Partial Benefits

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) Partial Benefits Definitions

Certification for Benefits: The process by which a state employment agency determines a worker's ongoing eligibility for UI benefits. Every two weeks, via the agency website or by phone, the worker answers eligibility questions (e.g., "Are you able and available for work and activity seeking work?") and reports any earnings from the previous two weeks. Part-time workers must report their gross earnings for a given week whether or not they have been paid yet; the state reduces the weekly benefit amount they would otherwise receive based on their part-time earnings. Workers earning more than the state partial benefits cap are not eligible for UI in that week.

Earnings: The money that is due to a worker in exchange for labor or services.

Earnings Disregard: The portion of a part-time worker's earnings that a state agency will ignore when calculating how much to reduce their weekly benefit amount, resulting in a higher benefit payment than they would otherwise receive. The intention behind the earnings disregard process is to incentivize working part-time while seeking full-time employment.

Gross Earnings: The income earned before the deduction of taxes or other adjustments.

Net Pay: The total pay after all deductions are subtracted from gross earnings, commonly referred to as "take-home pay."

Overpayment: When a state agency finds that it paid a worker UI benefits the worker was not entitled to. Overpayments may occur when workers accidentally report only the amount they have been paid in a week instead of the amount they have earned, or when they accidentally report net pay instead of gross earnings.

Partial Benefits: The reduced UI benefit amount that some workers may be eligible for while working part-time, particularly when they change from full-time to part-time status involuntarily. Each state determines the maximum amount a worker can earn and still be considered eligible for partial benefits, a limit called the partial benefits cap.
Pay: The money that a worker receives in exchange for labor or services.

Short-Time Compensation: A type of partial UI benefit available to some workers whose employers have temporarily reduced their hours and wages. Short-Time Compensation, also known as "work sharing," can be utilized as an alternative to layoffs during a decline in business.

Weekly Benefit Amount: The amount of UI benefits payable to an eligible worker for a week of unemployment. The state calculates this amount based on a worker's work history when they initially apply for benefits. For more details on how states determine weekly benefit amounts, see policy advocacy brief on benefit amounts at www.uipolicyhub.org.

Overview

An involuntary shift from full-time to part-time work—and the concomitant reduction in pay—can be devastating to workers and their families. State unemployment insurance (UI) systems can support involuntary part-time workers by providing them with "partial unemployment benefits" or "underemployment benefits" to supplement their limited income.

Unfortunately, many states have overly restrictive partial benefits rules. States set too low a cap on the amount of part-time wages that workers can earn without losing UI benefits. And while many states use an "earnings disregard" process—ignoring a certain amount of income when determining how much a worker can receive in partial UI payments—the amount of earnings that states disregard is often too low to provide much benefit to part-time workers. These restrictive rules discourage workers from taking part-time jobs while looking for full-time work because they gain little or no additional income from working. Restrictive partial benefits laws disproportionately harm underpaid workers, women, and workers of color because they tend to be more likely to hold part-time jobs due to systemic racism and sexism in labor markets or be seeking part-time work to balance employment and caregiving responsibilities. Reform of partial unemployment benefit rules can make the system fairer and greatly improve economic security for all workers.

Partial benefits scenarios

The most common scenarios that entitle a worker to partial benefits are:

• When they experience an involuntary reduction in hours and wages at their current employer but continue to work part-time.
• When they have been working multiple part-time jobs and lose one of them.
• When they lose a full-time job but accept part-time work while looking for full-time employment.

The Short-Time Compensation (STC) program, known as "work sharing," is a special type of partial benefits available in some states. STC provides workers and employers with an alternative to layoffs when there is a temporary decline in business. Instead of laying off workers to cut costs, an employer may reduce the hours and wages of all employees or a particular group of workers. Workers with reduced hours and wages are eligible for prorated UI benefits to supplement their paycheck. Twenty-seven states currently operate...
STC programs. See NELP's Work Sharing: An Alternative to Layoffs as well as other resources from NELP and others for more information about STC.

Not all part-time workers qualify for partial UI benefits. For example, someone with a regular part-time job who has not experienced a reduction in hours or pay would likely not be eligible for partial UI benefits.

Partial benefits calculation
To receive partial UI benefits, part-time workers must report their earnings for the prior week(s) when they file their bi-weekly UI certification. The state agency uses those reports to determine whether the earnings are below the state’s partial benefits cap and to calculate the worker’s weekly benefit payments. The weekly benefit payment that a worker would receive if fully unemployed is reduced based on their earnings report, but not dollar-for-dollar—all states apply an “earnings disregard” process by ignoring some portion of part-time earnings and reducing payments based on each dollar earned above that amount.

In most states, weekly partial benefits are calculated by first subtracting the earnings disregard from a worker’s gross earnings for the week and then subtracting that difference from the worker’s established Weekly Benefit Amount (WBA).

Here is a hypothetical partial benefits calculation using Idaho’s partial UI rules:

- Worker has weekly gross part-time earnings of $500
- Worker’s WBA = $463
- Idaho’s partial benefits cap = gross earnings of less than 1.5 x WBA
- Idaho’s earnings disregard = 1/2 of WBA

<table>
<thead>
<tr>
<th>Step One</th>
<th>Determine whether wages are below the partial benefits cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross earnings for the week</td>
<td>$500</td>
</tr>
<tr>
<td>1.5 x WBA</td>
<td>$695</td>
</tr>
<tr>
<td>Earnings &lt; 1.5 WBA?</td>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step Two</th>
<th>Apply earnings disregard (subtract 1/2 WBA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross earnings for the week</td>
<td>$500</td>
</tr>
<tr>
<td>Subtract 1/2 WBA</td>
<td>$232</td>
</tr>
<tr>
<td>Remainder of countable earnings</td>
<td>$268</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step Three</th>
<th>Subtract countable earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>WBA</td>
<td>$463</td>
</tr>
<tr>
<td>Subtract countable earnings</td>
<td>$268</td>
</tr>
<tr>
<td>Benefit payment for the week</td>
<td>$195</td>
</tr>
</tbody>
</table>

Note that in this scenario, under Idaho’s partial UI rules (some of the best in the country) the worker’s total UI income for the week, including part-time wages and partial UI benefits, is $695. This compares favorably to the $463 WBA available with no part-time employment. This scenario demonstrates that expansive partial UI rules create powerful incentives for unemployed workers to find part-time jobs with the benefit of keeping them attached to the labor market.
Partial benefits policy variables

There are two significant variables at play in a state’s partial UI rules:

- **Cap on earnings allowed.** States use the WBA to set a cap on earnings allowed for UI eligibility. The cap is a simple way to test whether the worker is considered “unemployed” (see Federal Conformity discussion below). Most states allow a worker claiming benefits to earn an amount equal to or less than their WBA. A few (Connecticut, Idaho, Michigan, Montana, Rhode Island, and Vermont) allow workers to earn more. Montana sets the highest cap, allowing a worker to earn two times their WBA and still be considered “unemployed” and eligible for UI.

- **Earnings disregard.** States disregard a certain portion of a worker’s part-time earnings when computing the weekly benefit payment. Earnings disregard formulas vary from state to state, but they generally fall into three categories:

  1. **States that calculate the earnings disregard as a percentage of wages earned.** There are 13 states in this category: Minnesota and Vermont have the largest percentage in this category and disregard half of wages earned.

  2. **States that calculate the earnings disregard as a percentage of the WBA.** There are 26 states in this category. The best states in this category are North Dakota, which disregards earnings up to 60 percent of the WBA amount, and Puerto Rico, which disregards earnings up to the entire WBA amount. States with a low WBA should consider switching to the percentage-of-wages approach to provide a greater benefit to workers.

  3. **States that use a flat dollar amount for their earnings disregard.** There are 10 states in this category. Hawaii has the highest flat-dollar-amount earnings disregard, excluding $150 of earnings per week.

For more information on partial benefits see the US Department of Labor (USDOL)’s *Comparison of State Unemployment Laws*, p. 3-18.

Federal Requirements and Guidance

There is no federal statute directly covering partial benefits and they are not covered in USDOL Conformity Guidance. However, partial benefits are implicated in the federal laws that define what it means to be unemployed and eligible for UI. The Social Security Act and the Federal Unemployment Tax Act limit UI coverage to periods in which the worker has experienced “unemployment.” Federal law does not define “unemployment” and USDOL has issued only limited guidance. Most of the USDOL guidance on what “unemployment” means in the context of partial benefits is contained in *Unemployment Insurance Program Letter 08-98* (1998). The letter focuses on the threshold question of what “unemployment” means in the context of partial benefits. Below are the salient provisions that relate to partial benefits:

- Federal law limits payment of UI to periods of “unemployment.”
- Whether a worker is unemployed depends on whether they have suffered a “loss of work.”
- Reduced earnings does not necessarily make a worker eligible for partial benefits.
To qualify for partial benefits a worker must have (1) reduced earnings, (2) reduced hours, and (3) be working less than full-time.

States set their own definition of “full-time,” but it usually means “the number of hours or days per week currently established by schedule, custom, or otherwise, as constituting a week of full-time work for the kind of service an individual performs for an employing unit.”

All states pay partial benefits and compare earnings in a week to some portion of the WBA as a means of determining whether a worker is “unemployed” in a given week.

**Policy Recommendations**

States have restrictive rules regarding part-time work that have the effect of reducing income for unemployed workers and disincentivizing working while claiming benefits. To address this failure, the federal government should set standards to harmonize state partial benefits rules and enact progressive reforms to improve the well-being of part-time workers.

In the absence of federal action, states should expand coverage of partial benefits rules and implement progressive STC programs. In 2021 and 2022, several states enacted legislation to improve their partial benefits laws.

States should:

1. **Increase the cap on earnings so that more part-time workers are eligible for UI.**
   
   Most states cap earnings at the WBA. However, changing the cap on earnings to be two times the WBA would provide greater benefit to low-paid and temporary workers. This would make a worker eligible for partial benefits any week they are: (a) working less than full-time and (b) earning less than two times their WBA. This is the standard in Montana and provides the most reward for part-time work. Michigan caps earnings at 1.6 x WBA, while Connecticut, Idaho, and Rhode Island cap earnings at 1.5 x WBA.

2. **Increase the earnings disregard to allow workers to keep more of their UI benefits while looking for full-time work.**
   
   States generally take one of three approaches to the earnings disregard, disregarding a percentage of wages, a percentage of the WBA, or a flat dollar amount. In 2021, New York replaced one of the weakest earnings disregards in the country with a new system based on hours worked. NELP recommends the New York approach because it is most beneficial to low-wage and temporary workers. However, because the hours-based approach is novel, NELP also recommends reforms for improving both the percentage-of-wages and percentage-of-WBA approaches. The flat-dollar-amount approach is not recommended.

   **Use “hours worked” to set the earnings disregard.** Under New York’s new partial benefits law, the number of hours worked in a week are used to set partial benefits amounts. The following scale is used to set the weekly benefits paid for part-time workers who claim UI benefits:
<table>
<thead>
<tr>
<th>Hours worked per week</th>
<th>Reduction in benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–10</td>
<td>0%</td>
</tr>
<tr>
<td>11–16</td>
<td>25%</td>
</tr>
<tr>
<td>17–21</td>
<td>50%</td>
</tr>
<tr>
<td>22–30</td>
<td>75%</td>
</tr>
<tr>
<td>31+</td>
<td>100%</td>
</tr>
</tbody>
</table>

The hours-worked approach is fairer than the WBA-based or flat-dollar-amount approaches because it treats all workers the same regardless of their wage or WBA. It also provides greater support to underpaid and part-time workers.

- **In states that calculate the earnings disregard based on wages, increase the amount to at least 50 percent of gross wages earned in a week.** This helps ensure that partial benefits keep up with wage growth. Minnesota and Vermont are the best examples, allowing workers to keep 50 percent of gross wages earned in a week.

- **In states that calculate the earnings disregard based on WBA, increase the amount to at least 50 percent of the WBA.** Of states using a percentage of WBA to set their earnings disregard, North Dakota (60 percent of WBA) and Puerto Rico (100 percent of WBA) have the best policies. States considering this approach need to consider their maximum WBA. For states with low maximum WBAs we recommend using 75 percent of WBA for the disregard and states with higher maximum WBAs at least 50 percent.

It is important to keep in mind that even the best earnings disregard approach can be stifled by a low partial benefits cap. Therefore, adjustments to the partial benefits cap may also be necessary to take full advantage of earnings disregard reform.

3. **Adopt robust STC programs.**

STC allows employers to avoid layoffs by instead reducing worker hours. Participating workers with reduced hours collect partial UI benefits based on how much their regular hours have been reduced. STC is a superior approach to partial benefits in cases where employers are reducing worker’s hours from full- to part-time because it keeps workers attached to their job, minimizes their contacts with state agencies (because employers file uncontested claims), and generally allows for higher income during partial unemployment. However, STC does not cover all circumstances where partial benefits are needed and should be considered a complement to a broader partial benefits policy. A thorough discussion of STC is beyond the scope of this brief. For more information on STC see NELP’s *Work Sharing: An Alternative to Layoffs* and other resources listed at the end of this brief.

**Research Findings and Arguments to Support Reform**

**Strong partial benefits programs promote a just economy.**

Weak partial benefits rules are a legacy of a racist UI system designed to support white men working permanent, full-time jobs. Rules that disincentivize part-time work disproportionately exclude women, who are more likely to seek part-time work in part because they shoulder the bulk of caregiving responsibilities. Disincentives for part-time work also harm Black and Latinx workers who are more likely to be working part-time, even...
while they prefer full-time employment, as a result of systemic racism and ongoing discrimination in the labor market. Strengthening partial benefits laws improves the financial lives of Black and Latinx workers and women of all races who are forced to work reduced hours or are suffering the loss of a part-time job.

**Weak partial benefits programs discourage work.**
States without a strong and well-designed partial benefits program are discouraging people from working when the only job available is a part-time position. Having a low earnings disregard effectively disincentivizes work because workers would be financially better off continuing to claim full UI benefits rather than accepting a part-time job.

**Partial benefits reform is needed to keep pace with the modern economy.**
When UI was first established in 1935, partial benefits rules were created for workers with one permanent full-time job in mind. Over time this has changed. In the modern economy, workers are often forced to work multiple part-time jobs with fluctuating hours and unstable schedules. Between 5 to 9 percent of workers (8 to 14 million people) worked one or more additional jobs in a typical week in 2019. A third of these workers lost one or more of their multiple jobs during the pandemic downturn and could have benefited from strengthened UI support.

**Strong partial benefits programs prepare local economies for the next recession.**
Recessions push more people into part-time work. This was demonstrated most recently during the pandemic recession. Because workers’ hours were reduced by their employer or they could not find full-time work, the share of employed people working part-time for economic reasons more than doubled, from 4.4 million people in February 2020 (before the pandemic shut down the economy) to 10.9 million people in April 2020. States with weak partial benefits programs, such as New York and Colorado, were caught flatfooted and left many workers returning to part-time employment ineligible for the benefits they needed. Fortunately, the experience prompted these states to strengthen their partial benefits programs to ready themselves for the next recession.

**Partial benefits can be a bridge to full-time employment.**
Research in France, Germany, Belgium, and Norway demonstrates that encouraging people to work part-time while claiming unemployment benefits can lead them to permanent, full-time work. The Norwegian study also found that partial benefits and part-time work “unambiguously reduces the time until a regular self-supporting job is found.” Part-time workers keep skills up-to-date and retain attachments to the labor force.

**Partial benefits reduce UI benefit payments.**
When structured properly, partial benefits encourage workers to work part-time while they continue searching for a permanent, full-time job. If they accept part-time work, workers receive lower benefit payments in combination with their earnings. As a result, partial benefits reduce UI benefit payments. And as the Norwegian study found, partial benefits also reduce benefit duration, further reducing benefit payments.

**Data and State Comparison Resources**

**Compare your state’s partial benefits policies to other states.**
Consult USDOL's annual *Comparison of State Unemployment Insurance Laws* for detailed comparisons of states' policies on partial benefits, including:

- The definition of partial unemployment (Table 3-8).
- How the earnings disregard is calculated (Table 3-8).

For an overview chart of key statistics on state UI programs, including quick comparisons of how the earnings disregard is calculated in each state, see USDOL's annual *Significant Provisions of UI State Laws*. Both resources are updated annually, so table references may change.

**Find data on part-time workers in your state and compare to other states.**

The Bureau of Labor Statistics' Geographic Profile of Employment and Unemployment contains annual data on the number of part-time workers in each state, how many were “part-time for economic reasons” (that is, they would have liked full-time employment but could only find a part-time job) and how many were “part-time for non-economic reasons” (in other words, working part-time because they wanted to be working part-time), as well as how many unemployed workers in each state were looking for part-time or full-time work. Within states, data is broken down by gender, age, race, and ethnicity. In the 2021 edition, the table of state data on part-time workers could be accessed by scrolling down and clicking on Table 16. Data from the tables can also be downloaded in a spreadsheet.

**Find out how many workers are applying for STC in your state and compare to other states.**

The Century Foundation’s *Unemployment Insurance Data Explorer* provides updated unemployment data from the USDOL in graphs. Advocates can select their state from a drop-down menu, choose a timeframe, and look at “monthly workshare initial claims” and “monthly workshare continued claims.” To download a spreadsheet with numbers of workers denied UI in your state, click the “download data” button underneath the chart. This website also offers resources for comparing states.

This data is also available directly from USDOL via its *Claims and Payment Activities Report*, but the Century Foundation website is more user-friendly.

**References and Essential Articles**


Endnotes

1 White and Latinx women are much more likely to be part-time workers than any other demographic. Men of all races are much less likely to work part-time, but Black and Latinx men are more likely to be working part-time while preferring full-time employment (CPS calls this “part-time for economic reasons”). Data at https://www.bls.gov/cps/cpsmarg.htm.
7 STC resources: USDOL’s.”
8 Endnotes, Page 9

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