

Testimony of

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**Maryland Senate Finance Committee Hearing
SB 771 Work Share Expansion Act of 2021)**

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Thank you very much for the opportunity to speak with you today about SB 771, the Work Share Expansion Act of 2021. I have long been an advocate for work sharing during temporary business downturns as an alternative to layoffs. The measures outlined in SB 771 would be positive steps towards encouraging greater use of work sharing by Maryland employers.

Under a work-share plan, employers experiencing a temporary reduction in business agree to cut employees' hours instead of laying off workers entirely. Rather than laying off 20 percent of the workforce, for example, an employer might cut everyone's hours by 20 percent. Employees on reduced hours receive unemployment benefits in proportion to the reduction in their hours. Businesses benefit by retaining valued employees and by avoiding recruitment and training costs when economic conditions return to normal. Workers benefit by retaining most of their income and also retaining their access to employer-provided health insurance — a critical factor in the current pandemic.

The use of work sharing has been much more widespread in many European countries than in the United States (Eyméoud et al. 2021), but usage here has begun to grow. At the start of the pandemic, 25 states, including Maryland, had active work-share programs. Usage of these programs has varied considerably across states. The first table attached to my statement reports figures on the use of work sharing in each of the 25 states with active programs as of the week ending July 25, 2020, the point during the pandemic when the overall use of work sharing was highest. The second table reports the use of work sharing in the same states six months later, during the week ending January 30, 2021. These are tabulations of data reported by the states to the U.S. Department of Labor. In each of these two weeks, Maryland ranks 21st out of the 25 states with active work-share programs in the number of people on work sharing as a percent of the total number of people collecting either work-share or regular unemployment insurance benefits.

Research and the experience in other states provide a number of lessons about barriers that may prevent employers for whom it might be beneficial from making use of work sharing:

- First, many employers do not know about their states' work-share programs (Balducchi et al. 2015). Research has shown that even modest efforts to advertise the program not only raise employer awareness of the work-share option but also can raise their use of it (Houseman et al. 2017). Usage of existing work-share programs has been highest in states where state leaders have actively promoted their use.

- Second, requirements that limit the flexibility of a work-share program can make it less attractive to employers.

Under current federal law, state work-share programs may authorize reductions in hours of between 10 percent and 60 percent. Current Maryland law, however, limits the allowable reduction in hours under a work-share plan to between 20 percent and 50 percent.

A related dimension of flexibility is whether the reduction in hours in a given week may differ across employees. Federal law does not specify a requirement in this regard. Current Maryland law states that reductions in normal weekly hours shall be “applied equally to all employees in the affected unit for all weeks of the plan unless waived by the Secretary for good cause” (MD Code, Labor and Employment, § 8-1204).

A final dimension of flexibility concerns the circumstances under which work sharing is permissible. The Employment and Training Administration of the U.S. Department of Labor has clarified that, under federal law, work-share benefits may be offered to workers who are being recalled to businesses that were temporarily affected by the pandemic (Employment and Training Administration 2020). Under current Maryland law, however, one of the conditions for approval of a work-share plan is employer certification that “each affected employee has been continuously on the payroll of the employing unit for 3 months immediately before the date on which the employing unit or employer association submits the work sharing plan” (MD Code, Labor and Employment, § 8-1204).

- Third, application processes that are slow or burdensome can discourage employer participation in work-share programs (von Wachter 2020).

Senate Bill 771 addresses all of these barriers to participation in the Maryland Work Share program. It calls for the Maryland Department of Labor to market the program to employers. It makes the program more flexible by broadening the range of hours reductions permitted under approved work-share plans, explicitly permitting the reduction in hours to differ across employees, and clarifying that employees recalled from layoffs due to the pandemic are eligible. And it calls on the Department to ensure that work share applications are processed promptly and to take other steps as needed to raise the use of work sharing.

The bill sets a target for work sharing claims as a percentage of total unemployment insurance claims to be achieved by June 1, 2021. As time will be required to implement the actions called for in the legislation, it may or may not be feasible to achieve this specific objective. Regardless, the measures envisioned in Senate Bill 771 would be important steps towards achieving the core objectives of the Maryland work-share program.

References

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Work-sharing Claims as a Percent of Work-sharing plus Regular State Unemployment Insurance Claims by State, Week Ending July 25, 2020

	Work-sharing Claims	Regular State plus Work- sharing Claims	Work-sharing Claims as a Percent of Total Claims	State Rank in Work-Sharing Claims Percent
Arizona	5,486	236,658	2.3%	18
Arkansas	12,530	89,588	14.0%	4
California	16,734	2,802,199	0.6%	22
Colorado	4,221	227,318	1.9%	19
Connecticut	13,643	263,394	5.2%	10
Florida	3,668	633,863	0.6%	23
Iowa	3,702	106,989	3.5%	13
Kansas	13,768	88,881	15.5%	3
Maine	1,435	54,502	2.6%	16
Maryland	2,959	205,656	1.4%	21
Massachusetts	8,834	518,829	1.7%	20
Michigan	115,214	605,468	19.0%	1
Minnesota	10,194	295,859	3.4%	14
Missouri	16,124	188,039	8.6%	7
Nebraska	3,175	48,903	6.5%	8
New Hampshire	2,755	63,700	4.3%	12
New Jersey	1,104	468,198	0.2%	25
New York	40,074	1,686,432	2.4%	17
Ohio	22,521	405,754	5.6%	9
Oregon	29,863	213,860	14.0%	5
Pennsylvania	3,144	635,368	0.5%	24
Rhode Island	5,921	64,687	9.2%	6
Texas	36,552	1,237,579	3.0%	15
Washington	66,742	389,929	17.1%	2
Wisconsin	11,122	216,819	5.1%	11

Source: ETA 539 Weekly Claims and Extended Benefits Trigger Data and own calculations

Note: Numbers shown are continuing claims.

Work-sharing Claims as a Percent of Work-sharing plus Regular State Unemployment Insurance Claims by State, Week Ending January 30, 2021

	Work-sharing Claims	Regular State plus Work- sharing Claims	Work-sharing Claims as a Percent of Total Claims	State Rank in Work-Sharing Claims Percent
Arizona	796	70,500	1.1%	20
Arkansas	600	24,724	2.4%	13
California	13,236	781,605	1.7%	18
Colorado	1,282	73,789	1.7%	17
Connecticut	7,486	90,288	8.3%	2
Florida	354	187,760	0.2%	24
Iowa	612	48,471	1.3%	19
Kansas	47	23,874	0.2%	23
Maine	695	18,553	3.7%	7
Maryland	693	75,145	0.9%	21
Massachusetts	3,063	169,842	1.8%	16
Michigan	8,364	192,774	4.3%	6
Minnesota	2,796	123,081	2.3%	14
Missouri	4,304	60,758	7.1%	4
Nebraska	548	17,032	3.2%	10
New Hampshire	792	27,816	2.8%	11
New Jersey	3,952	140,447	2.8%	12
New York	10,661	469,816	2.3%	15
Ohio	6,274	169,506	3.7%	8
Oregon	6,154	85,765	7.2%	3
Pennsylvania	454	318,909	0.1%	25
Rhode Island	1,855	29,032	6.4%	5
Texas	12,348	340,710	3.6%	9
Washington	16,169	168,087	9.6%	1
Wisconsin	807	105,297	0.8%	22

Source: ETA 539 Weekly Claims and Extended Benefits Trigger Data and own calculations

Note: Numbers shown are continuing claims.