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Updating Partial Benefits to Encourage Work by Claimants and Fairness for Part-Time Workers

Question: What are partial UI benefits?

Answer: Typically, workers receive unemployment insurance (UI) benefits to protect against hardship during periods of total unemployment and wage loss. However, all states permit workers to receive benefits during periods of partial unemployment, also known as underemployment. Generally, two categories of workers may be eligible for partial UI benefits: 1) employees who experience a significant, temporary reduction in their usual weekly hours and earnings with their regular employer because of a business slowdown; and 2) unemployed claimants who pick up intermittent part-time work with a new employer while they search for other work. State partial UI rules apply to both categories of workers, with some variations.

In general, state UI programs provide that otherwise eligible workers can claim partial benefits as long as they are working part time and earning less than a certain amount of wages each week. Individuals working full time cannot receive partial benefits, regardless of earnings. Weekly earnings limits vary significantly by state. Almost half of states require that weekly part-time earnings be less than the weekly benefit claimants would receive if totally unemployed. In roughly 27 states, the earnings threshold is greater than a worker's full benefit. The table at the end of this section provides a full listing of state partial UI rules.

Question: How do states calculate partial UI benefit amounts?

Answer: To calculate partial weekly benefits, most states take the difference between the claimant's benefit for total unemployment and the value of weekly part-time earnings, after accounting for an *earnings disregard*. The purpose of a disregard is to hasten returns to work. In theory, a claimant is more likely to accept a part-time job if her UI benefit is not steeply offset by her earnings. Table 2 provides a summary of partial benefit rules in all states.”

Earnings disregards also vary significantly by state. Most states disregard a certain percentage of the weekly benefit, while others allow a fixed (often low) dollar amount. Several other states define it as a share of part-time wages, while two others tie to minimum wages. The smaller the disregard, the greater the amount of wages that gets deducted from the full benefit (and vice versa). In many states, the disregard mirrors the value of permissible weekly part-time earnings in excess of the full benefit; while in others, the earnings threshold is capped at the full benefit (or slightly above), regardless of an earnings disregard.

Table 1 below shows how a claimant eligible for a full benefit of \$315 (roughly the current national average; or in Florida and Arizona, the maximum payments of \$275 and \$240, respectively), with weekly part-time earnings worth \$300, would fare in states with a range of partial UI rules. States are sorted according to their maximum benefit levels. Using Idaho as an example, a claimant eligible for a full weekly benefit of \$315 who earns \$300 for 20 hours of work meets the state's rule that claimants earn less than 1.5 times the full benefit (or \$473) working part time. The state disregards earnings worth half of the full benefit, which in this case is \$158. The remaining \$143 in earnings

is then deducted from the full \$315 benefit, leaving a partial benefit of \$173. The claimant takes home \$473 in total (a \$173 partial benefit plus \$300 in earnings). In states with outdated partial UI formulas (NY) or low maximum benefit levels (AZ, FL), the table shows that individuals with low earnings are nonetheless ineligible for partial UI.

Table 1. How an average claimant earning \$300 fares in states with different partial UI rules

State	Part-time earnings must be less than:	Earnings disregard	Amount full WBA reduced	Partial WBA	Total income	Total income/ full WBA
Connecticut	\$473	\$100	\$200	\$115	\$415	1.3
Vermont	\$630	\$150	\$150	\$165	\$465	1.5
New York*	\$425, < 4 days	\$0	\$315	\$0	\$300	1.0
Idaho	\$473	\$158	\$143	\$173	\$473	1.5
Florida	\$275	--	\$275	\$0	\$300	1.1
Arizona	\$240	--	\$240	\$0	\$300	1.3

*Note: New York's formula is based on "effective days" of any work; the table models four days of work

Question: Which states have the strongest partial UI rules?

Answer: By comparing the more generous and more restrictive states' partial UI formulas in some detail, we can best illustrate how the partial benefit formulas summarized in Table 2 function. First, states with more generous partial UI rules will generally deem as partially unemployed anyone working less than full time, and earning less than at least 100 percent of his or her full benefit. For example, claimants in Montana and Vermont who earn less than twice the full weekly benefit are partially unemployed. The threshold in Connecticut, Delaware, and Idaho is 1.5 times the full weekly benefit, and in Arkansas and Pennsylvania, 1.4 times.

Second, these states generally disregard a percentage of part-time wages, rather than a flat dollar amount. This ensures benefits keep up with wage growth. For example, Idaho and Delaware disregard earnings worth 50 percent of a claimant's full benefit, while Arkansas disregards 40 percent (meaning it deducts from the full benefit wages worth 60 percent of that amount). Vermont deducts just half of a claimant's part-time earnings from the full benefit, while Connecticut deducts two-thirds.

In ranking partial UI formulas, a state's maximum weekly benefit plays a key role. Since all states tie the maximum earnings threshold to the claimant's full benefit, those with higher maximum benefits will have more eligible cases. Further, claimants in states with above-average maximums where the disregard is linked to the full benefit may earn relatively higher wages before seeing a deduction in benefits. NELP recommends statutes in Idaho and Connecticut when asked to provide good models for partial UI benefits. Links to these statutes are provided below under the Resources heading.

Question: Which states have the most restrictive partial UI rules? What problems arise for claimants in these states?

Answer: States with less generous partial benefits will generally cap part-time earnings at the claimant’s full weekly benefit. Claimants in states with this rule in place and that pay relatively low benefits are especially disadvantaged. Alabama, Arizona, Florida, Louisiana, Mississippi, and Tennessee all have maximums below \$300. This means that claimants with reasonable part-time earnings cannot receive any benefits at all, even though their total income may be significantly lower than it was before they first lost their job or experienced a work-hours reduction. This restrictive approach discourages claimants from taking interim jobs while claiming UI benefits. Fortunately, Alabama legislators approved legislation in May 2015 that raises the disregard from just \$15—then the second-lowest of all 53 UI jurisdictions—to part-time earnings worth one-third of the claimant’s full benefit, effective July 2015. The remaining states in this group also have among the weakest disregard formulas, usually preferring a flat dollar amount to a portion of wages. Arizona and Mississippi disregard \$30 and \$40, respectively. In spite of potentially high benefits for claimants with dependents, Maine caps earnings at the full benefit plus \$5 and disregards just \$25 of earnings. Michigan deducts a full week of benefit entitlement for each week of partial benefits.

States with low part-time earnings thresholds force claimants offered a part-time job paying more than what their state deems as partially unemployed to choose between accepting the job and earning a fraction more than their full UI benefit, or turning down the interim job. Similar issues emerge as a result of low or no disregards. Unemployed claimants anticipating a steep benefit cut, or its elimination, may elect to stay totally unemployed while they search for permanent full-time work, because the financial incentive to do so is outweighed by the risk of trying a new part-time job.

Question: Why is it important for states have strong partial UI rules?

Answer: The share of employed people working part time for economic reasons (because hours were reduced by their employer or they couldn’t find full-time work), exceeded 6 million individuals in August 2015. These individuals are referred to as underemployed or as involuntary part-time workers. While the number of underemployed people continues to decline from a peak during the Great Recession, it remains elevated compared to levels before the recession. Updating partial UI formulas can assist underemployed workers by increasing their overall income and extending their benefits.

When structured properly, partial UI benefits encourage claimants to work part time while they continue searching for a permanent, full-time replacement. If they accept work, claimants receive lower benefit payments in combination with their earnings. This reduces UI benefit payments. In addition, there is evidence from Norway that part-time employment by UI recipients serves as a bridge to full-time employment as well as reducing UI benefit payments (Godøy, 2014).

Strong partial UI rules also protect workers in low-wage sectors, like retail and restaurants, contending with volatile job schedules in the name of employer “flexibility.” Even if employees experience reduced hours, and low earnings as a result, strong partial benefits can provide continued spending on basic necessities throughout the period of instability. The movement to eliminate unfair scheduling practices is gaining momentum; but it will be a long time before workers, especially low-wage workers, can exert complete control over their job schedules. In the meantime, partial UI benefits are a potentially important source of economic security for part-time workers (Ben-Ishai, 2015).

Resources:

- Liz Ben-Ishai, Rick McHugh, Claire McKenna, “Out of Sync: How Unemployment Insurance Rules Fail Workers with Volatile Jobs Schedules,” Report, National Employment Law Project and Center for Law and Social Policy, Report (August 2015), <http://www.nelp.org/publication/out-of-sync-how-unemployment-insurance-rules-fail-workers-with-volatile-job-schedules/>.
- Connecticut Unemployment Compensation Act, Chp. 567, Sec. 229, <https://www.cga.ct.gov/2011/pub/chap567.htm#Sec31-229.htm>.
- Idaho Employment Security Law, Sec. 72-1312, <http://legislature.idaho.gov/idstat/Title72/T72CH13SECT72-1312.htm>.
- Anna Godøy and Knut Røed, “Unemployment Insurance and Underemployment,” Institute for Study of Labor (IZA) Discussion Paper No. 7913 (January 2014), <http://ftp.iza.org/dp7913.pdf>.
- NELP, New Alabama Unemployment Insurance Law Makes Part-time Work Pay, Blog, National Employment Law Project, <http://www.nelp.org/blog/new-alabama-unemployment-insurance-law-makes-work-pay/>.
- U.S. Department of Labor, “Chapter 3: Monetary Entitlement,” Comparison of State Unemployment Insurance Laws, 2015, <http://www.unemploymentinsurance.doleta.gov/unemploy/pdf/uilawcompar/2015/monetary.pdf>.
- U.S. Department of Labor, Significant Provisions of State Unemployment Insurance Laws, Effective July 2015, <http://www.unemploymentinsurance.doleta.gov/unemploy/content/sigpros/2010-2019/July2015.pdf>.

Table 2. State Partial Unemployment Insurance Rules

State	Earnings from week of less than full-time work must be less than:	Earnings Disregard Amount or Formula:
Alabama	WBA	1/3 WBA
Alaska	WBA*1-1/3+(\$50)	1/4 wages over \$50+(\$50)
Arizona	WBA	\$30
Arkansas	WBA*1.4	2/5 WBA
California	WBA+(Greater of \$25 or 1/3 WBA)	Greater of \$25 or 1/4 wages
Colorado	WBA (and less than 32 hours of work)	1/4 WBA
Connecticut	WBA*1.5	1/3 wages
Delaware	WBA+(Greater of \$10 or WBA*0.5)	Greater of \$10 or 1/2 WBA
District of Columbia	WBA*1.25+(\$20)	1/5 wages+(\$20)
Florida	WBA	8 times federal MW
Georgia	WBA+\$50	\$50
Hawaii	WBA	\$150
Idaho	WBA*1.5	1/2 WBA
Illinois	WBA	1/2 WBA
Indiana	WBA	Greater of \$3 or 1/5 WBA (from other than base period employer)
Iowa	WBA+\$15	1/4 WBA
Kansas	WBA	1/4 WBA
Kentucky	WBA*1.25	1/5 wages
Louisiana	WBA	Lesser of 1/2 WBA or \$50
Maine	WBA+\$5	\$25
Maryland	WBA	\$50
Massachusetts	WBA*1-1/3	1/3 WBA
Michigan	WBA*1.5	For each \$1 earned, WBA reduced by 50 cents (benefits and earnings cannot exceed 1.5 WBA). For every week of partial UI benefits claimed, total weeks of benefits payable are reduced by one full week.
Minnesota	WBA (and less than 32 hours of work)	1/2 wages
Mississippi	WBA+\$40	\$40
Missouri	WBA+(Greater of \$20 or WBA*0.2)	Greater of \$20 or 1/5 WBA
Montana	WBA*2	1/2 wages over 1/4 WBA
Nebraska	WBA	1/4 WBA
Nevada	WBA	1/4 wages

Table 2. State Partial Unemployment Insurance Rules

State	Earnings from week of less than full-time work must be less than:	Earnings Disregard Amount or Formula:
New Hampshire	WBA*1.3	3/10 WBA
New Jersey	WBA+(Greater of \$5 or WBA*0.2)	Greater of \$5 or 1/5 WBA
New Mexico	WBA	1/5 WBA
New York	Work occurring on less than four days in a week and/or paying less than \$425.	None. Any work on a single day reduces WBA by 25%.
North Carolina	Week of less than three customary scheduled full-time days	1/5 WBA
North Dakota	WBA	3/5 WBA
Ohio	WBA	1/5 WBA
Oklahoma	WBA+\$100	\$100
Oregon	WBA	Greater of 1/3 WBA or 10*state MW
Pennsylvania	WBA*1.3	Greater of \$6 or 3/10 WBA
Puerto Rico	WBA*1.5	WBA
Rhode Island	WBA	1/5 WBA
South Carolina	WBA	1/4 WBA
South Dakota	WBA	1/4 wages over \$25
Tennessee	WBA	Greater of \$50 or 1/4 WBA
Texas	WBA+(Greater of \$5 or WBA*0.25)	Greater of \$5 or 1/4 WBA
Utah	WBA	3/10 WBA
Vermont	WBA*2 (and less than 35 hours of work)	1/2 wages
Virgin Islands	WBA*1.5+(\$15)	1/4 wages over \$15
Virginia	WBA	\$50
Washington	WBA*1-1/3+(\$5)	1/4 wages over \$5
West Virginia	WBA+\$61	\$60
Wisconsin	\$500 (and less than 32 hours of work)	\$30+(1/3 wages over \$30)
Wyoming	WBA	1/2 WBA

Sources: U.S. Department of Labor, Comparison of State Unemployment Insurance Laws, 2015, Chapter 3, Monetary Entitlement, Tables 3-8, Partial Unemployment and Earnings Disregarded When Determining Weekly Benefit," available at <http://www.unemploymentinsurance.doleta.gov/unemploy/pdf/uilawcompar/2015/monetary.pdf>, and state workforce agency websites.