

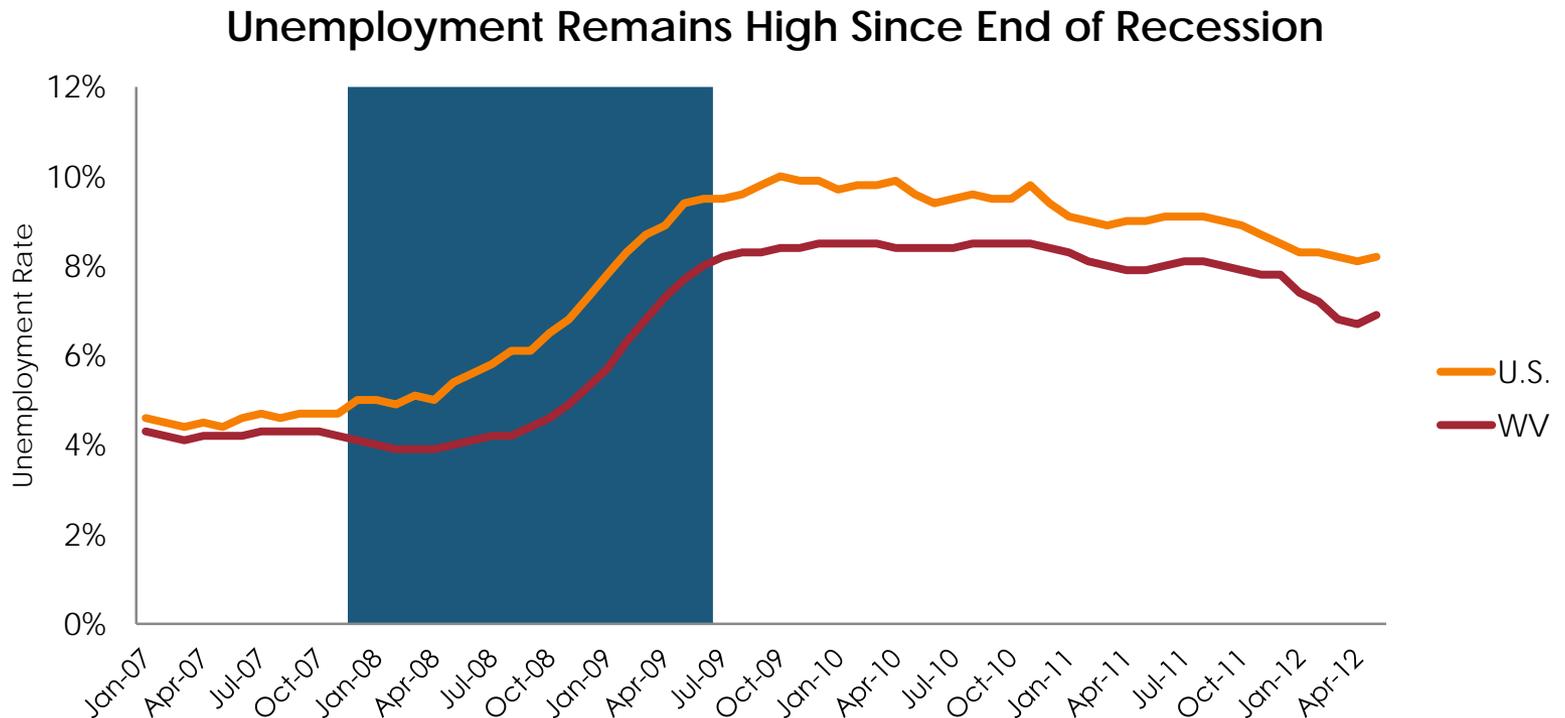


Work Sharing: A layoff prevention tool for West Virginia

July 28, 2012

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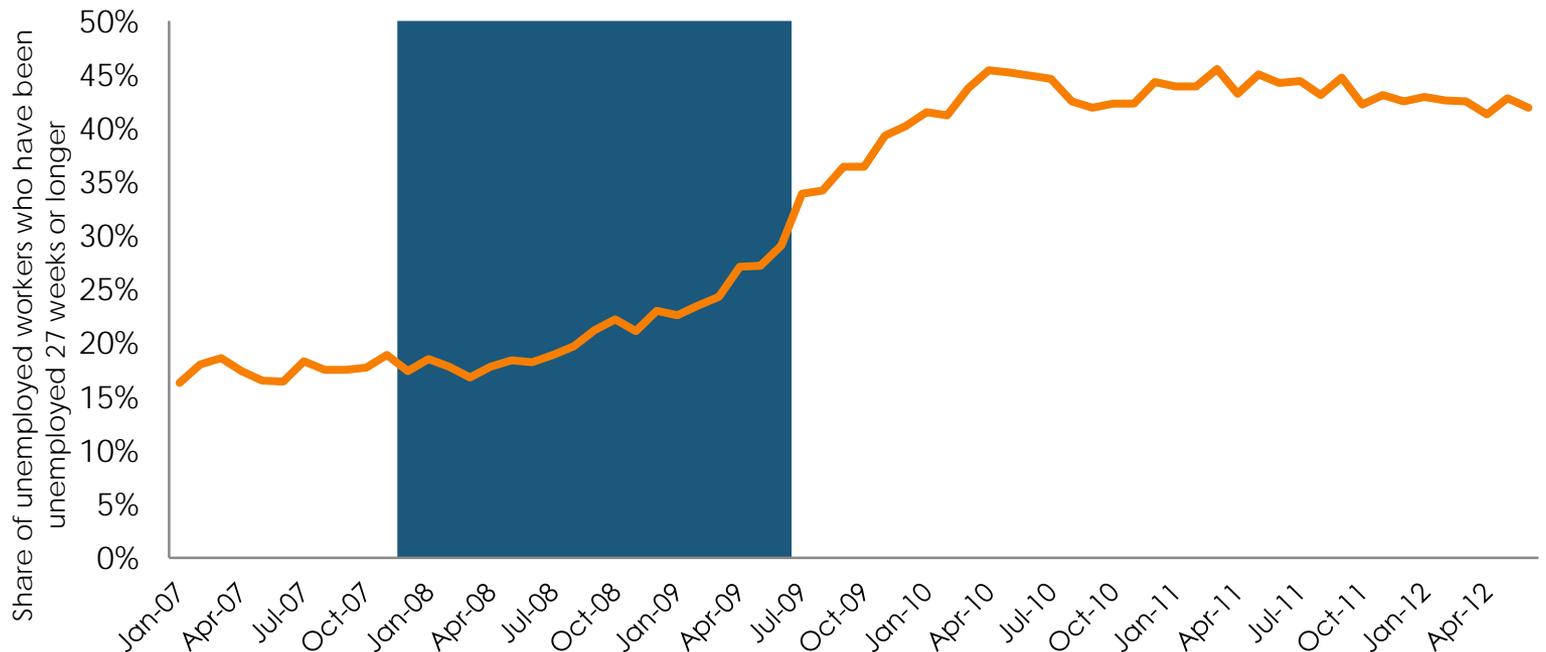
The case for work sharing



Source: U.S. Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics
Shaded area indicates recession.

The case for work sharing

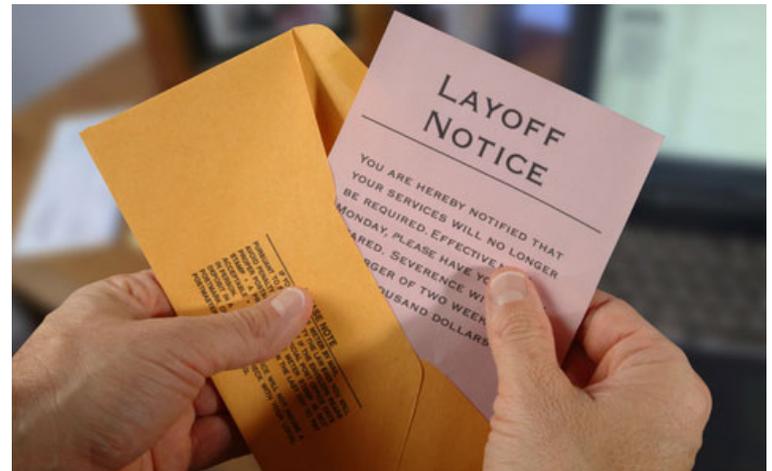
More workers are experiencing long term unemployment



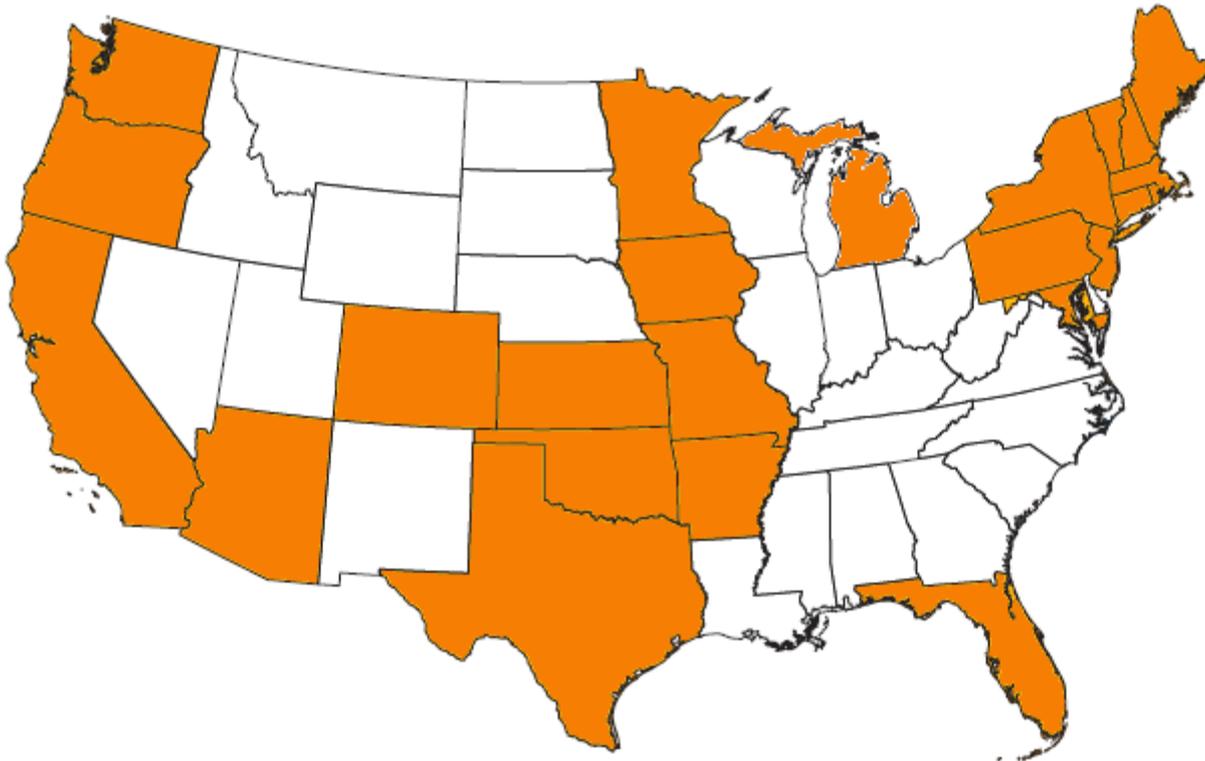
Source: U.S. Bureau of Labor Statistics, Current Population Survey
Shaded area indicates recession.

What is work sharing?

- ❑ Work sharing is type of unemployment insurance benefit designed to prevent layoffs.
- ❑ States with work sharing programs allow employers to reduce the hours and wages of their employees, rather than enact layoffs.
- ❑ Affected employees are eligible for work sharing benefits to supplement their reduced pay.

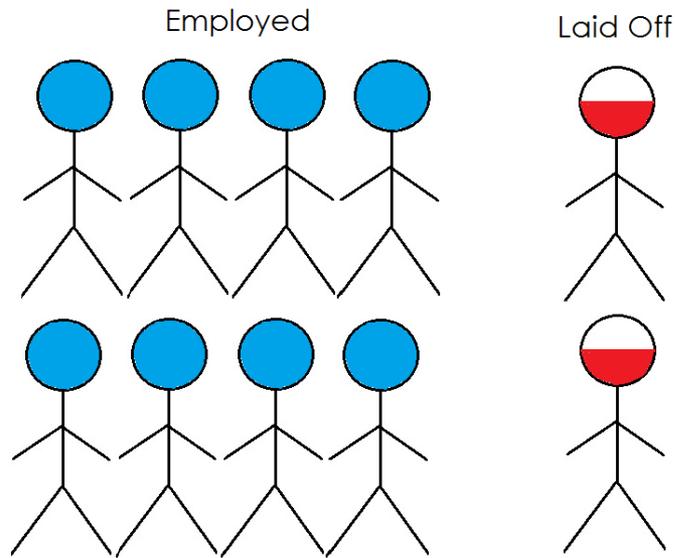


24 States have enacted work sharing

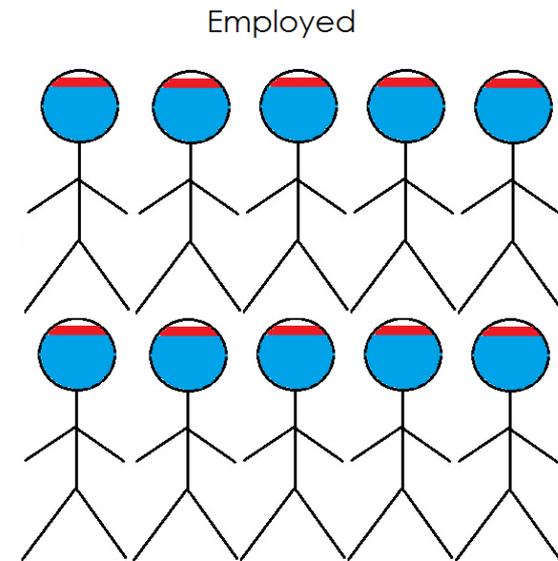


How does work sharing work?

Scenario 1: Lay offs

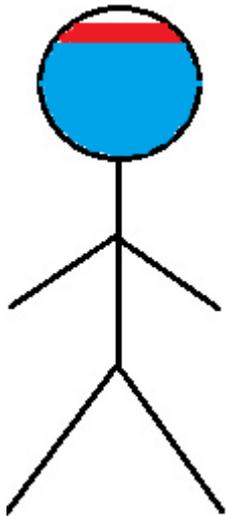


Scenario 2: Work Sharing



Work Sharing vs Unemployment - Total Pay

Work Sharing

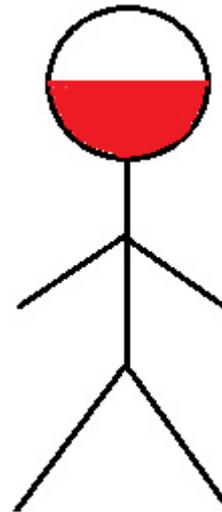


Wages: \$640

WS Benefit: \$80

Total Pay: \$720

Unemployment



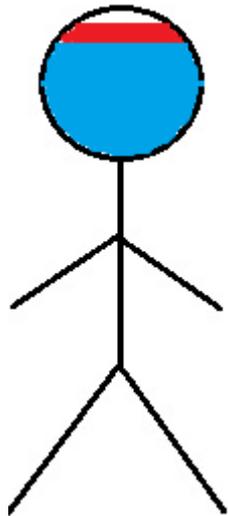
•Wages: \$0

•UI Benefit: \$400

•Total Pay: \$400

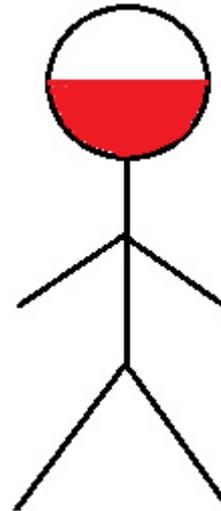
Work Sharing vs Unemployment - Costs

Work Sharing



- Workers : 10
- Benefit per worker: \$80
- Total cost: \$800

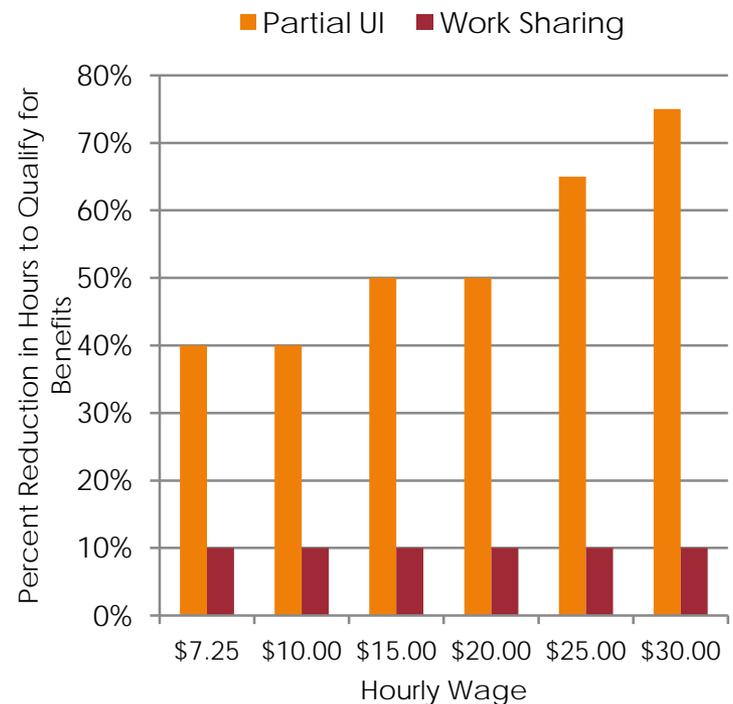
Unemployment



- Workers: 2
- Benefit per worker: \$400
- Total cost: \$800

How is work sharing different from partial UI?

- Like work sharing, partial unemployment allows a worker to collect some unemployment insurance while still working.
- Workers can collect partial UI benefits if their hours have been reduced and they are earning less than their “weekly benefit amount,” which is based on previous earnings. 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.
- While all states have some form of partial unemployment, not all states have work sharing programs.



Source: WVCBP analysis of state partial unemployment systems

How is work sharing financed?

- Work sharing benefits are paid from state unemployment insurance trust funds.
- Work sharing benefits paid are charged to the employer and reimbursed to the trust fund just like regular unemployment benefits.

"Rates are established June 30 of each year, to be effective the following January 1, in accordance with the ratio of each employer's reserve balance to that employer's average annual payroll.

The credits to an employer's account are the contributions paid which exceed an amount equal to .4 percent of taxable wages. To arrive at the employer's reserve balance, all the benefits charged against the account are subtracted from the credits to the account.

Average annual payroll is the average of the employer's taxable payrolls for the three-year period ending on the computation date of June 30. Dividing the employer's reserve balance by average annual payroll yields a ratio which places the employer's account in a bracket established by law. "

Work Sharing and UI Trust Funds

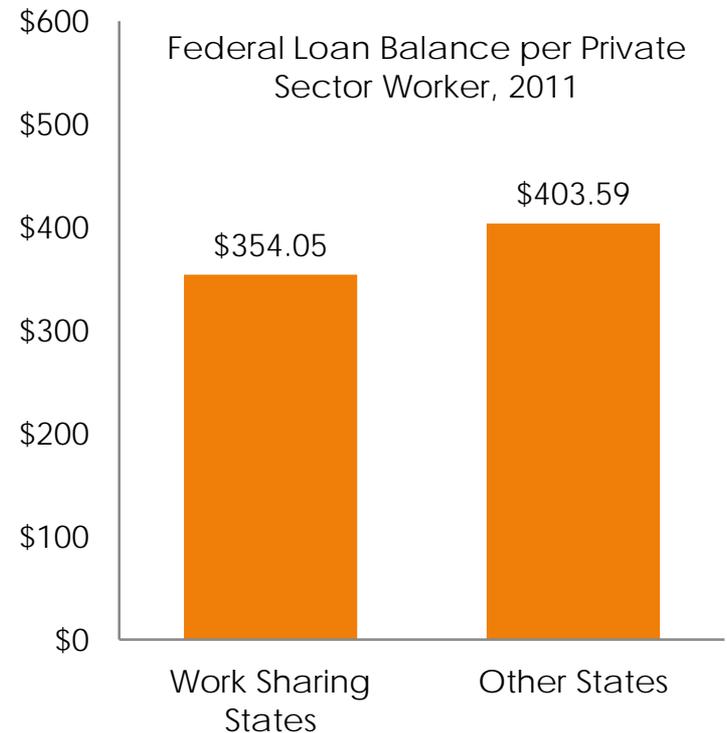
- Since work sharing benefits are paid out as an alternative to layoffs, and are reimbursed in the same manner as regular UI benefits, work sharing has a minimal fiscal impact on state UI trust funds.
- In a recent survey, no states have reported a negative impact on their UI trust funds from work sharing

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.

Work Sharing and UI Trust Funds

- In addition, 6 of the 17 states with active work sharing programs in 2009 did not have to borrow from the federal government to keep their UI trust funds solvent.
- Of the states that did borrow money, states with work sharing borrowed less per private sector worker than states without work sharing.



Source: WVCBP Analysis of U.S. Dept of Labor and Bureau of Labor Statistics data.

Why work sharing works for businesses.

- Work sharing helps businesses reduce costs during downturns.
- Work sharing allows businesses to retain skilled workers, reducing turnover costs.
- Work sharing is voluntary, allowing it to be used by the businesses it helps the most.

"We think it's a very creative idea to keep people in the workplace. We're very concerned about losing talent at times, and if there's a way we can keep people working, then we want to do that, obviously." –

-Chuck Hadden, President, Michigan Manufacturers Association.

Why work sharing works for businesses.



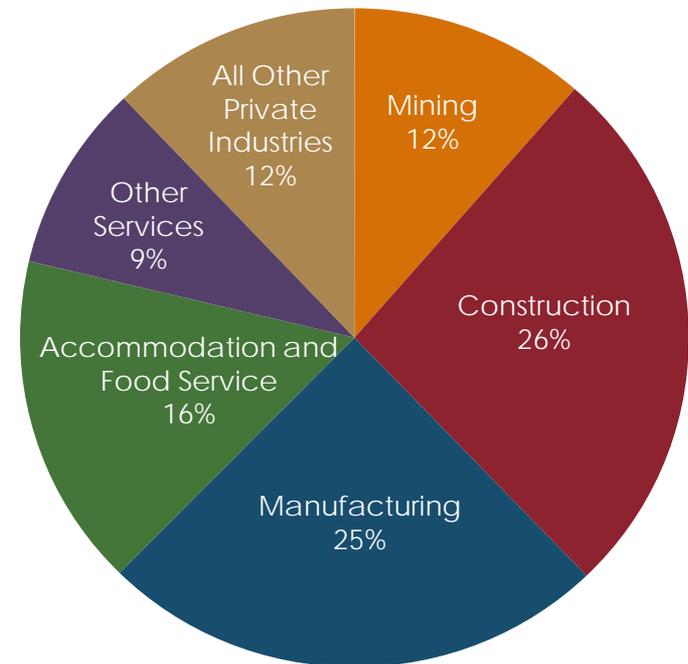
"The work-sharing program in Rhode Island has been a lifeline for Pilgrim. It's helped a small manufacturing business like ours to maintain the institutional knowledge and skills that are crucial for our success."

-Geoff Grove, President, Pilgrim Screw Corporation

Why work sharing works for businesses.

- ▣ Industries like mining, manufacturing, and construction are disproportionately affected by layoffs.
- ▣ Work sharing could benefit these industries during downturns.

Mass Layoffs by Industry, West Virginia, 2005-2010



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

Why work sharing works for employees.

- ▣ Work sharing prevents layoffs, allowing workers to stay attached to the labor force.
- ▣ Workers retain their skills, remain financially stable, and avoid the dangers of long term unemployment.

"You feel it, but you don't lose your job."

-Stephen Saravo, Work Sharing Participant, Pilgrim Screw Corporation

Why work sharing works for the economy.

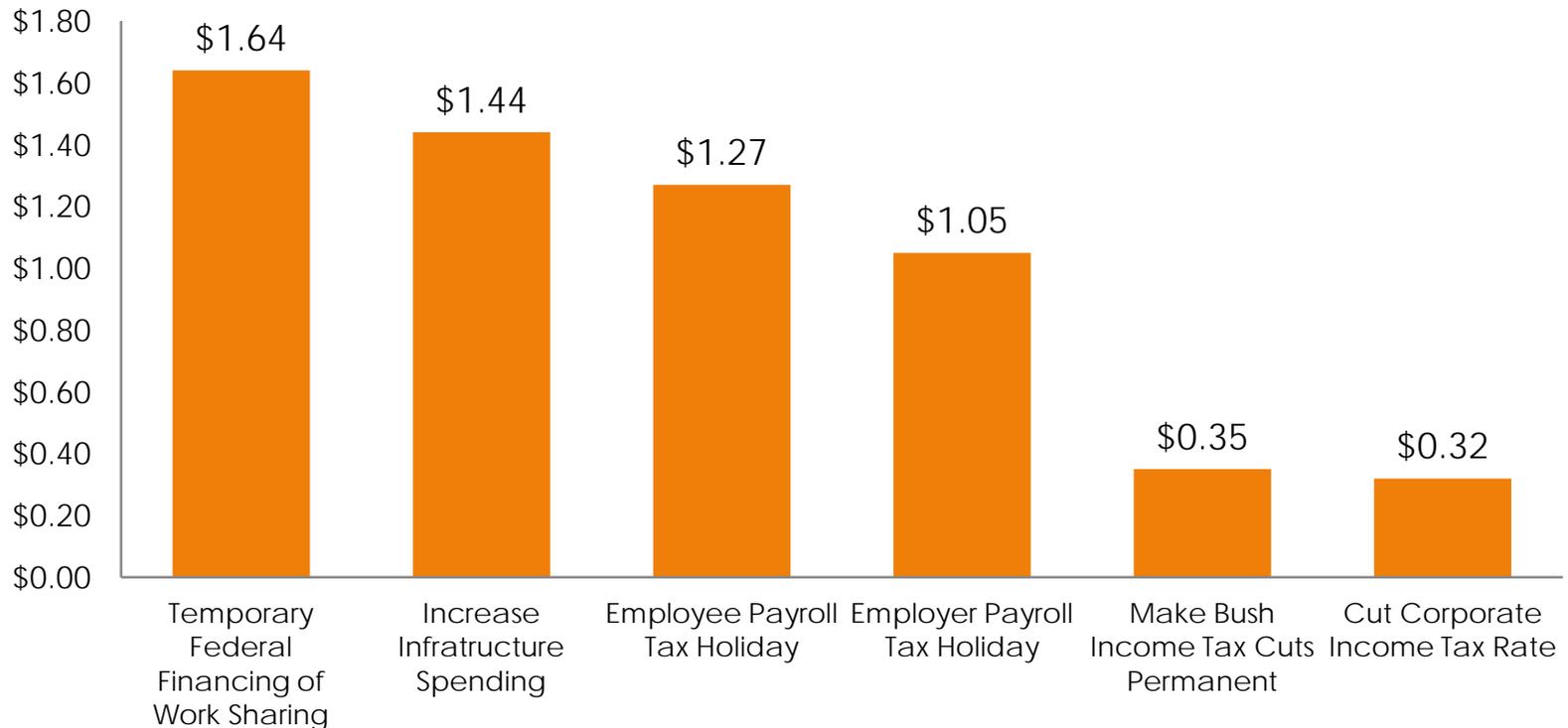
- ▣ Work sharing keeps skilled workers on the job in their community.
- ▣ Work sharing maintains workers' spending power locally, keeping demand up.

"Short-time compensation, in lieu of full lay-offs, is preferable also for the local community and state as a whole as people will still be working under a short-time compensation program, earning money for their families instead of collecting full unemployment."

-Tony Seegers, Director of Labor and Human Resources Policy for the Ohio Chamber of Commerce.

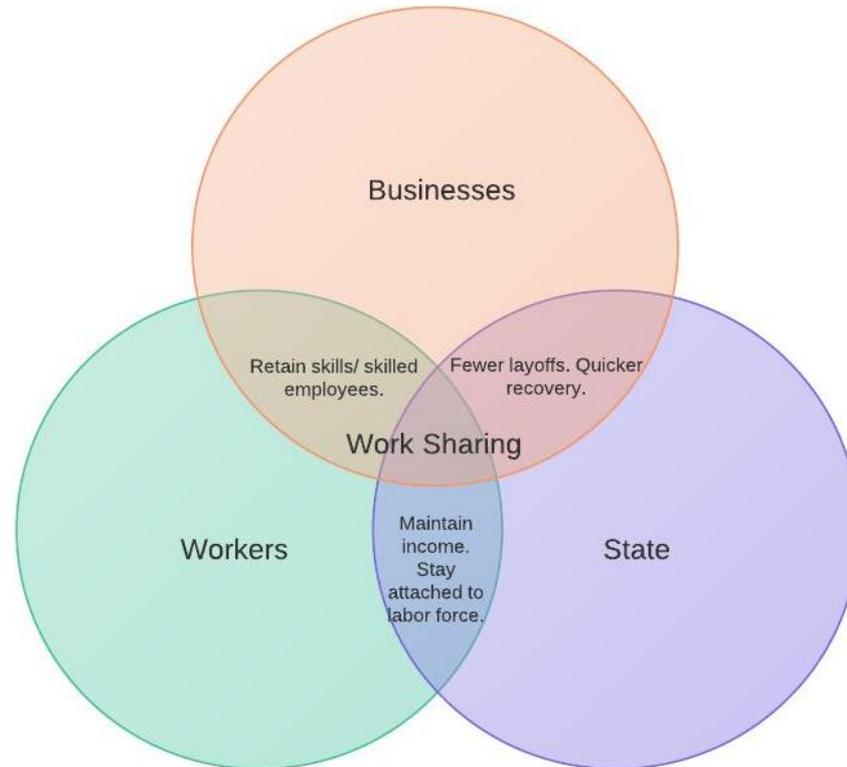
Why work sharing works for the economy

Financing Work Sharing Provides Big Return to the Economy



Note: The bang for the buck is estimated by the one-year \$ change in GDP for a given \$ reduction in federal tax revenue or increase in spending as of 2011Q3. Source: Moody's Analytics

Why work sharing works for everyone.



Incentives to adopt work sharing

- The 2012 Middle Class Tax Relief and Job Creation Act provides temporary federal financing of state work sharing benefits to encourage and promote program adoption and use.
- If West Virginia were to take advantage of the federal financing for work sharing, the state could potentially save up \$4 million in UI costs annually while the financing is available

Work Sharing Fast Facts

- ▣ 24 – States plus D.C. which have adopted work sharing programs
- ▣ 0 – States which have reported a negative impact on their U.I. trust funds due to work sharing
- ▣ 153,000 – Workers covered by work sharing during the recession's peak.
- ▣ 165,000 – Jobs saved by work sharing programs in 2009.
- ▣ \$4,000,000 – Amount WV could save its U.I. trust fund by adopting work sharing.

“From Ronald Reagan, who signed the first federal program into law, to Barack Obama, who negotiated an employer-friendly modernization of the program into law this year, shared work has earned bipartisan support for over thirty years.”

– Representative Mike Duffy, Ohio House of Representatives