

MINUTES OF THE House COMMITTEE ON Labor and Industry

Held in Room 526-S, at the Statehouse at 9:00 a. m./~~p.m.~~,

on March 4, 19 83.

All members were present except:

All members were present.

The next meeting of the Committee will be held at 9:00 a. m./~~p.m.~~,

on March 22, 1983, 1983.

These minutes of the meeting held on _____, 1983 were considered, corrected and approved.


Chairman

The conferees appearing before the Committee were:

Mr. Stew Entz
Representative Henry M. Helgerson, Jr.
Mr. Steve Goodman, Dept. of Human Resources
Mr. Jim Gregory, Beech Aircraft
Representative Leary J. Johnson
Mr. Wayne Michael, KS AFL-CIO
Mr. Rob Hodges, Kansas Assoc. of Commerce and Industry

Chairman Douville called the meeting to order at 9:00 a.m.

H.B. 2379 was taken up first. Mr. Stew Entz spoke as a proponent of the bill. A motion was made by Representative Friedeman to amend this bill by adoption of a substitute bill containing a proposed amendment to the definition "wholly dependent child or children," as proposed by the chairman. The motion was seconded by Representative Miller. A discussion followed. The committee voted, and the motion was passed.

Representative Henry Helgerson was then called to the speakers stand to give testimony on H.B. 2357. The committee was given attachment #1. After some discussion a motion was made by Rep. Darrell Webb that H.B. 2357 be moved out favorable for passage. The motion was seconded by Representative Herman Dillon. There was no further discussion. The committee voted and the motion was carried.

Chairman Douville then brought the attention of the committee to H.B. 2120. A substitute motion was made by Representative Friedeman to change the \$5,000.00 on page 3 to \$3,200.00 and the rest of the bill be passed out favorably. A discussion followed. The motion was seconded. H.B. 2120 was voted on and passed as amended.

Chairman Douville then asked if anyone wanted to speak on H.B. 2511. Steve Goodman spoke briefly. A motion was made by Representative Sutter that H.B. 2511 be reported favorably. The motion was seconded by Representative Friedeman. The committee voted and that motion was carried.

In regard to H.B. 2513 we need to find out whether or not the bill would be in non-conformity with the Federal Law. The bill will be taken up, hopefully, during the interim study.

Chairman Douville then called Representative Johnson to the speakers stand to speak on H.B. 2319, attachment #2. A discussion followed. Conferees were Wayne Michael, Rob Hodges and Jim Gregory. A motion was made to put the bill into the interim study. The motion was passed.

TESTIMONY BY REPRESENTATIVE HENRY M. HELGERSON, JR.

MARCH 3, 1983

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE,

HOUSE BILL 2357 ESTABLISHES A COMMON PAYMASTER PROVISION IN THE KANSAS EMPLOYMENT SECURITY LAW FOR THOSE EMPLOYERS WHO CONCURRENTLY EMPLOY THE SAME INDIVIDUAL. UNDER PRESENT LAW, EACH EMPLOYER, EVEN THOUGH THE EMPLOYERS ARE RELATED CORPORATIONS, MUST REPORT WAGES AND PAY CONTRIBUTIONS ON THE FIRST \$7,000 OF WAGES FOR EACH INDIVIDUAL. SOME RELATED CORPORATIONS HAVE EMPLOYEES WORKING FOR ALL CORPORATIONS AND MUST PAY TAX ON THE FIRST \$7,000 WAGES AS IF THE INDIVIDUAL WERE EMPLOYED BY ONE EMPLOYER.

HOUSE BILL 2357 WILL ALLOW RELATED CORPORATIONS WITH CONCURRENT EMPLOYMENT TO ELECT ONE OF THE RELATED CORPORATIONS TO ACT AS A COMMON PAYMASTER FOR ALL OF THE RELATED CORPORATIONS. THE COMMON PAYMASTER WILL REPORT ALL WAGES AND PAY THE TAX DUE ON THE FIRST \$7,000 WAGES AS IF THE INDIVIDUAL WERE EMPLOYED BY ONE EMPLOYER.

DEPARTMENT OF HUMAN RESOURCES REPORTED THAT HOUSE BILL 2357 WILL HAVE A NEGLIGIBLE EFFECT ON THE REVENUE COLLECTED FOR THE EMPLOYMENT SECURITY TRUST FUND. THE TOTAL # OF EMPLOYERS AND EMPLOYEES AFFECTED WOULD BE MINIMAL.

Atch. 1

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Room 545-N - State House

Phone 296-3181

Date February 21, 1983

TO: REPRESENTATIVE HENRY HELGERSON Office No. 273-W
RE: COMMON PAYMASTER PROVISION (H.B. 2357)

H.B. 2357 establishes a common paymaster provision in the Kansas Employment Security Law for those employers who concurrently employ the same individual. The language in the bill is substantially similar to that contained in the corresponding federal legislation -- 26 U.S.C.A. § 3121(S). For this reason it may be instructive to examine the federal regulations which explain in some detail the manner in which the common paymaster provision is to be applied. The regulations also set forth a number of examples where the provisions of the federal law are applied.

Federal Regulations

Regulation 31.3121(S)-1(a) provides that if all of the remuneration to an individual from related corporations is disbursed through a common paymaster, the total amount of taxes imposed shall be determined as though the individual has only one employer (the common paymaster). The common paymaster has the responsibility for filing the necessary information and tax returns.

The regulations set forth a series of definitions for the various terms which are used but undefined in the federal law. The regulations define a common paymaster of a group of related corporations as a member of the group of related corporations which disburses remuneration to employees of two or more of those corporations on their behalf and which is responsible for keeping books and records for the payroll with respect to those employees. The common paymaster is not required to disburse remuneration to all the employees of those two or more related corporations. The common paymaster provision does not apply to any remuneration to an employee that is not disbursed through a common paymaster.

Concurrent employment is defined as the contemporaneous existence of an employment relationship between an individual and two or more corporations. Such a

relationship contemplates the performance of services by the employee for the benefit of the employing corporation, in exchange for remuneration which would be deductible by the employing corporation. The contemporaneous existence of an employment relationship with each corporation is the decisive factor; if it exists, the fact that a particular employee is on leave or otherwise temporarily inactive is immaterial.

One of the more complicated provisions of the regulations concerns the definition of related corporations. The common paymaster provision will apply only if "related corporations" are found to exist. Related corporations are related as long as they satisfy at least one of the following tests at anytime during a particular calendar quarter:

1. the corporations are members of a "controlled group of corporations" as defined in 26 U.S.C.A. § 1563;
2. in the case of a corporation that does not issue stock, either 50 percent or more of the members of one corporation's board of directors are members of the other corporation's board of directors, or the holders of 50 percent or more of the voting power to select such members are concurrently the holders of more than 50 percent of that power with respect to the other corporation;
3. 50 percent or more of one corporation's officers are concurrently officers of the other corporation; or
4. 30 percent or more of one corporation's employees are concurrently employees of the other corporation.

If the requisite conditions are met, then the common paymaster computes taxes as though it were the sole employer of the concurrently employed individuals. If the common paymaster fails to remit the taxes, it remains liable for the full amount of the unpaid portion of those taxes. In addition, each of the other related corporations using the common paymaster is jointly and severally liable for its appropriate share of these taxes.

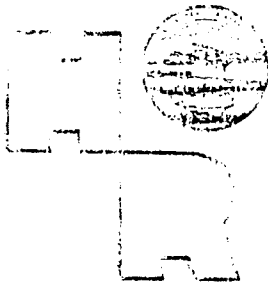
REPRESENTATIVE HELGERSON

EFFECT ON THE EMPLOYMENT SECURITY FUND

Since H. B. 2357 is substantially similar to the federal statute, it is logical to assume that the Department of Human Resources will promulgate regulations similar to those implementing the law at the federal level. If the conditions for the common paymaster are met by a group of related corporations, then a savings could result for some employers who concurrently employ the same individual. Rather than each employer paying contributions to the Employment Security Fund for each concurrently employed individual, only one contribution would be made by the common paymaster.

Mark A. Burghart

Research Analyst



KANSAS DEPARTMENT OF
Human Resources
OFFICE OF THE SECRETARY

401 TOPEKA AVENUE TOPEKA, KANSAS 66603
913-296-7474

February 16, 1983

Mr. Lynn Muchmore
Director of the Budget
Room 152-E
State Capitol
Topeka, Kansas 66612

Re: Fiscal Note on House Bill No. 2357

Dear Mr. Muchmore:

Under present law, each employer, even though the employers are related corporations, must report wages and pay contributions on the first \$7,000 of wages for each individual. Some related corporations have employees working for all corporations and must pay tax on the first \$7,000 wages for each corporation.

The provisions of House Bill No. 2357 will allow related corporations with concurrent employment to elect one of the related corporations to act as a common paymaster for all of the related corporations. The common paymaster will report all wages and pay the tax due on the first \$7,000 wages as if the individual were employed by one employer.

The bill would have a negligible effect on the revenue collected for the Employment Security Trust Fund. The total number of employers and employees affected would be minimal.

The provision of this bill can be carried out by existing staff at no additional administrative cost to the Agency.

Sincerely,

Harvey L. Ludwick, Ed.D.
Secretary of Human Resources

LEARY J. JOHNSON
 REPRESENTATIVE 118TH DISTRICT
 LOGAN, GOVE, GRAHAM, TREGO
 AND PARTS OF NESS AND ROOKS COUNTIES
 1000 WARREN AVE
 WAKEENEY, KANSAS 67672



TOPEKA

HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS
 MEMBER: AGRICULTURE AND LIVESTOCK
 INSURANCE
 TRANSPORTATION

Subject: HB 2319

By: Leary J. Johnson

Mr. Chairman, members of the committee I bring before you today HB 2319, commonly referred to as the work sharing bill. This is a new concept and I profess that I have a limited knowledge in this area. My intent is to simply introduce the concept in hopes that it may prove helpful to the State of Kansas.

I can think of nothing more demoralizing than an individual wanting to work but unfortunately is laid off and not having the means to provide for his family. The work share program addresses this problem and, while it doesn't solve the unemployment situation, it provides an employer an alternative and restores employee dignity.

This program allows the payment of work sharing unemployment insurance benefits to persons whose wages and hours are reduced as a temporary alternative to layoffs. It is a voluntary program which helps employers and employees avoid some of the burdens that accompany a layoff situation. For instance, if employees are retained during a temporary slowdown, employers can quickly gear up when business conditions improve. Employers are then spared the expenses of recruiting, hiring and training new employees. In turn, employees are spared the hardships of full unemployment. For employers who

Atch. 2

need to reduce their work forces permanently, the program can be used as a phased transition to layoff. Affected employees can continue to work at reduced levels with an opportunity to find other employment prior to the expected layoff.

Without going into specifics on regulatory procedures I wish to briefly outline how such a program might work.

An employer of say 100 employees may find it necessary to cut back on production or services which would require the release of a certain number of employees. Under this plan he would have certain options available. For instance, an employer might reduce the work week of these 100 employees from five days to four days instead of laying off 20 workers to achieve the same 20% reduction. In this case all 100 workers would continue to earn wages for four days of work and be eligible for unemployment benefits for the fifth non-working day. Another option may be to let 60 workers work 3 days a week and draw 2 days unemployment benefits and the remaining 40 employees work two days and draw 3 days benefits.

This plan will allow the payments of work share unemployment insurance benefits up to 20 weeks during a period of 52 consecutive weeks, beginning with the first week benefits are paid. Employers will be charged for work share unemployment insurance benefits in the same manner as regular unemployment insurance benefits. However, employers whose benefit charges exceed contributions, i.e. negative balance, will be required to pay additional contributions in succeeding calendar years.

I have supplied each committee member materials that relate

Leary J. Johnson
Page 3
March 4, 1983

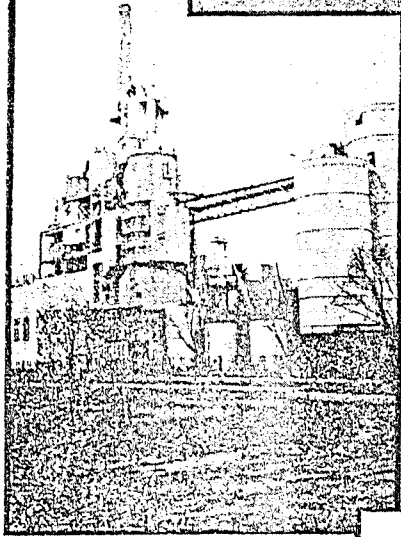
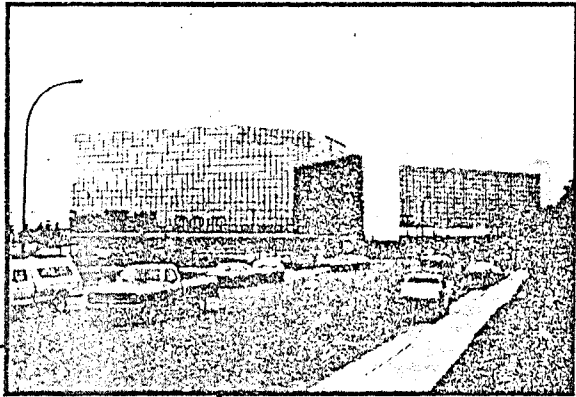
to a program initiated in the state of California. You will also find a pamphlet that may answer many of the questions you have concerning this concept.

In closing let me reiterate some of the advantages of a work sharing program.

1. It can be used in almost all types of business or industry.
2. It will enable a business to retain trained employees.
3. It will minimize or eliminate the need for layoffs.
4. It is more equitable than layoffs, in that it will place the burden of economic adjustment for an entire business on relatively few employees.

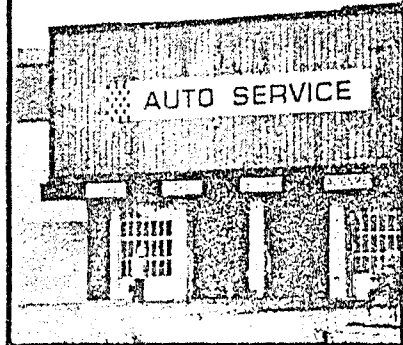
If you should suddenly find yourself without a job and having the financial responsibility of a family, would this program not provide you a temporary means to survive? As stated before, this is an alternative and I request you give it your full attention as we all strive to make Kansas a better place to live.

Work Sharing



**Unemployment
Insurance ...**

**... an alternative
to layoffs**



State of California
HEALTH AND WELFARE AGENCY
EMPLOYMENT DEVELOPMENT
DEPARTMENT



EDMUND G. BROWN JR.
Governor

DOUGLAS X. PATINO
Secretary
Health and Welfare Agency

GLORIA V. BECERRA
Director
Employment Development Department

Preface

This booklet provides information on California's unique Work Sharing Unemployment Insurance (WSUI) program — the first program of its kind in the nation and one which offers Californians increased flexibility of work style.

We are deeply committed to providing employers with information on reduced work-time options for periods of layoff. Faced with greater financial cutbacks and adverse business conditions, we realize the need for more flexible work arrangements, and we are eager to assist employers with any alternative work styles that will keep people in the California work force.

A handwritten signature in cursive script that reads "Gloria V. Becerra".

GLORIA V. BECERRA, Director
Employment Development Department

Work Sharing Unemployment Insurance (WSUI)

Senate Bill 1471, introduced by Senator Bill Greene of Los Angeles, and passed by the California State Legislature in 1978, authorized the Work Sharing Unemployment Insurance program. This legislation allows payment of work sharing unemployment insurance benefits to persons whose wages and hours are reduced as a temporary alternative to layoffs.

The program helps employers and employees avoid some of the burdens that accompany a layoff situation. For instance, if employees are retained during a temporary slowdown, employers can quickly gear up when business conditions improve. Employers are then spared the expense of recruiting, hiring and training new employees. In turn, employees are spared the hardships of full unemployment. For employers who need to reduce their work forces permanently, the program can be used as a phased transition to layoff. Affected employees can continue to work at reduced levels with an opportunity to find other employment before the expected layoff.

The advantages of work sharing:

- Can be used in almost all types of business or industry
- Enables a business to retain trained employees
- Minimizes or eliminates need for layoffs
- More equitable than layoffs, which place the burden of economic adjustment for an entire business on relatively few employees

Questions and Answers about Work Sharing UI

1. *Who May Participate in WSUI?*

- Any employer who has a reduction in production, services or other condition which causes the employer to seek an alternative to layoffs.
- To participate, an employer must have at least a ten percent reduction in the work force, or in a unit within the work force, and a time and wage reduction of ten percent.

2. *How Does an Employer Participate in WSUI?*

- Employers may call (916) 427-4400, or write EDD Work Sharing Unit, P.O. Box C-9640, Sacramento, 95823. They should ask for a Work Sharing UI Plan.
- The employer sends the completed plan to the EDD Director for approval. If approved, the plan is dated to begin the week it was submitted.
- The plan requires participation of at least two employees, a reduction of ten percent or more of the regular work force or work group unit, and a reduction of ten percent or more in employee wages because of reduced hours.
- If collective bargaining agreements cover the employees, a concurrence of *each* union bargaining agent must accompany the application.

3. *How do Employees Qualify for Work Sharing UI?*

- Generally, an employee who is eligible for regular unemployment insurance will qualify for WSUI.
- Specifically, employees must be regularly employed by an employer whose work sharing plan has been approved by the Director of EDD. The employee must have wages in the base quarters used to compute a California unemployment insurance claim.

- During the period for which benefits are payable, there must be a reduction of total hours worked equal to at least ten percent of the employer's regular work force or a unit within the work force, and a reduction of at least ten percent in individual employee wages resulting from those reduced hours or days of work.
- Employees file claims for WSUI by reporting to the local EDD field office to present a certification provided by the employer. After this, transactions are ordinarily handled by mail.

4. *Can Employers Amend Their Work Sharing Unemployment Insurance Plan, and if so, How?*

- Yes, employers may amend plans to accommodate any turnover which occurs. The employer amends the plan by submitting names of employees who are to be added to or deleted from the plan. They can be added only if they have worked a full pay period and are considered permanent employees.

5. *Is WSUI Only for the Private Sector?*

- No. The law originally was intended to help the public sector deal with expected mass layoffs following passage of Proposition 13. When these layoffs did not occur — due largely to the availability of State surplus funds — the public sector did not become involved with WSUI. At the same time, many private employers used WSUI as an option to save jobs; hence the WSUI identification with the private sector.

6. *What is the Cost to Employers Participating in WSUI?*

- An employer with a **positive reserve account balance** would have, at most, a slight rise in contribution rate over a long period.
- An employer with a **negative reserve account balance** becomes subject to an additional tax.
- **Direct reimbursable account** employers are billed directly for 100 percent of the WSUI costs.

7. *How Does WSUI Differ for Employers Faced with Permanent Layoffs Compared with Employers Faced with Temporary Layoffs?*

- Essentially, there is no difference. WSUI can be used to keep a permanent work force intact during periods of reduced work, or it can be used as a transitional phase for employees faced with permanent layoff.
- Employees on temporary layoff do not have to seek other work while collecting WSUI.
- Employees faced with permanent layoff must seek work while collecting WSUI.

(The above requirements are consistent with regular UI policy for persons faced with temporary or permanent layoff.)

8. *How Much Lead Time is Necessary to Initiate a Plan for WSUI Participation?*

- The approval date of a Work Sharing plan is beginning of the week in which the application is submitted.
- If unions are involved, a concurring signature is required for any representative collective bargaining agent.
- The best answer to this question is: allow as much time as possible by starting an application as soon as you know a reduction in the work force is imminent.

9. *What are Some Nonfiscal Merits of WSUI Participation?*

- The outstanding feature of WSUI is: it saves jobs. Employees faced with layoff can, instead, work a reduced workweek with minimum salary reduction and continuation of fringe benefits.
- WSUI gives additional time to workers to learn of other work options open to them.

10. *How Flexible is WSUI? Can it be Applied to Most Work Situations?*

- WSUI is extremely flexible and can be custom-tailored to a variety of work situations.
- Employers who are potential users of WSUI may call (916) 427-4400 for specific information regarding individual application of the program.

11. *What is the Duration of a Work Sharing UI Claim?*

- A claimant-employee may draw 20 weeks of reduced benefits within a 52-week period.

12. *Must the 20 Weeks be Used in Consecutive Order?*

- No. Any sequence of use is allowed. The only restriction is that at least ten percent of the work force or of a unit within the work force covered in the plan must share in the work and wage reduction.

13. *Can a Percentage of Employees be Rotated so that Different Employees Have Reduced Hours Each Week?*

- Yes, so long as the ten percent of the work force criterion is met.

14. *Can Employees be Rotated from Department to Department to Use Different Skills During Slack Periods?*

- Employees can be rotated to meet individual needs of employers, as long as the ten percent reduction criterion is observed.

WSUI In Other States

Programs similar to California's WSUI have been adopted by other states. Many additional states and the federal government are now actively considering work sharing legislation. As of May, 1982 there were over 3,000 California employers approved to participate in WSUI.

The work sharing program provides a practical alternative to layoffs. For example, in many other states, if a business with 100 workers faces a temporary lull and must reduce its work force by twenty percent, the employer has no choice but to lay off 20 people, one out of five employees.

Under California's WSUI program, an employer facing the same situation could file a plan with the State Employment Development Department reducing the workweek of all employees from five days to four. On the fifth day, the WSUI program would pay employees one-fifth of their regular weekly unemployment insurance benefits.

Under this plan, everyone benefits. The employer is able to keep his work force intact during a temporary setback and no employees lose their jobs.

In cases where employers need to reduce their work force permanently, work sharing provides a means to make the transition. Affected workers can continue to work at reduced levels and a more normal income level, with the opportunity to find other employment before the expected layoff.

Several estimates have been made concerning the cost of replacing workers who move to other jobs during temporary layoffs. Some of the factors considered were: average recruitment costs; average cost of screening and selecting new workers; average training costs; and the loss of productivity during the training period. These costs totaled anywhere from \$2,500 to \$3,000 per employee. By using WSUI and retaining employees, these costs do not occur.

Because of WSUI's built-in flexibility and all possible variations of the program, EDD can make several suggestions concerning a program which will suit any employer's needs.

Let us help you to form a program to fit your requirements. Phone (916) 427-4400 or write to:

EDD Work Sharing UI Unit
P.O. Box C-9640
Sacramento 95823

Included for your information

UNEMPLOYMENT INSURANCE CODE § 12101

Division 5

LEISURE SHARING [NEW]

Chapter	Section
1. General Provisions	12100
2. Program Grants	12110
3. Technical Assistance	12120
4. Program Evaluation	12130
5. Miscellaneous	12140
6. Funding	12150

Division 5 was added by Stats.1979, c. 751, p. 2602, § 1. Contingent operation and repeal, see note under § 12100.

CHAPTER I. GENERAL PROVISIONS

Sec.

- 12100. Legislative finding, declaration and intent.
- 12100.5 Construction.
- 12101. Administration.
- 12102. Definitions.

Chapter 1 was added by Stats.1979, c. 751, p. 2602, § 1. Contingent operation and repeal, see note under § 12100.

§ 12100. Legislative finding, declaration and intent

The Legislature finds and declares that the persistence of high levels of unemployment, even during periods of substantial economic growth, is a matter of serious concern to the people of California, and requires a continuing search for solutions.

The Legislature further finds that measures undertaken at all levels of government to stimulate employment and to abate unemployment are by and large appropriate and useful, but that the aggregate impact of such measures over the years has fallen short of achieving and maintaining full employment. The Legislature therefore finds it proper and prudent to augment existing efforts by encouraging the development of new measures intended to increase employment opportunities.

It is the intent of this legislation to promote experimentation with means of creating employment opportunities through voluntary redistribution of hours of work, permitting more time away from work for those who desire additional leisure while providing employment for those who have no work.

It is explicitly not the intent of this legislation to impose any constraints upon participating employers to modify any of their policies governing the operation of their business.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under this section.

Contingent operation and repeal:

Section 2 of Stats.1979, c. 751, provides:
"This act shall become operative upon the date that any federal or other funds are received and shall remain operative for a period of three years after such date."

Library References

Labor Relations 7.
C.J.S. Labor Relations § 2 et seq.

§ 12100.5 Construction

Nothing in this division shall be construed to supersede or impair any contrary provisions contained in an existing collective bargaining agreement.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

§ 12101. Administration

The Employment Development Department shall administer the provisions of this division subject to the provisions of Section 12112. The department shall de-

Asterisks * * * indicate deletions by amendment

§ 12101 UNEMPLOYMENT INSURANCE CODE

velop administrative procedures and guidelines necessary to carry out the intent of this division, including, but not limited to, means to monitor and measure program effectiveness.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

§ 12102. Definitions

Definitions:

(a) "Leisure sharing" means a job-creation concept in which some full-time workers voluntarily reduce worktime under such circumstances that additional employment opportunities result from the employer's desire to maintain a given level of production.

The term leisure sharing is to be distinguished from work sharing or shared work as such terms are used in Sections 978.5 and 1279.5. In the context of this code, leisure sharing refers to the creation of employment opportunities through voluntary reduced worktime conjoined with a maintenance of production, whereas work sharing or shared work refer to the preservation of existing employment opportunities to the extent possible through worktime reductions in the face of diminished production requirements.

(b) "Reduced worktime" means a period of worktime less than that established by law or usage in a given work setting to be the standard for full-time.

(c) "Reduced workday" means fewer than the standard number of hours for a full-time workday.

(d) "Reduced workweek" means fewer than the standard number of days for a full-time workweek.

(e) "Reduced workyear" means additional days or weeks off work beyond those normally granted to a full-time worker.

(f) "Extended leave" or "sabbatical leave" means a very long continuous leave of absence from work of up to one year, with return rights, when granted, coming usually after a number of years of continuous service with the same employer.

(g) "Job sharing," "job pairing," or "twinning" means a form of job structuring in which two or more persons jointly fulfill the responsibilities of one full-time position with some degree of cooperation between them.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

CHAPTER 2. PROGRAM GRANTS

Sec.

12110. Purpose.

12111. Identification of potentially reimbursable costs.

12112. Development of procedure for applying for grants.

12113. Applications.

12114. Priorities.

12115. Time limit.

12116. Reimbursements.

Chapter 2 was added by Stats.1979, c. 751, p. 2602, § 1. Contingent operation and repeal, see note under § 12100.

§ 12110. Purpose

In order to encourage voluntary participation by employers in the private sector, grants shall be made to offset increases in such employers' labor costs which are directly attributable to participation in the leisure sharing program authorized by this division.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

Library References

Labor Relations § 7.

C.J.S. Labor Relations § 2 et seq.

§ 12111

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UNEMPLOYMENT INSURANCE CODE § 12114

§ 12111. Identification of potentially reimbursable costs

The director shall identify potentially reimbursable costs, which shall include, but need not be limited to:

(a) Costs of additional payroll taxes, and costs of fringe benefits that are part of the employer's regular compensation package which by law cannot be prorated to a participating employee's worktime reduction under this program.

(b) Additional costs of recruitment and training that cannot reasonably or appropriately be defrayed under another program.

(c) Administrative costs of developing and maintaining participation in the program not covered by the technical assistance provided or in other ways.

(d) Special costs such as experience rating increases consequent on layoffs resulting from modifying or dropping participation either by the employer or employees, or at the termination of the experimental period.

(e) Costs of maintaining full selected fringe benefits of participating employees where, in the judgment of the panel established pursuant to Section 12112, such costs would enhance the research objectives of the program by presenting an opportunity to study the effects of such incentives on participation in a controlled setting, and would not be unduly costly relative to the funds available to the program.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

§ 12112. Development of procedure for applying for grants

A procedure for applying for grants shall be developed by a panel consisting of the directors of the Employment Development Department, the Department of Industrial Relations, and the Department of Economic and Business Development, who shall also make the final decision on the awarding of grants.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

§ 12113. Applications

Applications for grants may be considered for award if the application indicates that the employer is prepared to:

(a) Permit a sufficient number of employees to elect a sufficient amount of additional leave from work, provide evidence that such employees are in fact willing and ready to reduce worktime, and that the number of employees in the subject work force will be increased to maintain output. It shall also be clear that workers understand participation is strictly voluntary and reversible under the circumstances specified in subdivisions (b) and (c).

(b) Outline a reasonable number of options as to manner and duration of reducing worktime.

(c) Specify a reasonable time period after which participating workers may revise their options or revert to their prior status, and in which nonparticipating workers may elect to participate.

(d) Present a plan for proration of items of compensation of participating workers to each worker's new worktime pattern, which plan shall include the right of a worker to reimburse the employer the pro rata cost for maintenance of full benefits where the employee wishes to maintain such benefits.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

§ 12114. Priorities

The following priorities shall be considered in making grant awards:

(a) The application shows high potential for creating a substantial number of permanent employment opportunities which would not otherwise exist.

(b) The application, when considered with other applications, offers an opportunity to broaden the experimentation with reduced worktime through the variety

§ 12114 UNEMPLOYMENT INSURANCE CODE

and flexibility offered to employees in the manner and duration of reduced work-time options.

(c) The application, when considered with other applications, offers an opportunity to expand an understanding of the characteristics of employees who are likely to participate.

(d) The extent of the opportunity to study the interaction of this program with other employment opportunity programs.

(e) The application, when considered with other grant applications, provides an opportunity to compare cost issues in relatively similar settings.

(f) The application provides an appropriate opportunity to study the effect of incentives to participation such as those outlined in subdivision (e) of Section 12111. (Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

§ 12115. Time limit

No grant applicant shall be authorized to receive reimbursement under this chapter for a period exceeding two years.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

§ 12116. Reimbursements

The director shall make appropriate reimbursements to grantees for expenses designated by Section 12111 in a timely manner agreed upon by the grantee at the outset of the grantee's participation in the program.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

CHAPTER 3. TECHNICAL ASSISTANCE

Sec.

12120. Duties of department.

12121. Legislative intent; windfalls.

Chapter 3 was added by Stats.1979, c. 751, p. 2602, § 1. Contingent operation and repeal, see note under § 12100.

§ 12120. Duties of department

The department shall disseminate information to employers explaining the nature and purpose of the leisure sharing program.

The department shall also provide technical assistance:

(a) To employers who wish to apply for participation in the program and to measure the extent of interest among employees of such employer.

(b) To participating employers to set up and operate such program in order to maximize the impact on employment, minimize costs, and maximize research findings.

(c) To participating employers to make the maximum appropriate use of existing federal, state, and local government aid programs related to objectives of this program, such as the Comprehensive Employment Training Act program and other recruitment programs, and to assist an employer in qualifying for any benefits to which he may be eligible under employment incentive tax or similar programs. Such assistance shall be designed to reduce to an absolute minimum administrative efforts and expenses required of the employer; provided, however, that the department shall specifically advise each applicant that utilization of any other voluntary aid or incentive program as described in this section shall be solely at the discretion of the applicant and shall in no way be construed as a condition or precondition of an employer's participation in the demonstration program under this division.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

Library References

Labor Relations ↔7.

C.J.S. Labor Relations § 2 et seq.

§ 12121.

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UNEMPLOYMENT INSURANCE CODE § 12131

§ 12121. Legislative intent; windfalls

In enacting this division, the Legislature specifically intends that the director shall not take into consideration as a possible offset against reimbursable labor costs under Section 12111 such windfalls to a participating employer as:

(a) A tax incentive benefit or similar benefit gained by the employer through another public program specifically designed to encourage the employment of certain individuals, when such individuals have become employed as a result of the operation of the program under this division.

(b) A decline in total wages paid as a result of prorating the wages of high seniority employees while hiring new employees at lower wage rates as a result of the operation of the program under this division.

(c) Any productivity gains which may be attributable to a positive effect of this program.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

Subordination of this section to conditions imposed for funding, see § 12152.

CHAPTER 4. PROGRAM EVALUATION

Sec.

12130. Contracts.

12131. Determinations.

Chapter 4 was added by Stats.1979, c. 751, p. 2602, § 1. Contingent operation and repeal, see note under § 12100.

§ 12130. Contracts

The department shall competitively contract with organizations competent in the field or program evaluation for the evaluation of the program established by this division. Pursuant to procedures and guidelines adopted by the department, such contractors shall monitor the progress and performance of each program to determine the effectiveness of such programs pursuant to the criteria established by Section 12131.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

Library References

Labor Relations \Leftrightarrow 7.

C.J.S. Labor Relations § 2 et seq.

§ 12131. Determinations

Each program for which a grant has been awarded shall be evaluated periodically to determine:

(a) The cost to government of creating jobs in the manner prescribed by this division. Such evaluation shall determine and distinguish between costs incurred in averting an increase in the participating employers' unit labor costs, the cost of providing technical assistance, and other costs of administering the program.

(b) The comparison of such costs with the costs of creating jobs through other government assisted programs, such as the Comprehensive Employment and Training Act (29 U.S.C.A. 801 et seq.) and Work Incentive Programs authorized by Division 2 (commencing with Section 5000) of this code.

(c) The comparison of such costs with the costs of providing public assistance and similar services to households in which the employable wage earner is unemployed, including, but not limited to, a comparison of tax collections from employed individuals versus direct and indirect expenditures from tax revenues on behalf of such persons.

(d) The benefits to employers such as productivity improvements attributable to the program resulting from, among other things, improved morale, reduced personnel turnover, and a larger trained reserve work force.

§ 12131 UNEMPLOYMENT INSURANCE CODE

(e) The benefits to participating employees which shall include a survey of the employees' expectations and experience.

(f) Broad social and economic benefits, if any, that may reasonably be projected from a potential expansion of the concept to a larger segment of the labor market.

(g) To the extent possible, what kinds of employers and employees are most likely to participate, and why, including an evaluation of the effectiveness of incentives to participation as outlined in subdivision (e) of Section 12111.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

CHAPTER 5. MISCELLANEOUS

Sec.

12140. Construction; selection of personnel.

12141. Reports.

Chapter 5 was added by Stats.1979, c. 751, p. 2602, § 1. Contingent operation and repeal, see note under § 12100.

§ 12140. Construction; selection of personnel

Nothing in this division shall be construed to impose upon any employer who is participating in a job creation experimental program under this division any requirement beyond what is contained in other provisions of law with respect to what persons shall or may be hired by such employer to fill job vacancies created by the operation of the experimental program.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

Library References

Labor Relations ☞7.

C.J.S. Labor Relations § 2 et seq.

§ 12141. Reports

The department shall report to the Legislature, on or before January 1 and July 1 of each year, its progress in implementing this division, including the number of persons employed as a result of the enactment of this division.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

CHAPTER 6. FUNDING

Sec.

12150. Authority to accept federal aid.

12151. Application for funds.

12152. Compliance with conditions.

Chapter 6 was added by Stats.1979, c. 751, p. 2602, § 1. Contingent operation and repeal, see note under § 12100.

§ 12150. Authority to accept federal aid

The Employment Development Department is authorized to accept any federal or other funds which are available for the purposes of this division.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

Library References

Labor Relations ☞7.

C.J.S. Labor Relations § 2 et seq.

§ 12151. Application for funds

It is the intent of the Legislature that the Employment Development Department, with the assistance of the Department of Industrial Relations and the Department of Economic and Business Development, seek and apply for funds from the federal

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UNEMPLOYMENT INSURANCE CODE § 13000

government and other potential sources to implement the program established under this division.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

§ 12152. Compliance with conditions

If, as a condition of receiving funds for implementing the program established under this division from federal or other sources, it is required that windfalls to a participating employer such as those described in Section 12121 be taken into consideration in determining reimbursable labor costs, the provisions of Section 12121 shall be inoperative to the extent required by the conditions for receiving such implementation funds.

(Added by Stats.1979, c. 751, p. 2602, § 1.)

Contingent operation and repeal, see note under § 12100.

Division 6

WITHHOLDING TAX ON WAGES [NEW]

Chapter	Section
1. General Provisions	13000
2. Withholding and Payment of Tax	13020
3. Withholding Exemptions	13040
4. Reports, Returns, and Statements	13050
5. Collections	13070
6. Violations	13090

Division 6 was added by Stats.1980, c. 1007, p. —, § 64, operative July 1, 1981.

CHAPTER I. GENERAL PROVISIONS

- Sec.
- 13000. Powers and duties of department.
 - 13001. Definitions.
 - 13002. Applicability of certain provisions.
 - 13003. Construction of division; incorporation of certain definitions and provisions.
 - 13004. Employee.
 - 13005. Employer.
 - 13006. Gross income.
 - 13007. Miscellaneous payroll period.
 - 13008. Payroll period.
 - 13009. Wages.
 - 13010. Withholding agent.
 - 13011. Possession and control of records, papers, property, etc., previously held by Franchise Tax Board.
 - 13013. Regulations adopted by Franchise Tax Board.
 - 13014. Payment of interest obligations; applicability of division.
 - 13015. Authority to require information.
 - 13016. Payor's right to require name and address of recipient.
 - 13017. Laws effecting changes in withholdings; time of compliance.

Chapter 1 was added by Stats.1980, c. 1007, p. —, § 64, operative July 1, 1981.

§ 13000. Powers and duties of department

The department shall have the powers and duties necessary to administer the reporting, collection, refunding to the employer, and enforcement of taxes required to be withheld by employers pursuant to Section 13020, except as otherwise provided by this division.

(Added by Stats.1980, c. 1007, p. —, § 64, operative July 1, 1981.)

UNEMPLOYMENT INSURANCE CODE § 978.5

tribution rate shall be the figure appearing on that same line in column 3 of that table.

Line	Reserve balance		* * *	Contribution rate
	Column 1	Column 2		Column 3
1	—10.0% or more		* * *	3.3%
2	More than 0.0%	—10.0%	* * *	3.1%
3	0.0%	1.0%	* * *	2.9%
4	1.0%	2.0%	* * *	2.7%
5	2.0%	3.0%	* * *	2.6%
6	3.0%	4.0%	* * *	2.5%
7	4.0%	5.0%	* * *	2.4%
8	5.0%	6.0%	* * *	2.3%
9	6.0%	7.0%	* * *	2.2%
10	7.0%	8.0%	* * *	2.0%
11	8.0%	9.0%	* * *	1.8%
12	9.0%	10.0%	* * *	1.6%
13	10.0%	11.0%	* * *	1.4%
14	11.0%	12.0%	* * *	1.2%
15	12.0%	13.0%	* * *	1.0%
16	13.0%	14.0%	* * *	0.8%
17	14.0%	15.0%	* * *	0.6%
18	15.0%	16.0%	* * *	0.4%
19	16.0%	17.0%	* * *	0.2%
20	17.0%	100.0% or more		0.0%

(Amended by Stats.1975, c. 1256, p. 3291, § 5.)

Operative effect of 1975 amendment, see note under § 930.

§ 978.5 Shared work benefit program; negative reserve account balance; duration of section

(a) Any employer who has elected under Section 1279.5 to participate in the shared work unemployment insurance benefit program, who has a negative reserve account balance on any June 30th, and whose reserve account has been charged for benefits paid under Section 1279.5 during the 12-month period ending upon such June 30th shall pay into the Unemployment Fund, in addition to all other contributions required by this division, contributions for the calendar year next succeeding such June 30th at the rate prescribed by this section based upon the ratio of the employer's net balance of reserve to the employer's average base payroll. If as of any June 30th an employer's net balance of reserve equals or exceeds that percentage of his or her average base payroll which appears on any line in column 1 of the following table but is less than that percentage which appears on the same line in column 2 of that table, his or her rate shall be the figure appearing on that same line in column 3:

Line	Reserve balance		Contribution rate
	Col. 1	Col. 2	
1	— 100.0%	No limitation	3.0%
2	— 80.0%	— 100.0%	2.5%
3	— 60.0%	— 80.0%	2.0%
4	— 40.0%	— 60.0%	1.5%
5	— 20.0%	— 40.0%	1.0%
6	More than 0.0%	— 20.0%	0.5%

Asterisks * * * indicate deletions by amendment

§ 978.5 UNEMPLOYMENT INSURANCE CODE

(b) Contributions paid pursuant to this section shall be excluded from "contributions paid on his own behalf" as defined by Section 903, but shall be included as employer contributions under Sections 1110 and 1110.1 and for all other purposes under this division.

(c) This section shall remain in effect only until December 31, * * * 1986, and * * * on that date is repealed.

(Added by Stats.1978, c. 397, p. 1254, § 1.5, urgency, eff. July 11, 1978. Amended by Stats.1979, c. 506, p. 1678, § 1; Stats.1981, c. 674, p. —, § 1.)

Repeal

Section 978.5 is repealed by force of its own terms on Dec. 31, 1986.

Library References
Taxation ↪347.1.

C.J.S. Social Security and Public Welfare
§§ 196, 197, 199 to 201.

§ 979. Statement declaring employer tax schedule to be in effect; contents; revisions of tabulation of wages; corrected statement

On or before January 31st of each calendar year the director shall * * * prepare a statement declaring which of the employer tax schedules contained in Sections 977 and 978 shall be in effect for that calendar year. The statement shall be a public record and shall include the official tabulation of wages in subject employment made by the department according to Sections 977 and 978, a summary of the data upon which that tabulation was based, and the sources from which those data were obtained, and shall further include a summary of the data upon which the computation of the balance in the Unemployment Fund was based, and their source. Prior to the expiration of the calendar year in which the employer tax schedule shall be in effect the director shall make such revisions of the tabulation of wages and the computation of the balance in the Unemployment Fund as may be necessary, and in the event that the employer tax schedule as previously declared in effect is thereby altered, he or she shall promptly file a corrected statement of the employer tax schedule in effect for the calendar year, together with the corrected tabulation of wages and computation of the balance in the Unemployment Fund, in the manner provided by this section. The director's action under Sections 977, 978 and this section shall not constitute an authorized regulation.

(Amended by Stats.1978, c. 397, p. 1255, § 1.6, urgency, eff. July 11, 1978.)

Operative effect of amendment by Stats. 1978, c. 397, see note under § 135.

§ 980. Exclusions in determining balance in unemployment fund

(a) In determining the balance in the Unemployment Fund for the purpose of Section 977 or 978 there shall be excluded:

(1) Any amount credited to this state's account in the Unemployment Trust Fund pursuant to Section 903 of the Social Security Act, as amended, which has been appropriated for expenses of administration other than for capital assets, whether or not such amount has been withdrawn from such fund.

(2) Any unexpended advance from the federal unemployment account in the Unemployment Trust Fund received in accordance with Section 323 of this division and Title XII of the Social Security Act as amended.

(3) Any amount paid in advance into the Unemployment Fund by an employer under * * * any type of coverage * * * pursuant to which * * * reimbursement of benefits is permitted or required in lieu of the contributions required of employers. * * *

(4) Any amount paid in advance into the Unemployment Fund by the federal government under the provisions of any federal law that requires or permits this state to pay benefits from the Unemployment Fund and provides for advances by the federal government for reimbursement of all or part of such benefits.

Underline indicates changes or additions by amendment

(b) In Section 903, the calculation and exclusion of any calculation (Amended) § 980.5

In determination 977 (a) The to claim any type

permitted or not (b) The to claim ment by requires or provides benefits (Amended)

§ 981. In determination there shall of coverage or required (Amended)

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EXECUTIVE SUMMARY

*Excerpt from
California Shared Work Unemployment
Insurance Evaluation*

May 1982

California's Shared Work Unemployment Insurance program provides an opportunity for employers to spread available work among a larger number of persons during periods of reduced demand. The program, which was established in July 1978, provides for the payment of prorated Unemployment Insurance (UI) benefits to employees who have taken a reduction in work hours in order to prevent layoffs or dismissals within a specific firm.

Program Operation

The major requirements for employers are:

- They must complete a two page application form, providing basic information on employees who would be affected, state that work-time reductions are economically necessary, and indicate the amount of wage and hour reductions.
- The work reduction must involve not less than ten percent of the employer's regular permanent work force in the affected work unit, and the hours and wages of each affected employee must be reduced by ten percent or more.
- If participating employers are covered by a collective bargaining agreement, their union must agree to the plan.
- Employers participating in the program are charged for benefits in the same manner they are charged for regular UI benefits, with one major exception: participating employers whose recent history of UI benefit charges exceeds their contributions (negative reserve employers) are required to pay additional UI taxes on the base wages of all employees during the subsequent calendar year.

The requirements on participating employees are the same as for the regular UI program, with one exception:

- Work sharing UI benefits may be paid for a maximum of 20 weeks during a 52-week period. If the 20 weeks are exhausted and workers are then laid off, those who lose their jobs are eligible for regular UI benefits with the duration reduced to reflect the dollar costs of benefits received under work sharing.

Patterns of Participation

Participation in the Shared Work program by firms and workers has been limited to date. During the State Fiscal Year ending in June of 1980, only 714 firms used the program compared with 218,000 firms that had regular UI benefits charged to their accounts. Similarly, during calendar year 1980, 16,000 individuals received work sharing benefits compared with 368,700 persons for regular UI.

Other major findings concerning participation in the program included:

- The use of work sharing increased substantially at the outset of recessions. With the advent of recessionary economic conditions in the

second quarter of 1980, the number of work sharing plans approved increased by 279 percent and the number of workers approved to participate rose by 462 percent. Similar large increases occurred at the onset of the recession which started in the fourth quarter of 1981.

- Shared work firms tend to be larger than firms using regular UI. During the State Fiscal Year 1979-80 (FY 79-80), 49 percent of shared work firms had 25 or more employees; only 18 percent of regular UI firms were in this size class.
- The program is used more extensively by manufacturing firms compared with use of regular UI. During FY 79-80, 45 percent of work sharing firms were from manufacturing while only 11 percent of regular UI firms were from manufacturing. This was true to an even greater extent for workers. During calendar year 1980, 80 percent of work sharing workers were from manufacturing compared to 32 percent for regular UI claimants.
- In terms of UI tax status, work sharing firms were found to be in relatively better condition than regular UI firms. For FY 79-80, only 28 percent of work sharing firms had tax rates above three percent compared with 46 percent for regular UI firms.
- Compared with regular UI claimants, work sharing workers tended to have a higher average age, be of the same male/female distribution, have a slightly higher representation of minorities, and more often come from blue collar occupations.

Awareness and the Decision to Participate

In order to heighten awareness of the work sharing program, the Employment Development Department (EDD) sent program information letters to every California employer, regularly reported on the program in the California Employer (EDD's quarterly employer publication), wrote letters to unions and public officials informing them of the program, and informed the media through press releases and contacts by EDD local field office managers. Analysis of the results of the evaluation of these efforts indicated:

- Departmental publications were the primary source of first awareness of the program, with roughly 40 percent of employers indicating this was their first source of awareness.
- Many potential users of the program were unaware of its existence; only 25 percent of a sample of the general population of California employers responded "yes" when asked, "Do you remember hearing about the Work Sharing program prior to talking with me (interviewer)?" Given a detailed explanation of the program, 30 percent expressed some awareness, but the remaining 45 percent were not aware of the program.

Financial Impacts of the Program

Analyses of the financial impacts of the shared work program were made in comparison with the traditional work time reduction alternative of layoffs. This issue was addressed from the various perspectives of firms, workers, government, and society. These analyses indicated:

- Typically, work sharing saved firms \$16 per worker per week over the regular UI/layoffs alternative. On average, 90 percent of these savings were due to lower costs associated with the hiring and training of replacement workers when business returned to normal.
- Compared to full-time, the average worker's workweek was reduced by 21 percent; at the same time, the average worker maintained 92 percent of their full-time wage and benefits income.
- For workers, work sharing redistributes income from workers who would have remained full-time if the firm had laid off some workers to the workers who otherwise would have been laid off. Workers who would have otherwise remained full time lose an average of \$25 (ten percent of full-time income) per week; workers who would otherwise have been laid off gain an average of \$120 (105 percent above their layoff status income).
- The net impact of work sharing on government under work sharing as compared to layoffs was found to be \$8.10 per worker per week, reflecting a decrease in revenues of \$7.39 and an increase in expenditures of \$.71.
- UI related costs under work sharing increased by \$3.11 per worker per week as compared to the costs under layoffs. This is 15.8 percent higher than the costs under regular UI of \$19.65 per worker per week. The \$3.11 reflects increased benefit payments of \$1.02, increased new claim administrative costs of \$.84, and increased continued claim administrative costs of \$1.25.
- For the most part, the financial impacts of work sharing reflect transfers among firms and workers. However, some financial impacts are identifiable as sources of social gain or social cost. Compared with layoffs, work sharing results in incremental benefits of \$14.55 and incremental costs of \$10.49 per work sharing worker per week. This translates into a program benefit-cost ratio of 1.4, which means that for each additional dollar cost of the program, there is an associated benefit of \$1.40.

Views and Attitudes

Various participants in the program were surveyed to determine their views on the value of the program. Groups surveyed were firm representatives, work sharing workers, union business agents, and EDD UI administrators and field office staff. The results of these surveys indicated:

- Work sharing participating firms expressed high levels of satisfaction with the program: 86 percent expressed varying degrees of satisfaction while only seven percent indicated some measure of dissatisfaction.
- For work sharing firms, the primary reasons for using the program were: maintaining valued employees (mentioned by 88 percent); firm managerial acceptance (74 percent); labor cost savings (67 percent); worker acceptance (68 percent); and flexibility to adjust the work force (56 percent).

- The primary disadvantage of using the program for firms were found to be: greater administrative costs (28 percent); higher UI tax costs (17 percent); and fear of unknown impacts (16 percent).
- Work sharing workers overwhelmingly indicated support of the program. Over 90 percent indicated that they were in favor of using the program in the future, while only five percent were opposed to future program use.
- As indicated by work sharing workers, the primary advantages of the program were: maintenance of economic security (74 percent); fairness of the program (33 percent); and increased free time (24 percent). The primary disadvantages of the program as seen by these workers were: creation of economic insecurity (20 percent); and UI benefits collection problems (18 percent).
- Work sharing workers reported a low incidence of firm abuse of the program. The most often cited instances of firm abuse were: work speed ups (mentioned by five percent); and unnecessary or arbitrary work loss (two percent).
- Participation of unionized workers in the program (21 percent) was found to roughly match the proportion of union members in the California labor force (23 percent).
- Union representatives whose workers participated in the program reported that their workers were satisfied with the program, with 88 percent indicating satisfaction among their members. Furthermore, 85 percent of the union business agents interviewed indicated they would recommend the program to others.
- The work sharing program was implemented within one month of the passage of the legislation, and some problems were experienced with implementation. However, because use of the program was low in the beginning, EDD staff had time to resolve most of the problems.
- During the period of the evaluation, the major problem in administering the program related to the fact that employer plans were approved in the Central Office in Sacramento while worker claims were processed in local field offices. This situation caused some problems and delays in making payments to work sharing claimants. Since the close of the evaluation research, the program has been changed to include batch processing of claims in Sacramento. This change is intended to reduce claims processing problems and costs.
- EDD staff attitudes toward the program were generally positive or neutral. Positive attitudes were expressed by 60 percent of the staff; only seven percent expressed negative attitudes.

Recommended Program Changes

Work sharing employers and EDD staff were asked to evaluate possible changes to the program. Both firms and EDD staff recommended a batch claims system. This is currently being implemented.

No major program changes are recommended because of the high levels of satisfaction found with the current operation of the program. Given the relatively low levels of awareness found among employers, EDD should continue to publicize the program and inform employers of its existence, advantages and disadvantages.

CHAPTER 1

SUMMARY OF FINDINGS

During times of high unemployment, it is often suggested that work time should be reduced in order to spread available jobs among a larger number of persons. California's Shared Work Unemployment Insurance program,^{1/} which was authored by Senator Bill Greene and established in July, 1978 by SB 1471 (Chapter 397 Statutes of 1978) provides an incentive for firms to do this. This program provides prorated Unemployment Insurance benefits for work time lost by employees who have taken a reduction in work hours in order to prevent layoffs or dismissals within a specific firm. Since this was a new program to California, and indeed, the first of its kind in the United States, the California Employment Development Department (EDD) conducted an evaluation of the program to determine how well it serves the public interest. This report presents the results of that evaluation.

This Chapter highlights the key findings of the evaluation and is designed to provide the reader with: an overview of how the program functions; general information on the data collected and methods used in assessing the impacts of the program; findings concerning participation in the program and the associated issues of firm awareness and the decision to participate; the major financial impacts of the program as viewed from the perspectives of firms, workers, government, and society; the attitudes and concerns of those directly affected by the program including firm managers, workers, union business agents, and UI administrators and EDD field office staff; and finally, a discussion of possible program changes and whether they might either be supported or opposed by the parties involved.

Overview of the Shared Work Program

As originally designed, the Shared Work program had several objectives, some of which were similar to the traditional objectives of the regular UI program and some of which were new. Objectives similar to those of the regular UI program included: income maintenance -- to provide for partial wage replacement to assist in meeting the basic income needs of workers; maintenance of work force -- to provide financial support which allows workers to endure temporary periods of unemployment without requiring them to change occupations or accept lower paying jobs; counter-cyclical impact -- to maintain incomes and demand at an otherwise higher level during downturns of the economy in order to promote swifter economic recovery. Objectives which extended beyond the bounds of the traditional regular UI program included: provision of an alternative to layoffs -- to reduce the incentives for firms to terminate employees and allow employers to maintain a trained work force of valuable employees during periods of temporarily reduced need for labor; reduce adverse affirmative action impact-- to reduce the relatively higher burden of unemployment which is borne by women and minorities; and adjustment assistance -- to allow workers a higher level of income during periods when permanent job changes will be required and to allow such workers time for job search while they still remain employed.

^{1/}In this report, the California Shared Work Unemployment Insurance Program is alternatively referred to as Shared Work, Shared Work UI, Work Sharing and Work Sharing UI.

The Shared Work UI program allows an employer facing a decline in business to voluntarily choose workweek reductions with prorated UI benefits for employees within a context of program regulations. The work reduction must involve not less than 10 percent of the employer's regular permanent work force in the affected work unit or units. In addition, the hours and wages of each affected employee must be reduced by 10 percent or more.

Each participating employee must meet UI eligibility requirements. During 1980, a California worker must have earned at least \$900 during the 12-month "base period" before that person was eligible to draw benefits. Weekly UI benefits range from \$31 to \$120 and thus, a worker who was eligible for maximum weekly benefits would have received \$24 for each day lost during 1980.

The California program allows the payment of work sharing benefits to each participating employee for up to 20 weeks during a 52-week period beginning with the first week benefits are paid. If the 20 weeks are exhausted and workers are then laid off, those who lose their jobs would be eligible for regular UI benefits with their duration reduced to reflect the dollar costs of benefits received under work sharing.

Administration of the program has been kept simple. Employers are only required to call or write for a two-page application form, provide basic employee information on employees, state that work-time reductions are economically necessary, and submit information on the amount of wage and hour reductions. If the Work Sharing UI application is approved, employers must provide their participating employees with a weekly statement of reduced hours and wages which employees then use to claim "shared work" benefits from the Employment Development Department. California employers are not required to document or prove that a reduction in hours cannot be avoided, nor are employers prevented from laying off some workers before or after use of the program. Continuation of fringe benefits is not required and no restrictions are placed on the personnel decisions of employers, including discharges, transfers and new hiring. The number of participating employees, as well as the extent of hour and wage reductions originally assigned, may be changed by means of a written notification to the Employment Development Department.

The Work Sharing UI program has been designed to interfere as little as possible with existing labor-management relationships. Employer participation in the program is strictly voluntary. However, if participating employees are covered by a collective bargaining agreement, their union must agree to the plan. In cases where no union exists, the employer is free to decide whether or not to participate.

Restrictions on workers who participate are also kept to a minimum. Workers receive their shared work benefits directly from the State by mail. However, an initial claim must be filed personally by each worker at a local branch office of the Employment Development Department, and each employee must experience work reductions for one "waiting week" prior to receiving benefits.

Workers whose employers have stated that the Shared Work Plan will be used as a temporary measure (defined as less than 10 weeks) are automatically exempted from the normal work search requirement that regular UI recipients must meet. Employers who state that their expected downturn will last longer than 10 weeks but who believe that it will nonetheless be "temporary" may also have their

employees exempted from work search requirements. Employers expecting permanent work force reductions can use the program as a transitional mechanism which allows workers to look for other employment while on shortened work-weeks. However, workers receiving benefits under these conditions must meet the work search requirements of regular Unemployment Insurance.

Employers participating in the program are charged for benefits in the same manner they are charged for regular UI benefits. However, participating employers, whose recent history of Unemployment Insurance benefit charges exceed their contributions (negative reserve employers), are required to pay additional UI taxes ranging from 0.5 to 3.0 percent on the first \$6,000 of all employee wages during the subsequent calendar year. This tax increase is intended to discourage participation among firms which normally make seasonal layoffs. Employers who must pay this additional tax are those that meet the following criteria: (1) the employer had a negative reserve account balance on the prior June 30; and (2) the employer's reserve account had been charged with the payment of Work Sharing UI benefits during the 12-month period ending on the prior June 30. In determining whether the second criterion has been met, the Employment Development Department looks only for benefit charges from claimants identified on that employer's work sharing plan. Thus, work sharing benefits paid to such employees cannot trigger the imposition of the Work Sharing UI tax on former employers.

Nature and Scope of the Evaluation

Because the Shared Work UI program is new, both to California and in the United States, little information was available at the outset of the program implementation which would provide a reliable basis to assess the impacts of the program. Consequently, this evaluation involved extensive data collection in addition to using programmatic data which are regularly collected by the Employment Development Department as it administers and operates the Unemployment Insurance program. These data sources are discussed in Chapter 2 of this report.

Random sample surveys conducted to collect base data included: Shared Work Firm Survey -- on-site, 1 to 4 hour surveys were conducted with 291 firms which had used the Shared Work program and provided information on the reasons for use of the program, the costs to the firms of using work sharing, the views of employees as perceived by management, the views of management on the advantages and disadvantages of the program, and of their attitudes toward possible program changes; Employer Awareness Survey -- 10 to 15 minute telephone interviews with a random sample of 226 of the general population of California employers were conducted to determine the extent of awareness of the program and what were the primary sources of awareness for these firms; Inquiring and Certified Firm Survey -- similar, short telephone interviews were conducted with 304 firms which had either inquired about the program or had plans certified but did not ultimately use the program to determine why they ultimately decided not to use the program; Shared Work Employees Survey -- one-half hour telephone interviews were conducted with 467 workers who had participated in the program to determine their views of the value of the program and what problems were encountered by workers in collecting benefits and other aspects of using the program; Shared Work Unions Survey -- one-half hour telephone interviews were conducted with the business agents of 55 unions where a Shared Work UI plan was used to determine the advantages and disadvantages to organized labor from program participation; Nonparticipating Unions

Survey -- similar interviews were conducted with 57 unions affiliated with firms which inquired about the program but did not use it to determine their views; and, UI Administrators and Staff Survey -- on-site interviews and mail surveys were made of UI administrators and EDD field office staff to determine the problems involved in implementing the program, their views regarding the value of the program, and their attitudes concerning possible program changes. These surveys formed the basis for much of the analysis of the program.

In addition to survey data, administrative data which are collected as a normal function of the administration of the regular UI and Shared Work UI programs were used to establish the general characteristics of the users of the program. These administrative data included information for comparison of regular UI and Shared Work UI firms and workers, data on employee work and wage histories by employer, and the extents and amounts of Shared Work UI benefits paid to workers.

Drawing upon the data provided by the above two general sources, a computerized financial impact model was constructed to allow for the consistent and relatively comprehensive analysis of the financial impacts of the Shared Work program on firms, workers, government, and society. This model provided the basis for comparison of the condition of full time employment as it existed immediately prior to the use of work sharing, the financial flows under the Work Sharing program, and corresponding flows under the traditional system of layoffs in which some workers are laid off and are compensated within the regular UI program while other workers remain fully employed. The methodology used allowed for either an "average worker analysis" or an "average work group analysis" for either a one week period or for the average duration of program use. Furthermore, it provided the flexibility to make analyses across firm characteristics such as industry, status of unionization, or geographical region, and across worker characteristics such as age, sex, race, wage rate, or occupation.

Patterns of Participation

The analysis of participation in the Shared Work UI program was made for both firms and for workers and was in the context of a comparison with participation in the regular UI program. Analysis of issues related to program participation is presented in Chapter 4 of this report. Possibly the most striking feature in terms of program participation is the relatively limited use of the program to date. For example, during the state fiscal year ending in June of 1980, only 714 firms used the Shared Work program compared with 217,837 firms which had regular UI benefits charged against their UI Fund accounts. Thus, shared work firms represented one-third of one percent of regular UI firms. Similarly, during calendar year 1980, department records indicate that 16,594 individuals received Shared Work UI benefits compared with 368,725 claimants under regular UI.

In other words, shared work claimants represented 4.5 percent of regular UI claimants; as the average work time reduction for shared work claimants is one day per week, an increase of 5 shared work claimants should be expected for every regular UI claimant displaced. Thus, it can be reasonably inferred that the Shared Work program reduced regular UI claimants by approximately nine-tenths of one percent during 1980.

As would be expected, the use of work sharing increased substantially at the outset of the two recent recessions. At these times, firms were uncertain as to the depth and duration of declines in demand for their products and were particularly concerned with prematurely terminating trained workers. With the advent of recessionary economic conditions in the second quarter of 1980, the number of work sharing plans approved jumped up by 279 percent from 119 plans approved in the first quarter to 451 approved in the second. At the same time, the number of workers approved to participate rose by 462 percent from 2,544 workers in the first quarter to 14,293 in the second. Similarly, with the onset of the recession in the last quarter of 1981, participation in the program rose dramatically. From the third quarter of 1981 level of plans approved of 117, the number increased to 342 in the fourth quarter for an increase of 192 percent. The number of employees approved to participate rose sharply at the same time, increasing from 4,682 in the third quarter to 19,420 in the fourth, an increase of 315 percent.

In addition to evaluating the general data on program participation, a review was made of the characteristics of shared work firms for comparison with data on firms whose workers drew regular UI benefits. For firms, the first significant difference found was that shared work firms tended to be substantially larger than regular UI firms. During State Fiscal Year 1979-80, 82.3 percent of regular UI firms (179,259 out of 217,837) had 25 employees or less; for work sharing firms, the corresponding percentage was 51.1 percent (365 out of 714 firms). At the other end of the firm size spectrum, only 3.9 percent of regular UI firms had over 100 workers while 18.1 percent of Shared Work UI firms had over that number. Data relating to the sizes of firms on total wages paid and UI base period taxable wages showed similar relationships.

A second finding regarding work sharing firms is that they were more often from the manufacturing industries and less so from other industries when compared with regular UI firms. During State Fiscal Year 1979-80, 45 percent of work sharing firms (321 out of 714) were from manufacturing while only 11.4 percent (24,826 out of 217,821) of regular UI firms were from manufacturing. For other major industry groups, the participation in work sharing was correspondingly less: 7.0 percent of work sharing firms were from construction compared to 14.9 percent of regular UI, and 34.2 percent of work sharing firms were from the trade and services sectors while 54.0 of regular UI firms were from these sectors.

An issue frequently raised concerning work sharing is whether it will provide a mechanism for marginal or failing firms to stay in business. Economic theory suggests this would be socially disadvantageous since the affected workers might be more productively employed in other firms where they would be employed full time. No direct measures of the economic health of firms were available for an analysis of this issue. Nevertheless, data were available on the UI tax status of firms. To some degree, these data serve as indications of the economic health of firms. For Example, firms facing high UI tax rates as well as firms whose UI charges exceed taxes paid (negative balance employers), may be considered more economically marginal. In terms of UI tax status, work sharing firms were found to be in relatively better condition than regular UI firms. For example, 15.3 percent of work sharing firms using the program during Fiscal Year 1979-80 were negative balance employers; the corresponding value for regular UI firms was 27.5 percent. Similarly,

only 27.6 percent of work sharing firms were subject to UI tax rates over 3 percent, while 45.9 percent of the regular UI firms were above this level. The surtax requirement for negative balance employers under work sharing was intended to reduce the incidence of use by marginal firms and the associated subsidies provided to these firms by other California employers. The data detailed above indicate that this requirement has been effective in accomplishing these goals.

Comparisons of Work Sharing UI claimants and regular UI claimants for calendar year 1980 were made across occupations, industries, and by age, sex, and race. The data by occupation indicate that a higher percentage of work sharing workers were from blue collar occupations. 69.3 percent of work sharing claimants were blue collar workers while only 40.6 percent of regular UI claimants were from this occupational group. Correspondingly, work sharing workers were found proportionately less in white collar (18.0 percent from work sharing as opposed to 30.3 percent from regular UI), service (2.9 percent from work sharing versus 8.3 percent for regular UI), and farm and labor occupations (9.8 percent for work sharing versus 20.7 percent for regular UI).

In terms of the age of UI beneficiaries, work sharing claimants were found to include relatively fewer younger workers. Only 14.3 percent of work sharing claimants were under 25 years of age while the corresponding percentage for regular UI was 21.4 percent.

The distribution of work sharing workers by sex was found to be nearly identical with that of the population of regular UI claimants. For calendar year 1980, 58.4 percent of work sharing claimants were male while 61.6 percent of regular UI claimants were male.

The distribution of employee participation by race found that the percentage of white claimants under work sharing was 48.5 percent while for regular UI the percentage was 59.2 percent. Similarly lower percentages were found for black claimants under work sharing with blacks comprising 4.5 percent of work sharing claimants compared to 9.9 percent of regular UI claimants. Racial groups with higher levels of participation under work sharing were Hispanics (34.3 percent under work sharing as opposed to 27.6 percent for regular UI) and "other races" which in California includes a large percentage of Asians (12.6 percent for work sharing versus 3.3 percent for regular UI).

Awareness and the Decision to Participate

In order to heighten awareness of the Shared Work program, the Employment Development Department sent program information letters to every California employer. Additionally, four articles on work sharing were published in the California Employer, a quarterly publication that is distributed by EDD to employers. Letters were also written to unions and to public officials informing them of the new work sharing UI option. Simultaneously, the media were informed by press releases from the EDD's Communications Office and through contacts by local field office managers throughout the State. Findings regarding program awareness and the decision to participate are discussed in Chapter 5 of this report.

Data from the survey of the population of California employers, discussed above indicate that about 55 percent of the respondents recalled having heard of the program. However, only 25 percent expressed a "high" awareness.

The remaining 45 percent were either not aware of the program and/or were not sure if they had heard of it following a brief explanation.

To some degree, these low levels of general awareness are to be expected. The data on participation in the regular UI program indicated that 286,963 or 57 percent of UI covered employers had no charges against their accounts during Fiscal Year 1979-80, indicating these employers had little to need to know about the program. This expectation was partially borne out in the survey of the general population of California employers where it was found that 34.9 percent of employers which had required labor force cutbacks in the prior year had a high awareness of the program while this was true for only 18.8 percent of the employers which had no cutbacks in the prior year. Higher levels of awareness were found among the construction and manufacturing industries, among large firms, among unionized firms, and among firms regularly affected by seasonal changes in their labor requirements. Since there is no way of knowing the extent of awareness if the Department had not actively made efforts to inform employers, there is no way of measuring the effectiveness of the outreach efforts. Nevertheless, these data illustrate the difficulty of informing employers of new programs.

Question regarding the "first source" of program awareness were asked during the surveys of employers, discussed above. Departmental publications were the primary source of first awareness: 38.4 percent mentioned departmental publications of the sample of California employers; 46.1 percent of the sample of inquiring and certified firms; and 41.3 percent of the sample of work sharing firms. In general, the news media was effective in reaching the general population of employers, with 35.4 percent of the sample mentioning the media as their first source. However, the media proved to be less effective for the other two groups; only 12 percent of inquiring and certified firms and only 19.6 percent of work sharing firms first learned of the program from the media.

Questions were also asked regarding the decision to participate in the program. The primary positive factor cited for using the program was the maintenance of loyal and/or valued employees and the reduction of employee turnover, which was mentioned by 21.7 percent of the sample of California employers. The only other positive factor cited by more than 10 percent of this group was that the program was more fair than layoffs, mentioned by 10.2 percent. The primary factors cited by this group against using the program were the program's nonapplicability due to seasonality of business (8.4 percent) and its operational and/or organizational infeasibility (7.5 percent).

Factors which encouraged program use cited by the sample of inquiring and certified firms were the maintenance of loyal and/or valued employees, including the reduction of employee turnover (mentioned by 58.2 percent), the reduction of recruiting and training costs (22.7 percent), and the flexibility to adjust workforce (10.2 percent). Factors cited by this group as discouraging the use of work sharing were the lack of need for any work time reduction, mentioned by 41.4 percent of the respondents, and the belief that layoffs were more appropriate forms of work time reduction for their respective firms, cited by 9.6 of the respondents.

Work sharing firms were able to assess the advantages and disadvantages of the program from actual experience. Accordingly, they provided a greater diversity of perspective. (It should also be noted that the on-site interviews with work sharing firms provided a greater opportunity for an exploration of the issues as opposed to the 15 minute telephone interviews conducted with the other groups.) Factors favorably influencing the decisions of work sharing firms to participate in the program were the maintenance of valued employees (88.4 percent), the program's acceptance by firm managers (74.1 percent), by workers (67.9 percent), the reduction of labor costs (67.1 percent), the increased flexibility to adjust the work force (56.2 percent), the operational feasibility of the program (47.5 percent), senior worker's acceptance (41.3 percent), union support (16.5 percent), the reduction of fringe benefit costs (10.4 percent) and administrative effort and costs (10.5 percent), and the reduction of overtime costs (10.2 percent). The diversity of these positive factors suggest that firms benefited in many ways which were overlooked prior to using the program.

Work sharing firms mentioned relatively fewer negative factors. Negative factors cited included the creation of greater administrative costs/effort (27.9 percent), higher UI tax liabilities (17.1 percent), and the fear of unknown impacts (16.3 percent). Given that the inquiring and certified firm sample and the work sharing firm sample cited "the fear of the unknown" as a primary negative factor, it might be expected that use of the program will grow slowly. Since most firms facing labor cutbacks are enduring difficult times, it can be expected that they will be less inclined to take unnecessary risks, including participating in new programs such as work sharing.

Financial Impacts of the Shared Work Program

Financial impacts of the Shared Work UI program were evaluated by comparing work sharing to the traditional work time reduction of layoffs. Under work sharing, all workers remain partially employed, receive wage income, pay payroll taxes, receive fringe benefits, collect Shared Work UI benefits, and, in some instances, receive other transfer income such as food stamps or AFDC payments. Under the layoffs, some workers are laid off and receive regular UI benefits and, in some instances, other transfer income; the other workers under the layoffs, remain fully employed and receive their normal full time compensation.

Within this framework, the issue addressed was, "How do financial flows differ under work sharing when compared to layoffs?" This issue was addressed from the perspectives of the firm, workers, government, and society. Financial impacts of the program on firms are discussed in Chapter 6; financial impacts on workers are discussed in Chapter 7; and financial impacts on government are discussed in Chapter 10.

Financial Impacts on Firms

A summary of the analysis of financial impacts on firms is shown in Table 1.1. The columns of the Table indicate results for the Shared Work UI work time reduction alternative, the layoff work time reduction alternative, and the net impacts, which reflects either the savings to the firm from using work sharing

TABLE 1.1
FINANCIAL IMPACTS ON FIRMS COMPARING SHARED WORK UI AND LAYOFFS
AVERAGE PER SHARED WORK UI WORKER FOR 1 WEEK (A)

Cost Category	Shared Work UI	Regular UI Layoffs	Net (B) Impacts
Gross Wages	\$204.18	\$208.50	\$4.32
Payroll Taxes (C)	\$29.75	\$30.29	\$0.54
Fringe Benefits (C)	\$39.04	\$34.40	-\$4.64
Severance and Recall	\$0.16	\$1.34	\$1.18
New Hire (C)	\$0.00	\$14.55	\$14.55
Total (D)	\$273.15	\$289.11	\$15.96

Source: This report, Table 6.3.

- Note: (A) Based on an analysis of 7,406 workers and 291 firms that participated in the Shared Work UI program during calendar years 1979 and 1980. Average work reduction was 20.8 percent and mean length of time in the plan was 11.8 weeks.
- (B) Positive numbers indicate a net benefit from using the Shared Work UI program; negative numbers indicate a net cost from using the Shared Work UI program.
- (C) Firm payroll taxes include UI taxes, worker compensation taxes, and employers contributions to FICA. Fringe benefits include medical, pension, vacation, holiday, and one-half of the wage value of accrued sick leave. New hire costs include recruiting costs, selection costs, training costs, and productivity costs.
- (D) Totals may not equal component sums due to independent rounding.

(indicated by a positive number) or the cost to the firm (indicated by a negative number). The analysis is based on a simulation of work sharing and lay-off work force adjustments over a one week period. A description of the simulation methodology is presented in Chapter 2.

The flow of funds for the various cost accounts of the firm are presented in the rows of Table 1.1. The first row shows gross wages paid to workers. The second row shows payroll taxes paid by the firm, including payments for UI taxes, workers compensation, and the firm's contribution to social security (FICA). The third row shows payments for fringe benefits, including payments for medical and pension benefits and the value of vacation time, holiday leave, and one-half the value of accrued sick leave. The fourth row shows severance payments and recall costs. The fifth row shows new hire costs to the firm which occur when a worker is laid off and not available later for recall. These include the costs of recruiting new candidates for job openings, screening and selecting the new workers, training the new workers, and any costs to the firm due to reduced productivity of new workers which are not reflected in reduced wages. The last row is the total of the five accounts.

Since severance and recall costs and new hire costs are lump sum payments, they were prorated over the period of work force adjustment to derive the one week costs shown in the Table. As indicated in Note (A) of the Table, this analysis was based on 7,406 workers drawn from 291 firms which used work sharing. The average work time reduction for these workers was 20.8 percent (slightly over one day per week) for an average duration of 11.8 weeks per spell.

Table 1.1 shows that the average firm saved \$15.96 per worker per week that it was on the program, with a total labor cost under work sharing of \$273.15 and a total labor cost under layoffs of \$289.11. Wages and payroll taxes paid by the firm under work sharing were lower (work sharing savings of \$4.32 and \$.54, respectively). Nearly offsetting this gain was a work sharing loss of \$4.64 for higher fringe benefit payments under work sharing.

In the analysis, firms maintained some fringe benefits, such as medical benefits, fully for all workers during work sharing, while others benefits, such as accrued vacation leave, were reduced in proportion to the amount of work time reduced. Thus, in terms of direct labor costs to the firm (gross wages, payroll taxes, and fringe benefit payments) firms on average showed an almost negligible work sharing gain of \$.22 per worker (less than one tenth of one percent of these costs under layoffs).

The major source of gains to the firm under work sharing are reduced transitional costs, which include severance and recall costs and new hire costs, \$1.18 and \$14.55 respectively. These transitional costs indicate the conditions under which firms will find it profitable to use work sharing. Work sharing would tend to be attractive to firms which anticipate high turnover due to the imposition of layoffs. These data are consistent with the previously-detailed advantages of using work sharing to maintain valued employees and reduce turnover costs.

As noted above, the detailed analysis of the financial impacts on firms is included in Chapter 6 of this report. Key findings drawn from that Chapter are:

- Firms on average placed 25.5 workers on the Work Sharing program for an average duration of 11.8 weeks. Savings attributable to work sharing averaged \$2,771, reflecting simulated total labor costs of \$91,937 under work sharing and \$94,708 under layoffs.
- The costs of hiring and training a new worker were found to be substantial, averaging \$3,023 per new hire. Stated differently, the average cost to a firm of hiring a new, untrained worker were equivalent to total labor costs for that worker for 2 months.
- The one week per worker savings to firms under work sharing increased as the level of work time reduction increased. For firms with work time reductions of less than 15 percent, the average savings was \$5.01 or 1.5 percent of the total labor costs under layoffs. For firms having work time reductions of 25 to 34 percent, this savings increased to \$47.97, or 16.6 percent, of total labor costs under layoffs.

- Relatively higher work sharing savings were found among firms in manufacturing (\$16.26 or 5.6 percent savings), trade (\$14.34 or 5.7 percent), finance, insurance, and real estate (\$16.37 or 6.1 percent), and services (\$19.75 or 5.9 percent). Lower work sharing savings were found in mining and construction (\$1.77 or .6 percent) and in transportation and utilities (\$5.67 or 2.3 percent). These differences in savings by industry were primarily due to differences in transitional costs.
- Firms with high UI tax rates were found to incur losses under work sharing. For firms with UI tax rates above 3.8 percent, a loss of \$3.59 or 1.6 percent of total labor costs under layoffs was incurred. Work sharing gains were found for firms with lower UI tax rates: firms with tax rates of 0 to 2.5 percent; saved \$23.47 or 7.4 percent; and firms with tax rates between 2.5 and 3.8 percent saved \$13.79 or 4.9 percent.
- Shared work savings were not found to differ greatly for unionized firms (\$16.46 or 5.1 percent) when compared to nonunionized firms (\$15.86 or 5.7 percent).

Financial Impacts on Workers

Table 1.2 presents the financial impacts of the Shared Work program on workers. It provides a comparison of the results of the simulated work force adjustments of work sharing and layoffs. Dollar amounts of components of workers' income are presented in the first two columns, respectively. The third column is the net impact (either increases or decreases in income components) attributable to work sharing. The rows of Table 1.2 are separated into three sections, labeled "All Workers", "Full Time Workers" and "Laid-Off Workers." Under the "Regular UI Layoffs" column, the section of "Full Time Workers" presents the components of income for workers who were retained full time under the layoff labor force adjustments. Likewise, the section "Laid Off Workers" presents the components of income for workers who were laid off under the layoff labor force adjustment. The section labeled "All Workers" is an averaging of workers in both sections above, reflecting a "composite" impact on a hypothetical worker, being fully employed 89 percent of the time and laid off 21 percent of the time. Workers were not separated by employment status under the column "Work Sharing". Therefore, the figures presented as income components are equal among the three sections, representing average values for all workers under the work sharing adjustment.

As indicated in the "All Workers" section of Table 1.2, under work sharing the average one week gain to workers was \$5.31, or 2.3 percent of total remuneration under layoffs, reflecting total remuneration under work sharing of \$232.88 versus \$227.58 under layoffs. Under work sharing, wage losses of \$4.32 and other income losses of \$1.86 were more than offset by gains created by the reduction of payroll taxes (\$6.85) and the increase of fringe benefits (\$4.64). These results appear reasonable. Under work sharing, average wage losses are more than offset by reduced payroll taxes, a consequence of the progressive tax rate structures for both federal and state income taxes.

TABLE 1.2
FINANCIAL IMPACTS ON WORKERS
AVERAGE WORKER FOR 1 WEEK (A)

Cost Category	Shared (B)		Net (C) Impacts
	Work UI	Layoffs	
<u>All Workers (D)</u>			
Gross Wages	\$204.18	\$208.50	-\$4.32
Less			
Payroll Taxes (E)	-\$32.18	-\$39.03	\$6.85
Plus			
Other Income (E)	\$21.84	\$23.70	-\$1.86
Fringe Benefits (E)	\$39.04	\$34.40	\$4.64
Total Remuneration (F)	\$232.88	\$227.58	\$5.31
<u>Full Time Workers (D)</u>			
Gross Wages	\$204.18	\$263.51	-\$59.33
Less			
Payroll Taxes (E)	-\$32.18	-\$49.33	\$17.15
Plus			
Other Income (E)	\$21.84	\$0.05	\$21.79
Fringe Benefits (E)	\$39.04	\$43.48	-\$4.44
Total Remuneration (F)	\$232.88	\$257.71	-\$24.83
<u>Laid Off Workers (D)</u>			
Gross Wages	\$204.18	\$0.00	\$204.18
Less			
Payroll Taxes (E)	-\$32.18	\$0.00	-\$32.18
Plus			
Other Income (E)	\$21.84	\$113.36	-\$91.52
Fringe Benefits (E)	\$39.04	\$0.00	\$39.04
Total Remuneration (F)	\$232.88	\$113.36	\$119.52

Source: This report, Table 7.1.

- Note: (A) Based on an analysis of 7,406 workers and 291 firms that participated in the Shared Work UI program during calendar years 1979 and 1980. Average work reduction was 20.8 percent and mean length of time in the plan was 11.8 weeks.
- (B) Shared Work UI data for full time workers and laid off workers were not independently computed. This results in roughly a 2 percent understatement of costs to full time workers and a similar overstatement of benefits to laid off workers.
- (C) Positive numbers indicate a financial gain by workers; negative numbers indicate a financial loss.
- (D) The all workers class is a composite of full time workers (workers who would have remained full time under layoffs) and laid off workers (workers who would have been laid off under a layoff work time reduction strategy). Of the 7,406 workers in the sample, 5,860 would have remained full time under layoffs and 1,546 would have been laid off.
- (E) Worker payroll taxes include federal income taxes, state income taxes, workers contribution to FICA, and state disability taxes. Other income includes UI benefits, AFDC benefits, food stamp benefits, and severance pay. Fringe benefits include medical, pension, vacation, holiday, and one-half of the wage-value of accrued sick leave.
- (F) Totals may not equal component sums due to independent rounding.

Table 1.2 also identifies the income redistribution effects of the Work Sharing program on workers. Workers who would otherwise have remained full time lose an average of \$24.83 per week. Workers who would otherwise have been laid off gain an average of \$119.52. Thus, workers who would have remained full time suffer a 9.6 percent income loss as a result of an average work time reduction of 20.8 percent, while workers who would have been laid off experience a 105 percent gain under work sharing.

The financial impacts on workers under work sharing were analysed by various worker characteristics. The results of these analyses are presented in Chapter 7. Highlights of the results are:

- On average, workers maintained 92.1 percent of total full time remuneration under work sharing given an average work time reduction of 20.8 percent. As the level of work time reduction increased, total remuneration decreased, but not proportionally: workers whose work time was reduced by less than 15 percent maintained 95.9 percent of their full time total remuneration. Workers whose work time reduction ranged between 15 and 24 percent maintained 92.5 percent of their full time total remuneration. For workers with 25 to 34 percent work time reductions, the maintenance was 88.4 percent. And for workers with work time reductions over 34 percent, maintenance of total remuneration was 83.1 percent.
- Income received under work sharing expressed as a percent of full time income was greater for low wage workers than for high wage workers; it was relatively constant across age groups, sex, race, pay type (wage or salary), union status, occupation, industries, and regions.
- Certain groups were found to be at greater risk of layoffs, indicating proportionately greater job retention benefits for these groups under work sharing. Groups at higher risk of layoffs included lower paid workers and younger workers. This was true to a very limited extent for female workers and nonwhite workers, suggesting that the Shared Work program has, at best, marginal affirmative action benefits for these groups.

Financial Impacts on Government

The financial impacts of the Shared Work program on government were analysed of two levels: impacts on government and impacts on the UI system.

TABLE 1.3
FINANCIAL IMPACTS ON GOVERNMENT
AVERAGE WORKER FOR 1 WEEK (A)

Category	Shared Work UI	Layoffs	Net (B) Impacts
<u>Revenues</u>			
Worker Taxes (C)	\$32.18	\$39.03	-\$6.85
Firm Taxes (C)	\$29.75	\$30.29	-\$0.54
Total Revenues (D)	\$61.94	\$69.33	-\$7.39
<u>Expenditures</u>			
UI Benefits	\$20.36	\$19.34	\$1.02
UI New Claim Administration	\$1.06	\$0.22	\$0.84
UI Continued Claim Administration	\$1.33	\$0.08	\$1.25
UI Subtotal (D)	\$22.76	\$19.65	\$3.11
Other Expenditures (C)	\$1.30	\$3.70	-\$2.40
Total Expenditures (D)	\$24.06	\$23.35	\$0.71
Revenues less Expenditures (D)	\$37.88	\$45.98	-\$8.10

Source: This report, Table 10.1.

- Note: (A) Based on an analysis of 7,406 workers and 291 firms that participated in the Shared Work UI program during calendar years 1979 and 1980. Average work reduction was 20.8 percent and mean length of time in the plan was 11.8 weeks.
- (B) For revenues, the negative sign indicates a decrease in revenues to government associated with the Shared Work UI Program. For expenditures, positive numbers indicate increased costs to government and negative numbers indicate reduced costs to government.
- (C) Worker taxes include federal income taxes, state income taxes, workers contribution to FICA, and state disability taxes. Firm payroll taxes include UI taxes, worker compensation taxes, and employers contributions to FICA. Other expenditures include payments for AFDC and food stamp benefits.
- (D) Totals may not equal component sums due to independent rounding.

Table 1.3 summarized the analysis of financial impacts on government. Financial flows affecting government, represented by rows of the Table are divided into two types: government revenues, and expenditures from government funds. Revenues consist of tax payments made by workers and by firms. Expenditures consist of those from the UI system and "Other" expenditures, composed of the two social maintenance programs, AFDC and food stamps. The final row of the Table presents net changes to government funds. Estimates of government cash flows are presented for the work sharing scenario, column 1, and for the lay-off scenario, column 2. The third column of Table 1.3 gives the net impact of work sharing for each line item, defined as work sharing cash flows less lay-off cash flows. For revenues, negative amounts in the "Net Impacts" column represent decreased revenues under work sharing and therefore, a net decline in government funds due to the program. For expenditures, positive amounts reflect greater expenditures under the work sharing scenario, and therefore net declines in government funds. All figures represent simulated impacts on government funds based on the experience of one worker for one week of reduced work time.

As can be seen, the shared work program costs government more than layoffs. On average, revenues decrease by \$7.39, or 10.7 percent of revenues under layoffs. Of this amount \$6.85 is a decline in taxes paid by workers. The vast majority of this loss of worker - based revenues is a decrease in federal and state income tax receipts. Expenditures increased modestly under the Shared Work program by a total amount of \$.71, or three percent of expenditures under layoffs. The increase in expenditures was primarily driven by increases in UI benefit payments and UI administrative costs. Overall, the Shared Work program effects a decrease in government funds of \$8.10 per worker per week of program use.

The impact of work sharing on UI system expenditures is to increase benefit payments by \$1.02, increase new claim administrative costs by \$.84, and increase continued claim costs by \$1.25. These amount to a total increase in costs of \$3.11, or 15.8 percent of the costs under regular UI. New claim administrative costs under work sharing of \$1.06 are roughly five times those of the regular UI program because, on average, there are five times as many work sharing claims as there are regular UI claims. This is coincident with the average work time reduction of 20.8 percent; for each worker who would have been laid off, five were placed on reduced workweeks. Continued claim administrative costs were approximately 16 times those of regular UI for three reasons: first, as with new claim costs, 5 work sharing workers made claims for each laid off worker; second, work sharing continued claims are processed weekly rather than biweekly, as are regular UI claims; and finally, due to the greater complexity of work sharing continued claim processing, these claims take more time, on average, than do regular UI continued claims.

Financial Impact on Society

For the most part, the financial flows shown in Tables 1.1 and 1.2 represent transfers between firms and workers. From a social perspective, many costs to firms are benefits to workers; these transfers do not result in an increase or decrease in social product, but rather a redistribution. This is not true for all accounts examined, however. In some instances, work sharing savings or costs reflect social gains or losses. An example of this is the reduction of avoidable turnover costs. Avoidable turnover under layoffs results in new workers, hired upon an economic recovery, operating at productivity levels below those of the workers they replaced. The drop in productivity is a decrease in output otherwise available under work sharing, and is therefore a social loss. Furthermore, the increased administrative costs of recruiting new applicants, screening applicants, selecting new workers, and in training these new workers which results from avoidable turnover represents expenditures which directly translate into higher product costs for an equivalent level of output.

Losses to society due to work sharing are reflected in the net change in revenue and expenditure accounts for government. Reduced revenues and increased expenditures either create an additional burden in the form of higher taxes, or reduce the level of services otherwise provided by government. A second social cost of work sharing is the additional cost to firms of processing the additional paperwork associated with establishing a Shared Work plan and preparing the weekly forms for workers. These costs were not included in the financial impacts analysis model because data were not collected from employers on these costs. In the absence of direct estimates, an approximate value was assumed to be the costs to government of administering the work sharing claims processes.

Table 1.4 shows the identifiable financial benefits and costs to society associated with usage of the Shared Work program by one worker for one week. The incremental financial benefits were \$14.55 and the incremental costs were \$10.49. As indicated at the bottom of the table, this translates into a program benefit-cost ratio of 1.4, which means that for each additional dollar cost of the program, there is an associated benefit of \$1.40.

Views and Attitudes

In addition to the financial assessment of the Shared Work program, various participants in the program were surveyed to determine their views on the value of the program. Groups surveyed included firm representatives, work sharing workers, unions business agents, and UI administrators and field office staff. The results of these surveys are detailed below by group.

TABLE 1.4
FINANCIAL IMPACTS ON SOCIETY
AVERAGE WORKER FOR 1 WEEK (A)

<u>Cost Category</u>	Shared Work UI	Layoffs	Net Impacts
<u>Benefits</u>			
Firm Recruiting	\$0.00	\$0.91	\$0.91
Firm Selection	\$0.00	\$0.80	\$0.80
Firm Training	\$0.00	\$6.86	\$6.86
Firm Productivity(B)	\$0.00	\$5.96	\$5.96
Total	\$0.00	\$14.55	\$14.55
<u>Costs</u>			
Government Revenues and Expenditures	-\$37.88	-\$45.98	\$8.10
Firm Shared Work UI Administration	\$2.39	\$0.00	\$2.39
Total	-\$35.49	-\$45.98	\$10.49
Benefit-Cost Ratio	N/A	N/A	1.4

Source: This report, Chapters 6 and 10.

Note: (A) Based on an analysis of 7,406 workers and 291 firms that participated in the Shared Work UI program during calendar years 1979 and 1980. Average work reduction was 20.8 percent and mean length of time in the plan was 11.8 weeks.
(B) Since productivity costs presented include the difference between the value of total lost productivity and the wages paid workers, the value of this benefit is significantly understated.

Views and Attitudes of Firm Managers

As part of the survey of work sharing firms, employers were asked to indicate factors which encouraged program use. The most frequently cited factor was the ability to maintain valued employees, indicated by 88 percent of employers surveyed. Other encouraging factors included worker acceptance and labor cost savings, indicated by about 67 percent of the sample. These employers were also asked to identify factors which would tend to discourage program use. Factors singled out included added costs to the firm associated with interfacing with the UI system, cited by 28 percent of the sample, increased UI tax costs (17 percent) and the fear of unknown impacts (16 percent).

When employers were asked their perceptions of how the program was accepted by employees, there was a strong consensus of support for the program, with 85.6 percent of employers indicating employees supported the program while only 2.8 percent indicated worker opposition to the program. Employers were also asked to volunteer positive and negative aspects of the program as they pertained to employees. The most frequently cited favorable program attribute was job security and the preservation of steady income, cited by almost 83 percent of those surveyed. Other important positive factors included the perceived "fairness" of Work Sharing UI compared to layoffs (mentioned by 37.8 percent); added free time (mentioned by 36.2 percent); and better employee-employer relations (23.8 percent). The two most frequently cited negative factors indicated were the reduction in earnings associated with work sharing (mentioned by 50.6 percent) and the inconvenience of filing work sharing UI claims (50.7 percent). The perception among employers that employees generally favored the Work Sharing UI program could, in part, be accounted for by employee involvement in the decision of firms to participate in the program. More than half (53.8 percent) of firms surveyed indicated that their employees had a role in the decision to participate, either through union approval or some kind of employer-employee discussion.

Responses to questions concerning program satisfaction among participating firms indicated varying degrees of satisfaction with the program, expressed by 86 percent of those interviewed. Only 7.2 percent indicated some measure of program dissatisfaction.

Views and Attitudes of Work Sharing Workers

To interpret how effectively the program was perceived to have worked, workers were asked to discuss advantages and disadvantages of the program. The factor cited most often as positive was the maintenance of economic security. Over 73 percent of the workers interviewed cited this factor as a significant program advantage, the majority of whom felt it to be very important. The next two most frequently cited factors were fairness of the program (32 percent) and an increase in free time (24 percent). The most frequently cited program disadvantage was the creation of economic insecurity, mentioned by about 33 percent of those surveyed. Benefit collection problems were also cited as a disadvantage, by approximately 27 percent of the workers surveyed.

The Shared Work program has the potential of affecting workers through redefinition of job tasks, work speed ups, and other relationships between firms and workers. The workers surveyed were asked, "During work sharing, did you perform tasks that were different from your normal job responsibilities?" The majority of workers, 71.7 percent, reported that there were no changes in

their job tasks as the work sharing was implemented; 18.2 percent of the respondents reported that their job tasks remained basically the same, but that they were occasionally called upon to perform "fill-in" tasks; and 5.7 percent of the workers surveyed indicated that their normal job responsibilities were expanded, while 3.5 percent reported that they began rotating job assignments to cover necessary tasks.

Workers were asked if there were "any ways in which your employer misused the Work Sharing UI program to take advantage of workers or the program? The overwhelming result was that workers interviewed did not indicate significant firm abuses of the program. The most often cited factor, work speed ups, was mentioned by only 21 workers interviewed, or 4.5 percent. The occurrence of unnecessary or arbitrary work loss appears to have been lower, indicated by only 11 respondents, or 2.4 percent.

Workers who were interviewed were asked to evaluate the additional time off from work which they experienced due to the implementation of the Shared Work program. For all workers, the tendency was towards a positive evaluation of the additional free time. Only 27.3 percent of the respondents evaluated the additional time as of no or little value, while 32.9 percent indicated the time to be of moderate value, and 40 percent indicated the additional free time to be of high value to themselves. Workers were also asked of their use of the additional free time. The most frequently reported activity involved working around the house, cited by 253 respondents or 59.5 percent of workers surveyed. Time spent with family was the next most frequently cited activity, indicated by 23.1 percent of respondents. Only 13.4 percent of respondents indicated that they spent their additional free time looking for another job. Similarly, only 6.1 percent indicated that they spent this time working at a second job.

Workers overwhelmingly indicated support of and satisfaction with the program. While only 5 percent of the interviewed workers indicated that they were opposed to future program use, 90 percent indicated that they were in favor of using the program in the future.

Views and Experiences of Unions

For firms desiring to use work sharing where the affected workers are covered by a collective bargaining agreement, the union must agree and sign off on the proposed plan submitted to the Employment Development Department. This provision ensures that the Work Sharing program does not conflict with formal employer-union contracts. To assess the views and experiences of unions on work sharing, two surveys, one of work sharing participating unions and one of nonparticipating unions, were conducted and form the basis of the findings on unions. The list of nonparticipating unions was drawn from those affiliated with firms which inquired about work sharing or had a work sharing plan approved, but did not actually participate in the program.

The first finding concerning unions was that participation of union members in the program (21 percent) roughly matched the proportion of union members in the California work force (23 percent).

The survey results indicated that there are two kinds of factors that help to determine the use of work sharing at organized work places. Comments from both participants and nonparticipants suggested that the ingenuity and support of union business agents was crucial in working out an agreement between members and management. Second, the nonparticipant survey revealed certain structural determinants that preclude the use of work sharing in certain settings. Examples of this included retail clerks, where a major union objective is obtaining full time, 8-hour shift employment for senior workers, and in areas where labor reductions have not been common such as in the public sector.

One reason why work sharing did not meet a great deal of resistance from unions at the local level was that short time work schedules are not unfamiliar in the organized work place. Respondents in both surveys reported that some form of labor reductions had occurred at the work place in question during the last two years. Only 27.1 percent of nonparticipants and 19.6 percent of participants reported no reductions in the prior two years. In fact, 69.5 percent of participating union representatives reported recent work force reductions due to layoffs or attrition.

The junior-senior worker conflict issue was not a significant problem in the experience of program participants. Following program participation, 84.4 percent of the respondents indicated that senior workers favored the program, compared to from 65.6 percent who indicated that senior workers favored the program prior to participation. Perceptions of union representatives regarding their member's views of the Work Sharing UI program indicate that, in general given a real choice between layoffs and work sharing, union members, including senior workers, will approve the program. The figures on nonparticipants show that 81.1 percent of the union representatives without program experience speculated that senior workers would oppose use of the program.

Participating unions and nonparticipants varied in their positive expectations of the program. Only job attachment (mentioned by 29.8 percent of nonparticipants), and job security (14.0 percent) were considered important to nonparticipants. Participants, however, listed a number of expected positive outcomes beyond job attachment (mentioned by 14.5 percent of participants), and income security (12.7 percent). Included among these other advantages were: added free time (61.8 percent); maintenance of union strength (30.9 percent); stronger group solidarity (30.9 percent); maintenance of a skilled workforce (29.1 percent); maintenance of job skills (21.8 percent); more fair than layoffs (20.0 percent); maintenance of union membership (18.2 percent); better relations with management (16.4 percent); maintenance of fringe benefits (14.5 percent); and greater protection of younger workers (12.7 percent). These advantages associated with program participation were listed by participants with the advantage of hindsight and reflect the outcomes of their experience under the program.

Representatives of participating and nonparticipating unions were also asked to indicate program disadvantages.

Reduced income was the greatest concern to participants with 52.2 percent indicating, followed by the perceived threat of work sharing to seniority rights (30.6 percent indicating). Nonparticipants also mentioned reduced income and seniority rights (12.3 percent each) as important areas of concern. Difficulties in filing UI claims were retrospective areas of concern for participants (28.6 percent indicating), while the potential conflict between junior and senior workers was of concern to nonparticipants with 12.3 percent indicating.

Participating respondents were asked if work sharing UI cost employees as a group more time than layoffs would have. Although the question was difficult to answer, a large majority (76.9 percent) of those responding indicated that less time had been lost under work sharing; 12.8 percent of the respondents reported that work-time loss would have been the same under the two reduction schemes; and 10.3 percent, thought that work sharing cost workers more time compared to layoffs.

Nonparticipants were reluctant to discuss the issue of comparative work loss. However, 31.4 percent of those responding felt greater work loss would occur under work sharing UI; 22.9 percent thought work loss would be equal under the two schemes; and 45.7 percent thought work sharing would save workers (as a group) work over the layoff situation.

Union representatives whose members had participated in the program reported that their workers were satisfied with the program, with 88.2 percent of the respondents reporting satisfaction among their members and only two percent expressing any dissatisfaction at all. Additionally, union representatives with experience in the program were more likely to recommend the plan to others, with 85.4 percent of participants and 74.0 percent of nonparticipants indicating the program worthwhile enough to recommend to others.

In both of the union surveys described above, questions were asked related to labor-management relations under work sharing. Both surveys revealed a high degree of reported between labor and management. Furthermore, the implementation of a work sharing plan often improved industrial relations at participating work sites according to participating respondents. Over 80 percent of the respondents in each of our surveys characterized their relations with management as somewhat or extremely cooperative. Comments offered during the interviews indicate that union respondents generally took the view that the union and the company had mutual goals and needs. Often this took the form of the union agents promoting or investigating the program for the company.

A total of 53.9 percent of the nonparticipants indicated that they would have expected participation in a work sharing plan to improve relations between employers and employees. For participating unions, perceived improvements were reported in a total of 49 percent of the cases. The participating business agents interviewed agreed that it was the cooperation between workers and management during the implementation phase that started improved relations at the work place.

Views and Attitudes of UI Administrators and Field Office Staff

Within a month after the work sharing legislation was passed, EDD's Central Office staff developed the program's policies, procedures, and forms, and issued implementation instructions to California's network of field offices. The Department issued a work sharing handbook and program memoranda outlining procedural instructions for operating the program. Interviews with key Central Office staff involved with the implementation of the program show that implementation went well.

The Department had to develop program policies and procedures quickly because of the limited time between passage of the legislation and the program's implementation date. To determine how well the program was implemented, questionnaires were sent to 49 field offices throughout the State which had experience with the program. The responses that were received show that: 39 percent experienced no problems in with the implementation of the program; 27 percent felt program instruction were not clear; 19 percent had difficulty getting answers to their questions; and 12 percent needed technical assistance to more clearly understand program procedures. Field office staff also stated, however, that since the program got off to a slow start, they had time to resolve most of their implementation problems and become more familiar with the technicalities of the program. In implementing the Work Sharing program, EDD established a special reporting system which includes detailed information on work sharing claims activity, claimant characteristics, and the amount of Shared Work benefits paid. Each month, Central Office staff summarize information from the reporting system and distribute it to staff who use the information both to monitor the program, and for program publicity. Most individuals interviewed were generally satisfied with the reporting system.

Interviews were conducted with EDD administrators to see what they thought about the program. They felt that the program has operated smoothly, but they had concerns in several areas. Some field offices have had little or no work sharing claim activity because employers in their area have not used the program; this lack of detailed knowledge of the program's policies and procedures hinders their ability to provide efficient services and leads to errors in claim processing.

Shared Work UI is a special program, and employer plans are approved in Central Office rather than in the field. While this central control eliminates the need for field offices to review and approve the plans and provides consistent program administration throughout the State, it has some disadvantages: sometimes benefits are claimed before the field office receives an approved plan from the Central Office which creates confusion in the field offices and delays payments to work sharing claimants; and in large cities, several field offices may be involved with payments approved under one plan and staff who are responsible for distributing the approved plans are not always sure which offices should receive copies of the plans.

The responses to the questionnaire sent to the field offices indicate that field office staff are most concerned about procedural problems and administrative costs. Several individuals recommended that Central Office staff review the Shared Work program to determine if the procedures can be simplified, and whether or not it is necessary to continue Central Office control.

A common view was that the Central Office should maintain full responsibility for the program, including the payment of benefits, or release program control to the field offices.

In general, attitudes of field office managers and EDD administrators toward the program were positive. Of the 57 individuals responding, 34 (60 percent) felt attitudes towards the program were either positive or very positive. Nineteen (35 percent) felt attitudes were neither positive nor negative. Four (7 percent) felt staff's attitude was negative.

Attitudes Toward Suggested Program Changes by Firm and EDD Administrators

As part of the Work Sharing Firm Survey, employers were asked to evaluate a number of possible changes to the Work Sharing UI program. There was a fairly strong consensus among work sharing employers with respect to five of twelve suggested program changes. Some 78.8 percent of employers favored a batch claim system in which employers would file for benefits for all affected employees rather than having individual employees file at EDD field offices in person and 74.3 percent of employers supported eliminating the one week waiting period employees must meet prior to becoming eligible for work sharing benefits. The extension of the Work Sharing UI program beyond the 20 week maximum was also supported by 61.4 percent of the employers surveyed. Strong opposition to two program changes was expressed by a number of employers. First, 68.0 percent of the employers opposed providing for direct payment of benefits by employers, and second, 66.4 percent opposed any increase in administrative requirements on the part of firms to use the program.

A more moderate consensus (less than or equal to 50 percent of firms surveyed) was evident in the balance of the program changes presented. On the support side, 50.0 percent of the firms favored ending the employers weekly certification of the work week reduction associated with their employees; 49.8 percent favored ending the surtax on negative reserve employers; and about 49 percent favored increasing work sharing benefits. On the opposition side, 44.0 percent of employers opposed ending the employer certification process and 46.3 percent opposed ending reduction in work sharing benefits associated with employees having a second job. Additionally, 41.7 percent of employers favored the provision of more technical assistance from EDD.

The views of program administrators and staff regarding possible changes in the administration of the Shared Work program were surveyed. Strong support was shown for increasing the level of technical assistance to employers. Also supported, although to a lesser degree, was the creation of a batch claim system so that workers would not have to file at a local field office in person. Other program changes were not favored by the staff.