line graph is also visible, starting from the bottom left and trending upwards towards the top right, with a small arrowhead at its end. The overall design is minimalist and professional.

# **UNEMPLOYMENT INSURANCE AND THE LABOR MARKET**

# THE ECONOMICS OF UI

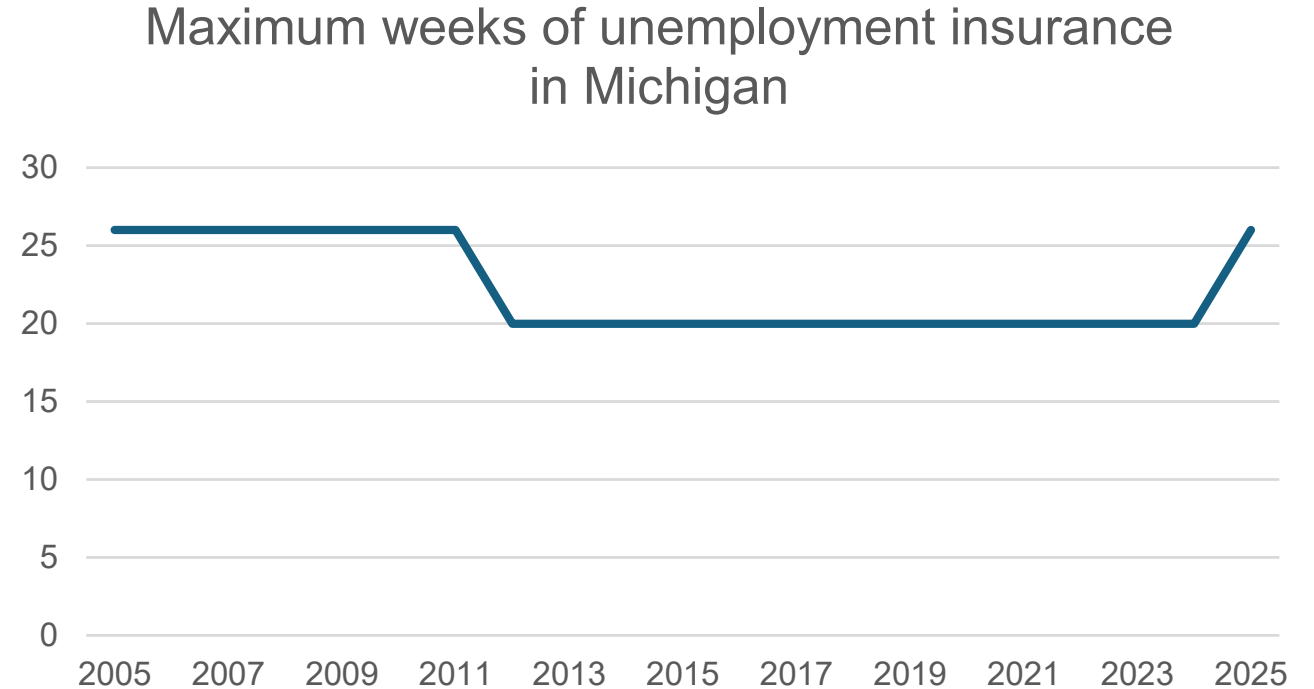


- UI benefits have two key features:
  - They cushion the financial blow
  - They cease when a new job is accepted
- An extra \$ of UI benefit helps unemployed a bit more but slightly delays reemployment



# HOW RESEARCHERS STUDY UI

- Worker outcomes that researchers track:
  - Spending (↑)
  - Time to re-employment (↑)
  - Match quality (probably ↑)
  - Job search (↓)
  - Use of other benefits programs (sometimes ↓)
  - Savings (↓)
- One way to study UI:
  - Use variation in UI benefits or max durations
  - Look across states and over time



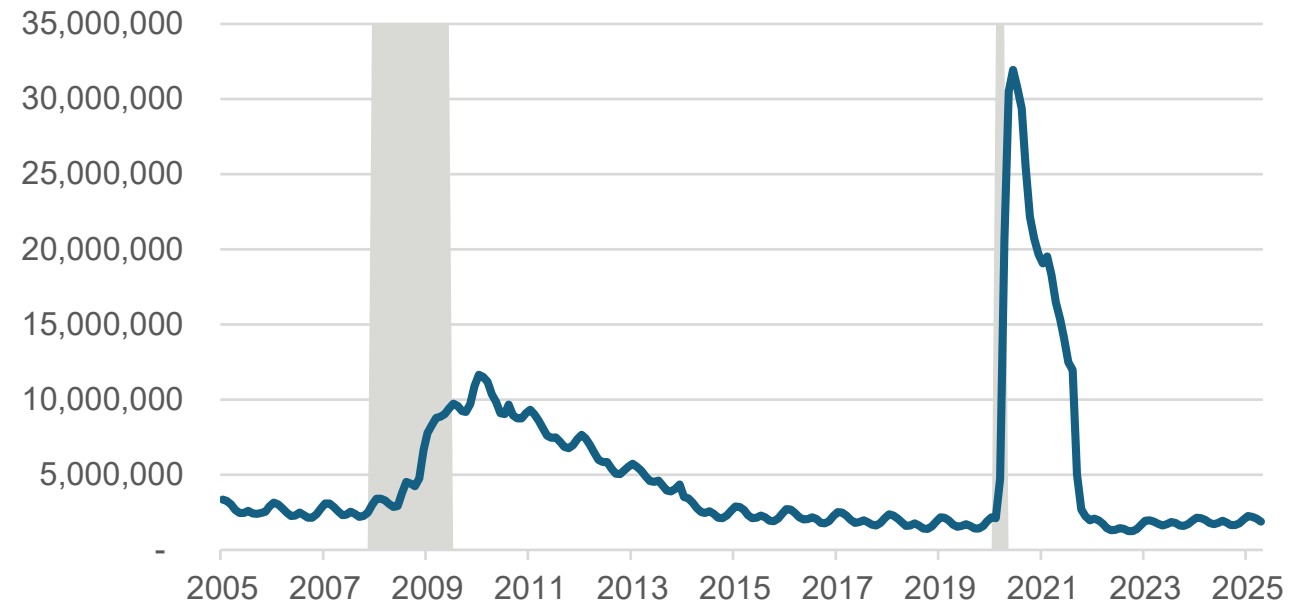
Note: Figure describes state policy excluding any extensions supported by federal policy



# UI AND THE MACROECONOMY

- UI also matters to the macroeconomy
- Role as “automatic stabilizer”: pays out more when times are bad, less when times are good
- Makes recessions briefer and less severe
  - By one estimate, \$1 of additional UI outlays translates to \$0.50 - \$1 in additional GDP
  - Effect is smaller outside of a downturn

Total persons claiming UI in all programs



Note: Data are not seasonally adjusted; source is Department of Labor / Haver Analytics

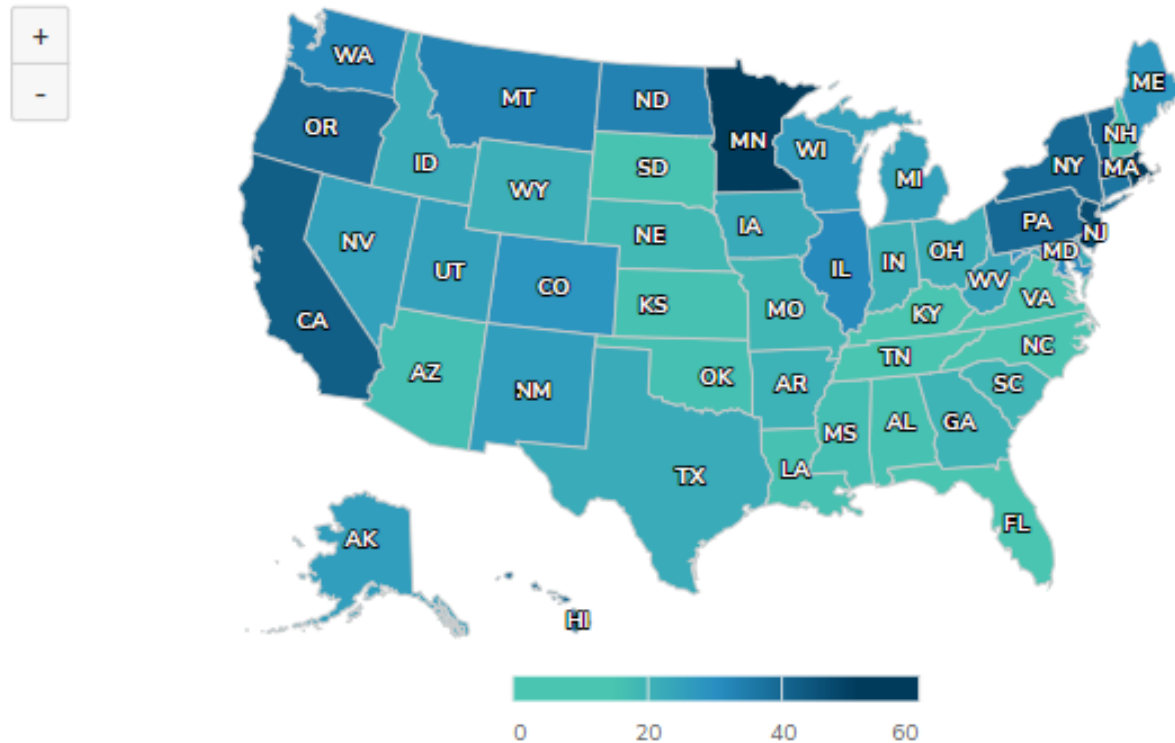




# **WORKER ACCESS TO UNEMPLOYMENT INSURANCE**

# UI RECIPIENCY VARIES WIDELY

State reciprocity rates ranged from 10 to 55 percent in 2023



Source: Authors' calculations using data from the U.S. Department of Labor Employment and Training Administration.

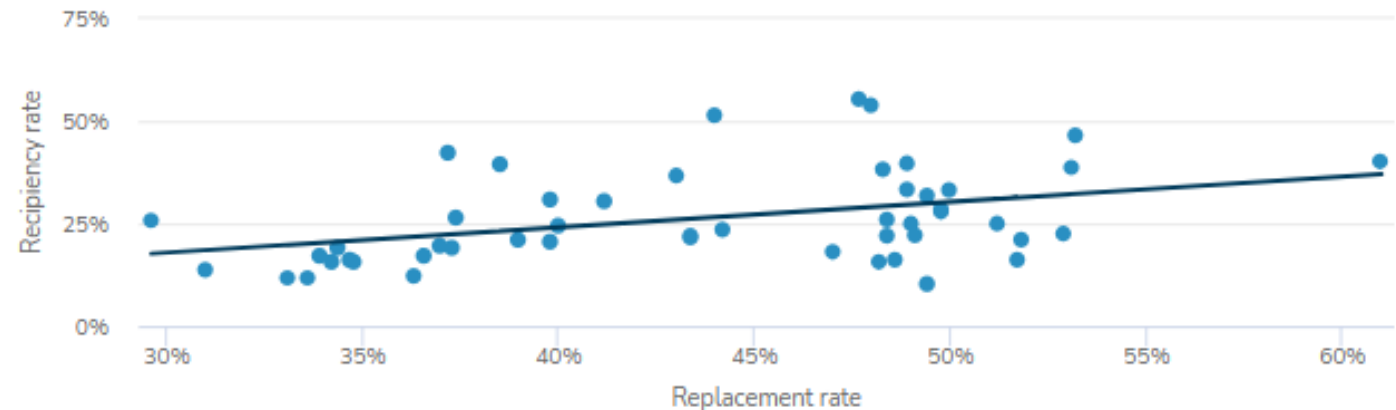
- Reciprocity rate: share of unemployed who receive UI benefits
- 29 percent of unemployed Americans received UI benefits in 2023
- Reciprocity rates vary widely across the U.S.
  - In 2023, Minnesota led nation with 55 percent of unemployed individuals receiving UI
  - In other states, rates were as low as 10 percent

# UI ACCESS AND GENEROSITY ARE CONNECTED

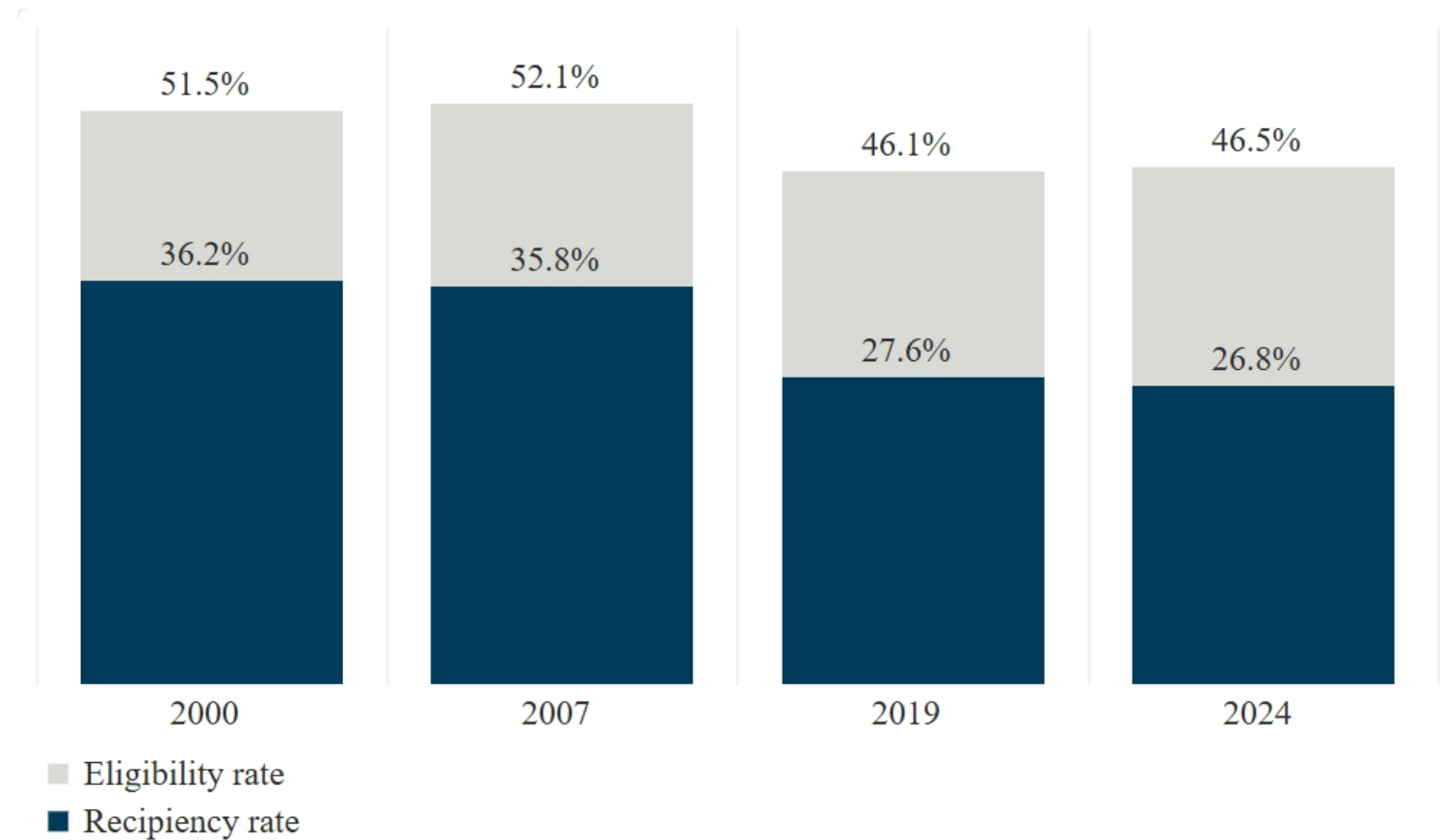
- UI access and generosity are linked
  - In theory: high benefits make it more worth applying
  - In practice: states with higher benefits have higher reciprocity rates
  - Measurement:
    - Generosity: replacement rate (average share of weekly wages replaced by UI)
    - Access: reciprocity rate (share of unemployed receiving UI)
- Since Great Recession, association has strengthened
- What else might affect access?

State reciprocity rates were moderately correlated to state replacement rates in 2023

Click and drag in the plot area to zoom in.



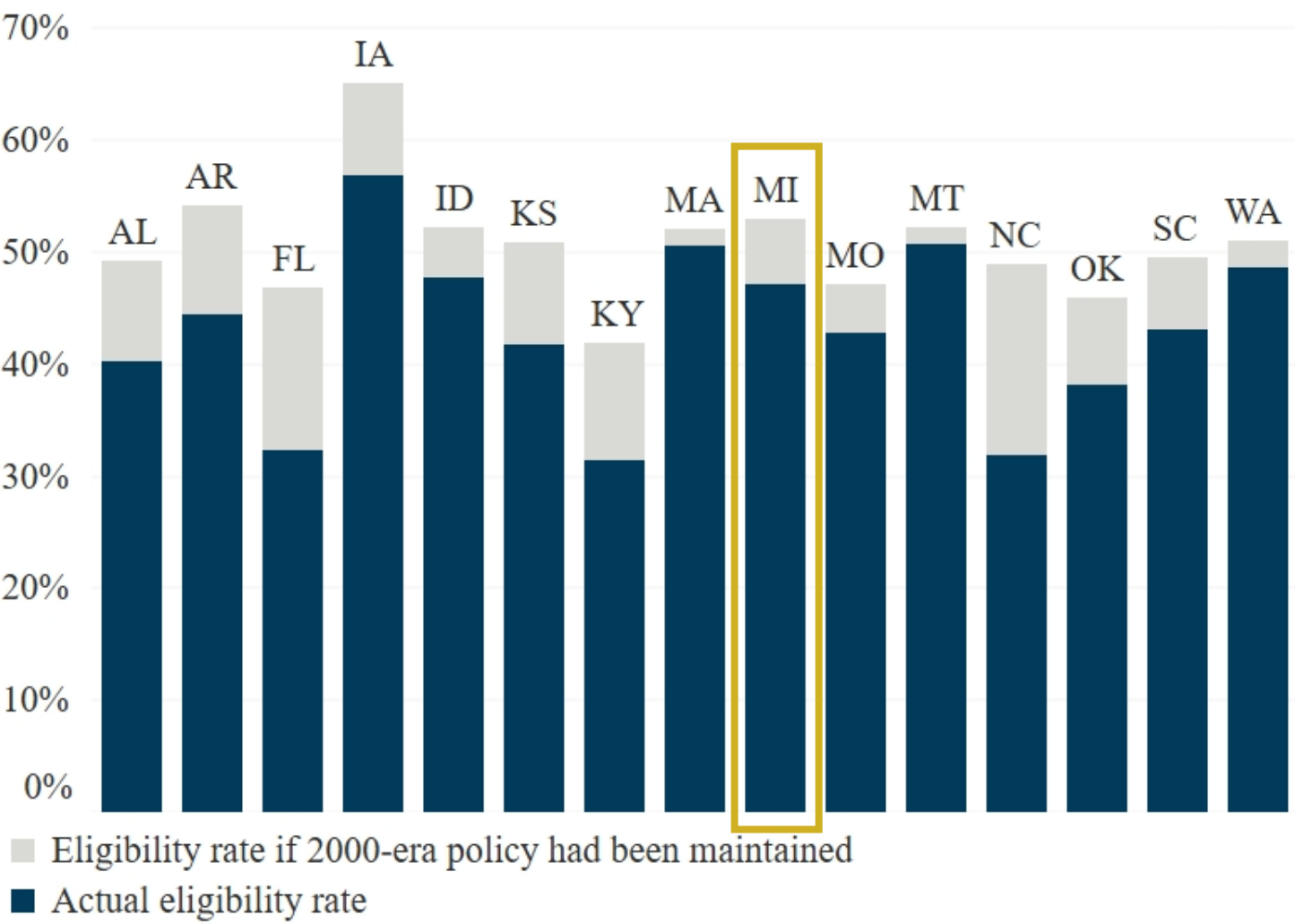
# RECIPIENCY AND ELIGIBILITY HAVE BOTH DECLINED



- Recipiency rate declined about 9 percentage points since 2007
- Share of unemployed individuals “eligible” for UI declined by about 6 percentage points since 2007
  - “Eligibility” here defined by unemployment duration and reason for unemployment
- Implies that declining eligibility could be part of the story



# REDUCTIONS IN MAX WEEKS DROVE ELIGIBILITY LOWER



# QUALITATIVE RESEARCH ON UI ACCESS

- Qualitative research from CDE shows how a changing labor market interacts with UI access
- Focus groups of 20 low-income women who had been unemployed some time in the last five years
- Found that traditional eligibility criteria can reduce involvement with UI system
  - UI is well-designed for those with regular pay/hours
  - Being "able and willing to begin suitable work without delay when offered" is challenging when access to childcare or housing is limited



# INSIGHTS ON OTHER BARRIERS TO ACCESS

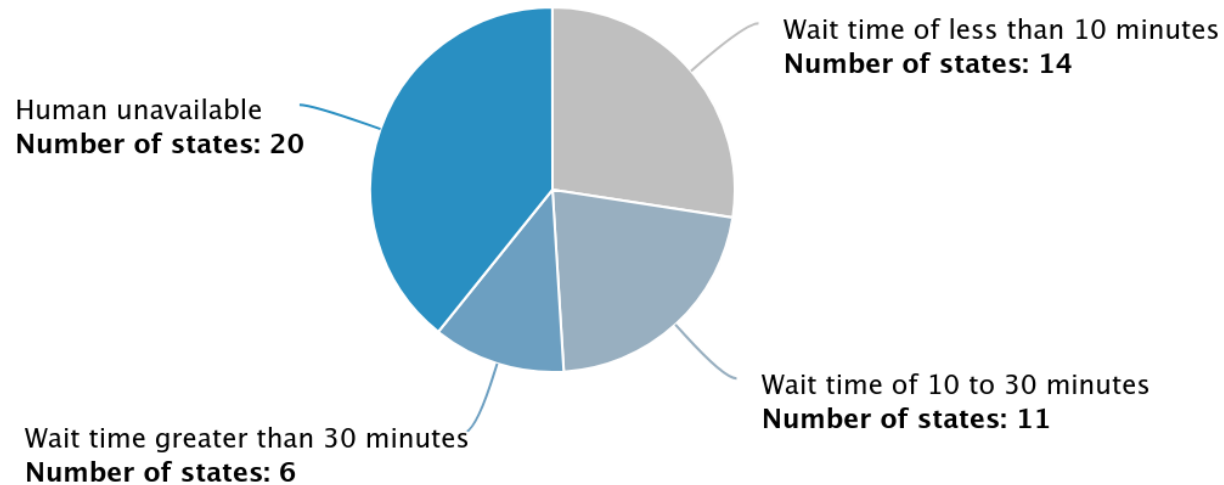
- Interviews also highlight themes of trust and uncertainty
- Trust in government
  - Identify fraud compromises trust in UI
  - Concerns about losing access to other benefits by receiving UI
  - Rather borrow money from family or friends
- Confusion about UI eligibility
  - Unclear how circumstances of job loss impacts eligibility
  - Limited information about UI when losing job
  - Lack of plain language written resources
  - Difficulty ensuring accurate information
    - Inconsistent information from phone representatives
    - Lack of in-person UI offices



# UI ACCESS AND ADMINISTRATIVE BURDENS

- CDE research further explores how *administrative burdens* affect UI access:
  - Defined as frictions that individuals experience when interacting with public programs
  - UI application methods and hours are often limited
  - Obtaining application assistance may be a challenge in some states
  - Mobile and language accessibility may be limited in some states

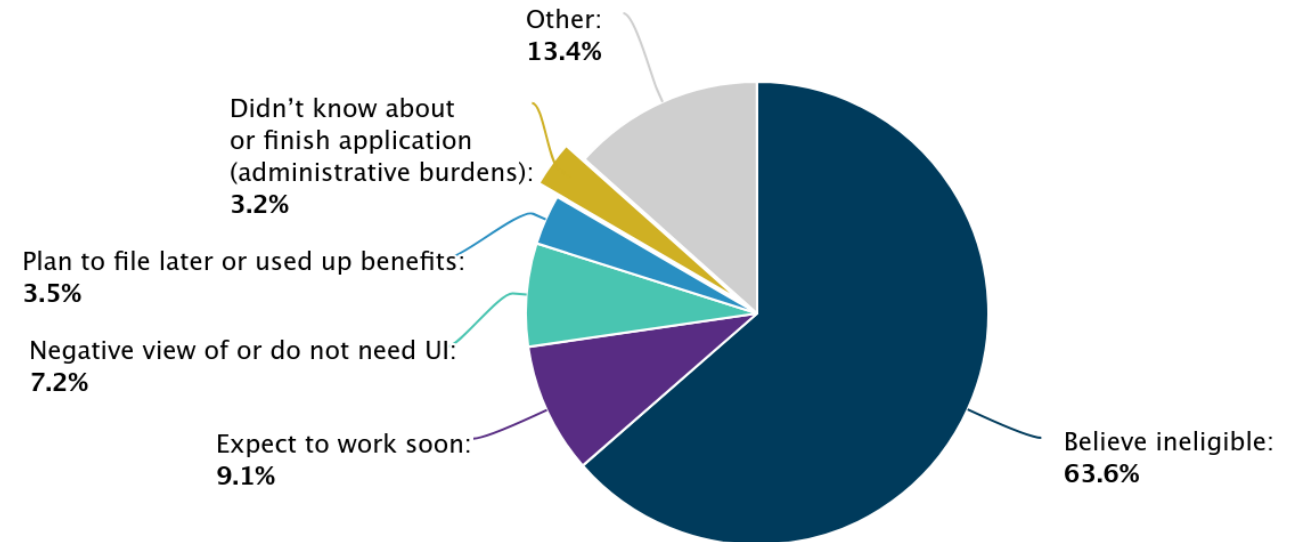
Access to human help varies for state UI phone lines



# MIXED EVIDENCE ON HOW MUCH ADMIN BURDENS MATTER

- Relatively few previously employed individuals cite reasons directly related to administrative burdens for why they didn't apply for UI
  - But admin burdens could show up in other responses
  - Given a very low baseline application rate, a small number affected by admin burdens could meaningfully increase reciprocity
- Admin burden most often cited by those with less education and who are not White

Relatively few survey respondents cite administrative burdens as the reason for not applying for UI



# WHAT STATES ARE DOING



- UI experts and practitioners shared examples of state efforts to improve UI access during CDE event in April 2025
  - Rewriting forms, letters, and websites in **plain language** to streamline applications and reduce the need for assistance
  - **Creating toolkits** to help staff serve applicants with different needs at in-person offices
  - **Online coaching sessions** for first-time applicants
  - **Educating workers** about the channels available for accessing assistance
  - Implementing the ID.me **identity-verification** system to quickly make sure benefits reach the correct individuals





The background of the slide features a large, faint, light-blue watermark of the Seal of the President of the United States. The seal is centered and covers most of the slide area. It depicts an eagle with its wings spread, holding an olive branch in its right talon and arrows in its left. A shield is on the eagle's chest, and a constellation of stars is arranged in a circular pattern around its head.

**WHAT'S NEXT**

# CDE UI RESEARCH AND EVENTS

## Upcoming Research:

- More work on UI eligibility & access
- Report on the delivery of reemployment services
- Article on business experiences with short-time compensation (i.e., shared work)

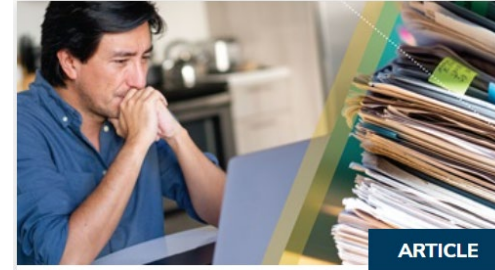
## Upcoming Events:

- Short-time compensation (i.e., shared work): July 15, 2025



ARTICLE

**How low-income women experience the unemployment insurance system**



ARTICLE

**Administrative processes shape unemployment insurance access**



ARTICLE

**Data drive updates to state unemployment insurance systems**



ARTICLE

**How unemployment insurance access and benefits vary by state**



ARTICLE

**Examining unemployment insurance: Now is the time**



EVENT

**Understanding Access to Unemployment Insurance**

The background of the slide features a large, faint, light-blue watermark of the Seal of the United States. The seal is centered and slightly tilted, showing the eagle with its wings spread, holding an olive branch and arrows, with a shield on its chest. The stars are arranged in a circular pattern around the eagle's head.

# QUESTIONS