

TRAINING AND EMPLOYMENT NOTICE	NO. 6-16
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FROM: PORTIA WU /s/
Assistant Secretary

SUBJECT: Release and Availability of a Report: *Employer Views about the Short-Time Compensation (STC) Program: A Survey and Analysis in Four States Final Report*

1. **Purpose.** To announce the release and availability of the research report: *Employer Views about the Short-Time Compensation Program: A Survey and Analysis in Four States Final Report*.
2. **Background.** STC, also known as work-sharing or shared-work, is an alternative to layoffs for employers that preserves employees' jobs and employers' trained workforces during disruptions to a firm's regular business activity. Under STC the employer reduces the hours of work of employees in an affected unit rather than laying off some employees while others continue to work full-time. The STC benefit provides the employees experiencing lower earnings as a result of reduced work hours with a percentage of their Unemployment Insurance (UI) benefits based on the percentage of reduction from their normal hours of work. STC therefore, cushions the adverse effect of the reduction in business activity on employees, while enabling employers to retain trained workers, so they remain available to the employer to resume prior employment levels once business demand increases.

On February 22, 2012, the President signed into law Pub. L.112-96, the Middle Class Tax Relief and Job Creation Act (MCTRJC Act) of 2012, that, among other things, amended the definition of a STC program and encouraged states to promote it as part of a successful layoff aversion strategy.

Currently, 27 states have STC programs established in law that meet the new federal definition with 25 having operational programs (Arizona, Arkansas, California, Colorado, Connecticut, Florida, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Vermont, Washington, and Wisconsin).

This study collected survey data from over 2,000 employers across four states with active STC programs: Kansas, Minnesota, Rhode Island, and Washington. The overall aim of this study was to examine employers' experiences, awareness, and perspectives about the STC Program.

- 3. Research Design and Analytical Approach.** This final report, prepared by IMPAQ International, was largely based upon a survey that examined employers' experiences with, awareness of, and perspectives on, the STC program as it operated in the four selected sample states. Each state had long-standing and active STC programs and sufficient data capabilities for supporting the research. The survey involved employers in the study states who had used the STC program as well as employers who had not used the program. IMPAQ used administrative data from the states (containing UI and STC participant data) to identify the population of employers from which to draw the survey sample.

The study included the employer survey, brief site visits to each of the four state's administrative offices, analyses of state administrative data, and a comprehensive literature review.

This study's research questions, examined the following areas:

- Characteristics of employers participating in the STC program.
- Extent of employer participation in the STC program.
- Employers' awareness of, experience with, and views of the STC program.
- Employers' opinions about workers' and unions' views of STC and other features.

- 4. Key Evaluation Findings.** This study is useful in updating a very limited body of existing literature on STC, which helps to promote a better understanding of what drives employers to participate in STC and what impedes successful program implementation and administration. Also, this study was conducted against the backdrop of the Great Recession, (May 2014-October 2014), and its aftermath —extreme conditions under which to examine the usefulness of a program like STC. Consequently, the study provides a unique contextual landscape from which to understand the value of the program for employers in difficult times as well as the primary hurdles to overcome for continued efforts to expand its use. With the goal of better understanding employers' use of STC, the report shares lessons learned from this study; and recommendations for additional areas of examination for future STC research.

Overall, STC employer respondents were very satisfied with their state's program. Many employers appreciated STC because it was instrumental in retaining highly skilled workers. In this regard, employers generally viewed STC as a win-win solution for employees and employers. In all four study states, more than 80 percent of STC employers said that they were either "somewhat likely" or "very likely" to apply for the program again in the future. It appears that, once employers participated in STC, they were likely to participate again.

Characteristics of Employer Respondents

- **Industry Mix.** STC participation has historically concentrated in manufacturing, and that trend continued in Kansas, Rhode Island, and Minnesota. However, STC employers in Washington were fairly balanced across the sector categories, due in part to extensive outreach efforts.
- **Years in Business of STC Employers Surveyed.** STC employers had been in business longer than non-STC employers. Sixty-two percent of STC employers surveyed had been in business at least 20 years, compared to 38 percent of surveyed non-STC employers.
- **STC Employers' Employee Skill Levels.** Surveyed STC employers in all industries reported employing a higher proportion of medium to high skilled employees. Slightly more than 81 percent of employers reported that more than three-fourths of their employees are medium to highly-skilled. The employers also described their participating employees as highly skilled, classifying 84 percent of salaried and 50 percent of hourly STC employees as highly skilled.
- **Employer Size of STC Respondents.** Micro (one through nine employees) employers were substantially under-represented among the STC respondents and historically have made lower use of STC, although micro-sized employers were better represented in Washington.

Extent of Employer Participation in STC

- **Repeat Use of STC.** According to state administrative data, the range across the four states of STC employers that were repeat users was 43 to 65 percent. Repeat use seems to have increased since the last DOL-sponsored STC study when, during a 3-year period, repeat use reached a high of 45 percent in one state.
- **Eventual Layoffs.** Across all study states, between 16 and 21 percent of the STC employers reported that they eventually laid off some STC employees due to a continued lack of work.
- **Employer Motivations for STC Participation.** STC employers said that they applied for STC because they faced economic hardships, wanted to retain valued employees, and wanted to maintain the morale and health benefits of their employees. Also, STC employers indicated that retaining employees saves on hiring and training costs.
- **Increased Administrative Effort for Employers.** Between 60 and 70 percent of STC employers in the study states noted that STC “increased” the administrative burden on their staff. Given the high rates of employer favorability with the STC program for those who use it, it is not clear whether the administrative burden is a participation barrier.

Employer Awareness of STC

- **Employer Knowledge about the STC Program.** Overall, approximately a third of non-STC employers knew about the program by the name of the state's STC program, and less than a quarter knew the term used in federal law— “short-time compensation.” Even STC employers knew the program only by the state-chosen name.

- **State Workforce Agency (SWA) Outreach.** STC employers most commonly heard about the STC program from their state UI agency; the second most common source of information was other employers that participated in the program.

Employer Opinions and Perceptions of STC

- **Ease of Application.** Between 65 and 82 percent of STC employers in the 4 study states said that they found it very easy or easy to apply for STC. Only 2 through 13 percent of employers found it difficult or very difficult to apply.
- **Employer Satisfaction with STC.** From 86 to 99 percent of STC employers in the 4 states were “very satisfied” or “satisfied” with their communication with state agency officials about STC. Employers were similarly satisfied with the administrative support they received.
- **UI Tax Rate Implications.** The survey offers imprecise evidence about STC employers’ perceptions about UI tax implications. Nonetheless, at least a plurality of STC employers believed that STC was less expensive than a layoff of similar magnitude. Empirical examination of this question is an important next step.

However, some barriers still exist for increasing awareness and broader use of the STC program. First, familiarity with STC remains low and use historically has been confined to mainly larger employers (number of employees) and mostly in the manufacturing industry. Second, there appears to be some lack of awareness particularly among non-STC employers of the costs associated with STC use. Again, further examination in these areas seems warranted.

5. **Publication Description.** The report contains four chapters that are followed by ten appendices. It begins providing information on respondent employers and how they were distributed by state, STC status, employer type, and industry sector. It uses survey responses to examine employer participation in, and use of, the STC program. Furthermore, it highlights employers’ perceptions about the STC program, primarily on STC employer participant responses; and discusses STC awareness, examining whether non-STC employers have any familiarity with the program even if they have not participated. Lastly, it describes key study findings from the four states, examines their program implications, suggests policy recommendations; and examines how the STC program has changed over time.
6. **Related ETA Publications.** The last ETA report disseminated on short-time compensation (STC) was in 1997, titled *Evaluation of Short-Time Compensation Programs Final Report* (https://wdr.doleta.gov/research/FullText_Documents/Evaluation%20of%20Short-Time%20Compensation%20Programs%20Final%20Report.pdf). This report was prepared by Berkeley Planning Associates and Mathematica Policy Research. The study examined state and employer participation in STC, and a range of issues related to the administration, financing, and impacts of STC programs.
7. **Inquiries.** To view an abstract of this publication, as well as to download the executive summary and full report, visit the ETA Research Publication Database Web site at: <http://wdr.doleta.gov/research/keyword.cfm>.