

Shared Work Programs and Other Recession Legislation

Monica Halas
Greater Boston Legal Services

George Wentworth
National Employment Law Project

December 7, 2009



UI Modernization Provisions

- **Alternate Base Period**
- **Part-time Worker Eligibility**
- **Dependency Allowance (\$15 minimum)**
- **Extended Benefits for Training (26 weeks)**
- **Separation: Compelling Family Reasons**
 - Relocation for spouse's employment
 - Escape domestic violence
 - Care for ill or disabled family member (spouse, child, parent minimum)

Increase and Index Benefits to Wages

- **Average benefit in US: \$295**
- **Replaces 34% of average weekly wage**
- **Many states index maximum weekly benefit rate to a percent of the state's average weekly wage**
- **Monetary formula for calculating weekly benefit rate should be calibrated to approximate 50% of claimant's average weekly wage**

Eliminate or Suspend the “Waiting Week”

- **All but 14 states require workers who qualify for UI to serve a one-week waiting period before collecting first UI check.**
- **Some states reimburse claimant if unemployed several weeks.**
- **Waiting week serves no public policy other than reducing employer costs.**
- **Case for suspending waiting week may be stronger in recession.**

Reduce Offsets against Benefits

- **Severance Pay : Severance packages that are conditioned on a waiver or release of legal rights or claims against the employer are not really payments for lost wages.**
- **Because these payments are actually consideration for what the employee is giving up, state UI laws should characterize these payments as a form of payment that is not subject to offset and is not disqualifying.**
- **While federal law does require some offset for pensions attributable to base period employment, state UI laws can be drafted to treat Social Security pensions as non-disqualifying. 19 states have eliminated or reduced the Social Security offset in their UI laws.**

Voluntary Incentives and Golden Handshakes

- **Many states reduce or deny benefits when workers accept early retirement or lump-sum incentive packages during mass layoffs or workplace closings.**
- **These states typically rely on signed release as evidence of voluntary leaving.**
- **State laws should recognize that workers taking such incentives in the face of probable layoff are not really leaving employment voluntarily.**
- **State laws should acknowledge these downsizing practices and only disqualify when it is clear that the worker is not under any threat of involuntary unemployment.**

Improve Partial Unemployment Benefit Formulas

- 7.8 million “underemployed” US workers
- All states have UI laws that allow workers to collect partial benefits while working part-time.
- Benefits substantially offset against wages.
- Income disregards vary widely: 100% (PR), 50% (ID, ILL, NE), 20% (NH, NM, OH, RI).
- Disregards should encourage claimants to seek and accept part-time employment.



Optional Triggers for Extended Benefits

- **Total Unemployment Rate (TUR) of 6.5% (13 weeks) and 8.0% (7 weeks)**
- **About half the states have adopted the TUR triggers but only for so long as the Recovery Act provides 100% federal funding**
- **9 states could still qualify for federally – funded EB programs by adopting the optional TUR triggers.**

Liberalize Approved Training Standards

- **Federal law requires states to waive able & available and work search requirements for claimants in training approved by the state agency.**
- **State standards for what qualifies as approved training vary widely.**
- **Obama administration/ USDOL urging states to adopt more liberal standards that encourage unemployed workers to take advantage of Pell grants and community college opportunities.**



Short- Time Compensation and Shared Work Programs

- **Voluntary program which serves as an alternative to layoffs during a temporary decline in business.**
- **Employers may reduce hours and wages of all or some employees.**
- **Employees may then receive partial unemployment benefits to supplement lost wages under a formula not otherwise available under regular UI rules.**
- **Currently, 17 states with active programs.**

How it Works– One Day Reduction

- The work schedule of an ABC Corp. employee participating in the Shared Work Program who normally works a 40-hour work week (and earns \$900) is reduced by 20%.
- Assuming a weekly benefit rate of \$450, the employee is entitled to a Shared Work benefit of \$90 (20% of benefit rate) in addition to the 32 hours of wages earned from the employer during the week.

$$\text{\$900} \times 80\% = \text{\$720} + \text{\$90} = \text{\$810}$$




Benefits to Employers

- **Retain skilled, trained workers.**
- **Maintain continuity in workforce.**
- **Remain in ready mode and avoid need to retrain employees when business upswing occurs.**
- **Increase morale and job security among employees.**

Benefits to Employees

- **Retain job and financial security.**
- **Retain health insurance and retirement benefits.**
- **Avoid economic and emotional hardships caused by layoff and the stress of looking for new job.**
- **Wages earned from employment other than the Shared Work employment do not factor into the calculation of the Shared Work benefit.**
- **An added bonus: Shared Work employees are eligible for the federally-funded \$25 FAC supplement.**



The Helping Unemployed Americans Act (S. 2831/ HR4183)

- **Temporary funding for state STC programs**
- **Introduced by Senator Jack Reed (RI) as part of bill proposing reauthorization of EUC, 100% federal funding of EB and the Federal Additional Compensation (FAC) program.**
- **House version introduced by Rep. McDermott (WA) has less detailed program requirements.**

Program Requirements (Reed)

- 1) Employer participation voluntary
- 2) Employer certifies reduction in hours “in lieu of temporary layoffs”
- 3) Hour reduction of at least 10%
- 4) Pro rata share of UI weekly benefit rate
- 5) No able/available requirement or work search test
- 6) May participate in employer-sponsored /state-approved training
- 7) Beginning 2 years after enactment, state shall require employer to certify that continuation of health and retirement benefits is not affected by STC participation.
- 8) Written plan
- 9) Consent to plan by union
- 10) Other DOL requirements



Program Requirements (McDermott)

- **Employer must submit written plan**
- **Employer must certify that continuation of health and retirement benefits under defined ERISA benefits plan will not be affected by STC participation**
- **Where employees represented by union. Union has agreed to written plan and implementation consistent with NLRA**

Temporary Financing of STC Programs

- Once state enacts federally-approved STC program (which must include health and retirement benefits guarantee), USDOL certifies compliance authorizing federal payments to state's unemployment trust fund.
- Reimburse 100% of total amount of STC benefits paid to state trust fund. Covers payments made before December 31, 2011. (Note: This is *not* relief of charges for employers.)



Limitations on Federal Payments

No federal payments to states if STC employer:

- Reduced workforce by more than 20% in prior three months.**
- Employs individual on seasonal, temporary or intermittent basis.**
- Engaged in a labor dispute.**

Plan Compliance

- **USDOL establishes by regulation oversight and monitoring process for states to insure plan compliance.**
- **Employer must comply with terms of plan to retain participating employees (McDermott) and act in good faith re: retention (Reed).**
- **Reed bill has extensive reporting and study requirements.**