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States Could Save $1.7 Billion per Year with Federal Financing of Work Sharing

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The Middle Class Relief and Job Creation Act, signed into law by President Obama in February 2012, includes work-sharing provisions that could help states reduce their unemployment rates and also save unemployment insurance (UI) costs for up to three years, but only if they take advantage of these useful provisions.

Work-sharing programs, also known as short-time compensation, benefit both employees and employers. Work sharing allows employers to reduce workers' hours, rather than lay them off. The workers, in turn, receive pro-rated UI benefits for the hours not worked, and are able to remain employed. Employers are able to keep trained employees on staff, and, once demand picks up, to avoid the costs of hiring and training new workers by simply increasing the hours of their existing staff.

The new law's work-sharing section – based on bills originally introduced in Congress by Senator Jack Reed (D-RI) and Representative Rosa DeLauro (D-CT) – provides federal support for work-sharing programs nationwide, giving states more incentive to promote work sharing. In addition to clarifying and updating work-sharing provisions in federal law, it also provides temporary funding to states that adopt new, or expand existing, work-sharing programs.

Prior to passage of the law, states paid the actual regular UI benefits provided to workers in work-sharing programs. Under the new law, the federal government provides 100 percent of work-sharing UI benefits for up to three years in states that already have work-sharing programs (currently there are 24, including the District of Columbia), and 50 percent for up to two years in states that enter an agreement with the federal government to provide work sharing.

At the moment, the take-up rate for work-sharing programs is low. According to the U.S. Department of Labor, the average number of work-sharing participants in 2011 was about 50,000 nationwide.[1] It peaked at about 153,000 participants across the nation in June 2009, and with work-sharing claims averaging a bit over one-quarter of a job, that represented about 40,000 full-time equivalent jobs. Participation has

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varied widely from state to state, with Rhode Island seeing the highest participation rates. Over 20 percent of UI claims in Rhode Island were from work sharing when the program was at its peak.[2]

If states were to take advantage of the federal financing for work sharing in the new law, it would be reasonable to expect that they could reach approximately the same level of participation as Rhode Island did in 2009. At that level, they could save about 5 percent of their UI costs in states that have existing work-sharing programs, and about 2.5 percent in the states that do not. **Table 1** shows that this adds up to $1.7 billion dollars per year nationwide.

TABLE 1
Potential Annual Savings per State with Federal Financing of Work-Sharing (dollars)

States with Existing Programs		States without Existing Programs	
Arizona	25,438,200	Alabama	8,418,600
Arkansas	18,144,800	Alaska	4,278,500
California	319,377,200	Delaware	3,062,300
Colorado	30,093,600	Georgia	22,593,300
Connecticut	38,882,400	Hawaii	6,265,200
D.C.	8,490,600	Idaho	4,341,000
Florida	66,671,200	Illinois	53,976,600
Iowa	18,763,000	Indiana	17,144,800
Kansas	18,320,600	Kentucky	12,065,500
Louisiana	16,476,600	Michigan	32,875,200
Maine	7,359,400	Mississippi	4,792,600
Maryland	35,688,200	Montana	2,880,100
Massachusetts	79,806,800	Nebraska	3,486,100
Minnesota	38,365,000	Nevada	12,795,600
Missouri	26,517,000	New Jersey	57,359,700
New Hampshire	5,518,200	New Mexico	6,882,900
New York	158,581,600	North Carolina	33,256,200
Oklahoma	13,028,200	North Dakota	996,000
Oregon	37,413,000	Ohio	35,620,300
Pennsylvania	136,180,800	South Carolina	10,331,600
Rhode Island	11,433,000	South Dakota	683,200
Texas	119,406,200	Tennessee	14,443,600
Vermont	4,226,800	Utah	5,829,000
Washington	68,411,800	Virginia	14,506,300
		West Virginia	3,982,800
		Wisconsin	22,881,300
		Wyoming	1,967,700
Total	1,302,594,200		397,716,000
Grand Total			**1,700,310,200**

Sources: Authors' calculations, based upon Employment and Training Administration, U.S. Department of Labor. "Unemployment Insurance Data Summary: 4th Quarter 2011." http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum11/DataSum_2011_4.pdf and 112th Congress. "H.R.3630 -- Middle Class Tax Relief and Job Creation Act of 2012." http://thomas.loc.gov/cgi-bin/query/z?c112:H.R.3630:

Before states can access this funding, the federal government will provide guidance on how the work-sharing provisions of the law will be implemented.[3] In early May, the U.S. Department of Labor issued a Short-Time Compensation (STC) Fact Sheet, which clarified some of the key dates specified in the new law.[4] In addition, the Center for Law and Social Policy (CLASP) and National Employment Law Project (NELP) have recently co-authored a detailed summary of the work-sharing section of the new law.[5]

This new and unprecedented level of federal support for work sharing will give states more incentive to promote the program as an alternative to layoffs. First and foremost, states will have to make employers aware of this alternative to layoffs. At the moment, even in the states with longstanding programs, few employers are aware of this work-sharing option.

With millions of workers still being laid off every month, the work-sharing provisions could make an important and positive difference in the lives of millions of workers, employers, their families and communities. These provisions mean states can also improve their finances by promoting work-sharing. However, states will need to work to take full advantage of the new law in order to reap these benefits.

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1 See Woo, Nicole, "Drumbeat Continues from Left and Right for Work Sharing," CEPR Blog, November 21, 2011. http://www.cepr.net/index.php/blogs/cepr-blog/drumbeat-continues-from-left-and-right-for-work-sharing

2 See Woo, Nicole, "Job Creation that Both Parties Can Agree On," CEPR Blog, January 7, 2011. http://www.cepr.net/index.php/blogs/cepr-blog/job-creation-that-both-parties-can-agree-on

3 As of date of publication, the U.S. Department of Labor had not yet released the Short-Time Compensation Programs guidance. See http://www.ows.doleta.gov/unemploy/jobcreact.asp.

4 See Employment and Training Administration, U.S. Department of Labor. "Middle Class Tax Relief and Job Creation Act of 2012: Short-Time Compensation (STC) Fact Sheet." http://www.ows.doleta.gov/unemploy/pdf/Factsheet_STC.pdf.

5 Ridley, Neil and George Wentworth. 2012. "A Breakthrough for Work Sharing: A Summary of the Layoff Prevention Act of 2012. Washington, DC: CLASP and NELP. http://www.clasp.org/admin/site/publications/files/A-Breakthrough-for-Work-Sharing.pdf.