

Interim Study Committee on Employment and Labor

In Support of Work Sharing – Public Testimony
Derek Thomas, Senior Policy Analyst – August 27, 2014¹

Good morning Chairman Ober, 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 Families. We combine research and analysis of federal and state legislation, public policies, and programs to help low-income Hoosier families achieve and maintain economic self-sufficiency. I have been researching work sharing for the past several years and would be happy to answer questions, including data/best-practices, following today's hearing.

Work sharing (first initiated federally by President Reagan) is a **voluntary and cost-equivalent alternative to traditional unemployment benefits** being used in more than half of U.S. states (including neighbors, MI, OH and WI), and is credited with **saving nearly a half-million jobs** that would have otherwise been lost due to the Great Recession. Because work sharing benefits the employer, the employee *and* the state, work sharing has **rare bipartisan support** from economists, policymakers, labor and business. In fact, it's so rare to find opposition to work sharing, it even passed out of the 112th Congress as part of the Middle Class Tax Relief and Job Creation Act of 2012 with support from now Governor Pence, Senator Lugar and Representatives Donnelly, Stutzman and Young. It's considered a win-win-win – here's why:

Benefit to Workers: With 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. According to the **American Enterprise Institute**, "the damage caused by long-term unemployment is severe, inflicting high economic and human costs." They go on to say that "our current suite of policies is not up to the challenge of keeping a lid on the prevalence of long spells of unemployment...and work sharing should be at the top of the list." 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 the incomes remained 20 percent lower 20 years later. The study also found that job stability, health, higher mortality, and lower achievements by children were also attributed to job displacement during severe recessions. **Governor Scott Walker said, while signing work sharing in Wisconsin that "instead of getting a pink slip during a downturn, workers have the opportunity to stay on the job"**

¹ See our research at: www.incap.org/worksharepage.html Contact: Derek Thomas | dthomas@incap.org | (317) 638 - 4232

Benefit to Business: It provides firms with: flexibility during economic downturns; the ability to retain their skilled workforce and; an opportunity to avoid turnover costs. 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, thus retaining workplace continuity, while avoiding a labor shortfall and employee turnover costs. 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. For this reason, **Governor Snyder signed work sharing to “enable Michigan to help its skilled and talented workforce.”**

Benefit to the State: Work sharing reduces the number of layoffs and therefore the number of unemployed workers. It 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.

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.

The greatest value of work-sharing is at the beginning of an economic downturn when employers are beginning to implement or think about layoffs. 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. At a time when claims are declining and employment is increasing, now is the perfect time for policymakers to **“fix the roof while the sun is shining”** by providing flexibility to businesses to help them avert the impact of the next recession or temporary decrease in demand for a product.

Finally, in terms of administering the program, we found extremely high satisfaction, several states that were able to use existing staff, particularly while the “sun was shining” and **none of the 21 states we surveyed reported additional costs to their unemployment trust fund.**