Policy Matters Ohio

HB 484: SharedWork Ohio
Prepared for delivery
May 9, 2012

Testimony on HB 484: SharedWork, to the House Commerce, Labor & Technology Committee

Hannah C. Halbert, Policy Liaison

Good afternoon, Chairman Young, Ranking Member Yuko and members of the committee. Thank you for the opportunity to testify today about HB 484: SharedWork Ohio. I am Hannah Halbert, policy liaison and workforce researcher at Policy Matters Ohio, a nonprofit, nonpartisan research institute with offices in Cleveland and Columbus. Policy Matters Ohio supports the passage of SharedWork Ohio.

Shared work, or Short-Time Compensation, is a proven layoff aversion tool. These programs increase the flexibility of the unemployment compensation system. Instead of allowing unemployment compensation only to be paid to workers who are laid off, the program allows unemployment compensation to also be paid to workers who face a reduction in hours. In short, the program allows employers to shorten the workweek of a larger number of employees instead of laying off a smaller number entirely. This can benefit Ohio workers and the companies that employ them in several ways.

Employees can maintain much of their income, stay employed and retain their benefits. They are able to continue to meet their financial obligations and to contribute to their local economies. Employees can retain their health insurance and keep accruing retirement benefits. In addition, the emotional hardship associated with layoffs, and the stress of looking for a new job in a tough labor market is averted.

Employers can retain skilled employees, avoid expensive retraining and rehiring, boost employee morale and be more easily able to gear up when demand recovers. Employers responding to a January 2012 survey of participants in Washington state's shared work program were very much in favor of the program; 99 percent said they would recommend the program to other businesses, 68 percent said the program had helped their business survive the recession, and an additional 20 percent said that the program probably helped their business survive.

In addition to the state of Washington, 21 states and the District of Columbia operate work-sharing programs and New Jersey passed short-time compensation legislation in January of this year.[1] During the 2007 recession, participation mushroomed in the states with existing shared work programs. In 2009, more than 288,000 individuals participated in one of the fifteen shared work programs that reported in-state beneficiaries to the U.S. Department of Labor. This was a considerable increase from 2006 reports, which showed slightly more than 39,000 participants. Participation declined significantly in 2010, but remained higher than in any year except 2009, according to the Congressional Research Service.

[1] Congressional Research Service, "Compensated Work Sharing Arrangements (Short-Time Compensation) as an Alternative to Layoffs," September 2011, available at http://bit.ly/IBeGvU. There are 23 total STC programs, D.C. Arizona, Arkansas, California, Colorado, Connecticut, Florida, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, Missouri, New Hampshire, New York, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Vermont, and Washington. The STC programs in Colorado, the District of Columbia, New Hampshire, and Oklahoma were enacted in 2010. Maine and Pennsylvania adopted STC in the spring of 2011. *Id.*

If Ohio had a short-time compensation program that gained as many participants as the average state program, there would have been more than 23,000 Ohioans participating in 2009. While the number of layoffs prevented would have been a proportion of that, clearly, thousands of Ohioans who otherwise would have been laid off would instead have been working. As Ohio emerges from the recession, fewer firms may need to participate in a short-time compensation program, because employers are likely less interested in worksharing when demand returns. But even in good times, some employers experience down cycles. SharedWork Ohio provides options to employers that could be useful in a variety of economic climates.

HB 484 anticipates changes in the program based on guidance to be issued by the U.S. Department of Labor. Certainly, Ohio’s program should be in conformity with federal law, H.R. 3630. The bill could also be strengthened, for instance, by clarifying that short-time compensation may be used for specific segments of operations and is not limited to across-the-board workforce reductions, by continuing other fringe benefits in the same manner as health and retirement benefits, by setting out employer reporting requirements, and by giving the director of the Department of Job & Family Services the right to terminate a shared work plan if the plan is not being run for the purpose of layoff aversion. Additionally, HB 484 contains basic employee and accountability safeguards that have been successful in other states and should be maintained.

Short-time compensation is a proven layoff aversion tool and has the potential to reduce the severity of unemployment in future economic downturns. It is no panacea and it does not prevent employers from laying off workers in the future, but it provides an opportunity that Ohio employers should be permitted to make use of, with the proper safeguards, and for some, it will be a means to avert layoffs. Policy Matters recommends that Ohio lawmakers approve House Bill 484 because of its potential to benefit employers and workers.