

# The Connecticut Shared Work Program and the Future of Short-time Compensation

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# Connecticut's Shared Work Program

- Voluntary program which serves as an alternative to layoffs during a temporary decline in business.
- Employers may reduce the hours and wages of all or some employees.
- Employees may then receive partial unemployment benefits to supplement lost wages under a formula not otherwise available under regular unemployment insurance rules.

# Program Requirements

- Only contributing employers are eligible.
- Shared Work only applies to permanent, full-time employees.
- Shared Work cannot be used to subsidize seasonal workers during off-season or companies that traditionally hire part-time workers.
- To qualify, employers must have at least four employees participating in the program.
- Fringe benefits (e.g. health insurance, retirement) must continue as though employee working full-time.
- Service credits toward seniority must reflect at least hours worked.

# Program Requirements (continued)

- Employer must certify that reduced hours are in lieu of temporary layoff of minimum of 10% of workforce.
- Employees must be able to work and be available for full-time employment with the employer.
- Employees must meet all regular UI eligibility requirements (except work search).
- Collective bargaining sign-off
- Where no contract, memo to employees for 7-day comment period.

# ABC Corp. – One Day Reduction

- The work schedule of an ABC Corp. employee participating in the Shared Work Program who normally works a 40-hour work week (and earns \$900) is reduced by 20%.
- Assuming a weekly benefit rate of \$450, the employee is entitled to a Shared Work benefit of \$90 (20% of benefit rate) in addition to the 32 hours of wages earned from the employer during the week.

$$\$900 \times 80\% = \$720 + \$90 = \$810$$

# Benefits to Employers

- **Retain skilled, trained workers.**
- **Maintain continuity in workforce.**
- **Remain in ready mode and avoid need to retrain employees when business upswing occurs.**
- **Increase morale and job security among employees.**

# Benefits to Employees

- **Retain job and financial security.**
- **Retain health insurance and retirement benefits.**
- **Avoid economic and emotional hardships caused by layoff and the stress of looking for new job.**
- **Wages earned from employment other than the Shared Work employment do not factor into the calculation of the Shared Work benefit.**
- **An added bonus: Although employees are not eligible for dependency allowances, they are eligible for the federally-funded \$25 Federal Additional Compensation (FAC) check through the end of CY2009.**

# Which Industries Use Shared Work in Connecticut?

- **Manufacturing – 63%**
- **Services – 12%**
- **Construction – 8%**
- **Wholesale Trade - 6.5%**
- **Retail Trade – 3.7%**

# Program: Historical Usage

- **1992-2007 : Shared Work Program-Annual Averages**
    - 70 plans approved
    - 2093 initial claims
    - 24,079 weeks paid
    - \$1,613,000 benefits paid
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**Highest Program Activity in CY2003**

**- \$5 million in benefits paid**

# Program Growth in CY2009 (January-July)

- **736 Plans Approved**
  - **15,370 Initial Claims**
  - **125,226 Weeks Paid**
  - **\$13,712,229 Benefits Paid**
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- **Currently over 6,000 Shared Work Claimants filing each week**
  - **Projecting over 25,000 Shared Work Claimants and \$25 million in benefits in CY2009 (5 times highest prior year)**

# Program Issues

- **Administrative Costs/Capacity**
- **Enforcing Worker Protections & Plan Compliance**
- **Consideration of Other Economic Actions by Employer**
- **Plan Extensions**
- **Program Popularity & Politics**
- **Salaried Employees – FLSA Exemption**

# The Call for Federal Action

- David Balducchi and Stephen Wandner, “Work Sharing Policy: Power Sharing and Stalemate in American Federalism.” *Publius*. (Winter 2008).
- Center for Law and Social Policy – Neil Ridley, “Work Sharing – an Alternative to Layoffs in Tough Times.” (March 26, 2009).
- Katherine G. Abraham and Susan N. Houseman, “Short-time Compensation is a Missing Safety Net for U.S. Economy in Recessions,” *Upjohn Institute Employment Research* (July, 2009)

# The “Keep Americans Working Act” (S. 1646)

- **Introduced by Senator Jack Reed (RI)**
- **Purpose: “Keep Americans working by strengthening and expanding short-time compensation (STC) programs that provide employers with an alternative to layoffs.”**

# Federal Definition of STC Program

- 1) Employer participation voluntary
- 2) Employer certifies reduction in hours “in lieu of temporary layoffs”
- 3) Hour reduction of at least 10%
- 4) Pro rata share of UI weekly benefit rate
- 5) No able/available requirement or work search test
- 6) May participate in employer-sponsored /state-approved training
- 7) Beginning 2 years after enactment, state shall require employer to certify that continuation of health and retirement benefits is not affected by STC participation.
- 8) Written plan
- 9) Consent to plan by union
- 10) Other DOL requirements

# USDOL Role

- **Model legislative language**
- **Technical assistance to states developing, enacting and implementing STC programs**
- **Bi-annual reporting**
  - # layoffs averted
  - # participating employers/employees
  - Employee retention following STC participation
- **Start-up grants for states enacting STC programs that conform to new federal requirements and apply by 9/30/10.**
- **Report to President/Congress re: STC, state impediments and recommendations.**

# Temporary Financing of STC Programs

- **Once state enacts federally-approved STC program, USDOL certifies compliance authorizing federal payments to state's unemployment trust fund.**
- **Reimburse 100% of total amount of STC benefits paid. Covers payments made before September 30, 2011.**
- **FUTA and SSA amendments authorizing STC payments from Federal Unemployment Account.**

# Limitations on Federal Payments

**No federal payments to states if STC employer:**

- Reduced workforce by more than 20% in prior three months.
- Employs individual on seasonal, temporary or intermittent basis.
- Undergoing labor dispute or work shortage that is a result of labor dispute.

# Employer Penalties

- **USDOL establishes by regulation oversight and monitoring process for states to insure plan compliance**
- **Employer that fails to comply with terms of STC plan and act in good faith to retain participating employees must repay to state STC benefits paid as result of employer's violation**

# Key Issues

- STC as a compact:

STC employers benefit from shared sacrifice of workers. Access to the program should be conditioned on a guarantee that workers are not negatively impacted in unforeseen ways.

- Federal reimbursements:

Who is being incentivized – state or employer?

- Plan Compliance & Penalties

Regulatory challenges- “good faith” and measuring retention

Unfamiliar enforcement role for state UI agencies

Policing other employer abuses

Appropriate resources/training

Clear standards for plan revocation

- Salaried Workers:

Do we want to encourage STC for exempt employees?

If yes, FLSA conforming amendment needed

# Is Now the Time for a Federal STC Program?

- **Health and Pension benefits must be continued as though STC participant employed full-time.**
- **Experience rating must be maintained (no non-charge).**
- **There must be stronger penalties and tough regulations that help states enforce worker protections/ prevent employer abuse.**
- **Costs and scoring: STC is designed to avert temporary layoffs and thus will impact a relatively small percent of the unemployed. The costs of a federal STC program cannot be so high as to compete with other major federal and state initiatives that will help larger numbers of workers who are unemployed for longer duration.**