Members

Sen. Douglas Eckerty, Chairperson
Sen. Phil Boots
Sen. Karen Tallian
Rep. Douglas Gutwein
Rep. Daniel Leonard
Rep. Charles Moseley
Ron Metz
Steve Schreckengast
Pete Rimsans
Steven Quick
Scott Sanders

UNEMPLOYMENT INSURANCE OVERSIGHT COMMITTEE

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 233-0696 Fax: (317) 232-2554

LSA Staff:

Peggy Piety, Attorney for the Committee
Stephanie Wells, Fiscal Analyst for the Committee

Authority: IC 2-5-30

MEETING MINUTES[1]

Meeting Date:	**September 30, 2013**
Meeting Time:	**10:00 A.M.**
Meeting Place:	**State House, 200 W. Washington St., Room 431**
Meeting City:	**Indianapolis, Indiana**
Meeting Number:	**1**

Members Present: **Sen. Douglas Eckerty, Chairperson; Sen. Phil Boots; Sen. Karen Tallian; Rep. Douglas Gutwein; Rep. Daniel Leonard; Steve Schreckengast; Steven Quick; Scott Sanders.**

Members Absent: **Rep. Charles Moseley; Ron Metz; Pete Rimsans.**

Senator Douglas Eckerty, Chair, called the meeting of the Unemployment Insurance Oversight Committee (Committee) to order at 10:00 a.m..

Presentation by Mr. Scott Sanders, Commissioner of the Indiana Department of Workforce Development (DWD)

Mr. Sanders presented DWD's annual report on the unemployment insurance trust fund (Exhibit 1), provided an update concerning Indiana's unemployment insurance program, and discussed other topics of interest to the Committee.

---

[1] These minutes, exhibits, and other materials referenced in the minutes can be viewed electronically at http://www.in.gov/legislative Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of $0.15 per page and mailing costs will be charged for hard copies.

(1) Overview of Indiana's Employment Numbers (Exhibit 1, pages 2-5)

Mr. Sanders noted that Indiana's August 2013 unemployment rate was 8.1% and that August was the twenty-sixth month in a row that Indiana's unemployment rate has exceeded the national unemployment rate. Mr. Sanders described the 0.3% drop to 8.1% in August as the largest monthly drop in the rate since January 2011.

Mr. Sanders described the growth in Indiana's labor force as flat, but noted that an increase of 4,000 workers in August (fourth best in the nation for August) brought the level of workforce participation back to 0.3% below the March 2000 levels. Indiana's private sector job growth ranks fifth in the nation in the percentage of growth since the low point of employment in July 2009 -- 8.4% versus 6.1% for the United States.

Since mid-2012, Indiana's 5,000 employer payroll survey (CES) has indicated higher employment than the 1,000 household survey (LAUS). Mr. Sanders said that the LAUS employment number, which includes the self-employed and agricultural workers, should always exceed the CES employment number. Mr. Sanders suggested that the fact that the LAUS number has been lower calls into question the accuracy of the data for this period.

(2) Unemployment Insurance Trust Fund Balance Update (Exhibit 1, pages 6-8)

Mr. Sanders described the history of Indiana's borrowing from the federal government to pay unemployment benefits. Mr. Sanders provided the following information concerning the repayment of Indiana's federal loans:

> (1) The 2013 federal interest rate on loan balances was 2.57% and the employer surcharge assessed to pay the interest was 7%.
> (2) Indiana employers paid an extra $63 per employee in federal unemployment taxes (FUTA) this year and will pay an additional $84 per employee next year because of the state's outstanding loan.
> (3) Indiana has applied for a waiver and substitution from an additional FUTA tax credit reduction that the federal government might impose on Indiana employers. DWD expects to receive a decision on the waiver from the United States Department of Labor by November 15th.

Mr. Sanders indicated that Indiana is on target to finish repaying the federal government in 2017, a year ahead of schedule.

(3) Update concerning Indiana's Unemployment Insurance Program (Exhibit 1, pages 9-10, 13)

Initial claims for unemployment benefits have fallen below 5,000 per week, which is below 2005 and 2006 levels. Weekly unemployment benefits paid are below 2007 levels: $40,000 in regular state benefits and $19,000 in federal extended benefits. All federally extended benefits are set to expire December 31, 2013.

(4) Update concerning JOBS for Hoosiers (HEA 1457-2013) (Exhibit 1, pages 11-12)

Mr. Sanders described JOBS for Hoosiers, a new state program that requires an in-person visit to a WorkOne office after the fourth week a claimant receives unemployment benefits.

(5) Update concerning the Workforce Development System (Exhibit 1, page 14)

Mr. Sanders described the following:

> (1) The administration of Indiana's Workforce Development System, which consists of 12 regions that are each governed by a Workforce Investment Board.
> (2) The membership requirements, duties, and funding of the regional boards.

Mr. Sanders discussed a slide that he uses in presentations to students to show that the unemployment rate declines and annual earnings increase as educational attainment increases. The slide was prepared using data from the 2012 American Community Survey. He also discussed a slide showing by county the number and percentage of adults who are between 25 and 64 years of age and do not have a high school diploma or its equivalent (Exhibit 1, pages 15 and16).

In response to Senator Tallian's question concerning the recent closure of WorkOne offices, Mr. Sanders responded that a few WorkOne offices that were underused or did not provide full service have been relocated or partnered with community organizations or groups, such as libraries. He will provide a list of the offices that have been relocated.

Mr. Schreckengast asked about the funding of training provided through WorkOne offices. Mr. Sanders said that WorkOne pays for the training, which is provided by Ivy Tech Community College, Vincennes University, or several private providers. He also mentioned that the General Assembly annually provides $24 million for adult education.

Use of Debit Cards and Electronic Direct Deposit to Pay Unemployment Insurance Benefits

Mr. Sanders discussed unemployment benefit payment options (Exhibit 1, pages 17-18) and described the history of, rationale for, and usage of the debit cards used to provide unemployment insurance benefits.

Mr. Sanders noted that in early 2014 direct deposit of benefits will be available to unemployment recipients. The State's debit card contract is being put out to bid. The contract covers all kinds of State payments using debit cards, such as payment of child care expenses, FSSA payments, State employee wage payments, and unemployment benefit payments. The debit card RFP requires that a recipient have the option to have a State payment made by direct deposit into a savings or checking account.

Work Sharing Unemployment Benefit

Derek Thomas, Senior Policy Analyst for the Indiana Institute for Working Families, provided information about a work sharing unemployment benefit (Exhibit 2). He said that work sharing is a voluntary option used in about half of the states as an alternative to traditional layoffs. A work sharing program allows an employer to reduce the hours and wages of all employees in a particular group or location instead of laying off some of the employees as a response to reduced demand. Employees receive wages for hours actually worked, plus a partial unemployment benefit that typically equals half of the lost wages.

Mr. Thomas said that work sharing is particularly beneficial to employers in the manufacturing sector and that the reduced hours could be used for retraining in addition to

production. Work sharing also enables employers to keep experienced workers at a reduced cost and avoid costs involved with employee turnover. He described Kenworth Trucking as being instrumental in the passage of work sharing legislation in Ohio. The company suggested that it may consider shifting some operations to states that offer work sharing in order to help avoid layoffs.

Mr. Quick asked how the reduced unemployment benefit is paid and what impact receiving a reduced benefit has on any regular employment benefit an individual files for later. Mr. Thomas said that the work sharing employer files the claim for the reduced benefits, and if an employee later files a regular claim for unemployment benefits, the benefits are based on the employee's full wages, not the work sharing wages.

In response to questions from Representative Gutwein, Mr. Thomas indicated that DWD would monitor employer compliance with work sharing agreements. He also will check on the amount of federal money that might be available to Indiana, if the state adopts a work sharing benefit. He also stated that work sharing would not apply to seasonal employment.

Senator Boots asked who is interested in having work sharing in Indiana and noted that he hasn't talked to anyone who is asking it. Mr. Thomas responded that manufacturing, logistics, and transportation employers have expressed the most interest in a work sharing benefit.

Mr. Sanders asked how many individuals in the country are using work sharing on a weekly basis. His research indicated only about 17,000 employees across 23 states are using the benefit on a weekly basis. Mr. Thomas responded that in 2012, 60,000 jobs nationally were saved with the use of work sharing. He believes that Indiana would benefit from using work sharing because of its manufacturing base.

Mr. Sanders also added that he understands that work sharing benefits do count against a claimant's annual maximum unemployment benefit. He also asked how employers might use the benefit after the Affordable Care Act is implemented. Mr. Thomas agreed to check on both of these topics.

Mr. Schreckengast suggested that Mr. Thomas check with Indiana employers that have work sharing experience in another state.

Nancy Guyott, president of the Indiana State AFL-CIO, testified in support of a work sharing benefit, but noted that there are issues that need to be worked out. She also indicated that Indiana's unemployment benefit ranks 43rd in the nation, and for that reason, work sharing is not her biggest concern.

Michael Ripley, representing the Indiana Chamber of Commerce, testified in support of the concept and would like to have additional discussions about work sharing benefits.

Connie Vickery, representing the Indiana Restaurant and Lodging Association, expressed the association's concerns about a work sharing benefit.

The Chair adjourned the meeting at 11:05 a.m.

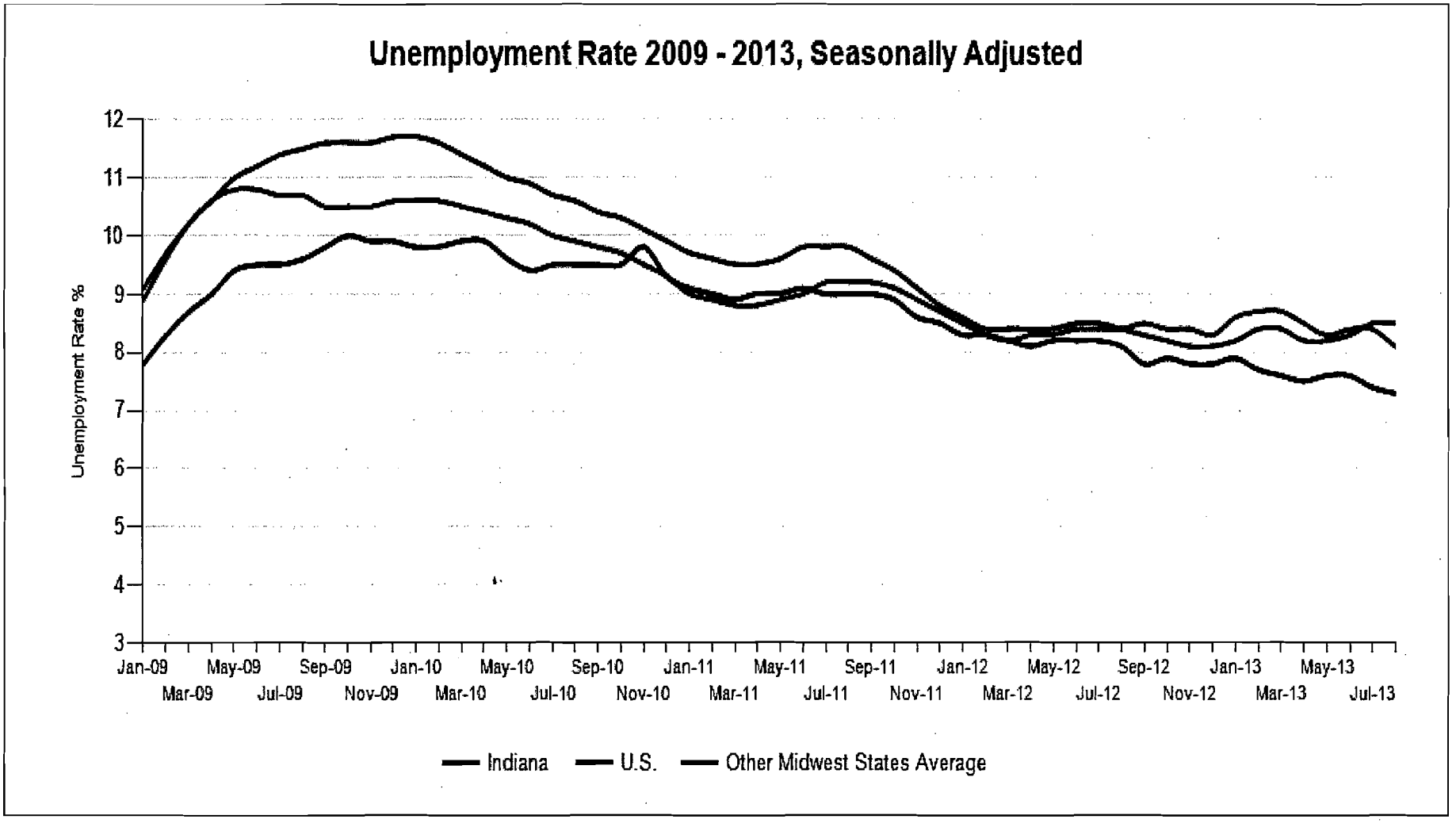
INDIANA
WORKFORCE
DEVELOPMENT
AND ITS WorkOne CENTERS

Unemployment Insurance Oversight Committee

EXHIBIT 1 – MEETING #1
UNEMPLOYMENT INSURANCE OVERSIGHT COMMITTEE
SEPTEMBER 30, 2013

INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

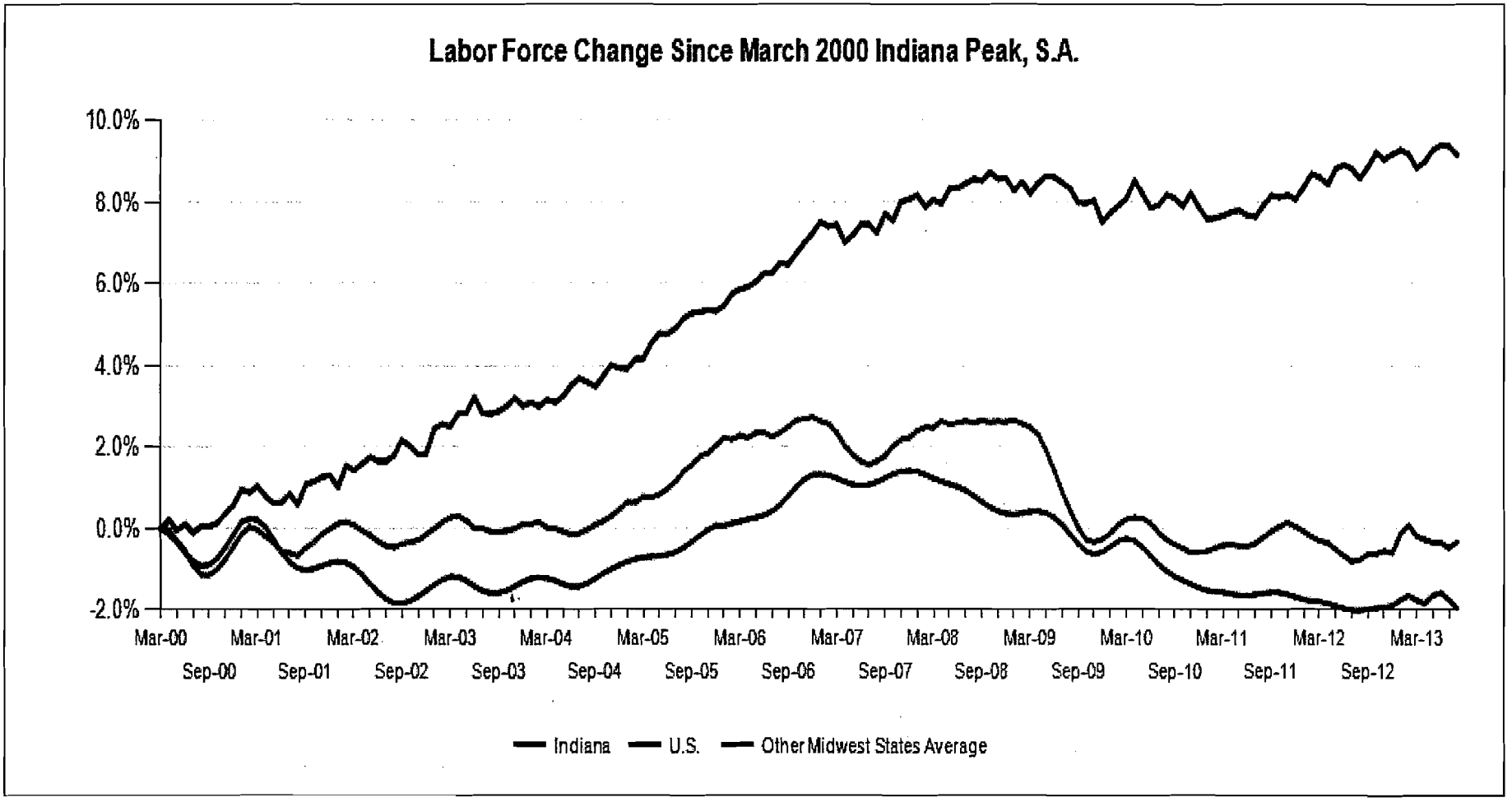
Indiana August Unemployment Rate: 8.1%



Indiana's unemployment rate has been too high and stagnant over the past year however, the 0.3% drop to 8.1% in August is the largest monthly drop since January 2011 and a positive sign for our economy.

INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

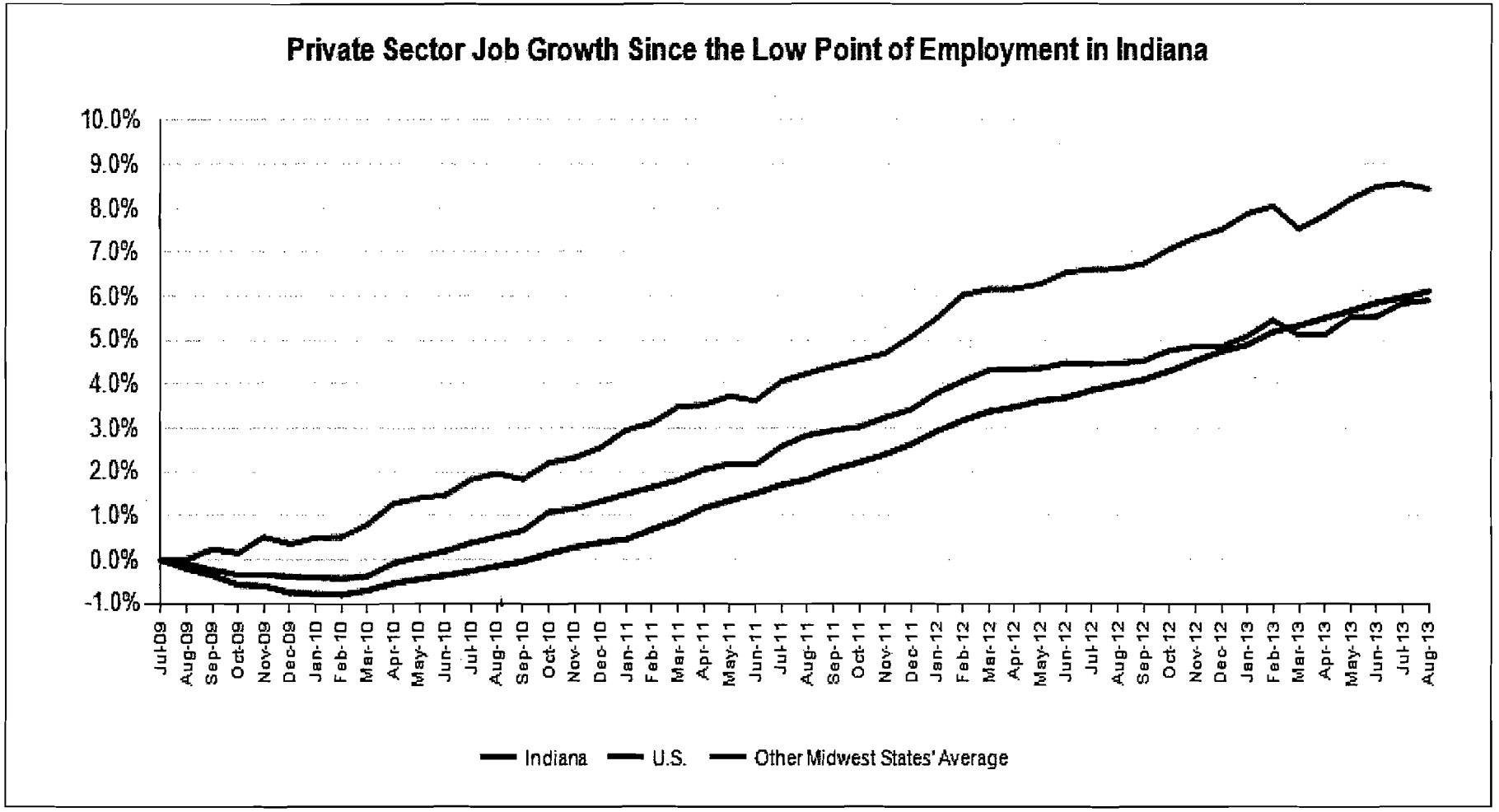
Indiana Labor Force



August brought a welcome labor force increase of 4,000 workers for Indiana, bringing the level back to 0.3% below March 2000 levels.

INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

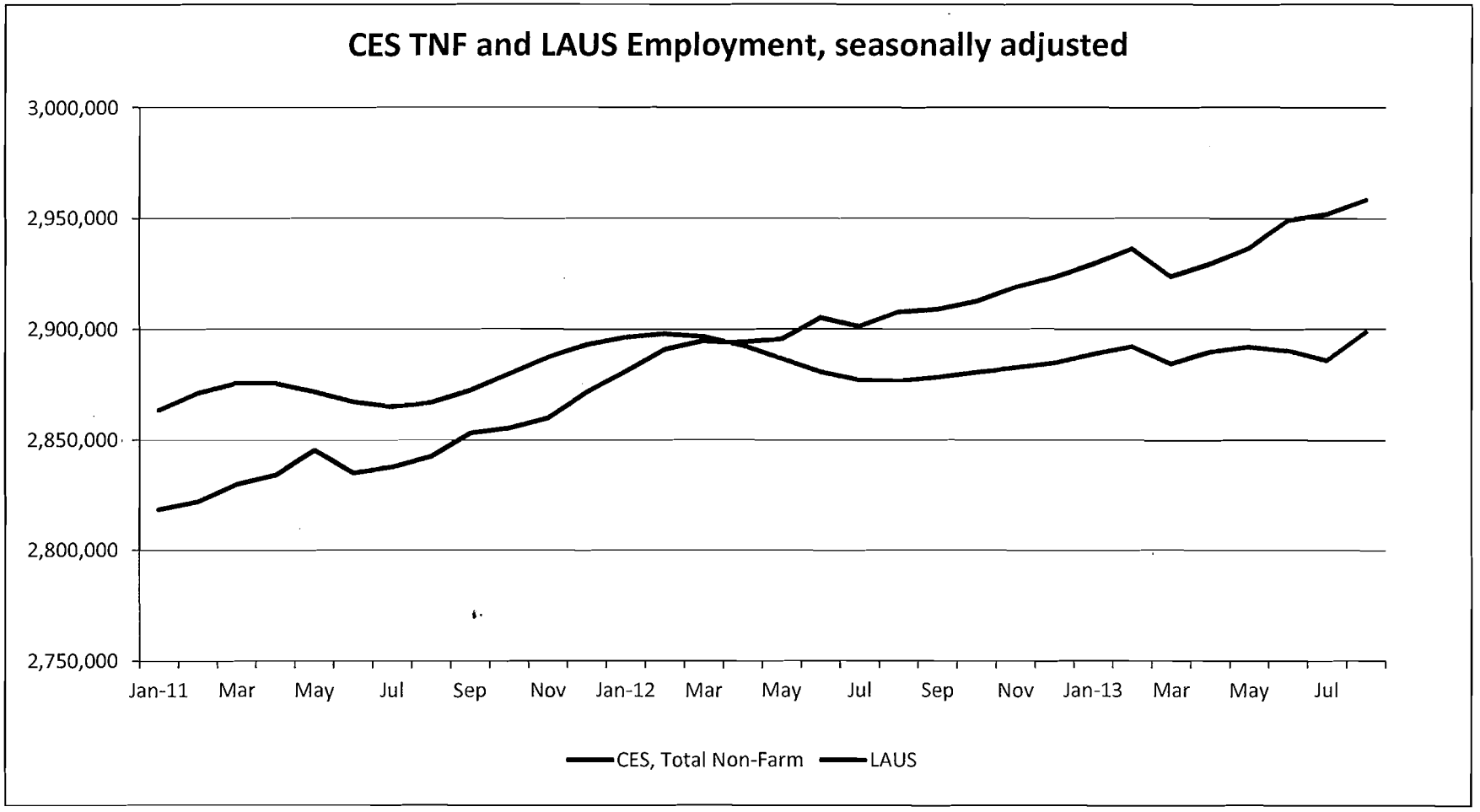
Indiana Private Sector Job Growth



Since January 2010, 40 of 44 months have shown positive job growth, with an average of more than 4,200 jobs gained per month. Indiana's private sector job growth ranks 5th in the nation in percentage of growth since the low point of employment in July 2009 (8.4%), vs the U.S. rate of growth of 6.1%.

INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

Indiana Employed Surveys

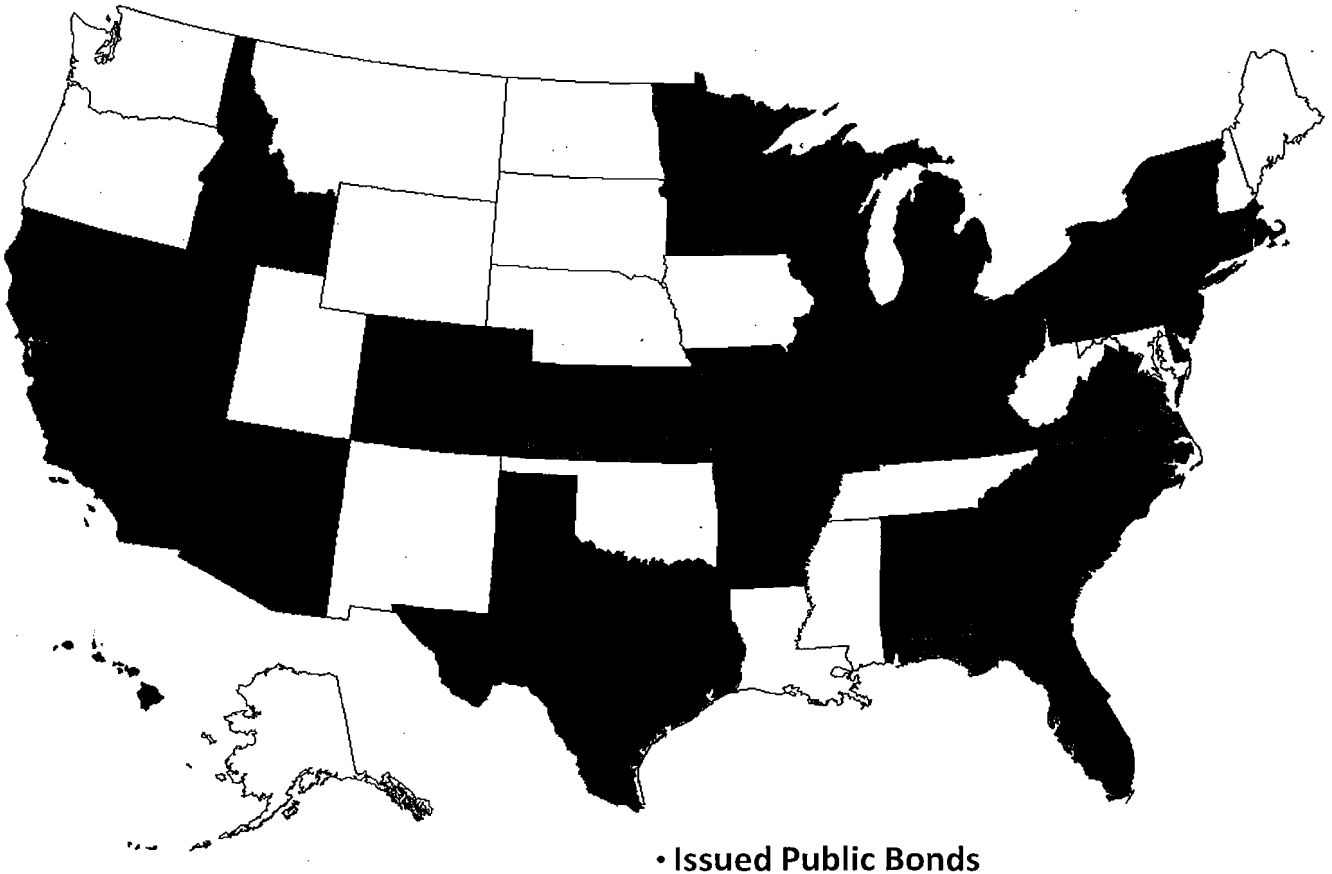


LAUS (1,000 household survey) employment should always exceed CES (5,000 employer payroll survey) employment because LAUS includes self-employed and agricultural workers. However, LAUS employment has been below CES since mid-2012, calling into question the accuracy of the data. In August, the numbers moved in the direction of re-establishing historical norms.

INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

States' Trust Fund Debt

State	Loan Balance
California	$ 9,101.3
Michigan	$ 2,917.0
Pennsylvania	$ 2,827.0
New York	$ 2,752.0
North Carolina	$ 1,980.0
Texas	$ 1,960.0
Ohio	$ 1,554.1
Illinois	$ 1,469.0
Indiana	$ 1,341.7
Colorado	$ 624.8
Kentucky	$ 608.5
Connecticut	$ 573.8
South Carolina	$ 531.5
Nevada	$ 510.1
Wisconsin	$ 390.7
Missouri	$ 322.3
Georgia	$ 296.6
Idaho	$ 187.6
Rhode Island	$ 163.0
Arkansas	$ 157.8
Arizona	$ 133.8
Virgin Islands	$ 76.5
Delaware	$ 71.5
New Jersey	$ 61.4
Totals	$ 30,611.9



- Issued Public Bonds
- Repaid Federal Loan
- Federal Title XII Loan

Federal Loan Balances as of September 20, 2013

INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

UI Trust Fund Balance Update:
On Track with Projections

($ millions)	Premiums	Benefits	FUTA Penalty	TF Balance	Interest Surcharge	Employer Totals
2012 Actual	$734.9	$640.9	$104.0	($1,763.4)	$59.1	$898.0
2012 Forecast*	$746.1	$778.8	$117.6	($1,972.0)	$81.5	$945.2
$ Difference	($11.2)	($137.9)	($13.6)	$208.6	($22.4)	($47.2)
% Difference	-2%	-18%	-12%	-11%	-27%	-5%
2013 Actual (through June 30)	$505.1	$274.9	$160.8	($1,368.8)	$33.6	$699.5
2013 Forecast* (through June 30)	$509.0	$361.4	$176.4	($1,648.1)	$31.8	$717.2
$ Difference	($3.9)	($86.5)	($15.6)	$279.3	$1.8	($17.7)
% Difference	-1%	-24%	-9%	-17%	6%	-2%

*Using forecast from January 2011

INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

Unemployment Insurance Update

Benefits:

- Last year over 180,000 individuals collected benefits for at least one week and received an average weekly benefit of $276.

- The average amount of time an individual received UI benefits decreased from 14.8 weeks in April 2012 to 13.5 weeks in June 2013.

Interest:

- The federal interest rate for 2013 is 2.57% (was 4.08% in 2011; 2.94% in 2012)

- The surcharge to pay the interest is 7% for 2013 (was 13% in 2011; 8% in 2012)

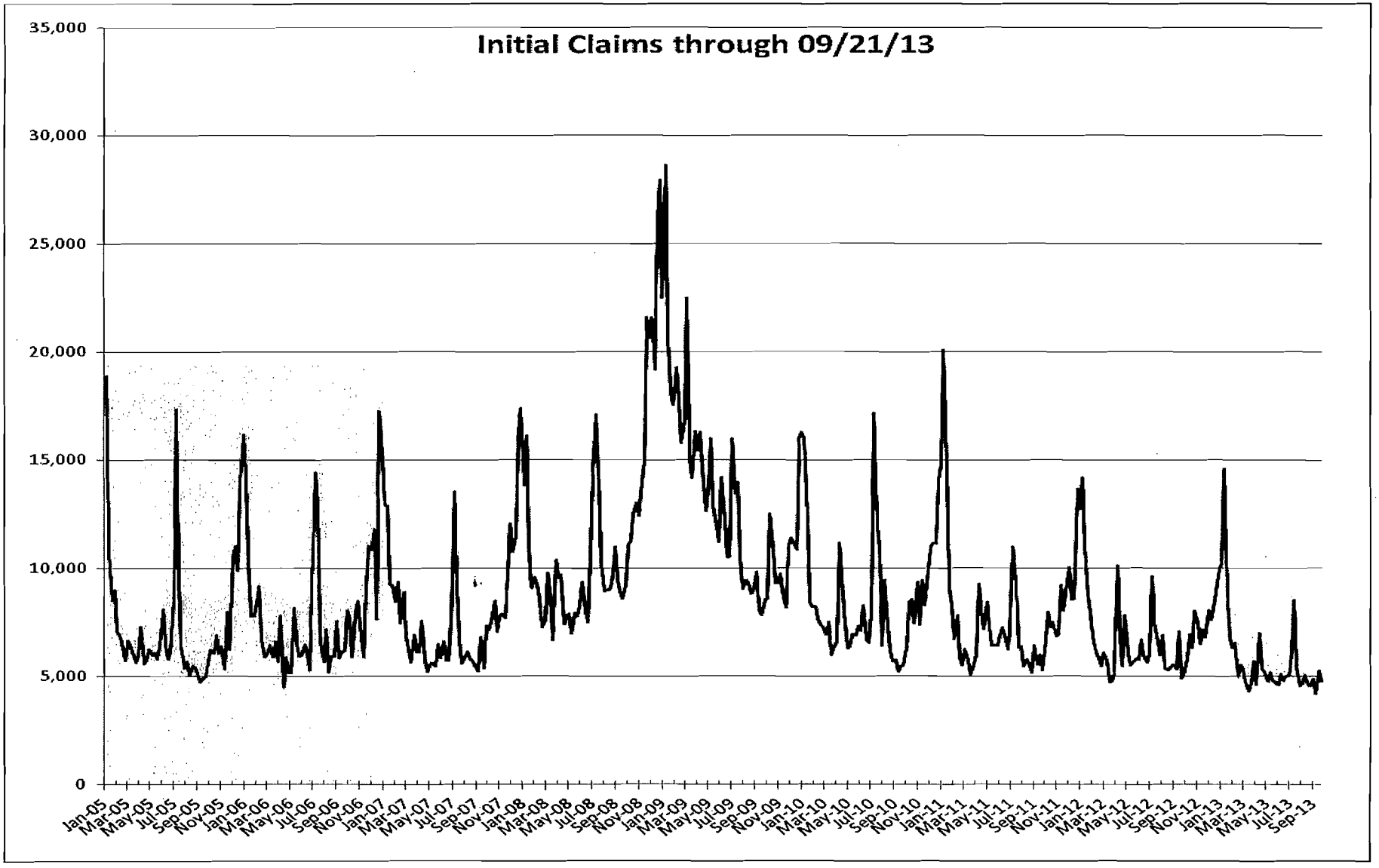
FUTA (Federal Unemployment Tax Act):

- Indiana employers paid an additional amount of $63 per employee in federal unemployment taxes (FUTA) this year and will pay an additional $84 per employee next year due to the state's outstanding loan.

- In late June, Indiana applied for waiver and substitution for additional FUTA tax credit reduction (BCR Add-on Waiver) for taxable year 2013.

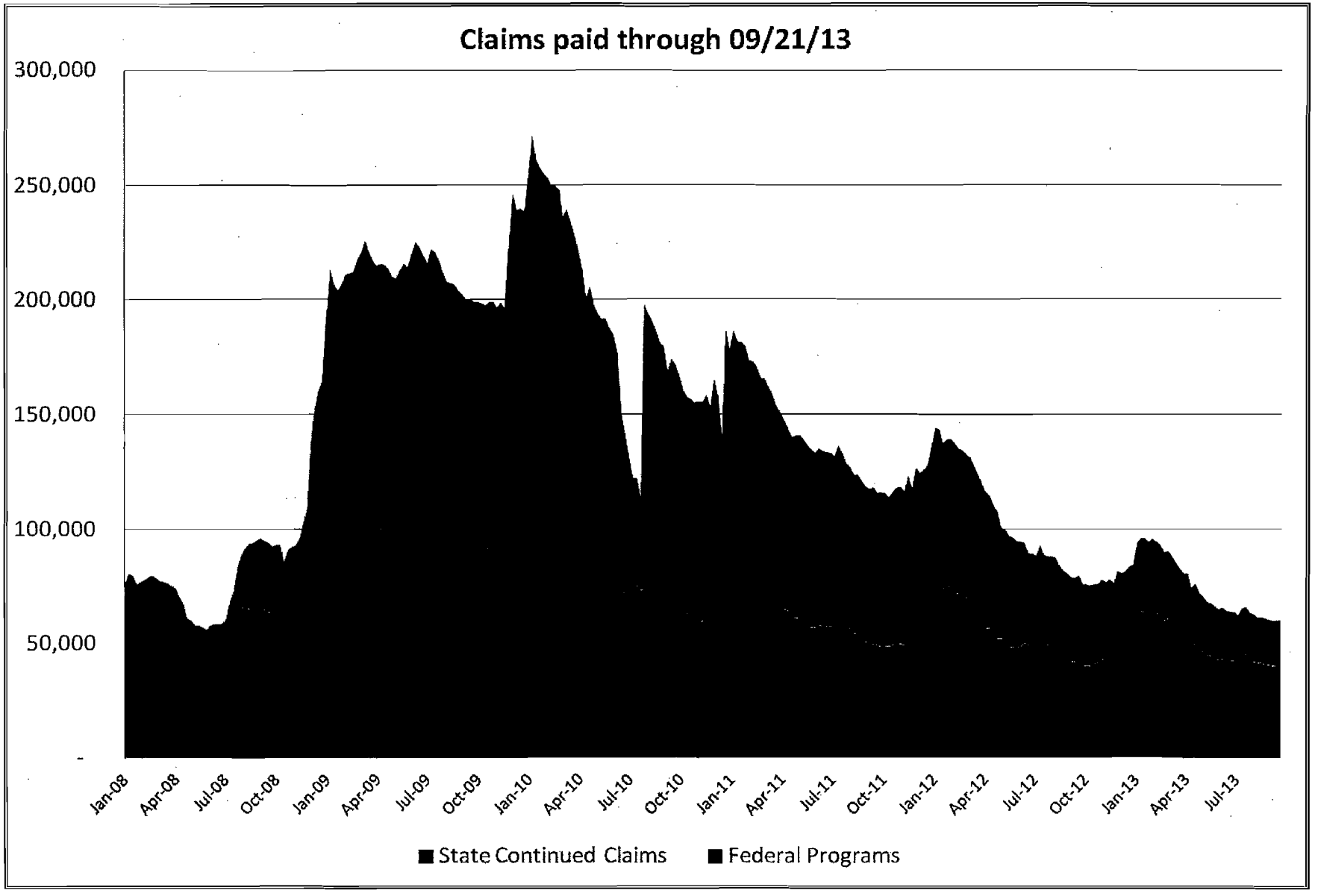
INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

Initial UI claims are below 2005 & 2006 levels



INDIANA WORKFORCE DEVELOPMENT

State UI Claims are below 2007 Levels



INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

JOBS for Hoosiers

HEA 1457-2013

Required in-person visit to WorkOne® after 4th week of UI benefits

This in-person visit is part of a new law passed aimed at getting unemployed Hoosiers back to work as quickly as possible

Prior to in-person visit:

- Review job market and career information in www.IndianaCareerConnect.com
- Complete skills assessments in www.IndianaCareerConnect.com

During in-person visit:

- Review of work searches
- Orientation to WorkOne® services
- Proof of identity

*This new state program is similar to the federal program that has been running at week 27.

WorkOne **Reemployment** Services

IndianaCareerConnect.com

IndianaCareerConnect.com is the #1 source of jobs in Indiana. Find a career close to home that matches your skills and experience or explore training opportunities to help you get the job you want. Search over 99,000 jobs located in your back yard for free!

Hoosier Hot 50 Jobs

The Hoosier Hot 50 is a listing of the 50 fastest growing, high-wage jobs of tomorrow. This listing shows what jobs will be the most in-demand by 2020 in the state of Indiana. Take a moment to explore the profiles of each position online at www.HoosierHot50.com. Inside each job listing you'll meet a Hoosier who will give you an inside look at the position, along with salary information and education/training requirements.

WorkINdiana

Fast-track your future! Take your skills to the next level with WorkINdiana. The WorkINdiana program allows you to earn your GED and a career certificate at the same time, giving you the boost you need to get the job you want. Pick from 15 different certificates ranging from Certified Nurse Assistant to Computer Technician. Choose a program today and start earning tomorrow! Visit www.in.gov/dwd/adulted.htm for more information or stop by your local WorkOne to choose a program today.

Indiana Career Explorer

Whether you're looking for a new career or exploring career and college options, this online tool provides all the resources you will need to make it happen for you. Take control of your future, visit www.IndianaCareerExplorer.com. It is fast, easy, and free!

WIN Career Readiness Courseware

Worldwide Interactive Network (WIN) Courseware is free online training available to Hoosier job seekers 24 hours a day, 7 days a week so you can work at your own pace. WIN can give you the boost you need to update your skills and stay competitive in the job market. Visit Indiana's WIN website, http://ingov.wincshost.com.

National Career Readiness Certificate

The National Career Readiness Certificate proves you have the skills needed to succeed in the workplace and shows Hoosier employers you have what it takes to do the job. Visit your local WorkOne and find out how to get certified today.

Veteran Services

At WorkOne, veterans go to the front of the line and each office has an onsite veteran's representative that assists with employment needs. Services provided to veterans include: direct job referrals, resume development, training and grant assistance, interview coaching and much more. Speak to a veteran's representative at your local WorkOne or visit www.in.gov/dwd/2424.htm for more information.

Youth Services

WorkOne youth services can help you get the education and training you need to be successful. You will be paired with a Career Coach for one-on-one counseling and personalized support. Together you will develop goals and achieve success through career planning, training and mentoring that can lead to job placement. If you are between the ages of 16-21, visit your local WorkOne for more information.

INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

Current Tiers of Unemployment Benefits Available Beginning Sept. 2, 2012

State Regular UI	up to 26 weeks	(State Trust Fund)
Federal Extension #1	up to ~~20~~ 14 weeks	(Federal Funds)
Federal Extension #2	up to 14 weeks	(Federal Funds)
Federal Extension #3	up to ~~13~~ 9 weeks	(Federal Funds)
~~Federal Extension #4~~	~~up to 6 weeks~~	~~(Federal Funds)~~
~~Extended Benefits(EB)~~	~~up to 20 weeks~~	~~(Federal Funds & State/Local Gov't)~~
Total =	~~up to 99~~	
	~~up to 73~~	
	up to 63 weeks	

Note: All Federally Extended Benefits are set to expire Dec. 31, 2013. Individuals will be unable to finish tiers at that point.

INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

Indiana's Workforce Development System

12 Workforce Investment Boards:

Volunteer Members appointed by local elected officials

Membership: 50% or more business. Other: economic development, labor and community based)

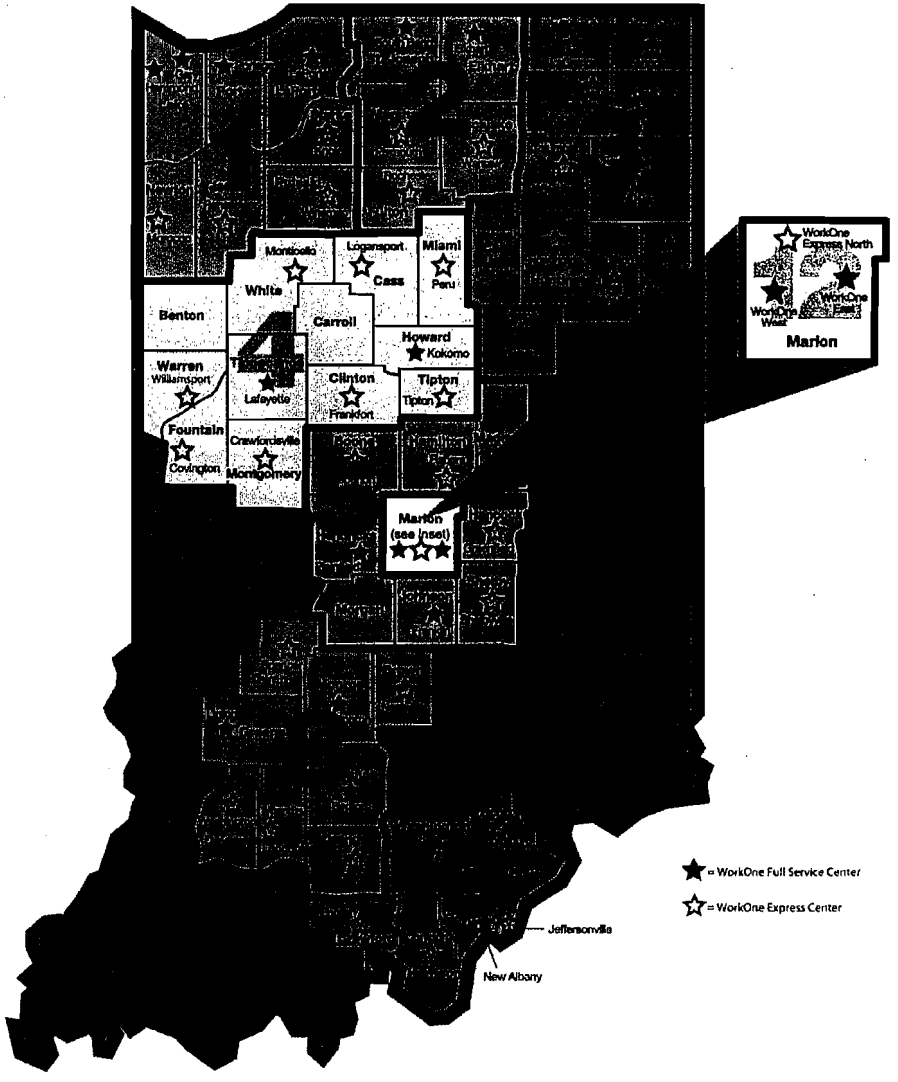
Main Duties:

- Oversee operations of WorkOne offices
- Select Workforce Investment Act service providers
- Identify eligible education /training providers
- Develop and execute budget for delivery of services

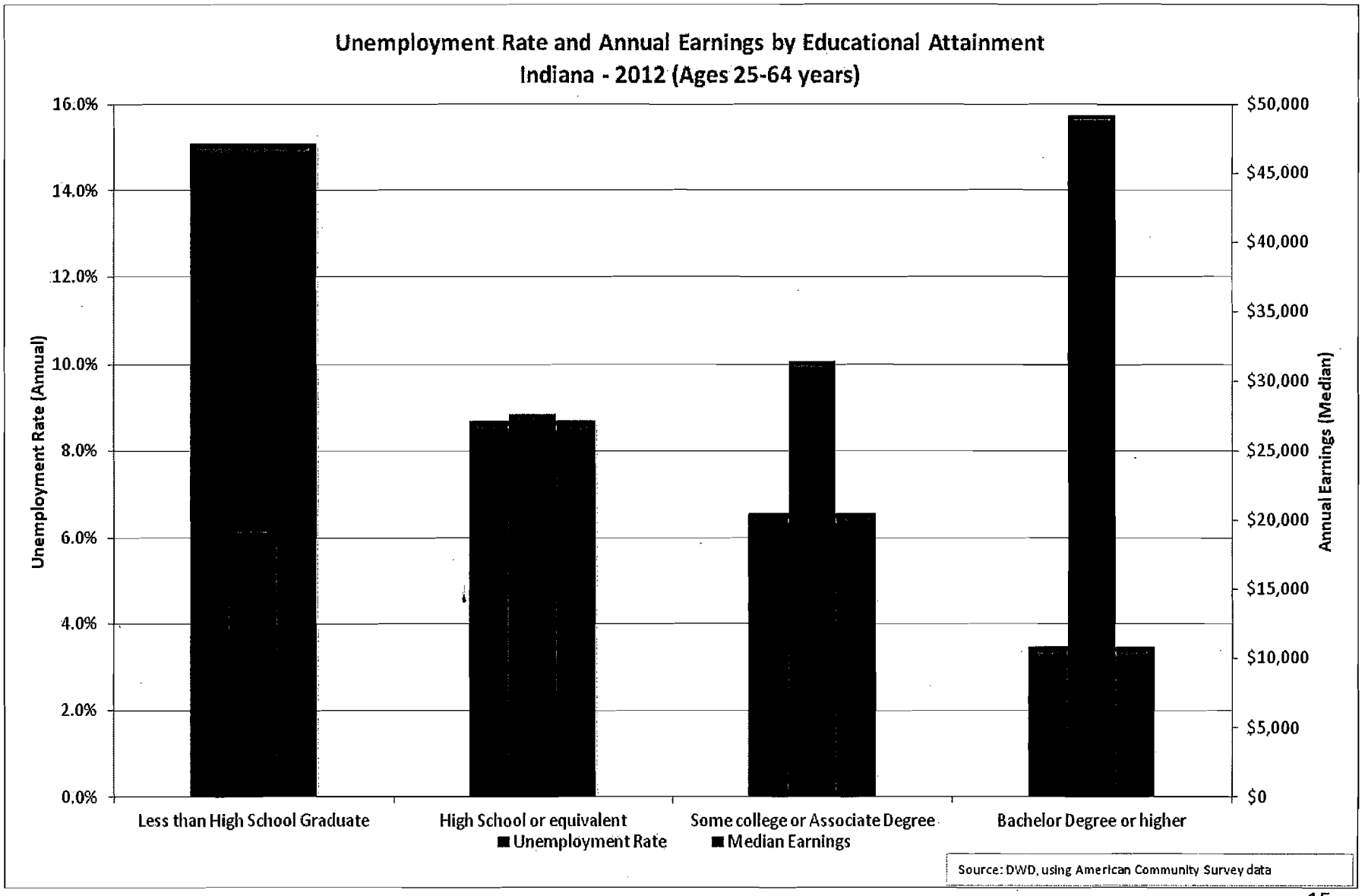
Funding:

- Distributed by federal formula & weighted heavily by unemployment data

WorkOne Locations



INDIANA WORKFORCE DEVELOPMENT
AND ITS WorkOne CENTERS



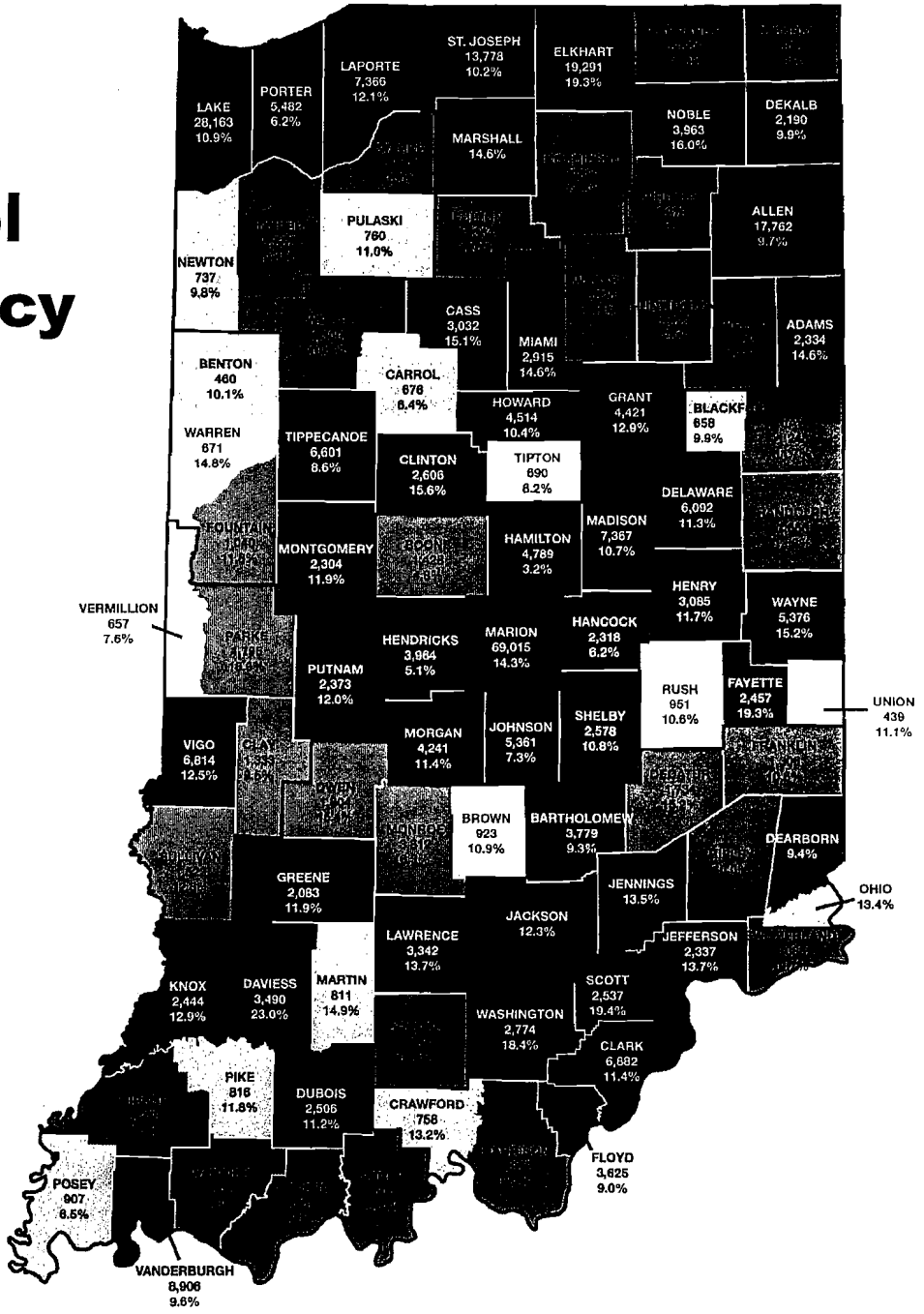
Adults age 25 to 64 without a High School Diploma or equivalency 2011

Number of Adults

- 0 - 1,000
- 1,000 - 1,999
- 2,000 - 3,999
- 4,000 +
- Economic Growth Region

Labels also show the percent of adults age 25 to 64 without a high school diploma or equivalent.

Source: Indiana Business Research Center, using American Community Survey five-year estimates. March, 2013.



INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

Debit Cards and Electronic Direct Deposits

- Direct deposit will be available to UI recipients in early 2014.
- Debit cards were implemented in 2007 to replace mailed UI checks.
- Many claimants do not have checking or savings accounts.
- Debit cards proved to be the most cost-effective option for both the State and the claimant.

Top Transactions:

1. Point of Sale at retailers (80%)
2. ATM withdrawl
3. Teller withdrawl

INDIANA WORKFORCE DEVELOPMENT AND ITS WorkOne CENTERS

Avoiding Debit Card Fees

- Transfer of funds to personal checking or savings account by phone is free, with unlimited free phone transfers.
- One free cash withdrawal allowed with each deposit at participating bank ATMs or any Visa Member bank teller window.
- Avoid using ATMs that are not participating in the program. Surcharge-free ATMs are located in a variety of local banks and at many Walmart, Kroger, CVS and Kmart stores throughout Indiana and the U.S.
- No fee for point of sale purchases.
- No fee for cash back at point of sale.
- Online balance inquiry and account activity is free. Individuals can sign up to receive a free phone or e-mail notification once their weekly deposit is posted to their account.

Indiana Institute for Working Families
Research and Public Policy

A Program of INCAA INDIANA COMMUNITY ACTION ASSOCIATION

Derek Thomas
SENIOR POLICY ANALYST

1845 West 18th Street
Indianapolis, IN 46202

TOLL 800.382.9895
PH 317.638.4232
FAX 317.634.7947
www.incap.org/iiwf

dthomas@incap.org

EXHIBIT 2 - MEETING #1
UNEMPLOYMENT INSURANCE OVERSIGHT
COMMITTEE - SEPTEMBER 30, 2013

Indiana Institute for Working Families
Research and Public Policy

A Program of INCAA
INDIANA COMMUNITY ACTION ASSOCIATION

Derek Thomas
SENIOR POLICY ANALYST

1845 West 18th Street
Indianapolis, IN 46202

TOLL 800.382.9895
PH 317.638.4232
FAX 317.634.7947
www.incap.org/iiwf

dthomas@incap.org

EXHIBIT 2 - MEETING #1
UNEMPLOYMENT INSURANCE OVERSIGHT
COMMITTEE - SEPTEMBER 30, 2013

Work Sharing:

A Win-Win-Win Strategy for Avoiding Job Loss

Indiana Institute for Working Families

Research to Policy

December 2011

About the Indiana Institute for Working Families

The Indiana Institute for Working Families (Institute) is a program of the Indiana Community Action Association, Inc. (IN-CAA). The Institute was founded in 2004. The Institute conducts research and promotes public policies to help Hoosier families achieve and maintain economic self-sufficiency. The Institute is the only statewide program in Indiana that combines research and policy analysis on federal and state legislation, public policies, and programs impacting low-income working families with education and outreach. The Institute achieves its work by focusing its activities in the following areas: Public Policy: Research and Analysis; Education and Outreach; and National, Statewide, and Community Partnerships. To learn more about the Institute, please visit: www.incap.org/iiwf.html.

About the Indiana Community Action Association (IN-CAA)

The Indiana Community Action Association, Inc. (IN-CAA) is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA's members are comprised of Indiana's 23 Community Action Agencies (CAAs), which serve all of Indiana's 92 counties. IN-CAA envisions a state with limited or no poverty, where its residents have decent, safe, and sanitary living conditions, and where resources are available to help low income individuals attain self-sufficiency. IN-CAA serves as an advocate and facilitator of policy, planning, and programs to create solutions and share responsibility as leaders in the War Against Poverty. IN-CAA's mission is to help the state's CAAs address the conditions of poverty through: training and technical assistance; developing models for service delivery; and providing resources to help increase network capacity. For more information about IN-CAA, please visit IN-CAA's web site at: www.incap.org.

About the Author, Derek Thomas

Derek Thomas is a Policy Analyst with the Indiana Institute for Working Families. Derek has spent the last two legislative sessions working at the Indiana State House; first as a legislative intern and then as a legislative assistant for Hays and Associates. Derek is currently working on his Masters in Public Affairs/Policy Analysis at the School of Public and Environmental Affairs (SPEA) at Indiana University. Derek obtained his Bachelors in Policy Studies from SPEA at Indiana University.

Acknowledgements

The Indiana Institute for Working Families would like to thank the following groups and individuals for their support in the development and completion of this report:

- ✓ ***The Joyce Foundation*** for its generous support of this report and of the Institute's work over the years.
- ✓ ***The Economic Policy Institute's, Economic Analysis Research Network*** for their continued support in providing research data and feedback for this report.
- ✓ ***Dean Baker***, Co-Director at the Center on Economic Policy Research, for his time and feedback on this report.
- ✓ ***Nicole Woo***, Director of Domestic Policy at the Center on Economic Policy Research, for her analysis on the Bureau of Labor Statistics (BLS) uptake data.
- ✓ ***Ohio Policy Matters*** for their initial contribution to the state survey (**Appendix A** of this report).
- ✓ ***Indiana Institute for Working Families Advisory Committee, especially Dr. Charles Warren***, Chairman, for their time and valuable feedback on this report.
- ✓ ***Indiana Community Action Association's Board of Directors and Staff*** who provide support for the Institute and its work.

Table of Contents

	PAGE
ABOUT THE INSTITUTE, IN-CAA, AND THE AUTHOR	1
ACKNOWLEDGEMENTS	2
INTRODUCION	3
CHAPTER 1: BASICS OF WORK SHARING	5
What is Work Sharing?	5
How is it Different than Job Sharing?	5
How Does a Work Sharing Program Work?	5
How is Work Sharing Funded?	5
Work Sharing is Not a New Idea	6
Work Sharing has Support from a Full Range of Economists	6
Cautions About Work Sharing Programs	7
CHAPTER 2: COSTS AND BENEFITS OF WORK SHARING PROGRAMS	8
State Government	8
Employers	10
Employees	12
CHAPTER 3: WORK SHARING PROGRAMS IN THE UNITED STATES	16
Best Practices	18
Missouri	18
Kansas	19
Rhode Island	19

Table of Contents

	PAGE
CHAPTER 3: WORK SHARING PROGRAMS IN THE UNITED STATES	16
Best Practices	18
New York	19
Washington State	19
CHAPTER 4: WORK SHARING IN OTHER COUNTRIES	21
Germany	22
Canada	23
CHAPTER 5: RECCOMENDATIONS FOR IMPLEMENTATION IN INDIANA	24
Conclusion	26
APPENDIX A: SURVEY OF STATES WITH WORK SHARING PROGRAMS ABOUT PROGRAM FEATURES	27
CITATIONS	38

Table of Figures and Tables

PAGE

CHAPTER 2: COSTS AND BENEFITS OF WORK SHARING PROGRAMS

Table 2.1 Costs and Benefits of Work Sharing for State Government 10

Table 2.2 Costs and Benefits of Work Sharing for Employers 11

Table 2.3 Take-Up Rates of Short-Time Compensation Programs by State, 2009 (avg. % employees covered by STC) 12

Table 2.4 Costs and Benefits of Work Sharing for Employees 14

Figure 2.1 Initial Willingness to Participate, California and Canada 15

Figure 2.2 Willingness to Participate Again, California and Canada 15

CHAPTER 3: WORK SHARING PROGRAMS IN THE UNITED STATES

Figure 3.1 Full Time Equivalent Work Sharing Claims, United States, January 2007 to October 2011 17

Table 3.1 States with Lowest Unemployment Percent Change, 2007-2010 18

Figure 3.2 Industry Participation in Work Sharing Program, Washington State, First and Second Quarters, 2010 20

CHAPTER 4: WORK SHARING IN OTHER COUNTRIES

Figure 4.1 Changes in Unemployment Rates, in Other Countries, 2007 to 2011 21

Figure 4.2 Take-Up Rates of Work Sharing Programs, in Selected Countries, 2009 22

Introduction

As the nation's economic recovery remains weak, a growing number of businesses are searching for ways to weather the economic downturn and retain their workforce. Work sharing (also known as Short-Time Compensation), available in 22 states, is an unemployment insurance (UI) benefit that explicitly targets job preservation and allows businesses to retain their skilled workforce during times of temporary decreased demand. Currently, a business that sees a decrease in demand needs to reduce production and layoff workers.

A work sharing program allows an employer to have the option of reducing the hours and wages of all employees or a particular group of employees (such as a department) instead of laying off a portion of its workforce to cut costs. Workers with reduced hours and wages are eligible for partial UI benefits to supplement their paychecks.

For example, if a business sees a 20 percent decrease in demand, and therefore needs to reduce production, they might layoff one-fifth of their workforce. If a work sharing program was available, the business could retain its entire workforce by reducing the hours of all its employees from 40 hours a week to 32 hours a week, reduce production by the required amount, and could achieve the same amount of cost savings while retaining all of its employees. The affected employees would receive wages based on four days of work. The 20 percent reduction in wages would then be supplemented by a portion of UI benefits—typically equal to half of lost wages. Under work sharing, an employee who made $300 per week—and would normally receive $150 a week in unemployment benefits if they were laid off—would receive $240 in wages and $30 in work sharing benefits. Like regular UI benefits, work sharing benefits do not fully cover lost income, but they help mitigate the loss.

Work sharing is a win-win-win strategy. A work sharing program benefits the state by mitigating further job losses. The employer benefits by reducing the high costs associated with turnover and maintaining continuity within the firm. And the employee benefits by maintaining wages and reducing the effects associated with long-term unemployment.

Work sharing benefits are paid from the state UI trust fund. Most employers pay taxes based on the size of their workforce and their experience with workforce reductions over time (called experience-rating).Work sharing benefits must be charged to employers who pay taxes or attributed to employers who reimburse the trust fund in the same manner as regular UI benefits. As a result, work sharing does not appear to have any significant impact on state UI trust funds. According to a U.S. Department of Labor study, work sharing benefits

are experience-rated at least as well as regular unemployment benefits.[1] In other words, an employer that participates in a work sharing program is likely to pay back the trust fund through unemployment taxes or direct reimbursements.

Work sharing has become a viable alternative to layoffs in states that have these programs in place. It has recently passed unanimously in Republican and Democrat led states, and has the backing of conservative and progressive economists alike. This widespread support should not be a surprise considering the success, and thereby, the benefits realized in 22 states (and Washington D.C.) across the nation and in multiple countries worldwide.

Work sharing programs particularly benefit the manufacturing industry. Yet, Ohio, Michigan, and Indiana who have manufacturing as a large sector of their states economies do not have work sharing programs. Indiana has lost 194,000 jobs from December 2007 to October 2011, of which 89,800 were manufacturing job losses.[2] In addition, Indiana's unemployment rate for October 2011 was 9.0 percent—up from 8.2 percent in May 2011.[3] Work sharing could assist Indiana in coping with continued job losses, growing numbers of unemployed workers, and provide a proactive tool for future economic downturns.

In the following report, the Institute will address the following: what is work sharing and how does it work; the costs and benefits associated with working sharing programs; work sharing programs in the U.S and best practices; work sharing outside of the U.S. and successes; and recommendations for implementation of a work sharing program in Indiana.

Chapter 1: Basics of Work Sharing

What is Work Sharing?

Work sharing (also known as Short-Time Compensation) is an unemployment insurance (UI) benefit that explicitly targets job preservation. A work sharing program provides employers with an alternative to layoffs during a temporary decline in business. A work sharing program allows an employer to reduce the hours and wages of all employees or a particular group of employees, usually by about 20 to 40 percent, to cut costs. Because work sharing is voluntary, employers can make decisions about participation in the program based on their unique circumstances. Workers with reduced hours and wages are eligible for partial UI benefits to supplement their paycheck. Working sharing programs are temporary and usually last six months.

How is it Different than Job Sharing?

Unlike work sharing, job sharing is not related to the UI benefits. Job sharing is a voluntary agreement in which two employees share one full-time job, whereas both employees would be employed part-time, receiving part-time wages. Job sharing is not used as a measure to increase employment or avert layoffs.

How Does a Work Sharing Program Work?

A typical work sharing program has an employer file a plan certifying that reduced hours are in lieu of a temporary layoff and that addresses other state requirements. State agencies administering the work sharing program, usually the state UI agency, will typically assess the employer's UI fund to make sure it is positive, the employer's tax status, and whether they meet the program's requirements. If the employer's plan meets that state's work sharing program requirements, the state UI agency approves the plan. Employees can then apply for and receive pro-rated benefits if they meet regular UI eligibility requirements. How various states' programs have been set-up and work will be discussed further in **Chapter 3** of this report.

How is Work Sharing Funded?

Work sharing benefits are paid from the state UI trust fund. Most employers pay taxes based on the size of their workforce and their experience with workforce reductions over time (called experience-rating). Work sharing benefits must be charged to employers who pay taxes or attributed to employers who reimburse the trust fund in the same manner as regular unemployment benefits. As a result, work sharing does not appear to have any significant impact on state UI trust funds. An employer that participates in a work sharing program is likely to pay back the trust fund through unemployment taxes or direct reimbursements.

Work Sharing is Not a New Idea

The United States is no stranger to work sharing. During the Great Depression, President Roosevelt, through the President's Reemployment Agreement (PRA) of 1933 directed firms to reduce workweeks in order to spread the availability of jobs to additional employment opportunities. At the same time, hourly wage rates were increased to minimize the impact shorter workweeks would have upon take-home pay. Similarly, work sharing policies have been implemented across Europe in the past three decades in hopes of reducing unemployment.[4]

According to a study done in 2009 by *Economica* of this depression-era initiative, the simultaneous increase in wage rates and the association of businesses (also known as cartelization) offset some of the gains, but estimates of the number of jobs saved, with all other things being equal, were near 2.47 million by the end of 1933—the first four months of program implementation.[5]

Work Sharing has Support from a Full Range of Economists

Economists from all spectrums of the political aisle support and encourage the measure. According to Kevin Hassett from the American Enterprise Institute for Public Policy Research, work sharing is the "best option" to improve the employment outlook and mitigate the permanent damage that this long-lasting recession has on the "careers of a generation of workers." Hassett continues by saying it is a "proven cost-effective program that promises significant—and timely—results." [6] And, in a recent article in the Wall Street Journal, Hassett states that he hasn't "encountered any hostility when he raised the topic with fellow Republicans."[7]

Mark Zandi of Moody's Economy.com recommends the program as a way to help small business due to its "large bang for the buck" (that is, $1.69 in Gross Domestic Product (GDP) spending for every dollar spent on work sharing) in order to "minimize job losses."[8]

The Center for American Progress describes it as a "job strategy that works."[9] Additionally, in 2002 the National Governors Association promoted work sharing as a "best practice" for assisting workers in an economic downturn.[10]

The New America Foundation also cites the long-term negative ramifications of extended periods of unemployment, and states that work sharing is a way to "mitigate layoffs, keep more workers attached to the labor market, and help businesses remain solvent during extended periods of economic downturn."[11]

However, work sharing is not a cure-all; rather, it should be seen as a "piece of the puzzle." Most studies, however, do show that participation can effectively mitigate job losses. Additionally, if programs are properly designed, the burden of a troubling economy is shared among workers, employers, and state government, which can result in a "win-win-win" strategy: allowing workers to keep their jobs; allowing companies to be well-positioned to prosper when growth returns and to retain their skilled workforce; and allowing the state to reduce job losses and minimizing the cost of social transfer payments through a decrease in the number of people drawing full unemployment insurance benefits.[12]

Cautions about Work Sharing Programs

Despite the overwhelming support of work sharing programs, there are also concerns that should be noted. Most importantly, work sharing is only a temporary solution and should be designed as such. Work sharing is not appropriate for every employer or situation—especially those who are not likely to see an increase in demand once the economy rebounds. Work sharing is most useful for companies and industries in which it is possible to reduce hours and modify work schedules.

Others express concern that work sharing programs can be complex to administer both for the employer and the state. However, if the program is set-up properly (see recommendations and best practices of how to overcome these issues are covered in **Chapter 5** of this report),these issues can be avoided and the work sharing program should run seamlessly within the state's existing UI system.

Finally, there are concerns about the unintended consequences in that the natural migration of labor will be impeded, and thus, creating a less flexible economy. However, these are not typical times. Workers are not moving into new industries; they're moving into the ranks of the long-term unemployed. In fact, according to the Congressional Research Service, chronic unemployment is worse now as a percentage than it was at the end of the Great Depression (data does not exist for long-term unemployment during the Great Depression).

These concerns also assume that the problems firms face in the current downturn are due to their individual or industry performance, rather than a collapse in demand. Even in a situation where extended unemployment is possible, the cost incurred to human capital, or the workers skills—both resulting from turnover policy—can be inefficient as well.

Chapter 2: Costs and Benefits of Work Sharing Programs

In this chapter, we examine the win-win-win impact of work sharing programs. Work sharing programs costs and benefits are examined from the perspective of state government, employers, and employees. Overwhelmingly, the research shows that the benefits outweigh the costs if the program is implemented and utilized appropriately. Additionally, the example below highlights an actual example of how a work sharing program was used by a business in Rhode Island. Each section of this chapter will highlight this work sharing experience from the perspective of all three parties (state government, employer, and employee).

Work Sharing Example

Facing potential layoffs, Pilgrim Screw Corporation in Providence, Rhode Island decided to participate in the state's work sharing program. As a result, in September the business directed 11 of its 65 employees to cut their workweeks by one day. The move meant nobody at the small manufacturer lost jobs, while those with fewer hours now get a check from Rhode Island representing one-fifth of what they would make under full-fledged unemployment insurance. It's a pay cut for those workers, to be sure, but they prefer that to the alternative: joblessness. The state's current unemployment rate is 10.4 percent.

Source: Lahart, Justin. "*Cutting Hours Instead of Jobs Rhode Island, Other States Offer Partial Unemployment for Shortened Workweeks.*" Wall Street Journal (November 21, 2011): http://online.wsj.com/article/SB10001424052970204517204577046371607150502.html.

State Government

Work sharing reduces the number of layoffs and therefore the number of unemployed. Additionally, work sharing programs particularly benefit manufacturing—an important sector of Indiana's economy, accounting for 16.5 percent of job losses since the recession began in December 2007.[13] Avoiding job losses also eases the impact on local businesses that depend on workers' spending on goods and services. This helps in maintaining consumption through continued wages and minimizing the domino effect of secondary job losses that inevitably result from layoffs. Thus, the state is able to maintain revenues earned from taxes such as income and sales tax.

Work sharing is not heavily used compared to the regular UI program. But program participation tends to increase sharply when the economy weakens. Beneficiaries under work sharing increased from 32,498 in 1997 to 111,202 in 2001 before falling back to 40,238 in 2005.[14] According to a number of states who administer the program, they are able to operate the program with limited staff, often incorporating existing staff from the state UI agency. A few states, with larger work sharing programs, such as California and Washington, have staff of up to 20 employees or more.

Work Sharing Example: Department of Labor Perspective

Rhode Island, which adopted work sharing in 1992, is one of the few states were it has been widely embraced. The state processed more than 12,000 initial claims for work sharing in 2010.

The state's unemployment is 10.4 percent, but would be higher without work sharing, according to the state's labor department. In 2009 and 2010 work sharing averted a total of 9,550 layoffs, the department calculates. Rhode Island lost 14,400 jobs in the same period—3 percent of the state's workforce.

Source: Lahart, Justin. "*Cutting Hours Instead of Jobs Rhode Island, Other States Offer Partial Unemployment for Shortened Workweeks.*" Wall Street Journal (November 21, 2011): http://online.wsj.com/article/SB10001424052970204517204577046371607150502.html.

There are concerns that work sharing programs can cause market inefficiencies also known as deadweight loss. These inefficiencies occur when work sharing benefits are paid to employers for jobs they would have retained even in the absence of the subsidy. However, research shows that if the work sharing program is structured properly, states can negate this risk. According to the research done by the International Labor Office, limiting the duration of the program and establishing these types of well-defined targets is the key to avoiding this deadweight loss—Canada and Germany both extended and shortened their programs on multiple occasions.[15]

Additionally, there are concerns that this program may stifle job growth in some industries. But these are not typical times and workers are not moving into new industries; they're moving into the ranks of the long-term unemployed. In fact, according to the Congressional Research Service, chronic unemployment is worse now as a percentage than it was at the end of the Great Depression (data does not exist for long-term unemployment during the Great Depression).

In response, the Frum Forum[1] described work sharing as a "jobs stimulus the GOP (and Dems) can back."[16] In response to concerns that mass hiring trends would be impeded, the Frum Forum stated: "the overall number isn't necessarily what matters; if Americans feel less affected by the economic downturn, then the relative nominal rate of recovery won't be as salient." Any efficient leveraging of Indiana's resources, in order to prevent additional job losses, should be considered by the state.

As demonstrated in **Table 2.1** below, despite these concerns, the benefits of work sharing far outweigh the costs to state government.

TABLE 2.1

Costs and Benefits of Work Sharing for State Government

Costs	Benefits
• Possible administrative burden for states that use a paper-based process for UI.[2]	• Reducing the cost of unemployment and the cost of social transfer payments. • Reducing the possibility of future layoffs. • Mitigating the effects and possibility of extended unemployment.

Employers

Work sharing helps employers endure a business slowdown by reducing the work hours of their full-time employees. The program helps employers temporarily reduce their payroll costs, retain skilled workers, and avoid turnover costs including the expenses of recruiting, hiring, and training new employees when the economy improves.

Work Sharing Example: Employer Perspective

Pilgrim Screw makes specialized screws and fasteners for the aerospace and defense industries. To operate the machines that shape the hundreds of fasteners, workers must get the knack of how different metals respond to various conditions. "It would take years for someone else to come and learn this stuff," said Reuben Hendricks, 59 years old, who operates a pair of high end machines for the company.

[1] FrumForum.com is a site edited by David Frum, dedicated to the modernization and renewal of the Republican party and the conservative movement.

[2] At the same time, work sharing participants do not have to check in weekly, reducing overall costs. And employees may collect compensation under work sharing for less time than traditional UI as well.

Work Sharing Example: Employer Perspective (continued)

At Pilgrim Screw the program is viewed as a good way to avoid the cycle of layoffs and hiring that might leave the company shorthanded when the need arises. "That allowed the company to hang on to valuable workers," said Pilgrim Screw Chief Executive Geoffrey Grove. The company first used the program in early 2009 when orders plunged after the financial crisis.

Source: Lahart, Justin. "*Cutting Hours Instead of Jobs Rhode Island, Other States Offer Partial Unemployment for Shortened Workweeks.*" Wall Street Journal (November 21, 2011): http://online.wsj.com/article/SB10001424052970204517204577046371607150502.html.

The employer perspective above is echoed in a recent study of California workers that showed that the average cost for replacing a non-exempt worker was $2,335.[3] Replacing an exempt worker costs as much as $7,548.[17] Additionally, when an employer has a stable workforce, they tend to pay fewer taxes.[18] Again, work sharing is a tool to respond to falling demand, but it is not designed to avert permanent layoffs or business closings. However, as employers become familiar with and participate in a work sharing program over time, they may adopt more thoughtful and responsible approaches to layoffs. As shown in **Table 2.2** below, the benefits for work sharing for employers far outweigh the costs.

Table 2.2

Costs and Benefits of Work Sharing for Employers

Costs	Benefits
• Increased administrative costs of rescheduling and submission of claim.[4] • Hourly fringe benefits may be higher with work sharing, in part because benefits are often being paid to more senior and higher paid staff.[7]	• Avoid the cost of employee turnover.[5,6] • Increases morale and job security among employees. • Temporarily reduces payroll costs. • Business retains skilled workers and maintains continuity in its workforce. • Ability to bounce back during economic recovery periods.

[3] According to the Fair Labor Standards Act, an exempt worker does not receive overtime pay and therefore is not required to keep records of specific hours worked. A non-exempt worker does receive overtime pay after 40 hours and does need to record specific hours worked.

[4] According to AARP, this can happen because employers may have to process more claims. However, employees may collect compensation under Work Sharing for less time than traditional UI as well.

[5] The following link is an interactive tool for HR professionals and business owners to calculate the cost of turnover(similar results for cost are seen through this tool): www.cepr.net/calculators/turnover_calc.html.

[6] Berkeley Planning Associates and Mathematica, as part of their 1997 study of STC, surveyed 500 employers who used work sharing in combination with STC and found that the ability to retain valued employees was a major attraction. Additionally, most employers who used the STC program reported that they were satisfied and would use it again, according to the same 1997 survey. In fact, many firms used STC repeatedly, with some firms using it in every quarter over a three year period.

[7] According to AARP, this may be true for state's that require employers to maintain full benefits. However, these costs may be offset by the cost of re-hiring.

As mentioned earlier, work sharing is not appropriate for every employer or situation—especially those who are not likely to see an increase in demand once the economy rebounds. Work sharing is most useful for companies and industries in which it is possible to reduce hours and modify work schedules especially the manufacturing industry. **Table 2.3** lists the take-up rates of work sharing programs by private sector employees versus manufacturing production employees and shows that manufacturers disproportionally use and benefit from work sharing programs. This data demonstrates once again how Indiana could benefit from a work sharing program as manufacturing accounts for 16.2 percent of Indiana's total nonfarm employment.[19]

TABLE 2.3

Take-Up Rates of Short-Time Compensation Programs by State, 2009 (avg. % employees covered by STC)

State	All Private Sector Employees	Upper-Bound Estimates, Manufacturing Production Workers
All Work Sharing States	0.17	**2.74**
Arizona	0.11	**2.01**
Arkansas	0.10	**0.70**
California	0.25	**4.55**
Connecticut	0.39	**5.27**
Florida	0.03	**0.91**
Iowa	0.18	**1.54**
Kansas	0.39	**3.69**
Maryland	0.03	**0.75**
Massachusetts	0.18	**2.95**
Minnesota	0.18	**2.12**
Missouri	0.25	**3.16**
New York	0.14	**2.99**
Oregon	0.31	**3.44**
Rhode Island	0.86	**12.35**
Texas	0.06	**0.86**
Vermont	0.37	**4.01**
Washington	0.29	**4.27**

Source: Houseman, Susan. "Labor Market Flexibility: A View from the United States" (presentation prepared by Upjohn Institute for Employment for conference on "Increasing Labor Market Flexibility: Boon or Bane?" Institute for Employment Research, Nuremberg, March 18-19 2011). Retrieved December 7, 2011: http://doku.iab.de/veranstaltungen/2011/ws_flex_Houseman_Presentation.pdf.

Employees

Work sharing is a voluntary program meaning that employees can choose to leave and be laid off, or stay and agree to a reduced number of hours. The employee will evaluate the

cost of searching for a new job, including the possibility for unemployment if they leave or the income loss if they chose to stay. Research suggests that employees will choose the latter. If employees chose to participate, a work sharing program helps workers keep their jobs, maintain their benefits (health and retirement benefits), and continue to build their skills and experience while the overall labor market is weak. Work sharing offers distinct advantages for entry-level and less experienced workers who are especially vulnerable if a layoff occurs.

Also, a modest reduction in earnings spread across a large pool of workers is less likely to result in the significant hardships that jobless workers and their families may experience. As the example in the introduction of this report stated, the affected employee would receive wages based on four days of work. The 20 percent reduction in wages would then be supplemented by a portion of unemployment benefits—typically equal to half of lost wages. Under work sharing, an employee who made $300 per week—and would normally receive $150 a week in unemployment benefits if they were laid off—would receive $240 in wages and $30 in work sharing benefits. Like regular unemployment benefits, work sharing benefits do not fully cover lost income, but they help mitigate the loss. Typically, employees receive ninety percent of their income under work sharing—significantly better than the alternative.

Work Sharing Example: Employee Perspective

Pilgrim Screw's employees agreed to take part in the program, which reduced their pay by about 10 percent including the state benefits-a bit less if they had dependents and a bit more if they were highly paid. The company continued to pay health benefits. "You take some hits, but it's not as bad as if you were laid off," said Pilgrim Screw Chief Executive Geoffrey Grove.

This is also the sentiment of employees. "You feel it but you don't lose your job," said Stephen Saravo, 54, who was on work sharing for four months in 2009.

Source: Lahart, Justin. "*Cutting Hours Instead of Jobs Rhode Island, Other States Offer Partial Unemployment for Shortened Workweeks.*" Wall Street Journal (November 21, 2011): http://online.wsj.com/article/SB10001424052970204517204577046371607150502.html.

Research shows employees were as productive as, or more productive than non-work share employees.[20] This may be due to the fact that the toll of layoffs and unemployment on employees are extreme and the impacts are long lasting. According to an ABC News/Washington Post poll conducted during the recession in November 2009, three out of ten people said they or someone in their household has lost a job during the past year. Additionally, 62 percent of those who responded reported a serious financial hardship and more than half describe the emotional toll of layoffs (stress, anger and depression). The poll

also found that lower-income families are twice as likely as higher-income families to experience job loss.

A study by The Brookings Institution followed individuals who faced long-term unemployment for 20 years. They found that incomes fell by 30 to 40 percent in the year in which they lost their job, and moreover, the incomes remained 20 percent lower 20 years later. During a boom, future earnings fell by approximately $65,000. However, in a recession, it can fall anywhere between $100,000 and $120,000. The study also found that job stability, health, higher mortality, and lower achievements by children were also attributed to job displacement during severe recessions.[21]

The New America Foundation also studied long-term unemployment. The study cites higher incidences of poverty, social exclusion, psychological impacts and an increased reliance on state assistance for the long-term unemployed.[22] Work sharing programs can help thousands of families avoid unnecessary pitfalls simply by giving employers the flexibility to withstand major business downturns without eliminating jobs. The study also showed that work sharing has in fact had an effect on limiting permanent job losses in 2008-2009. It also suggests that while wages were decreased temporarily, it "allowed millions to escape the life-long consequences of joblessness and labor force detachment."[23]

Again, the benefits for employees far outweigh the costs of loss of income and unemployment as seen in **Table 2.4**.

Table 2.4

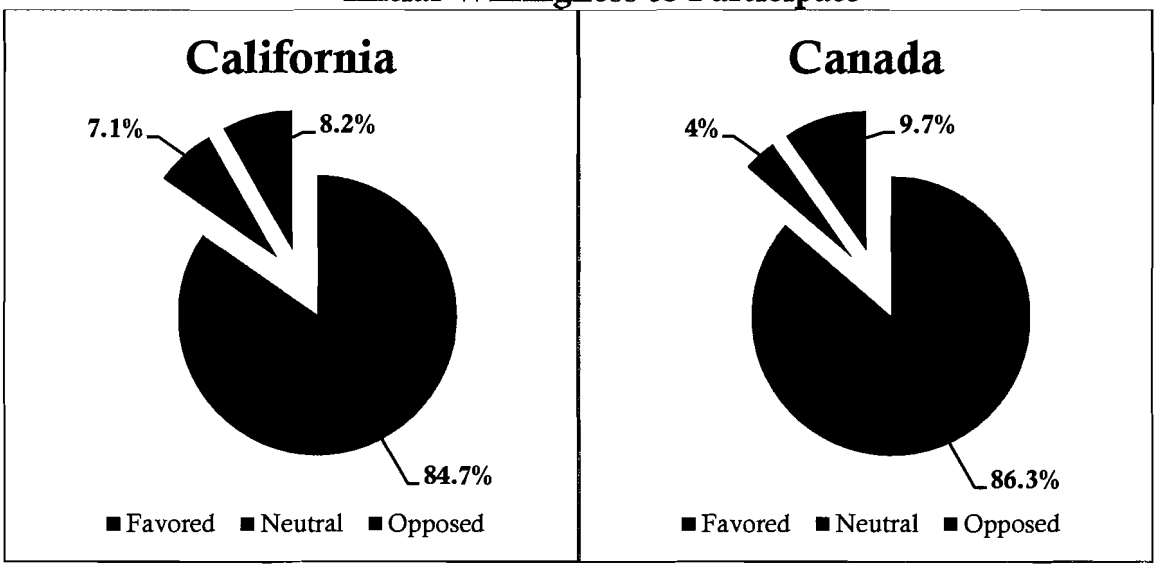
Costs and Benefits of Work Sharing for Employees

Costs	Benefits
• Loss of income.	• Retain job and financial security from wages. • Retain health insurance and retirement benefits. • Earn higher wages under work sharing benefits than traditional unemployment insurance benefits. • Avoid the loss of skills—while remaining available for advancement opportunities. • Avoid the long-term loss of income that is associated with extended unemployment.

There is not much in the way of employee surveys, aside from a survey done in 1988 evaluating California and Canada's initial work sharing programs. However, the voluntary participation requirement does suggest an equivalent positive response from employers and

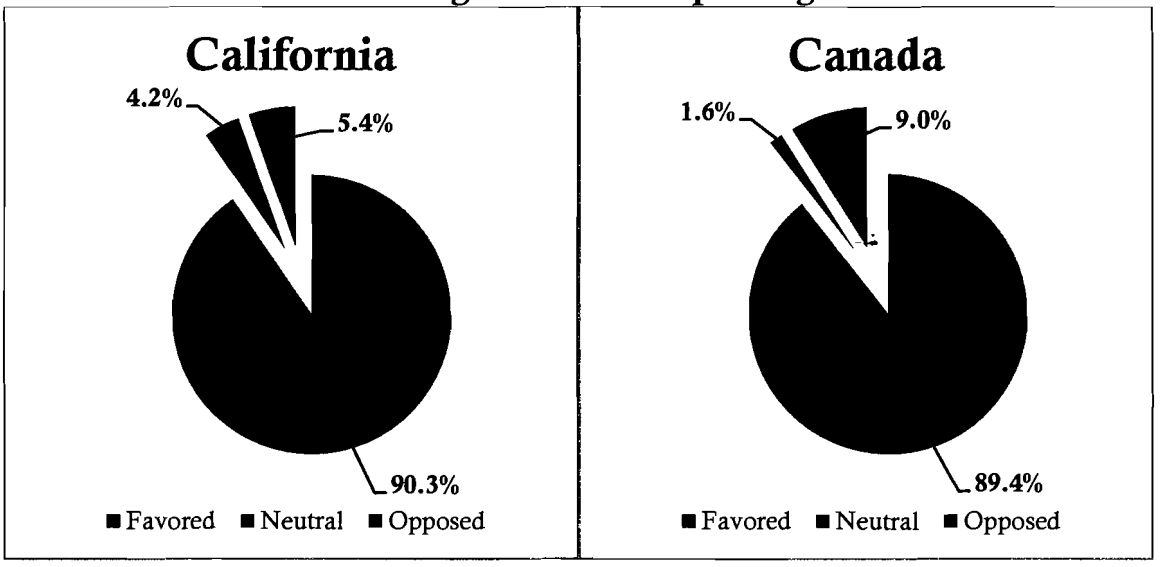
employees alike (see **Figure 2.1**). The survey also shows a largely favorable view of work sharing by employees, and moreover, employees were also willing to participate in the program again (see **Figure 2.2**).[24]

FIGURE 2.1
Initial Willingness to Participate[8]



Source: Best, Fred. Reducing Workweeks to Prevent Layoffs: *The Economic and Social Impacts of Unemployment Insurance Supported Work Sharing.* (Philadelphia: Temple University Press, 1988), 139.

FIGURE 2.2
Willingness to Participate Again



Source: Best, Fred. Reducing Workweeks to Prevent Layoffs: *The Economic and Social Impacts of Unemployment Insurance Supported Work Sharing.* (Philadelphia: Temple University Press, 1988), 139.

[8] Note: Opposed responses includes extremely, very, moderately, and slightly opposed. Favorable responses includes slightly, moderately, very much, and extremely favorable. The questions were: When the use of Work Sharing UI was first mentioned, were you in favor or opposed; What about your co-workers, were they opposed, in favor, or neutral and; If your employer had to cut back work again in the future, would you favor or oppose the use of Work Sharing UI in your employee group as an alternative to layoffs?

Chapter 3: Work Sharing Programs in the United States

Work sharing was considered and implemented in the United States in the 1930s during the Great Depression by President Roosevelt. As mentioned earlier, the program was credited with saving 2.47 million jobs. Despite the success of the program, work sharing was rarely discussed or utilized due to the low unemployment rates after World War II.

It was not until the 1974 recession that work sharing was once again revived and initial policy development on the concept began in the Office of the Secretary of Labor. California informally approved the first state work sharing program in the nation in 1978 to help employers and employees during tough economic times. In response, Congress enacted a temporary amendment to the Social Security Act in 1982, which allowed California to formalize the program through legislation. Arizona and Oregon both adopted programs in the same year. These three states have the longest operating work sharing programs in the country. In 1992, Congress made work sharing a permanent program, allowing all states to offer work sharing to the business community as they choose.

According to AARP, the low level of state involvement is partly due to the lack of leadership at the federal level. According to the study, discrepancies between federal UI eligibility criteria and state requirements may be why the U.S. Department of Labor "has not issued work sharing guidance, encouraged state participation, or provided technical assistance."[25]

However, work sharing has now received the attention of the federal government and the Obama administration. In recent efforts to create jobs and reduce long-term unemployment, work sharing has been proposed as part of the American Jobs Act. Within the proposed legislation, states that have approved work sharing programs could receive up to three years of federal funding for implementation and administration. Additionally, the "proposed budget would provide states with the resources they need to jump-start work sharing programs, and deliver their benefits effectively to businesses and their workers."[26]

Work sharing programs are currently available in 22 states including: Arizona, Arkansas, California, Colorado, Connecticut, Florida, Iowa, Kansas, New York, Maine, Maryland, Massachusetts, Minnesota, Missouri, Oklahoma, Oregon, New Hampshire, Pennsylvania, Rhode Island, Texas, Vermont, and Washington. A work sharing program is also available in Washington D.C. Work sharing programs popularity has skyrocketed since the economy tanked in December 2007. Five of the aforementioned states have adopted the program since 2009.

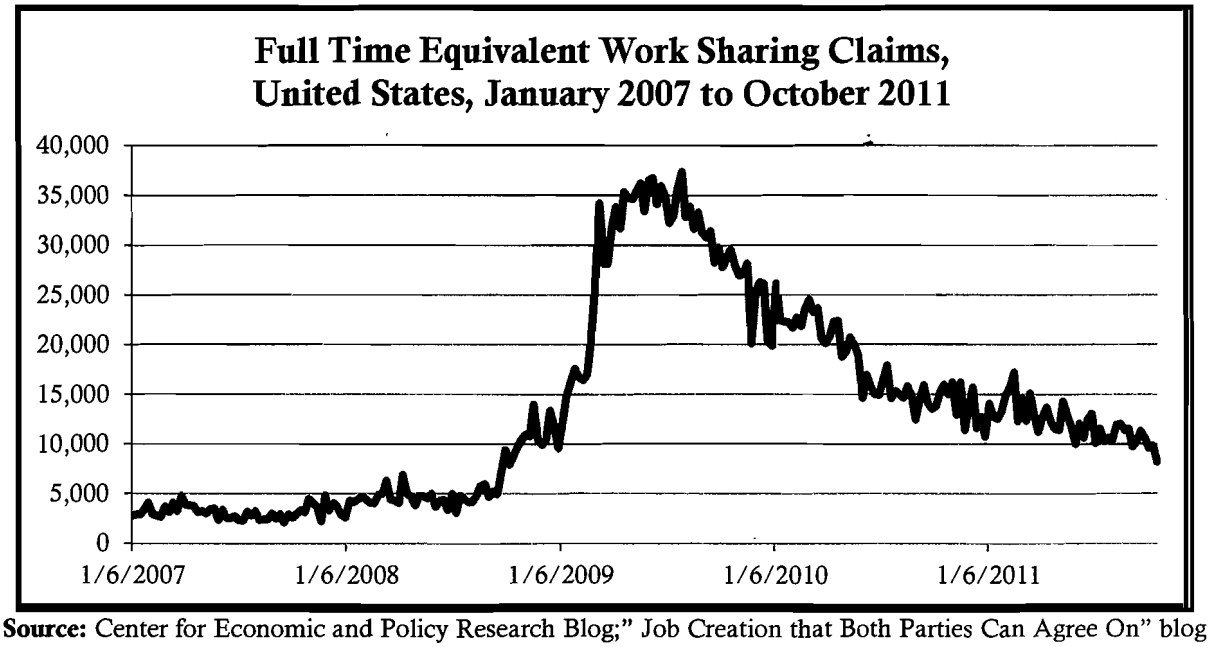
Although each state has the flexibility to set-up their work sharing program as they see fit, prominent features of most work sharing programs include:

- Ten percent of a particular line or department, or two employees, is the average minimum number of employees that must participate in order for the employer to qualify;
- A reduction of 10 to 50 percent hours represents the range of minimum and maximum that states allow for employers to qualify;
- Similar to UI, work sharing typically includes a one week waiting period;
- Participating workers covered by a collective bargaining agreement must have consent of bargaining agent;
- Employers are required to maintain benefits; and
- Most states require the employer to file weekly certification on behalf of the employee.

To see a full listing of features of states' work sharing programs, see the state survey results in **Appendix A** of this report.

According to the U.S. Department of Labor, there were over 153,000 participants across the U.S. during its peak week of June 2009, compared to just 12,000 participants in January 2007.[27] Work sharing claims average just over ¼ of a job, a measure known as Full Time Equivalent is used to calculate the number of jobs saved. **Figure 3.1** illustrates the number of jobs saved—near 40,000 at its peak. The U.S. Department of Labor also states that a total of 165,000 jobs were saved in all of 2009, across the nation.

FIGURE 3.1



Source: Center for Economic and Policy Research Blog;" Job Creation that Both Parties Can Agree On" blog entry by Nicole Woo, January 7, 2011. Retrieved December 7, 2011: www.cepr.net/index.php/blogs/cepr-blog/job-creation-that-both-parties-can-agree-on.

Additionally, **Figure 3.2** illustrates that 8 of 15 states with the lowest unemployment rate percentage change from 2007 through 2010 have utilized work sharing programs.

TABLE 3.1

States with Lowest Unemployment Percent Change, 2007-2010

State	% Change from 2007-2010	State has Work Sharing Program?
North Dakota	0.5%	
Alaska	1.2%	
Nebraska	1.3%	
Vermont	1.5%	**Yes**
Minnesota	1.7%	**Yes**
South Dakota	1.7%	
New Hampshire	1.9%	**Yes**
Iowa	2.1%	**Yes**
Maine[9]	2.5%	
Oklahoma	2.5%	**Yes**
Kansas	2.7%	**Yes**
Massachusetts	2.9%	**Yes**
Arkansas	3.1%	**Yes**
New Mexico	3.1%	
Virginia	3.1%	

Source: Center for Economic and Policy Research, 2010.

Best Practices

States that implement work sharing programs are making the program flexible and innovative in many different ways. In this section, we are highlighting some of the best practices from Missouri, Kansas, Rhode Island, New York, and Washington State.

Missouri – Outreach Campaign

In Missouri, Carol Lucke, Chief of Benefits of Employment Security, stated that up until 2008, only 50 or so employers participated in work sharing. However, at the onset of the recession, Missouri ran a media blitz to promote the program. By 2009, they were registering over 500 employers—representing close to 45,000 employees. According to Ms. Lucke, the program included manufacturing, construction, hospitals, day cares, florists, and other small businesses. The state had initially allowed for a 26 week program. In 2009 businesses approached the legislature to ask for extensions.

By the end of 2010, Missouri saw close to 400 employers still signed up. Of those 400 employers, 245 were renewals and 127 were brand new—representing nearly 32,500 employees. In 2011, Missouri still has 332 employers signed up. Of those 332 employers, 266 were renewals and 66 were new participants—representing nearly 22,000 employees.[28]

[9] Maine passed work sharing legislation in 2010 and is currently in the implementation process.

Kansas – Expanding Eligibility and Access to Training for Employees

Kansas has added language to their work sharing legislation that allows participants to be eligible for additional work sharing benefits if they participate in approved training on their days off. Approved training is defined as, "any vocational training course or course in basic education skills, including a job training program authorized under the federal Workforce Investment Act (WIA) of 1998."[29]

Rhode Island – Development of Key Partnership

Rhode Island has seen the highest participation rates as a percentage of the civilian labor force and was recently mentioned in the Wall Street Journal's article "Cutting Hours Instead of Jobs" due to its tremendous success.[30] Between 2007 and 2008, participation rates soared by 119 percent. At the peak of the recession, in 2009, there were close to 9,000 participants, representing over twenty percent of unemployment claims. This represents 1.54 percent of the civilian labor force.[31] Between 2009 and 2010, "work sharing averted a total of 9,550 layoffs."[32]

According to the Rhode Island Department of Labor and Training, a major factor in Rhode Island's success is their partnership with the Chamber of Commerce, who, by way of informational notices, was able to market the program effectively.

New York – Align Work Sharing Program with Other Workforce Programs

In New York, work sharing program participation increased sixty percent from 2007 to 2008. By the end of 2009, nearly 40,000 beneficiaries were served and 3,000 New York businesses participated in the work sharing program for "needed flexibility in dealing with economic distress" during the peak of the Great Recession.[33]

New York was also able to take advantage of training because they "align their UI and WIA programs to assure that workers participating in work sharing, who could benefit from training are referred to the appropriate education and training services."[34]

New York's program is similar to Washington State's in that it allows flexibility for employers to set up plans. Under this situation, employers can be on work sharing one week, and off the next, depending on their individual circumstances. Finally, for added flexibility, employers can have a complete shut down for up to two consecutive weeks without their work share program being transferred to regular UI.

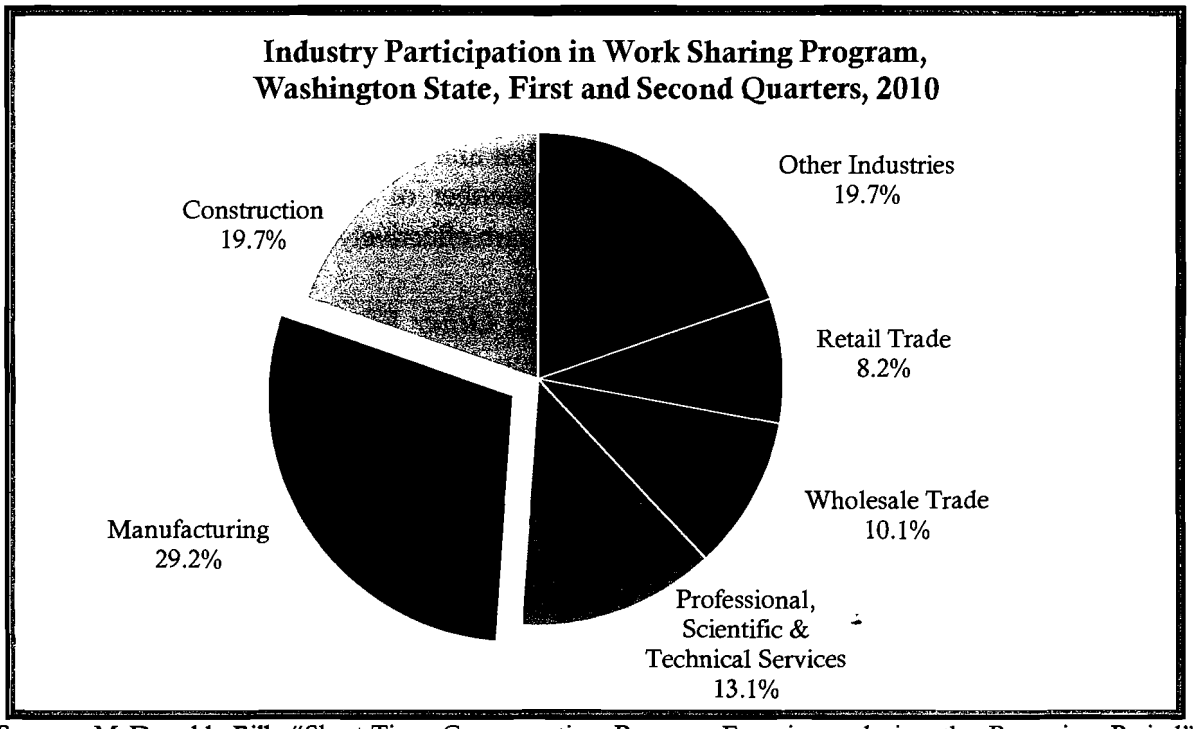
Washington State – Program Administration and Operations

Washington State is perhaps the model example of work sharing program success in the United States. At the peak of the recession, in the fall of 2009, Washington State had approved plans for over 2,500 employers—representing over 46,000 employees. Before the recession, manufacturing represented 48 percent of industry participants. However, as

evident by **Figure 3.2**, all industries of all sizes eventually participated. In the first two quarters of 2010, 3,243 employers were participating of which 942 were manufacturers.[35]

According to Bill McDonald, Manager of the Shared Work Program in Washington State, a major factor in Washington's success lies in how they administer and operate the program. Specifically, there is flexibility written into their laws, whereas, employers are not locked into the program. It is a yearlong plan that allows week-to-week tweaking of their reduced workweeks so employers can use it for one week, or not at all. It is often difficult for employers to commit to specific hours reductions for specific workers for a set period of time. The sort of flexibility allowed in Washington should be a key component of Indiana's program and should make a big difference in take-up rates.

FIGURE 3.2

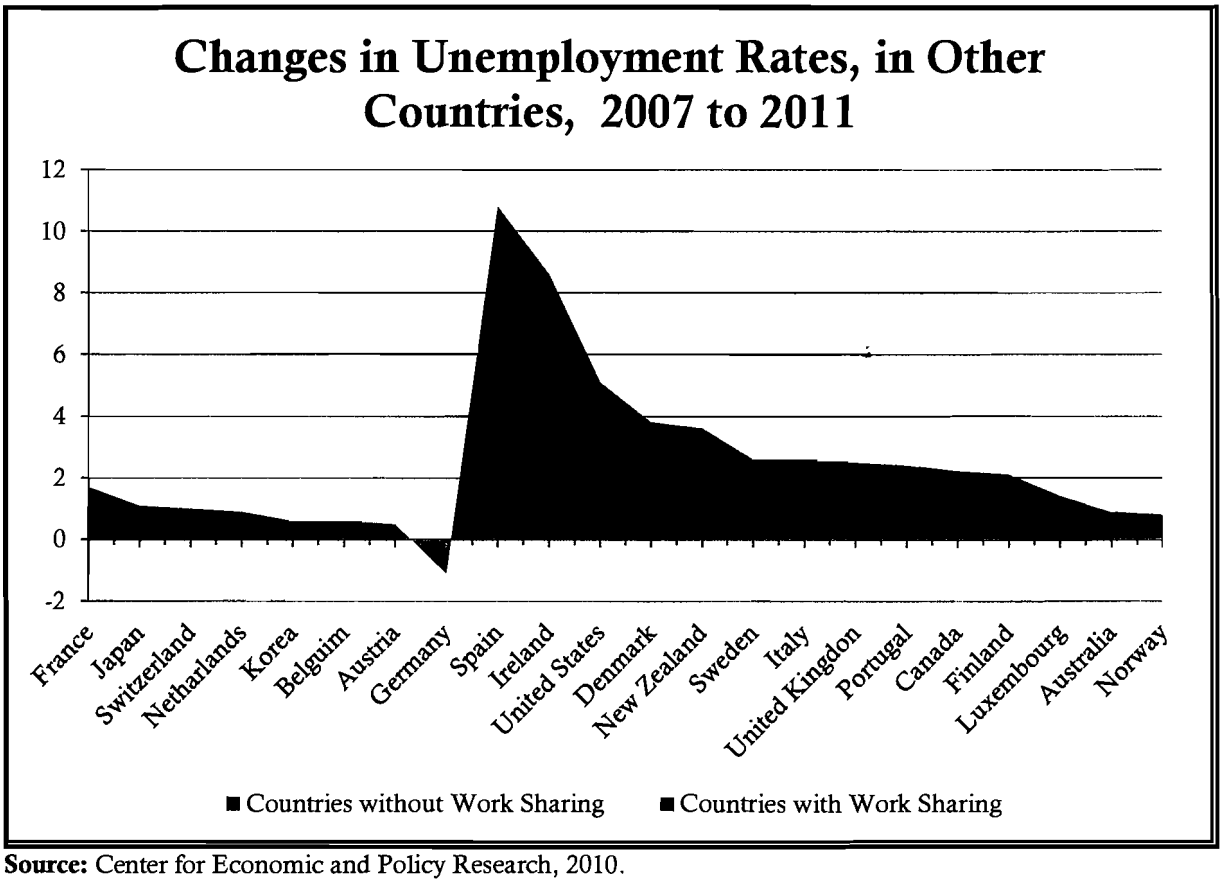


Source: McDonald, Bill. "Short-Time Compensation Program Experience during the Recession Period" (presentation prepared by Employment Security Department, Washington State, October 20, 2010).

Chapter 4: Work Sharing in Other Countries

The widespread bi-partisan support for work sharing programs is largely due to the success this program has seen in other countries. Within the member countries of the Organization for Economic Cooperation and Development (OECD), 25 of 33 countries currently operate some form of a work sharing program.[36] Before the Great Recession, only 18 countries within the OECD had operated work sharing programs. Additionally, the take-up rate was only 0.2 percent (as a percentage of employees) in the fourth quarter of 2007, and jumped to 1.3 percent in the fourth quarter of 2009 among these nations.[37] Most importantly, some of these European nations with robust work sharing programs saw minimal to no increase in unemployment during the Great Recession while Germany actually saw an increase in employment.[38] See **Figure 4.1** for a comparison of countries with and without work sharing programs during the Great Recession. Finally, and similar to the United States' experience with work sharing, manufacturers disproportionally used work share programs in OECD countries (see **Figure 4.2**).

FIGURE 4.1



Source: Center for Economic and Policy Research, 2010.

FIGURE 4.2

Take-Up Rates of Work Sharing Programs, in Selected Countries, 2009

	All Employees	Manufacturing
Austria	0.63	3.41
Belgium	5.6	16.99
Canada	0.34	N/A
Czech Republic	1.44	4.49
Finland	1.67	2.69
France	0.83	0.361
Germany	3.17	12.06
Ireland	1.03	1.34
Italy	3.29	9.95
Netherlands	0.75	5.01

Source: Houseman, Susan. "Labor Market Flexibility: A View from the United States" (presentation prepared by Upjohn Institute for Employment for conference on "Increasing Labor Market Flexibility: Boon or Bane?" Institute for Employment Research, Nuremberg, March 18-19 2011). Retrieved December 7, 2011: http://doku.iab.de/veranstaltungen/2011/ws_flex_Houseman_Presentation.pdf.

Germany

Germany's program, called 'Kurzarbeit' (literally 'short-time'), is the most widely used example of a successful work sharing program. Unemployment in Germany dropped to 6.1 percent, a full percentage point below the rate at the start of the downturn.[39] In regard to Germany's success, economist Kevin Hassett states, it is "clearly and directly attributable to a specific economic policy...a secret medicine that can cure unemployment, or at least minimize its spread."[40] Despite a steep drop in GDP—worse than the U.S. and the European Union—Germany was able to increase employment by 1.9 percent while also bypassing the U.S. in GDP growth, albeit slightly.

It is important to note that the OECD estimates that only 25 percent of Germany's success can be attributed to work sharing. Employer agreements with unions, worker protections, reduced overtime, and work-hour accounts attributed to the majority of nations success. To reiterate, work sharing is not a cure all, only part of a larger commitment to preserving employment.[41]

Canada

Canada has also had success with its work sharing program. In 2009, there were over 160,000 participants per month. According to the OECD Employment Outlook 2010, Canada is expected to emerge from the global recession faster than most advanced economies. In fact, forecasting suggests a 7 percent unemployment rate by the end of 2011—as of September 2011, it stands at 7.1 percent.[42] According to the report, work sharing "has undoubtedly contributed to save jobs during the recession."[43]

At the same time, it should be noted that many of these Canadian workers (nearly half) were let go after 26 weeks of program enrollment. Again, and in accordance with the research on the profound consequences of long-term unemployment and the loss of skills, remaining employed for six additional months provided greater footing when re-entering the job market. In addition, those who remain employed in the long-run, as well as those who only remained employed for six months, due to work sharing benefits, were able to earn 87 percent of their salary.

Insofar as cost, Canada added $11.6 million more per year to their existing unemployment program. However, according to the OECD report, this additional cost was the result of a policy that allows workers to collect normal unemployment benefits for the full duration after being laid off.

Chapter 5: Recommendations for Implementation of Work Sharing in Indiana

While the Institute supports federal legislation to assist Indiana and other states to implement work sharing, Congress remains in gridlock and it is uncertain whether federal legislation will pass. However, given the current economic conditions, Indiana's increasing unemployment rate, and work sharing's particular benefit to the manufacturing sector, **Indiana cannot afford to *not* implement a work sharing program**.

Implementing this program is a "win-win-win" strategy for Indiana as employees maintain wages and are spared the effects of long-term unemployment. The employer benefits by reducing the high costs associated with turnover while maintaining continuity within the firm. And the state mitigates further job losses and the ripple effects associated with long-term unemployment.

The Institute believes a **work sharing program can preserve many jobs in the state of Indiana, now and for future economic downturns**, and has proposed the following recommendations for implementing a work sharing program. [44,45]

- **Require employers to maintain wages and benefits coverage.** One of the conditions of employers participating in a state work sharing program should be that they will not reduce employees' wage rates and will maintain their benefits (health, retirement, etc.).

- **Create links between work sharing programs and training.** States may permit employees receiving work sharing benefits to participate in an employer-sponsored training program to enhance their job skills. Other federal and state training resources may also be available to employees participating in work sharing programs. New York's program, as stated earlier, was able to take advantage of training because they "align their UI and WIA programs to assure that workers participating in a work sharing program who could benefit from training are referred to the appropriate education and training services."

- **Make Program Flexible for Employers.** According to Bill McDonald, Program Manager of Washington State's work sharing program, the flexibility the program affords an employer to reduce individual employee work hours on a weekly basis predicated on business needs is paramount [to the program]." Unlike other states, Washington State allows an employer the ability to reduce weekly work hours (between 10 percent and 50 percent) in varying amounts for each individual employee every week while participating in the program.

- **Establish Program Time Limits.** Most work sharing programs are 26 to 52 weeks. This key element allows a temporary reduction of wages to be just that, temporary. Constant tweaking, as seen in Germany, Canada, and Washington State, allows the program to be only temporary, and limits any displacement effects as a result of labor hoarding. Participating firms should only be experiencing problems due to the business cycle, and not those suffering structural decline.

- **Automation.** The majority of states recommend automation as an effective way to reduce administration costs. New York's work share program has operated as a paper process until recently. The huge influx in applications and claims during the recent economic crisis substantially increased the staff time, leading to the development of a technological solution. In today's environment, New York would recommend that any new programs invest in technological self-service processes which can effectively respond to fluctuations in demand. The overall number of applications and claims represent a relatively small portion of the workload so systems that can be integrated into normal processes would not substantially add to ongoing administrative costs.

- **Make Application Process Easy and Quick for Employers.** Some states require a plan while others require a short one page application to be approved by the state UI agency. Making it easy will allow employers to give their employees time to make the decision that is right for them–to stay or leave. Washington State has the quickest turnaround time for approving applications–7 days.

- **Effectively Market the Program.** Nearly all states, and countries, as well as the United States Department of Labor, claim that the low participation levels are attributed to the lack of knowledge of the program. States such as Washington and Missouri saw vast increases in participation partly due to their marketing campaigns and partnerships. Rhode Island cited the Chamber of Commerce as a key partner to this outreach.

Conclusion

Work sharing needs to be an option in more states and part of the nation's response to unemployment. The need to address long-term unemployment and minimize new job losses must go hand in hand. Of the participating states, it is clear that many employers are still participating and effectively mitigating job losses. As of October 2011, Indiana has had six straight months of increasing unemployment rates and should consider the program to mitigate losses by providing employers with options tailored for their individual needs. As mentioned earlier, **work sharing is a win-win-win strategy Indiana cannot afford to not take advantage of in this time of economic distress as the benefits far outweigh the costs.**

Appendix A: Survey of States with Work Sharing Programs About Program Features

Source: Updated from an earlier survey by the Ohio Department of Job & Family Services, provided by Policy Matters Ohio.

Notes about survey

- Pennsylvania did not respond so they were not included in chart, even though state has work sharing program.
- Rhode Island did not respond to survey questions 16 and 17 so this state was not included on this set of charts.
- Questions that only applied to one state were not included.
- All states responded yes to the question, are participating workers in work sharing programs covered by a collective bargaining agreement required to have the consent of bargaining representative. Therefore it was not included in survey results.

Survey Questions 1-5					
State	**Q1-Does your program exclude seasonal workers?**	**Q2-Does your program exclude part-time workers?**	**Q3-Is there a minimum # (or %) of employees that must participate?**	**Q4-Are there minimum & maximum %s of reduced work hours allowable?**	**Q5-Does your state have a waiting week and, if so, how is it administered?**
Arizona	No	No	Yes (2 employees)	10% to 40%	Yes (1st week hours reduced qualifies)
Arkansas	Yes	Yes	Yes (2 or more)	10% to 40%	Yes (1st week employee is eligible after filing claim)
California	Yes	No	Yes (2 or 10% whichever is greater)	10% to 90%	Yes (1st week employee is eligible after filing claim)
Colorado	No	No	Yes (10% of affected unit such as dept.)	10% to 40%	Yes
Connecticut	Yes	Yes	Yes (4 FTE employees)	20% to 40%	No
Florida	Yes	Yes (less than 32 hours)	Yes (10% of unit or 2 employees for unit of less than 20)	10% to 40%	Yes (must be a week claimant is eligible to receive benefits)
Iowa	No	No	Yes (50 employees)	20% to 40%	No
Kansas	Yes	Yes	Yes (2 employees or 10% of unit)	20% to 40%	Yes (7 days & must be week claimant would be eligible to receive benefits)
New York	No	Yes	Yes (more than 5 employees)	20% to 60%	Yes (First week hours reduced qualifies)
Maine	Yes	No	Yes (everyone in unit, at least 2 employees)	10% to 50%	Yes
Maryland	No	Yes	Yes (2 employees)	10% to 50%	No
Massachusetts	Yes	No	Yes (2 employees)	10% to 60%	Yes
Minnesota	Yes	Yes	No	20% to 50%	Yes
Missouri	No	Yes	Yes (10% or 3 employees)	24 hours to qualify cannot go over 32 hours	Yes
Oklahoma	No	No	Yes (100 employees or 10% of company, or 50 employees of unit)	10% to 40%	Yes (1st week after filing)
Oregon	No	No	Yes (3 employees)	20% to 40%	Yes (1st week claimed and eligible)
New Hampshire	Yes	No	Yes (2 employees)	10% to 50%	Yes
Rhode Island	Yes	No response	Yes (2 employees)	No response	Yes
Texas	Yes	Yes	Yes (10% of unit and must be at least 2 affected employees)	10% to 40%	No
Vermont	Yes	No	No	20% to 50%	No
Washington	Yes	Yes	No	10% to 50%	Yes

Survey Questions 6-10					
State	**Q6-Have employers applied and been denied? If so, for what reason(s)?**	**Q7-Are employers required to maintain benefits at the same level for participating employees as they do for non-STC employees?**	**Q8-Are there limits on the duration an employee can receive work sharing benefits?**	**Q9-Are there requirements for worker attachment to the employer for a certain period of time?**	**Q10-Is there a requirement for availability for all work hours the employer makes available?**
Arizona	Yes (not enough employees or not paying into UI)	No	26 weeks	No	Yes (participant may not refuse hours provided by the employer)
Arkansas	Yes (not having positive UI balance)	Yes	1 year after effective date	No	Yes
California	Yes (requesting benefits for leased employees)	No	6 months (employers can renew every 6 months)	Yes (employee must have worked at firm 1 week)	Yes
Colorado	Yes (for salary employees, program does not cover them and negative UI balance)	Yes	18 weeks	Yes	Yes
Connecticut	Yes (tax delinquency, does not pay UI, strictly seasonal employer)	Yes	No	No	Yes
Florida	Yes (does not pay UI taxes or have UI contribution #)	No	26 weeks (employer plan good for 1yr.)	Yes (employees must be regularly employed by the employer)	Yes
Iowa	No	No	1 year	No	Yes
Kansas	Yes (negative UI balance or not been in business long enough to have experience rating)	No	26 weeks (per employer plan good for 1 year)	Yes (employee must have worked for employer for 12 weeks)	Yes (employee must be available for all work offered by employer)
New York	Yes (insufficient # of employees or hours)	Yes	Plans approved for 53 weeks (20 weeks payable w/o extensions)	No	No
Maine	N/A (program in process of being implemented)	No	2-12 months	No	Yes
Maryland	Yes (not enough employees participating)	No	26 weeks (within benefit yr.)	Yes (employee must have worked for employer for 3 months)	Yes
Massachusetts	Yes (negative UI fund)	Yes	26 weeks	Yes (employee must have worked at firm 5-6 months)	Yes (participant may not refuse hours provided by the employer)

Survey Questions 6-10 (continued)					
State	**Q6-Have employers applied and been denied? If so, for what reason(s)?**	**Q7-Are employers required to maintain benefits at the same level for participating employees as they do for non-STC employees?**	**Q8-Are there limits on the duration an employee can receive work sharing benefits?**	**Q9-Are there requirements for worker attachment to the employer for a certain period of time?**	**Q10-Is there a requirement for availability for all work hours the employer makes available?**
Minnesota	Yes (max. rate and high-rated industry employers)	Yes	52 weeks	Yes (employee must have worked at firm 1year)	Yes
Missouri	Yes (negative UI fund or contribution wage reports not up-to-date)	No	52 weeks	No	Yes
Oklahoma	No	Yes	26 weeks	No	Yes
Oregon	No	No	Yes (3 employees)	No	Yes
New Hampshire	Yes	No	Yes (2 employees)	No	Yes
Rhode Island	Yes	No response	Yes (2 employees)	No response	Yes
Texas	Yes	Yes	Yes (10% of unit and must be at least 2 affected employees)	No	Yes
Vermont	Yes	No	No	No	Yes
Washington	Yes	Yes	No	Yes (workers are attached to the STC employer for the length of the one year plan unless the employee specifically requests to be removed from the program.)	Yes

Survey Questions 11-15					
State	**Q11-Describe any special UI tax provisions for participating employers.**	**Q12-Describe the impact of STC on your state's UI Trust Fund.**	**Q13-Are STC participants eligible for extended benefits program?**	**Q14- Describe the magnitude of administrative costs for start-up and ongoing administration of STC.**	**Q15-Does your state use special applications and/or weekly claims certifications for unemployed workers?**
Arizona	No response	None	Yes	N/A	26 weeks
Arkansas	Employer will be charged in the usual manner. A reimbursable employer will be required to reimburse the UI Fund for the cost of benefits paid based on wages paid.	None	Yes (A claimant can only draw 26 weeks and at the end of the 26 weeks if claimant has a balance they may be able to draw partial weeks or total weeks depending upon their employment status.)	The technical unit gets the application approved and the local office processes the claim. The employer submits a weekly log that an interviewer has to key weekly.	1 year after effective date
California	No response	None	Whatever is collected by the employee during STC is deducted from the Maximum Benefit Amount for a 12 month period.	40-50 employees administering the manual STC program	6 months (employers can renew every 6 months)
Colorado	Negative balance employers are not eligible to participate. Otherwise normal charging applies.	None	Yes	Do not know costs at this time	18 weeks
Connecticut	Negative balance employers excluded from participation	No major impact	Yes	Currently7 full-time staff working in the unit, entering new claims and weekly certifications.	No
Florida	STC benefits are charged to the employer's tax account in the same manner as regular UI benefits. However, the maxi. tax rate is 1% higher for STC employers.	Information not available	Yes	N/A	26 weeks (employer plan good for 1yr.)
Iowa	No	No negative impact.	No	Administrative costs are minimal. One FTE who handles STC even with the up-take.	1 year

Survey Questions 11-15 (continued)					
State	**Q11-Describe any special UI tax provisions for participating employers.**	**Q12-Describe the impact of STC on your state's UI Trust Fund.**	**Q13-Are STC participants eligible for extended benefits program?**	**Q14- Describe the magnitude of administrative costs for start-up and ongoing administration of STC.**	**Q15-Does your state use special applications and/or weekly claims certifications for unemployed workers?**
Kansas	Employers must have filed all reports, must not be delinquent on taxes, must be eligible for a rate computation and must not have a negative account balance. Reimbursin g employers must have filed all reports required and made all payments in lieu of contributions.	**None**	**Yes**	**1 employee**	**No**
New York	Employers are charged in the same manner as other employers. All employers, including negative balance employer are eligible to participate.	Since program inception, total savings to the UI Trust Fund has been in excess of $521 million dollars (as of 2009).	Yes	Overall represents a small portion of the workload so systems that can be integrated into normal processes would not substantially add to ongoing administrative costs. New York Shared Work Program Administrative Costs have declined from $630.000 in 2004 to $515,000 in 2008.	Yes
Maine	Chairing of benefits is charged to the employer.	None	No	1 FTE employee and 2 part-time employees	Yes
Maryland	All STC benefits are charged 100% to the work sharing employer regardless of base period charging rule.	Benefits are paid through UI Trust fund; the employer is charged for the benefits. Benefits are included in employer's experience rating. If the employer is at the maximum rate, taxes would be capped and the benefits socialized by the fund.	No	N/A	No

Survey Questions 11-15 (continued)					
State	**Q11-Describe any special UI tax provisions for participating employers.**	**Q12-Describe the impact of STC on your state's UI Trust Fund.**	**Q13-Are STC participants eligible for extended benefits program?**	**Q14- Describe the magnitude of administrative costs for start-up and ongoing administration of STC.**	**Q15-Does your state use special applications and/or weekly claims certifications for unemployed workers?**
Massachusetts	No response	None	Yes	N/A	26 weeks
Minnesota	Employer will be charged in the usual manner. A reimbursable employer will be required to reimburse the UI Fund for the cost of benefits paid based on wages paid.	None	Yes (A claimant can only draw 26 weeks and at the end of the 26 weeks if claimant has a balance they may be able to draw partial weeks or total weeks depending upon their employment status.)	The technical unit gets the application approved and the local office processes the claim. The employer submits a weekly log that an interviewer has to key weekly.	1 year after effective date
Missouri	No response	None	Whatever is collected by the employee during STC is deducted from the Maximum Benefit Amount for a 12 month period.	40-50 employees administering the manual STC program	6 months (employers can renew every 6 months)
Oklahoma	Negative balance employers are not eligible to participate. Otherwise normal charging applies.	None	Yes	Do not know costs at this time	18 weeks
Oregon	If the employee account reserve is positive, UI charges are charged the same as regular charges. If account reserve is negative, the employer will be charged dollar for dollar for benefits paid to the employees. Negative balance employers allowed to participate as reimbursable employers.	None	No	Startup costs are unknown. Oregon has two compliance specialists and one tax technician, all working the program on a part-time basis.	Yes
New Hampshire	If they are positive with UI trust fund (more paid in taxes than received benefits) work share will continue to come out of balance. May effect tax rate as they do taxes on a 3 year avg. If negatively rated, and approved, they would have to refund the STC benefits dollar for dollar.	Has not had negative impact on fund	Yes (STC benefits are deducted from Maximum Benefit Amount)	When it started there were 4 people. Now it is only three-with one person doing most of the work (only 15-20 hours of her week).	Employer files plan online and employee files to pen up UI claim. STC employer is responsible for filing STC claim. Three employers have filed 26 week plans back to back to back.

Survey Questions 11-15 (continued)					
State	**Q11-Describe any special UI tax provisions for participating employers.**	**Q12-Describe the impact of STC on your state's UI Trust Fund.**	**Q13-Are STC participants eligible for extended benefits program?**	**Q14- Describe the magnitude of administrative costs for start-up and ongoing administration of STC.**	**Q15-Does your state use special applications and/or weekly claims certifications for unemployed workers?**
Rhode Island	All Work Share benefits are charged to the account of the employer. Employers liable for payments in lieu of contributions (reimbursable employers) shall be responsible for reimbursing the employment security fund for the full amount of Work Share benefits paid to their employees.	No response	No response	No response	No response
Texas	We have no special tax provision for STC participation. Benefit charges from claimants participating in the STC program are treated like any other charge to an employer's account in calculating a tax rate.	Employers pay the cost of benefits paid to STC through potential increased tax rates, so there is no net impact on the UI Trust Fund.	Yes	Texas administers the STC program currently with two full-time staff and two temporary staff that our state hired due to increase in the program. We occasionally need assistance from a system analyst.	Yes
Vermont	No	None	Yes	Their UI staff also administer STC program. No additional staff.	N/A
Washington	No special tax provisions. SW benefits are charged to an employer's experience rating account in the same manner as regular unemployment tax.	A previous program study indicated that STC employers do not have a negative impact on the UI Trust Fund. When STC employers began participation in the program, benefit charges exceed taxes paid for that next immediate year and possibly a year after that. Then tax rates increased as the result of these ongoing benefit payments which led to a recapturing of the payments.	Yes	At the height of the recession we had 3,000 employers and around 50,000 eligible workers. At that time we had 23 staff with an estimated administrative cost of $1.425 million which includes salaries, benefits, and non-personnel services costs. Currently we are operating with 18 staff.	Yes (all STC forms are unique to the STC program and not used by other regular unemployment insurance programs.)

Survey Questions 16-17		
State	**Q16-Does the employer file the weekly certifications on behalf of the workers and certify the wages?**	**Q17-Provide any lessons learned and/or recommendations regarding the implementation and administration of STC.**
Arizona	Yes	Forecast demand and update systems accordingly to handle increased volume.
Arkansas	Yes	Make sure a weekly certified log sheet is submitted and do not allow claimant to claim thru automation or internet.
California	Yes	Automate the process.
Colorado	We do not require this.	N/A
Connecticut	Yes	If starting new, automate as much as possible.
Florida	Yes	Automate the process.
Iowa	Yes	Make sure the employer is responsible and submit all the information to state workforce agency so that the info can auto process. Again, automation. Even though they are still working with 30 ye old legacy system, using the spreadsheet all the information to auto process. This required the assistance of IT department in implementation.
Kansas	Yes, but the employer certifies hours worked, not wages.	N/A
New York	Yes	Recommend automated claim application filing (IVR and WEB) as well as an automated certification process. Educate your state's employers before inception of program.
Maine	Joint weekly claiming	N/A
Maryland	Yes	N/A
Massachusetts	Yes	N/A
Minnesota	Employers option	We tried to make this a self-service program but some employers made a mess of it by not reporting hours worked and by shifting individuals on and off the program. A plan needs to be fixed to administer it. That means no adding new employees, no deleting employees and very limited changes in hours worked. We allow two plan uniform shutdowns during the course of the plan. A plan can be for as little as 2 months.
Missouri	Yes	hey think it runs well. Every state should have it.
Oklahoma	Yes	N/A
Oregon	Yes	N/A
New Hampshire	Yes	Eliminating surprises, especially for non-computer-using-workers, by providing screen shots and user friendly automation processes.
Texas	Yes	We use a system analyst to try to automate as much as we can of the set up process. Our recommendation would be to make your process as automated as possible. The fact that our process is very manual can become a problem if we have a large company participating.

Survey Questions 16-17 (continued)		
State	**Q16-Does the employer file the weekly certifications on behalf of the workers and certify the wages?**	**Q17-Provide any lessons learned and/or recommendations regarding the implementation and administration of STC.**
Vermont	Yes	They are considering legislative changes that would NOT allow negative balance employees to participate. They do not have time limits. Some employers have used the program for 10 years. Considering much clearer legislation.
Washington	No, however the employer receives a weekly benefit payments report used to cross check against their payroll records.	The STC Program was legislatively adopted in WA State in 1983. I'm not aware of any opposition at that time. The WA State program is highly thought of with an excellent reputation and perception by the statewide business communities and associated unions. Previous employer surveys indicated above the 90 percentile mark in most areas of employer satisfaction. The WA State program has been featured nationally on the NBC Nightly News as the most prolific program in the nation. The Governor (Christine Gregoire) has been on statewide TV and radio promoting the program, the McClatchy newspaper system and other media have published articles on the WA State program, etc.

Citations

[1] Berkeley Planning Associates and Mathematica Policy Research, Inc. *"Evaluation of Short-Time Compensation Program."* Submitted to U.S. Department of Labor. March 1997. Retrieved December 7, 2011: http://workforcesecurity.doleta.gov/dmstree/op/op97/op_03-97.pdf.

[2] Economic Policy Institute. Analysis of Bureau of Labor Statistic Data for Total Nonfarm Employment and Manufacturing Employment for Indiana. December 2007 through October 2011.

[3] U.S. Bureau of Labor Statistics. *"Economic News Release, Table 3. Civilian labor force and unemployment by state and selected area, seasonally adjusted."* November 22, 2011. Retrieved December 7, 2011: http://www.bls.gov/news.release/laus.t03.htm.

[4] Taylor, Jason E. Central Michigan University Department of Economics *"Work-Sharing During the Great Depression: Did the "President's Reemployment Agreement."* March 2009. Retrieved November 2011: http://faculty.cba.cmich.edu/webs/taylo2je/datafiles%5Cnira%20for%20new%20deal%202.pdf.
Promote Reemployment?

[5] Taylor, Jason. Economica. *"Work-sharing during the Great Depression: Did the 'President's Reemployment Agreement' Promote Reemployment?"* January 2009. Retrieved October 13, 2011: http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0335.2009.00804.x/pdf.

[6] Hassett, Kevin. American Enterprise Institute for Public Policy Research. *"Work Sharing Could Work for Us."* April 2010. Retrieved October 10, 2011: http://www.aei.org/article/101873.

[7] Lahart, Justin. *"Cutting Hours Instead of Jobs Rhode Island, Other States Offer Partial Unemployment for Shortened Workweeks."* Wall Street Journal (November 21, 2011): http://online.wsj.com/article/SB10001424052970204517204577046371607150502.html.

[8] Zandi, Mark. Moody's Economist.com, Moody's Analytics. *"An Analysis of Obama Jobs Plan."* September 2011. Retrieved October 10, 2011: http://www.economy.com/dismal/article_free.asp?cid=224641.

[9] Boushey, Heather. Center for American Progress. *"Job Strategies That Work."* June 2011. Retrieved October 10, 2011: http://www.americanprogress.org/issues/2011/06/strategies.html.

[10] Shelton, Alison. Congressional Research Service. *"Compensated Work Sharing Arrangements (Short-Time Compensation) as an Alternative to Layoffs."* February 2011. Retrieved October 12, 2011: http://assets.opencrs.com/rpts/R40689_20110215.pdf.

[11] Henry, Shayne. New American Foundation. Policy Brief. *"Work Sharing: Effective in Keeping Workers Attached to the Labor Market."* June 2011. Retrieved October 11, 2011: http://newamerica.net/publications/policy/work_sharing.

[12]Messenger, Jon. International Labour Office. Travail Policy Brief No. 1. *"Work Sharing: A Strategy to Preserve Jobs During the Global Jobs Crisis."* June 2009. Retrieved October 10, 2011: http://www.ilo.org/global/about-the-ilo/press-and-media-centre/insight/WCMS_107652/lang--en/index.htm.

[13] Economic Policy Institute. Analysis of Bureau of Labor Statistic Data for Total Nonfarm Employment and Manufacturing Employment for Indiana. December 2007 through October 2011.

[14] David E. Balducchi and Stephen A. Wandner. "Work Sharing Policy." *Publius*. Volume 38, Number 1, Winter 2008. Page 16. Retrieved November 2011: www.clasp.org/admin/site/publications/files/0481.pdf.

[15] Crimmemann, Andreas. International Labor Office—Geneva. Conditions of Work and Employment Programme. *"The German Work Sharing Scheme: An Instrument for the Crisis."* 2010. Retrieved October 11, 2011: http://www.ilo.int/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_145335.pdf.

[16] Frum Forum Blog. *"New Jobs Stimulus the GOP (and Dems) Can Back."* Blog entry by Mason Heron, November 2, 2010. Retrieved October 2011: http://www.frumforum.com/a-new-jobs-stimulus-the-gop-and-dems-can-back.

[17] Baker, Dean. Center for Economic and Policy Research. *"Work Sharing, The Quick Route Back to Full Unemployment."* June 2011. Retrieved October 11, 2011: http://www.cepr.net/index.php/publications/reports/work-sharing-the-quick-route-back-to-full-employment.

[18]Ridley, Neil. Balducchi, David. CLASP. *"Work Sharing. An Alternative to Layoffs. Frequently Asked Questions."* Retrieved October 19, 2011: http://www.clasp.org/admin/site/publications/files/Work-Sharing-An-Alternative-to-Layoffs.pdf.

[19] Economic Policy Institute. Analysis of Bureau of Labor Statistic Data for Total Nonfarm Employment and Manufacturing Employment for Indiana. December 2007 through October 2011.
[20] Sirota, Alexandra. Berkley Planning Associates and Mathematica Policy Research Inc. *"Evaluation of Short – Time Compensation Program: Final Report.* 1997. Retrieved October 20, 2011: http://wdr.doleta.gov/research/pubord/pub818.cfm?fuseaction=dsp_resultdetail&pub_id=351&mp=y.
[21] Davis, Steven. Brookings Institution. *"Recessions and the Costs of Job Loss."* September 2011. Retrieved October 11, 2011: http://www.brookings.edu/~/media/Files/Programs/ES/BPEA/2011_fall_bpea_papers/2011_fall_bpea_conference_davis.pdf.
[22] Henry, Shayne. New American Foundation. Policy Brief. *"Work Sharing: Effective in Keeping Workers Attached to the Labor Market."* June 2011. Retrieved October 11, 2011: http://newamerica.net/publications/policy/work_sharing.
[23] Ibid.
[24] Best, Fred. Reducing Workweeks to Prevent Layoffs: *The Economic and Social Impacts of Unemployment Insurance Supported Work Sharing.* (Philadelphia: Temple University Press, 1988), 139. Retrieved October 19, 2011: http://books.google.com/books?id=IF6gjBCXSYgC&pg=PA152&lpg=PA152&dq=why+did+california+pass+work+sharing+in+1978&source=bl&ots=xgiLJGhfpf&sig=_e9PB4yLNnMH3wUEPc__D6-3Jqk&hl=en&ei=8NKeTuOFG4WQsQKs3rjSCQ&sa=X&oi=book_result&ct=result&resnum=1&ved=0CB0Q6AEwAA#v=onepage&q&f=false.
[25] AARP Public Policy Institute. Insight on the Issues. *"Saving Jobs Through Work Sharing."* September 2010. Retrieved October 19, 2011: http://assets.aarp.org/rgcenter/ppi/econ-sec/insight45_worksharing.pdf.
[26] Department of Labor. News Release. *"Statement by Secretary of Labor Hilda L. Solis on Unemployment Insurance Reform."* 2011. Retrieved October 19th, 2011: http://www.dol.gov/opa/media/press/eta/eta20111028.htm.
[27] Center for Economic and Policy Research Blog. *"Drumbeat Continues from Left and Right for Work Sharing."* Blog entry by Nicole Woo, November 21, 2011. Retrieved November 22, 2011: http://www.cepr.net/index.php/blogs/cepr-blog/drumbeat-continues-from-left-and-right-for-work-sharing.
[28] Lucke, Carol (Chief of Benefits, Missouri Division of Employment Security), in discussion with the author, October 2011.
[29] Kansas.gov. Legislative Archive. *House Bill No. 1374.* 2010. Retrieved October 19, 2011: http://www.kansas.gov/government/legislative/bills/2010/2374.pdf.
[30] Lahart, Justin. "Cutting Hours Instead of Jobs Rhode Island, Other States Offer Partial Unemployment for Shortened Workweeks." Wall Street Journal (November 21, 2011): http://online.wsj.com/article/SB10001424052970204517204577046371607150502.html.
[31] Center for Economic and Policy Research Blog;" Job Creation that Both Parties Can Agree On" blog entry by Nicole Woo, January 7, 2011. Retrieved December 7, 2011: www.cepr.net/index.php/blogs/cepr-blog/job-creation-that-both-parties-can-agree-on.
[32] Lahart, Justin. "Cutting Hours Instead of Jobs Rhode Island, Other States Offer Partial Unemployment for Shortened Workweeks." Wall Street Journal (November 21, 2011): http://online.wsj.com/article/SB10001424052970204517204577046371607150502.html.
[33] Herman, Bruce. Written Testimony submitted to U.S. House of Representatives Education and Workforce Committee. Hearing on: *"Modernizing the Workforce Investment Act: Developing an Effective Job Training System for Workers and Employers."* Retrieved October 19, 2011: http://edworkforce.house.gov/UploadedFiles/10.04.11_herman.pdf.
[34] Ibid.
[35] McDonald, Bill. "Short-Time Compensation Program Experience during the Recession Period" (presentation prepared by Employment Security Department, Washington State, October 20, 2010).
[36] Cahuc, Pierre & Carcilo, Stephane. Institute for the Study of Labor. *"Is Short Time Work a Good Method to Keep Unemployment Down?"* January 2011. Retrieved October 12, 2011: http://voxeu.org/index.php?q=node/6067.
[37] Ibid.
[38] Cahuc, Pierre & Carcilo, Stephane. Institute for the Study of Labor. *"Is Short Time Work a Good Method to Keep Unemployment Down?"* January 2011. Retrieved October 12, 2011: http://voxeu.org/index.php?q=node/6067.

[39]Crimmemann, Andreas. International Labor Office—Geneva. Conditions of Work and Employment Programme. *"The German Work Sharing Scheme: An Instrument for the Crisis."* 2010. Retrieved October 11, 2011: http://www.ilo.int/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_145335.pdf.

[40] Hassett, Kevin. American Enterprise Institute for Public Policy Research. *"Work Sharing Could Work for Us."* April 2010. Retrieved October 10, 2011: http://www.aei.org/article/101873.

[41] Baker, Dean. Center for Economic and Policy Research. *"Work Sharing, The Quick Route Back to Full Unemployment."* June 2011. Retrieved October 11, 2011: http://www.cepr.net/index.php/publications/reports/work-sharing-the-quick-route-back-to-full-employment.

[42] Organization for Economic Cooperation and Development. *"Employment Outlook 2010—How Does CANADA Compare?"* 2010. Retrieved October 12, 2011: http://www.oecd.org/dataoecd/14/8/45603588.pdf.

[43] Ibid.

[44] Messenger, John. TRAVAIL Policy Brief No. 1. *"Work Sharing: A Strategy to preserve Jobs During the Global Economic Crisis."* 2009. Retrieved October 20, 2011: http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_120705.pdf.

[45] Ridley, Neil. Balducchi, David. CLASP. Work Sharing. An Alternative to Layoffs. *Frequently Asked Questions.* Retrieved October 19, 2011: http://www.clasp.org/admin/site/publications/files/Work-Sharing-An-Alternative-to-Layoffs.pdf.

Indiana Institute for Working Families

Research and Public Policy

For More Information, Please Contact Us:

Indiana Institute for Working Families
1845 W. 18th St., Indianapolis, IN
Phone: 317-638-4232
Email: dthomas@incap.org
Web: www.incap.org/iiwf.html

CLASP
policy solutions that work for low-income people

NELP
National Employment Law Project

Seizing the Moment:

A GUIDE TO ADOPTING STATE WORK SHARING LEGISLATION AFTER THE LAYOFF PREVENTION ACT OF 2012

December 2012 I Neil Ridley and George Wentworth

THE GREAT RECESSION, which triggered massive waves of job losses, sparked renewed interest in measures to avoid or mitigate the effect of layoffs on workers and communities. Many industrial countries created layoff avoidance programs or expanded existing ones.[1] At the same time, there was an upsurge in use of work sharing in the United States, where it is known as short-time compensation (STC), shared work and work share.[2]

Work sharing is a form of unemployment insurance (UI) that gives employers the option of reducing employees' hours instead of cutting their workforce during a business slowdown. For example, a business may reduce all employees' hours by 20 percent instead of cutting one-fifth of its workforce. Workers can then receive pro-rated unemployment benefits that help compensate for reduced work hours.

In many states, the number of participating employers spiked during the recession and the ratio of weeks of STC benefits paid relative to weeks of regular UI benefits paid was generally higher in most states during the Great Recession than during previous recessions.[3] As a result of work sharing, states were able to save about 166,000 jobs in 2009 and nearly 100,000 jobs in 2010.[4] STC programs also spread more widely across the country. Since 2010, seven states (Colorado, Maine, Michigan, New Hampshire, New Jersey, Oklahoma and Pennsylvania) and the District of Columbia have adopted work sharing, bringing the total number of programs to twenty-five.

Many economists and policy experts have highlighted the value of work sharing in maintaining employment stability during economic downturns. In Germany, short-time work—as work sharing is known there—is credited with preserving jobs and keeping unemployment from rising sharply.[5] Research shows that established programs in the U.S. also saved jobs, particularly in sectors such as manufacturing in which there was extensive use of work sharing. A recent study suggests that, if STC programs had been

widely available in all states and intensively used during the recent recession, the effect on U.S. employment could have been substantial.[6]

Between 2009 and 2012, Congress considered and ultimately adopted a proposal sponsored by Sen. Jack Reed (and Rep. Rosa DeLauro) to boost use of STC programs. The Middle Class Tax Relief and Job Creation Act—signed by President Obama on February 22, 2012—includes a section known as "the Layoff Prevention Act of 2012" that authorizes temporary subsidies to states providing benefits through STC programs. The legislation also allocates nearly $100 million in grants to help states launch new programs, improve the operation of existing programs and promote STC more broadly to business and workers. The Layoff Prevention Act ("the Act") presents opportunities both for states with STC programs and those adopting them to put in place "an effective counter-cyclical tool" for use during economic downturns in the future.[7]

This report, the second in a series prepared by the Center for Law and Social Policy (CLASP) and the National Employment Law Project (NELP), is a guide for state administrators, legislators and advocates seeking to implement work sharing. The next section summarizes the opportunities presented by the Layoff Prevention Act and lays out the timeline for implementation. The middle section explains in detail the new requirements in federal law and the final section highlights a set of additional provisions designed to protect participants in STC programs, set guidelines for employer participation and ensure strong administration.

Implementing the Layoff Prevention Act of 2012

The Layoff Prevention Act—contained in Subtitle D of Title II of the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96)—offers a historic opportunity for states to adopt and enhance STC programs. The new law establishes a new definition of state STC programs; provides temporary funding to states that operate programs; and institutes a temporary federal program for states without programs in law.[8] Both states with STC programs in law and those seeking to establish them have more options to implement work sharing as a result of the Act.

States with STC programs in law: Policymakers in states with established programs have until August 22, 2014 to amend their UI laws to conform to the new ten-part definition. They may receive up to three years of federal reimbursement of STC benefit costs and once they have enacted conforming state STC laws, they have until December 31, 2014, to apply for a portion of the $100 million in grants for program improvement and outreach to employers.

States without STC programs in law: Leaders in states that are expected to adopt STC programs have two options. First, they can establish a new program by amending their state UI law. Once the law is enacted, the state can receive federal reimbursement of STC benefit costs for up to three years and no later than August 22, 2015. They also may apply for a grant to launch the program, educate employers and engage them in work sharing. Second, while state laws are being drafted and adopted, these states can enter into an agreement with the Secretary of Labor to make compensated work sharing immediately available to employers and workers. Under this temporary federal program, states with an approved agreement may receive partial reimbursement of benefit costs paid to workers for no more than two years. The U.S. Department of Labor has released guidelines for states interested in using this option.[9]

The table below summarizes important deadlines for implementation of the Layoff Prevention Act.

Implementation Dates in the Layoff Prevention Act

STATE ACTIONS	End Dates
Amend existing state laws to conform to new STC definition	By August 22, 2014
Receive federal reimbursements of STC benefit costs paid under state law for up to three years	No later than August 22, 2015
Participate in an optional temporary federal STC program for up to two years	No later than May 24, 2014
Apply for grants to implement STC programs or promote use by employers	By December 31, 2014

Federal Requirements for STC Programs

The Layoff Prevention Act updates federal requirements for STC programs for the first time in twenty years. The new law clarifies that a central element in state programs is the submission and approval of a plan that documents how employee hours will be reduced and how program requirements will be met. If the plan submitted by the employer is approved, employees can file for STC benefits and may receive them provided they are otherwise eligible.

The new federal requirements are contained in subsection (v) of section 3306 of the Federal Unemployment Tax Act (FUTA). If states already have a STC program in law or enact one, they must administer it in accordance with the new definition. This section explains the ten elements of the new definition as listed in the following table.

ELEMENTS OF THE NEW STC DEFINITION

- Employer participation is voluntary.
- Employers reduce employee hours in lieu of layoffs.
- Employees whose hours are reduced by at least 10 percent but not more than 60 percent (as determined by the state) are not disqualified from unemployment compensation.
- Employees receive a prorated share of the unemployment benefits they would have received if totally unemployed.
- Employees meet work availability and work search requirements if they are available for their work week as required.
- Eligible employees may participate in appropriate training approved by the state UI agency.
- If health and retirement benefits are provided, employers must certify that those benefits will not be reduced due to participation in the STC program.
- The employer must submit a written plan to the state UI agency describing how it will implement requirements of the STC program (including a plan to give advance notice, where feasible, to employees whose work week will be reduced), as well as an estimate of the number of layoffs that would have occurred but for the STC program.
- The employer's plan must be consistent with employer obligations under applicable federal and state laws.
- States can request and the Secretary of Labor can approve such other provisions that are determined to be appropriate for the purposes of STC.

temporary
of
ment insurance
work share has
ng for the buck,
unemployed workers
to quickly spend
they receive.
's economic
ms even
out of straight
ts, because it
both the financial
chological cost of
work share can
ly help firms
reductions
porary, by
their costs for
, rehiring and
"

MARK ZANDI,
nalytics

before
budget

15, 2011

1. Employer participation is voluntary.
State law must specify that it is the employer's choice to reduce hours under a work-sharing program instead of implementing a layoff. In other words, employers cannot be required to use work-sharing as an alternative to layoffs.

2. Employers reduce the number of hours worked by employees in lieu of layoffs.
This provision defines STC as an alternative to layoffs. There are a number of key points to be taken from this requirement:

(a) An employer who is participating in a work sharing program is reducing the hours of some number of employees *in lieu of* laying off some smaller number of employees. Because the goal of the program is to avert job loss, an employer cannot reduce worker hours under this program unless the alternative would have been layoffs.
(b) The layoffs being averted may be temporary or permanent. Work sharing programs established prior to the new federal law required that reductions in hours be in lieu of *temporary* layoffs; that is no longer the case. In reality, many employers facing layoff decisions because of declining demand are not able to assess whether a layoff will be temporary or permanent.
(c) The use of the term "layoffs" infers that an employer applying to participate in a work-sharing program must be trying to avert multiple layoffs—at least 2 employees.

3. Employees whose hours are reduced by at least 10 percent but not more than 60 percent (as determined by the state) are not disqualified from unemployment compensation.
This provision ensures that employees participating in STC are not disqualified from receiving UI benefits on account of their STC participation. It also requires that state law prescribe a minimum and a maximum threshold for a reduction in hours. The minimum reduction must be *at least* 10 percent of normal hours and the maximum reduction must be *at most* 60 percent of normal hours. Most states with existing STC programs have a minimum of 10% or 20% and a maximum of 40% or 50%. A state that elects to adopt a 60% maximum is effectively allowing a participating employer to reduce a full-time worker's schedule to two days per week.

4. Employees receive a pro rata portion of the unemployment benefits that they would have received if they were unemployed.
Work sharing benefits are a proportion of the UI benefits that the employee would qualify for if he or she was totally unemployed. To qualify for work-sharing benefits, an employee must have enough wages in his or her recent work history to qualify monetarily for regular UI benefits. The actual work sharing benefit correlates with the percentage reduction in the employee's work hours. Therefore, if an employee's 40 hours have been reduced by 20% to 32 hours, then the employee is entitled to 20% of his/her UI weekly benefit amount. Therefore, if the employee could qualify for a $400 weekly benefit amount, then the employee's work sharing benefit would be $80 (20% of $400). This is a unique benefit provided under approved work sharing plans; in almost all circumstances, state UI laws would otherwise deny benefits to claimants who work 4 out of 5 scheduled days. While some state laws might provide a partial

UI benefit when a claimant has a 40% or 60% reduction in hours, the resulting benefit would be much smaller than what would be available under a work sharing program.

5. Employees meet work availability and work search requirements while collecting STC benefits if they are available for their workweek as required.

Generally, unemployed workers who file for UI benefits must be able to work, available for work and actively seeking work; states provide various exceptions to the work search requirement if a UI claimant is on a temporary layoff and is employer-attached. An employee who is receiving work sharing benefits under an approved plan is employer-attached and is in fact providing services to the employer every week. This provision says that work sharing employees satisfy all the able/available/work search requirements as long as they are prepared to report to their work-sharing employer in their normal workweek. Thus, an employee who is experiencing a 40% reduction in hours is expected to be available for work *with the work sharing employer* for the 2 days the employee is not working. At the same time, the employee is not required to look for work with other employers on those days.

6. Eligible employees may participate, as appropriate, in training, (including employer-sponsored training or worker training funded under the Workforce Investment Act (WIA) of 1998) to enhance job skills if such program has been approved by the state UI agency.

This provision ensures that STC participants may participate in training if it is approved by the state workforce agency. Workers who build their skills while they are on a reduced work schedule may perform better in their current job or obtain new or improved skills that may be useful if they take another job. Employers seeking to remain competitive in their industries may also benefit from upgrading the skills of workers who are participating in STC.

Some employers may structure their work sharing plans in a way that the employees' reduced hours might be utilized for retraining. This could be training that the employer sponsors and conducts or it could be training that has been developed and funded under WIA. In the past, very few work sharing plans have included a training program component. Yet, this is an area that has real potential to turn what might otherwise have been simply lost production and wages for one segment of the workforce into an opportunity to upgrade workers' skills and enhance the competitiveness of the business.

The primary concern is that the training must meet the definition of "training" under the Fair Labor Standards Act (FLSA), and it cannot be "employment" which, by law, must be compensated with wages by the employer. The FLSA has a 6-part test for distinguishing between training and employment.[10] The US Department of Labor summarized the FLSA test this way: "If workers engage in the primary operations of the employer or perform productive work (for example, filing, performing other clerical work, assisting customers), then the fact that they may be receiving some benefits in the form of a new skill or improved work habits is unlikely to make them trainees." (Training and Employment Guidance Letter 12-09). Accordingly, employers should be cautious to insure that any training program operated in conjunction with a work sharing program meets the FLSA definition and is not, in effect, a day of work for which the employer

is legally obligated to pay wages. In summary, all training must be included in the STC plan or plan modification, and approved by the state workforce agency in order for an employee to receive work sharing benefits.

7. Employers are required to certify that, if they are providing health and retirement benefits under a defined benefit plan or are making contributions under a defined contribution plan to any employee whose workweek is reduced under a work-sharing program, those benefits will continue to be provided to participating employees under the same terms and conditions as though the workweek of such employees had not been reduced OR to the same extent as other employees not participating in the work-sharing program.
Most existing STC laws already have provisions similar to this. The purpose of this requirement is to ensure that employees participating in a work sharing plan maintain any employer-provided health insurance and retirement coverage at the same level (under the same terms and conditions) as if their hours had not been reduced. In addition, employers must certify that employees participating in an STC plan will be allowed to keep their health benefits and retirement coverage under the same terms and conditions as the employer's non-STC workforce. However, if the employer institutes a change in its health benefits or retirement coverage (e.g. increased worker contributions) that applies to the employees who are not subject to work sharing, the changes must be applied to STC employees as well. Employers who opt for work sharing as an alternative to layoffs should understand at the outset that a goal of the program (and a cost to the employer) is maintenance of existing health and retirement benefits for participating employees.

8. The employer must submit a written plan to the state UI agency describing how it will implement requirements of the STC program (including a plan to give advance notice, where feasible, to employees whose workweek will be reduced), as well as an estimate of the number of layoffs that would have occurred but for the STC program and such other information as the Secretary of Labor determines is appropriate.
Most state STC laws require the submission of a plan or an employer's application to participate in a work-sharing program. This new provision requires that the employer's written plan describe how the employer will implement program requirements. A typical plan, taking into account the new federal requirements, would include:

(a) Identification of the unit of workers affected:
(b) Certification that the reductions in hours are being implemented in lieu of layoffs;
(c) An estimate of the number of layoffs that would have occurred if the employer did not implement work sharing;
(d) Certification that the percentage of hours reduced will be within the range specified in the State STC law;
(e) Certification that health and retirement benefits will continue for STC employees to the same extent as if their hours had not been reduced;
(f) If applicable, how any related training program would operate;
(g) How and when affected employees will be given advance notice of reductions in hours (including a collective bargaining representative, if applicable), and if advance notice is not feasible, an explanation of why it is not feasible;

(h) Certification that the employer's STC plan is consistent with its obligations under state and federal law. (See Section (9) below.)
(i) How the employer will comply with any other program requirements approved by the Secretary of Labor and enacted under state law. (See Section (10) below.)

9. The terms of the employer's plan and implementation must be consistent with employer obligations under applicable federal and state laws.
This provision effectively requires that the employer attest that its work sharing plan is consistent with any other obligations it has under state and federal law. For example, if the employer and workers in the affected unit are parties to a collective bargaining unit, federal or state labor law may apply with respect to whether changes in hours under the work sharing plan should be the subject of mandatory bargaining.

10. Upon request by the State and approval by the Secretary of Labor, only such other provisions are included in the State law that are determined to be appropriate for the purposes of the work-sharing program.
While provisions (1) through (9) are federal requirements under the Act, States may add such other provisions that are determined to be appropriate to the successful operation of their programs, but only if such provisions are approved by the Secretary of Labor. The twenty four states and the District of Columbia which enacted work-sharing laws before the passage of the Act included a range of provisions that are not reflected in the new federal requirements. Some of these provisions were included in guidance for model legislation that was issued by USDOL in 1983 and others are unique to certain states. States should carefully review their laws to determine if their existing STC provisions are consistent with new federal requirements, and whether they need to seek approval for unique provisions enacted prior to P. L. 112-96.

DEAN BAKER,

Recommended State Provisions

In addition to the federal requirements, state leaders should consider and adopt a set of other provisions that are intended to protect workers who participate in STC programs, set clear guidelines for employer participation, and ensure strong administration.

The provisions recommended in this section are modeled on those in more established state programs that carry out functions in addition to the approval of employer plans and the processing of workers' claims. These more robust state programs tend to:

1. Conduct outreach and promote the program with employers (and unions). For example, some states collaborate with business organizations and unions to publicize the program. Other states include information about the STC program in the materials and outreach conducted by rapid response teams that address major layoffs. The Layoff Prevention Act provides grants to states to support these activities.

2. Monitor implementation of the employer's plan and any changes during the life of the plan. Program officials in some states work with employers to ensure that plans are adapted as business conditions change. Many states have the authority to approve new or additional plans, modify existing plans and, in some cases, revoke a plan if program requirements are not met.

3. Collect data on program usage and trends and report information to state policymakers. Some state workforce agencies collect data on the number of employers filing STC plans, information about the size and sector of businesses using the program, the number of layoffs averted through use of STC, the amount of STC benefits paid and other program data.

The additional provisions recommended in this section are grouped into three categories: 1) safeguards for STC participants; 2) guidelines for employer participation in STC programs; and 3) state administration and other provisions.

Safeguards for STC participants:

Where employees are represented by a labor organization, the work sharing plan must be approved by the workers' collective bargaining agent.

The initial USDOL guidance (UIPL 39-83, July 29, 1983) for the temporary STC program specified that an employer's STC plan should only be approved if:

In the case of employees represented by an exclusive bargaining representative, the plan is approved in writing by the collective bargaining agent.

This is not a required element under the Act, but many states that operated STC programs prior to the date of enactment in February 2012 have this requirement in their laws, rules or practices. The original purpose of the provision was "to ensure that both labor and management are satisfied with the plan and to minimize possible problems in connection with the plan." While business interests worked to exclude this provision from the required elements of a state's STC law under the Act, there are still good policy reasons to include this provision (with the Secretary's approval):

(a) Because reductions in hours (and wages) are a subject of mandatory bargaining under federal labor law, in most instances, a unionized employer will be bound to negotiate the changes in hours that come with a work-sharing plan anyway.
(b) The original purpose of minimizing problems in labor-management relations remains an important policy goal.
(c) The provision has worked without reported problems in the vast majority of states with active work sharing programs.

Model Provision: Texas state law requires an employer to obtain the approval in writing of the collective bargaining agent if an employee who participates in a shared work plan is covered by a collective bargaining agreement.

http://www.statutes.legis.state.tx.us/Docs/LA/htm/LA.215.htm

Even when there is no collective bargaining agent, employers should share the STC plan with employees and provide them with an opportunity for comment prior to submission to the state agency.
If there is no collective bargaining agent, workers should still have an opportunity to review the plan and submit any comments to the state agency. Workers affected by work sharing should have the opportunity to express their concern or support for the proposed reduction in hours. This requirement helps to ensure that both employers'

and workers' interests are taken into account when the plan is approved. It does not in any way limit an employer's authority to submit a work-sharing plan to the state UI agency, or impair the agency's authority to approve such plan.

Model Provision: Connecticut regulations require employers to share the plan with affected workers, if there is no collective bargaining agent, and provide a 7-day comment period prior to submission of the plan to the state agency.

http://www.ctdol.state.ct.us/progsupt/bussrvce/shared_work/swp-regs.htm

Wages from employers other than the STC employer are disregarded in the calculation of the work sharing benefit amount.
State unemployment insurance laws have provisions that call for some form of reduction in a claimant's UI weekly benefit amount when the claimant has wages from a part-time job; typically, the state law calls for a small amount of wages to be disregarded in some way so that the claimant is generally better off taking a part-time job than not. Deductions are made based on the claimant reporting these wages to the state UI agency on a weekly basis and the state then calculating a reduced entitlement based on a formula prescribed by state law.

Because STC claims are filed in many instances by employers (not claimants), the UI agency is receiving payroll records of the hours worked as the sole basis for calculating weekly STC payments. If an employee has a second part-time job with another employer, the STC employer does not have the claimant's wage information from that job to report, nor does its method of transmitting data to the UI agency allow for it to be provided in an easy or expedient way. From the employer's perspective, a critical feature for a successful STC program is a minimal administrative process that insures that employees are paid accurately and in a timely manner. An STC program starts to break down if employees do not receive their STC payments on a regular and predictable schedule.

For these reasons, states are advised to enact a provision that disregards wages from any non-STC employer in the calculation of an STC employee's weekly work sharing benefit amount. Any incidental savings derived from deducting outside earnings will be outweighed by the negative impact of the related process requirements, including: (a) delays while the employee secures outside wage information, (b) involving the STC employer in the handling and transmission of an employee's wage information from another employer, (c) the issues of culpability when mistakes are made in the submission of such information, (d) resultant delays in STC payments, and (e) the potential impact that these process issues can have in terms of negatively impacting the employer's (and workers') continuing interest in the program.

Model Provision: Connecticut regulations provide that STC employees are not subject to state UI law regarding partial unemployment benefits and that "wages from other than the shared work employer shall be disregarded in the calculation of the shared work benefit." (Conn Agencies Regs Sec 31-250-11 (b))

http://www.ctdol.state.ct.us/appeals/ctregs.htm#31-250-11

Employers should be precluded from adding employees to units subject to a work sharing plan.
Workers who are on a reduced work schedule should return to a full work week before new workers are added. The goal of STC is to avoid layoffs; this goal is undermined (or brought into question) if an employer hires new employees or transfers employees to a unit in which other employees are on a reduced work schedule. This provision should apply to the affected unit or the company if the STC plan is company-wide.

Model Provision: Michigan state law requires an employer's assurance that new employees will not be hired in, or transferred to, an affected unit while an STC plan is in effect.

http://legislature.mi.gov/documents/2011-2012/billenrolled/Senate/pdf/2012-SNB-1094.pdf

STC participants who exhaust all of the STC and regular UI benefits available to them should be eligible for extended benefits.
During a recession, state extended benefit programs are triggered or the federal government is likely to authorize emergency unemployment assistance for workers who exhaust regular benefits. STC participants who exhaust STC and regular benefits should be eligible for the extended benefit program if it is in effect. Nearly every state law includes this provision, which ensures that workers will qualify for additional weeks of assistance at a time of high unemployment. (Note: In operation, because STC participants typically receive less than their maximum available state UI benefits, very few ever receive any form of state or federal extended benefits.)

Model Provision: Iowa state law requires that an individual who has received all of the STC and regular UI benefits available in a benefit year be considered an "exhaustee" for the purposes of the extended benefit program.

http://search.legis.state.ia.us/NXT/gateway.dll?f=templates&fn=default.htm&vid=default

Guidelines for Employer Participation in STC Programs:

STC benefits should be charged to employers (or attributed, in the case of reimbursing employers) in the same way as regular unemployment insurance benefits are charged.
Federal law requires that all state UI laws—of which STC is a special subcategory—charge employers based on their "experience with unemployment or other factors bearing a direct relationship to unemployment risk"[11]. The experience rating principle provides that an employer's unemployment tax rate will rise based on increased layoff activity (and UI claims by former employees) and will remain low when employment is stable and there are few UI claims.[12]

The 1983 USDOL guidance clearly stated that "STC benefits shall be charged to employers' experience rating accounts in the same manner as unemployment compensation is charged under state law." The rationale for this requirement was that "STC benefits are benefits paid from the state unemployment fund under special conditions." In terms of the cost of the program to employers, this provision makes financial sense. Under

a typical STC plan, an employer is essentially substituting one personnel decision (lay off one worker) for another (reduce hours of five employees by 20 percent). The single worker who is laid off receives a full week of UI benefits; the five workers whose hours were reduced and lost a day's pay under the STC plan each receive 20 percent of the total UI benefit that the laid-off worker would have received. Application of the experience rating principle to STC benefits essentially maintains the symmetry between STC costs and those the employer would otherwise incur with regular UI. In other words, the employer's UI-related costs should be essentially the same under an STC plan as they would have been with a traditional layoff.

Non-charging option during federal reimbursement period. However, under the Layoff Prevention Act, there is a major exception to the experience rating requirement for STC benefits. Section 2162 of the Act provides that states operating an STC program that is consistent with the provisions of the Act will receive 100 percent federal reimbursement of all STC benefits paid for up to three years. The reimbursement provision gives states (and employers) a financial incentive to expand their STC programs. The logic is that while the state's unemployment trust fund incurs costs for UI benefits paid, there will be no trust fund cost for any unemployment that results in reduced hours (and corresponding STC claims) during the initial transition period. Since a majority of state UI trust funds are facing solvency problems, encouraging employers to elect work-sharing instead of layoffs when they are facing reduced demand is a way of protecting the trust fund from depletion during an economic downturn.

USDOL has interpreted the reimbursement provision as giving states the option to not charge employers during the 3-year reimbursement period. In UI Program Letter 22-12 (issued 6/18/12), USDOL interpreted section 2162 as providing legal authority for states *not* to charge employers for STC payments that are subject to federal reimbursement if permissible under state law. Thus, states may include provisions in their STC laws that relieve participating employers of any STC costs for as long as the federal reimbursement applies; once the reimbursement ends, states must again apply their charging provisions to STC payments.

States Should Consider Carefully Whether to Relieve Employers of STC Charges during the federal reimbursement period. In deciding whether to relieve employers of STC charges during the federal reimbursement period, state legislatures should weigh the relative benefits of expanding the STC program through a temporary "free trial offer" to employers against the trust fund savings to be derived by charging employers for STC in the same way they will be eventually charged for UI benefits after the federal reimbursement period ends. States that elect the non-charging approach are basically passing potential trust fund revenues back to the STC employer. This will likely generate greater employer interest in the program and increase the take-up rate for work sharing nationally since STC will become (during the reimbursement period) a no-cost alternative to UI. By giving states up to three years to enroll employers at no cost, USDOL has provided states a very substantial tool for selling the program, albeit one that is time-limited. On the other hand, a countervailing concern is whether non-charging could make STC *too* attractive for an employer on the fence about whether to implement a workforce reduction.

Approximately half the states have insolvent UI trust funds in the aftermath of the Great Recession and the high unemployment rates of the past four years. These states may elect to continue (or begin) applying normal experience-rated charging to STC payments during this period because federal reimbursements will help improve the solvency of the trust fund. The decision to keep charging provisions in place may be particularly easy for states with long-standing programs in which employers have become accustomed to the idea that STC costs are the same as UI costs for averted layoffs.

Negative balance and maximum-rated employers should be allowed to participate in STC programs.

State UI laws provide for a range of tax rates between a statutory minimum and maximum. Experience rating results in those employers who generate the highest levels of unemployment (and related UI claims) being taxed at the maximum UI tax rate. When an employer at the maximum rate pays less in UI taxes than its former employees are receiving in UI benefits, that employer is referred to as a "negative balance employer."

Some state STC laws have special treatment for "negative balance employers." Colorado and Kansas prohibit negative balance employers from participating in the STC program. Other states subject negative balance employers participating in STC to different rules; Florida sets the maximum UI tax rate 1 percent higher for STC employers, while Oregon subjects them to a separate reimbursement system to recover costs.

It is our view that states not adopt special charging rules for negative balance employers just because they are participating in work sharing. While states should make policy decisions that address any threat to solvency posed by maximum tax rates that are set too low, those decisions should be made in the context of the UI system and trust fund as a whole. An STC employer at the maximum tax rate (or with a negative balance) is no greater or lesser a problem for a state trust fund than any other non-STC employer. Employers should be encouraged to opt for reducing hours through work sharing instead of worker layoffs, and the tax rules and consequences should be the same whether STC or regular UI is used.

Employers with UI tax delinquencies should be prohibited from participating in an STC program.

A number of states (such as Connecticut and Kansas) prohibit employers with a UI tax delinquency from participating in the STC program. This provision is recommended because unlike the "negative balance employer", businesses that are overdue in paying their UI taxes are out of compliance with state UI law.

The STC program should not be limited to employers with a large number of participating employees.

States with existing STC programs generally establish a minimum number of employees that must participate under an STC plan. Since, to date, the premise has been that at least one employee's layoff is being averted, states have generally set the minimum number required for STC participation between 2 and 5 employees. The STC program and the option to reduce hours should be as accessible to employers facing a workforce reduction as the UI program is when the employers opt to implement layoffs. States should not adopt a minimum employee requirement like the one adopted by

Oklahoma that sets the threshold for participation at 50 employees, thereby making the program inaccessible to most employers and a large segment of the state's workforce.

STC should not subsidize seasonal employment.
STC provides employers with an additional tool to respond to a temporary decline in demand or deterioration in business conditions. It is not intended to subsidize seasonal employment or a fluctuation in economic activity that is an inherent part of the industry or occupation. A recent survey indicates that seasonal workers are excluded from STC participation in thirteen states.[13] In addition, the Act prohibits federal reimbursements for STC benefits paid for individuals employed on a seasonal, temporary or intermittent basis.

Model Provision: New Hampshire state law says the STC plan "shall not serve as a subsidy of seasonal employment during the off-season, nor as a subsidy of temporary part-time or intermittent employment."

http://www.gencourt.state.nh.us/rsa/html/xxiii/282-a/282-a-mrg.htm

State Administration and Other Provisions:

State UI Agencies should have strong rules for administering the STC program.
Many state agencies have the authority to approve and reject employer plans based on established criteria, to modify plans in response to changing business conditions, and to revoke approval if the plan is not being carried out according to its terms and intent. More specifically, states should have the necessary authority and clear guidelines for:

Approval/Rejection of STC Plans. In order for work sharing to work as an alternative to layoffs, an employer needs to know that the state UI agency can facilitate approval of its STC plan in time to use it for an anticipated workforce reduction. State UI agencies need enough time to review the employer's plan and put the necessary processes in place to make STC payments instead of UI payments. States should specify a time frame (no more than 30 days) within which a plan will be approved.

Generally, the following factors should be considered in approving a plan:

- Identification of an affected unit;
- Identification of participating employees;
- Employer certification that it will comply with all STC legal and program requirements;
- Employer certification that it is not delinquent in the payment of UI taxes.

Modification of plans. The state UI agency should provide for the circumstances under which it will approve an employer's request to modify its STC plan so long as the modification is not substantial and is consistent with the original purpose of the plan. Generally, employers should be able to adapt their plans in response to changing economic circumstances, but the UI agency should have the necessary latitude to preclude repeated manipulation of the program for purposes other than averting layoffs in a number roughly equivalent to the reduction in hours under the plan.

Adequate administrative authority to administer the STC program. In order to properly administer the program and ensure that STC plans are being implemented for their intended purpose and in compliance with STC and UI law, the state UI agency should

generally have the following authority, in addition to authority granted under state UI law:

- Authority to limit the number of approved STC plans for an employer;
- Authority to investigate employee complaints or potential non-compliance with STC plan;
- Authority to revoke an STC plan for good cause.

Model Provision: Washington state law specifies that the state agency shall approve or reject a plan within fifteen days of receipt. It allows for plan modifications if hours are increased or decreased beyond the level of the original plan or if there are other changes in conditions. It also establishes penalties for misrepresentation and provides authority to revoke approval of a plan for good cause. An additional state regulation stipulates that STC employers may have two plans within a three-year period and are not eligible for another plan until twelve months or more after the expiration of the second plan.

http://apps.leg.wa.gov/RCW/default.aspx?cite=50.60

State laws should include a severability clause to ensure that, if a particular provision is reviewed and not approved by the U.S. Department of Labor, the rest of the law is not affected.

If a particular provision in a state law is reviewed by the U.S. Department of Labor and not approved, the entire law may be put at risk. The STC program may have to cease operations, leaving employers and workers in limbo. To avoid such an adverse outcome, state laws should allow for individual provisions to be invalidated by federal action without undermining the entire statute. This may be particularly important in those states that have unique STC provisions that require approval by USDOL under subsection (v)(10) of section 3306 of FUTA.

Model Provision: Michigan's STC law provides that if any particular provision is held invalid by the U.S. Department of Labor, such provision shall not apply.

http://legislature.mi.gov/documents/2011-2012/billenrolled/Senate/pdf/2012-SNB-1094.pdf

Conclusion

Five years after the start of the Great Recession, the nation continues to struggle with slow job growth and high unemployment. Long-term unemployment in particular remains at historic levels. About 40 percent of the unemployed, or about 4.6 million workers, have been jobless for six months or more and roughly 3 million have been without work for a year or more.

States and the federal government should take action to address the challenge of high and sustained unemployment. Federal unemployment benefits should be continued beyond the end of 2012, and long-term unemployed workers should have better access to a comprehensive package of reemployment services, workforce training, individual supports and paid work opportunities that will help those who have exhausted UI to re-enter the workforce.

States should seize the opportunities provided by the Act to adopt, or revitalize, STC programs. Work sharing, if implemented widely, can become an integral part of a state's response to the unemployment crisis because it can help reduce layoffs and mitigate the effects of job losses on workers and communities. Economist Gary Burtless of the Brookings Institution recently wrote that "changes that spread the sacrifice associated with recessions broadly across the workforce" are likely to be instrumental, over time, in addressing long-term unemployment.[14]

Evidence from states with STC programs demonstrates that work sharing is likely to have its greatest impact at the onset of a recession. Responsible business planning at the start of an economic downturn involves a range of decisions about how to withstand reduced demand for products or services while keeping the employer's operations vital and nimble enough to respond to further changes. Whether altering a product line or just waiting for the next big production order, many employers want options that allow them to avoid layoffs during a down period so they will have a trained workforce when business demand returns. Work sharing enables employers to adopt a business model that prioritizes the value of productive employees and relies on use of layoffs only as a last resort. By reducing unemployment, work sharing keeps more employees connected to the workforce and engaged as active consumers in their communities.

PRESIDENT BARACK OBAMA

The value of STC in maintaining employment stability is one of the important lessons to emerge from the Great Recession. With the incentives, support and guidance available through the new law, states should move swiftly to establish work sharing as a core economic security program that can benefit workers, businesses and communities. As state legislation is developed and enacted, leaders and advocates are urged to consider and incorporate the provisions identified in this guide, which are modeled on robust STC programs that work for employees as well as employers.

ENDNOTES

1 Jon C. Messenger, *Work Sharing: a Strategy to Preserve Jobs during the Global Jobs Crisis,* Geneva: International Labor Organization, June 2009.

2 The terms work sharing and STC are used interchangeably in this paper.

3 Katharine G. Abraham and Susan N. Houseman, *Short-Time Compensation as a Tool to Mitigate Job Loss? Evidence on the U.S. Experience during the Recent Recession,* Upjohn Institute Working Paper 12-181, Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2012.

4 Estimates of jobs saved due to work sharing provided by Sen. Jack Reed's office, based on data provided by the U.S. Department of Labor, Employment and Training Administration.

5 Dean Baker, "Work Sharing: The Quick Route Back to Full Employment," Center for Economic Policy and Research, June 2011.

6 Katharine G. Abraham and Susan N. Houseman, *Short-Time Compensation as a Tool to Mitigate Job Loss? Evidence on the U.S. Experience during the Recent Recession,* Upjohn Institute Working Paper 12-181, Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2012.

7 Abraham and Houseman, 2012.

8 A previous report prepared by CLASP and NELP, *A Breakthrough for Work Sharing*, summarized the Layoff Prevention Act.

9 UIPL 03-13 (December 4, 2012) http://wdr.doleta.gov/directives/attach/UIPL/UIPL_3_13_Acc.pdf

10 The 6 actors for determining that an activity is training rather than employment under the FLSA are:

a. The training, even though it includes actual operation of the facilities of the employer, is similar to what would be given in a vocational school or academic educational instruction;
b. The training is for the benefit of the trainees;
c. The trainees do not displace regular employees, but work under their close observation;
d. The employer that provides the training derives no immediate advantage from the activities of the trainees, and on occasion the employer's operations may actually be impeded
e. The trainees are not necessarily entitled to a job at the conclusion of the training period; and
f. The employer and the trainees understand that the trainees are not entitled to wages for the time spent in training. (Training & Employment Guidance Letter 12-09, dated January 29, 2010)

11 Section 3303 (a), Federal Unemployment Tax Act.

12 Governmental and non-profit employers may opt out of the experience-rated tax system of state UI laws. Instead of paying quarterly unemployment taxes on employee wages like private sector employers, government and non-profit employers may elect to become "reimbursing" employers and pay dollar-for-dollar the cost of UI benefits paid to eligible former employees. This same principle applies to STC benefits paid when the participating STC employer is a governmental or non-profit employer. For purposes of the experience rating discussion above, the requirement to experience rate or not applies equally to the requirement of a governmental or non-profit employer to reimburse the unemployment trust fund dollar-for-dollar.

13 Derek Thomas, *Work Sharing: A Win-Win-Win Strategy for Avoiding Job Loss*, Indiana Institute for Working Families, December 2011, p. 28.

14 Gary Burtless, *Long-Term Unemployment: Anatomy of the Scourge*, The Cutting Edge, July 28, 2012.

THE

EY, Senior
lyst at the
Law and
ley (CLASP),
extensively
use of work
as an alternative
and other
respond to
ployment.

TH, a
Attorney
ional
ent Law
(NELP), focuses
ployment
issues and
worked on
entation
ration of
ing instate

Indiana Institute for **Working Families**
Research and Public Policy

A Program of INCAA INDIANA COMMUNITY ACTION ASSOCIATION

Unemployment Insurance Oversight Committee
Work Share Testimony
Derek Thomas, 9/30/2013

Good morning Chairman Eckerty, members of the committee: thank you for providing me with the opportunity to testify at today's hearing. My name is Derek Thomas and I am a senior policy analyst for the Indiana Institute for Working for Working Families. The Institute combines research and analysis of federal and state legislation, public policies, and programs that affect low-income working Hoosiers in order to help them achieve and maintain economic self-sufficiency.

What is Work Share?

Work sharing is a voluntary and cost-equivalent alternative to traditional unemployment benefits being used in more than half of U.S. states. It is a voluntary program for business to use as an alternative to traditional layoffs, providing firms with: flexibility during economic downturns; the ability to retain their skilled workforce and; an opportunity to avoid turnover costs.

A work sharing program allows an employer to have the option of reducing the hours and wages of all employees or a particular group of employees (such as a line or department) instead of laying off a portion of its workforce to match decreased demand.

For example, if a business sees a 20 percent decrease in demand, and therefore needs to reduce production, they might layoff one-fifth of their workforce. If a work sharing program was available, the business could retain its entire workforce by reducing the hours of all its employees from 40 hours a week to 32 hours a week (20 percent), reduce production by the required amount, and could achieve the same amount of cost savings while retaining all of its employees. The affected employees would receive wages based on four days of work. The 20 percent reduction in wages would then be supplemented by a portion of UI benefits—typically equal to half of lost wages. Under work sharing, an employee who made $300 per week—and would normally receive $150 a week in unemployment benefits if they were laid off under traditional unemployment—would receive $240 in wages and $30 in work sharing benefits.

How Is It Beneficial to Indiana's Economy?

Work sharing has been proven to be particularly beneficial to the manufacturing sector. According to Fitch's ratings, "Indiana is considerably concentrated in manufacturing, particularly transport equipment", exposing us to economic downturns. This means that the ¼ of manufacturing jobs in Indiana that depend on exports, have already, and will continue to, be directly impacted (either temporarily or permanently) by any stalling, volatility or otherwise unexpected swings in the global economy.

Missouri, for example, has a similar portion of its economy that is dependent on manufacturing. In 2012, they saved more than 3,000 jobs, and nearly 15,000 from 2008 through 2012.

Using an example from closer to home, and another industry important to Indiana's economy - the transportation and logistics industry; during Ohio's recent passage of Work Sharing, Kenworth Trucking was not only instrumental in helping to get legislation passed, they were also on record suggesting that they may consider shifting some operations to states that use shared work to help avoid layoffs, given the "ebbs and flows" of the industry.

In addition, and perhaps most importantly, as the state grapples with the best way to Skill Up the workforce, under Work Sharing, employers are able to continue employing their experienced workers at a reduced cost, thus retaining their experienced, skilled employees and workplace continuity, while avoiding a labor shortfall and costs associated with employee turnover. Current legislation allows participating employers the opportunity to structure their plans so that reduced hours could be utilized for retraining. This feature has real potential to turn what might otherwise have been simply lost production and wages into an opportunity to upgrade workers skills and enhance the competitiveness of the business. Retaining a skilled workforce was cited by Governor Snyder in Michigan during its passage of work sharing.

Benefit to Working Families?

Through work sharing, families in Indiana will have the ability to avoid the well documented and devastating effects associated with long term unemployment, such as: loss of income over time, loss of skills, and a loss of marketability; they would also earn higher wages than they would under traditional unemployment; and, they would retain health and retirement benefits.

Benefit to the State?

Since work sharing is a cost-equivalent alternative to traditional unemployment benefits, the impact on the unemployment trust fund is neutral. Other states – as detailed in our nationwide survey – reported savings to the UI trust fund.

However, the passage of The Layoff Prevention Act—contained in Subtitle D of Title II of the Middle Class Tax Relief and Job Creation Act of 2012 – now offers an opportunity for states to adopt and enhance work share programs. States may now receive up to three years of federal reimbursement. These monies allow DWD to set up administration of the plan, to make work sharing programs better known to Indiana employers, and will temporarily reimburse Indiana for work-sharing benefits paid by the state, making work sharing a potential money maker for the state – up to $51 million according to some estimates.

Work sharing is a win-win-win for business, working families and the state. Given its strong history of success, a study committee in 2011, and the Institute's research, Indiana has an opportunity to learn lessons and implement those best practices that have been tried and tested in bipartisan work sharing programs around the nation. By doing so, you'll provide Hoosier businesses and families the flexibility to weather future economic downtowns.