Unemployment Insurance Oversight Committee
Work Share Testimony
Derek Thomas, 9/30/2013

Good morning Chairman Eckerty, members of the committee: thank you for providing me with the opportunity to testify at today's hearing. My name is Derek Thomas and I am a senior policy analyst for the Indiana Institute for Working for Working Families. The Institute combines research and analysis of federal and state legislation, public policies, and programs that affect low-income working Hoosiers in order to help them achieve and maintain economic self-sufficiency.

What is Work Share?

Work sharing is a voluntary and cost-equivalent alternative to traditional unemployment benefits being used in more than half of U.S. states. It is a voluntary program for business to use as an alternative to traditional layoffs, providing firms with: flexibility during economic downturns; the ability to retain their skilled workforce and; an opportunity to avoid turnover costs.

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, and therefore needs to reduce production, they might layoff one-fifth of their workforce. If a work sharing program was available, the business could retain its entire workforce by reducing the hours of all its employees from 40 hours a week to 32 hours a week (20 percent), reduce production by the required amount, and could achieve the same amount of cost savings while retaining all of its employees. The affected employees would receive wages based on four days of work. The 20 percent reduction in wages would then 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.

How Is It Beneficial to Indiana's Economy?

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.

Missouri, for example, has a similar portion of its economy that is dependent on manufacturing. In 2012, they saved more than 3,000 jobs, and nearly 15,000 from 2008 through 2012.

Using an example from closer to home, and another industry important to Indiana's economy – the transportation and logistics industry; during Ohio's recent passage of Work Sharing, Kenworth Trucking was not only instrumental in helping to get legislation passed, they were also on record suggesting that they may consider shifting some operations to states that use shared work to help avoid layoffs, given the "ebbs and flows" of the industry.

In addition, and perhaps most importantly, as the state grapples with the best way to Skill Up the workforce, under Work Sharing, employers are able to continue employing their experienced workers at a reduced cost, thus retaining their experienced, skilled employees and workplace continuity, while avoiding a labor shortfall and costs associated with employee turnover. Current legislation allows participating employers the opportunity 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. Retaining a skilled workforce was cited by Governor Snyder in Michigan during its passage of work sharing.

Benefit to Working Families?

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.

Benefit to the State?

Since work sharing is a cost-equivalent alternative to traditional unemployment benefits, the impact on the unemployment trust fund is neutral. Other states – as detailed in our nationwide survey – reported savings to the UI trust fund.

However, the passage of The Layoff Prevention Act—contained in Subtitle D of Title II of the Middle Class Tax Relief and Job Creation Act of 2012 – now offers an opportunity for states to adopt and enhance work share programs. States may now receive up to three years of federal reimbursement. These monies allow DWD to set up administration of the plan, to make work sharing programs better known to Indiana employers, and will temporarily reimburse Indiana for work-sharing benefits paid by the state, making work sharing a potential money maker for the state – up to $51 million according to some estimates.

Work sharing is a win-win-win for business, working families and the state. Given its strong history of success, a study committee in 2011, and the Institute's research, Indiana has an opportunity to learn lessons and implement those best practices that have been tried and tested in bipartisan work sharing programs around the nation. By doing so, you'll provide Hoosier businesses and families the flexibility to weather future economic downtowns.