

Employment Advisory Council Brief on Work Share Jan 7, 2010 (Utah currently does not have a Work Share Program)

What is the Work Share Program?

Work Share is a program that offers an alternative to laying off your work force. It allows you to keep skilled employees during slow times by reducing work hours. Eligible staff whose hours and wages are reduced receive a portion of their regular unemployment insurance benefits to compensate for the lost wages.

How the Program Works:

Under the Work Share program, you reduce the workweek of your staff by 20% to 40% percent. Workers who qualify for unemployment insurance benefits receive both wages and Work Share benefits. Workers receive a percentage of Unemployment Insurance benefits equal to the percentage of the reduction in their workweek.

Example: an employer needs to reduce work hours by 20%. Instead of letting go one fifth of the work force, the firm reduces the hours of work for all its workers by 20%. An employee who works five days a week and earns \$500 would now work four days per week and earn \$400. If the employee in this example is normally eligible for \$275 a week in unemployment insurance benefits, the person would receive \$400 in wages and \$55 in Work Share benefits for the week (20% of the \$275 weekly benefit).

Typical Eligibility Conditions:

- Employees must qualify for state unemployment insurance benefits.
- The plan must cover at least three employees.
- The normal weekly hours of work and wages are reduced at least 20% and not more than 40%.
- Employees under the plan must have worked for you continuously for six months on a full-time basis or for one year on a part-time basis just before you submit the Work Share plan.
- Work Share plans can last no more than one year.
- A worker can receive 26 weeks of Work Share benefits under a plan. The Work Share payments a worker receives are deducted from the available maximum benefit amount on their unemployment insurance claim. If there is a remaining balance, the worker may be able to draw regular benefits if needed, as long as they are otherwise eligible to receive them.
- Persons who have used all of their regular benefits or who have an unemployment insurance claim against another state cannot receive Work Share benefits.
- No Work Share benefits are paid if the employee works more than the reduced hours that are not within the 20 to 40 percent limitation. It may be possible for a worker to qualify for regular unemployment benefits under these circumstances if their earnings are less than their weekly unemployment benefit amount and they work less than 40 hours.
- The employee must be available for work to the Work Share employer.

ADVANTAGES and DISADVANTAGES:

Advantages for Employers

- Maintains existing productivity and quality levels since the same employees are doing the same jobs.
- The capability to expand business rapidly with a fully trained work force when economic conditions improve.
- Reduces training costs because a company's work force remains intact. Workers do not have to be reassigned and retrained for new duties.
- Reduces administrative costs. Work Share avoids changing work schedules, transfers, bumping and downgrading common in layoffs.

Disadvantages for Employers

- Increased overhead costs if fringe benefits stay the same.
- Employers who have higher tax rates will have to make additional payments to the Unemployment Trust fund. How the Work Share plan affects your tax charges can be discussed with an Employment Department Work Share representative.
- Under current Utah law the employer can reduce an employees hours, the employee would typically not be eligible for UI benefits, and the employer would not have any benefit charges.

Advantages For Employees

- Employment skills are maintained.
- Newly hired workers remain employed rather than being laid off.
- Reduces fringe benefit loss (primarily life and health insurance and pension rights) associated with unemployment.

Disadvantages for Employees:

- Senior workers may see a loss of income if their workweek is reduced. This might not occur if the employer laid off workers with less seniority.
- Fringe benefits may be reduced along with the workweek.
- Unemployment insurance benefits, which may be needed later in the event of a total lay off, are being used now.

WORK SHARE AND TAX RATES

Benefits paid under a Work Share plan are charged against an employer's account in the same manner as regular unemployment insurance benefits, unless the employer's UI tax benefit ratio exceeds their current tax rate for any tax-rating period. In that case, they must reimburse the Unemployment trust fund an amount equal to all shared work benefits paid to their employees under the plan. The benefit ratio is computed by dividing the benefit charges to an account by their total taxable payroll.