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Education, Health, and
Environmental Affairs Committee

Chair, Joint Committee on
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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Sponsor Testimony In Support of SB771 - Work Sharing (Work Share Expansion Act of 2021)

March 2nd, 2021

Good afternoon Chairwoman Kelley, Vice Chair Feldman, and members of the Senate Finance Committee:

Thank you for your consideration of Senate Bill 771, the Work Share Expansion Act of 2021. Over the past year, our small business community has had to deal with unprecedented challenges on a scale that we have never faced before. My office, like many of yours, has received countless requests from small businesses requesting technical and financial assistance to weather these trying times. I want to thank all the members of this body for all the hard work you've already done, and extend a special thank you to Senator Feldman and Senator for participating in our interim bipartisan small business workgroup.

Over the interim in the small business workgroup, we discussed how Maryland businesses will need significant assistance not just in the short term, but throughout the coming recovery effort. According to FEMA, 40% of businesses do not reopen following a disaster. Of those that do reopen, another 25% fail within one year. Similar research from the Small Business Administration indicates that over 90% of businesses fail within two years after being struck by a disaster. Recovery doesn't end when a business reopens their doors. It continues through the years following a disaster. And following this disaster, our businesses will need a set of tools to manage fluctuating demand and the uncertainty that is inherent in the impending recovery effort.

This bill seeks to provide one such tool for our businesses by expanding and improving our existing work share program. The work share program was created in 1984, as a layoff aversion program for employers. Instead of laying off 20% of their employees, a business owner could

reduce the hours for their employees by 20% and enroll in the workshare program. By doing so, each of their employees would receive 20% of their unemployment insurance benefits, and the employer would be able to keep the employees they have worked hard to recruit and train together.

This bill would expand the flexibility of the program, allowing it to be used as a powerful rehiring tool for businesses as they reopen and recover from the COVID-19 pandemic by:

- Expand eligibility for the work share program to include paid apprentices and interns, as well as individuals rehired following a temporary closure or layoff due to the COVID-19 Pandemic.
- Expands the allowable range of reduced hours under the program from 20% - 50% to 10% - 60%.

In order to ensure this bill is implemented effectively and with fidelity, this legislation also requires the Department to process work sharing applications within 10 days, and sets a goal for the Department of achieving 4% of work sharing claims as a percentage of total unemployment claims by June 1st, 2021. In my own conversations with my local small businesses, they never seemed to be aware that the workshare program was available. Awareness surrounding this program is a major challenge to employer utilization, so in this legislation we direct the Department to raise that awareness by:

- Sending notice to employers currently paying UI taxes, informing of their eligibility for work share and informing of them of how to contact the department to participate
- Contracting with a marketing consultant to attract employers to the work share program

Additionally, in the COVID aid packages passed over the past year, the Federal Government has committed to providing reimbursement for 100% of workshare claims. Therefore, while claims made through traditional unemployment are assessed against the Unemployment Insurance Trust Fund (UITF), work share claims will be covered entirely by the Federal Government. Expanding work share now will allow us to contribute to the solvency of our own UITF, thereby keeping employer unemployment insurance tax rates low over the coming years.

Additionally, due to the fact that work share is an unemployment insurance program, employees who are enrolled in a workshare program are eligible for Federal Pandemic Unemployment Compensation (FPUC), the \$300 monthly benefits layered on top of Unemployment benefits for our constituents. This makes returning to work economically beneficial for employees throughout the State who may be receiving greater benefits through unemployment insurance at this time, thereby making it easier for employers to recruit and rehire employees who were previously laid off due to the COVID-19 pandemic.

With so much recovery work to be done, the State of Maryland cannot afford to leave any options off the table for our employers and employees. In this legislation, we have the opportunity to provide our employers with a flexible tool necessary to meet the challenges posed by a recovery effort, and implement sound policy for the solvency of our State UITF. Therefore, I respectfully request a favorable report for Senate Bill 771.

Sincerely,

A handwritten signature in black ink that reads "Katie Fry Hester". The signature is written in a cursive, flowing style.

Senator Katie Fry Hester
Carroll and Howard Counties