



# Indexing Unemployment Insurance

## What is Unemployment Insurance?

Unemployment insurance (UI) was established in 1935 as part of the Social Security Act. Oklahoma enacted legislation in 1936 to begin administering benefits. The Oklahoma Employment Security Commission (OESC) is charged with collecting unemployment insurance taxes from employers for financing payment of benefits to jobless Oklahomans.

Unemployment insurance (UI) is intended to offer individuals financial assistance during periods of unemployment. It helps individuals stay financially afloat, while stabilizing the economy, especially during recessions.

- **Federal Role:** The federal government, through the U.S. Department of Labor, administers the terms and conditions of unemployment insurance programs. Federal funds support the administration aspects of the program (day to day operations, workforce training programs, etc.).
- **State Role:** States run their own UI programs with oversight from the federal government. States set the eligibility criteria and benefit levels, including amount and duration of benefits. The costs of the benefits are funded by payroll taxes paid by employers. The taxes go into a fund called the unemployment insurance fund (UI fund). The funds in the UI fund can only be used to pay for unemployment benefits.

## What is Indexing?

Indexing is the tying of UI benefits to economic conditions in the state. During times of low unemployment, an unemployed individual would receive fewer weeks of benefits. When unemployment rates are high, like during the pandemic, an unemployed individual's weeks would increase.

Indexing unemployment benefits encourages individuals to return to work sooner and protects the state UI funds for those truly unable to find work.

## Why Should Oklahoma Index Unemployment Benefits and Provide Workforce Training?

- Encourage unemployed individuals to find work when there are job opportunities in good times while ensuring there are benefits during the bad times.
- Replenish and stabilize Oklahoma's UI fund - it took a significant hit at the height of the COVID-19 pandemic.
- Ensure UI funds and additional weeks are there for unemployed individuals when they are most needed.

