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Work Sharing:

Another tool in the toolbox for businesses to avoid layoffs

FACT SHEET

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Businesses in 27 states now have the option to implement work sharing, a **voluntary program for employers** that provides an alternative to layoffs when business declines.

What is work sharing?

Work sharing, or short-time compensation, is established and administered through the federal-state unemployment insurance (UI) system. Work sharing allows an employer to reduce the hours of all or some workers instead of laying off a portion of the workforce. Workers with the reduced hours are then eligible for partial unemployment benefits to supplement their paychecks. For example, instead of laying off five workers, an employer can reduce the schedules of 25 workers by 20 percent.

Work sharing is a win-win for employers and employees.

Work sharing enables employers to temporarily reduce payroll costs during business slowdowns without losing skilled employees. It allows employers to remain in ready mode and avoid the cost of hiring and training new employees when the economy improves. And, by avoiding layoffs, work sharing can positively affect employee morale and loyalty. At the same time, work sharing allows employees to maintain crucial income and, in many cases, their health benefits.

Work sharing can reduce the severity of unemployment in future economic downturns

Work sharing is a job-retention option employers can use when the next economic downturn hits. Data shows that established state programs have been successful in saving jobs, particularly in such industries as manufacturing.[1] Between 2008 and 2012, work sharing programs saved over 500,000 jobs nationwide.[2]

Working sharing does not have a significant negative impact on UI trust funds.

Work-sharing benefits are paid out of the UI trust fund, like regular unemployment benefits, and can be charged to employers in the same way as regular UI benefits. Since employers choose work sharing as an option when there would otherwise be layoffs, there is generally no impact on UI trust funds.[3]

Work sharing has been embraced by more than half the states, including Virginia, Texas, Florida, Wisconsin, Michigan and Ohio.

There are work-sharing laws on the books in 27 states. The number of states has increased dramatically as a direct result of the severity of the Great Recession. Prior to the Great Recession, 17 states had established programs, and between 2007 and 2009 work sharing claims activity increased by ten-fold in these states. Since 2010, eleven new states and the District of Columbia have enacted programs. When Ohio adopted the program, the bill had almost unanimous support in the Ohio House and Senate and was endorsed by the Ohio Chamber of Commerce.[4]

Economists and policy experts across the political spectrum have pointed to work sharing as a key strategy in maintaining employment stability

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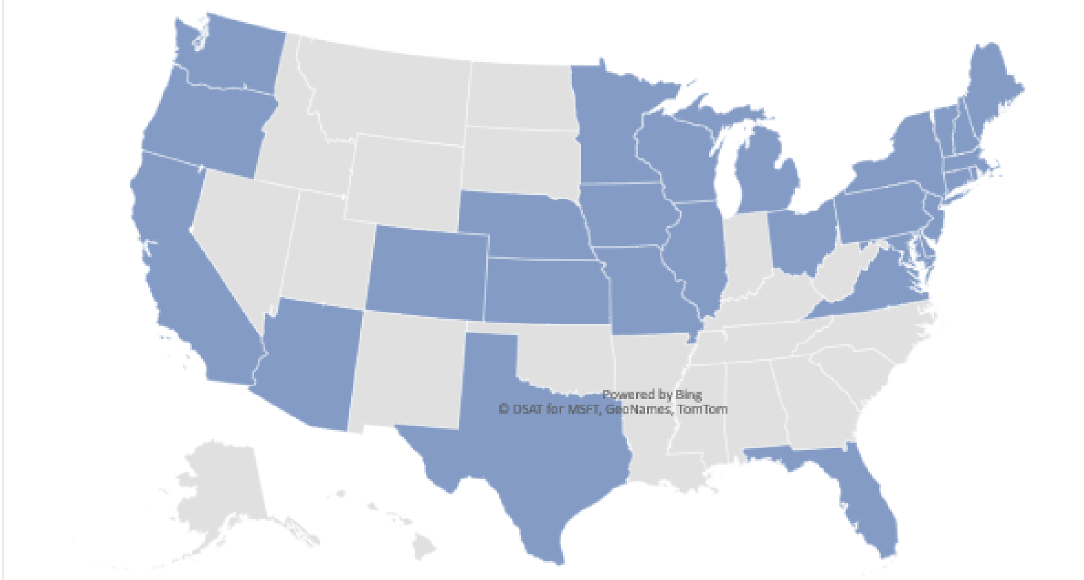
Mark Zandi, chief economist of Moody's Analytics, recommends work sharing due to its "large bang for the buck, since distressed workers are likely to quickly spend any aid they receive."[5] The Brookings Institute recently suggested that work sharing can "support workers and employers as they reduce, rather than eliminate employees work hours."[6] Kevin Hassett, who chaired the Council of Economic Advisers in the Trump administration, has been a long-time proponent of work-sharing and wrote that work sharing would "lift net job creation" and "accelerate the recovery" following the Great Recession.[7]



States with Work-Sharing Programs

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4. See Bell, Jeff, July 19th, 2013, "Shared work program gives businesses an alternative to layoffs," Columbus Business First.
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6. Gilarsky, Melanie and Jana Parsons, April 16, 2020. :What is work sharing and how it can help the labor market." Accessed at https://www.brookings.edu/blog/up-front/2020/04/16/what-is-work-sharing-and-how-can-it-help-the-labor-market/
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/.