Worksharing:
A tool to avoid layoffs in Ohio

Executive Summary

Seventeen states are using a creative approach to helping employers and workers weather bad times. These programs, which allow the payment of unemployment benefits to workers at employers that shorten workweeks instead of laying off staff, can benefit Ohio workers and the companies that employ them in several ways. Employers can retain skilled employees, avoid expensive retraining and rehiring, boost employee morale and be more easily able to gear up when demand recovers, when compared to layoffs. Employees can maintain much of their income, stay employed and retain their benefits. A bill in the Ohio House of Representatives would establish such a program, known as worksharing or short-time compensation.

Employer participation is voluntary. Companies must submit short-time compensation (STC) plans to the state for approval, and certify that they would lay off employees in the affected unit were it not for the reduction in hours. The Ohio bill, like the typical state program, requires that health and other fringe benefits be continued for affected employees. It also requires that the union approve a company's worksharing plan if there is a collective bargaining agent.

The program structure is fairly simple. Instead of laying off a fifth of the workforce, an employer could retain all of its employees, who would work four days a week. They would then receive prorated unemployment benefits for the fifth day, which would equate to half their usual pay, up to a maximum. For most employees, this would mean receiving 90 percent of their former pay while working one day less a week. For instance, a worker who had earned $750 a week would work four days and receive four-fifths of her regular paycheck, or $600. She would get one-fifth of the $375 weekly unemployment compensation check she would have gotten had she been laid off, or $75. Thus, altogether, she would receive $675.

Participation has mushroomed in the states with existing STC programs. Altogether, 288,618 individuals participated last year in one of the 15 states that reported on the number of beneficiaries to the U.S. Department of Labor, a huge increase from the year before (see table, next page). Overall, there was more than one STC participant for every 22 regular UC recipients in these 15 states in 2009. If Ohio had an STC program that gained as many participants as the average state program, there would have been more than 23,000 Ohioans participating in 2009. The number of layoffs prevented would have been a proportion of that, but clearly, thousands of Ohioans who otherwise would have been laid off would instead have been working.

STC is funded in the same fashion as regular UC benefits: Tax rates rise on employers based on payout of benefits to their laid-off employees. A 1997 report for the U.S. Department of Labor found that STC programs don't threaten the solvency of state UC trust funds.

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Unfortunately, while the levels of new layoffs in Ohio have fallen, they are still high. More than 87,000 Ohioans collected their first unemployment check in the first two months of 2010, and Ohio is likely to have high unemployment for some time to come. Even in good times, some employers experience down cycles. An STC program provides options to employers that could be useful in a variety of economic climates.

The Ohio Department of Job & Family Services has said on a preliminary basis that computer programming required to set up an STC program may cost $2 million to $3 million**.** The state's Unemployment Compensation Special Administrative Fund could be tapped to cover those costs.

A clause should be added to the bill that employers must be current on their unemployment tax obligations to the state in order to participate in a shared work program. It should also ensure that a worker who gets a second job should not be excluded from the program for that reason.

Short–time compensation will only appeal to some employers, and does not prevent employers from laying off workers later. However, it provides an opportunity that Ohio employers should be permitted to make use of, with the proper safeguards. For some, it will be a means to avert layoffs. Policy Matters recommends that Ohio lawmakers approve House Bill 432 because of its potential to benefit some employers and some workers in difficult times.

Short-time compensation participants in 15 states

	2006	**2007**	**2008**	**2009**
AR	No data	139	1,321	2,299
AZ	921	1,577	2,311	8,658
CA	12,439	17,845	30,298	92,482
FL	293	397	1,735	5,265
IA	5	No data	No data	4,928
KS	1,286	1,849	12,040	15,585
MA	2,167	1,872	2,740	19,854
MN	1,443	2,120	3,624	14,173
MO	7,079	6,866	10,963	20,379
NY	5,297	5,734	7,611	39,823
OR	2,574	1,241	3,208	14,320
RI	1,643	1,846	3,750	8,809
TX	3,273	5,021	9,024	20,213
VT	436	661	1,370	2,648
WA	998	1,756	6,393	19,182
Total	**39,854**	**48,924**	**96,388**	**288,618**