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Report Calls for Expansion of Work-Sharing Program to Avert Layoffs and Save Jobs

Washington, DC—Time is running out for two-dozen states to tap into federal money for expanding a widely praised employer program that has proven to save jobs, and it's up to Congress to extend the deadline.

In a report issued today, the National Employment Law Project noted that 24 states will have failed to pass legislation by the December 31st deadline that would qualify them for millions in federal grants to strengthen an unemployment insurance program that helps businesses avoid layoffs. The program, known as work-sharing, gives employers the flexibility of reducing employee hours instead of cutting staff during a business downturn, while compensating workers with prorated unemployment benefits.

"One lesson we learned from the Great Recession is that it's much smarter policy to avoid a layoff and save a job than to deal with long-term unemployment's effects on workers, on consumer demand, and on local economies," said **Christine Owens, executive director of the National Employment Law Project**. "Congress recognized the value of work-sharing for both business and workers when Republicans and Democrats came together to pass the Layoff Prevention Act of 2012. Work-sharing is a program that should be available in every state so that all employers can have the option to consider reducing hours as an alternative to layoffs."

The NELP report, *Lessons Learned: Maximizing the Potential of Work-Sharing in the United States*, comes less than three months before the December 31st deadline for states to apply for grants from the U.S. Department of Labor. Legislation recently introduced by Senator Jack Reed (D-RI) and Representative Rosa DeLauro (D-CT)—the Layoff Prevention Extension Act of 2014—would extend federal financing of the work-sharing program an additional year and would also extend the deadline for states to pass work-sharing laws and qualify for federal grants until December 31, 2015.

Of the 28 states with work-sharing programs, 26 have passed conforming legislation that should qualify them to apply for approximately $70 million in federal grants to improve and expand their work-sharing programs. States may use these grants to implement operational improvements to the program and to promote program enrollment through increased outreach and marketing. These grants were authorized as part of the Layoff Prevention Act of 2012, sponsored by Senator Reed and Representative DeLauro.

The qualifying states with the largest grant amounts available are California ($11.6 million), Texas ($8.3 million), New York ($6.1 million), Florida ($5.9 million) and Pennsylvania ($4.0 million). Of the 24 states that have not enacted work-sharing laws that would qualify them for federal grants, the largest are Illinois ($4.3 million), Georgia ($3.1 million), North Carolina ($2.9 million), Indiana ($2.1 million) and Tennessee ($2.0 million). The 24 states will be leaving roughly $29 million in federal grants unclaimed (for more information, see Figure 1 in the report).

Work-sharing was a little-known program in the United States until the Great Recession, when thousands of companies were forced to consider layoffs for the first time. In the 17 states that had active programs at that time, work-sharing claims activity increased ten-fold between 2007 and 2009. Relying on data from the U.S. Department of Labor, the Center for Economic and Policy Research has estimated that work-sharing saved over half a million jobs between 2008 and 2013.

There is broad support for work-sharing among economists of all political stripes. The program garners strong support from economist Kevin Hassett of the conservative American Enterprise Institute, who notes that "work-sharing should be at the top of the list" of policies to deal with unemployment.

"The work-sharing deadline extension bill would give those legislatures that have not yet acted one more year to better equip companies in their states with the tools they need to navigate temporary business downturns with minimal financial harm to workers and minimal disruptions to businesses," said **Owens**. "We urge members of Congress to act in the best interests of their states' employers and workers and pass the Layoff Prevention Extension Act of 2014."

Lessons Learned documents the story of work-sharing usage in the United States, which is low relative to countries like Germany that relied heavily on the program to keep unemployment rates down during the recession. The report highlights the practices of states like Rhode Island that have been most successful in promoting employer use of work-sharing, and makes recommendations for how qualifying states can use grant dollars to implement policies and program improvements that promote work-sharing as an alternative to layoffs.

In addition, the report features the perspectives of an Oregon company that used the program as a means of avoiding layoffs when federal sequestration created temporary business uncertainty, as well a Connecticut business association that credits work-sharing with helping member companies retain valued employees during the depths of the recession.

DOWNLOAD THE REPORT: Lessons Learned: Maximizing the Potential of Work-Sharing in the United States

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The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. For more about NELP, visit www.nelp.org.