

**FACT SHEET**

May 2016

## Worksharing stops layoffs before they happen

### North Carolina should join Texas and Virginia in adopting a voluntary, pro-business worksharing plan

Our nation's current economic expansion and recovery from the Great Recession is already 94 months old—almost twice the average length of time between recessions since World War II and already the third longest in American history. So while it seems like many of us still haven't recovered from the last economic downturn, we are already overdue for the next. And dozens of companies continue to lay off workers today, even in the midst of an economic "recovery."

But the policies we enact today will determine what happens to our workers, businesses, and overall economy when tomorrow's recession finally comes or today's companies need to lower labor costs. **One crucial policy that can help businesses retain their workforce and minimize unemployment during and after economic downturns is called "worksharing."** It can also minimize layoffs when individual companies are facing tough times but the economy isn't officially in recession.

#### What is worksharing?

- **Worksharing, also known as short-time compensation (STC), is a form of unemployment insurance that offers employers the voluntary option to reduce employees' hours instead of laying them off altogether.** In a classic example of worksharing, a business needing to cut labor costs could reduce all (or most of) their employees' worktime by 10 hours a week instead of eliminating a quarter of their workforce altogether. In turn, the employees who are now working 30 hours a week would receive unemployment benefits equal to their wage for the remaining 10 hours a week they would need to earn a full-time wage.
- **Worksharing is purely voluntary and straightforward for businesses to implement.** Private employers continue to pay wages to their employees, while the state's Unemployment Insurance Trust Fund pays out short-time benefits to those same workers. Participating businesses would submit a plan to the NC Division of Employment Security, explaining how many workers would be reduced to what level of wages. Typically, states allow businesses to claim worksharing support for no more than 60 percent and no less than 10 percent of their workforces. In some programs, the worker receives pro-rated benefits that may be some amount less than their hourly wage.

#### How does worksharing benefit businesses?

- **Worksharing benefits businesses by giving them a voluntary alternative to reduce labor costs without laying off their workforce.** This allows them to keep their workforce at full capacity for only a fraction of their full cost. In turn, this improves productivity and reduces the loss of worker skills and experience so critical for competing in a global economy. Employee turnover and training costs have long been found to damage business productivity, and worksharing short-circuits these productivity killers before they start.
- **Worksharing helps businesses recover faster from macroeconomic and market shocks.** Recent studies have shown that businesses participating in worksharing programs have

*For more  
information,  
contact:*

**Allan Freyer**  
Workers' Rights  
[allan@ncjustice.org](mailto:allan@ncjustice.org)  
or (919) 856-2151

NORTH CAROLINA  
JUSTICE CENTER  
P.O. Box 28068  
Raleigh, NC  
27611-8068

(919)856-2570  
[www.ncjustice.org](http://www.ncjustice.org)

lower rates of employees receiving STC in the *second* year after the program begins, even when overall unemployment continues to rise. This suggests that worksharing helps businesses weather the initial shock of a recession better than if they had simply laid off enough workers to get their labor costs down. In turn, because these businesses kept their workforce intact, they are able to ramp up full production much more quickly.

#### **How does worksharing benefit workers?**

- **Workers win because they get to keep their jobs**, avoid the psychological and financial strain of unemployment, and continue spending their paychecks at local businesses. And the latter factor is no small feat—in the immediate aftermath of the Great Recession, surveys by the National Federation of Independent Businesses repeatedly reported lack of customers and sales as their number one business challenge. In turn, the extra productivity generated by full-capacity businesses and the additional wage income spent by workers boosts the overall economy, reversing the devastating downward pressure on businesses sales produced by economic downturns.
- **Worksharing promotes work and personal responsibility by ensuring that work is actually available for those who want it.** The best way to make sure that laid off workers find jobs is to make sure they don't lose the jobs they have. Over the long run, keeping workers employed will reduce demand for the unemployment benefits, food assistance, and other public assistance jobless workers need to survive during periods of sustained economic hardship and lack of available work.
- **Worksharing reduces long-term unemployment.** During and after the Great Recession, more than 100,000 North Carolinians lost their jobs. Thanks to shortage of available job openings, thousands of remained unemployed for years, despite a desire to find work. Adding to the problem, businesses increasingly began to refuse to hire workers who had "employment gaps" in their resumes. So the longer workers remained unemployed, the less likely they were to find a job—a catch-22 that kept skilled workers on the sidelines and increasingly financially desperate. The long-term unemployment rate—those who have been involuntarily out of work for six months or more—stands at 28 percent, a rate that could be much lower today if their previous employers had access to worksharing and their jobs had never vanished.

#### **How is worksharing good for the economy?**

- **Worksharing prevents the cycle of unemployment and desperation *before* it starts. It prevents layoffs before they occur.** And it lets workers who desperately want to work keep the jobs (and paychecks) that support their families and local businesses. As an added bonus, it also helps businesses recover from downturns faster by keeping their production at full capacity and their customer base flush with cash.
- **Worksharing can help communities threatened by mass layoffs today.** Since January, more than 40 companies in two dozen counties in North Carolina have announced large-scale layoffs or plant closures that promise to eliminate more than 7,000 jobs. Imagine how cities like Salisbury, where Freightliner is laying off more than 1,000 workers, would benefit if North Carolina had a worksharing program in place, potentially eliminating the need for these layoffs.
- **Worksharing is a win-win for businesses, workers, and the economy as a whole—that's why 28 other states, including Virginia, Texas, and Florida, have all adopted this common-sense, pro-work policy.**

**While the next recession is unavoidable, and some companies will always need to reduce labor costs, what we do today can shape how our workers and businesses will fare that happens. North Carolina should enact a worksharing program.**