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FOR IMMEDIATE RELEASE
Thursday, April 29, 2010
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Read the report at:
http://www.policymattersohio.org/Worksharing2010.htm

Worksharing: A tool to avoid layoffs in Ohio

Seventeen states operate programs that allow the payment of unemployment benefits to workers at employers that shorten workweeks instead of laying off staff. In a study released today, Policy Matters Ohio found that use of such worksharing or "short-time compensation" programs have soared in those states, and that thousands of Ohioans conceivably could benefit from such a program here.

According to the U.S. Department of Labor, there was more than one STC participant for every 22 regular UC recipients last year in the 15 states for which DOL has data. Hypothetically, if Ohio had an STC program that gained as many participants as the average state program then 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.

A worksharing program can benefit Ohio workers and companies in several ways. Employers can retain skilled employees, avoid expensive retraining and rehiring, boost employee morale and more easily be able to gear up when demand recovers, when compared to layoffs. Employees can maintain much of their income and stay employed. A bill in the Ohio House of Representatives, House Bill 432, would establish such a program.

Under the program, instead of laying off a fifth of the workforce, for example, 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.

Policy Matters suggested in the report that the state's Unemployment Compensation Special Administrative Fund could pay the start-up costs of a program. The Ohio Department of Job & Family Services has preliminarily estimated those costs at $2 million to $3 million.

Employer participation in short-time compensation programs is voluntary. Companies must submit 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.

"Short-time compensation is no panacea, but it would provide a means for some Ohio employers to avert layoffs," said Zach Schiller, Policy Matters Ohio research director and author of the report. "It provides an opportunity that Ohio employers should be permitted to make use of, with the proper safeguards."

Policy Matters Ohio is a nonprofit, nonpartisan research institute with offices in Cleveland and Columbus.