Unemployment Benefits

LEARNING OBJECTIVES

After studying this appendix, you should be able to:

1. Understand the requirements to be eligible for benefits.
2. Recognize the reasons for disqualification of benefits.
3. Explain the operation of some states’ disability benefit systems.

UNEMPLOYMENT COMPENSATION BENEFITS

Unemployment compensation benefits are payments made to workers temporarily unemployed are provided primarily under the unemployment compensation law of each state. Each state specifies the qualifications to be met by the unemployed worker in order to be eligible for benefits, the amount of the benefits to be paid each individual, and the duration of the period for which benefits will be paid.

As discussed in Chapter 4, payers of unemployment compensation benefits must send copies of Form 1099-G to the Internal Revenue Service and to the person receiving the benefits. This form is used only when the total benefits paid are $10 or more. These benefits are includable in the recipient’s gross income for federal income tax purposes.

Employee Benefits—SUTA

There is no uniform rate of unemployment benefits payable by all states. The amount of the benefits that an unemployed worker is entitled to receive usually is about 50 percent of the regular weekly wages subject to minimum and maximum amounts specified by the state’s law. Maximum weekly benefits vary widely among states, from 50 percent to 70 percent of average weekly wages. Figure 5-1 on page 5-12 shows the minimum and maximum amounts of benefits (excluding dependency allowances) provided under the laws of each state. The maximum amount of benefits allowed under the various state laws ranges from 26 to 30 times the individual’s weekly benefit amount.

Dependency Allowances

The state unemployment compensation laws often provide for payment of a dependency allowance, which is an additional weekly benefit to unemployed workers with dependents. For example, Connecticut provides for a weekly dependency allowance of $15 each for the claimant’s nonworking spouse and each child and stepchild (but for no more than five dependents). However, the total dependency allowance cannot exceed 100 percent of the benefit otherwise payable to the claimant. In those states that provide dependency allowances, the allowances are sometimes made only to workers with dependent children of a stipulated age.

Eligibility for Benefits

The unemployment compensation laws of all the states require that a claimant meet certain conditions before becoming eligible to receive benefits. An analysis of the required qualifications in most states reveals that the claimant must:
1. File a claim for benefits.
2. Be able to work.
3. Be available for work.
4. Be actively seeking work or making a reasonable effort to obtain work.
5. Have earned a certain amount of wages or worked a certain number of weeks in covered employment.
6. Have registered at the local state employment office.
7. Have served the required waiting period.
8. Not be disqualified under any of the other provisions of the law.

**Disqualification of Benefits** Certain disqualifications are set up in the state laws to conserve the funds and to ensure the intended purpose of unemployment insurance, which is to compensate for involuntary unemployment. While wide variation occurs in the state laws, some of the more common reasons for disqualification include the following:

1. Discharge for misconduct.
2. Voluntarily leaving work without good cause.
3. Unemployment due to a labor dispute.\(^1\)
4. Leaving work to attend school.
5. Commitment to a penal institution.
6. False or fraudulent representation to obtain benefits.
7. Refusal of suitable employment.
8. Receipt of certain kinds of remuneration.

Most state laws provide that an unemployed individual shall not be entitled to unemployment compensation benefits during any week in which the person receives remuneration from other sources, such as workers’ compensation for temporary partial disability, old-age benefits under the Social Security Act, vacation allowances, dismissal wages, earnings from self-employment, or unemployment compensation benefits from another state. In some cases, however, if such remuneration is less than the benefits due the individual, the person shall receive the amount of the benefits less such remuneration.

In cases of conflict over the reasons for the worker’s separation from employment, the burden of proving that the separation was not voluntary rests with the claimant. If it is found that the claimant quit, proof must be submitted that the claimant did so for reasons that are considered necessitous and compelling under the law.

**Tracking Recipients** New hire reports are now being used by some states to reduce unemployment insurance taxes. These reports are matched with unemployment claims to identify people who continue to accept unemployment insurance benefits after they have become reemployed.

**Benefits for the Unemployed as a Result of a Major Disaster** The Disaster Relief Act provides unemployment benefits to persons who become unemployed as a result of a major disaster. The benefits will be available so long as the individual’s unemployment caused by a major disaster continues or until the individual is reemployed in a suitable position. In no event, however, will the benefits be paid for longer than one year after the disaster has been declared.

**Benefits for Federal Employees** The Federal Employee Unemployment Compensation program of the Social Security Act provides unemployment insurance for federal civilian employees. If a federal civilian worker becomes unemployed, eligibility for benefits is determined under the unemployment law of the state in which the person

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\(^1\) Most states provide benefits to strikers who have been replaced by nonstriking employees, and many states allow strikers to collect benefits in cases where their employers continue to operate.
last worked in federal civilian employment. If eligible, the person is entitled to unemployment benefits in the amounts and under the conditions provided by the state unemployment insurance law.

**Benefits for Ex-Service Personnel** The Federal Unemployment Compensation for Ex-Servicemen program of the Social Security Act provides unemployment compensation benefits for ex-service personnel. The benefits are determined by the unemployment insurance law of the state in which the person first files a claim that establishes a benefit year as the most recent separation from active military service.

**Disability Benefits** Five states—California, Hawaii, New Jersey, New York, and Rhode Island—and Puerto Rico provide for the payment of disability benefits to workers who suffer wage losses through unemployment due to nonoccupational disease or injury. The programs in these states have developed in response to the need for protecting workers not eligible for either workers’ compensation or unemployment insurance benefits. The programs are not health insurance as such, for benefits are paid only to offset the wage loss of an employee who becomes sick or suffers an accident not connected with work.

Payments of disability benefits under the state laws are, for the most part, financed by employee contributions. In Hawaii, New Jersey, New York, and Puerto Rico, however, employers are required to contribute. In California, New Jersey, and Puerto Rico, the benefits are provided under a state-administered plan, but employers may substitute their own plans if they so wish. However, such “private” or “voluntary” plans must provide benefits at least as favorable as those payable under the state plan.

**Supplemental Unemployment Benefits (SUB)** Many union contracts provide for the private supplementation of state unemployment compensation benefits to provide payments to employees during periods of layoff. In nearly all of the states that have investigated the Supplemental Unemployment Benefits (SUB) plan benefits in relation to state unemployment compensation benefits, it has been ruled that workers who receive SUB may also simultaneously be paid unemployment compensation benefits. A SUB plan is usually one of two types: (a) the pooled-fund plan or (b) the individual-account plan.

**POOLED-FUND PLAN** This plan, also known as the “auto” or “Ford-type” plan, is the most common type of SUB plan. Under this plan, employers contribute to a general fund a certain number of cents for each hour worked by employees currently on the job. Employees usually have a right to benefits from the fund only upon layoff and only after meeting stipulated eligibility requirements.

**INDIVIDUAL-ACCOUNT PLAN** Under this plan, found mainly in the plate glass industry, contributions are paid to separate trusts for each employee, and the employee has a vested and nonforfeitable right to the amount in the fund. Workers are entitled to the fund upon layoff and have a right to the fund when their employment is terminated. In the event the worker dies, the designated beneficiary receives the content of the trust.

**Work Sharing Program** The Department of Labor allows states to establish programs that provide unemployment benefits to workers whose hours have been reduced. Under this work sharing plan, the employer can reduce employees’ workweek instead of laying off people. All employees would then be eligible for a proportionate share of their unemployment benefits.

Currently, thirteen states allow for work sharing programs.2 In each of these states, the employer must first submit a plan to the state for approval. Generally,

2 The states are Arizona, Arkansas, California, Florida, Kansas, Louisiana, Maryland, Missouri, New York, Oregon, Texas, Vermont, and Washington.
weekly hours and wages of affected employees must be reduced by 10 percent to 40 percent, and the plan must affect at least 10 percent of the total employees.

**Summary of Source and Duration of Benefits**

Figure D-1 shows how the federal-state unemployment insurance system operates in a state in which the basic duration of benefits is 26 weeks. In addition to the basic 26 weeks, in times of high unemployment, legislation has been enacted that extends the federal-state benefits program.

**FIGURE D-1**

**Sources and Duration of Benefits**

<table>
<thead>
<tr>
<th>Weeks of Unemployment</th>
<th>Source of Benefits</th>
<th>Starting Point</th>
<th>Life of Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st to 26th</td>
<td>Regular state program (funded entirely from state unemployment accounts)</td>
<td>Operates continuously</td>
<td>Permanent</td>
</tr>
<tr>
<td>27th to 73rd</td>
<td>Federal extended benefits (federally funded)</td>
<td>July 2008</td>
<td>January 2, 2013</td>
</tr>
</tbody>
</table>

**KEY TERMS**

dependency allowance (p. D-1)
disability benefits (p. D-3)
individual-account plan (p. D-3)
pooled-fund plan (p. D-3)

Supplemental Unemployment Benefits (SUB) (p. D-3)
unemployment compensation benefits (p. D-1)
unemployment insurance (p. D-2)