



HOUSE COMMITTEE ON WAYS & MEANS

CHAIRMAN RICHARD E. NEAL

Who is Considered “Unemployed” by the Unemployment Insurance System?

Unemployment insurance is a federal-state partnership that provides earned income support to workers who have lost some or all their wages through no fault of their own and are trying to return to employment. Each state structures its own unemployment compensation (UC) program within the framework of the federal requirements so there is variation across states regarding eligibility, benefit amount and duration, and tax structure.¹

Most individuals who receive UC are totally unemployed, meaning they perform no work and do not receive any wages (though states disregard small amounts of earnings to allow unemployed workers to take short-term or part-time work while looking for a permanent, full-time job). However, individuals who have their hours reduced or eliminated while staying on an employer’s payroll can still qualify for unemployment compensation in a variety of ways.

Temporary Layoff

Individuals whose employers reduced their hours to zero but intend to recall them when circumstances improve are generally classified as on “standby” or “temporary layoff” by state unemployment programs. Workers in this category can receive full unemployment benefits, even if they are still receiving non-wage employment benefits like health insurance or credits in a retirement plan. Federal regulations allow states to suspend work search requirements for these workers and let them decline jobs from other employers.

Partial Unemployment

In every state, individuals who are considered “partially unemployed” are able to receive unemployment benefits to supplement their reduced wages. Although the exact threshold for partial unemployment eligibility varies by state, most states require that a worker’s weekly earnings be less than they would receive in state unemployment benefits, which would mean a wage cut of 50-70 percent in most states. (For more specifics on state partial unemployment thresholds and benefits, see DOL’s [Comparison of State Unemployment Insurance Laws](#)).

¹ Because unemployment benefits involve inherently complex determinations and there is considerable variation among states, individual facts or circumstances may have different effects on eligibility in different states. As a result, questions about individual cases or claims are best directed to the appropriate state agency, and more broadly, individuals should be encouraged to apply for benefits in order to receive a state determination. This is especially relevant given the federal expansion of unemployment benefits due to COVID-19 (see [WAMD resources](#)).

Short-Time Compensation (STC)

The STC program – known as “work share” in most, but not all states – is a voluntary program for employers to avoid layoffs by reducing hours of work for their employees. STC is not available to all workers – to participate, they need to live in a state that operates a STC program,² and work for an employer who qualifies for the state program and has an STC plan approved by the state. Federal law limits participation to employers whose reductions in hours are *temporary* and at least 10 percent but no more than 60 percent. Employers must agree to maintaining health and retirement benefits (at the same rate as if there were no reduction in hours). Many states impose additional limits on employer eligibility, in part because of the cost of administering the program. Workers who have their hours reduced by more than 60 percent are usually eligible for partial unemployment benefits.

As with partial unemployment benefits, individuals receiving STC benefits receive both wages and unemployment compensation. However, STC benefits are calculated as a pro-rata share of weekly benefit amounts (regardless of the amount of earnings they receive after the reduction in hours).

² Not all states have STC programs in law and not all those states actively use the program. States with STC programs (plus DC): AR, AZ, CA, CO, CT, FL, IA, IL, KS, KY, MA, MD, ME, MI, MN, MO, NE, NH, NJ, NY, OH, OR, PA, RI, TX, VT, WA, and WI. The CARES Act provides 100 percent federal financing to states for STC benefits and \$100 million in grants for implementation/improvement and promotion/awareness of STC programs.