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WORK SHARING: A Winning Strategy for North Carolina's Employers, Workers, and the State's Economy

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Introduction

Four years into the official economic recovery, North Carolina's jobs deficit stands at more than half a million and the state continues to have the fifth-highest unemployment rate in the country.¹ North Carolina has lagged behind the slow national economic recovery, and unemployed workers, communities, as well as many businesses, continue to struggle.²

Work sharing, an optional program for employers established and administered through the federal-state unemployment insurance (UI) system, can be a powerful tool for responding to the ongoing unemployment crisis. Now implemented in 24 states and the District of Columbia, work sharing enables employers to temporarily reduce payroll costs during business slowdowns without losing their skilled employees. It allows employees to maintain crucial income and in many cases their health benefits, and it bolsters the state's economy by mitigating further job losses.³

As an added incentive, temporary federal subsidies are available to states that establish work-sharing programs. This support and guidance can allow North Carolina to be proactive in maintaining economic stability and implementing a program that works for employees and employers.

Work Sharing Can Save Jobs and Maintain Employment Stability

Economists and policy experts across the political spectrum have pointed to work sharing as a key strategy in maintaining employment stability during economic downturns. Mark Zandi, chief economist of Moody's Analytics, for instance, recommended work sharing due to its "large bang for the buck, since distressed workers are likely to quickly spend any aid they receive."⁶ Kevin Hassett of the American Enterprise Institute for Public Policy Research wrote that work sharing would "lift net job creation" and "accelerate the recovery."⁷

The Nuts and Bolts of Work Sharing

Work sharing, also known as short-time compensation, is a form of unemployment insurance (UI) that offers employers the option to reduce employees' hours instead of implementing layoffs when business is slow. For example, an employer can choose to reduce all employees' hours by 20 percent rather than laying off one-fifth of the workforce. The employees with reduced hours receive pro-rated unemployment benefits to supplement their paychecks.⁴

The work-sharing benefits are paid out of the UI trust fund, similar to regular unemployment benefits. A typical program allows employers to file a work-sharing plan certifying that reduced hours will replace temporary layoffs. If the plan meets the state's program requirements and is approved, employees who meet the regular UI eligibility requirement may apply for pro-rated benefits.⁵

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FIGURE 1: Jobs Saved by Work Sharing, 2008 - 2012

	2008	2009	2010	2011	2012
Arizona	540	1,954	864	499	350
Arkansas*	n/a	n/a	995	321	162
California	18,391	48,595	30,363	25,083	21,052
Colorado*	n/a	n/a	13	58	71
Connecticut	399	4,514	2,217	1,051	1,320
Florida	325	1,535	1,016	628	354
Iowa*	n/a	4,285	1,760	941	713
Kansas	7,012	9,373	4,738	1,584	2,051
Massachusetts	545	4,010	1,180	502	448
Maryland	513	1,079	821	455	344
Minnesota	1,460	4,888	1,379	1,026	620
Missouri	2,788	5,080	2,968	3,704	3,206
New Hampshire*	n/a	n/a	36	54	55
New York	2,689	13,926	6,186	4,259	4,344
Oregon	1,144	3,485	1,767	808	479
Rhode Island	2,896	6,632	2,941	988	623
Texas	12,536	26,749	13,008	12,212	9,856
Vermont	869	2,171	609	219	123
Washington	5,985	27,342	25,722	21,862	15,128
	58,092	165,618	98,583	76,254	61,299

* Recently created programs; no data for some years.

NOTE: This data represents work share equivalent initial claims (WSEIC), which makes the data comparable to regular unemployment insurance initial claims. For example, 5 people applying for work share whose hours are reduced by 20 percent would be reported as 1 for WSEIC.

SOURCE: Employment & Training Administration, U.S. Department of Labor, 2013.

Established state programs have been successful in saving jobs, particularly in such industries as manufacturing.⁸ In fact, work-sharing programs throughout the states helped to save nearly 166,000 jobs in 2009 and close to 100,000 in 2010 (See Figure 1).⁹

Temporary Federal Funding is Available for Work-Sharing Programs

The Layoff Prevention Act of 2012—part of the Middle Class Tax Relief and Job Creation Act of 2012¹⁰—updates and clarifies work-sharing provisions in federal law and provides almost \$100 million in temporary funding for states to adopt or expand programs within the new federal requirements.¹¹ The grant amount for North Carolina would be approximately \$2.9 million.¹²

For states like North Carolina—without existing work-sharing programs in place—the Act provides two

FIGURE 2: The Layoff Prevention Act provides states without existing work sharing programs with two options for federal reimbursement

Options for States without Work Sharing Programs	Timeframe for federal reimbursement	End Date
Amend state UI law to establish a new work sharing program under the Act's guidelines.	Up to three years	No later than August 22, 2015
Enter into an agreement with the Secretary of Labor to make work sharing available while laws are drafted and enacted.	Up to two years	No later than May 24, 2014

options. First, the state can establish a program that meets federal requirements by amending the state UI law. Once enacted, North Carolina would receive federal reimbursement of benefits for workers for up to three years.¹³ The second option involves an agreement with the U.S. Secretary of Labor to create an immediately accessible work-sharing program in the state. Under this option, North Carolina would receive partial reimbursement of benefits for no more than two years (See Figure 2).¹⁴

Conclusion

Almost half the states in the country have embraced work sharing as a way to mitigate the damage of high unemployment and sluggish job growth. In North Carolina, Senate Bill 645 would establish a work-sharing option for employers under the unemployment insurance laws.¹⁵ In recognition of North Carolina's current labor market trends and the great number of jobs lost during the Great Recession, the establishment of a work-sharing program in North Carolina would be a concrete tool to maintain economic stability and avert layoffs during future business downturns, benefitting North Carolina's workers, employers, and communities.

- 1 Bureau of Labor Statistics, Local Area Unemployment Statistics. The unemployment rate for North Carolina in April 2013 was 8.9 percent.
- 2 For more on the state's unemployment rate in relation to job losses, see Prosperity Watch Issue 24, No. 4: "North Carolina's Lagging Unemployment Rate Due to Greater Job Losses During the Recession than the Nation as a Whole." Accessed at <http://www.ncjustice.org/?q=budget-and-tax/prosperity-watch-issue-24-no-4-north-carolinas-lagging-unemployment-rate-due-greater>.
- 3 The concept of "win-win-win" comes from the Indiana Institute for Working Families, 2011. "Work Sharing: A Win-Win-Win Strategy for Avoiding Job Loss."
- 4 Although work-sharing benefits do not fully replace lost income, they keep workers attached to the workforce and mitigate the stark impacts of a job loss.
- 5 For a full description of the provisions, see CLASP and NELP, "A Breakthrough for Work Sharing: A Summary of the Layoff Prevention Act of 2012" and CLASP and NELP, 2012. "Seizing the Moment: A Guide to Adopting State Work Sharing Legislation after the Layoff Prevention Act of 2012."
- 6 Zandi, Mark, September 2011. "An Analysis of the Obama Jobs Plan." Accessed at http://www.economy.com/dismal/article_free.asp?cid=224641.
- 7 Hasset, Kevin A. and Dean Baker, April 2010. "Work Sharing Could Work for Us." Accessed at <http://www.aei.org/article/economics/fiscal-policy/labor/work-sharing-could-work-for-us/>.
- 8 CLASP and NELP, 2012. "Seizing the Moment: A Guide to Adopting State Work Sharing Legislation after the Layoff Prevention Act of 2012."
- 9 Employment and Training Administration, US DOL, 2013,
- 10 Public Law 112-96. Accessed at <http://www.gpo.gov/fdsys/pkg/PLAW-112publ96/pdf/PLAW-112publ96.pdf>.
- 11 For an in-depth explanation of the federal requirements as well as recommended state provisions, see CLASP and NELP, 2012. "Seizing the Moment: A Guide to Adopting State Work Sharing Legislation after the Layoff Prevention Act of 2012."
- 12 U.S. DOL Employment and Training Administration, UI Program Letter on Short-Term Compensation Provisions in the Middle Class Tax Relief and Job Creation Act of 2012.
- 13 CLASP and NELP, 2012. "Seizing the Moment: A Guide to Adopting State Work Sharing Legislation after the Layoff Prevention Act of 2012."
- 14 The U.S. DOL guidelines for this option (UIPL 03-13) can be accessed at http://wdr.doleta.gov/directives/attach/UIPL/UIPL_3_13_Acc.pdf
- 15 General Assembly of North Carolina, Session 2013, Senate Bill 645. Accessed at <http://www.ncleg.net/Sessions/2013/Bills/Senate/PDF/S645v1.pdf>.