

# **A Proposal for Scaling Enrollments in Work Sharing (Short-Time Compensation) Programs During the Covid-19 Crisis: The Case of California**

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## **Executive Summary**

The large rise in new UI claims puts unprecedented pressure on the UI system of the state of California, leading to potential bottlenecks in the processing and payment of UI claims. This memo briefly discusses the potential of scaling up an alternative program called Work Sharing (also Short-Time Compensation) that is already part of the UI system, but currently not used as frequently. Work Sharing allows a firm to lower the hours worked of a group of workers instead of laying off a smaller number, while workers get a prorated fraction of their UI benefits.

The CARES Act fully funds benefits paid under STC for states with existing programs. Since regular UI benefits are paid by the State's Trust Fund, scaling up STC allows not only to help firms and workers to maintain valuable job relationships, but also saves money for the UI Trust Fund that regularly depletes in recessions. Yet, the fact that the STC program is usually small means that enrollment is often not automated, has few dedicated staff, and many firms do not know about the program. Moreover, benefits are currently processed by the UI system.

This memo proposes an approach that takes the Employment Development Department (EDD) that processes UI and STC claim out of the equation so as to reap the full benefits of STC and to use it to release pressure on the UI system:

- Let participating employers or their payroll processing firms pay STC benefits directly.
- Make firms whole through the tax system or transfer funds through payroll firms.
- Automatically approve all firms' STC applications that come in. As the crisis subsides, process claims and, if necessary, correct any payment on state tax returns.
- The private sector costs this approach could be covered by emergency funds for administration of the STC program.

The fact that STC benefits are not paid by the state can make STC more attractive to firms relative to layoffs (because they do not experience payroll tax increases as they would if their workers received regular UI). This could be used to better advertise for the program.

The memo also covers two programs that are complementary to STC that can make it more attractive to workers and firms and that states can use to help advertise STC to businesses. A refundable payroll tax credit in the CARES Act that can help especially small to medium size employers cover part of their remaining wages. Extensions in the duration of paid leave

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mandated by the Families First Coronavirus Response Act further allows firms to further reduce work time while paying workers.

Past experience suggest strategic outreach could raise the share of STC claimants relative to new UI claims to 10% or even 20%. The memo also provides preliminary back-of-the-envelope calculations on how quickly the Trust Fund could be depleted in this recession, and much money could be saved by the Trust Fund by enrolling firms and workers to STC. While the Trust Fund risks being substantially affected by a large amount of individuals claiming regular UI benefits, a substantial scaling of STC could provide an important buffer against depletion of the Trust Fund.

The memo also considers for which firms and workers STC is the best option. Since the CARES Act provides an additional \$600 per week to workers, STC is a more attractive option to layoff for all workers, and particularly to low-wage workers, at least until Federal Pandemic Unemployment Compensation expires. (Currently benefits are set to expire at the end of July.) The memo only briefly summarizes options in the CARES Act for firms to keep their workers on payroll, such as the Paycheck (that are forgiven if a firm maintains payroll) or payroll tax credits for maintaining a stable payroll. These options would also forego costly layoffs and ease the burden on the UI system.

### **The Opportunity: 100% Short-Time Compensation Funding in CARES Act**

**The Program:** Short-Time Compensation (STC), or Work Sharing programs allow employers to reduce hours worked for a group of employees' hours instead of laying off a smaller number of workers. Workers' difference in pay is partially made up through payments of Unemployment insurance (UI) benefits. In California, a participating employer can reduce workers' hours up to 60%. To receive benefits under STC, workers have to be eligible for UI, and benefits are a prorated fraction of their Weekly Benefit Amount (WBA).<sup>2</sup> At the peak of the Great Recession in 2009, over 400,000 workers were enrolled in STC in California (Figure 1).

**The Opportunity:** The Coronavirus Aid, Relief, and Economic Security Act, or "CARES ACT", temporarily provides States with STC programs already in place federal funding for 100 percent of STC payments to individuals.<sup>3</sup> On top of this funding, the CARES Act provides another \$100 million in grants to States for the implementation and improvement of the administration of STC programs, along with promoting STC programs and enrolling additional employers.<sup>4</sup>

**The Benefits:** Since STC benefits are paid by the federal government, they do not affect the balance of the State's UI Trust Funds, which is the reserve states keep to cover UI payments. Employees are spared the hardship of full unemployment and losing health insurance benefits, which UI does not cover. Firms are able to keep trained employees on staff by reducing their hours and wages. Once the economy revives, employers are spared the expense of recruiting,

<sup>2</sup> For a participating worker, benefit receipt triggers a UI benefit year, hence reducing eligibility for regular UI benefits were they laid off in the future. Given Extended Benefits will likely be in place, this should not pose a problem for workers in this environment.

<sup>3</sup> Sec. 2108 CARES Act

<sup>4</sup> Sec. 2110 CARES Act

hiring and training new employees, and workers do not have to engage in costly job search. By reducing the number of individuals seeking jobs during the recovery, the program also helps unemployed job seekers.

**Complementary Programs:** Currently, employers using STC programs are allowed to reduce hours by no more than 60%. Employers who wish to reduce employment further than this have two options to do so at no further income reduction to their workers. The CARES Act provides a refundable payroll tax credit to firms whose revenues have substantially fallen due to Covid-19. The credit provides up to \$5,000 to cover either wages or health insurance costs per employee.<sup>5</sup> For a worker with average earnings of \$50,000 in a firm that reduces hours by 50%, \$5000 would allow the firm to reduce payroll further by a total of 75% for 20 weeks.<sup>6</sup> In addition, the Families First Act mandates two weeks of paid leave under the Family Medical Leave Act (FMLA) and 10 weeks at 2/3 pay, providing further options to pay workers without laying them off.

**Who Benefits:** Traditionally, use of STC has been more prevalent for firms in higher-wage industries, since they are more likely to employ workers that gain firm-specific skills and often face higher recruitment costs, meaning they benefit more from keeping employees on staff. However, since the U.S. Department of Labor interprets that the CARES Act provided the full \$600/week to workers on STC,<sup>7</sup> STC is now attractive to low-wage and middle-wage workers as well, who now receive higher weekly income than before the crisis. This is shown Table 1, which displays the benefits under UI vs. STC and their difference for different amount of work reductions by annual earnings.

Finally, the CARES Act also provides funding for short-term emergency loans to businesses through the Small Business Administration through the Paycheck Protection Program.<sup>8</sup> These loans are forgiven if the business refrains from layoffs or from lowering its payroll within certain limits. This avenue is particularly attractive for firms for whom reducing hours under STC is not a solution to remain profitable.<sup>9</sup> STC may provide a helpful adjustment mechanism for firms that cannot secure a loan, for example due to bottlenecks in loan processing, or that prefer to adjust its hours to its economic situation. Even for firms that receive loans, STC may provide a helpful mechanism to adjust to ongoing changes in economic conditions after loans have expired.

<sup>5</sup> For firms with more than 100 workers, the credit only applies to workers who are not working for the firm due to Covid-19.

<sup>6</sup> The weekly wage of the worker amounts to \$1000 (for 50 weeks worked per year). If the firm would reduce the hours of the worker by 50% through Work Sharing the remaining wage is \$500. The firm could have 50% of the remainder, i.e., \$250, paid for by the federal government through the refundable tax credit for 20 weeks. Relative to the original \$1000 per week the firm would pay \$250 per week, a reduction of its wage bill by 75% for that period while workers are kept on the job instead of flooding unemployment offices.

<sup>7</sup> [https://wdr.doleta.gov/directives/attach/UIPL/UIPL\\_14-20.pdf](https://wdr.doleta.gov/directives/attach/UIPL/UIPL_14-20.pdf)

<sup>8</sup> <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>

<sup>9</sup> Emergency loans may be more beneficial than STC for firms have high fixed costs that cannot be covered by reduced revenues.

## **The Challenge: Administrative Bottlenecks and Lack of Employer Awareness**

Even though 26 states have active STC programs available to 70% of the U.S. labor force, and the federal government had fully funded STC programs in 2012, typically participation in STC programs is moderate, with two important consequences. Usually, only a limited amount of staff administers the program at states' employment offices, and enrollment processes are not automated. Second, research has shown that lack of take up has resulted from lack of information.

Currently, in California employers have to fill out and mail a PDF form that provides a list of affected employees with their SSNs and mail it to EDD. There an employee processes the form, and enters the employees' SSN into the system. To be paid, workers have to establish an online UI account with EDD.

This has led to concerns that STC programs cannot be scaled quickly enough to respond to the crisis. While research has shown that a) information campaigns are effective at raising employer awareness, and b) that administrative bottlenecks during the 2012 expansion were short lived, the nature of the Covid-19 crisis is precedent, and new ways of enrolling firms into STC programs and structuring outreach are worth considering.

## **Proposed Solutions: Fast-Track Enrollments, Strategic Outreach, Capacity Building**

The immediacy of the need and the potential duration of the employment crisis suggests a sequence of steps, some of which could both be implemented immediately, and some of which prepare the system for a potentially longer recession.

### ***Step 1: Reduce administrative burden by outsourcing payment & fast-tracking enrollment***

The presence of STC could help reduce the burden on the state's UI system. However, currently STC payments to workers appear to be processed through the same system as regular UI benefits. To relieve administrative burden through STC, the following proposal would rely instead on firms and the payroll processing firms they employ to process and pay benefits. The proposal is to:

- Allow firms to disburse STC payments to their workers directly through their payroll system. Alternatively, allow payroll processing firms to disburse STC payments.
- Reimburse firms through a refundable tax credit from their state payroll taxes.
- Automatically approve all firms' STC applications that come in. As the crisis subsides, process claims and, if necessary, correct any payment on firms' state tax returns.<sup>10</sup>

This proposal sidesteps EDD completely for processing STC payments to workers, and substantially reduces the administrative burden on processing firms' STC applications. One advantage of working with payroll processing firms is that funding available in the CARES Act for administering the STC program could be used to remunerate payroll processing firms for

<sup>10</sup> Arindrajit Dube and Jesse Rothstein made a similar [proposal](#) for individual UI claims.

their services. Moreover, once this service is set up in these firms' systems, it will be available for future recessions and STC expansions as well.

One question is how to provide employers or their payroll processing firms with liquidity. Firms can apply to a federal emergency loan under the CARES Act. Alternatively, the state could transfer the firm funds based on their quarterly payroll.<sup>11</sup> Similarly, states could transfer funds to the payroll firms.

To process benefit payments, the firm has to know the Weekly Benefit Amount (WBA) the worker would be entitled to under UI, which requires knowledge of the workers earnings history of the last five completed quarters.<sup>12</sup> Firms do not have this information for recent hires or for employees with multiple jobs. There are several options:

- Firms upload the list of SSNs of employees participating in the program to a web portal at EDD that is connected to EDD's online benefit calculator, and obtains a list of these employees' WBAs. The web portal would have to be created.<sup>13</sup>
- Workers calculate their WBA using EDDs current online benefit calculator and provide it to the firms.
- A firm's payroll processing firm receives the necessary information from EDD to calculate WBAs

An alternative approach would retain EDD as the entity processing individual claims and payment. Hence, the process could look like the following:

- Automatically approve all firms' STC applications that come in. As the crisis subsides, process claims and, if necessary, correct any payment on firms' state tax returns
- The Firm submits a list of SSNs to an online portal. The SSNs get sent directly to EDD's UI benefit system. The online portal has to be constructed.
- Workers get paid their WBA, prorated based on the reduction in workers' hours

This process would substantially simplify enrollment into STC and its implementation by EDD. By design, this mechanism does not relieve burden due to processing UI claims. How much work it is to implement the uploading of lists of participating workers and the connection to the UI benefit system at EDD depends on how UI benefits are currently structured.

## ***Step 2: Strategic Outreach***

<sup>11</sup> California's payroll tax is \$238 per worker per year (3.4% on a wage base of \$7000, see [https://www.edd.ca.gov/pdf\\_pub\\_ctr/de202.pdf](https://www.edd.ca.gov/pdf_pub_ctr/de202.pdf)). Hence, for most firms, this with will not be sufficient to cover STC benefits. EDD collects data on quarterly wage bill through form De9 [https://www.dir.ca.gov/dlse/regulation\\_detail/DE9rev1.pdf](https://www.dir.ca.gov/dlse/regulation_detail/DE9rev1.pdf).

<sup>12</sup> A simplifying aspect is that due to Pandemic Unemployment Assistance (PUA), all workers will qualify for UI, and hence firms do not have to establish eligibility for unemployment compensation. However, EDD's benefit calculators have to be updated to include benefit payments under PUA. The WBA will be approximately 50% of the highest quarterly wage during the base period, up to a cap of \$450/week.

<sup>13</sup> EDD's online benefit calculator requires a worker to manually enter their monthly earnings <https://www.edd.ca.gov/unemployment/UI-Calculator.htm>. It would be helpful to understand from EDD how ultimately UI benefits are calculated.

Research has shown that strategic outreach can successfully increase enrollment in STC.<sup>14</sup> Under Covid-19, states can make a strong case that STC is a way to hold workers “in place,” especially for firms for whom emergency loans are not the right solution, or after they have exhausted their loans.

In particular, since the current STC program is fully funded by the federal government, it does not necessitate increases in participating firms’ payroll taxes to fund the program. In contrast, the payroll taxes of firms laying off workers will increase as a function of the number of their workers that claim UI benefits. However, in the 2012 STC extension and in CARES, the federal government leaves it up to the state whether they still want to charge employers that use STC as if these were regular UI benefits. States should commit not to increase firms’ payroll taxes if they participate in STC, and advertise the benefits of the program to firms, workers, and the state widely.

In the context of Covid-19 two relevant aspects are worth noting:

- (A) Use of STC funds lowers the outlays of the entire UI system. Since the total cost has to be ultimately funded by payroll taxes, STC can help lower the burden on all firms. For example, if the UI trust fund runs out of money, the state borrows funds from the government to pay UI benefits. To repay these benefits, the federal government will impose a mandatory surcharge to the federal payroll (FUTA) tax.
- (B) In particular, even if the state were to declare that firms should not be penalize for the UI benefits received by their job losers (as Michigan has done), STC lowers the total cost to the state, reducing the need for increases in payroll taxes down the line.

To help increase participation, CARES provides funding that states can use for outreach. These would be a list of potential recommendations:

- The state should commit not to raise payroll taxes of firms that participate in STC.
- The state could advertise the cost advantage of STC to raise the attractiveness of the program to employers and the state as a whole.
- The grants provided through the CARES Act can be used for outreach to increase program participation. Among others, the funds are eligible for the following uses:
  - The creation and support of rapid response teams to advise employers about how STC can function as an alternative to layoffs
  - The provision of education or assistance to employers to enable them to assess the feasibility of participating in work-sharing programs

### ***Step 3: Gradually Scale Up STC Program Using Funds from CARES***

The CARES Act provides states funds to administer and scale the STC program.

Using these funds, the state could:

<sup>14</sup> See 2017 [research brief](#) by Susan Houseman, Frank Bennici, Susan Labin, Christopher O’Leary, Katharine Abraham, and Richard Sigman summarizing a [longer study](#) done for the U.S. Department of Labor.

- Hire additional support staff to help process STC claims more quickly.
- If not done under Step 1, expand web-based platforms to automate STC processing:
  - Submission and approval of STC plans: States should offer the option of a fully on-line application process, in addition to already existing mail-in processes.
  - An online platform to calculate STC benefits: States should create a platform for eligible employers to upload the SSNs of workers participating in STC programs to the State employment agency. The State agency should then use already-existing income records to calculate the base wage rate of workers, allowing them to provide employers the benefit amounts for employees, fully cutting out the manual entry of wages and work histories which lead to bottlenecks and delayed payments under the current framework.
  - Extensive Technical Support: States should invest in online help desks, allowing for immediate feedback and technical support to employers and employees seeking to enroll in STC programs.

### **Potential Savings for California’s Trust Fund from Scaling Up STC Enrollments**

Since STC benefits are paid for by the federal government, increasing the number of workers that claim STC instead of UI not only alleviates pressure on the UI system, but also on the UI Trust Fund. A depletion of the UI Trust Fund triggers a loan from the Federal Reserve Board, and mandatory payroll tax increases until the loan is repaid.

To better understand the potential magnitudes involved, we considered a few back-of-the-envelope calculations based on various recession scenarios.

The current balance of the UI Trust Fund as of January 2020 is \$3.2 Billion. Table 2 shows total outlays from the state’s UI system under various scenarios for the recession. The average ratio of workers receiving STC relative to UI first payments in 2009, the peak of layoffs in the Great Recession, was 6.4%. Yet, some states were able to rise STC claims to 10 and even 20% of initial claims (see Figure 2). For illustrative purposes, we use a fraction of 10% in the attached table.

The calculations assume all individuals are paid the average weekly benefit amount for the entire duration of the recession, and that 70% of all the unemployed receive regular UI (the peak reciprocity rate during the Great Recession). Given the assumptions, relative to a system without STC enrollments, the total amount spent is 10% lower if 10 of the UI claims are diverted to STC.

In terms of the Trust Fund, it will likely weather a very short downturn of even a large magnitude, but run out within 3 to 6 months for a medium size recession with or without enrollments in STC. However, with 10% of workers diverted to STC, the depletion of the Trust Fund could be pushed out for a few months under the medium recession scenario.

## **Appendix A: Details on California's Current Work Sharing/STC Program**

**Description:** Short-Time Compensation (STC), or Work Sharing programs allow employers to reduce hours worked for a group of employees' hours instead of laying off a smaller number of workers. Workers' difference in pay is partially made up through payments of Unemployment insurance (UI) benefits. In California, a participating employer can reduce workers' hours up to 80%. To receive benefits under STC, workers have to be eligible for UI, and benefits are a prorated fraction of their Weekly Benefit Amount (WBA).

**Eligibility for Businesses.** In California, employers begin the process of enrolling in a Work Share program by submitting (through mail) a [\*Work Sharing Unemployment Insurance Plan Application \(DE 8686\)\*](#). EDD then verifies the eligibility restrictions. To be eligible, employers must meet all of the below requirements:

- Be a legally registered business in California.
- Have an active California State Employer Account Number.
- At least 10 percent of the employer's regular workforce or a unit of the workforce, and a minimum of two employees, must be affected by a reduction in hours and wages.
- Hours and wages must be reduced by at least 10 percent and not exceed 60 percent.
- Health benefits must remain the same as before, or they must meet the same standards as other employees who are not participating in Work Sharing.
- Retirement benefits must meet the same terms and conditions as before, or they must meet the same as other employees not participating in Work Sharing.
- The collective bargaining agent of employees in a bargaining unit must agree to voluntarily participate and sign the application for Work Sharing.
- Identify the affected work units to be covered by the Work Sharing plan and identify each participating employee by their full name and Social Security number.
- Notify employees in advance of the intent to participate in the Work Sharing program.
- Identify how many layoffs will be avoided by participating in the Work Sharing program.
- Provide the EDD with any necessary reports or documents relating to the Work Sharing plan.

**Eligibility for Workers.** To be eligible for Work Share programs in California, employees must:

- Be regularly employed by an employer whose Work Sharing Plan Application has been approved by the EDD.
- Be a part of their employer's permanent regular workforce and not a leased, intermittent, temporary, or seasonal employee.
- Have qualifying wages in the base quarters used to establish a regular California Unemployment Insurance (UI) claim.
- Have a reduction in hours and wages of at least 10 percent and no more than 60 percent.

- Have completed a normal work week (with no hour or wage reductions) before participating in Work Sharing.

Once the EDD has verified eligibility and approved the plan, the Special Claims Office will mail a supply of the *Initial Claim and Payment Certification, DE 4511WS* forms, along with *Employer's Work Sharing Certification, DE 4581WS* forms to the employer.<sup>15</sup>

The ***Initial Claim and Payment Certification*** forms are used to file the initial claims and process the first benefit payment. The form asks the employer about the allocation of work sharing for the initial week and asks the employee about work and earnings both with the work sharing employer and other employers, along with questions related to the processing of benefit payments. The form contains 2 sections: The Employer's Information and Certification (Section A), to be completed by the employer, and the Claimant's Certification and Information, (Sections B and C), to be completed by the employee.

After the *Initial Claim and Payment Certification* is completed by both the Work Sharing employer and the participating employee, the certification is mailed by the participating employee to the Special Claims Office. If the Work Sharing employer elects to mail the completed certification on behalf of the employee, the employer must comply with specified timeliness requirements.

The ***Employer's Work Sharing Certification*** is completed by both by the employer and the participating employee. The form can be used for one or two consecutive weeks, and first asks the employer to provide earnings, wage, and absence information related to the employee during that week, then "issue" the form to the employee. The employee then verifies the employer's portrayal of work during the week(s), confirms their address information, and responds to questions about their work for any other employers. It is then the employee's responsibility to mail the form (though employers can mail the form if the employee prefers) to the Special Claims Office within 14 days of receipt.

If benefits are approved, employees will receive a [Notice of Unemployment Insurance Claim Award \(DE 429Z\)](#), providing their weekly benefit amount<sup>16</sup>. Employees will receive a percentage of that amount proportional to their reduced hours and wages for each week. Work Sharing benefits are issued using an EDD Debit Card or by Check.

<sup>15</sup> Sample copies of such forms are available [here](#).

<sup>16</sup> To see how weekly benefit amounts in California are calculated, see [here](#).

## Appendix B: Summary of Relevant CARES Sections Pertaining to STC

Section 2108 of the Coronavirus Aid, Relief, and Economic Security Act, or “CARES ACT”, temporarily provides States with STC/Work-Share programs already in place federal funding for 100 percent of STC payments to individuals through the end of 2020.

Section 2110 provides \$100 million in grants to states to help implement and administer such programs. States must submit plans for grants with intent to use the funds for:

- The creation and support of rapid response teams to advise employers about how STC can function as an alternative to layoffs
- The provision of education or assistance to employers to enable them to assess the feasibility of participating in work-sharing programs
- The development or enhancement of systems to automate:
  - The submission and approval of plans
  - The filing and approval of new and ongoing STC claims

## Appendix C: Fast Tracking Frameworks

Below, “ED” refers to a State’s Employment Department. “WBA” refers to the weekly benefit amount an STC employee is eligible to receive. While the formulas to calculate WBA’s vary from state to state<sup>17</sup>, they generally rely on the same set of information.

Different methods of fast-tracking applications and benefits are feasible, and which process is optimal will likely depend on State-specific factors. Here, we present 5 potential frameworks.

1. **The Status Quo:** Employers apply for STC programs through the ED<sup>19</sup>, including a list of eligible workers and SSNs. Employers then provide a partially-completed STC form to employees, who then complete and sign the form. Then either the employer or the employee can mail the form to the ED, who then verifies eligibility, calculates each employee’s WBA, and processes payments. Payments are made through either an ED debit card or by check.
2. **Worker’s Calculate WBA schedules, provide to firms, who pay benefits:** Many EDs already provide online modules for UI recipients to estimate their WBA by manually entering their earnings histories.<sup>20</sup> Under this framework, workers would enter their information (SSN and earnings history) into the module, which would output a WBA schedule (where the realized WBA is dependent on the reduction in earnings for each week under the STC). The ED then saves this schedule, (in order to verify employment

<sup>17</sup> An comparison of State formulas for base periods and WBAs is available [here](#).

<sup>18</sup> This is the status quo for the State of California. Some states may operate slightly differently.

<sup>19</sup> In California, the application looks like [this](#), and must be mailed into the EDD. Ideally, these applications would be processed online.

<sup>20</sup> For example, California’s UI estimator is available [here](#).

later), and the ED gives the WBA list to the employer. The employer then uses the WBA list to pay employees' benefits as a separate part of their regular paycheck. Employers are later reimbursed for the STC payments through State tax credits.

3. **The Gold Standard:** Under this framework, employers apply for the STC program on the ED's online platform, uploading the SSN of relevant employees (along with other necessary documentation) to the ED. The online platform, which is connected to the ED's earnings history information for each employee, automatically calculates the WBA schedule for each employee, and returns it to firms. Employers use this schedule to pay eligible employees' benefits as a separate part of their regular paycheck. Employers are later reimbursed for the STC payments through State tax credits.
4. **The Silver Standard:** Under this framework, employers apply for the STC program on the ED's online platform, uploading the SSN of relevant employees (along with other necessary documentation) to the ED. The online platform, which is connected to the ED's earnings history information for each employee, determines the eligibility for each employee. Employees then register accounts on the online platform to collect benefits through the ED.
5. **Payroll Processing Firms:** Under this framework, States work with payroll processing firms to create an STC module. Employers who use large payroll processing firms would work with such firms to submit an STC program application (allowing payroll firms to acquire expertise and provide guidance to employers). The ED would then approve or reject the plan, and then work with the payroll company to process benefits as part of regular paychecks. Such a framework would leverage the economies of scale large payroll firms provide, (as they serve many employers with STC plans) while taking a share of the administrative burden off of EDs.

### **What information is included in an STC application that should be considered?**

An example of an STC application (to be submitted by an employer through the mail) in California is [here](#). The application asks for the following information:

- Employee information (Name, Department, SSN)
- Employer schedule information (what holidays the firm observes)
- Basic eligibility and administrative questions
  - Pay period cycle
  - Payroll ending dates
  - Method of notifying employees
  - Union/Collective Bargaining Agreement questions
  - STC plan details (number of employees involved, expected work reductions, plans for health and retirement benefits)

After a program is approved, a worker and employer must complete an "Initial Claim and Payment Certification."<sup>21</sup>

<sup>21</sup> Pages 29-32 [here](#).

The Initial Claim and Payment Certification asks the employer for:

- Normal weekly hours and wages
- Total wages and hours
- Percent reductions in wages and hours
- Employee absences
- Dates and hours used for work sharing reductions
- Both employer and employee signatures

It then asks the employee/claimant for:

- Other work during that week
- Other earnings
- Tax withholdings
- Personal info (Name, DOB, Gender, SSN)
- Mailing Address, Phone number
- Previous UI use
- Government work or Military service history
- Work in other states
- UI use in other states
- Driver's License info
- Citizenship & immigration status/work authorization
- Pension Information
- Previous employment (type of business & type of work)
- Workers' compensation
- Language preferences
- Claimant signature
- SSN

In addition, a separate supply of Work Sharing Certification forms<sup>22</sup> are sent to the employer. These are similar to the initial claim and certification form discussed above, but shorter. Both the employer and the employee must complete a Work Sharing Certification form (1 page each) for each week an employee qualifies to participate in the Work Sharing program.

The form asks the employer about:

- Normal weekly wages
- Actual wages paid
- Percentage of wage reduction due to work sharing
- Normal weekly hours
- Actual hours worked
- Percent of hours reduction due to work sharing
- If the employee refused any work opportunities
- Dates and hours used for work sharing reductions

<sup>22</sup> Pages 44-45 [here](#)

- Employee absences
- Employer information and signature

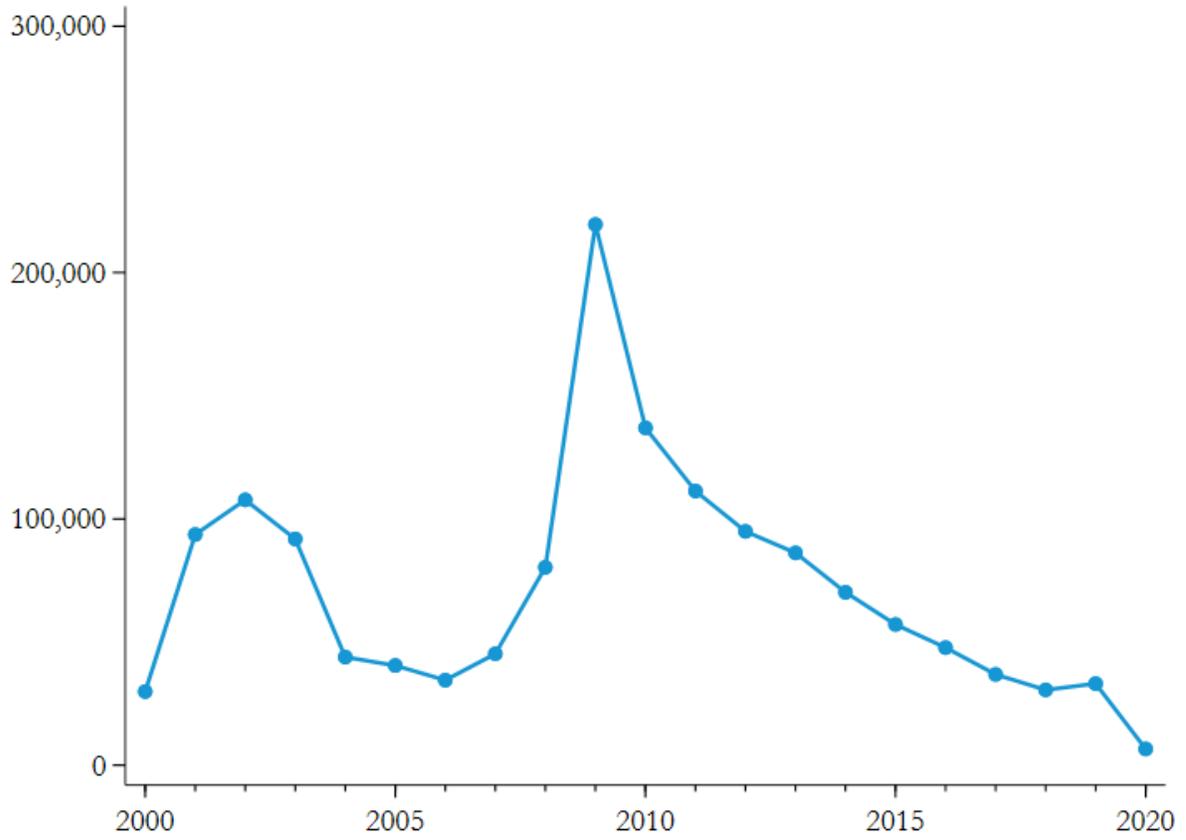
The form asks the employee for:

- Address information
- Other work and earnings
- Tax withholdings
- Employee SSN
- Employee signature

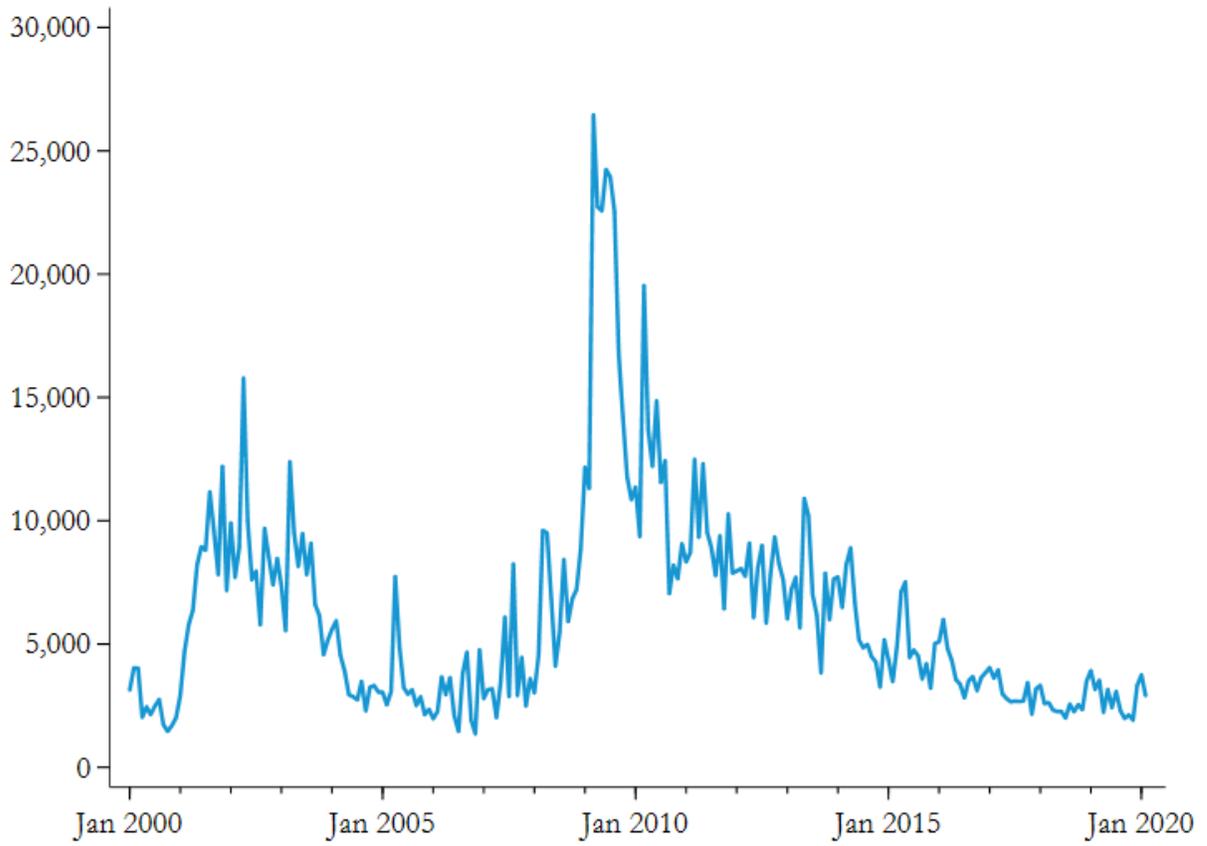
Weekly forms could be easily completed through an online ED platform in the same way that many firms track employee hours. Forms such as the “Initial Claim and Payment Certification”, which requires both employee and employer signatures, could simply send the same copy to both employer and employee for digital signatures.

**Appendix D: Tables and Figures**

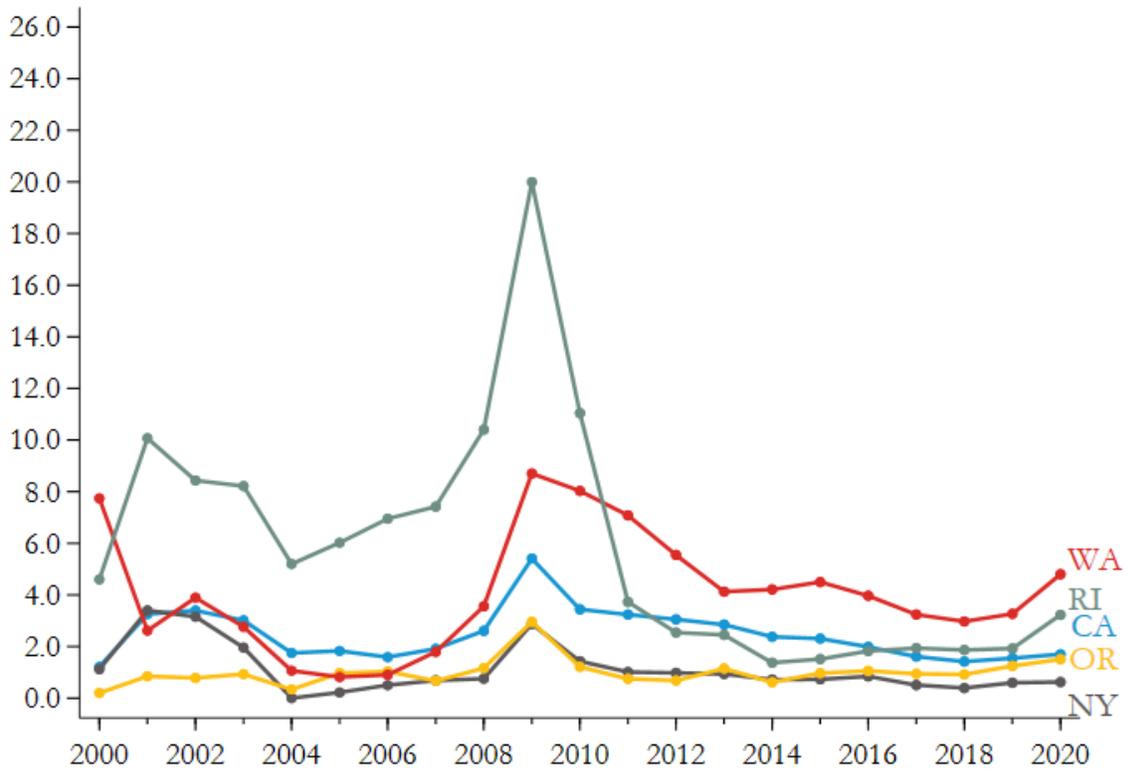
**Figure 1. Annual Initial Claims for Work Sharing (Short-Time Compensation) Peaked at over 219,000 Individuals in 2009**



**Figure 2. Monthly Initial Claims for Work Sharing (Short-Time Compensation) in California Peaked in 2009**



**Figure 3. Initial STC Claims as a Percent of Initial UI Claims**



Source: Office of Unemployment Insurance Data  
 UI Claims include "State UI Claims" (c1) from ETA Table ax5159 + Workshare Claims  
 Workshare Claims include "New Intrastate Excluding Transitional" claims (c1) + "Additional Intrastate" claims (c2) from Table aw5159.

**Table 1: Benefits of Short-Term Compensation (STC) Compared to Unemployment Insurance (UI), Including \$600/week from Pandemic Unemployment Assistance**

Annual Earnings (in base period)	Weekly Wages (WW)	Weekly Wages Replaced at 50% (based on 50 weeks worked)	Regular Weekly UI Benefit Amount (=0.5*W capped at \$450)	Current Weekly UI Benefit Amount Including \$600 from PUA	Total Weekly Income for Workers on Short-Time Compensation (Including \$600 from PUA) by Fraction of Work Reduction and Pre-Crisis Annual Earnings:								Difference in Weekly Benefits by Fraction Work Reduction and Pre-Crisis Annual Earnings [STC benefits minus UI benefits]							
					0.1	0.2	0.3	0.4	0.5	0.6	0.8	0.1	0.2	0.3	0.4	0.5	0.6	0.8		
\$20,000	\$400	\$200	\$200	\$800	\$980	\$960	\$940	\$920	\$900	\$880	\$840	180	160	140	120	100	80	40		
\$30,000	\$600	\$300	\$300	\$900	\$1,170	\$1,140	\$1,110	\$1,080	\$1,050	\$1,020	\$960	270	240	210	180	150	120	60		
\$40,000	\$800	\$400	\$400	\$1,000	\$1,360	\$1,320	\$1,280	\$1,240	\$1,200	\$1,160	\$1,080	360	320	280	240	200	160	80		
\$50,000	\$1,000	\$500	\$450	\$1,050	\$1,545	\$1,490	\$1,435	\$1,380	\$1,325	\$1,270	\$1,160	495	440	385	330	275	220	110		
\$60,000	\$1,200	\$600	\$450	\$1,050	\$1,725	\$1,650	\$1,575	\$1,500	\$1,425	\$1,350	\$1,200	675	600	525	450	375	300	150		
\$70,000	\$1,400	\$700	\$450	\$1,050	\$1,905	\$1,810	\$1,715	\$1,620	\$1,525	\$1,430	\$1,240	855	760	665	570	475	380	190		
\$80,000	\$1,600	\$800	\$450	\$1,050	\$2,085	\$1,970	\$1,855	\$1,740	\$1,625	\$1,510	\$1,280	1035	920	805	690	575	460	230		
\$90,000	\$1,800	\$900	\$450	\$1,050	\$2,265	\$2,130	\$1,995	\$1,860	\$1,725	\$1,590	\$1,320	1215	1080	945	810	675	540	270		
\$100,000	\$2,000	\$1,000	\$450	\$1,050	\$2,445	\$2,290	\$2,135	\$1,980	\$1,825	\$1,670	\$1,360	1395	1240	1085	930	775	620	310		
\$110,000	\$2,200	\$1,100	\$450	\$1,050	\$2,625	\$2,450	\$2,275	\$2,100	\$1,925	\$1,750	\$1,400	1575	1400	1225	1050	875	700	350		
\$120,000	\$2,400	\$1,200	\$450	\$1,050	\$2,805	\$2,610	\$2,415	\$2,220	\$2,025	\$1,830	\$1,440	1755	1560	1365	1170	975	780	390		
\$130,000	\$2,600	\$1,300	\$450	\$1,050	\$2,985	\$2,770	\$2,555	\$2,340	\$2,125	\$1,910	\$1,480	1935	1720	1505	1290	1075	860	430		
\$140,000	\$2,800	\$1,400	\$450	\$1,050	\$3,165	\$2,930	\$2,695	\$2,460	\$2,225	\$1,990	\$1,520	2115	1880	1645	1410	1175	940	470		
\$150,000	\$3,000	\$1,500	\$450	\$1,050	\$3,345	\$3,090	\$2,835	\$2,580	\$2,325	\$2,070	\$1,560	2295	2040	1785	1530	1275	1020	510		
\$160,000	\$3,200	\$1,600	\$450	\$1,050	\$3,525	\$3,250	\$2,975	\$2,700	\$2,425	\$2,150	\$1,600	2475	2200	1925	1650	1375	1100	550		
\$170,000	\$3,400	\$1,700	\$450	\$1,050	\$3,705	\$3,410	\$3,115	\$2,820	\$2,525	\$2,230	\$1,640	2655	2360	2065	1770	1475	1180	590		
\$180,000	\$3,600	\$1,800	\$450	\$1,050	\$3,885	\$3,570	\$3,255	\$2,940	\$2,625	\$2,310	\$1,680	2835	2520	2205	1890	1575	1260	630		
\$190,000	\$3,800	\$1,900	\$450	\$1,050	\$4,065	\$3,730	\$3,395	\$3,060	\$2,725	\$2,390	\$1,720	3015	2680	2345	2010	1675	1340	670		
\$200,000	\$4,000	\$2,000	\$450	\$1,050	\$4,245	\$3,890	\$3,535	\$3,180	\$2,825	\$2,470	\$1,760	3195	2840	2485	2130	1775	1420	710		

Note: Comparison is between weekly income on UI when worker is laid off vs. weekly income under STC for varying percentages of reduction hours worked. Weekly costs of health insurance not included. Health insurance costs can range approximately from \$80 to \$120 per week for an individual, and approximately from \$150 to \$300 per week for a family of three (not including subsidies).

**Table 2: Back-of-Envelope Estimates of Outlays from the California UI System With and With-Out Enrollments in the Work Sharing (STC) Program**

<b>Zero Work-Share Claims</b>	<b>Best Guess</b>	<b>In Between</b>	<b>Large Recession</b>	<b>Very Large Recession</b>
Projected Total Unemployment:	411,428	800,000	1,142,857	1,600,000
Expected Total UI Claims	288,000	560,000	800,000	1,120,000
<b>Total UI Benefits Paid Under Zero Work-Sharing (millions)</b>				
Duration of Recession				
1 Month	499	971	1,387	1,941
3 months	1,498	2,912	4,160	5,824
6 Months	2,995	5,824	8,320	11,648
<b>Total number of Individuals receiving Work-Share Benefits</b>				
	28,800	56,000	80,000	112,000
Total number of individuals receiving full UI if STC in place				
	259,200	504,000	720,000	1,008,000
<b>Total UI Benefits Paid with Work-Share in Place</b>				
Duration of Recession				
1 Month	449	874	1,248	1,747
3 Months	1,348	2,621	3,744	5,242
6 Months	2,696	5,242	7,488	10,483

Notes:

Projected Unemployment numbers based off of EPI projections.

Expected Total UI Claims computed as 70% of projected total unemployment.

Calculations use an average weekly benefit amount (WBA) of \$400.

The current balance of the UI Trust Fund as of January 2020 is \$3.2 Billion.

**Table 3: Initial STC Claims in California**

Year	Initial STC Claims
2000	29,952
2001	93,688
2002	107,756
2003	91,874
2004	43,938
2005	40,510
2006	34,567
2007	45,276
2008	80,402
2009	219,580
2010	136,991
2011	111,347
2012	94,971
2013	86,259
2014	70,227
2015	57,153
2016	47,791
2017	36,889
2018	30,614
2019	33,168
2020	6,639

Source: Department of Labor, OUI. ETA 5159