

A Robust Unemployment Insurance System Supports Granite Staters and the Economy

Unemployment insurance benefits provide critical support to individuals who lose or face a significant reduction in their employment. These benefits come in the form of compensation, which covers most employees at public and private employers, while they search for a new job opportunity. Unemployment compensation is calculated based on an employee's earnings and provides supplemental support that does not entirely replace their lost wages. In addition to supporting individuals and their families due to job losses brought on by employer restructuring, bankruptcies, or economic recessions, unemployment insurance benefits also act as a stabilizer for the economy during declines in business activity and times of recovery from a recession. These stimulative effects have been shown to generate more than a dollar in economic activity for every new dollar invested into unemployment insurance benefits. Key research into the economic impacts of robust unemployment insurance benefit systems has found little negative impact on overall employment. Additional research has found that supporting workers with extended unemployment benefits resulted in improvements in the matching of unemployed individuals to new jobs that better align with their skills. Unemployment insurance also provides key supports for individuals and regions that have historically been disproportionately impacted by economic recessions.

UNEMPLOYMENT INSURANCE IN NEW HAMPSHIRE

Prior to the onset of the COVID-19 pandemic, [unemployment insurance \(UI\)](#) benefits were available to individuals who worked at employers who were required to follow federal and state unemployment laws, called "covered employment." Employers fund the State's [Unemployment Compensation Fund](#) through tax payments, with additional support from the federal government.

Prior to the pandemic, individuals who were previously self-employed or working part time were not eligible for UI. Employees who were covered by UI could claim benefits, calculated as a portion of their previous pay, if they lost their job or faced a significant reduction in their hours through no fault of their own. The UI system supported covered employees for up to 26 weeks, so long as they were searching for work during this time through the [NH Works Job Match System](#), or were in an approved employment training program to improve or transition their skills.

The impacts of the COVID-19 pandemic led to key temporary federal and state-level [policy interventions](#) that extended and expanded UI benefits to more individuals and for longer than 26 weeks, if needed, and removed the work search requirements. These changes provided significant support to individuals and families throughout the state and responded to the uneven nature of the employment impacts. Since the middle of 2021, these pandemic-related changes have sunset, and the typical, pre-pandemic UI requirements are in place.

KEY SUPPORT DURING PAST RECESSIONS AND THE COVID-19 PANDEMIC

UI plays a significant role in [supporting](#) unemployed workers during times of economic decline. During the Great Recession, which lasted from [late 2007 to mid-2009](#), and the subsequent [recovery and expansion](#) up to the start of the COVID-19 crisis, there were [significant changes](#) to the labor market and changes in the composition of jobs by industry in the state. The unemployment rate in New Hampshire increased between 2008 and 2010, peaking at a seasonally-adjusted statewide rate of about 6.7 percent, which was notably lower than the rate for the nation overall. During this time, UI benefits were key to supporting individuals and families, and stimulating the economy. A 2010 [analysis](#) from Moody's Analytics estimated that every federal dollar invested into new unemployment insurance benefits in early 2009 generated \$1.61 in economic activity. Additionally, Moody's estimated that in 2015, when the economy was significantly stronger and much further along in the recovery, each additional federal dollar invested in unemployment benefits generated \$1.01 in economic activity.

In the years since the Great Recession, [research](#) has shown that unemployment insurance aided workers as they retrained for new jobs, and this support resulted in better matches between employees' skillsets and their new jobs. Other research focused on the [extension of unemployment benefits](#) beyond the typical 26 weeks during the Great Recession [found](#) unemployment benefit extensions did not make people receiving unemployment benefits less likely to become employed. Longer unemployment benefit durations [increased attachment to the labor force](#) and [did not increase](#) the unemployment rate, with outcomes that varied somewhat in different economic conditions.

The COVID-19 pandemic initially resulted in significant [economic declines](#), employment losses, and hardships faced by individuals and families throughout the state. The economic declines and employment losses were most acute and long lasting in specific industries, including food and accommodation services, and in industries that historically paid lower than average wages in New Hampshire. In addition to the direct support unemployed individuals received, the federal and state expansions and extensions to UI also had significant stimulative economic affects that aided in the economic recovery. [Analysis](#) from Moody's Analytics in January 2021 estimated that each dollar invested into new unemployment insurance benefits at that time would result in \$1.49 in economic activity during the fourth quarter of 2021. Other research into the enhanced benefits for unemployment compensation during the pandemic is still evolving, but the now-expired additional benefits enacted during the pandemic [did not discourage](#) returning to employment for more than a small fraction of workers. Several researchers noted this [impact was much smaller](#) than recent child care limitations and the impact of COVID-19 illness directly related to the workforce, and that ending benefits early may have reduced worker's abilities to afford usual household expenses.

The [uneven employment losses](#) by industry from the COVID-19 pandemic also highlighted additional uneven effects. Certain racial and ethnic groups, including individuals identifying as Black, African American, Hispanic, or Latino faced higher levels of unemployment. During mid-2020 in New Hampshire, women made up a [greater portion](#) of unemployment compensation claims than men, comprising over 58 percent of claims. UI benefits, including expanded benefits, provided assistance to these groups that were disproportionately impacted by the employment losses caused by the pandemic. While the labor market has not fully recovered to pre-pandemic levels, as the [labor force](#) for December 2021 is about 4 percent smaller than December 2019, UI [supported](#) many individuals and families, and the economy, throughout the most challenging times of the pandemic and the recovery so far.

LOOKING AHEAD

Unemployment insurance supports workers, their families, and the economy during times of employment loss and economic recession. Recent research [indicates](#) that increased duration of unemployment benefits helps workers find jobs that are a better match for their skills and educational attainment, and can lead to increased earnings when new employment is obtained. This research also shows that workers with lower levels of education, workers of color, and women see greater benefits in post-unemployment job matches when unemployment is extended during and following a recession. Robust and longer-duration UI benefits may be especially important if subsequent employment losses associated with new phases of the pandemic or with future economic downturns occur, particularly for the individuals and families that were disproportionately impacted by the COVID-19 crisis.

Investments made into UI support during the Great Recession and during the COVID-19 pandemic so far have provided more economic stimulus than the value of the investments into benefits, indicating the significant role of unemployment aid in [supporting](#) economic recoveries. Helping ensure that unemployment insurance supports job seekers, individuals retraining and retooling their skills, and those facing temporary or permanent layoffs will mitigate the hardships that families and individuals may face while supporting local economies during both the ongoing economic recovery and future economic declines.

- *Michael Polizzotti, Policy Analyst*