



Shared Work, Shared Benefits

Why Expanding Work Sharing Would Pay Off for Employees, Employers, and Pennsylvania in the COVID Recession and Beyond

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Executive Summary

Expanding Pennsylvania's use of work sharing—reduced work hours and pay combined with partial unemployment benefits so that workers experience a smaller income loss—could be instrumental in reducing unemployment during the current recession and accelerating a safe return to fuller employment. Such expansion would cost the state little or nothing because of 100% federal reimbursement for work sharing unemployment benefits through at least December 31, 2020, and nearly \$4 million in grants available to Pennsylvania through 2023. This brief details executive and administrative actions that Pennsylvania could take to expand work sharing and mitigate the damage of the current recession to workers and families, businesses, and the state's economy.

Work sharing, as defined here, spreads across more workers the pain of reductions in demand and in available paid work hours at businesses. Instead of one worker facing joblessness, two workers might see a 50% cut in their hours. By retaining the connections between workers and firms, work sharing also makes it easier for companies to increase output once aggregate demand recovers—instead of hiring new workers without a track record, companies can return work sharing employees to full time status.

Historically, the United States deploys work sharing very little. From 2007 to 2009, in the Great Recession, claims for work sharing rose from 10,000 to 110,000. In 2012, after Congress provided grants for additional states to establish work sharing, the number of states with work sharing rose from 21 to 27. The Center for Economic and Policy Research estimates that work sharing saved about 500,000 U.S. jobs in the recovery from the Great Recession. The United States' use of work sharing, however, remains far below the levels of European countries. In 2009, for example, work sharing participants in Belgium topped 5% of the country's employment, 25 times the "take-up rate" in the United States that year.

Pennsylvania enacted work sharing legislation in 2011 and modified its program to align with a new federal law in 2014. As in the nation, only a small number of Pennsylvania companies use work sharing. In just the past few months, however, use of work sharing has grown dramatically from its low starting point. From February to the end of June, work sharing unemployment compensation in Pennsylvania increased by a multiple of 86, from \$19,135 to \$1,648,832, and the number of employers participating in work sharing from 11 to 181.

To gauge the potential for expanded work sharing in Pennsylvania, Keystone Research Center interviewed Pennsylvania's work sharing program staff, analyzed data on the use of work sharing across states, interviewed national experts, and researched experience in Washington state, where roughly a 10 times larger share of the workforce participates in work sharing as in Pennsylvania. We identified several immediate steps Pennsylvania could take to expand work sharing:

- Modify Pennsylvania’s rules to give employers more flexibility when implementing work sharing by allowing them to reduce hours 10% to 60%, the range permitted by federal guidelines, instead of the current 20% to 40%.
- Continue to seek and utilize U.S. Department of Labor (USDOL) funds to increase marketing and promotion of work sharing. Governor Wolf’s briefings provide one ideal opportunity to raise awareness of work sharing among employers and unions.
- Expand work sharing in local and state government, nonprofits, and unionized firms, capitalizing on the federal subsidy, especially if it is extended beyond December, and reducing the additional layoffs that result as tax revenues and nonprofit funding drop off in a longer recession.
- Increase staff of the work sharing unit within the Pennsylvania Department of Labor and Industry (L&I) to (a) ensure capacity exists for labor-intensive processing of additional work sharing plans, plan modifications, and claims and (b) allow L&I to quickly and efficiently capitalize on an upgrading of Pennsylvania’s unemployment system information technology system to automate more of the applications, certifications, and record-keeping for work sharing.
- Expand eligibility temporarily for newer employers (less than three years old) and for those with a small negative balance in their unemployment system reserve account.

Acting now to expand work sharing, while the CARES Act provides funding, would provide immediate benefits to Pennsylvania workers and businesses. It would also lay the groundwork for using work sharing in future recessions to reduce unemployment substantially. This would enable businesses and their workers, including in manufacturing, to come back stronger in future recoveries.

What Work Sharing Is and Why It Makes Sense

How Work Sharing Is Defined

Work sharing, as used here, means a reduction in hours and proportional reduction in wages, combined with partial unemployment insurance that offsets the wage decline. If a business experiences a reduction in demand and needs fewer hours of labor, work sharing allows multiple workers to “share” the total available paid work hours and helps employers avoid laying off any of those workers. For example, three workers may all receive a one-third reduction in hours and wages rather than two seeing no reduction in hours but one getting laid off. The federal government uses the term *short-time compensation* (STC) to describe the payment of partial unemployment compensation to workers experiencing temporary reduction in hours due to the implementation of work sharing. Many other states, the media, and researchers, often use the term *work sharing* to mean the combination of hours reduction and partial unemployment benefits, so we adopt that usage here.

Work Sharing Mechanics and Impact on Workers’ Pay

Employees in a work sharing plan receive their normal wage from their employers for the hours they work and a share of the unemployment insurance for which they would be eligible equal to the percent reduction in hours. Since unemployment benefits only partially replace prior wages (e.g., equaling about 50% of a claimant’s usual wages in Pennsylvania, up to a cap), participants in work sharing see some reduction in income but less than if laid off and reliant only on full unemployment compensation. For instance, employees reduced from 40 hours each week to 32 hours each week (80%) under a work sharing program would receive 80% of their usual pay from their employer and half of the other 20%—10%—raising their total income to 90% of normal wages per week.

Benefits of Work Sharing

Utilizing work sharing rather than additional layoffs has benefits for all stakeholders.

For **employees**, work sharing leads to incomes higher than with layoffs and maintains healthcare and retirement coverage without interruption. With nearly half of the United States reliant on employer-tied healthcare, the continuation of health care benefits is crucial for employees and their families. Preserving a connection to the current employer also makes a return to full-time work more likely, avoiding the transition costs of finding a new job.

For **employers**, work sharing avoids the cost of recruiting, hiring, and training new employees when the business returns to normal operations. Work sharing also enables employers to retain experienced, skilled employees. Work sharing can help sustain company morale compared to layoffs. Work sharing does not ordinarily impact unemployment taxes paid by businesses: the increase in these when employers’ workers draw more unemployment benefits (and the employer’s “experience rating” goes up) is the same whether one employee draws a full unemployment check or several employees split the same benefits. Work sharing does have a cost for employers because of the requirement that they must continue to provide the same benefits, such as healthcare or retirement, as when employees work full-time. It is probably not an accident that countries that use work sharing a lot typically provide health insurance universally rather than through employers.

For **families and society**, work sharing also avoids some of the social costs of unemployment: it distributes temporary income losses amongst multiple employees rather than having a few employees and their families experience the devastating effects of a layoff. Long-term unemployment has severe and widespread consequences that cannot be overcome easily. People who are unemployed long-term often experience decreased physical and mental health and increased likelihood of never returning to

work or earning lower wages upon return. Their families also experience a lowered sense of well-being and worsened academic performance in school, and communities with higher shares of residents experiencing long-term unemployment often have higher rates of crime and violence.¹

Work Sharing in the United States and Abroad

In the United States, California established the first state work sharing program in 1978. In 1982, to help limit the impact of a deep recession on firms and workers, Congress provided federal support for states to create STC programs. These provisions, contained within the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), expired in 1985. The early 1990s recession spurred Congress to pass permanent work sharing legislation within the Unemployment Compensation Amendments of 1992. At that point, 17 states had work sharing programs in place.

Over the next decade and a half, the spread of work sharing to new states stalled and its use by employers (and therefore employees) in states that had programs remained limited. From 2007 to 2009, triggered by the Great Recession, claims for work sharing in states with programs increased elevenfold, from approximately 10,000 a week to 110,000 weekly.² In 2012, with the passage of the Layoff Prevention Act, Congress provided federal grants to state governments that developed, improved, and/or promoted the use of work sharing programs. These incentives lifted the current number of states with programs to 27 plus the District of Columbia.³ The Center for Economic and Policy Research estimates that work sharing saved approximately 500,000 jobs during the recovery from the Great Recession and could increase annual employment by 1 million in a future recession.⁴

Although work sharing has not historically been widely utilized in the United States, it is in other parts of the world (Figure 1). In Germany and three other countries in 2009, work sharing participants equaled more than 3% of national employment. One reason for these higher work sharing take-up rates is that most other countries allow larger reductions in weekly working hours. Belgium, the country with the highest take-up rate in 2009 (about 5.6%) allows employers to use work sharing to reduce their employees' hours by up to 100%. Researchers estimate the correlation between take-up rate and permissible hours reduction percentages as 43%.⁵ There is also a correlation between strong employment protections—present in Germany, Belgium, and Turkey, among others—and work sharing take-up.

¹ *A Profile of Pennsylvania's Unemployed People*. Harrisburg, PA: Center for Workforce Information & Analysis, 2010. Retrieved from: <https://www.cpwdc.org/wp-content/uploads/profile-of-unemployed.pdf>; Austin Nichols, Josh Mitchell, and Stephen Lindner. *Consequences of Long-Term Unemployment*. The Urban Institute, 2013.

² George Wentworth. *Work-Sharing: An Unemployment Insurance Program That Can Avert Layoffs and Save Jobs*. New York, NY: National Employment Law Project, 2020.

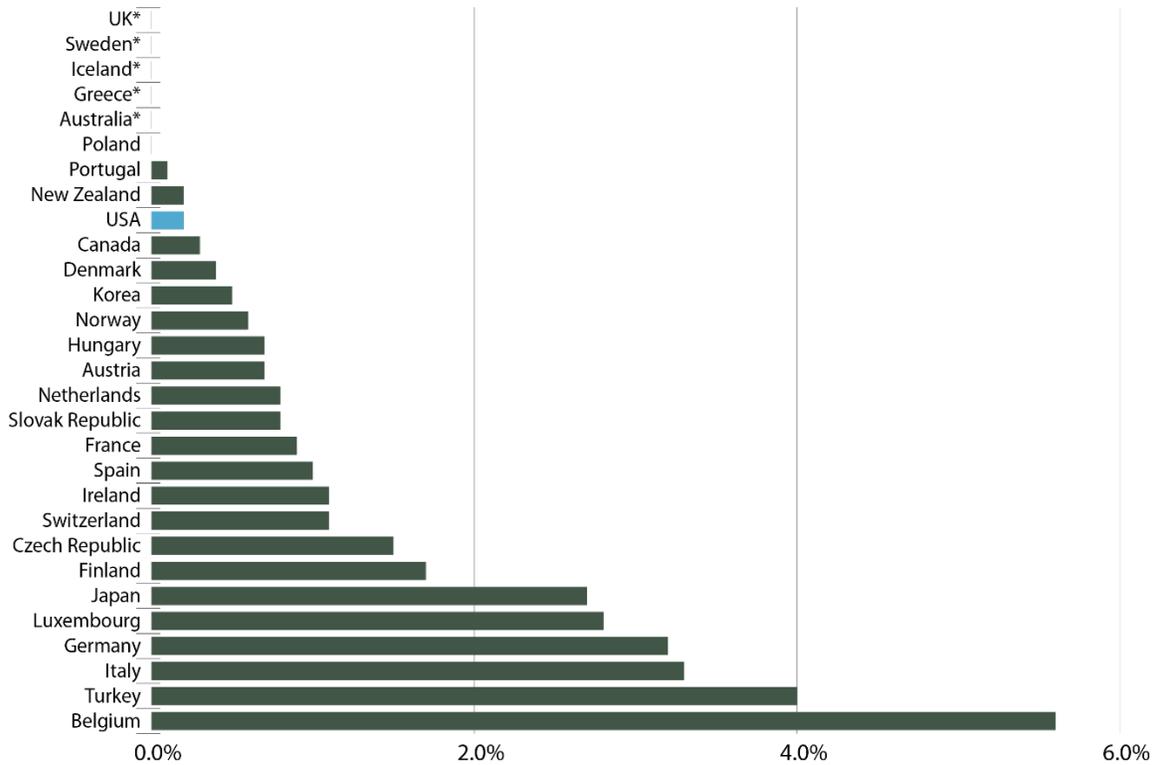
³ See *Short-Time Compensation Fact Sheet*. Washington, DC: United States Department of Labor, 2020. Retrieved from https://oui.doleta.gov/unemploy/docs/stc_fact_sheet.pdf.

⁴ Dean Baker. *Work Sharing: The Quick Route Back to Full Employment*. Washington, DC: Center for Economic Research and Policy, 2011.

⁵ Pierre Cahuc and Stéphane Carcillo. "Is Short-Time Work a Good Method to Keep Unemployment down?" *Nordic Economic Policy Review* 1 (2011). <https://doi.org/10.6027/9789289330541-9-en>.

Figure 1.

Work Sharing Take-Up Rates in the OECD Countries as a Percentage of Employees (2009)



*No programs in Australia, Greece, Iceland, Sweden, and the UK in 2009
Source: Cahuc, P., and S. Carcillo. "Is Short-Time Work a Good Method to Keep Unemployment down?"

Federal Work Sharing Guidelines

States develop their work sharing programs subject to federal requirements, including that employers must participate voluntarily, submit a written plan, reduce the hours of their workforce by at least 10% and no more than 60% to avoid layoffs, and provide the same health and retirement benefits as before work sharing. In addition, work sharing must not be used as a transition to layoffs, but as a way to avoid layoffs during temporary financial difficulty.

Federal guidelines eliminate the need for employees to be actively looking for work to receive partial unemployment compensation, a requirement for unemployed workers to receive full unemployment benefits. Federal guidelines also permit work sharing employees to participate in training or education programs sponsored by their employers, the state, or the Workforce Investment and Opportunity Act. For unionized workers, work sharing ordinarily requires approval from the union.

Work Sharing in Pennsylvania

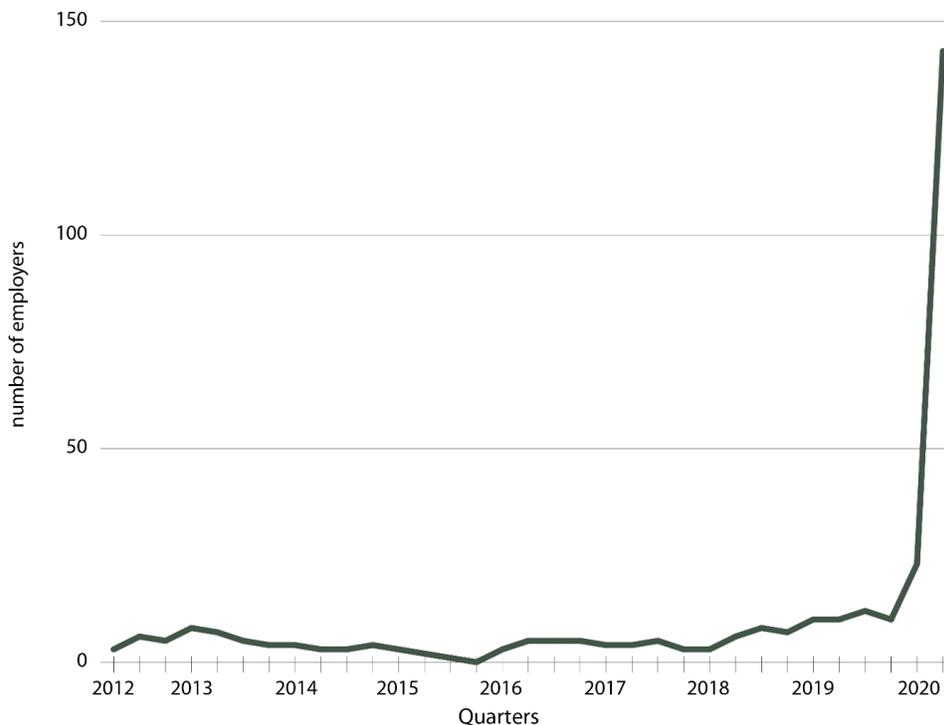
Pennsylvania developed its Shared-Work Program in 2011 in response to the Great Recession. After the passage of the Layoff Prevention Act, the state modified its existing program to conform to the new federal guidelines in 2014.

The period beginning in March this year represents the first widespread economic downturn since Pennsylvania established its work sharing program. As expected, use of work sharing has picked up. In February 2020, 11 Pennsylvania employers had work-sharing plans on file and employees filed work sharing claims equivalent to 74 full-time weeks of employment. By the end of May, 155 employers had work sharing plans on file and employees filed work sharing claims for 1,721 full-time weeks of employment (for more detail, see Appendix Table A2). Figures 2 and 3 show the rapid expansion of the program during this period relative to the history of the program. Between 2012 and May 2020, Pennsylvania's program experienced the fifth most rapid growth in full-time equivalent (FTE) weeks of unemployment compensation (UC) claimed by work-sharing employees.⁶

Pennsylvania still lags behind many other states measured by FTE weeks claimed of UC claimed by work-sharing employees as a share of total weeks claimed for regular UC (Appendix Table A1). Box 1 describes some of the best practices that have enabled Washington state to achieve higher levels of employer and employee participation in work sharing.

Figure 2.

Number of Employers with Approved Work Sharing Plans in Pennsylvania

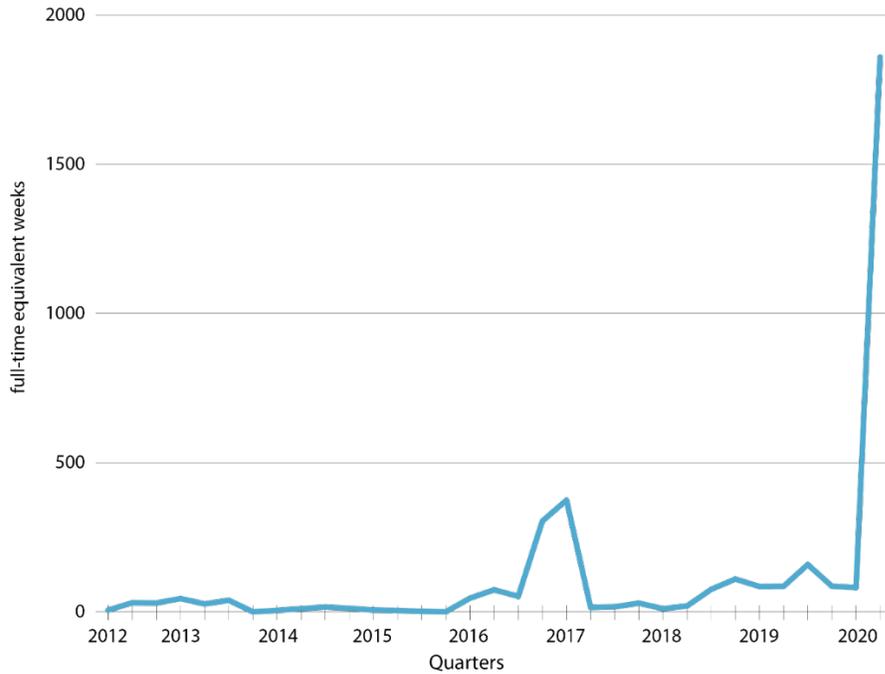


*Quarterly figures represent the average number of employers with plans filed for the quarter.
Source: Keystone Research Center based on US DOL data (oui.doleta.gov/unemploy/DataDownloads.asp)

⁶ See Table 5 in the appendix for more information regarding state program growth.

Figure 3.

Full-Time Equivalent Weeks Claimed Using Work Sharing in Pennsylvania



*Quarterly figures represent the average for the quarter.
Source: Keystone Research Center based on US DOL data (oui.doleta.gov/unemploy/DataDownloads.asp)

Box 1: Washington’s Work Sharing Program⁷

The state of Washington has one of the leading work sharing programs in the United States with more approved employer work sharing plans on file than any other state (about 3,500 plans for the month of May 31, 2020, filed by 2,227 employers).

Although its work sharing program is decades old, Washington used federal funds available in 2012 to modernize its information technology system, taking the entire work sharing application, claim, and certification process online. Employers can file their application and certifications from their normal online business unemployment insurance tax account. Employees can file their claims through the normal unemployment insurance website. Plans are approved in less than a week and available to use the Sunday after approval.

Washington has created and regularly updates marketing materials, including mailers, videos, podcasts, and other online materials, and has built a Forms and Media Library online.⁸ To reach small and medium-sized employers that might benefit—but may not know about the program—Washington uses dedicated staff to coordinate with a small business liaison team, Chambers of Commerce and other business organizations, and individual employers. In the COVID crisis, the Washington work sharing team hosts webinars several times each week, as in-person presentations are not feasible, and reports as many as 40 employers in attendance at each one. To promote its program and keep up with demand, Washington recently hired 14 new staff members (for a total of 22).

⁷ Mary Madsen and Shelley Ackroyd. Washington State Work Sharing Program Interview #1. Personal, May 29, 2020; Mary Madsen and Rafael Colon. Washington State Work Sharing Program Interview #2. Personal, June 4, 2020.

⁸ These resources can be viewed on the Washington State Employment Security Department at <https://esd.wa.gov/SharedWork/library> and <https://esd.wa.gov/SharedWork/library/videos>.

Table 1. Full-Time Equivalent Weeks Claimed for Work Sharing as Share of Weeks Claimed for Regular Unemployment Insurance, by State

State	2012	2013	2014	2015	2016	2017	2018	2019	2020
TX	0.87%	0.78%	0.54%	0.85%	1.06%	0.60%	0.38%	0.50%	1.38%
MO	1.32%	1.12%	1.03%	1.50%	1.73%	1.07%	1.25%	2.06%	1.05%
KS	0.45%	0.39%	0.44%	0.49%	0.79%	0.59%	0.28%	1.61%	1.03%
WA	0.93%	0.65%	0.75%	0.78%	0.77%	0.48%	0.38%	0.41%	0.87%
RI	1.80%	1.03%	0.74%	0.62%	0.97%	0.80%	0.99%	0.95%	0.65%
NE						0.11%	0.06%	0.05%	0.52%
CT	0.29%	0.27%	0.29%	0.40%	0.33%	0.39%	0.27%	0.36%	0.41%
ME	0.03%	0.04%	0.01%	0.01%	0.04%	0.04%	0.00%	0.08%	0.40%
NY	0.36%	0.38%	0.26%	0.20%	0.26%	0.16%	0.15%	0.21%	0.38%
NH	0.21%	0.21%	0.26%	0.31%	0.49%	0.31%	0.55%	0.29%	0.38%
MA	0.12%	0.10%	0.06%	0.06%	0.12%	0.12%	0.08%	0.12%	0.30%
OR	0.17%	0.24%	0.21%	0.27%	0.31%	0.28%	0.29%	0.35%	0.29%
MN	0.20%	0.14%	0.11%	0.15%	0.21%	0.12%	0.02%	0.07%	0.26%
OH				0.12%	0.05%	0.06%	0.04%	0.05%	0.20%
WI					0.06%	0.00%	0.00%	0.00%	0.16%
CO	0.00%	0.09%	0.01%	0.01%	0.00%	0.00%	0.01%	0.00%	0.15%
IA	0.19%	0.07%	0.06%	0.11%	0.28%	0.12%	0.04%	0.07%	0.13%
AZ	0.19%	0.17%	0.18%	0.17%	0.14%	0.10%	0.10%	0.11%	0.12%
MI				0.00%	0.02%	0.02%	0.04%	0.05%	0.12%
CA	0.80%	0.65%	0.47%	0.41%	0.38%	0.31%	0.25%	0.27%	0.11%
MD	0.15%	0.08%	0.02%	0.01%	0.03%	0.01%	0.03%	0.02%	0.10%
PA	0.00%	0.00%	0.00%	0.00%	0.02%	0.02%	0.01%	0.03%	0.05%
FL	0.11%	0.06%	0.05%	0.03%	0.03%	0.04%	0.02%	0.03%	0.04%
AR	0.04%	0.06%	0.03%	0.20%	0.06%	0.01%	0.01%	0.03%	0.30%
VT	0.21%	0.16%	0.14%	0.10%	0.02%	0.00%	0.00%	0.00%	0.00%
NJ						0.00%			

* Figures for all years are based 12-month moving average in Q4 except 2020 for all states, which is calculated using data from Q3 of 2019 to Q2 of 2020, 2012 for Maine (calculated using Q3 of 2012 to Q2 of 2013), and 2012 Pennsylvania (calculated using Q2 of 2012 to Q1 of 2013).

Source: Keystone Research Center based on U.S. DOL data (oui.doleta.gov/unemploy/DataDownloads.asp)

Barriers to Expansion of Work Sharing in Pennsylvania

Several barriers exist to the further expansion of work sharing in Pennsylvania. One barrier to expansion exists across the country: low awareness of work sharing. Employers and employees that have used work sharing programs are generally satisfied with them. Researchers with Westat, the Upjohn Institute, and Social Dynamics, however, found that only 10% to 28% of employers reported awareness of the work sharing program.⁹

⁹ Susan Houseman, Katharine G. Abraham, Frank Bennici, Christopher J. O'Leary, Susan Labin, and Richard Sigman. *Demonstration and Evaluation of the Short-Time Compensation Program in Iowa and Oregon*, 2017.

Some barriers are specific to Pennsylvania. Pennsylvania's work sharing regulations are more restrictive than required by the federal government. Employers in Pennsylvania are only able to reduce hours by 20% and 40%, compared to the 10% to 60% range allowed by federal regulations. Another issue for employers is flexibility to modify the percentage reduction in hours. Pennsylvania requires employers who want to change the reduction in work hours to apply for approval of a modified plan—they can't simply report, for example, that they want to increase work hours from 60% of normal to 80% because demand is growing again. This limits employers' ability to use work sharing flexibly when demand fluctuates. Some advance notice of changes—especially reductions—in the hours of employees in shared work makes sense so that those employees know in advance if their income will fluctuate, and also to give time to adjust partial unemployment benefit payments.

Currently, work sharing in Pennsylvania also suffers because the information technology that supports the unemployment insurance system has not been modified to accommodate the unique features of work sharing. Employers submit their plans on one form and then Shared-Work Program staff enter information into the unemployment insurance system manually. All employers must also be verified manually through the Office of Unemployment Compensation Tax Services systems to ensure that they meet the requirements, which are to have all their Unemployment Compensation tax reports filed and paid, have a positive reserve balance, and have paid wages for the last 12 completed, consecutive quarters. Applications currently take approximately 15 days for approval, the maximum time allowed under federal rules.

Once an employer has its plan approved and begins scheduling employees at reduced hours, it must collect paper claims from each affected employee and mail them in. Upon receipt, Shared-Work Program staff must again manually input the information.

Work Sharing and COVID-19

Recently, work sharing programs have received attention federally as part of the response to the COVID-19 pandemic and its effects on employment. The CARES Act of 2020 provides states with reimbursement from the federal government for 100% of the cost of work sharing claims through December 31, 2020, if they have an existing program and 50% for states without an existing program. States are also eligible for grants for improvement and promotion; Pennsylvania could receive up to \$3,776,990 through this funding stream.¹⁰

As well as helping to avoid layoffs, as in normal recessions, work sharing may have some unique advantages in response to COVID-19. In particular, as restrictions are slowly lifted and non-essential employers are permitted to reopen, some employees fear returning to work could endanger their health. They may also have to juggle child care responsibilities because schools and child care centers are not open or operating at normal capacity and for normal hours. Work sharing could mesh well with social distancing in the work place, enabling employees to work part-time spaced throughout the day and no more than 50% of normal staffing levels at any one time. Work sharing could also allow parents and guardians to spend time away from work caring for young or school-aged children. The Shared-Work Program could also allow an equitable return to full employment. Rather than having to choose half of their former employees to return to work full time, employers could bring their entire staff back to work half time.

In response to federal incentives, the recession and, possibly, the fit between shared work and the context of COVID 19, work sharing claims have mushroomed nationally as in Pennsylvania. They totaled 226,862 for the week ending May 30, an increase of 96% over the same week in the prior year,

¹⁰ John Pallasch. *Unemployment Insurance Program Letter No. 21-20*, May 3, 2020.

according to USDOL.¹¹ Box 2 describes how work sharing has been utilized in the public sector in a Pennsylvania local government example.

Box 2. Using Work Sharing During COVID with a Public Sector Collective Bargaining Unit¹²

In April, following the statewide imposition of strict social distancing guidelines, Dauphin County Courts began considering rolling furloughs for adult and juvenile probation officers and domestic relations officers. Because the nature of their work is heavily reliant on face-to-face interactions, the county was unsure how they could utilize the 155 officers in a full-time capacity when people were not supposed to be interacting closely with one another.

The county originally suggested a two-weeks-on/two-weeks-off schedule. Workers felt that such two-week furloughs would lead to a lack of continuity and damage relationships between officers and clients. Since they were represented by a union, Teamsters Local 776, this led to labor-management negotiations. In these, the union's legal counsel championed work sharing as an alternative to furloughs. Apprised by him of the program's features, both management and labor quickly agree on a work sharing plan.

Affected employees were placed on a 40% hours reduction plan, working three days each week from late April until returning to full time during in August. Because of the CARES Act funding, all affected workers were able to receive their partial unemployment payment through work sharing as well as a \$600 supplement to standard work-sharing UC. Workers continued accruing time towards retirement and vacation and receiving health care. Workers and their union representatives reported high levels of satisfaction with work sharing. This solution reinforced members' support for their union members and leaders said they would view work sharing as an important tool going forward.

Action Steps for Expanding Work Sharing in Pennsylvania

Informed by our analysis of barriers to expanding work sharing in Pennsylvania and examination of the Washington best-practice example, this section summarizes action steps Pennsylvania could take to expand work sharing as part of its response to the COVID pandemic and to reduce the increase in unemployment in future recessions.

Increase the permitted hours reductions to the full range permitted by federal requirements

The federal statute allows employers to reduce their employees' hours anywhere from 10% to 60% versus Pennsylvania's current 20% to 40% range. By increasing the percentage by which employees' hours may be reduced, more employers would likely utilize the program. This has increased employer take-up in Europe and also recently in Michigan, on a temporary basis, thanks to an executive order in response to the coronavirus.¹³

¹¹ "Unemployment Insurance Weekly Claims," June 4, 2020. United States Department of Labor.

<https://www.dol.gov/sites/dolgov/files/OPA/newsreleases/ui-claims/20201165.pdf>.

¹² Mary Madsen and Irwin Aronson. Teamsters Local 776 Work Sharing Agreement Interview #1. Personal, August 29, 2020 and Mary Madsen and David Wolf. Teamsters Local 776 Work Sharing Agreement Interview #2. Personal, September 4, 2020.

¹³ Gretchen Whitmer. "Executive Order 2020-76, Temporary Expansions in Unemployment Eligibility and Cost-Sharing," May 7, 2020. Retrieved from https://www.michigan.gov/whitmer/0,9309,7-387-90499_90705-528456--,00.html.

Promote Plan Modifications to Increase Flexibility and Usage

In uncertain times with fluctuating demand, employers may wish to raise or lower the percentage hours reduction for work sharing. Pennsylvania should actively promote plan modifications to employers as a way to increase usage and flexibility of work sharing.

Policies regarding plan modifications should also require employers to give some notice to employees because of the impact on employees' incomes. We propose two weeks of notice, the advance notice of scheduling required of employers by some "fair scheduling" laws to avoid the havoc caused by families from last minute—or "just-in-time"—scheduling. Hours increases—e.g., from 50% to 75% as a recovery picks up—could be permitted without advance notice if the increased hours of work are voluntary for employees in the first two weeks.

Continue to Seek and Use USDOL Funds to Increase Marketing and Promotion

Recognizing that work sharing could help the state achieve a safe, equitable reopening of the state, Pennsylvania should increase marketing of the program to employers. Governor Wolf's briefings would be one opportunity to promote the program and increasing awareness of how it can be used to benefit both employers and employees as part of the response to COVID-19.

L&I's has already received some USDOL funds for a work sharing media blitz. Additional funding could sustain marketing of the kind that has allowed the state of Washington to make more employers aware of its program as well as pay for activities and materials such as new marketing and education materials—e.g., sponsored ads, mailers, website banners, and instructional videos; digital outreach events, such as webinars; and partnering with businesses, business organizations, and other state departments and agencies.

Expand Work Sharing in the Public, Not-for-Profit, and Union Sectors

Generally, work sharing is used by manufacturing and project-based industries such as construction.¹⁴ It is uncommon in the public sector and among nonprofit organizations that do not pay unemployment tax, but instead reimburse the state if their former employees receive unemployment benefits.

Given the federal reimbursement, however, work sharing should be aggressively marketed to public sector employers and nonprofits. Government entities at all levels are projecting huge budgetary shortfalls and, subsequently, layoffs. Work sharing would be a useful tool to avert at least some of those layoffs (see Box 3). Some Pennsylvania unions have already negotiated the use of work sharing in response to COVID-19 in the public sector (as in Box 2) as well as in the private sector.

For work sharing to be used widely in the non-profit and public sectors would likely require extending at least partial subsidy for this beyond the end of 2020. Under the CARES Act, there is 100 percent federal funding for STC benefits including for public and nonprofit employers who opt for reimbursable financing of unemployment compensation. (With reimbursable financing, employers pay no UC tax but have to reimburse the system for the full UC benefits when former employees eligible for unemployment receive benefits.) If a partial federal subsidy for work sharing is not extended beyond December 2020, work sharing would generate no immediate savings, and thus become less attractive financially, for reimbursable employers: they would have to pay the same amount for unemployment

¹⁴ Thomas MaCurdy, James Pearce, and Richard Kihlthau, "An Alternative to Layoffs: Work Sharing Unemployment Insurance," California Policy Review, August 2004 and Wentworth, George, "The Connecticut Shared Work Program and the Future of Short-time Compensation," presentation to the U.S. Department of Labor's conference on "Recovery and Reemployment Research," Washington, DC, September 16, 2009.

compensation for, say, two half-time employees in work sharing as for one employee laid off. These employers would also have to maintain benefit payments for both employees.

Box 3: Work Sharing in the Public Sector—The Case of Rochester, NY¹⁵

As soon as social distancing measures were put in place in March, the City of Rochester in New York state transitioned all employees to teleworking. Many of its jobs, however, relied on face-to-face interactions or other in-person duties. Department heads struggled to provide their employees with a full week of work. Even though the City provided many online training and professional development opportunities, it concluded that full-time teleworking for all employees would not work.

Rochester began looking into furloughs in April when someone from the New York Department of Labor reached out to discuss work sharing. The city decided to combine fewer furloughs with work sharing, with department heads deciding the mix under their supervision. By May 11, Rochester had furloughed 175 employees and put 198 on work share plans, with a 40% to 50% reduction in hours. Some reduced-hour employees returned to full time on July 6 when the state allowed parks and recreation facilities to reopen.

The City's benefits manager created its work sharing plans. Employees then had to submit their own initial partial unemployment claims online, a challenge because of both system overload and employee's lack of comfort with using the necessary technology and applications. Tom Miller, the city manager of staffing and recruiting services, said it would be easier if the employer could file on behalf of their employees, relying on a person already familiar with the IT system and processing claims in batches.

Implementation brought some teething problems. To facilitate work sharing certification, the city had to change its payroll and timesheet procedures. It also had to negotiate the use of work sharing with unions representing municipal employees in the context of enacting a new budget with budget cuts because of anticipated revenue shortfalls. In the end, the parties worked through compromises, including to ensure that 50%-time employees had enough time at work during weeks with a holiday to complete time-sensitive tasks.

Miller says work sharing has proved beneficial to Rochester. The city is considering using work sharing again in the future, including as an employee retention strategy for positions with predictable and seasonal fluctuations in hours.

Build Program Capacity by Hiring More People

As noted, unemployment compensation for work sharing has already increased 38-fold in Pennsylvania since February. Further increases require increasing staff capacity within the state to manage the work sharing program, especially when spreading awareness of the program to employers and encouraging plan modifications. In the short run, increasing staff capacity requires hiring more people—as the state of Washington already has. Federal grants provided for by the CARES Act might be used for this purpose.

Ensure Effective Implementation of an Information Technology Upgrade

A long-awaited modernization of Pennsylvania's UI information technology system is close to completion. This should move enrollment in work sharing for employers and employees online and automate much of the required federal tracking. Additional work sharing unit staff capacity for a phase-in period could help ensure that state employees have time for the training and learning necessary to take full advantage of the new UI information technology system. Governor Wolf knows first-hand about the need to combine new technology with investment in employees and in training from the Wolf

¹⁵ Mary Madsen and Tom Miller. City of Rochester Work Sharing Interview. Personal, July 9, 2020.

Company’s successful implementation of SAP (to manage the distribution pipeline in the building materials industry from the contractor’s kitchen to the warehouse to the manufacturer) two decades ago.

Expand Eligibility

Pennsylvania could also relax the eligibility guidelines for employers who can participate in the program, at least on a temporary basis. As the program is structured now, employers must have a positive reserve account balance and have paid wages for the last 12 consecutive quarters. Temporary modification of eligibility has been enacted in other states as part of COVID-19 response by governors’ executive orders.¹⁶

This will not hurt the state financially. Just as there is ordinarily no difference in the future unemployment tax rate for employers if they reduce total hours of employment by the same amount using layoffs or work sharing, there is usually no difference to the state in the employer’s expected financial contribution.

* * * * *

Acting now to expand work sharing would capitalize on CARES Act funding and provide immediate benefits to Pennsylvania workers and businesses. It would also lay the groundwork for using work sharing in future recessions to reduce unemployment and enable businesses and their workers to rebound out of those downturns earlier and stronger.

¹⁶ Governor Inslee of Washington signed Executive Order 20-05 on February 29, 2020, which gives broad permissions to state agencies and department to “utilize state resources and to do everything reasonably possible to assist affected political subdivisions in an effort to respond to and recover from the outbreak.” As a result, the policy director of the Employment Security Department, Dan Zeitlin, instituted an Emergency Rule (WSR 20-08-057) on March 25, 2020, that greatly expanded eligibility. For further details, visit <https://esd.wa.gov/newsroom/rulemaking/covid-19>.

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Appendix

Table A1. Average Full-Time Equivalent Weeks Claimed for Work Sharing Unemployment Compensation Per Quarter, by State.

State	2012	2013	2014	2015	2016	2017	2018	2019	2020*
AR	131	168	72	405	97	14	7	26	1,119
AZ	1,058	717	714	553	430	281	246	235	948
CA	46,640	34,596	24,169	18,023	16,220	13,188	9,891	10,326	12,640
CO	22	377	27	48	8	7	12	6	1,425
CT	2,070	1,807	1,768	2,133	1,656	1,837	1,184	1,475	4,569
FL	1,549	692	451	156	120	161	63	98	759
IA	643	230	176	318	796	318	94	163	863
KS	1,329	1,045	943	873	1,117	709	270	1,411	3,757
MA	1,422	1,005	600	494	973	916	600	819	6,162
MD	907	441	100	29	140	48	98	54	899
ME*	52	51	15	6	29	25	0	47	1,196
MI				20	149	167	253	306	3,361
MN	1,250	856	596	718	1,034	535	87	319	3,850
MO	7,388	5,682	4,266	5,122	4,981	3,003	3,200	4,673	9,256
NE						59	29	25	1,095
NH	231	200	191	179	234	128	203	97	925
NJ						0			
NY	10,646	10,186	5,945	3,951	4,695	2,849	2,432	3,272	23,446
OH				871	376	368	230	284	4,075
OR	1,075	1,270	918	985	1,013	892	866	1,037	2,394
PA*	81	72	29	9	356	326	161	311	1,638
RI	3,120	1,557	1,033	752	1,095	876	1,033	951	2,255
TX	16,201	14,037	8,708	15,727	20,830	9,842	5,072	6,582	59,625
VT	180	116	96	57	11	0	0	0	0
WA	8,590	5,116	5,195	4,747	4,461	2,611	1,946	2,152	14,838
WI					259	1	0	8	1,477

*In most years shown for most states, the table shows the four-quarter average in Q4 (i.e., one fourth of the annual average). In 2020 for all states, the tables shows the four-quarter average from Q3 of 2019 to Q2 of 2020. For Maine, the 2012 figure is the four-quarter average starting in Q3; for Pennsylvania, the 2012 figure is the four-quarter average starting in Q2 of 2012.

Source: Keystone Research Center based on United States Department of Labor data (oui.doleta.gov/unemploy/DataDownloads.asp)

Table A2. Monthly Average Employers with Plans by Year

State	2012	2013	2014	2015	2016	2017	2018	2019	2020*
AR	3	3	2	5	6	3	3	3	30
AZ	409	866	919	938	969	1,019	1,044	1,060	572
CA	271	518	389	154	153	130	117	110	550
CO	18	42	47	17	9	5	6	6	378
CT	28	20	16	102	221	190	178	169	729
FL	41	77	12	3	2	1	1	1	26
IA	5	8	6	8	15	9	2	2	83
KS	60	108	101	84	88	85	54	49	237
MA	0	28	31	22	32	43	33	35	219
MD	3	5	4	1	3	1	2	1	42
ME*	8	7	2	1	2	2	0	1	43
MI				2	16	20	21	17	433
MN	29	48	33	35	40	28	12	17	140
MO	196	342	300	291	333	285	284	281	536
NE						3	1	2	143
NH	4	7	7	5	10	7	6	7	68
NJ						1			
NY	25	58	39	34	44	36	32	28	430
OH				1	6	5	5	4	148
OR	84	146	138	152	168	145	146	162	825
PA*	7	6	3	1	5	4	6	10	83
RI	11	11	7	6	0	0	0	0	0
TX	12	15	10	20	21	13	7	9	297
VT	2	1	3	2	1	0	0	0	0
WA	698	1,018	902	835	663	325	262	259	1,598
WI					3	0	0	1	79

Source: Keystone Research Center based on United States Department of Labor data (oui.doleta.gov/unemploy/DataDownloads.asp).

Table A3. Selected Work Sharing Figures from the Shared-Work Program in Pennsylvania

Reporting Period		Number of Employers with Plans	Full-Time Equivalent Weeks Claimed	Amount of All Weeks Compensated
2012	Q2	3	6	\$1,827.50
	Q3	6	30	\$9,146.00
	Q4	5	29	\$7,839.67
2013	Q1	8	44	\$16,547.00
	Q2	7	26	\$8,307.00
	Q3	5	39	\$12,607.50
	Q4	4	0	\$0.00
2014	Q1	4	5	\$1,591.33
	Q2	3	10	\$2,567.00
	Q3	3	16	\$5,304.33
	Q4	4	12	\$5,064.00
2015	Q1	3	6	\$3,527.00
	Q2	2	4	\$2,313.67
	Q3	1	2	\$814.00
	Q4	0	0	\$0.00
2016	Q1	3	46	\$15,537.00
	Q2	5	74	\$35,974.00
	Q3	5	52	\$25,595.33
	Q4	5	304	\$124,147.67
2017	Q1	4	374	\$196,089.00
	Q2	4	15	\$5,565.67
	Q3	5	17	\$5,390.00
	Q4	3	29	\$8,675.67
2018	Q1	3	10	\$3,632.33
	Q2	6	20	\$7,725.33
	Q3	8	75	\$29,409.00
	Q4	7	110	\$45,426.00
2019	Q1	10	85	\$28,403.00
	Q2	10	85	\$28,969.67
	Q3	12	158	\$55,132.33
	Q4	10	86	\$39,014.00
2020	Q1	23	81	\$26,374.33
	Q2	143	1,859	\$858,961.33

**Quarterly figures represent the average for the quarter.*

Source: Keystone Research Center based on United States Department of Labor data (oui.doleta.gov/unemploy/DataDownloads.asp).

Table A4. Average Quarterly Full-Time Equivalent Weeks of Unemployment Insurance Claimed by Employees Participating in Work Sharing by State and Year Indexed to 2012 (or first year of reported data) = 100, 2012-2020 Year-to-Date

State	2012	2013	2014	2015	2016	2017	2018	2019	2020*
AR	100	128	55	310	75	11	6	20	857
AZ	100	68	67	52	41	27	23	22	90
CA	100	74	52	39	35	28	21	22	27
CO	100	1,753	126	221	36	33	55	28	6,627
CT	100	87	85	103	80	89	57	71	221
FL	100	45	29	10	8	10	4	6	49
IA	100	36	27	49	124	49	15	25	134
KS	100	79	71	66	84	53	20	106	283
MA	100	71	42	35	68	64	42	58	433
MD	100	49	11	3	15	5	11	6	99
ME*	100	98	28	12	56	49	0	91	2,299
MI				100	735	823	1,251	1,510	16,596
MN	100	68	48	57	83	43	7	25	308
MO	100	77	58	69	67	41	43	63	125
NE						59	29	25	1,095
NH	100	87	83	78	101	55	88	42	401
NJ						0			
NY	100	96	56	37	44	27	23	31	220
OH				100	43	42	26	33	468
OR	100	118	85	92	94	83	81	97	223
PA*	100	89	36	11	440	402	199	383	2,023
RI	100	50	33	24	35	28	33	30	72
TX	100	87	54	97	129	61	31	41	368
VT	100	64	53	32	6	0	0	0	0
WA	100	60	60	55	52	30	23	25	173
WI					100	0	0	3	571

*Figures for all years represent the four-quarter average in Q4 except 2020, which is calculated using data from Q3 of 2019 to Q2 of 2020. All baselines are based on the 2012 average except Maine (calculated using Q3 of 2012 to Q2 of 2013), Pennsylvania (calculated using Q2 of 2012 to Q1 of 2013), and states which did not report data until a later year in which case the first year they reported data is used as the baseline.

Source: Keystone Research Center based on United States Department of Labor data (oui.doleta.gov/unemploy/DataDownloads.asp).