Center for American Progress

An overview of worksharing

Worksharing – often called short-time compensation (STC) – is an alternative to the traditional Unemployment Insurance (UI) process: instead of laying off a portion of the workforce, employers can reduce the hours of certain employees. Workers with reduced hours then receive pro-rated unemployment benefits to supplement their paycheck.

The Department of Labor lists 27 states and Washington, D.C. – covering almost 70% of the workforce – as having work-sharing programs, although reports from states indicate that some of these may not currently be up-and-running. But as of the week ending May 23, 2020 (the date for which data were available by June 15), only 214,016 people nationwide were claiming UI benefits via STC/worksharing. This is 0.72 percent of all UI claimants. **Worksharing is being underutilized. States, public and private employers, and employees are all losing out as a result.**

The CARES Act, passed at the end of March 2020, provides 100 percent federal reimbursement of some state worksharing-related payments. It also provides funding for states to stand up new worksharing programs, and it provides $100 million in grants plus technical assistance in implementing and administering worksharing. More details from the Department of Labor's guidance issued in May can be found here.

UI claimant levels are at their highest since World War II, and it is unlikely that businesses will be able to flip a switch to suddenly rehire all of their February workforce. Some states are developing reopening plans that may allow for some limited rehiring; for example, if restaurants can open for patio service and increased takeout, some servers may be rehired. States must ensure that the long employment recovery period serves both the health and economic interests of their residents, by not leaving a significant portion of unemployed workers permanently out of a job. Without changes to the current course of action, the Congressional Budget Office predicts double-digit unemployment even until the end of 2021, emphasizing the need for states to prioritize the economic stability of their residents.

> "The Work Share program is an excellent way to retain your employees in an economical way. The program has allowed us as business owners the flexibility to bring our employees back to work in a way that fit our needs."
> **—Dave Dittenber, CEO, DRI Restaurants, Midland, MI**

Worksharing is an underutilized approach to keeping employees on payroll and attached to employment benefits. If paired with meaningful worker power and voice focused on ensuring that reduced hours and worksharing are implemented equitably, worksharing could help keep workers out of the long-term unemployed group that may emerge from waves of financial distress and business closures. States should take swift action to encourage as many employers as possible to participate in worksharing.

A spotlight on Michigan's outreach to private employers:

In the wake of the pandemic, the Michigan Department of Labor and Economic Opportunity (LEO) and Unemployment Insurance Agency (UIA) collaborated to push employers to utilize the state's worksharing program. From Februrary to early May, the state, saw a 25-fold increase in workers and employers using the program. The UIA published a brochure that specifically address worksharing as a strategy for safely and more equitably re-engaging employees during the pandemic. Michigan increased flexibility for participating employers, allowing them to reduce payroll costs by between 10 percent and 60 percent (rather than the previous range of 15 percent to 45 percent), and now has 1,820 employers actively participating on behalf of 76, 347 employees.

There is reason for states to take urgent action: employees whose typical schedules are cut under worksharing become eligible to collect some state unemployment benefits, plus the $600-a-week boost to federal unemployment created under the CARES Act (the Federal Pandemic Unemployment Compensation, or FPUC). The funding structure is also advantageous to states: the federal government will reimburse for state unemployment benefits when worksharing is taking place. Conceivably, some employers could save money on payroll without employees losing income when Unemployment Insurance benefits are factored in. Even beyond wages, employers should consider the value to their employees of continuing to provide health care, other benefits, and a reliable attachment to employment. **It could be advantageous for employers, employees, and states to maintain employees' connections to their workers (and any fringe benefits they receive) and preserve their ability to make payroll for the months or years of transition to normalcy.**

Pursuing worksharing in cities and states facing their own budget cuts

Worksharing should also be considered for states facing potential layoffs or furloughs among their own employees due to revenue shortfalls. Several states and municipalities have begun pursuing worksharing for their own employees. This will save money – clearly not at the full scale of state and local need, but possibly at a large enough scale to postpone or avoid layoffs, and in the public's interest by keeping state and local employees attached to health insurance and stability in the midst of a public health and economic crisis.

In some cases, depending on whether the full value of federal funds is passed along to reimbursing employers, public sector employers can save more money by using work-sharing (with a reduction in hours) than by using regular Unemployment Insurance (for either full-week layoffs or a reduction in hours).

Shaun O'Brien, Assistant Director of Research and Collective Bargaining Services at AFSCME, worked with the state of Michigan to determine ways to support employees, keep them attached to employment, and save the state money. The table below illustrates how the state would save about $250 more per worker with 2-day-per-week furloughs over 5 weeks, compared to full-time furloughs for 2 weeks – while also getting more money to workers.

Annual Employee Pay	$30,000		$50,000		$70,000	
Furlough Structure	2 straight weeks	3/5 time, 5 weeks	2 straight weeks	3/5 time, 5 weeks	2 straight weeks	3/5 time, 5 weeks
Cost of UI to Michigan	$307	$0	$362	$0	$362	$0
Net Savings for Michigan	$1,027	$1,252	$1,742	$1,995	$2,481	$2,734
Net Change in Pay Per Worker	$660	$2,460	$1	$1,801	-$768	$1,032

Examples of worksharing for public sector employees:

- State employees in **Michigan** will take two temporary layoff days per pay period, from May 17th until July 25th, saving the state $80 million in wages (while giving participating employees access to partial unemployment benefits and the $600-per-week FPUC. More senior managers will not participate in worksharing, but will take one layoff day every other payoff period, resulting in an approximate 5 percent reduction in pay, and the governor will take a 10 percent pay cut. Employees on the front lines of the COVID-19 response will not participate.

- Within Michigan, the city of **Lansing** will have about 500 workers switch to four-day work weeks (with Fridays off) between June 1st and July 25th, saving the city an estimated $1.5 million. City offices will be closed to the public on those Fridays, although essential services (such as police, fire, and ambulance) will continue.
- **Rochester, NY** announced that they would address declines in revenue with a combination of worksharing, furloughs, and layoffs of city employees, with the vast majority of those employees furloughed or participating in worksharing (and returning to full-time employment after enhanced unemployment benefits expire). This will save the city $2.1 million. Worksharing will occur in the environmental services, library, recreation/youth services, and non-uniform police departments.
- The Coalition of Rutgers Unions, representing about 20,000 state university workers in **New Jersey**, are proposing a worksharing program that representatives say could save Rutgers about $100 million.
- Bipartisan legislation in **New Jersey** is aimed at supporting both private and public employers, including those at the municipal and county government levels. Public employers will save between $2,000 and $13,000 per employee from reduced payroll costs and federal reimbursement for state unemployment benefits.
- Portland, Oregon has created worksharing programs for city employees and school district employees.

Questions that governors and their staffs could pose to Unemployment Insurance directors, workforce systems, or other relevant staff:

- How much active, direct outreach has been done thus far to private employers in your state, to make them aware of worksharing?
- Have you updated state resources (particularly online resources) to encourage worksharing during this economic crisis, highlighting the federal resources available?
- Are there any state government departments that are facing furloughs or layoffs, and could worksharing be applicable for these employees?
- Are there county or city employees in your state at-risk of furloughs or layoffs, and could you work with those jurisdictions to implement worksharing instead?
- As your state implements plans for reopening, is guidance around rehiring safely and equitably being included?
- Could worksharing help reinforce social distancing in small workspaces?
- Have you exercised the full extent of your regulatory authority to expand eligibility for and use of the program? (For example, Washington State used its emergency

rulemaking authority to expand employers' ability to access the program and the inclusion of salaried employees.)

- Do you have the authority to pass the full value of federal funding of benefit costs through to employers, such as by not charging employers for the cost of benefits through the remainder of 2020? Have you exercised that authority, or are legal changes necessary before you can do so? (For example, Oregon law provides that employers will not be charged for benefit costs paid by the federal government, but since Washington State law appears to require the state UI fund to charge employers regardless, the legislature may need to change that law.)
- What kind of technical assistance is available to employers in your state if they're interested in shifting to worksharing? For more detailed information to provide employers about approval processes, see guidance from the Department of Labor Employment & Training Administration.
- How can community organizations, labor organizations, municipal leaders, and local press help provide education to employers and the public about worksharing?
- Are there flagship employers, including media organizations, whose pursuit of worksharing for their own employees could garner additional coverage and awareness of the program?
- How can your state work with employers to ensure that worksharing is implemented equitably, doing the most good for the most workers?

A spotlight on Virginia's new worksharing program

In late April, Virginia became the first state to take advantage of CARES Act funding intended to incentivize the creation of new worksharing programs. (Virginia had created a worksharing program in 2014, but it had lapsed). Work is underway at the state level to create a new worksharing program by January 1, 2021.

Because the regular legislative session had already ended by the time the CARES Act passed, policy experts in Virginia advocated for the Governor>s office to champion the program through a legislative amendment in the (very brief) reconvened session. He agreed. The amendment became part of SB 548 and nearly unanimously passed the Senate and cleared the House 79-13.

In terms of implementation, the new law says that the Virginia Employment Commission (VEC) shall establish a program by January 1, 2021. But because this program would be particularly helpful given the economic climate right now, and because the federal government will pay for 100% of any benefits issued under worksharing in 2020, stakeholders are advocating for the VEC to stand up the program sooner than later. Like similar agencies in other states, the VEC is dealing with unprecedented volumes of regular unemployment insurance claims (not to mention standing up new programs like PUA), but stakeholders hope to move forward quickly.

Additional resources on worksharing

- Answers to frequently asked questions about worksharing, from the National Employment Law Project.
- Details on state worksharing programs as of June 2019, from the National Conference of State Legislatures.
- Details on how worksharing is implemented in Germany.
- An account from a media organization weighing whether to pursue worksharing.