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Virginia Becomes 28th State to Enact Work-Sharing Program to Help Employers Avoid Layoffs

Washington, DC—Virginia Governor Terry McAuliffe has signed into law legislation that will make Virginia the 28th state in the nation to establish a work-sharing unemployment insurance program. Virginia's actions follow closely on the heels of similar legislation signed by Governor Dave Heineman in Nebraska last month.

Work-sharing is a common-sense form of unemployment insurance that businesses can use to avert layoffs during difficult economic times. It is a voluntary program that enables workers to keep their jobs during a temporary downturn while employers retain skilled workers that won't need to be trained when business picks up.

Under work-sharing, a business that is considering lay-offs to cut costs can instead reduce the schedules of a larger number of employees (typically by one day, or 20 percent), who receive prorated salaries and a partial unemployment benefit to help make up for lost pay. Opting for work-sharing instead of full layoffs allows the business to reduce its costs by the same amount as if there had been a layoff, while preserving jobs, income security for workers, and a skilled workforce for the employer. And it makes resuming full operations much easier once the need to cut costs has passed.

Christine Owens, executive director of the National Employment Law Project, applauded the actions of Nebraska and Virginia: "Work-sharing is that rare program that is a win-win-win. It's good for workers who keep their jobs and their health insurance and retirement benefits. It's good for employers who retain their workforce and don't have to incur the costs of hiring and training new employees when business bounces back. And it's good for the economy when families don't have to sustain the hit of a lost paycheck, and people can still make their rent or mortgage payments and spend on essentials with local merchants."

Since 2010, 11 states and the District of Columbia have passed work-sharing legislation. The U.S. Department of Labor estimates that work-sharing has saved over half a million jobs nationally since 2008. Two years ago, Congress passed the Layoff Prevention Act of 2012, which provides financial incentives for states to adopt and update work-sharing programs. To qualify for those federal grants, however, states need to enact work-sharing laws before the end of 2014. Work-sharing legislative proposals are currently pending in the Illinois and North Carolina legislatures.

Work-sharing was first authorized as an experimental program by the Reagan Administration in 1982. About one-third of the states adopted programs in the 1980s and early 1990s, but it only garnered real attention in the states when the Great Recession hit. Between 2007 and 2009, employers in the 17 states with work-sharing increased their usage by tenfold. Businesses that were—often for the first time—facing the painful decision to lay off workers sought out work-sharing as an alternative that would enable them to hold onto valued employees until things got better. Economists who have studied the use of work-sharing in Germany during the recession have credited the program with keeping that country's unemployment rate lower than other European nations and the United States, even though its economy performed similarly.

Work-sharing has broad support from across the political spectrum. In an important 2012 commentary entitled, "The Human Disaster of Unemployment," economists Kevin Hassett from the conservative American Enterprise Institute and Dean Baker from the liberal Center for Economic Policy Research agreed that state work-sharing programs could actually help keep unemployment rates down in future recessions. "This [work-sharing] should slow job destruction in those states, which will improve chances for all workers seeking employment. From now on, the first line of defense during a recession should be to expand work sharing . . . ."

For more information about work-sharing, visit NELP's resource page at www.nelp.org/work-sharing.

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