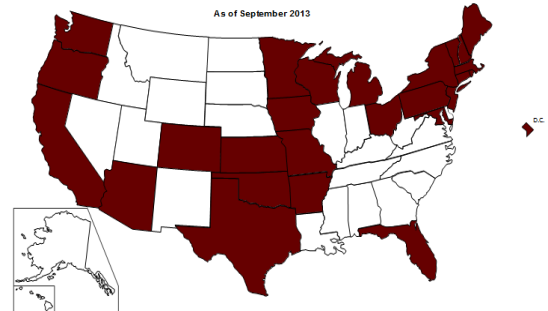


ATTENTION: Indiana General Assembly, 2013 Unemployment Insurance Oversight Summer Study Committee
RE: Response to Questions Presented During Work Share Support Testimony | September 30, 2013
FROM: Derek Thomas, Senior Policy Analyst | dthomas@incap.org (317) 638-4232

1) **Number of Participating States:** Committee members asked how many states were participating.¹

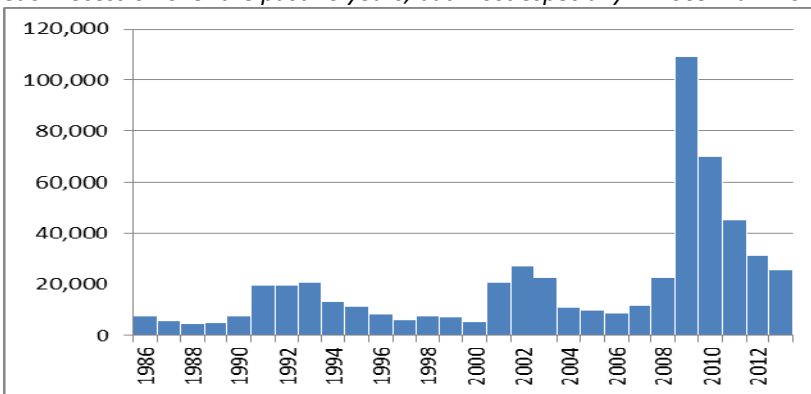
✓ Twenty-six states (and D.C.) currently have work share programs, and more than a few other states are currently considering similar legislation.

2) **Number of Participants:** Citing a recent one-week participation rate of 17,000 (nationally), Commissioner Sanders asked about the programs' overall effectiveness.



✓ The greatest value of work-sharing is at the beginning of an economic downturn when employers are beginning to implement or think about layoffs. The 17,000 work-sharing claims figure is accurate for the single week of September 22, 2013. It was about 30,000 the same week last year; about 40,000 in September 2011, about 61,000 in September 2010, and over 90,000 the same week in January 2010 – even among fewer states. Policymakers and the Department of Workforce Development can provide flexibility to businesses to help them avert the impact of the next recession or temporary decrease in demand for a product – work sharing is especially beneficial to states such as Indiana with strong manufacturing sectors.

Average Weekly Continued Claims by Year 1986 – 2013: *Work-sharing claim-filing jumped dramatically at the beginning of each recession over the past 20 years, but most especially in 2009 – an increase of 500% over 2008 and 1000% over 2007.*



Source: Department of Labor

Jobs Saved by Work Sharing: Great Recession

Year	Avg. Weekly Claims	Jobs Saved
2008	22,888	58,092
2009	109,103	165,618
2010	70,111	98,583
2011	45,419	76,254
2012	31,262	61,299
*2013	25,441	

Total **459,846**

*No data available

¹ For more information, see our 2011 report on work sharing (<http://bit.ly/16gMxtW>), our 2012 support testimony here (<http://bit.ly/14AA0uh>) our most recent interim committee support testimony (<http://bit.ly/19QQqRN>) and a blog post addressing additional previous concerns here <http://bit.ly/PFC7Lq>.

See the U.S. Department of Labor's new online resource for helpful tools in developing work sharing programs, best practices, employer outreach tools and templates, federal funding information and success stories from employers and employees who have benefitted from the program here: <https://stc.workforce3one.org>

U.S. Department of Labor. Audio Webinar. *What Is Short-Time Compensation (Work Share)?* <http://bit.ly/1a9mnst>

- 3) **Federal Grants and Unemployment Insurance Trust Fund Reimbursements:** Committee Members asked about federal funding opportunities available under The Middle Class Tax Relief and Job Creation Act of 2012.
- ✓ Federal grants now provide 100% reimbursement rates to the UI trust fund for up to 3 years once the law is enacted. The state is also eligible for a \$2,074,861 grant. This includes \$691,620 in implementation funds to launch the program and \$1,383,241 in outreach funds to educate employers and engage them in work sharing.

Deadlines for Federal Grants:

- **May 24, 2014:** Participate in an optional temporary federal program for up to two years.
- **December 31, 2014:** Apply for implementation and employer promotion grants.
- **August 22, 2015:** Receive federal reimbursements benefit costs paid under state law for up to 3 years.

During this reimbursement period, each job saved equals savings to the UI trust fund— a potential for over \$51 million in savings during the full three years of reimbursement.² Regardless, even without the federal reimbursement, should an employer choose to participate, the cost to the UI trust fund for 5 participants under work-sharing is the same as one participant under traditional UI. Work-sharing was introduced in the 2011 Legislative Session as HB 1151 – the Legislative Services Agency estimated “minor” costs to the UI trust fund.³

“A total \$156,000 has been paid out in prorated UI benefits since the program began [in 2010], as opposed to about \$800,000 in full UI benefits. This represents a savings of \$644,000 to the UI Trust Fund.”

– Colorado Legislative Council Staff Fiscal Note SB13-157 –

- 4) **Business Interest:** Senator Boots has not heard of businesses expressing interest in a work sharing program.
- ✓ As noted in our [2011 Report](#), a large variance in participation exists between states. In our survey, the states with successful programs pointed to robust marketing strategies and partnerships with the Chamber of Commerce. The Department of Labor has acknowledged this, which is why 2/3rds of Indiana’s total grant money is allocated towards outreach. A recent survey of employers in Washington State, results showed overwhelming business experience and increase in employee morale.⁴
 - ✓ Also, in addition to the support for work sharing by the Indiana Chamber of Commerce, they surveyed their members on the topic of work share, and according to Mike Ripley, Vice President for Health Care Policy, preliminary results show strong interest by employers.
- 5) **Future UI Eligibility:** Committee Members raised questions about the partial UI benefits affecting eligibility for future weeks of UI if the employer ultimately goes under.
- ✓ The fact is employers are often doing all they can to withstand a downturn and avert layoffs - sometimes they make it and sometimes they don't. It should be expected that some employers who participate in the program might not be able to avert layoffs forever. The employee is usually best off trying to preserve what they have earned with that employer - pay scale, benefits or seniority accrued based on years of employment. If the downturn continues too long and the employer is forced to lay off workers, they will still qualify for the balance of their UI benefits on the claim that was used for work-sharing.

² Baker, Dean. Woo, Nicole. Center for Economic and Policy Research. May 2012. *States Could Save \$1.7 Billion Per Year with Federal Financing of Work Sharing:* <http://bit.ly/J0c6hN>

³ Indiana House Bill 1151: <http://bit.ly/1cD23zy> and Fiscal Impact Statement: <http://bit.ly/1fIWbZm>

⁴ Washington State Employment & Security Dept. *2012 Shared-Work Program Employer Study:* <http://1.usa.gov/10YO6dl>

- ✓ Employees who are currently employed generally have a leg up in the application process and they will have whatever future UI benefits might be established based on their more recent reduced hours.
- 6) **Affordable Care Act (ACA):** *Committee Members asked if part-time requirements of the Affordable Care Act result in over-utilization of a work share program.*
- ✓ Work share is only for a temporary solution. The legislation specifically requires employers to maintain benefits like health and pensions for workers in the work-share program – not for firms seeking to eliminate benefits. DWD could set additional requirements for participation.

Work Sharing is just one tool available to help employers and workers in times of temporary economic downturns, and is granted at the discretion of DWD - our opting in simply makes it available to use if necessary and requested by the employer. We will inevitably experience another temporary down-turn, especially in certain industries. Work-sharing benefits may NOT be granted to seasonally unemployed workers. It is intended for employers with full-time workers experiencing a temporary down-turn, not industries like restaurants which regularly employ servers for irregular hours and wages. DWD has complete control and discretion to: limit number of plans; grant or deny applications and; revoke programs if there is abuse – with no appeal available.

Please contact Derek Thomas, Senior Policy Analyst for additional questions – dthomas@incap.org (317) 638-4232

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ABOUT THE INDIANA INSTITUTE FOR WORKING FAMILIES

The Indiana Institute for Working Families – a program of the Indiana Community Action Association (INCAA) – conducts research and promotes public policies to help Hoosier families achieve and maintain economic self-sufficiency. The Institute is the only statewide program in Indiana that combines research and policy analysis on federal and state legislation, public policies, and programs impacting low-income working families. The Institute achieves its work through advocacy and education, and through national, statewide, and community partnerships. The Institute was founded in 2004. To learn more about the Institute, please visit: www.incap.org/iiwf.html

ABOUT THE INDIANA COMMUNITY ACTION ASSOCIATION (IN-CAA)

The Indiana Community Action Association, Inc. (IN-CAA) is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA's members are comprised of Indiana's 23 Community Action Agencies (CAAs), which serve all of Indiana's 92 counties. IN-CAA envisions a state with limited or no poverty, where its residents have decent, safe, and sanitary living conditions, and where resources are available to help low-income individuals attain self-sufficiency. IN-CAA serves as an advocate and facilitator of policy, planning and programs to create solutions and share responsibility as leaders in the War Against Poverty. IN-CAA's mission is to help the state's CAAs address the conditions of poverty through: training and technical assistance; developing models for service delivery; and providing resources to help increase network capacity. For more information about IN-CAA, please visit: www.incap.org