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## Using Work Sharing to Prevent Layoffs

**Question: What is work sharing?**

**Answer:** Work sharing, also known as short-time compensation, is a special UI program in which a UI payment (usually for 1 or 2 days) is used to partially compensate employees facing reduced hours of work imposed to avoid temporary layoffs. Under work sharing laws, participating employers submit a work sharing plan to their state UI agency explaining its proposed new work schedule. The plan affirms that using work sharing will avoid layoffs and that participating workers' fringe benefits will continue. Under a typical plan, workers take a day off each week and are paid a UI benefit for that day while receiving wages for their other 4 days of work. In this way, instead of 20 percent of the affected workforce being laid off entirely, every member of the affected workforce is laid off for one day. As a result of this work sharing arrangement, individuals receive a combination of wages and UI benefits that approximates up to 90 percent of their typical weekly take-home pay. If the layoff is two days a week, then workers would get two days of UI benefits and three days of wages with a somewhat higher wage loss.

Under work sharing, UI benefits are calculated for days off work using the same formula as used with weekly UI benefits—typically replacing 50 percent of lost wages up to the state's maximum weekly benefit. However, wages earned that week are not deducted as they would be under typical partial benefit formulas. As a result, UI benefits supplement wages for the group of workers while none of the workers suffer the impact of getting fully laid off (that is, at least a 50 percent wage reduction with loss of fringe benefits in some cases).

**Question: What states have work sharing laws?**

**Answer:** There are currently 27 states (including DC) with work sharing laws on their books. While some of these laws were passed in the 1980s, recent Congressional action increased interest in work sharing. The Layoff Prevention Act of 2012 was passed as part for federal extensions legislation in February 2012. It encouraged states to adopt work sharing programs by providing $100 million in federal cost sharing funds for states with conforming work sharing programs enacted by August 22, 2014. These federal funds can be used to pay for administrative start-up costs related to work sharing, outreach/marketing for new programs, and reimbursing trust funds for initial years of work sharing benefits. (USDOL, 2012).

Following implementation of this initiative, 22 states remain without work sharing programs (AK, AL, DE, GA, HI, ID, IN, KY, LA, MS, MT, NC, ND, NE, NM, NV, SC, SD, TN, UT, WV, WY). (Illinois passed a law near the 2014 deadline and it remains unclear whether the state will implement work sharing.)

**Question: What are the main arguments for work sharing?**

**Answer:** Work sharing is a tool that can be used in the case of temporary layoffs to avoid full-blown layoffs of a portion of an affected workforce by using UI benefits to cushion the economic blow caused by having all workers in the affected unit work fewer hours.

It is totally voluntary; no employer is required to use work sharing as an alternative to traditional layoffs. Employers who have used work sharing report that the need to keep a skilled or experienced workforce intact is the main reason they wanted to avoid layoffs and chose work sharing. By using work sharing these employers found that they avoided costs of recruitment, hiring, and training of replacements for laid off workers finding jobs elsewhere.

**Question: What are the arguments made against work sharing?**

**Answer:** Opposition to work sharing has largely been conducted as a "whisper campaign," in the sense that there is rarely open opposition to work sharing. To a great extent, recent opposition to work sharing was based upon misunderstandings about what the program is about and how work sharing is used by employers in states that have the program. Once those unfounded questions were addressed, most states moved forward. We suspect that some opponents simply oppose the spread of any element of UI programs that are helpful to employers.

**Question: What are the costs of work sharing to UI trust funds?**

**Answer:** Some critics have claimed that work sharing creates higher costs for UI trust funds. Since all benefits paid under work sharing are subject to the same experience rating mechanism as those applying to benefit payments to individuals who have been totally unemployed, the logic of this argument is less than self-evident. That is, the cost in benefit payments for laying each of 100 employees off for one day per week is roughly equal to the benefit cost of laying off 20 employees for a full week.) To date, there is no evidence that work sharing is more costly than layoffs, but there is likewise no evidence that the impact of work sharing on UI trust funds is identical to the costs of layoffs.

**Resources:**

National Employment Law Project, "Work Sharing Website," (accessed August 21, 2015), http://www.nelp.org/page/content/WORK-SHARING/.

Neil Ridley and George Wentworth, "Seizing the Moment: A Guide to Adopting State Work Sharing Legislation after the Layoff Prevention Act of 2012," Report, Center for Law and Social Policy and National Employment Law Project (December 2012), http://www.nelp.org/content/uploads/2015/03/Seizing-Moment-Work-Sharing-State-Legislation-Guide.pdf.

Neil Ridley and George Wentworth, "A Breakthrough for Work Sharing Programs," Factsheet, Center for Law and Social Policy and National Employment Law Project (April 2012), http://www.nelp.org/content/uploads/2015/03/BreakthroughForWorkSharing.pdf.

U.S. Department of Labor, "Short-Time Compensation Provisions in the Middle Class Tax Relief and Job Creation Act of 2012," Unemployment Insurance Program Letter No. 22-12 (June 18, 2012a), http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=9382.

_______, Unemployment Insurance Program Letter No. 22-12, Change 1 (Model Legislation) (December 21, 2012b), http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5754.

_______, "Short Time Compensation Website," http://stc.workforce3one.org/ (accessed August 18, 2015).

George Wentworth, Claire McKenna, and Lynn Minick, "Lessons Learned: Maximizing the Potential of Work-Sharing," Report, National Employment Law Project (October 2014), http://www.nelp.org/content/uploads/2015/03/Lessons-Learned-Maximizing-Potential-Work-Sharing-in-US.pdf.