

Dependent Allowance

This brief is part of the Unemployment Insurance Policy Hub created by the National Employment Law Project as a reference guide for state advocates to support efforts that will strengthen the economic security of workers and their families. For other Policy Hub resources, see www.uipolicyhub.org.

Unemployment Insurance (UI) Dependent Allowance Definitions

Average Weekly Benefit Amount: The average amount of money that workers receive each week in unemployment insurance (UI) benefits.

Average Weekly Wage: The average amount of wage or salary compensation paid weekly to workers in positions covered by the UI system. Excluded from this average are the earnings of independent contractors and self-employed workers, who are not covered by the UI system, as well as the earnings of federal employees, who are covered by a separate unemployment system.

Dependent Allowance: A weekly benefit that parents and family caregivers may receive on top of their regular UI benefits. The allowance, also known as a “dependent benefit,” is based on the number of dependents a worker claims.

Maximum Benefit Amount: The most money a worker can legally receive each week in UI benefits in a given state. State laws determine the maximum and whether it is a fixed dollar amount or a proportion of the state’s average weekly wage.

Minimum Benefit Amount: The lowest amount of money a UI-eligible worker can legally collect each week in UI benefits. State laws determine the minimum and whether it is a fixed dollar amount or a proportion of the state’s average weekly wage.

Replacement Rate: The share of a worker’s prior wages that are replaced by UI benefit payments. Nationwide, UI replaces less than 40 percent of workers’ wages on average.

Overview

Unemployment insurance (UI) benefits are meant to enable workers and their families to meet their needs while searching for work. Yet, on average, UI benefits only replace roughly 40 percent of a worker’s pre-layoff wages. This amount is insufficient to afford basic necessities, particularly for underpaid workers and workers of color who, due to systemic racism, have been segregated into underpaying occupations and have less savings and support to draw from. Underpaid parents and family caregivers are particularly harmed as

they generally need to use their full salary to make ends meet. Households with children are much more likely to face housing insecurity when a job is lost.¹ And nondiscretionary expenses, such as childcare, diapers, groceries, and medical prescriptions, are higher for workers caring for dependents. Women of color disproportionately feel the impact of low UI benefit amounts, as they are overrepresented in underpaid jobs and make up a disproportionate share of single-parent households. As a targeted solution, dependent allowances can increase equity and ensure that workers—particularly single mothers of color—can support themselves and their families when they are between jobs.

A dependent allowance provides parents and other caregivers with additional weekly benefits on top of their regular UI based on the number of dependents they claim. As of 2021, there were 13 states with dependent allowances: Alaska, Connecticut, Illinois, Iowa, Maine, Maryland, Massachusetts, Michigan, New Jersey, New Mexico, Ohio, Pennsylvania, and Rhode Island. However, there is significant variation among the states in how they define a “dependent” and how they calculate the weekly amount workers receive. In fact, in many states dependent allowances are almost meaningless—certain state legislatures have severely restricted who is considered a dependent, how many dependents a worker can claim, and the amount workers can receive for each dependent.

Defining dependents

Current state laws providing for dependent allowances are tailored to meet the needs of the traditional “nuclear family” model and do not recognize the full breadth of caregiving and familial relationships workers experience. Every state with a dependent allowance makes the benefit available to unemployed workers with a child under the age of 18. However, there is some variation in who is considered a child.

All states except Massachusetts consider a stepchild a dependent, but only 10 states also include adopted children. A couple of states—Iowa and Michigan—use more inclusive definitions of “dependent,” but they only apply under certain circumstances. In Michigan, a parent over the age of 65 or who is permanently disabled from work may be considered a dependent. Similarly, unemployed workers can claim a sibling as a dependent in Michigan, but the sibling must be under 18, orphaned, or have living parents who are also claimed as dependents by the same worker. Similarly, Iowa adopts a more expansive definition, allowing siblings, parents, cousins, and individuals who have lived in their home as a member of their household for a whole year.² The state allows spouses to receive a dependent allowance, provided they do not earn more than \$120 in gross wages in one week. States will not only look at the familial relationship, but also consider whether the person receives enough financial support to be considered a dependent. Generally, states will require that the person receives at least half of their financial support from the worker to be considered their dependent.

Exclusive definitions of “dependent” can disproportionately impact immigrant workers who are more likely to live in multigenerational households and provide care for multiple family members other than, or in addition to, minor children.³

Calculating the amount of the dependent allowance

There is great variety and disparity in how states calculate the amount workers receive as a dependent allowance. Generally, states set a weekly allowance per dependent, either as a fixed sum or as a percentage of their weekly benefit amount (WBA). Massachusetts and New

Mexico both offer weekly allowances of \$25 per dependent while New Jersey offers 7 percent of a worker's WBA for their first dependent and 4 percent for each of the next two dependents.

All states have additional restrictions, such as limiting the amount or type (e.g., child or spouse) of dependents a worker can claim and capping the total amount a worker can receive when the dependent allowance is added to their regular UI benefits. Some states also restrict dependent allowances based on minimum and maximum WBA. These formulas can be especially harmful in states with a low maximum benefit and for underpaid workers receiving the minimum WBA. For example, Ohio offers a sliding scale of \$1–\$155 in weekly allowance per dependent, with the most low-paid workers can receive being capped at \$0, effectively barring them from receiving it, but higher-paid workers can receive up to \$155 total per week.

Due to these restrictions, many workers never receive the full amount. These overly restrictive limits dilute the benefit of dependent allowances.

Potential Impact on employers' experience rating

As discussed more in depth in our [financing and solvency brief](#), the UI system is “experience rated,” which means that employers are taxed at different rates based on their “experience” with unemployment. Or, in other words, based on the UI benefits paid out to their former employees. This means that generally employers will also be charged for any dependent allowance. However, states can choose to not charge employers for the dependent allowance amount.⁴ For example, both [Connecticut](#) and [New Mexico](#) do not charge employers for the dependent allowance amount. The current health of the state's trust fund will be a factor in determining whether to charge or not charge employers for the dependent allowance.

Federal Requirements and Guidance

There are no federal laws related to dependent allowances. States have broad flexibility to decide the benefit amount, who is considered a dependent, and under what conditions workers are eligible for the additional benefit.

If a state implements a dependent allowance, the additional amount is considered part of a worker's benefit amount and is subject to the same due process requirements as regular UI benefits. This means states must also provide proper notice and appeal rights.

Policy Recommendations

Dependent allowances offer a targeted way for states to improve equity within the UI system and ensure UI benefits meet the needs of working parents and family caregivers. Yet, few states provide dependent allowances and states with dependent allowances tend to have overly complicated processes and restrictive standards. Below are key policy reforms that can either improve current laws or provide a template for states seeking to enact a dependent allowance. Our suggestions fall into three categories: broad and inclusive dependent definitions, adequate and progressive funding calculations, and improved data collection and reporting. States should:

- 1. Broaden and expand dependent definitions.** Workers should be able to receive a dependent allowance for all the people they care for and who depend on their income to survive. States should establish simple processes for determining dependents. This would ensure workers can easily understand what they are entitled to and ease administrative burdens for state agencies.

Michigan offers one of the best examples of coverage among the states with dependent allowances. In addition to an expansive definition of dependent children, the state allows spouses, parents over 65 or permanently disabled from gainful employment, siblings (orphaned or whose living parents are dependents, either under 18 or full-time student under the age of 22), and a maximum number of five dependents. However, the state's benefit amount is too low at just \$6 per dependent per week. The following are recommendations for who should be considered dependents when they receive at least half of their financial support⁵ from the worker:

- Not only biological children but also adoptive, foster, stepchildren, and any other child the worker stands *in loco parentis*⁶ to.
 - Minor children (under 18) and those over 18 who are attending full-time school (up to the age of 26).
 - A person who is 60 years of age or older.
 - A person over 18 with a physical or mental disability that requires care.
 - A spouse or domestic partner.
- 2. Establish an adequate and equitable dependent allowance amount.** Dependent allowances should reflect parents' and other caregivers' real dependent obligations and enable them to meet their financial needs. Thus, there should not be a cap on the number of eligible dependents.

Of the states with dependent allowances, Massachusetts and Illinois offer more generous amounts overall. Massachusetts offers \$25 per dependent with a cap of half of the worker's WBA.⁷ Illinois uses a sliding scale of \$26–\$178, with \$26 the maximum dependent allowance for minimum WBAs and \$178 the maximum dependent allowance for maximum WBAs.⁸

Below we provide three options for the dependent allowance amount and its calculation.

- **Option 1: Flat-rate dollar amount increases annually based on consumer price index.** Under this option, the unemployed worker would receive a dependent allowance of a flat dollar amount per dependent—we recommend at least \$50. The amount would be increased annually to represent the percent change in the consumer price index published in the preceding year.
- **Option 2: Percent of the state's annual average weekly wage.** Another option for states is to provide a dependent allowance for each dependent based on a percentage of the state's average weekly wage. We recommend using a percentage of your state's average weekly wage that would equate to at least \$50 (based on 2021 average weekly wages, this is likely around 4 percent, but should be customized based on your own state's average weekly wage).

- **Option 3: Percent of the state’s annual average WBA.** Unemployed workers could receive a dependent allowance based on a percentage of the state’s average weekly benefit amount for each dependent. We recommend a percentage of the average weekly benefit amount that would equate to at least \$50 (based on 2021 average weekly benefit amounts, this is likely around 25 percent, but should be customized based on your own state’s average weekly benefit amounts).

3. Improve data collection and reporting. More publicly available data on dependent allowances is crucial for measuring program success and ensuring it meets workers’ needs. States should be collecting and reporting data on the current and total number of workers utilizing a dependent allowance, the average dependent allowance amount, the average number of dependents that workers claim, and the amount and reason for any challenge to a dependent allowance, the basis for the challenge, and outcome of the challenge. This data should be disaggregated by race, ethnicity, gender, and income levels.

Use NELP’s [dependent allowance model state legislation](#) to help draft a bill to implement many of these policy recommendations. Please note that the process of drafting legislation can vary depending on state-specific legal and policy issues. For example, existing state UI law may use certain terms or phrases that the model language would not reflect. Similarly, different states’ laws may not include all sections in the model state legislation.

Research Findings and Arguments to Support Reform

Dependent allowances support economic growth.

While there is limited data available on the impacts of dependent allowances, studies have shown that UI—especially in states that provide livable benefit amounts—leads to faster economic recovery by supporting local and state economies. For example, after the Great Recession, economists found that every \$1 of unemployment generated \$1.61 for state and local economies;⁹ adjusting for inflation, this impact is higher today.

Because UI benefits only replace a portion of lost wages, dependent allowances provide a crucial level of support for families. Current UI benefit amounts are commonly understood to be far too low. Given the insufficiency of UI, Congress rushed to create a supplemental benefit to support the millions of workers unemployed due to the COVID-19 pandemic. Federal Pandemic Unemployment Compensation (FPUC) provided workers with an additional \$300 per week (initially \$600). Recent studies of this expanded pandemic UI program have demonstrated how increased benefits propel economic growth.

As we described in [7 Things We Learned About Unemployment Insurance During the Pandemic](#), when some states prematurely ended FPUC, household spending dropped drastically. Specifically, for every dollar of reduced benefits, household spending fell by 52 cents.¹⁰ On average, workers who lost these benefits lost \$264 net income per week and spent \$145 less per week. The Economic Policy Institute found that the elimination of federal unemployment expansions caused an estimated \$144.3 billion of loss in income and a \$79.2 billion decline in consumer spending nationwide.¹¹ The loss of the federal expansions also slowed national gross domestic product growth in the third quarter of 2021, according to the US Department of Commerce Bureau of Economic Analysis.¹²

Dependent allowances are an anti-poverty tool.

Prior to the pandemic, two-thirds of working mothers were breadwinners or co-breadwinners for their families. Mothers of color and women in low-wage jobs are most likely to be the breadwinners for their families and less likely to be co-breadwinners.¹³ Because of structural racism and sexism in the labor market, women—especially women of color—are often in precarious, inflexible, and underpaying work, causing more frequent and longer unemployment spells, which in turn leads to more barriers to employment.¹⁴ For those who are even eligible for UI, many women will receive unemployment benefits that only replace a small portion of lost wages. Dependent allowances are crucial for filling in these gaps and supporting families.

As we have argued in a previous [report](#), dependent allowances are a powerful anti-poverty tool. Households with children are much more likely to face food and housing insecurities when a job is lost. Even before the COVID-19 economic crisis, nearly 1 in 10 children in America lived in deep poverty, although that figure was closer to 1 in 5 for Black children, largely because of systemic racism.¹⁵ Black and Latinx households endure pay disparities, leaving many struggling with less savings to rely on in times of crisis.¹⁶ When surveyed, many households have indicated that UI is a key income source during times of crisis.

Although a worker's employment situation may temporarily change, their financial commitments do not. Many caregivers have financial needs such as rent, car payments, childcare, tuition, diapers, groceries, student loans, medical prescriptions, and more. These commitments, combined with inadequate UI benefits, can be even more challenging, especially for many single-parent households, compounding an already difficult economic situation.

Dependent allowances can help create an equitable labor market.

Adequate UI benefits can increase or retain caregivers' workforce participation while allowing workers to maintain vital supports. Caregiving challenges and shortages are cited as a top reason for reduced labor-force participation, especially among mothers.¹⁷ In this environment of inaccessible care, Black and Latina women are most significantly impacted by having to shift to part-time work or leave employment completely.¹⁸ Data shows that in times of crisis, mothers of children under five and single mothers are most vulnerable, with many leaving the workforce, struggling to reenter, and experiencing a "lifetime of consequences."¹⁹ Although women's labor-force participation is steadily increasing, we risk losing progress without serious policy interventions. While communities grapple with safe, accessible, and affordable care shortages, dependent allowances can help caregivers maintain their care arrangements while they search for employment or if they are temporarily working part-time.

Data and State Comparison Resources

As of June 2022, there is no national dependent allowance data available, as states are not required to report dependent allowance data to the US Department of Labor (USDOL). Rather, dependent allowances are reported as part of a worker's WBA. If your state has a dependent allowance, you can check your state labor department website to see if they report any data. If the data is not publicly reported, you may be able to request data from the state agency through a public records request.

Compare state dependent allowances.

Consult USDOL's annual [Comparison of State Unemployment Insurance Laws](#) Chapter 3-20 for a detailed comparisons of states' dependent allowances, including:

- The current state definitions of a dependent (Table 3-9)
- The amount of various state dependent allowances (Table 3-10)

For an overview chart of key statistics on state UI programs, including quick comparisons of each state's WBA, see USDOL's annual [Significant Provisions of UI State Laws](#). Both of these resources are updated annually, so table references may change.

Evaluate your state's Benefit Accuracy Measurement data.

To learn the amount of dependent allowance overpayments, you can view your state's Benefit Accuracy Measurement data. Check your state labor agency website or USDOL's [website](#). This data includes fraud and agency error. Nationally, dependent allowances have the lowest overpayment rate.

Understand your state's household economic conditions.

The [United States Census Bureau](#) conducts a variety of surveys to understand economic conditions, including the [Current Population Survey](#) and the Census Household Pulse survey, which measures household experiences including food, housing, and childcare security.

Calculate the cost of living in your state.

Economic Policy Institute's [Family Budget Calculator](#) is a helpful tool for breaking down the average cost of living (including childcare expenses) in a city by household type and size. This can demonstrate the need for increased dependent allowances.

Understand economic impacts by demographics. To view [national or state unemployment rates by race and ethnicity](#), Economic Policy Institute offers a quarterly breakdown. The US Bureau of Labor Statistics also releases national monthly [Employment Situation data](#), including a breakdown by race and sex.

References and Essential Articles

Dependent allowances

Josh Bivens et al., *Reforming Unemployment Insurance: Section 5 Benefit Levels*, Center for American Progress, Center for Popular Democracy, Economic Policy Institute, Groundwork Collaborative, National Employment Law Project, National Women's Law Center, and Washington Center for Equitable Growth, July 2021, starting at 90, <https://www.nelp.org/publication/reforming-unemployment-insurance-stabilizing-a-system-in-crisis-and-laying-the-foundation-for-equity/>.

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Monée Fields-White, Vivian Graubard, Alberto Rodríguez, Nikki Zeichner, and Cassandra Robertson, *Unpacking Inequities in Unemployment Insurance*, New America, September 17, 2020, <https://www.newamerica.org/pit/reports/unpacking-inequities-unemployment-insurance/unemployment-insurance-isnt-enough-to-keep-the-family-fed>.

Benefit amounts fail to cover basic household expenses

Liz Hipple and Alix Gould-Werth, *Weak Income Support Infrastructure Harms U.S. Workers and Their Families and Constrains Economic Growth*, Washington Center for Equitable Growth, August 5, 2021, <https://equitablegrowth.org/weak-income-support-infrastructure-harms-u-s-workers-and-their-families-and-constrains-economic-growth/>.

Additional talking points for expanding dependent coverage

Fact Sheet: The Importance of Inclusive, Realistic Family Definitions for Paid Leave, A Better Balance: Recognizing All Families, June 21, 2022, <https://www.abetterbalance.org/our-issues/recognizing-all-families/>.

Endnotes

¹ Brynne Keith-Jennings, Catlin Nchako, and Joseph Llobrera, “Number of Families Struggling to Afford Food Rose Steeply in Pandemic and Remains High, Especially Among Children and Households of Color,” Center on Budget and Policy Priorities, April 27, 2021, <https://www.cbpp.org/research/food-assistance/number-of-families-struggling-to-afford-food-rose-steeply-in-pandemic-and>.

² See Iowa Admin. Code R. 871-24.2(96)(b)(8).

³ Daphne A. Lofquist, “Multigenerational Households: 2009-2011,” United States Census Bureau, October 1, 2012, <https://www.census.gov/library/publications/2012/acs/acsbr11-03.html>.

⁴ “Comparison of State Unemployment Insurance Laws 2022,” US Department of Labor, 2022, Financing Section, <https://oui.doleta.gov/unemploy/pdf/uilawcompar/2022/financing.pdf>.

⁵ See the IRS test for dependent as an example of how to determine if the person receives half their financial support from the individual to be considered their dependent, <https://www.irs.gov/pub/irs-pdf/p501.pdf>.

⁶ A legal term, meaning a person puts themselves in the situation of a parent by assuming and discharging the obligations of a parent to a child, including day-to-day responsibilities to care for or financially support a child. The in loco parentis relationship exists when an individual intends to take on the role of a parent to a child who is either under 18 or incapable of self-care due to a mental or physical disability. Individuals in loco parentis do not need to have a legal or biological relationship, provided they meet the requirements. Courts have indicated factors in determining in loco parentis status include: the age of the child, the degree to which the child is dependent on the person, the amount of financial support (if any) provided, and the extent to which duties commonly associated with parenthood are exercised.

⁷ See Mass. Gen. Laws. Ann. Ch. 151A, §29(c).

⁸ See 820 Ill. Comp. Stat. Ann. 405/401(C).

⁹ Michelle Evermore, Rachael Kohl, and Dillon Rosen, “Urgent Need for Federal Loans to State Agencies,” National Employment Law Project and University of Michigan, June 8, 2020, <https://www.nelp.org/publication/urgent-need-federal-loans-state-unemployment-agencies/>.

¹⁰ Kyle Coombs et al., “Early Withdrawal of Pandemic Unemployment Insurance: Effects on Earnings, Employment and Consumption,” working paper, August 20, 2021, <https://files.michaelstepner.com/pandemicUexpiration-paper.pdf>.

¹¹ Asha Banerjee and Ben Zipperer, “All Pain and No Gain,” *Working Economics Blog*, Economic Policy Institute, September 17, 2021, <https://www.epi.org/blog/all-pain-and-no-gain-unemployment-benefit-cuts-will-lower-incomes-and-consumer-spending/>.

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¹³ Sarah Jane Glynn, “Breadwinning Mothers Are Critical to Families’ Economic Security,” Center for American Progress, March 29, 2021, <https://www.americanprogress.org/article/breadwinning-mothers-critical-familys-economic-security/>.

¹⁴ Brooke LePage, “Women’s Jobs Are Being Added Back to the Economy—But Many Need Improving,” National Women’s Law Center, June 2, 2022, <https://nwlc.org/resource/womens-jobs-are-being-added-back-to-the-economy-but-many-need-improving/>.

¹⁵ Amanda Novello, “Looming Unemployment Cliff Will Hit Women and People of Color the Hardest,” Century Foundation, December 11, 2020, <https://tcf.org/content/commentary/looming-unemployment-cliff-will-hit-women-people-color-hardest/?agreed=1>.

¹⁶ Steven Brown, “How COVID-19 Is Affecting Black and Latino Families’ Employment and Financial Well-Being,” Urban Institute, May 6, 2020, <https://www.urban.org/urban-wire/how-covid-19-affecting-black-and-latino-families-employment-and-financial-well-being>.

¹⁷ Lauren Bauer, “Mothers are Being Left Behind in the Economic Recovery,” Brookings Institute, May 6, 2021, <https://www.brookings.edu/blog/up-front/2021/05/06/mothers-are-being-left-behind-in-the-economic-recovery-from-covid-19/>.

¹⁸ Katherine Lim and Mike Zabek, “Women of Color and Women with Children Disproportionately Left the Labor Force During the COVID-19 Pandemic,” Federal Reserve Bank of Minneapolis, February 28, 2022, <https://www.minneapolisfed.org/article/2022/women-of-color-and-women-with-children-disproportionately-left-the-labor-force-during-the-covid-19-pandemic>.

¹⁹ Bauer, “Mothers are Being Left Behind.”

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