

Abraham testimony 3-2-2021.pdf

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Testimony of

**Professor Katharine G. Abraham
University of Maryland**

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

March 2, 2021

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

Balducchi, David, Stephen Wandner, Annelies Goger, Zachary Miller, Sandeep Shetty, Cassandra Agbayani, and Jasmine Eucogco. 2015. *Employer Views about the Short-Time Compensation Program: A Survey and Analysis in Four States*, Report to the U.S. Department of Labor.

Employment and Training Administration, U.S. Department of Labor. 2020. “Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Short-Time Compensation (STC) Program Provisions and Guidance Regarding 100 Percent Federal Reimbursement of Certain State STC Payments,” Unemployment Insurance Program Letter 21-20, May 3.

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Von Wachter, Till. 2020. “A Proposal for Scaling Enrollments in Work Sharing (Short-Time Compensation) Programs During the Covid-19 Crisis: The Case of California,” University of California, Los Angeles, April 2.

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.

GCCC Testimony SB 771 Work Share Expansion 3-2-21.

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Position: FAV



Testimony offered on behalf of:
THE GARRETT COUNTY CHAMBER OF COMMERCE

FAVORABLE:
SB 771 – Unemployment Insurance - Work Sharing (Work Share Expansion Act of 2021)

Finance Committee
March 2, 2021

On behalf of the Garrett County Chamber of Commerce, representing 600 member organizations in Western Maryland, I write to express our support for **SB 771 – Unemployment Insurance - Work Sharing (Work Share Expansion Act of 2021)**.

Throughout the pandemic, the use of the Work Share program was a safety net for many businesses and saved lots of jobs of Marylanders. It also reduced the strain on the overburdened unemployment insurance fund. Expanding this program will continue to provide much needed assistance to employers and protect hundreds of jobs.

Due to severe losses in revenue caused by the pandemic, businesses had lay off employees. However, by utilizing the Work Share program businesses were able to retain employees through partial lay-offs. Employers who participate in Work Sharing can retain employees by temporarily reducing the hours of work, among employees within the affected unit(s). The employees with reduced work hours receive partial unemployment insurance benefits to supplement lost wages.

Currently, the law requires the temporary reduction of hours worked to be in the range of 20% to 50%. This bill would amend the reduction requirement of hours worked to 10%-60%. This would allow more businesses to take advantage of the program and would save even more jobs.

The benefits to employers include:

- Maintain productivity and quality service
- Retain experienced employees
- Keep employee morale high
- Flexibility to utilize Work Sharing for the entire business or just select unit(s)
- Maintain full staff for future business growth when economic conditions return
- Save the expense and time of recruiting, hiring, and training new employees
- Gradually reopen business operations by rehiring former employees at reduced hours





The benefits to employees include:

- Keep current job
- Continue to earn wages from the employer for hours worked
- Receive prorated unemployment insurance benefits to supplement lost wages*
- Health and retirement benefits will not be reduced or eliminated, unless they are reduced or eliminated for the entire workforce
- Not required to meet the same terms as those on regular unemployment insurance, such as actively searching for work or accepting offers of suitable work other than from the Work Sharing employer

Please help Marylanders help businesses through crisis and protect jobs by giving **SB 771 a FAVORABLE REPORT.**

Sincerely,

Nicole Christian, CCE, IOM

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President & CEO

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Favorable Work Share Steve Green.PDF

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Position: FAV



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My name is Steve Green, owner of High Mountain Sports at Deep Creek Lake. I am in beautiful Deep Creek Lake located in Garrett County where we have had 109 inches of snow this year.

Last Spring, I had the unfortunate decision to make over whether to lay off my employees and myself. It was one of the hardest decisions I have ever made in my life. We were low on cash after paying a substantial federal tax bill, investing in machinery and paying cash for to take advantage of the Section 179 tax deduction. The Wisp Ski Area in Maryland had shut down as well as all ski areas in North America, due to the pandemic so our business essentially came to a standstill. Our online business was unable to sell skis and snowboards to those going on vacation out west in April as all the ski areas were closed.

During this process I became aware of the Work Sharing Program. I attended a virtual seminar. I sent an email request to the Department of Labor and had a response halfway thru the seminar. Please keep in mind at this time several of my employees were trying to find answers to unemployment questions and were unable to get responses. So, I was excited about this program and a lot of it had to do with the fact that someone was there to help me from the Department of Labor.

We put in our application and were approved. At this point the Outdoor Recreation Pandemic Boom was starting to take off. We had no employees and limited resources. Our capital was tied up and not in cash. Due to the Work Share program we were able to bring our employees back on a partial schedule which allowed us to bring in revenue and start to ramp back up. As things progressed, we went to 80% employment allowing the Work Share Program to

cover the other 20%. After 6 weeks on the Work Share program we had the resources to put everyone back to work full time and seek new employees.

I must say that having the ability to hire my employees back and still allow them to get the Federal Unemployment Benefit was a big morale booster.

As an employer worried about how the State will recover the Unemployment fund I am a huge proponent of the Work Share program. Allowing for the 100% payment of unemployment from the Federal Government is a no brainer. Fiscally this is just a great, great tool.

MDGA_SenatorHester_FAV_SB771.pdf

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Position: FAV

KATIE FRY HESTER
Legislative District 9
Carroll and Howard Counties

Education, Health, and
Environmental Affairs Committee

Chair, Joint Committee on
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THE SENATE OF MARYLAND
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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

Testimony_SB771 Unemployment Insurance.pdf

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Position: FAV

SUPPORT

SB 771 Unemployment Insurance - Work Sharing (Work Share Expansion Act of 2021)

The Howard County Chamber of Commerce (Chamber) is a business organization comprised of small businesses, corporations, non-profits, and governmental agencies all working together for the betterment of the Howard County business community. Our mission is to provide advocacy, connections, and access to timely information to advance the growth and success of the Howard County business community.

We come to you at this moment on behalf of our 700 plus member companies and others out of support for SB 771. One does not have to elaborate for a lengthy period to articulate the impact Covid 19 has had on the employer community. Whether small business or large, institution or non-profit, the coronavirus pandemic has wreaked havoc.

In response to the pandemic, local governments and state agencies implemented programs to keep businesses afloat and employees gainfully employed. In other instances, pre-existing programs were ramped up. One program of note is the Work Sharing program which was enacted in 1984 by the Maryland General Assembly and is a voluntary program that provides an alternative to layoffs for employers faced with a temporary, non-cyclical decline in business due to lower economic activity. The program is designed to avoid layoffs by preserving jobs for current employees and to assist businesses that have already undertaken layoffs to reopen and resume operations gradually. Employers who participate in Work Sharing can retain employees by temporarily reducing the hours of work, within a range of 20% to 50%, among employees within the affected unit(s). The employees with reduced work hours receive partial unemployment insurance benefits to supplement lost wages.

Despite the positive benefits of the program, many businesses are either unaware of work share or have employees that are ineligible. By expanding the work share program, more businesses will be able to participate in the program. The expansion of the affected employee definition will change the legislation for the positive as it will include interns and apprenticeships. The inclusion of apprentices is of great value considering the emphasis the state and local governments have placed on the apprenticeship program.

Equally as important is the fact this legislation includes resources to contract with a marketing firm for promotion. The state has numerous programs that could be of great



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value to business, but businesses often are unaware of their existence. It has been our experience that state agencies have implementation dollars but not funds for marketing and communications thereby creating a gross disconnect. Ultimately, you have underutilized programs because people do not know about them.

In closing, we ask that the Committee members give SB771 a favorable report. In doing so, you will make a quality program more impactful.

SB771_INF_MRA.pdf

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Position: INFO

MARYLAND RETAILERS ASSOCIATION

The Voice of Retailing in Maryland



SB771, SB790, SB811, SB814, SB816, SB817, SB818

Finance Committee

March 2, 2021

Position: Informational (SB771)

Background: A variety of bills have been filed to address the structure and solvency of the state's Unemployment Insurance Trust Fund (UITF). The Maryland Retailers Association (MRA) serves on the State's Joint Committee on Unemployment Insurance that meets to review and discuss bills to try to find consensus on changes to the law. Unfortunately, the Committee has not been able to meet yet this year due to the unusual nature of the 2021 Session. Stakeholder involvement is critical to be sensitive to many concerns.

Comments: Due to the business closures and economic burdens caused by the COVID-19 pandemic, the UTIF balance is currently shrinking at the fastest rate that we have experienced in the last century. According to the Issue Papers developed by the Department of Legislative Services, claimants received \$1.4 billion in benefits from the UTIF between March and September 2020.

Employers in Maryland are responsible for paying into the State UTIF, and their unemployment insurance tax rates are based in part on the solvency of the UTIF. As this Committee is considering a variety of bills that have been proposed regarding this issue, MRA has concerns that some proposals, including those to increase the income disregard amount for weekly benefits, could have an adverse effect on small businesses by drastically increasing the unemployment insurance tax rates for businesses. We urge the committee to be sensitive to the financial challenges that are not resolved for many businesses who could be crushed by such a massive, immediate increase.

MRA would respectfully recommend that this body move measures such as those proposed in SB811, which was modeled after legislation passed in New Jersey. This proposal would create a phase-in system for employers so they do not go from table F to table A overnight. Mitigating these increases would more appropriately balance providing for the solvency of UTIF with protecting small businesses from high tax rates.

MRA also supports proposals like those included in SB814 and SB816, which would help to ease the burdens on small businesses that are still recovering from the shut-downs imposed due to the pandemic. Additionally, MRA supports efforts to study the current UTIF system, like those proposed in SB817. MRA would be happy to review and work with proponents on SB771, SB790, and SB818.

Thank you for your consideration. We look forward to working with the Committee on this important issue.