Family Security

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REDUCING LAYOFFS

HOW WORK SHARING CAN HELP WORKERS AND BUSINESSES IN WEST VIRGINIA

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Center on Budget & Policy

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Introduction

West Virginia's economy, similar to other states, experiences many ups and downs. The peaks and valleys of the state's economy as it moves through recessions and recoveries can be hard on the state's workers and businesses. As the economy slows, workers often lose their jobs and face hardships as they seek new employment. Once the economy begins to grow again, businesses often struggle to replace the experience and skills of the employees they lost during the bad times. This struggle can prolong the pain, making it more difficult to rise out of a recession.

The recent national recession was no different for West Virginia. The worst economic downturn since the Great Depression officially began in December 2007, although it took nearly a year for the recession's impact to be felt in West Virginia. The impact of the downturn on West Virginia was severe. Between September 2008 and February 2010, West Virginia lost approximately 25,300 jobs. For nearly a year and a half, West Virginia lost an average of 1,490 jobs a month.[1]

Recovery from the recession has been slow. It took nearly two years for West Virginia to regain most of the jobs that it had lost during the recession. The gains have come slowly, with less than 1,000 jobs added per month on average.[2]

The slow recovery and weak job growth have meant the sustained high unemployment for the state. Unemployment peaked at 8.5 percent, more than double its pre-recession rate. Since the end of the recession, West Virginia's unemployment rate has remained elevated, with more than 57,000 workers remaining unemployed.[3]

While the recovery has dragged on, those who are unemployed are finding themselves without work for longer periods of time. The share of unemployed workers who have been without work for more than six months has grown from 19.7 percent in 2008 to 43.8 percent in 2011.[4] The effects of this long-term unemployment can have a dire impact on these workers' wellbeing and their futures.

West Virginia's construction and manufacturing workers have been particularly affected by the recession and have yet to see a full recovery. More than 8,000 construction jobs were lost in the state during the recession, and fewer than 3,000 have come back. Manufacturing has fared even worse, losing 9,000 jobs, with no signs of recovery.[5]

With the recovery remaining weak, a little-known policy has emerged to help businesses weather economic downturns and keep their workers employed. Work sharing (also known as short-time compensation) is an unemployment insurance benefit intended to keep job losses from happening in the first place, allowing businesses to retain their workforce during recessions and avert layoffs.

Work sharing gives businesses the option of reducing the hours and wages of their employees instead of laying them off. Workers with reduced wages and hours are then eligible for partial unemployment benefits to help make up the lost wages.

Work sharing benefits not only the employer and the employees, but the state as a whole. Work sharing deters job losses, reduces turnover and unemployment, helps workers maintain their wages, and reduces the effect of long-term unemployment.

Currently, 24 states and the District of Columbia have a work sharing program, and the federal government has recently taken action to make work sharing easier for states to adopt. Multiple countries worldwide have also benefited from work sharing, especially Germany.

Section One of this report describes the basics of work sharing and how it is different from traditional unemployment insurance, including how it typically is funded. This section also includes a history of work sharing in the United States, and the new work sharing provisions that were included in the recent Middle Class Tax Relief and Job Creation Act.

Section Two examines the impact work sharing has on unemployment, showing results from the states and countries that currently have a work sharing program. This section also projects what impact a work sharing program would have in West Virginia.

Section Three explains the benefits of work sharing to employers, employees, and the state when the economy weakens. It also examines some of the costs and shortcomings of work sharing.

Section One

What Is Work Sharing?

As unemployment levels remain elevated, and with tens of thousands of West Virginians out of work, work sharing may be a useful policy tool to help the state retain its current workforce and weather future economic downturns.

Work sharing is an unemployment insurance benefit that promotes job retention. Work sharing allows employers who need to temporarily cut costs to reduce the hours and wages of their employees, rather than enact layoffs. Affected employees are then eligible for partial unemployment benefits to supplement their reduced paychecks. Work sharing programs are voluntary; employers who wish to use work sharing must submit a plan to their state's unemployment agency, detailing the work reductions and the number of layoffs averted. The voluntary nature of work sharing allows it to be used by the businesses it benefits the most. Typically, work sharing is used for about six months.

How Does Work Sharing Operate?

To understand how a work sharing program functions, imagine a business with 100 employees. During an economic recession or other drop in consumer demand, a business may need to cut its payroll costs by 20 percent until business picks back up. Normally, the business may lay off 20 employees in order to cut its costs, reducing its weekly payroll hours from 4,000 to 3,200 (100 employees x 40 hours, reduced to 80 employees x 40 hours). Those 20 employees would then collect full unemployment insurance benefits until they find another job or are rehired by their employer when demand picks back up.

Under a work sharing program, the business would have the option of reducing its employees' hours by 20 percent (one day out of a five day work week), instead of laying them off. Employees would receive their wages based on four days of work, and would collect 20 percent of the total weekly unemployment insurance benefits that they would have collected if they were unemployed for a full week.

By laying off 20 employees, the business could reduce its labor costs to 3,200 hours a week (80 employees x 40 hours). Under work sharing, the business is able to achieve the same result (100 employees x 32 hours) without any layoffs.

While work sharing benefits do not fully replace lost income, the employee's take home pay is much higher with work sharing than it is with unemployment insurance.

Typical weekly unemployment benefits are equal to about half of an employee's weekly wages. Work sharing allows affected employees to maintain a much higher level of income. This not only helps the workers maintain their wages, it also helps maintain their spending in the economy, potentially shortening a recession.

Table 1 outlines three scenarios for a manufacturing employee who earns $20 an hour. When fully employed, he earns $800 per week. Laid off, his weekly earnings fall to $400 per week, the amount he would be eligible to collect in unemployment benefits. Under work sharing, working four days per week and collecting one-fifth of full unemployment benefits, his weekly income is $720, 80 percent higher than if he had been laid off. By maintaining income, work sharing helps prevent the economic hardship for workers and their families that joblessness can create.

TABLE 1

Work Sharing Helps Maintain Income

	Weekly Wages	**Unemployment/ Work Sharing Benefits**	**Total Weekly Income**
Full-Time Employed	$800	$0	$800
Laid off/ Unemployed	$0	$400	$400
Work Sharing (1 day per week)	$640	$80	$720

Source: WVCBP analysis of state work sharing provisions.

How Is Work Sharing Financed?

Work sharing benefits are paid from the same state unemployment trust funds from which regular unemployment insurance benefits are paid. State unemployment trust funds are funded by employer-paid taxes. The tax is based on the size of the employer's workforce and the employer's experience rating (layoff history). Work sharing benefits that are paid out are charged to the employer and reimbursed the same way as regular unemployment benefits.

Paying out work sharing benefits puts no more strain on a state's unemployment trust fund than paying out full unemployment benefits (**Table 2**). Imagine once again a business with 100 employees earning $20 an hour. If the business were to lay off one-fifth of its employees to reduce costs, 20 employees would be collecting $400 each in unemployment benefits per week, for a total of $8,000. If the business instead opted to reduce its work week from five days to four, achieving the same one-fifth reduction in costs, then all 100 employees would receive $80 each in work sharing benefits per week, which would also total $8,000. In both scenarios, the total amount of benefits paid out is the same, but under work sharing all 100 employees remain on the job.

TABLE 2
Work Sharing Is Not More Costly Than Unemployment Insurance

	Employees Affected	Weekly Benefits per Employee	Total Weekly Benefits Paid
Layoffs	20	$400	$8,000
Work Sharing	100	$80	$8,000

Source: WVCBP analysis of state work sharing provisions.

According to a study commissioned by the U.S. Department of Labor, the impact of work sharing programs on state unemployment trust funds is minimal. In addition to not costing more than full unemployment benefits, work sharing benefits were as least as fully experience-rated as other UI benefits. This means that employers who participate in work sharing programs were just as likely to pay back the trust fund through unemployment taxes or direct reimbursements as employers who use the regular unemployment insurance system.[6]

In a recent survey of states with work sharing programs, none of the state unemployment agencies reported a negative impact of work sharing in their state's UI trust fund. In fact, New York reported that work sharing had saved its trust fund more than $500 million (**Table 3**).

TABLE 3
Work Sharing Has Not Impacted State UI Trust Funds

State	Work Sharing Impact on UI Trust Funds
Arizona	None
Arkansas	None
California	None
Colorado	None
Connecticut	No major impact
Florida	N/A
Iowa	No negative impact
Kansas	None
New York	As of 2009, total savings to UI trust fund have been in excess of $521 million.
Maine	None
Maryland	Benefits paid through UI trust fund; employer is charged for the benefits
Massachusetts	None
Minnesota	None
Missouri	None
New Hampshire	No negative impact on fund
Oklahoma	None
Oregon	None
Pennsylvania	N/A
Rhode Island	N/A
Texas	No net impact
Vermont	None
Washington	Short-Time Compensation employers do not have a negative impact on UI trust fund.

Source: Indiana Institute for Working Families.

How Is Work Sharing Different from Partial Unemployment Insurance?

While similar to partial unemployment, work sharing allows more flexibility for employers, while helping all levels of wage earners. But while all states have some form of partial unemployment, not all states have work sharing programs. Like work sharing, partial unemployment allows a worker to collect some unemployment insurance while still on an employer's payroll, but only when the worker's hours and pay have been significantly reduced, particularly for high wage earners.[7]

Workers can collect partial unemployment benefits if their hours have been reduced and they are earning less than their "weekly benefit amount," which is based on previous earnings. The amount of benefits a worker can receive is reduced by the amount they earn from working during their reduced work week. If a worker's earnings in a reduced work week exceed his or her weekly benefit amount, then he or she is not eligible for any partial unemployment benefits.

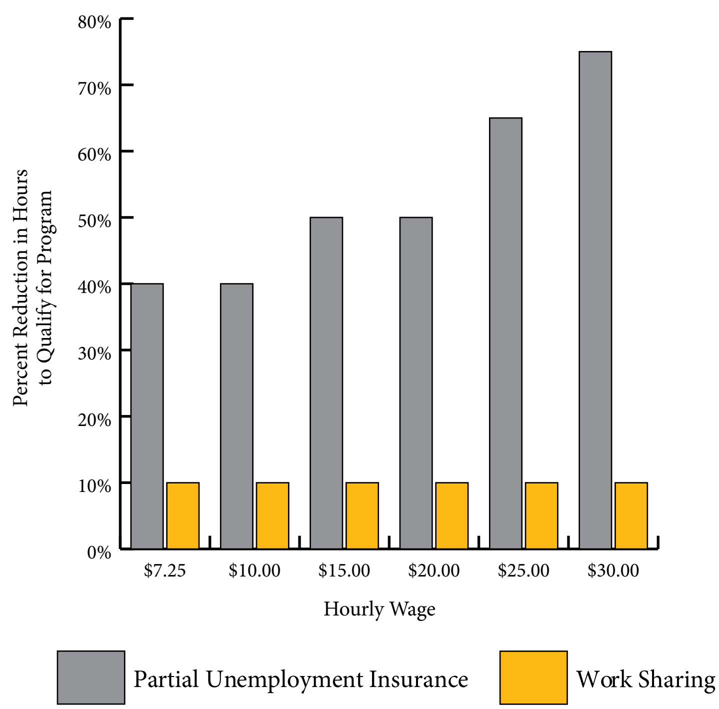
This restriction keeps many high-wage earners from qualifying for partial unemployment without large reductions in their work week (**Figure 1**).[8] For example, workers earning $10 an hour would have to cut their hours by at least 40 percent before they are eligible for partial unemployment benefits. For workers earning $30 an hour, a 75 percent reduction is necessary before they are eligible for partial unemployment. However, under state work sharing programs, a worker's hours can be reduced by as little as 10 percent, regardless of wages, to qualify.

By offering benefits for smaller reductions in work hours, work sharing is a more effective tool at preventing layoffs than partial unemployment, particularly for high-wage earners. For example, the median hourly wage in West Virginia was $13.46 in 2011.[9] This means that most workers in the state would receive more wage income from a work sharing arrangement than taking partial unemployment.

Work sharing is also more effective at keeping an employer's workforce intact than unemployment insurance. For example, a manufacturer who wishes to use partial unemployment to slow down production in response to an economic recession would be forced to reduce his workers' hours by at least 50 percent, assuming the workers earn an hourly wage of at least $20, in order for the workers to qualify for partial unemployment. When faced with such a significant reduction in work hours and earnings, workers will generally look for another full-time job. This means that workers are less attached to their employer when they receive partial unemployment benefits than they are when they receive work sharing benefits. Moreover, partial unemployment is beneficial for lower-wage industries such as tourism than for higher-wage good-producing industries like manufacturing.

FIGURE 1

Partial Unemployment Results in Larger Work Reductions to Qualify Than Work Sharing



Source: WVCBP analysis of state partial unemployment systems.

History of Work Sharing

The basic idea behind work sharing has been in existence in the United States longer than the unemployment insurance system itself, which the federal government encouraged states to adopt with the Social Security Act of 1935. During the Great Depression, the President's Redeployment Agreement (PRA) of 1933 directed employers to shorten their work weeks, which spread the availability of jobs. The PRA also raised hourly wages in order to offset the impact of the shorter work week. This idea of shortened work weeks to prevent layoffs is the foundation of work sharing.[10]

In 1978, California became the first state to use its unemployment insurance system to support a work sharing program, followed by Arizona and Oregon in 1982. The federal government introduced a temporary, national work sharing program in 1982 with the Tax Equity and Fiscal Responsibility Act, and the Department of Labor (DOL) published model legislative language and guidelines.[11]

During the three-year temporary national program, eight more states created work sharing programs. Once the national program expired, the state programs continued, and the DOL allowed new states to use the expired guidelines to create programs. However, the DOL did not promote work sharing programs.[12]

Work sharing programs were permanently authorized by Congress with the Unemployment Compensation Amendments of 1992. However, the DOL did not develop new model state legislative language and did not provide guidance to the states.[13]

Because of the lack of guidance by the federal government, participation in work sharing programs has remained low. Ambiguity created by the 1992 law has curtailed the federal government's promotion of work sharing. The 1992 law did not authorize some aspects of state law in existing work sharing programs, putting many state programs out of compliance. As a result, the DOL has neither promoted nor provided guidance for work sharing, nor has it challenged state programs that may have been out of compliance.[14]

It was not until 2012 that the federal government took major steps to promote work sharing. The 2012 Middle Class Tax Relief and Job Creation Act, which recently extended the payroll tax cut and federal unemployment assistance, also updated and clarified work sharing provisions in federal law, designed to expand its use.[15]

The 2012 Act provided a new definition for work sharing programs, and provides for a transition period for states with existing programs to meet the new definition. Key elements of the new definition include:

- Employer participation is voluntary.
- Employers reduce employee hours in lieu of layoffs.
- Employees whose hours are reduced by at least 10 percent but not more than 60 percent are not disqualified from unemployment compensation.
- Employees receive a prorated share of the unemployment benefits they would have received if totally unemployed.
- Employees meet work availability and work search requirements if they are available for their work week as required.
- Eligible employees may participate in appropriate training approved by the state UI agency.
- If health and retirement benefits are provided, employers must certify that those benefits will not be reduced due to participation in the program.
- The employer must submit a written plan to the state UI agency describing how it will implement requirements of the program, as well as an estimate of the number of layoffs that would have occurred without the program.
- The employer's plan must be consistent with employer obligations under applicable federal and state laws.

In addition, the Act also includes a mechanism for the state to seek approval for existing provisions in state laws that are not covered by the new definition.[16]

In order to spur development of new and existing work sharing programs, the Act also provides temporary federal financing of state work sharing benefits to encourage and promote program adoption and use. A state like West Virginia that does not have a work sharing program can enter into an agreement with the Secretary of Labor to make work sharing benefits immediately available to employers. With an approved agreement, the federal government will reimburse states for one-half of the amount of benefits paid to individuals, with participating employers paying the other half. The federal government would also pay for all administrative costs. This temporary federal financing is available for two years. States are eligible for a full 100 percent reimbursement from the federal government once they enact their own work sharing program. Combined, federal reimbursements under both options (50 and 100 percent) are available for up to three years.[17]

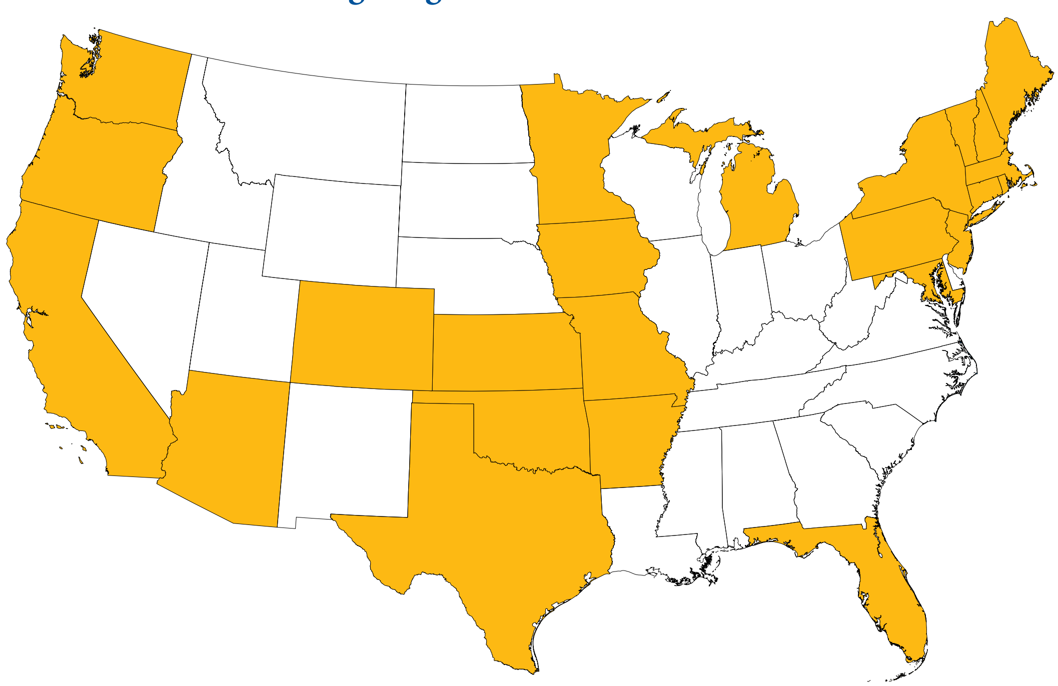
If West Virginia took advantage of the federal financing for work sharing, it could potentially save up to 2.5 percent of its UI costs or $4 million annually while the financing is available. The state could save even more if it quickly qualifies for 100 percent financing. Nationwide, states could potentially save more than $1.7 billion annually in UI costs.[18]

Also included in the 2012 Act is $100 million in grants available to states to make work sharing programs more efficient and effective. These grants can be used for startup and implementation, administration, and outreach to employers. States have until December 31, 2014 to apply for grants.[19]

Today, 24 states and the District of Columbia have enacted work sharing programs (**Figure 2**). Maine, Michigan and New Jersey are the newest states to implement work sharing programs, and Louisiana has enacted a program but has yet to implement it.[20] Currently the 2012 Ohio Legislature is considering the adoption of work sharing, with support from Republicans, Democrats, and the Ohio Chamber of Commerce.[21]

FIGURE 2

States That Have Enacted Work Sharing Programs



Source: Recreation of map from CLASP, accessed at http://www.clasp.org/resources_and_publications/publication?id=1038&list=publications.

Section Two

The Impact of Work Sharing

While relatively unknown and little used in the United States, work sharing has proven successful at preventing layoffs and lowering unemployment in other countries, as well in the states where it is more heavily used and promoted.

Participation in Work Sharing

Despite ambiguity in federal law and a lack of promotion, work sharing participation increased during the recent recession and proved effective at saving jobs. Participation in state work sharing programs jumped from approximately 12,000 participants in January 2007 to more than 153,000 participants in June 2009. As of October 2011, participation had fallen to approximately 38,000, still more than double pre-recession levels (**Figure 3**). By keeping workers attached to their jobs, the Department of Labor estimated that work sharing programs saved 165,000 jobs in 2009 and another 100,000 jobs in 2010.[22]

Work sharing programs on average covered 0.17 percent of private sector employees, but participation in work sharing programs during the recession varied (**Table 4**). For example, Texas had a take-up rate of only 0.06 percent, while Rhode Island's take-up rate was 0.86 percent, more than 14 times higher. Work sharing benefits ranged from 0.2 percent to 3.5 percent of total unemployment benefits in the states with work sharing programs in 2009.[23]

TABLE 4

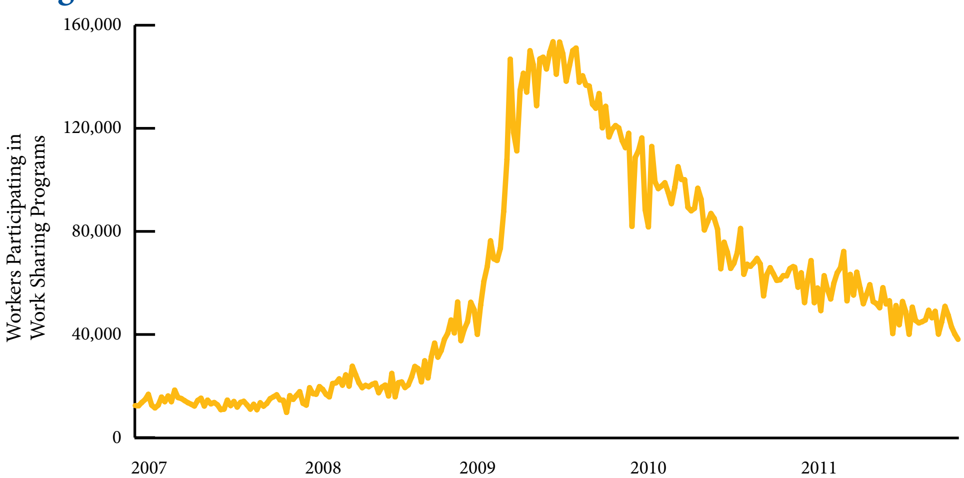
Participation in Work Sharing Varies among States

States with Work Sharing	Take-up Rate (2009)	Work Sharing Benefits As % of UI Benefits
Rhode Island	0.86%	3.5%
Connecticut	0.39%	1.6%
Kansas	0.39%	1.3%
Vermont	0.37%	0.9%
Oregon	0.31%	1.2%
Washington	0.29%	1.9%
California	0.25%	1.9%
Missouri	0.25%	1.0%
Iowa	0.18%	0.7%
Massachusetts	0.18%	0.4%
Minnesota	0.18%	0.5%
All States	**0.17%**	-
New York	0.14%	0.5%
Arizona	0.11%	0.5%
Arkansas	0.10%	0.2%
Texas	0.06%	0.4%
Maryland	0.03%	0.2%
Florida	0.03%	0.2%

Source: Upjohn Institute.

FIGURE 3

Weekly Participation in All Work Sharing Programs in the U.S.



Source: Center for Economic and Policy Research Data from U.S. Department of Labor.

Overall, 0.12 percent of the labor force was covered by work sharing in the states with a program. A work sharing program in West Virginia in 2009, covering 0.12 percent of its labor force, would have covered approximately 945 workers. If it had take up rates comparable to those in Rhode Island, rather than the average, the program would have covered nearly 4,900 workers. Since, on average, each work share participant is equal to one-fourth a full-time equivalent (FTE) job,[24] work sharing could have saved more than 1,200 West Virginian jobs in 2009 (**Table 5**).

TABLE 5

Work Sharing Could Have Saved More Than 1,200 Jobs in West Virginia in 2009

Source of Take-Up Rate	West Virginia Labor Force	Average Weekly Employees Covered by Work Sharing	Work Share Full-Time Equivalent Jobs
All States	804,821	945	236
Rhode Island	804,821	4,877	1,219

Source: Author's calculations.

Work Sharing Abroad

While work sharing programs in the United States have seen limited success, the renewed support for work sharing is in large part due to its success in other countries. Currently, 25 of the 33 countries in the Organization for Economic Cooperation and Development (OECD) have some type of work sharing program.[25] During the recession, many of these countries saw much more robust participation in their programs than the United States (**Table 6**). These programs saved hundreds of thousands of jobs in the countries where it was used.[26]

Germany has been work sharing's greatest success story. It has aggressively promoted its work sharing program, which is evident in its high take-up rate. As a result of its work sharing program, as well as other policies, Germany actually saw an increase in employment during the recession. Despite a steeper drop in GDP than in the U.S., the unemployment rate in Germany remained stable during the recession and is lower now than it was before the downturn.[27]

TABLE 6

European Nations Have Higher Work Sharing Participation Rates Than the U.S.

Country	Take-up rate
Belgium	5.60%
Italy	3.29%
Germany	3.17%
Finland	1.67%
Czech Republic	1.44%
Ireland	1.03%
France	0.83%
Netherlands	0.75%
Austria	0.63%
Canada	0.34%
United States	0.17%

Source: Upjohn Institute.

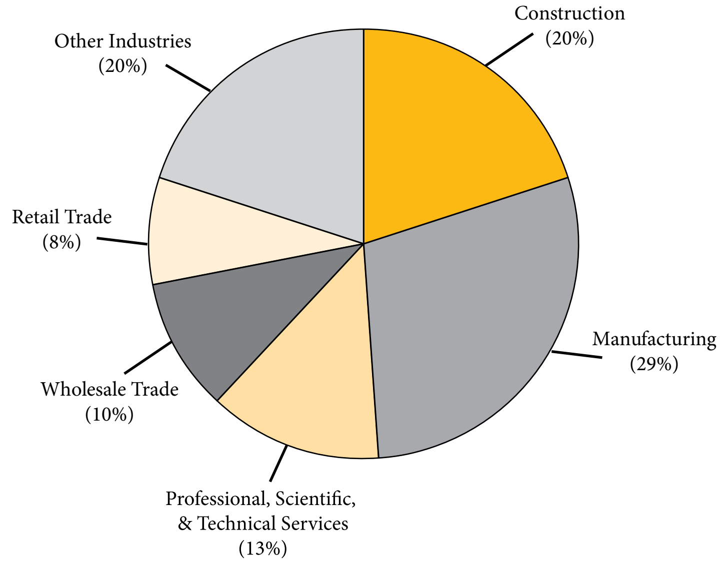
Industrial Impact

Work sharing's impact is greatest in industries in which it is easy to reduce hours and modify work schedules, such as manufacturing, construction, and mining. For example, nearly half of the participants in Washington's work sharing program were from the construction and manufacturing industries (**Figure 4**).

West Virginia's mining, construction, and manufacturing industries could benefit from a work sharing program. According to the Bureau of Labor Statistics, nearly 65 percent of the mass layoffs (layoffs of 50 or more workers in a five-week period) have come from the mining, construction, and manufacturing sectors between 2005 and 2010 (**Figure 5**). An effective work sharing program could prevent some of these layoffs, keeping more of West Virginia's miners, construction workers, and manufacturers on the job.

FIGURE 4

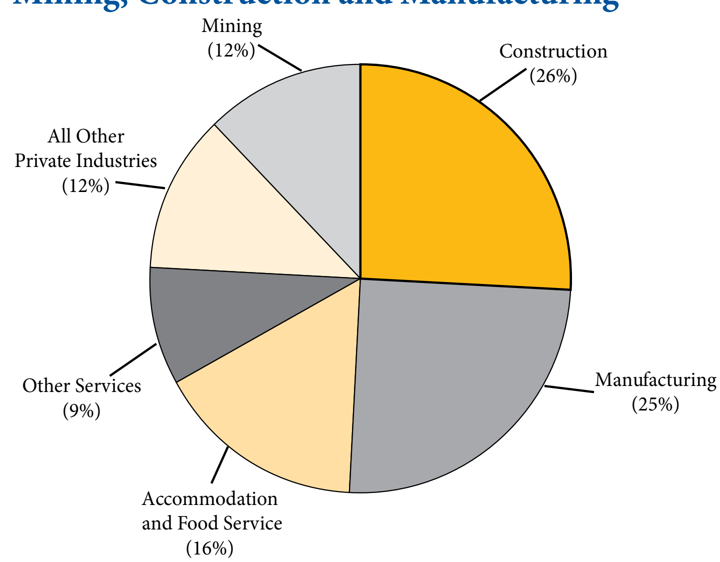
Half of Washington's Work Sharing Participants from Construction and Manufacturing



Source: Employment Security Department, Washington State.

FIGURE 5

Layoffs in West Virginia Concentrated in Mining, Construction and Manufacturing



Source: U.S. Bureau of Labor Statistics, Mass Layoff Statistics.

Section Three

Why Work Sharing Works

When promoted and used appropriately, work sharing is effective at mitigating job losses during economic downturns. Successful work sharing programs not only slow job losses during a recession, they also have significant benefits for employers and employees.

Why Work Sharing Works for Employers

The most obvious benefit of work sharing programs to employers is that the program allows them to temporarily reduce their payroll costs and weather a business slowdown. As an alternative to layoffs, however, the benefits of work sharing go beyond reducing costs. By avoiding layoffs, employers are able to retain valuable and experienced workers. Experienced and highly skilled workers can be costly to replace when the economy rebounds. The investments made in the laid-off employee are lost, and new employees must be recruited, trained, and acclimated.

Though experience with work sharing programs in the United States has been limited, employers' experiences with work sharing have been positive. A survey of employers which used work sharing in California, Florida, Kansas, New York, and Washington in the 1990s showed that the overwhelming majority of employer participants were satisfied with the program and would likely use it again. For a vast majority of participants, work sharing did reduce layoffs, and this reduced turnover increased productivity and profits.[28]

Why Work Sharing Works for Employees

In addition to allowing workers who might otherwise be laid off retain their jobs and financial stability, work sharing allows workers to stay attached to the labor force. By staying on the job, workers not only retain their skills, they also avoid the emotional and long-lasting financial tolls of unemployment, particularly long-term unemployment.

Long-term unemployment has remained a challenge, even as the economy recovers and the unemployment rate falls. According to the U.S. Department of Labor's Bureau of Labor Statistics, approximately 29.5 percent of unemployed workers (3.9 million) were jobless for a year or more. The rate of long-term unemployment has more than tripled since before the start of the recession.

The problem of long-term unemployment (jobless for a year or more) cuts across age groups and education levels. Long-term unemployment rates are higher for older workers, with 43.6 percent of unemployed workers over the age of 55, compared to 30.7 percent for workers aged 35 to 44 years. Education does not protect against long-term unemployment, as 30.9 percent of unemployed workers with a bachelor's degree have been unemployed for at least one year, compared to 29.5 percent for all workers.[29]

A study by The Brookings Institution found that individuals who faced long-term unemployment saw their incomes fall by 30 to 40 percent in the year which they lost their job, and their incomes remained 20 percent lower 20 years later.[30] Another study finds higher incidences of poverty, social exclusion, psychological impacts, and greater reliance on state assistance for the long-term unemployed.[31] The longer workers remain unemployed, the more likely they may lose skills and professional contacts, making workforce reentry even more challenging. Work sharing can help workers and their families avoid these problems by giving their employers the ability to reduce costs during a downturn without eliminating jobs.

Similar to employer experiences, a survey of employee participants in work sharing programs found their responses to be positive. The majority of workers had a favorable view of work sharing, and only a small number opposed the program.[32]

Why Work Sharing Works for the Economy

The economic costs of unemployment, particularly long-term unemployment, can be just as harmful to the economy as to the individual worker. Work sharing not only helps keep skilled workers in an area, it also helps maintain the workers' spending in the economy. As described in Section One, work sharing keeps workers' incomes from being significantly impacted during a downturn. It helps keep more money in the economy than would unemployment insurance alone, potentially speeding recovery from a recession.

Because of these effects, and the availability of federal funding, work sharing programs have a very high GDP "bang for the buck." Every dollar spent on temporary federal funding of work sharing programs increases GDP by $1.64. Work sharing has a greater economic impact than any of the recent tax cuts, and even increased infrastructure spending (**Table 7**).

TABLE 7

Financing Work Sharing Provides Big Return to the Economy

Policy	Economic Boost
Temporary Federal Financing of Work Sharing Programs	$1.64
Increase Infrastructure Spending	$1.44
Payroll Tax Holiday for Employees	$1.27
Payroll Tax Holiday for Employers	$1.05
Make Bush Income Tax Cuts Permanent	$0.35
Cut in Corporate Tax Rate	$0.32

Note: The economic boost is estimated by the one-year $ change in GDP for a given $ reduction in federal tax revenue or increase in spending as of 2011 Q3.

Source: Mark Zandi, "Bolstering the Economy: Helping American Families by Reauthorizing the Payroll Tax Cut and UI Benefits," downloaded from http://www.economy.com/mark-zandi/documents/2012-02-07-JEC-Payroll-Tax.pdf.

Costs and Concerns

While work sharing can effectively mitigate layoffs, keep workers attached to the labor force, and help businesses weather downturns, it is not a cure-all. Work sharing is a temporary solution to economic downturns, and is not appropriate for every employer or situation. Work sharing is most effective for companies and industries in which it is possible to temporarily cut hours while waiting for demand to pick back up.

There are some costs and concerns for employers who participate in work sharing programs. The most common drawback is increased administrative costs.[33] Work sharing affects a larger number of employees, as opposed to layoffs, creating greater administrative effort. However, many states with work sharing programs have developed ways to lower costs through automation and integration within their existing unemployment programs. States with online work sharing systems have substantially lower costs than states that rely on paper records.[34]

Employers have also reported that an increase in their UI tax rate associated with using work sharing was a drawback and that the tax increase was often large. However, many of these employers may have seen an increase in their UI tax rate anyway, due to layoffs. In addition, studies have found minimal difference in payroll tax expenditures between businesses that have used work sharing and those that have not, and that the use of work sharing programs did not affect the employers' experience ratings, which is their likelihood of paying back their state's unemployment trust fund through taxes.[35]

Maintaining fringe benefits for employees is also a cost associated with work sharing, however few participants have cited it as a major disadvantage. In fact, in the past, the vast majority of employer participants in the U.S. have opted to retain fringe benefits for their employees, even when there was no requirement to do so.[36]

Overall, the costs associated with work sharing are easily outweighed by the benefits. Employer satisfaction with work sharing has been high. While its economic impacts make work sharing attractive for employers, many work sharing participants have said they would use the program again because they found higher worker morale with work sharing than with layoffs.[37]

Section Four

Conclusion

The work sharing provisions of the recently enacted Middle Class Tax Relief and Job Creation Act (H.R. 3630) have significantly raised the profile of work sharing and have created a great opportunity for West Virginia to launch a work sharing program. While the worst of the recession is over, it is not too late for work sharing to help the state's economy and act as tool to fight future uncertainty. By acting now, West Virginia can create a program that benefits workers, employers, and the economy and be better equipped to handle the next economic downturn.

During a recession, work sharing can benefit West Virginia's workers, businesses, and the state's economy as a whole. Affected employees can maintain their wages and avoid the dangers of long-term unemployment, employers can reduce their turnover costs and keep their skilled and experienced workers, and the state's economy benefits through lower unemployment and higher levels of spending in the economy.

The Department of Labor is currently developing model legislative language for states, as well as developing guidance programs and technical support.[38] By following these guidelines and effectively promoting the proven elements of successful work sharing programs, West Virginia can maximize the benefits of its own work sharing program.

Endnotes

1 Bureau of Labor Statistics, Current Employment Statistics, seasonally adjusted.

2 *Ibid.*

3 Bureau of Labor Statistics, Local Area Unemployment Statistics, seasonally adjusted.

4 Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, unadjusted.

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