

Make Work Pay NY: Partial Unemployment Insurance Reform ([A.7278a/S.6572](#))

Frequently Asked Questions

Q: When can New Yorkers receive partial unemployment insurance benefits?

A: New Yorkers don't need to be totally unemployed to receive jobless benefits. Like every state, New York's unemployment insurance (UI) program provides that otherwise eligible workers can receive reduced UI benefits to make ends meet during periods of partial unemployment. Partial unemployment occurs when employees have their hours reduced to part time because of employer cutbacks, or when current UI claimants who lost a full-time job pick up part-time work while they continue to look for a suitable full-time replacement.

Q: How do most states calculate partial unemployment insurance benefits?

A: States use different formulas to calculate partial unemployment benefits. As a starting point, most states will provide that partially unemployed workers can receive the difference between their part-time earnings and the value of their UI benefit were they not working at all.¹ In addition, most states effectively ignore a portion of part-time earnings, meaning the state's program does not deduct this amount from the full benefit. This is usually known as an earnings disregard. The purpose of a disregard is to hasten the claimant's return 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. (For individuals who are employed but enduring periods of reduced work, a disregard simply translates into a greater partial payment.)

Like the definition of partial unemployment, the amount of part-time earnings states disregard varies. Most states disregard a percentage of the regular weekly benefit, while others allow a fixed dollar amount. Several other states define it as a share of part-time wages. For example, Connecticut permits earnings of less than 1.5 times the weekly benefit and disregards one-third of those earnings. Another neighbor, Pennsylvania, permits part-time earnings of less than 1.4 times a claimant's regular benefit and disregards wages worth 30 percent of the full benefit.

Using Pennsylvania as an example, a claimant normally eligible for a \$400 benefit earning \$300 for 20 hours of work meets the state's definition of partial unemployment as any week of part-time work paying less than 1.4 times the weekly benefit (equal to \$560). The state's program disregards 30 percent of her full benefit in wages, or \$120. The remaining wages (\$180) are then deducted from the \$400 benefit, leaving a partial benefit of \$220. The claimant takes home \$520 in total (the partial payment plus \$300 in earnings.).

Q: What's wrong with partial unemployment insurance benefits in New York?

A: Unlike *nearly every other state*, New York's UI program bases the partial benefit amount on the number of days a claimant works instead of how much she earns that week. For every day in a week on which any work is performed, up to four days, a claimant's weekly benefit drops by 25%, even if it's for less than an hour. A worker receives *no benefits* if she works for any portion of four days or more. This is the case even if a claimant is not paid for this work. If she's paid, she cannot earn more than New York's current \$405 maximum benefit.

Q: Which New Yorkers are most affected by the state UI program's problematic partial UI policy?

1. Low-wage workers

A: By reducing jobless benefits in proportion to days worked rather than part-time earnings, New York's UI program fails to protect workers enduring spells of underemployment. This may be especially true for workers in low-wage sectors, like retail and restaurants, who must more often contend with unstable schedules and work a greater number of hours and days to earn enough to meet basic expenses. Consider two claimants, one who receives a full benefit of \$405 and the second receives \$150. They both earn \$160 for part-time work. The high-earning claimant works on a single day; the low-wage claimant works on four days, so she's ineligible for jobless benefits.

This point is supported by the data, which shows that over the last few years, the industries with among the largest shares of New Yorkers employed part time *involuntarily* are also among the lowest paying, including accommodation (10.1%), food services and drinking places (9.1%), and retail trade (8.5%) (compared with 4.8% statewide).²

2. Claimants who face a disincentive to return to part-time work

By imposing such a steep penalty for any work at all, New York's UI program is in effect discouraging part-time reemployment, particularly among claimants with three or more days of part-time work. This may mean that the state's program is supporting claimants for longer durations than it otherwise needs to, as research shows that the longer someone is unemployed, the less likely he or she is to find a new job (and in fact New York's UI program has the 7th longest average duration of UI receipt in the country). This disincentive is likely placing further strain on the state's long-indebted UI trust fund.³

Table 1 demonstrates how much worse an average claimant who accepts part-time work paying \$200 fares in New York than in New Jersey, Connecticut, and Pennsylvania (shown in order of the value of the state's maximum benefit). It shows that if the New York claimant were to take a job spanning three days, her total income would be \$275 (her earnings plus a \$75 benefit)—\$25 less than the \$300 benefit she would receive were she totally unemployed. This is in contrast to the situation for claimants in neighboring states, where a combination of part-time earnings and reduced UI payments will always generate higher income than drawing full UI payments, as **Table 1** shows.

Table 1: New York's program lags behind neighbors in efforts to encourage part-time reemployment

State	State's Maximum Benefit	Full Benefit	Part-time Earnings	Earnings Disregarded	Earnings Deducted from Benefit	Partial Benefit	Weekly Income
New Jersey	\$636	\$300	\$200	\$60	\$140	\$160	\$360
Connecticut	\$590	\$300	\$200	\$67	\$133	\$167	\$367
Pennsylvania	\$573	\$300	\$200	\$90	\$110	\$190	\$390
New York	\$405	\$300	\$200	None	\$225	\$75	\$275

Q: What are the broader economic impacts of New York’s current partial UI policy?

A: The consequences of current policy are twofold: during a time when businesses are still suffering from a lack of customers, New York’s UI program is inadvertently suppressing local economic activity and job creation by denying jobless benefits to the very people who need and will quickly spend them.

Furthermore, many of New York’s current claimants are afraid they will end up financially worse off by accepting a part-time job. This can be risky as the worker’s professional skills may languish, and the fact of extended unemployment may itself become an obstacle to reemployment. The UI program is intended to function counter-cyclically, meaning it expands when the economy contracts. In order to do so to the fullest extent possible, New York’s program must better recognize the nature of the post-recession economy in which jobs with reduced, part-time schedules return first. In the second-half of 2013, approximately 400,000 New Yorkers were employed part-time involuntarily—meaning they would have preferred to be working full time—up from 270,000 in the same period in 2008.⁴

Q: How might New York’s low maximum benefit impact eligibility for partial jobless benefits?

A: In ranking states based on their partial UI requirements, a state’s maximum benefit plays a key role. Since most states tie the definition of partial unemployment to a claimant’s regular weekly benefit, states with a higher maximum will have more eligible cases. Take Massachusetts, which considers anyone earning less than her regular weekly benefit as partially unemployed. With a maximum benefit of \$679, this potentially includes a significant number of workers earning decent part-time wages.

Further, in states with higher-than-average benefits, where the disregard equals a portion of the weekly benefit, claimants may earn higher wages from part-time work before impacting their final benefit. Again, in Massachusetts, a worker normally eligible for the state’s maximum may earn as much as \$226 (one-third of \$679) before she sees a reduction in her regular benefit.

Effective October 6, 2014, New York’s \$405 maximum will rise to just \$420; in 2018, it will be just \$450. Current law in New York doesn’t permit weekly part-time earnings in excess of the current low maximum. Even if the partial threshold rises with the regular maximum, the state’s UI program will continue to limit the pool of workers eligible for partial income replacement should current law not change.

Q: What changes does [A.7278a/S.6572](#) make to New York’s UI program?

A: This legislation brings New York’s UI program in line with the rest of the country by tying eligibility to part-time earnings rather than days worked. Specifically, it defines partial unemployment as a week of part-time work paying less than 1.5 times a claimant’s full benefit. Second, it disregards a portion of part-time earnings worth 50 percent of the full benefit, an amount known as a “partial benefit credit.” So, claimants earning more than the credit will take home their wages plus the difference between their full benefit and any wages in excess of the credit. Claimants with part-time earnings worth less than the credit will see no reduction in benefits.

The reform legislation also boosts partial benefits for very low-wage workers who are normally eligible for a weekly benefit of less than \$200 (down to the current minimum of \$64), by providing that the partial benefit credit cannot be less than \$100.⁵

Q: How much money could New York’s UI program save if [A.7278a/S.6572](#) became law?

A: We estimate that if New York had in place less restrictive partial UI laws, such as those in Connecticut, Pennsylvania, and New Jersey—and as provided in [A.7278a/S.6572](#)—this would have saved the UI trust fund approximately \$516 million in the five and a half years since the start of the Great Recession (**Table 2**). This is based on a simulation which has New York paying the same percentage of benefit payments for weeks of partial unemployment as its neighbors. These funds could have helped prevent the deep insolvency the state’s program faces today.⁶

The benefit of basing partial eligibility on concurrent earnings instead of days worked, and of applying a “partial benefit credit,” as provided in [A.7278a/S.6572](#), is that UI claimants are incentivized to accept part-time work because they can come out financially ahead. When structured properly, partial benefits encourage claimants to return to part-time work while they continue looking for more stable employment. Their reduced benefits supplement their part-time earnings; and they maintain a stronger connection to work, which better positions them for permanent job opportunities down the road. In turn, New York pays fewer benefits and collects greater revenues from taxes on wages.

Research using unusually rich administrative data from Norway confirms that providing jobless benefits to underemployed jobseekers “unambiguously” shortens durations of unemployment and reduces overall UI expenditures. The study authors focus on the impact of partial benefits on workers who were separated from full-time employment and drawing benefits. They find that part-time work supported by partial UI serves as a “stepping stone” towards regular, full-time employment.⁷

Q: Why is [A.7278a/S.6572](#) necessary? Didn’t New York State pass UI reform just last year?

The coalition recognizes the concerns of lawmakers over the potential impacts of partial UI reform on the solvency of the trust fund following so closely the major UI legislation passed as part of the 2013-14 state budget. Over the long term, however, *not* addressing the program’s inequities in an economy with a persistently high number of part-time jobs will compromise the health of the trust fund by discouraging part-time reemployment and by suppressing the very consumer demand New York’s economy requires in order to return to full employment.

All told, underemployed New Yorkers who would become eligible and apply for partial support under the new law may represent an additional cost to the state’s UI trust fund. However, the cost per worker would probably be lower than the cost of the average claimant as they would receive smaller benefit payments both because they would still be working part time and because their earnings histories most likely entitle them to lower weekly benefit payments. Furthermore, if policymakers account for the costs when the underemployed in low-wage industries must rely on other forms of public assistance to meet their basic needs, this reform plan may generate *net savings* for the state.⁸

UI benefits are among the most effective means of economic stimulus, generating up to \$2.00 of additional activity for every dollar allocated.⁹ [A.7278a/S.6572](#) puts money in the pockets of workers who need it and will spend it--on food from the local grocery, rent and mortgage payments, necessary household expenses--providing a critical boost to New York's economy.

Governor Cuomo and the Legislature have expressed their commitment to getting UI claimants back to work as quickly as possible by adopting new work-search rules and requiring that long-term claimants accept lower-paying work as part of the package of UI reforms last year. [A.7278a/S.6572](#) would bring the state's partial UI policy in line with this commitment to get New Yorkers back to work by finally making work pay.

Table 2: All State UI Benefits Paid under Current Law Compared to Laws in Neighboring States (NJ, CT, and PA)
2008 through June 2013 (\$ millions)

Year	Actual Benefits Paid	Adjusted Benefits Paid	UI Trust Fund Savings
2008	\$2,769	\$2,733	\$36
2009	\$4,930	\$4,813	\$118
2010	\$3,930	\$3,834	\$96
2011	\$3,504	\$3,433	\$71
2012	\$3,441	\$3,386	\$55
2013	\$1,657	\$1,620	\$37
Total	\$20,231	\$19,715	\$516

Source: NELP calculations of U.S. Department of Labor-ETA 5159 data.

Endnotes:

¹ For workers who haven't been separated, but who are experiencing reductions in their usual hours and earnings, state UI programs calculate the weekly benefit were they totally unemployed based on their base period earnings, as they would had the worker been totally separated from her current position.

² Author's calculations of pooled CEPR extracts of the Current Population Survey Outgoing Rotation Group files covering 2008 to 2013, available here: <http://ceprdata.org/cps-uniform-data-extracts/cps-outgoing-rotation-group/>.

³ For the value of New York's most recent federal UI loan amount, click here: <http://workforcesecurity.doleta.gov/unemploy/budget.asp>.

⁴ Calculations by the Fiscal Policy Institute, provided upon request.

⁵ Effective October 6, 2014, the minimum weekly benefit will rise from \$64 to \$100.

⁶ This exercise assumes the state's UI program would have made the same total number of weekly payments per year; payments for partial unemployment, however, would have comprised a larger share of the pool as more claimants would have been encouraged to accept part-time jobs if a law resembling our proposal had been in effect. Presumably these part-time jobs would have opened doors to permanent employment opportunities that would have obviated the need for any additional UI support at all. This means that while the duration of the average claim would not have changed, the total cost measured in benefits paid would have been lower. In other words, a claimant would have drawn a smaller share of her benefit year entitlement than she did under current law by claiming a greater number partial benefit payments, even though the total number of weeks of benefits she received would not have changed.

⁷ Anna Godoy and Knut Roed, "Unemployment Insurance and Underemployment," January 2014, IZA Discussion Paper No. 7913, available at: <http://ftp.iza.org/dp7913.pdf>. As background, the Norwegian UI system is universal, with individual eligibility based on the worker's earnings history before separation. Generally, the maximum duration is two years; for those with lower earnings, the duration may be one year.

⁸ See Annette Bernhardt, Anmol Chaddha and Siobhan McGrath, "When Work Doesn't Pay: The Public Cost of Low-Wage Jobs in New York State," December 2008, available here: http://nelp.3cdn.net/80d4707b16e7c399ad_wzm6bejo2.pdf.

⁹ Mark Zandi, Testimony before the Senate Finance Committee, April 14, 2010. Available here: <https://www.economy.com/mark-zandi/documents/2010-04-14-Senate-Finance-Committee.pdf>; Wayne Vroman, “The Role of Unemployment Insurance As an Automatic Stabilizer During a Recession” (ETAOP 2010-10), November 16, 2010. Available here: http://wdr.doleta.gov/research/FullText_Documents/ETAOP2010-10.pdf.