OFFICE OF LEGISLATIVE RESEARCH
Objective Research for Connecticut's Legislature

ResearchReport

Unemployment Systems in Connecticut and Nearby States

By: Lee Hansen, Associate Analyst

June 4, 2020 | 2020-R-0145

Issue

This report compares certain provisions in the unemployment systems of Connecticut and the nearby states of Massachusetts, New Jersey, New York, and Rhode Island. Unless otherwise noted, the information in the report is drawn from the monetary eligibility, nonmonetary eligibility, and financing chapters in the U.S. Department of Labor's *Comparison of State Unemployment Laws, 2019*.

Summary

Unemployment insurance (UI) systems are state-administered programs that provide employer-funded cash benefits to eligible claimants. Each state administers its own UI program, but it must do so within certain federal laws and guidelines. Within these parameters, each state generally sets its own criteria for, among other things, whom may receive benefits, how benefit amounts will be determined, and how employers will be taxed to fund the benefits.

This report compares how Connecticut, Massachusetts, New Jersey, New York, and Rhode Island have structured their UI systems regarding (1) criteria for establishing a claimant's monetary eligibility for benefits, (2) reasons for disqualifying claimants for benefits, (3) methods for determining benefit amounts, (4) employer UI tax rates, and (5) taxable wage bases on which employers pay their state UI taxes. The report does not cover all the differences between the states' UI system, but instead tries to highlight some of the most prominent variables and options that the states have used to structure their UI systems.

Monetary Eligibility for Benefits

All states require that UI claimants meet certain earnings or work thresholds (or both) during their "base period" in order to be eligible for benefits. The base period is the period from which the claimant's earnings and work history are used to determine the claimant's eligibility and calculate the claimant's benefits.

> ***Base Period***
> *In Connecticut and almost all other states, the standard base period is the first four of the last five completed calendar quarters. (Massachusetts uses the four most recently completed calendar quarters.)*

How states set these monetary thresholds varies. Connecticut first computes the weekly benefit that the claimant would receive and then requires that the claimant have earned 40 times that weekly benefit during his or her base period. Since, by law, the state's minimum weekly benefit is $15, a claimant must have earned $600 over his or her base period to qualify for the minimum benefit. Other states use a variation of this method or, among other things, require the earnings threshold to automatically adjust for changes in the economy by tying it to the state's average weekly wage or minimum wage.

Table 1 shows the wage and employment requirements that claimants must meet to qualify for benefits in Connecticut and its nearby states.

Table 1: Wage and Employment Requirements for Benefits

State	Qualifying Formula	Minimum Wages Need to Qualify (2019)	
		High Quarter	Base Period
CT	Earned at least 40 times weekly benefit amount during base period (BP)	N/A	$600
MA	Earned at least 30 x weekly benefit during BP and at least $4,700 in BP	N/A	$4,700
NJ	Worked at least 20 weeks while earning at least 20% of the state's average weekly wage during the BP or earned 1,000 x the state minimum wage	N/A	$3,440
NY	Earned at least 221 x the state minimum wage in the highest earning quarter and earned at least 1.5 x the amount earned in the highest earning quarter over the course of the base period	$2,400	$3,600
RI	Earned at least 1,200 x state minimum wage during the base period or earned at least (1) 1.5 x the amount earned in the highest earning quarter over the course of the base period, (2) 200 x state minimum wage in one quarter, and (3) 400 x the state minimum wage over the course of the base period	$2,100	$4,200

Disqualifications from Benefits

In addition to their monetary criteria, state UI laws generally require that eligible claimants lost their job through no fault of their own, are able and available to work, and actively seeking work. Thus, the states' UI systems typically disqualify claimants from receiving benefits if they voluntarily left their employment or refused an offer of suitable work while they are unemployed. The disqualifications may last for a certain number of weeks or until the claimant has returned to employment and earned a certain amount (or both). Table 2 shows the duration of the disqualification periods in the five states.

Voluntary Leaving

In all state UI systems, claimants are not disqualified if they voluntarily left work for good cause or for certain other specified reasons. Although these reasons and the definition of "good cause" varies by state, they are largely the same in Connecticut and its nearby states.

Table 2: Disqualifications for Voluntary Leaving and Refusal of Suitable Work

State	Voluntary Leaving Ineligibility Period	Refusal of Suitable Work Ineligibility Period
CT	Until returned to work and earned 10 x weekly benefit	Until returned to work and earned 6 x weekly benefit
MA	Until returned to work for eight weeks and earned 8 x weekly benefit	For week of refusal + seven weeks
NJ	Until returned to work for eight weeks and earned 10 x weekly benefit	For week of refusal + three weeks
NY	Until returned to work for at least three days in each of five weeks and earned 10 x weekly benefit	Until returned to work and earned 10 x weekly benefit
RI	Until returned to work and earned 8 x weekly benefit	Until returned to work and earned 8 x weekly benefit

States will similarly disqualify claimants who were discharged from their employment for misconduct or just cause, with some imposing more severe disqualifications on employees who were discharged for gross misconduct. Gross misconduct generally includes (1) discharge for an act constituting a crime in connection with work; (2) discharge for dishonesty, intoxication, or willful violation of written rules including those related to safety, harassment, unprofessional conduct, or insubordination; and (3) assault or threatened assault on supervisors or co-workers. States may also disqualify claimants who receive unemployment benefits through fraud (in addition to other penalties).

Drug and Alcohol Disqualifications

Unlike the other four states, Connecticut disqualifies claimants who were discharged or suspended because they were disqualified from working under a state or federal law as a result of a drug or alcohol testing program mandated by and conducted under that law.

Table 3 shows the five states' disqualification periods for discharge for misconduct and gross misconduct, and for fraudulently receiving benefits.

Table 3: Disqualifications for Misconduct and Unemployment Fraud

State	Discharge for Misconduct Ineligibility Period	Discharge for Gross Misconduct Ineligibility Period	Fraud Ineligibility Period
CT	Until returned to work and earned 10 x weekly benefit	Same as discharge for misconduct	Until full amount of overpayment repaid (Benefits also reduced by amount of overpayment)
MA	Until returned to work for eight weeks and earned 8 x weekly benefit	Same as discharge for misconduct	One week for each week overpaid Benefits reduced by 25%
NJ	Five weeks plus week of discharge	Until returned to work for eight weeks and earned 10 x weekly benefit (Wages earned from employer involved also excluded from benefit calculations)	One year
NY	Until returned to work for at least three days in each of five weeks and earned 10 x weekly benefit	12 months (for conviction or admission of felonious act in connection with employment) (Wages earned from employer involved also excluded from benefit calculations)	4-80 days for which otherwise eligible for benefits (Benefits also reduced by amount of overpayment)
RI	Until returned to work and earned 8 x weekly benefit	Same as discharge for misconduct	One year (if convicted)

Benefits

States use a variety of methods to determine the amount of weekly benefits an eligible claimant will receive although they all generally seek to replace a portion of the claimant's wages, up to a certain amount. Connecticut determines weekly benefits by (1) determining a claimant's average quarterly earnings over the claimant's two highest earning quarters in his or her base period and (2) dividing that amount by 26 (CGS § 31-231a). For claimants who worked for the same wage rate throughout their base period, the formula should result in a weekly benefit equal to 50% of their average weekly wage. However, the state also caps weekly benefits at 50% of the statewide average weekly wage, so claimants with above average weekly earnings will have less than 50% of their weekly wages replaced.

Connecticut's neighboring states generally use a similar method to determine their claimants' benefits, although they differ in certain ways, such as the percentage of wages replaced, or the percentage of statewide average wages used to cap benefits. Many states, but not Connecticut, also require a waiting period before a claimant's eligibility begins.

Table 4 shows the formulas the five states use to determine a claimant's benefits, the minimum and maximum amount of weekly benefits a claimant can receive in 2019, the minimum amount of high quarter or base period wages (or both) that a claimant must have earned to qualify for the highest level of benefits, and whether the state imposes a waiting period.

Table 4: Weekly Benefits

State	Benefit Formula	Weekly Benefit Amount (2019)		Minimum Wages Required for Maximum Benefit Amount (2019)		Waiting Period
		Minimum[1]	Maximum[1]	High Quarter	Base Period	
CT	1/26 of the average of the two highest earning quarters + dependents' allowances (DA) (for construction workers: 1/26 of highest earning quarter + DA)	\$15 - \$30	\$631 - \$706 (50% of state average weekly wage)	\$16,406 in each of two quarters	\$32,812 over two quarters	None
MA	50% of 1/26 of total wages in two highest earning quarters	\$45 - \$67	\$795 - \$1,192 (57.5% average weekly wage)	N/A	\$41,340 over two highest earning quarters	1-week
NJ	60% of eligible average weekly wages + DA	\$103 - \$118	\$696 (56.66% average weekly wage)	N/A	\$23,200 over 20 weeks	None
NY	If earned wages in four quarters: generally, 1/26 of highest earning quarter If earned wages in only two or three quarters: generally, 1/26 of the average of the two highest earning quarters	\$100	\$450[2]	\$11,700	\$17,550	1-week
RI	3.85% of the average of the two highest earning quarters + DA	\$53 - \$103	\$566 - \$707 (57.7% average weekly wage)	N/A	\$29,404 over two quarters	1-week

[1]Range of benefit amounts reflects potential value of dependents' allowances (see below)
[2]By law, NY's maximum benefit will increase annually until it reaches 50% average weekly wage in October 2026

Dependents' Allowances

Many states also provide eligible claimants with a dependents' allowance that may increase their weekly benefits. Which dependents qualify for the allowance varies by state, as does the amount of the allowance and the maximum number of dependents for which a claimant can receive it. Table 5 shows the dependents' allowances and these related variables in the five states.

Table 5: Dependents' Allowances

State	*Covered Dependents*	*Max. Number of Dependents*	*Weekly Allowance per Dependent*	*Max. Allowance w/ Min. Weekly Benefit*	*Max. Allowance w/ Max. Weekly Benefit*
CT	• Children under 18 • Children under 21 if full-time student • Older children unable to work due to disability • Non-working spouse	5	$15	$15	$75
MA	• Children under 18 • Children under 24 if unmarried and full-time student • Older children unable to work due to disability	None (dependent allowance is capped at 50% of claimant's weekly benefit)	$25	$22	$397
NJ	• Unmarried children under 19 • Children under 22 if full-time student • Older children unable to work due to disability • Non-working spouse	2	7% of weekly benefit for 1st dependent and 4% subsequent dependents	$15	Maximum weekly benefit cap applies regardless of dependents (see Table 4 above)
NY	• None	N/A	N/A	N/A	N/A
RI	• Children under 18 • Older children unable to work due to disability	5	$15 or 5% of weekly benefit	$50	$144

Financing

All states pay for their unemployment benefits by imposing state unemployment taxes on employers, although three states (Alaska, New Jersey, and Pennsylvania) also levy an unemployment tax on employees. The amount of unemployment tax an employer typically pays depends on the tax rate assigned to the employer, the state's taxable wage base (i.e., the amount of wages paid to each employee that are subject to the taxes), and the employer's number of employees. (For additional information about state and federal unemployment taxes, see OLR Report 2019-R-0227.)

Unemployment Tax Rates

All states charge unemployment taxes against their employers through an "experience rate" that generally reflects an employer's potential liability for benefits (so employers with a history of laying off more employees pay a higher tax rate). The states, however, use a variety of methods and formulas for determining an employer's experience rate. They also set different minimum and maximum rates, which may vary depending on the health of the state's unemployment trust fund.

Many states also impose additional charges, taxes, and adjustments to help maintain their trust fund's solvency. These adjustments will typically increase employer tax rates when fund balances are low and decrease or discontinue when fund balances are healthier. Table 6 shows the experience rate formula, experience rate range, and any solvency adjustments in the five states.

Table 6: Tax Rates

State	Experience Rate Method	Experience Rate Range	Solvency Adjustments
CT	Benefit-Ratio[1]	0.5% - 5.4%	"Fund Balance Tax" 0.0% - 1.4%
MA	Reserve-Ratio[2]	• Overall range: 0.56% - 18.55% • If fund balance is at least 1.65% of taxable payrolls: 0.56% - 8.62% • If fund balance is less than 0.3% of taxable payrolls: 1.21% - 18.55%	"Secondary Adjustment" When in effect, 0.3% - 0.9%
NJ	Reserve-Ratio	• Overall range: 0.3% - 7.7% • If fund balance is at least 3.5% of taxable wages: 0.3% - 5.4% • If fund balance is less than or equal to 0.99% of taxable wages: 1.3% - 7.7%	"Solvency Adjustment" When in effect, 25% reduction or 50% reduction
NY	Reserve-Ratio	• Overall range: 0.0% - 8.9% • If fund balance is at least 5.0% of payrolls: 0.0% - 5.9% • If fund balance is less than 0.0% of payrolls: 1.5% - 8.9%	"Subsidiary Contribution" When in effect, 0.0% - 0.925%
RI	Reserve-Ratio	• Overall range: 0.21% - 10.0% • If fund balance is at least 6.4% of payrolls: 0.21% - 7.4% • If fund balance is less than 1.0% of payrolls: 1.2% - 10.0%	N/A

[1]The benefit-ratio is the amount charged to an employer for benefits received by its former employees, divided by the employer's payroll
[2]The reserve-ratio is the amount of contributions paid by the employer minus the amount charged to the employer for benefits received by its former employees, divided by the employer's payroll

Taxable Wage Base

An employer's unemployment tax rate (i.e., its experience rate plus any applicable solvency adjustments) is applied to a certain amount of wages paid to each of its employees. In Connecticut, this "taxable wage base" is the first $15,000 of each employee's taxable wages. Thus, for example, an employer with a 6.0% tax rate must pay $900 for each employee that it pays at least $15,000 per year (regardless of whether it pays the employee $15,000 or $150,000).

Many states also require their taxable wage base to automatically adjust for changes in the economy by annually indexing it to a measure of weekly or annual wages. Table 7 shows the taxable wage base in the five states and whether the state indexes the wage base.

Table 7: Taxable Wage Base

State	*Taxable Wage Base*	*Automatic Adjustment*
CT	$15,000	No
MA	$15,000	No
NJ	$34,400	Yes 28 x statewide average weekly wage (rounded to higher $100)
NY	$11,400	No
RI	$23,600 ($25,100 for employers in highest tax group)	Yes 46.5% of statewide average annual wage (rounded to higher even multiple of $200)

LH:kl