

## Work Sharing – A Win Win Win for Avoiding Job Loss

**Work sharing is a voluntary and cost-equivalent alternative to traditional unemployment benefits** being used in more than half of U.S. states. Because work sharing benefits the employer, the employee and the state, work sharing has broad bipartisan support and is considered a **win-win-win**.<sup>1</sup> **(1)** It provides firms with: flexibility during economic downturns; the ability to retain their skilled workforce and; an opportunity to avoid turnover costs, **(2)** Workers are able to avoid the well documented and devastating effects associated with long term unemployment, such as: loss of income over time, loss of skills, and a loss of marketability; they would also earn higher wages than they would under traditional unemployment; and, they would retain health and retirement benefits, and **(3)** Work sharing reduces the number of layoffs and therefore the number of unemployed workers. Additionally, work sharing has been proven to be particularly beneficial to the manufacturing sector. According to Fitch’s ratings, “Indiana is considerably concentrated in manufacturing, particularly transport equipment”, exposing us to economic downturns. This means that the ¼ of manufacturing jobs in Indiana that depend on exports, have already, and will continue to, be directly impacted (either temporarily or permanently) by any stalling, volatility or otherwise unexpected swings in the global economy. Avoiding job losses also eases the impact on local businesses that depend on workers’ spending on goods and services. This helps in maintaining consumption through continued wages and minimizing the domino effect of secondary job losses that inevitably result from layoffs. Thus, the state is able to maintain revenues earned from taxes such as income and sales tax.



#FullEmployment idea from @AEI's Kevin Hassett & @MichaelRStrain:  
Implement #WorkSharing in US: <http://goo.gl/3OmgJG> @CBPPfullemploy

### How Does It Work?

A work sharing program allows an employer to have the option of reducing the hours and wages of all employees or a particular group of employees (such as a line or department) instead of laying off a portion of its workforce to match decreased demand. For example, if a business sees a 20 percent decrease in demand; it would reduce wages for the entire firm or a particular department/line by 20 percent. The 20 percent reduction in wages would be supplemented by a portion of UI benefits—typically equal to half of lost wages. Under work sharing, an employee who made \$300 per week—and would normally receive \$150 a week in unemployment benefits if they were laid off under traditional unemployment—would receive \$240 in wages and \$30 in work sharing benefits.



According to the @MissouriChamber, #WorkSharing helped > 350  
companies & 30K employees keep their jobs: <http://goo.gl/KNi7uQ>

### Key Features

- Employers reduce employee hours in lieu of layoffs.
- Employees whose hours are reduced by at least 10% but not more than 50% (as determined by the state) are not disqualified from unemployment compensation. Employees receive a prorated share of the unemployment benefits they would have received if totally unemployed.
- Employees meet work search requirements if they are available for their work week as required.
- Eligible employees may participate in appropriate training approved by the state UI agency.
- Employers must certify that health and retirement benefits, if already offered, will not be reduced.
- The employer must submit a written plan to the state UI agency describing how it will implement requirements of the program (including a plan to give advance notice, where feasible, to employees whose work week will be reduced), as well as an estimate of the number of layoffs that would have occurred but for the program.

<sup>1</sup> See IIWF’s research at: <http://www.incap.org/worksharepage.html>

## Retraining, and Retaining a Skilled Workforce

As the state grapples with the best way to skill-up the workforce, and retain talent, work sharing offers an opportunity for both. The program allows employers to continue employing their experienced workers at a reduced cost, thus retaining their experienced employees and workplace continuity, while avoiding a labor shortfall and employee turnover cost. Current legislation allows participating employers to structure their plans so that reduced hours could be utilized for **retraining**. This feature has real potential to turn what might otherwise have been simply lost production and wages into an opportunity to upgrade workers skills and enhance the competitiveness of the business.



Gov. Snyder (@onetoughnerd) signs #WorkSharing "to enable Michigan to keep its skilled & talented work force employed" <http://goo.gl/lLv663>

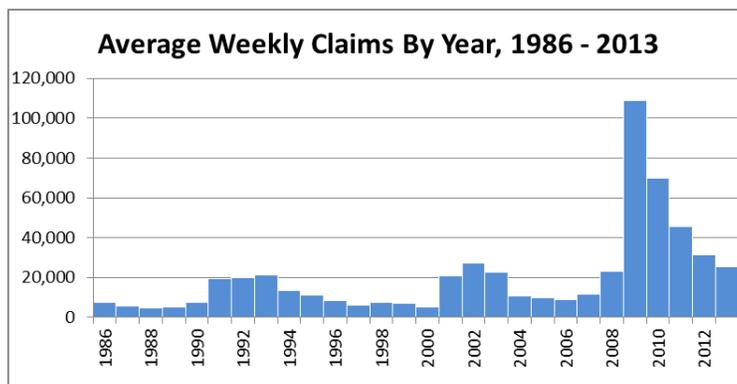
## Not to Mention the Costs Associated with Long-Term Unemployment

Through work sharing, families in Indiana will have the ability to avoid the well documented and devastating effects associated with long term unemployment, such as: loss of income over time, loss of skills, and a loss of marketability; they would also earn higher wages than they would under traditional unemployment; and, they would retain health and retirement benefits. A study by The Brookings Institution followed individuals who faced long-term unemployment for 20 years. They found that incomes fell by 30 to 40 percent in the year in which they lost their job, and moreover, the incomes remained 20 percent lower 20 years later. During a boom, future earnings fell by approximately \$65,000. However, in a recession, it can fall anywhere between \$100,000 and \$120,000. The study also found that job stability, health, higher mortality, and lower achievements by children were also attributed to job displacement during severe recessions. The New America Foundation also studied long-term unemployment. The study cites higher incidences of poverty, social exclusion, psychological impacts and an increased reliance on state assistance for the long-term unemployed. Work sharing programs can help thousands of families avoid unnecessary pitfalls simply by giving employers the flexibility to withstand major business downturns without eliminating jobs. The study also showed that work sharing has in fact had an effect on limiting permanent job losses in 2008 – 2009, and abroad, “allowed millions to escape the life-long consequences of joblessness and labor force detachment.”



.@ColoradoLCS: "a savings of \$644,000 to the Unemployment Ins. Trust Fund since #WorkSharing began in 2010": <http://goo.gl/K667Ed>

## Fix Indiana's Roof While the Sun is Shining



The greatest value of work-sharing is at the beginning of an economic downturn when employers are beginning to implement or think about layoffs. Policymakers and the Department of Workforce Development can provide flexibility to businesses to help them avert the impact of the next recession or temporary decrease in demand for a product. Work sharing benefits are paid from the state UI trust fund. Employers pay taxes based on the size of their workforce and their experience with workforce reductions over time. Work sharing benefits must be charged to employers who pay

taxes or attributed to employers who reimburse the trust fund in the same manner as regular unemployment benefits. Of the 21 states we surveyed in 2011, not one state reported additional costs to their unemployment insurance trust fund. The exact same week as this, one year ago, the number of work sharing claims was approximately 25,000. It was over 27,000 the same week in 2012; 45,000 in 2011; 61,000 in 2010, and; 128,000 the same week in 2009 - even among fewer states. Four work sharing participants with reduced hours are equivalent to one full-time worker. Therefore, it is estimated that work sharing saved over a half-million jobs in the U.S. over the past five years.