

# Unemployment wage replacement rates

The percentage of lost wages Alaska replaces is lowest in U.S.

By **LENNON WELLER**

Unemployment insurance benefits are intended to cover a meaningful portion of a person's lost wages, and the federal government recommends a target wage replacement rate of 50 percent.

The average national wage replacement rate was about 40 percent in 2017, meaning the average U.S. claimant received 40 cents for every dollar in lost wages. (See Exhibit 1.)

Alaska's rate was 28.8 percent, or about 29 cents on the dollar, putting us in 52nd place nationally behind all states as well as Washington, D.C. and Puerto Rico.

In 2009, the last time Alaska increased the maximum weekly benefit, the wage replacement rate was 29.6 percent. The rate rose for the next few years, reaching a high of 30.9 percent in 2013, then declined to its current level.

## Alaska uses a schedule rather than target rate

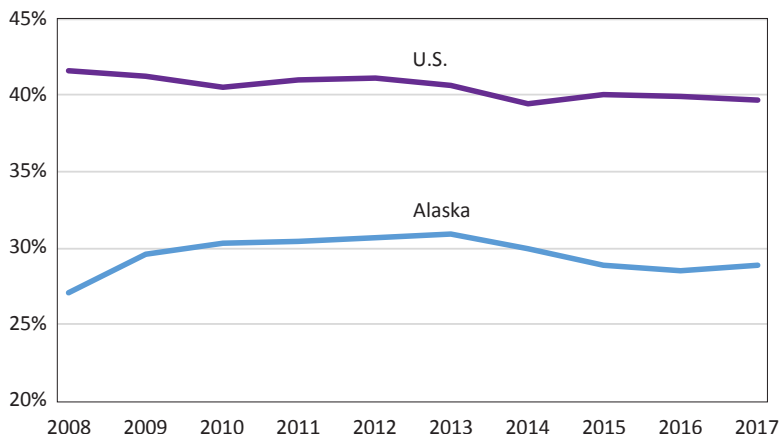
By statute, Alaska uses a fixed table rather than a target replacement rate.

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# 1

## Alaska's Rate Peaked in 2013

WAGES REPLACED BY UNEMPLOYMENT BENEFITS, 2008-2017

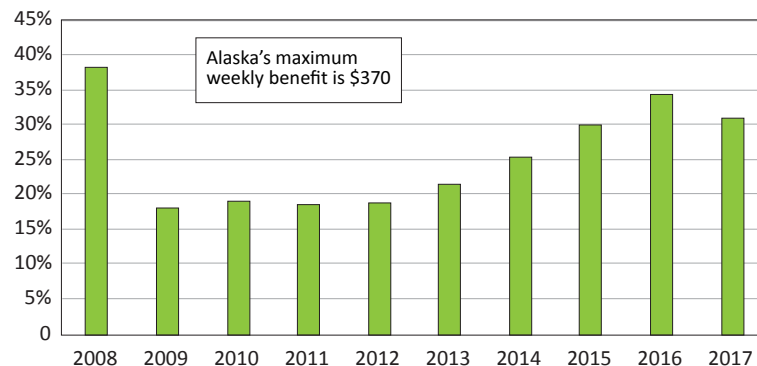


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

# 2

## Percent Receiving Maximum Benefit

ALASKA UNEMPLOYMENT INSURANCE CLAIMANTS, 2008-2017



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

# WAGE REPLACEMENT RATE

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ment rate to determine amounts. To qualify for benefits, someone filing in Alaska must have earned at least \$2,500 in annual wages, and at that minimum wage level, the schedule provides \$56 in weekly benefits.

The maximum weekly benefit, in place since 2009, is \$370<sup>1</sup> and applies to someone who earned \$41,750 or more.

Alaska's average weekly benefit in 2017 was \$253.37, based on an average weekly wage of \$1,009.19. To reach 50 percent replacement at that average wage, the benefit would have to be \$504.59.

## Replacement rate varies by base period wage level

While Alaska has never come close to the suggested 50 percent replacement rate overall, the schedule's replacement rates are around 50 percent or higher at all wage levels except the maximum.

At the low end of the schedule (\$2,500 in qualifying wages), the replacement rate is 116 percent, and at the high end (\$41,750), it's 48.5 percent.

Because the benefit is capped from there, the wage replacement percentage goes down as a claimant's qualifying earnings increase beyond \$41,750.

## About 30 percent of claimants receive the maximum benefit

In 2008, 38.5 percent of all Alaska claimants received the maximum benefit, which was \$248 per week. The following year, when the state increased the maximum to \$370, the share receiving it dropped to just 18.2 percent. It climbed after that, and by 2017, just over 30 percent of claimants received the maximum weekly benefit. (See Exhibit 2 on page 13.)

<sup>1</sup>This does not include any dependent allowance, which is added to the weekly benefit. The wage replacement rate does not figure in dependent allowances.

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