

LEGISLATIVE REPORT

2023 Impact of increasing the minimum weekly benefit amount

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Executive Summary

During the 2021 legislative session, lawmakers raised Washington's minimum weekly benefit amount (MWBA) for unemployment insurance (UI) claimants through passage of [ESSB 5061](#). The minimum and maximum weekly benefit amounts (WBAs) are adjusted each year on June 30, by calculating the average weekly wage for the preceding calendar year. Since the average weekly wage tends to increase each year, the WBAs tend to increase each year as well.

On July 1, 2021, the MWBA increased for the first time as a result of this policy change for two reasons: the average weekly wage increased, and the percentage used to calculate the MWBA increased from 15% to 20%. The MWBA has subsequently increased each year since passage of this policy change, as follows:

- 2021, \$295 per week
- 2022, \$316 per week
- 2023, \$323 per week

The 2024 MWBA will be set on June 30, 2024

In accordance with [RCW 50.12.355](#), this report provides an analysis of the changes in UI benefits and claim duration due to the MWBA increase.

Highlights include:

- Since passage of this policy change, average wage replacement for MWBA recipients has remained consistent.
- For many MWBA recipients, the amendment to [RCW 50.20.120](#) increased the amount they could claim per week but decreased the total number of weeks in which they could claim benefits. Among recipients of the MWBA, roughly 65.1% of claimants included in this study period did not receive an increase in total allowable benefits. As a result, their payments were “frontloaded”, meaning the same total amount of benefits were paid to them at a quicker rate.
- Employment Security proposes additional peer-reviewed research on employment outcomes of MWBA recipients.

Background

Calculating a claimant's benefit amount

When a worker successfully registers for unemployment insurance, Employment Security calculates their WBA and the total amount of compensation they can receive over the course of their claim. This calculation is based on the claimant's earnings and hours worked in each of the five quarters preceding the quarter of UI registration.¹ The first step in this calculation is to identify a worker's "base year."

Base year. The base year is the first four calendar quarters of the five quarters prior to the quarter of their claim. If a claimant worked fewer than 680 hours in their base year, Employment Security uses an alternative base year, which is the four quarters preceding the claim. If they worked fewer than 680 hours in both four-quarter periods, they are not eligible for unemployment insurance.

Weekly benefit amount calculations in 2021. The WBA is the average of the dollar amount earned in the two highest earning quarters in the base year or alternative base year, multiplied by 0.0385 (1/26, rounded). If that amount is below the MWBA, the claimant receives the MWBA. If that amount is above the maximum WBA, the claimant receives the maximum WBA.

Maximum benefit amounts. After determining a claimant's WBA, Employment Security calculates the total amount of benefits they can receive over the course of their UI claim. It is the smaller of two values:

- 26 times the WBA.
- One-third of the total gross earnings in the base year or alternative base year, whichever is used in the WBA calculation.

Weekly Claim. After successfully registering for UI, claimants must submit additional applications for compensation, called weekly claims. Claimants may only submit one claim per week. Each weekly claim is appraised individually and could be successful or unsuccessful. A successful weekly claim generally results in compensation equal to the WBA. Claimants may file up to 52 applications for compensation and typically may receive up to 26 weeks of benefits.

¹ For more information on how the weekly benefit amount is calculated, see esd.wa.gov/unemployment/calculate-your-benefit. The website reflects the current process, not necessarily the process that existed in 2021.

Benefit year. The 52-week period in which claimants may file weekly claims is called their benefit year. It begins the Sunday of the week the worker applies for unemployment benefits.²

Example calculation

A hypothetical UI claimant earns \$9,000 in the first quarter of their base year, \$10,000 in the second, \$11,000 in the third, and nothing in the fourth. The two highest base-year quarterly earnings are \$10,000 and \$11,000.

- This claimant's WBA would be \$404 per week, since the average of 10,000 and 11,000 is 10,500, and 10,500 times 0.0385, rounded down, is 404.
- The total amount of UI compensation this claimant could receive is \$10,000, even though 26 times \$404 is \$10,504. That's because one third of their base year earnings is \$10,000, which is less than \$10,504.
 - They would receive \$404 for 24 weeks, and \$204 in week 25.
 - The total number of weeks they could claim would be 25, since they would reach \$10,000 in benefits at that point.

Wage replacement

Since passage of this policy change, average wage replacement of MWBA recipients has remained consistent.

| Year | Average weekly wages of MWBA recipients during base year employment | MWBA | % wage replacement |
|------|---|----------------|--------------------|
| 2021 | \$446 per week | \$295 per week | 66% |
| 2022 | \$486 per week | \$316 per week | 65% |
| 2023 | \$497 per week | \$323 per week | 65% |

² For more information, see the Unemployed Worker Handbook: media.esd.wa.gov/esdwa/Default/ESDWAGOV/Unemployment/ESD-Handbook-for-Unemployed-Workers.pdf

Frontloading

As a result of the policy change in 2021, some claimants are eligible for fewer total weeks of benefits.

In practice, for most MWBA recipients in 2021, the amendment to RCW 50.20.120 increased the amount they could claim per week but decreased the total number of weeks in which they could claim benefits. A claimant whose maximum benefit amount was \$7,670 (\$295 times 26), and who received \$295 per week, would exhaust their benefits in 26 weeks. However, if their maximum benefit amount was less than \$7,670, and they claimed \$295 per week, they may have exhausted benefits more quickly.

Claimants in 2021 fell into one of four groups:

| Those who received: | % of total MWBA recipients |
|---|----------------------------|
| Frontloaded benefits without increasing the maximum benefit amount. | 65.1% |
| An increase to their maximum benefit amount, without frontloaded benefits. | 18.5% |
| An increase to their maximum benefit amount with frontloaded benefits. | 13.3% |
| Neither an increase to their maximum benefit amount nor frontloaded benefits. | 3.1% |

Figure 1. Weekly cohort averages of the number of weeks before exhaustion, split into the group of claimants with WBAs \leq \$295 per week and the group of claimants with WBAs $>$ \$295 per week, with smoothed lines of best fit and 95% confidence intervals.

Washington state, July 1, 2021, through Dec. 31, 2021

Source: Employment Security Department/DATA

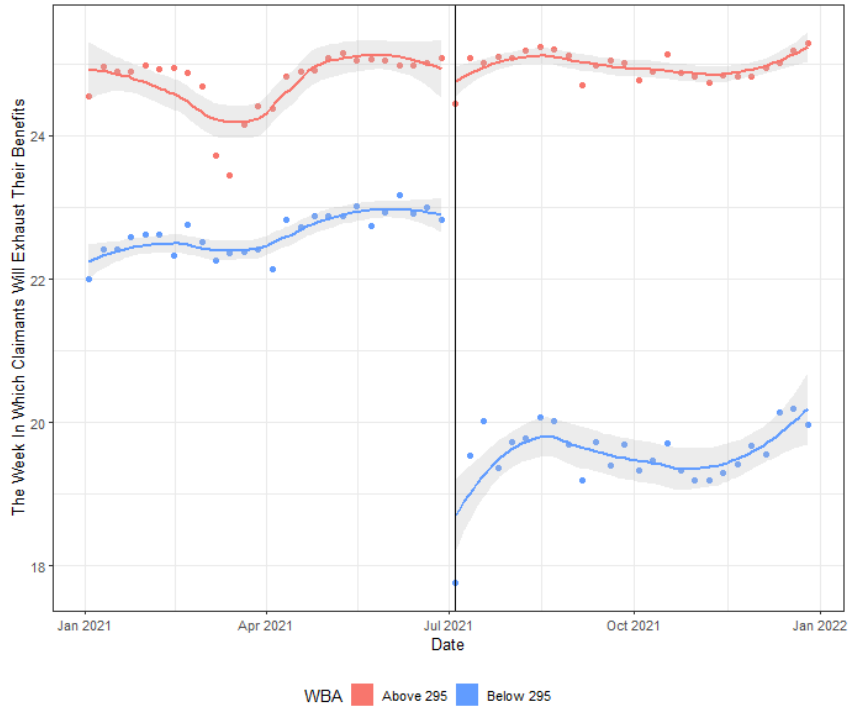


Figure 1 is a plot of the number of weeks that a claimant can receive the WBA before exhausting their benefits, depicting weekly-cohort averages. The averages depicted by blue dots are those for the group of claimants with WBAs less than or equal to \$295 per week. The averages depicted by red dots are those for the group of claimants with WBAs greater than \$295 per week. Both sets of averages are accompanied by a smoothed line of best fit and 95% confidence interval.

When the MWBA increase occurred, depicted by a vertical line on Figure 1, there was a large decrease in the number of weeks MWBA recipients could claim before exhausting benefits. On average, the maximum benefit amount for MWBA recipients who claimed between July 1 and Dec. 31, 2021, was \$5,623.53. This amount was exhausted in 20 weeks, as claimants got the MWBA of \$295 for 19 weeks, and an additional payment of \$18.53 in the 20th week. The increase in the MWBA reduced the number of weeks that MWBA recipients could receive compensation before exhausting their benefits by 3.0 weeks. However, for people with WBAs greater than \$295 per week, no such decrease occurred.

This reduction in the de facto UI claim duration is another major way in which ESSB 5061 impacted MWBA recipients. When UI claimants can receive more money per week, but for fewer weeks, it is called frontloading the benefits. Most MWBA recipients had their benefits frontloaded by ESSB 5061.

Figure 2. Number of weeks reduced before exhaustion for MWBA recipients with claim effective dates in quarters three and four of 2021.

Washington state, July 1, 2021, through Dec. 31, 2021

Source: Employment Security Department/DATA

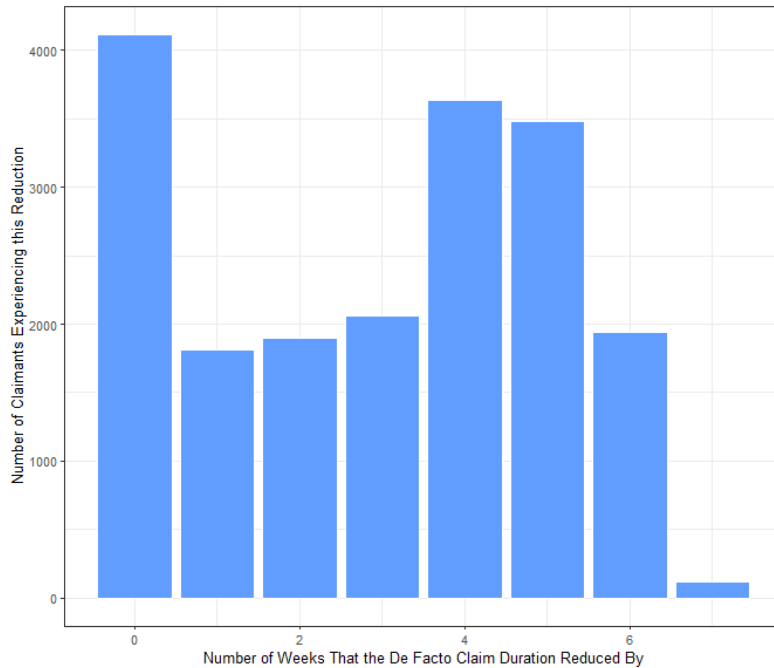


Figure 2 is a plot of MWBA recipients' degree of frontloading – i.e., the decrease in the number weeks before exhaustion. Out of the 19,553 total MWBA recipients with benefit years starting in quarters three and four of 2021, 4,111 (21.0%) had no reduction in the number of weeks before exhausting their benefits, 1,810 (9.3%) experienced a one-week reduction; 1,895 (9.7%) experienced a two-week reduction; 2,058 (10.5%) three, 3,614 (18.5%) four; 3,461 (17.8%) five; 1,938 (9.9%) six; and 121 (0.6%) experienced a seven-week reduction. For all claimants that experienced a reduction, the average reduction was 3.76 weeks.

Sample Set

The analysis on frontloading contained in this report includes information on all 273,289 UI claimants whose benefit year began in 2021 and concluded by 2023.

One major difference between this report and the 2022 report is the timeframe studied. As stated earlier, the 2022 report analyzed only claimants whose benefit years began between April 1, 2021, and Aug. 8, 2021. This report captures all UI claimants with benefit years

beginning in 2021, thereby tripling the sample size for this analysis compared to that of the 2022 report.

There were 4,772 UI claimants who received the MWBA of \$295 per week included in the analysis for the 2022 report. There are now 19,008 MWBA recipients included in this analysis, all of whom would have received a WBA lower than \$295 per week in the absence of ESSB 5061.³

The larger sample size also included people who claimed in fall and winter and tended to have characteristics different from those who claimed in the spring and summer. MWBA recipients who claimed in fall and winter were roughly twice as likely to come from the agricultural sector. They were also less likely to have a college degree (8.9% of fall and winter MWBA recipients compared to 11.3% of spring and summer).

By studying all UI claimants in 2021, instead of just claimants who began their benefit year between April 1 and Aug. 8, Employment Security staff can produce more generalizable results. These results can generalize more readily to other years (instead of just spring and summer of other years).

Methods & Continued Research

The analysis employed in this report differs from the one used in the 2022 report. In this report, Employment Security staff present descriptive results. The department intends to follow this model for its 2024 report.

In the coming years, as Employment Security collects and analyzes more data, study results and conclusions will change. Employment Security staff will apply rigorous econometric methods to analyze how changes to the MWBA affected recipients' outcomes such as reemployment, wages, hours worked, and UI compensation in the year following their UI claim, for a full analysis of claimant impact in 2025. In addition to continued research, peer review is needed. Employment Security staff intend to follow the publication process, which includes receiving and incorporating expert feedback on the econometric methodology.

³ An additional 545 UI claimants in quarters three and four of 2021 received the MWBA and would have still received a WBA of \$295 in the absence of ESSB 5061.

With this additional research and peer review, Employment Security will be able to draw more definitive conclusions about the impact of the MWBA increase on claimants for inclusion in future reports.

In particular, Employment Security is interested in understanding employment outcomes of individuals who are recipients of the MWBA, and the degree to which outcomes differ among individuals who are impacted by “frontloading” and receive fewer payable weeks, compared to their counterparts who are not impacted in this way.

To do this, Employment Security intends to work closely with the department’s Unemployment Insurance Advisory Committee (UIAC) as this research continues.

UI advisory committee perspectives

RCW 50.12.355(3) directs the Department to “use an existing unemployment insurance advisory committee comprising of members of business and members of labor to consult in the development of this report, including any evidentiary assumptions underlying the report. The report must be specifically discussed in a minimum of two meetings of the committee each year prior to submitting the report. The report must also include a section for committee members to respond directly to the contents of the report.”

Employment Security discussed the report at Unemployment Insurance Advisory Committee meetings on Sept. 11, 2023, Oct. 18, 2023, and Dec. 6, 2023. As a result of feedback provided in these engagements, Employment Security revised its approach. The following comments reflect committee member perspectives on the revised report.

Business:

Labor:

Community: