

Expand Partial Unemployment Benefits



What is it?

During periods of rising unemployment, instead of being laid off, some workers have their hours (and wages) reduced. Others may find temporary part-time work while looking for a permanent, full-time job. Currently, 4.5 million people are involuntarily working part-time.

All state laws permit workers facing reduced hours of work to draw “partial” or “underemployment” UI benefits while continuing to work part-time, although the specifics vary considerably among states. Jobless workers must meet two requirements to get partial benefits. First, they must meet a definition of partial unemployment or underemployment. Second, they must have earnings below levels set by each state’s UI law. Setting these earnings cutoffs at higher levels has the effect of permitting jobless workers to earn more part time wages while retaining a bigger portion of their UI benefits. This creates an incentive for jobless workers to accept short-term, part-time employment while continuing to get some UI benefits and looking for permanent jobs.

When a worker qualifies for partial UI, the amount of UI benefits the worker receives is reduced by the worker’s ongoing earnings. In considering or budgeting these earnings, a portion of earnings is disregarded. One major problem with partial benefits is that states have not kept up to date on the amount of earnings disregarded before part-time earnings reduce an individual’s weekly UI benefits. To address this shortsighted policy, states should enact substantial earnings disregards in their partial UI benefit formulas.



Key arguments in favor

Partial benefits encourage jobless individuals to accept work. Jobless workers must look for and accept “suitable work,” but remain free to refuse jobs that fall short of their former work in terms of pay, benefits, and other conditions of work. Generous partial benefits encourage jobless workers to accept short-term work that is less than suitable because they can receive a combination of wages and UI benefits while continuing their search for permanent work. Partial benefits can help keep jobless workers participating in the labor market and part-time or short-term work can sometimes lead to permanent, full-time jobs.



Key arguments against and responses to them

Opponents say: Partial benefits keep workers from finding permanent jobs while increasing benefit costs.

Response: No one gets rich on partial UI benefits. All states reduce partial UI benefits by a portion of wages, keeping benefit costs low when compared to the advantages of keeping jobless workers participating in the labor market. There is

little evidence that partial benefits significantly impact UI program costs or reduce job finding among UI claimants. There is evidence that partial benefits keep UI recipients involved in the labor market with only modest costs associated with the program.



Which states do it?

All states have partial benefits. Among the most generous definitions of partial unemployment are found in Connecticut, Idaho, and Puerto Rico, where any individual earning less than 150 percent of their UI weekly benefits at less than full-time work is considered partially unemployed. Montana considers anyone making less than twice his or her weekly benefit amount partially unemployed. Anyone working less than three customary full-time days of work in North Carolina is partially unemployed.

The income disregards that states currently use vary broadly. The biggest amounts of wages disregarded range from an amount equal to the weekly benefit amount in Puerto Rico to an amount equal to half the weekly benefit amount in Idaho, Illinois and Nebraska. Pennsylvania disregards 40 percent of the weekly benefit amount, while Connecticut disregards 33 percent of wages.



Model legislation

Pennsylvania

(u) An individual shall be deemed unemployed (a) with respect to any week (i) during which he performs no services for which remuneration is paid or payable to him and (ii) with respect to which no remuneration is paid or payable to him, or (b) with respect to any week of less than his full-time work if the remuneration paid or payable to him with respect to such week is less than his weekly benefit rate plus his partial benefit credit.

(m.3) "Partial Benefit Credit" means that part of the remuneration, if any, paid or payable to an individual with respect to a week for which benefits are claimed under the provisions of this act which is not in excess of forty per centum (40 percent) [Note: substitute higher percentage for states with lower replacement rates than Pennsylvania] of the individual's weekly benefit rate, or six dollars [Note: substitute 10-15 times the federal or state minimum wage], whichever is the greater. Such partial benefit credit, if not a multiple of one dollar (\$1), shall be computed to the next higher multiple of one dollar (\$1). PA. STAT. ANN. tit. 43, § 753

(d)(1) Notwithstanding any other provisions of this section each eligible employee who is unemployed with respect to any week ending subsequent to July 1, 1980, shall be paid, with respect to such week, compensation in an amount equal to his weekly benefit rate less the total of (i) the remuneration, if any, paid or payable to him with respect to such week for services performed which is in excess of his partial benefit credit PA. STAT. ANN. tit. 43 § 804