



SAVING JOBS IN A RECESSION: HOW WORK-SHARING CAN HELP

AN AARP SOLUTIONS FORUM

**PRESENTED BY THE AARP PUBLIC POLICY INSTITUTE
AND THE AARP OFFICE OF INTERNATIONAL AFFAIRS**

FRIDAY, DECEMBER 11, 2009

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SUSAN REINHARD: Well, since it got so quiet – (laughter) – I thought maybe I should get up and say something. My name is Susan Reinhard. I have the pleasure of directing the Public Policy Institute at AARP and also the Center to Champion Nursing in America. And we are just delighted that you're here. We know it's early on a Friday morning and people will, on this cold day, keep dribbling in, but we do want to respect your time and those of our fantastic panelists, so we want to get started.

I just want to say a few words about this series that we do on solutions forums. And they're designed to put into place what we consider the mission of the Public Policy Institute: to inform and stimulate the development and, hopefully, the implementation of sound and creative public policies for all of us as we age.

And this particular one has been in the making since the spring, I think, after I had a trip in Geneva with ILO – we were just talking about this – where they were talking about solutions around work and older workers and brought it back to Dr. Sara Rix and to my colleagues at AARP International.

And they took the ball and ran with it, so what you have today is really the hard work and the expertise of my colleagues at the Public Policy Institute and AARP International. So we want you to sit back – not too much, though; we're hoping you'll participate. And let me turn it over to Dr. Sara Rix.

SARA RIX: Thank you, Susan. I just want to make one announcement. This event is being webcast live, so keep that in mind as you sit and ask your questions. And I'm going to take just one of our precious minutes to say thanks to several of the people who were so instrumental in putting this event together: in particular, Sandra Jones of PPI's staff, who has worked very hard on this event. I also want to acknowledge Janet McCubbin and Rick Deutsch, both of whom have been very supportive. A couple of other people who should be acknowledged are Dave Nathan and Mary Liz Burns of media relations, and we appreciate all that they have done this event.

But I also want to acknowledge two other people who've really played a key role in advising me on work-sharing. And one of them you will meet shortly because he is chairing one of the panels, and that is David Balducci. And he and his colleague, Steve Wandner, whom you may not all see – so Steve, if you'll just stand up and raise your hand – are both experts on work-sharing and were so generous with their time and expertise. And I am deeply appreciative and I look forward to working with both of them on this issue in the future.

We're going to start with two presentations and I'm going to be very brief in introductions. You have got their bios; we don't have a lot of time. Our first speaker will be Neil Ridley, who's a senior policy analyst for the workforce development team at CLASP, and he will be talking about work-sharing from a U.S. perspective.

He will be followed by Jon Messenger, senior research officer with the conditions of work and employment program of the International Labor Organization. Jon is here all the way from Geneva and he will give us a perspective of work-sharing – or, he will talk about work-sharing from the perspective of several other countries. I'm going to ask Neil to come up and

give his remarks, Jon will follow, and we'll wait until the end to take questions. And I hope, as Susan did, that you will all be thinking about questions and participate actively in the Q&A.

NEIL RIDLEY: Thank you very much. It's good to be here this morning to talk about work-sharing in the United States. Since the start of the recession in December 2007, layoffs have hit Americans at every income and education level. An ABC News/Washington Post national poll that was released around the time of Thanksgiving found that three in 10 people have experienced a job loss or have seen someone in their household experience a job loss during the past year.

The report found that lower-income families are much more likely to experience job loss than higher-income families. About 37 percent of families earning less than \$50,000 a year experienced a job loss compared to 16 percent of families earning more than \$100,000 a year. The majority of the people responding to the poll said that as a result of job loss, they experience serious financial hardship and they also felt the emotional consequences of a layoff – stress, depression and other effects.

The worst recession to hit the United States in decades has put work-sharing on the radar screen. Work-sharing goes by a number of different names. It's called "shared work" in some states; it's called "work-share" in other places; and "short-time compensation" is the formal term that's used here in the United States. Work-sharing is an option within the federal/state unemployment insurance system that provides employers with an alternative to layoffs, and it's used to help companies weather a temporary decline in business.

Work-sharing is not the same as job-sharing, even though the terms sound alike. I think it's important not to confuse or conflate these terms. Job-sharing refers to a workplace arrangement in which a full-time job may be split into two part-time jobs. And job-sharing has more to do with work-life balance/workplace flexibility than with layoff aversion.

Now, here's an example of how work-sharing has played out during the current recession: Earlier this year, American Diagnostic Corporation, a maker of medical devices in New York state, was facing the prospect of having to lay off about 10 percent of its workforce because of declining sales. Company executives learned about the work-sharing program in the state and they decided to try it.

A group of employees went from 40 hours to 32 hours – a 20-percent reduction in hours. They then received about 20 percent of their weekly unemployment benefit to supplement the wages that they were continuing to receive during their period of reduced work. Three months later, the company bounced back, sales started to pick up again and the workers went back to a full work schedule. That's the way work-sharing is supposed to work.

Seventeen states currently operate short-time compensation programs and these states run the gamut from big-population states such as California to much smaller states such as Rhode Island. California was actually the first state to adopt a program, in 1978, and there've been obviously a number of other states since then.

Now, most state programs run much the same way. An employer that learns about the program or that's interested in it will file a plan with the state unemployment agency. And the

plan has to certify that the reduction in hours for employees is instead of a temporary layoff. The plan also has to meet other requirements. For example, if a union represents the workers involved in the workplace, there has to be signoff by a union official.

Once the agency receives the plan, they'll review it to make sure it complies with requirements, and then approve it. At that point, employees can apply for short-term compensation benefits and they can receive them if they meet the regular eligibility requirements. It's important to note a state has to enact legislation to have this program in effect; it requires state legislative action. And the program is administered and financed through the state's unemployment system.

Work-sharing is really a dual-customer program; it can work for both employers and workers. Employees that participate can benefit in some obvious ways. They can stay on the job and out of a tough labor market. They can also hold onto benefits that they have through their job, as well as get the additional supplement from the partial unemployment insurance benefit.

And then by staying on the job, they can maintain their job skills and not lose them through being out of work. And in some cases, they can even improve their skills if they have an opportunity to participate in training during their downtime or during their work time. In addition, employees can avoid the emotional consequences, the emotional toll of a layoff.

Employers that use the program can see the advantages, as well. First and foremost, they can hold onto skilled, trained employees that they have invested in. And then when business picks up, they're in a position to forge ahead. They can avoid the costs of recruitment and initial training that go with that period of ramp-up. In addition, work-sharing can help to maintain morale, in some cases, among employees during a difficult time.

Now, of course, work-sharing is not without its drawbacks or concerns that are important to address and keep in mind. First, work-sharing is not the right solution for every employer or every situation. For example, it's not for employers that are in dire financial straits – that are going out of business – or employers that are restructuring their operations or restructuring their divisions. It's meant to be a temporary solution to help companies weather the storm – weather an economic storm.

Work-sharing also places administrative requirements on employers and state agencies – and I'm sure we'll hear more about that in the next panel. It requires paperwork that has to be filed, as well as paperwork that has to be maintained during participation in the program. And finally, the decision to go into work-sharing really needs to have worker input. The program really has to balance the needs and interests of employers and workers.

Now, this chart, which hopefully you can see up there, shows weeks of short-term compensation as a percentage of total weeks of unemployment insurance. And the data comes from Wayne Vroman at The Urban Institute, who put this together for a paper that he did. And it shows the participation in the program – I mean, it shows this data from 1989 through 2009.

And I think what it shows, first of all, is that work-sharing is very sensitive to the state of the economy. We see a bump-up, as you can see, during the recession in the early 1990s, then again in the recession – the early 2000s – and then a sharp jump during the past couple of years.

The other point to make is that it's a small program in relation to the overall unemployment insurance program. In 2009, which is one of the highest points of participation in the last 20 years or so, short-term compensation amounted to about 1 percent of total weeks of unemployment insurance.

Now, of course, it's used much more heavily in some states – and we'll probably hear more about that in the next panel, as well. The current recession has seen a remarkable surge in participation in Washington state, New York, Rhode Island, California and then some other states. There's been much greater activity in this program in the current recession than in even some of the more recent recessions. For example, in Washington state, there's been a big pickup since 2007. The number of employers filing plans has more than tripled just between 2008 and 2009. And the number of workers covered by shared-work plans has doubled in the past year.

Another trend that we've seen during this recession is that work-sharing is being used across a broader range of industries. Historically, work-sharing has been a fixture in the manufacturing sector, where it's been used by a variety of employers. During the past few years, we've seen much greater use in wholesale trade, retail, even retail trade, construction and other sectors, especially in some of the states that are using it most aggressively.

And you've probably noticed if you've been looking at the papers, economists during this year have started to speak out about the value of work-sharing and maintaining employment in a tough labor market. Katharine Abraham and Susan Houseman, writing in an Upjohn Institute publication earlier this year, noted that short-term compensation programs are – in many states, anyway – are a missing piece of the economic safety net and really need to be there. And other experts, including Mark Zandi of Economy.com, Dean Baker, who's with CEPR, and even Kevin Hassett as well, have spoken out about the value of work-sharing.

Work-sharing, then, has a role to play during a recession, especially a serious one such as the one we're going through. It needs to be part of every state's toolkit when a recession threatens. It really needs to become part of a portfolio of layoff aversion strategies that are available to employers. It's important to note, however, that work-sharing really should be kept in perspective, especially at a time of high unemployment and soaring long-term unemployment.

With nearly 6 million people out-of-work for six months or longer, there's an urgent need to address long-term unemployment. There's a need to extend the unemployment provisions that were included in the recovery act to make sure that workers do not run out of benefits and are able to meet their basic needs. But at the same time, we have to take more steps to avoid layoffs where and when we can. Ideally, the two policies will work together. Thank you very much. (Applause.)

JON MESSENGER: Good morning, everyone. It's my pleasure to be here this morning from the International Labor Organization in Geneva. It's always a pleasure to be back home in the USA – a little bit earlier than normal this year; usually, it's for the Christmas and New Year's holidays. As some of my former colleagues from the U.S. Department of Labor know, that's usually the time that I make my trip to Washington, D.C.

But it's a little bit earlier this year and I welcome that because it's a great opportunity to be here to discuss a subject that I think is very, very important and, in fact, a policy intervention

that is sweeping the world, and that is work-sharing – and specifically, to talk about its role as a strategy to preserve jobs during this global jobs crisis that we’re facing not only here in the U.S. but, indeed, around the world.

However, let me step back for a second and start by talking a little bit about the organization that I represent, the International Labor Organization. Many of you may be familiar with the organization and our work, but for those of you who aren’t, we were originally established in 1919 – yes, part of the Treaty of Versailles and, indeed, part of the League of Nations – the only surviving part of the League of Nations, so celebrating our 90th anniversary all year this year.

Now, of course, we are part of the United Nations system and we’re a specialized agency of the U.N. agency, somewhat similar to the World Health Organization. But unlike the U.N. system, we are not just governmental; we are tripartite. What does that mean? It means not only governments, but also labor unions and employer federations are all represented and participate in the ILO’s decision-making bodies. That, of course, changed the dynamics of what emerges because whatever emerges from the ILO has to be based on this tripartite consensus.

So what are we about? Well, our objective is decent work for all – a pretty high goal, indeed. And we define that broadly as promoting opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. And as you can imagine, that keeps us quite busy pretty much all the time. (Laughter.) But what you may know most about the ILO is that, in fact, it’s responsible for promulgating international labor standards, of which there are standards on the whole sweep of labor unemployment issues.

But as my own background is working time and work organization, I’m most familiar with the standards relating to those, particularly, hours of work which set maximum weekly limits on working hours, weekly rest periods, paid annual leave, or paid vacations, as we say here in the U.S. – not a whole lot of that, but it’s a good concept – part-time work – that has to do with equal treatment of part-time workers and fulltime workers – and a variety of other international standards, as well.

Now, I know Neil has already talked about what work-sharing is a bit, but if you’ll permit me, I would just like to add my own 2 cents’ worth. First, what work-sharing is: Well, it is a labor market policy tool aimed at preserving jobs by reducing the number of hours worked per worker across a workforce or across a work unit, rather than reducing a few individuals’ hours to zero by laying them off. That’s the idea. And the reason for doing it is to avoid layoffs. Work-sharing is all about avoiding layoffs.

What is work-sharing not about? Well, he already said this, but we have so much confusion on this issue I think it’s worth repeating. It’s not job-sharing; it’s not job-sharing. Job-sharing is the working-time arrangements where you have two part-timers who share a single full-time job. I’m not saying it’s not an important issue but it is totally different from work-sharing. And half of all the people I talk to all over the world get this confused, and apparently that’s true here in the U.S., I’ve been told, so still, I want to say that. But it’s common; it’s a common mistake.

Now, I'm going to move to the international experience, which, of course, is the reason that I'm here, beginning with an overview of the international experience and since the crisis began in the autumn of 2008. And I do realize here in the U.S., you've been in recession a lot longer since, unfortunately, the U.S., as you all realize too well, has been kind of ground zero for the global financial crisis and the global economic and jobs crisis that it has spawned.

Since the beginning of that crisis, work-sharing programs have been expanding all over the world and in ways that they have never done before. And the following countries now have either some form of work-sharing program or work-sharing agreement. I won't read the list to you but you can see it is quite a substantial list, not only including the countries in Western Europe such as France and Germany, which have had these programs for years, but expanding also to other countries.

Canada's had the program a long time; now you see the program in Eastern Europe, as well; you see the program even expanding into Latin America. We've never seen these programs in developing countries before; it's a very interesting development to see them now in middle-income economies as well as the rich countries. Okay, there we go.

And the Global Jobs Pact – you may never have heard of this but it is an agreement – a tripartite agreement, of course – that was reached at our International Labor Conference held in Geneva with representatives of governments, workers and employers from around the world. And it includes a series of 10 different responses to the crisis – 10 different labor market policy responses. And one of them is work-sharing with partial unemployment benefits. So very, very important endorsement by our entire organization, globally, of work-sharing.

Now I'd like to talk a little bit about some of the key elements I see in work-sharing programs around the world. The first two pretty much go together, and they're everywhere because this is really the core of work-sharing. A reduction in working hours for all workers in the company or in a particular work unit or workers performing similar functions like engineering, for example. It doesn't have to be the whole company but all workers performing similar functions, similar work unit, in lieu of layoffs. And a corresponding or a pro rata reduction in their wages and salaries. That's everywhere; that's sort of core.

But in many countries, more and more, you see the provision of wage supplements or wage subsidies – of course, that's short-term compensation here in the U.S; it goes by other names in other places – to help workers cushion the effects on their earnings. So it helps them and their families in terms of coping with the reduced earnings. Typically, it's at least 50 percent of the reduction and it may be more in some countries, as we'll see, for example, in the place of Germany. But it's 50 percent or more of the reduction, so workers receive their regular salaries plus for the amount of salary they've lost they receive this compensation, this wage supplement.

The fourth key element of work-sharing programs around the world is the establishment of specific time limits on the periods of work-sharing. This is also a very important point and exists in virtually all work-sharing programs around the world. And why is that? Because it helps to ensure that the program is a temporary countercyclical measure.

This is not a program, as Neil said, designed to address structural issues. It can't. It's designed to help firms and workers get through periods of temporary decline and one of the best

ways to ensure that it remains this kind of temporary measure is you simply only provide the support – time-limited support. So firms only know what’s available for a certain time and therefore tend to go for it only if they know they can make it through – not always, but in general.

The fifth element, I think, is an important element and is often a missing element of many work-sharing programs. And that is the creation of linkages between work-sharing programs and training activities. This does not exist in many programs around the world – many work-sharing programs – yet it is crucial, and it does exist in some of the – what I would say, of the better-developed work-sharing programs, such as the ones I’m going to talk about later in Canada and in Germany.

Why? Because it helps prepare workers for the recovery. It takes advantage of the fact that workers are working fewer hours and uses that time productively by providing them with training so if they remain with their companies at the end of the work-sharing period, they’re positioned for higher position and, therefore, to help the company improve their productivity.

But even if they have to change jobs, it’s helpful. Why? Because it helps to prepare them to move on to other companies and other jobs when the recovery comes. You’ll have to excuse me a second, I’m – (inaudible, off mike). That’s what happens when you talk too much, I’m afraid.

Okay, so now we’re going to talk about a couple of countries – I realize I’m probably already starting to run short on time but, first, Canada, our neighbor to the north, has been using work-sharing programs since 1977. And the work-sharing program there, like many work-sharing programs, specifically targeted the firms facing temporary declines in sales on the order of at least 10 percent or more.

These particular companies, then, their permanent full-time or part-time employees can receive a pro rata share of their regular “employment insurance” benefits. That’s actually unemployment insurance, but the Canadians like to put a more positive spin on things so it’s “employment insurance,” but don’t be fooled. This is basically UI payments; a pro rata shared for those hours not worked.

The maximum duration of work-sharing agreements was extended up to 52 weeks in April of 2010, to try to help, of course, allow these programs to continue throughout the period of the crisis. So this is a very typical phenomenon we’ve been seeing as programs being put in place, or programs that exist, such as the one in Canada being extended for longer time periods in recognition of the particular severity of this great recession.

Now, the reported impacts? Well, as of September, 2009, according to a department of finance Canada report, “The State of the Canadian Economy,” there were nearly 6,000 company work-sharing agreements involving slightly over 165,000 employees who otherwise would have faced layoffs. That’s Canada.

And now, I’m going to spend a rather significant portion of time talking about Germany. Why Germany? Well, Germany, first, has the world’s largest work-sharing program: “kurzarbeit,” “short work,” or “short-term work,” as most people call it. Kurzarbeit; short work.

It's the world's largest work-sharing program with a maximum participation of 1.4 to 1.5 million workers at the height of the crisis in the middle of 2009. Huge program, and it's available to firms who are facing a temporary and unavoidable loss of employment due to economic factors or some kind of unavoidable event, some kind of particular crisis, catastrophe that they're facing.

And it's also available to workers covered by the social security system, which in Germany means the vast majority of all workers, with a loss of at least 10 percent of their gross monthly earnings – at least 10 percent; it can be much, much more than that. It can be up to nearly full loss of work hours. And in fact – I didn't put in a slide – but the average is about a 30 percent reduction. Across all of the workers involved in the program, it's an average of about a 30 percent reduction in their working hours.

And for the 30 percent or whatever it is, of hours not worked, employees received either 60 percent, or 67 percent if they have dependents, of their normal wages. So they get their normal wages and, in addition, the company, with money provided from the government, provides this wage supplement of either 60 or 67 percent above and beyond their remaining salaries. So you see, it is pretty comprehensive wage replacement. And during the crisis, to further improve the impact of Kurzarbeit, the maximum duration of this particular program has been extended, first from six months to 12, then to 18 and finally to 24 months this past spring.

Now I want to show you a figure. I've showed you too many graphs and too many charts, but this, I think, is one that you really need to see. I've taken the United States short-term compensation, with data graciously provided – I forgot to cite them, I am sorry – graciously provided by my colleagues Steve Wandner and David Balducchi from the U.S. Department of Labor, and I've put it side-by-side with some data that I received from the Institut für Arbeit und Berufsforschung, which I'm sure I mispronounced – the Germany employment research institute based in Nuremberg, Germany, a colleague of mine there who I've done a lot of work with in the past, Frank Wiessner (sp).

And he's gladly provided me with comparable data so that we can see what the new entries into work-sharing – that is, the new entries into STC – are, compared to regular UI – and in Germany the new entries into Kurzarbeit are compared to regular unemployment in Germany, and I mean regular employment, because unemployment benefits cover a much broader range of individuals in Germany, including people returning from outside the workforce, et cetera. So these are comparable figures.

And there's what you see. It's striking, isn't it? The proportion of new entries into regular UI for STC is very small: 1, 2 percent something like this – very, very small compared to regular UI benefits. Whereas in Germany, you can see the proportion is quite large. And in fact – and let's see if this works – how about that. Here, in the critical quarter, 2001, Q1, right there when much of the global economy was in freefall, when the United States was hemorrhaging six, 700,000 jobs a month, Kurzarbeit was kicking into full gear. And in fact, there were more initial entries into Kurzarbeit than into regular unemployment insurance in Germany, providing a powerful countercyclical stabilization of the German economy.

So what happened as a result? Well, first, Kurzarbeit is credited with avoiding an estimated 432,000 job losses. That's according to the latest preliminary data from the German Federal Employment Service, but I would suggest that this is also probably an underestimate;

I've seen other estimates that are higher. But I chose to go with the official numbers, the more conservative estimate, so as not to overstate the impacts. But in fact, this is full-time equivalent of the number of people participating in Kurzarbeit, because if you have 1.4, 1.5 million or whatever and you have 30 percent reduction or whatever you have, this many jobs save full-time. But of course, as we know, companies don't wait until workers have no work before they lay them off.

When they have a significant reduction in work, they're going to lay workers off well before the amount of work available reaches zero, and this assumes the amount of work is zero. So probably, the impacts are higher, but I choose the more conservative number just to be on the safe side. And from August 2008 to August 2009, according to the OECD, German unemployment increased by only 8.8 percent while U.S. unemployment increased dramatically by 56.4 percent.

And what does that mean in real terms? In fact, what it means is that the German unemployment rate increased less than 1 percentage point from 7.1 percent in the fourth quarter of 2008 up to 7.3 percent in first quarter of 2009, when you had this massive impact of Kurzarbeit, and you saw in the second quarter of 2009, stabilization at the beginning of the second quarter, and then 7.6 percent. And the German unemployment rate has pretty much stayed there. With a few tiny variations, it's pretty much stopped the increase in unemployment.

So having said all that, I'd just like to conclude by saying that work-sharing is an important tool. It's an important tool for trying to avoid layoffs during economic downturns. It is certainly not a panacea, and no one who knows anything about labor market policy would suggest that. But it's an important tool, and it's more likely to result in what I call win-win-win solution that can benefit employers and workers and governments, too, by keeping people off the unemployment rolls and by helping to act as an economic stimulus.

If governments actively promote work-sharing, as Germany has done during this recession – but not only Germany; a number of other countries around the world actively promoted also, get out information about good examples, good practices, really be aggressive about telling people about this option. Second, if the programs are designed and implemented through stakeholder dialogue and collective bargaining. This is a voluntary kind of a program; this isn't mandated. This is something available to companies and to workers, but it requires them to get together and agree that this is the way that they want to go forward.

The third point is absolutely essential: wage subsidies to affected workers. Not all programs provide this, but certainly the better-developed, more comprehensive ones do. And that, of course, helps both the workers as well as the economy as a whole. It's also more likely to result in this win-win-win solution when work-sharing programs cover all workers.

Often, these programs are limited only to full-time workers, only to permanent workers, but a number of countries, including Germany, France and some others, have actually expanded these programs to where they also include temporary workers. And in Germany, indeed, even temporary agency workers have been expanded to be covered during the crisis. They weren't before, but they have been under the crisis.

And last but certainly not least, these programs work best when managers make the necessary adaptation to be sure work-sharing can work in their companies. And that might include changes in work processes, it might include changes in work schedules, and it definitely includes supporting, training for affected workers so that both companies and workers are better prepared to move forward when the recovery comes. Thank you very much. (Applause.)

MS. RIX: Neil and John, thanks very much for providing us with a great deal to think about and ask about. We'll take questions from the audience. Yes, Ralph.

Q: Perhaps we covered this in the second session, but one issue is, you're comparing other countries with the United States is that in the U.S., the work-sharing costs, I believe, are basically passed back to the employer if their experience rating is – and so in effect, for companies that stay in business, they are paying for the work-sharing anyway. What are the advantages to those companies of not just doing it on their own, rather than going through the UI program?

MR. : Could I just ask if the speakers would identify the organization they represent, because I don't know all –

Q: Ralph Smith, and I'm retired.

MR. MESSENGER: Ah, okay. I think I remember you from before.

MR. : Is that a question for me or a question for you? We're talking about experience rating in the United States –

MR. RIDLEY: Yes, that is an important difference that – as I touched on, short-term compensation is financed in the same way as the regular unemployment insurance program though an employer-based system. And short-term compensation benefits are subject to experience rating just like unemployment insurance benefits. So I guess your question is about why should employers do it.

First of all, to start again from the point that work-sharing is an alternative to a layoff, it's not done in isolation. And so work-sharing – the experience rating system essentially assigns tax rates to employers based on the number of workers that they have that have previously collected unemployment insurance – essentially, the employer's experience with unemployment. And so naturally, if they have workers go on work-sharing that is going to affect their experience rating, and may lead to an increase in taxes in the future.

But it's important to keep in mind that the alternative would also lead to higher taxes as well. The alternative would be a layoff of 20 percent of their workforce and the hit to the experience rating that would happen there. And then, of course there are other advantages – and I think I touched on some of them – some of which are financial, and some of which are not. But certainly on the financial side, if they are experiencing a drop in demand and they're looking to come back, they will be able to avoid the costs of ramp-up. When the time comes, they will have the workers onboard.

And then, of course, there are the intangible benefits of holding onto workers that they have invested in. And in addition, there hasn't been as much attention to this in the United States in a lot of the work that's been done, but it is also a way to maintain workplace diversity that has been built up over time as well. It's a way to preserve lower-seniority as well as higher-seniority workers in the workplace.

MS. RIX: Debbie?

Q: Hi, Debbie Chalfie with Change to Win. This may also be more appropriate for the next panel, but I'm just wondering about the experience in the United States. It seems in Europe, there's not the kind of entrenched hostility to labor unions that there is in this country. And I think one concern that attends this possible policy tool is the extent to which employers might abuse it in order to reduce everyone's hours, cut back benefits, et cetera.

And so I was wondering – again, maybe this is more appropriate for the next panel to comment on – but I was wondering if you could comment on whether you've seen or are aware of any abuses by employers. Do those plans just not get certified, or what happens? Thanks.

MR. RIDLEY: Yeah, well, the program is – in the United States, it is set up with a number of checks and balances, is the way I would look at it. And I think the first piece, the foundation of it, is the plan that employer has to submit to the agency, which really has to cover a number of requirements. And so then the state agency actually has to review it, make sure it complies, and generally there is a conversation with the employer as well, about various responses.

And there is monitoring and the plan has a time limit as well for use. And so I think there are a number of checks built into the process and to the plan approval to make sure that employers are using the program for a temporary layoff and not for other reasons. In fact, one of the core requirements is for employers to certify and indicate that they are using it for an appropriate purpose.

Now, we do need more research. A lot of the research that's available is relatively old in the United States and somewhat limited, because it focuses on either just a few states. So we do need more research on this. And I would say that the one study that looked at post-program experience is a 1986 evaluation, and that pointed out that, in fact – again, it looked at only a few states and employers in few states – but it found that employers were using it appropriately as a temporary measure and not as a way to address structural problems or other concerns.

And some states have done specific research – this may come up in the next panel as well – but Washington state has done some extensive research, and actually has found in some of the earlier studies that companies using the shared-work program actually had higher retention rates of employees than other firms in the state that were not using work-sharing. But having said that, we do need to know more about how it's being implemented generally and during this recession as well.

MS. RIX: Yes, Alison.

Q: Hi, Alison Shelton from CRS. I'm wondering – in the United States, there is an expectation, if not an actual federal requirement, that employers continue to provide health and pension benefits on a full-time basis, even when they have employees whose work hours have been reduced. And while this actually may be a good thing in my view – I can't speak for CRS because we're unbiased – but I'm wondering if the fact that this is handled differently in some other countries might be part of the explanation for why you see different take-up rates in the U.S.

There are plenty of other explanations as well. Given that one of the bills in Congress that would address the Reid bill in the Senate would require that employers who get a subsidy have a full-time pension and health benefits be continued, would you have an opinion on that, and would you be willing to share it?

MR. MESSENGER: Sure, I can start, particularly since my colleague on this panel has already had to take two questions and I haven't taken any. So I'll take a shot at it and then if you want to add anything, obviously I can't address the specifics of legislation here in the U.S. because I'm not familiar with all the specifics of your proposed legislation, although I do try to follow developments here as well as in other countries.

But of course, first of all, if you're talking about other countries – first of all, if you're talking about developed countries, you're talking about mostly countries that already have some form of universal health coverage. So that's off the table to begin with. Whether you're employed or not employed, you've got health coverage and that's it. And a lot of them also have various kinds of public pension systems, not of course only just social security, but more generous than that, which supplements – or maybe there may only be a public pension system, but they may also be private pension systems that supplement.

So again, the comparability there, I don't know. I could say, however, a related point that one of the things that countries like Germany also do – and I had to only give a very small taste of what we know about what's going around the world – they also reduce the social contributions, because a lot of these countries have rather significant social contributions that companies have to pay.

And that's another feature of Kurzarbeit, is actually reduction in social contributions while companies are participating. But of course, there are some requirements on the other side, such as training, and that's one of the things that the German government's really been emphasizing in this downturn, is to be sure you really focus on making sure people get the training during their work-sharing period. I hope that's provided a little bit of context.

But generally, people would continue to receive their benefits in most of these countries, not all. And of course, we've got some new developments that I'm just following now in some of these middle-income developing countries. It'll be interesting to see how things play out there, where of course, their budgets are not quite as – how can I say? Well, they don't have quite as much money to spend as we do in rich countries. So that makes a difference.

MS. RIX: Jon, to follow up on those social contributions, does the government make the contributions instead of the employer? And what about workers? Do they pay prorated contributions?

MR. MESSENGER: That's right, yeah, the governments – it depends on the country, of course, but the government steps in and makes the contributions. In some cases, of course, workers are also making contributions. But the government steps in and makes up the contributions, so of course, workers aren't actually losing anything. But it's temporary, again; it's not forever. It's during the work-sharing period, and when work-sharing ends, that ends too.

MS. RIX: Yes, Gary.

Q: Just to follow up on that real quick, so in the U.S. –

MS. RIX: Will you identify yourself, please?

Q: Sure, I'm Gary Koenig with the Public Policy Institute at AARP. So just to clarify something, you mentioned that – so these wages supplements are coming from the employer and they're subject to payroll tax; they're counted for wages for all the purposes that regular wages are counted for.

MR. MESSENGER: The answer is, it all depends on the country. In some countries, this comes from social security contributions, comes specifically from unemployment insurance funds. I don't know if I have the exact name right, but unemployment insurance funds, for example in Germany, have both an employer and an employee contribution. So yes, these monies come from those funds.

The monies for the wage supplements; we're not talking about the social contributions, now. We're talking about the wage subsidies, or the Kurzarbeitengeld – “Kurzarbeit gold,” they call it, that's a literal translation. But there are other countries where in fact, this is something that is drawn from general government revenues, where the government simply funds however much, and then they program until the money runs out.

In fact, that's happened in the Netherlands, because the Netherlands has had, during the period of the crisis, three different measures for – basically work-sharing measures. They had a first work-sharing measure, which was in place prior to the crisis. Please don't ask me to say the name in Dutch, because I'll get my tongue tied. But that program existed until March, from prior to the crisis until March. And they had put a new program in place in March and they – I forgot how much money; I would have to check my notes. But they put out an amount of money in euros and they said, this program is available until the money runs out. And the money ran out in something like three or four months.

It was a huge wave because the first program was rather restrictive. The second program, which was called, translation, “partial unemployment,” quite literally, the money was used up quickly. It was much easier to access; the money was used up quickly. And since then, they've put in place another scheme – “scheme” has a different context in Europe; it doesn't mean something bad; it means a measure, a policy measure, or a policy response – so they put another scheme in place from that period, with another, even higher amount of funding to be able to provide the partial unemployment insurance benefits. But that's from general revenues, I believe.

Q: Lonnie Golden from Penn State University. A couple of quick questions. Since we're at AARP, I'm wondering if there's any evidence, anecdotal or otherwise, that the programs benefit relatively older workers and relatively younger workers with the highest seniority or lowest seniority who might be most at threat when a company has announced layoffs?

Second is, one of the obstacles to expanding the program may be that firms have to show that they're expecting the layoffs to be temporary, because which company knows if layoffs are going to be permanent or not? It might be a year after and they decide that they haven't recovered. And so my question is, since it has such promise, are there any prospects for expanding this nationally from the 17 states and does it have to be state-by-state, or is there some obvious, practical obstacles that you have to overcome in order to make it a more national program?

MR. RIDLEY: Good. Well, on the first point, I would say that there hasn't been a lot of research. Some of the earlier studies looked at the impact on employees with different demographic characteristics, and basically found that it disproportionately benefit minorities or women, but it also had an effect of essentially freezing the workforce profile in companies, essentially. I think CRS may have looked at some of this research and they may want to comment on the question about higher and lower seniority as well.

But in terms of expanding it in the United States, I think that is a question. I think that there are a number of points – and I think, actually, probably the second panel's going to get at that, so maybe I shouldn't go into it in great depth – but let me just say that it's partly about employer education and awareness, that there really isn't – the states that have promoted it with employers have seen greater participation. And I think some of the charts that I showed indicated that. And I think you'll hear more about that.

And secondly, I think that states also need to learn more about it, and hopefully forums like this will help with that. They just need to learn more about it, what is needed, and also I would say to the extent that it has moved forward in the United States, it's been very state-driven; states have taken the lead from the beginning, from the time that California started a program. And my perspective is that to see a further push, the federal government probably needs to be more proactive in providing assistance and encouragement and support to states, especially that are under great pressure right now, with obviously high unemployment and continuing claims, et cetera.

MS. RIX: Jon, would you like to say the final word before we move on to the next panel?

MR. MESSENGER: That's a great privilege. I guess, as a final word, could I first just add one thing to what you said which I think is critical, which again, was one of the points I made in the last slide, which I hope came through, because I was started to become very thirsty again from talking too much. But I hope it came through that active government efforts are really needed here. And at least to make these programs work in at least three areas, to make sure companies know about this. It's voluntary, but get the word out to make sure companies know about it.

Second of all, get the word out about good practices, about companies that are using this the way it's intended to be used, and get the word out about that so people know about these success stories. And third, of course, last but not least, these wage supplements, wage subsidies, whether they're coming from unemployment insurance funds, social security funds, general government revenues – wherever they're coming from, they're critical.

They're critical to helping workers to get through in terms of making up some of their lost wages, and they're also critical in ensuring that you have the maximum countercyclical stabilization effect. So I think, in conclusion, I would just say that work sharing saves jobs. No one is saying, and certainly not me, that it's some panacea; it is one tool, one tool in a toolkit, but it seems to be, as I believe – I think it was Houseman and – what was the study that you quoted? Houseman and –

MS. RIX: Abraham?

MR. MESSENGER: Right, and Dr. Abraham – you know, it's a missing tool. I remember that very well. They said this is a missing tool in the toolkit – in the arsenal of countercyclical responses in the United States. So it's not a panacea, but it is an important tool in the toolkit. And it is a tool which has, indeed, been sweeping the world during the current global economic and jobs crisis in a way that it never has before.

It's amazing. It's really, really important and I really think that this is a wonderful opportunity to seriously consider, I mean, what can be done in the U.S. in the context of the current recession, and moving forward for the future as well. Thank you. (Applause.)

MS. RIX: Thank you again, Neil and Jon. Will the second set of panelists please come forward? Before I turn the floor over to David Balducchi, I just want to say that I neglected, when I started out, to mention our colleagues in the office of international affairs, who have worked with us on this panel. And I, in particular, wanted to single out Matt Sontag (sp) for all of his assistance as we put this forum together. So thank you, once again.

And David Balducchi, who I mentioned earlier, is a program manager at the U.S. Department of Labor where, for three decades, he has been managing federal workforce development programs and research projects. He's the ideal person to chair this next panel, and he will introduce the presenters.

DAVID BALDUCCHI: Thank you, Sara. Hi, everyone. First, I want to tell everyone one thing. Over that exit sign, if you walk down that exit sign and turn to your right, there are restrooms, in case anybody – we don't want you to leave, but we want you to know where to go and then come back; we don't want you to go the other way.

I'm David Balducchi, again, with the U.S. Department of Labor, and welcome to what we hope will be a lively discussion from the trenches of work-sharing. But today, we're going to be talking to you at the street level. By my count, there has been over 41 major news stories about work-sharing over the last year. Work-sharing is red-hot. And as our earlier panel suggested, in its American adaptation, its usage and interest is very, very high.

We certainly appreciate Susan and Sara for putting this panel together to discuss the mechanics of work-sharing. So let's begin. We are honored to have with us today, on our panel, beginning of my right, Bruce Herman of the New York state department of labor, Marc Baldwin of the AFL-CIO Working for America Institute and Markus Franz of the Embassy of the Republic of Germany. Thank you all for attending.

We will proceed this morning as follows: Each panel member will present a five-minute opening statement of interest to you. Then we will rotate questions by me and by you, the audience. We will ask that when you ask your question, that you state your name and your affiliation and wait for the mike. How we'll do that, when we ask questions, is that we're going to try something new. We are going to ask two of you to ask single questions in succession. And hopefully, that way, we'll get more questions and hopefully, the good ones that we got before, possibly, again, because I think we'd like to take a crack at some of those.

We'll attempt to shed light on cost and benefits of work-sharing, how work-sharing is administered by the state, how it operates for employers and what the roles of employers and employees and governments are in work-sharing policy. And yes, we'll ask such questions as, why don't all state governors have this job-keeping program in their arsenal of employment interventions? So with that, let me begin. Bruce, Marc and Markus, why don't you give your opening statements?

BRUCE HERMAN: Very well. Well, thank you for inviting me to be part of this. It's a real pleasure to be here to talk about New York state's very successful experience with our program. We call it "shared work" in New York state. We're one of the states that use that title or that name for our program. Just a quick history of the program: It's been around in our state since the latter part of the '80s.

For the most part, underutilized, I would say, historically. Used primarily by upstate firms in our state – manufacturing firms that encountered seasonal downturns in their activities and, therefore, opted to pursue a shared-work program. It was underutilized. We recognized that a year, year-and-a-half ago, when we were really looking at the near-term impacts of the great recession that were sweeping across our state.

So we did a number of things to make sure that our employers and working people in our state knew more about these options. We promoted it very successfully through a series of press conferences, often at chambers of commerce, involving the firms directly, with testimonials from firms that had participated in the program historically. And as a result, the first near-term result was that we got more press as a result of those efforts than we'd ever experienced, in terms of the department of labor.

We had more press hits for those press conferences that we did across our state than any previous press events that we'd ever done. I think that showed the importance and that this program, this option resonated with the public at large. We saw a dramatic increase in participation as a result of that – an over-600 percent increase in participation in our state. The current numbers are striking.

We have well over 2,000 New York businesses – and in our state, that's for-profits and not-for-profits – that are participating in the program, and well over 40,000 New Yorkers are part

of the shared work program. Now, not all of those 40 – 43,000 is the more precise number – not all of those workers, of course, would have been laid off full-time. But our estimate is that a third or more of those New Yorkers would be laid off full-time and be part of the over 800,000 New Yorkers that are currently unemployed. So its had an impact, it's had an impact.

The basic mechanics of the program are fairly straightforward. Firms interested in decreasing across-the-board or department 20 percent to 60 percent – is the range of the reductions that are permitted by the program. During that period of reduced hours, individuals do draw down on unemployment. So they get part-time unemployment insurance. That mitigates some of the compensation lost, but it doesn't make up for it dollar-for-dollar. So that's the basics.

We do not have a training requirement in our state, and that's something we should really be considering and looking at going forward. From the employer's perspective, the employer maintains its workforce, and that's a tremendous benefit for the employers, and they've expressed that in the press conferences and the conversations we've had with them. Employers recognize there's significant cost associated with not only laying people off, but when recovery comes, with bringing back workers or hiring new workers.

They have to re-skill those workers or skill them, if they're new hires, and so there's a significant cost to the employer on that end of the process. And that is mitigated by the shared work experience. So a very positive experience overall, in our state. We've been advocating it for employers to become aware of the program successfully. We also think that there is a need for the federal government to step forward and support expanding this effort to support – in terms of covering some of the costs of the effort – the administrative cost, perhaps the benefits cost – and encourage other states to pursue this option as well.

We are one of the states that requires a maintenance of benefits during shared work. We also require labor union signoff on the front end in order for firms to participate in the program. So that's just some of the basic data and some of the attributes of our program – again, a very successful layoff-aversion tool. Not the only tool in our toolkit, but a very important one that has been used successfully across our state with very positive results, so far.

MR. BALDUCCHI: Thank you. Markus, give us the German perspective.

MARKUS FRANZ: Yeah, please allow me, first, to greet my wife, Yulia (sp), and my daughter, Milena (sp), who watch from Germany. I love you. Back to business, in Germany, we call it “short work.” In the U.S., you call it work-sharing. That reminds of a typical socialistic approach of the United States – sharing. That sounds nice and reminds me of spreading the wealth around.

German “short work” – that seems to have a negative connotation, but nevertheless, it's a great success. And so Germany is a big, happy work-sharing country with approximately 1.1 million short workers around the year. And yeah, let me try to impress you with some of the advantages of the German system – the German short work system, which doesn't run short at all. And every company can reduce work as much as necessary.

And any company in the whole country is eligible and it's possible to extend it to 24 months. And even temporary or contract workers are eligible. And social contributions are fully paid for – so pensions and health care and long-term care and unemployment benefits. And it's reduced to 80 percent and half of it pays the job agency and the other half, the employer.

And the first – that's for the first six months and after six months, the job agency pays everything. And when there is training and skill development during short term, then the job agency pays everything from day one on, so that has a high significance – training during the short term. And the employment agency also assumes a share of the training costs.

So hey, why isn't Germany already bankrupt? (Laughter.) The trick is good policy doesn't necessarily mean that it's expensive. And short work really saves a lot of money because the – (inaudible) – that normally have a lot of unemployment, and short work saves around 400,000 jobs. So it's not so expensive as expected.

Beside that, it shouldn't be only always about money; it's about responsibility of the employers for their employees. And it's for uplifting the spirit of the people – for the employees – to give them hope, that they don't fall into despair. And I think it's a good thing and it's a high value that the society sticks together in times of crisis.

So is there a downside? Some employees complain that the workload hasn't gone down, but they are paid less. And some are, of course, afraid to lose their jobs. But what's the alternative? To be laid off? And some make the best of it – five short workers in Germany – they founded a band, and it's called – what would you guess? “The Work-Sharers?” No, “The Short Workers.” (Laughter.) Their most prominent song is “Before the Collapse,” and the refrain goes, “No one knows what will happen, but we never give up.” Thank you.

MR. BALDUCCHI: Thank you very much. (Applause.) (Audio break.) Marc Baldwin?

MARC BALDWIN: I'm Marc Baldwin. I'm currently with the AFL-CIO Working for America Institute, but I think I'm on this panel partly because of my unemployment insurance background and, most recently before this job, I was in the governor's office at Washington state, and before that, in the employment security department of Washington state. So I have been – and before that, many years ago, in the UAW research department. So I've been looking at work-sharing from different angles – from an agency perspective, from an affiliate union perspective.

The first thing I'd like to say is, we keep saying work-sharing. And I'm guilty; I say work-sharing. The Washington state program always talks about “shared work.” But it's worth remembering that we have all kinds of ways of sharing work. Any variation on the theme of distributing hours instead of employment is a work-sharing program. The 40-hour workweek is a work-sharing program. So that's a positive version.

At the other end are unpaid layoffs or furloughs, which are the short-term fix, but people don't get any income support during that unpaid furlough. So I think what we're really talking about is short-term compensation within the UI program, and that's what I will focus on. And let me say three things about it to kick off.

One is that the number of states with work-sharing programs has really not increased dramatically since an initial burst many years ago. And this has been true despite the fact that these programs have not proven administratively burdensome, they are not a threat to UI trust fund solvency and they have not resulted in cross-subsidies among employers. And I appreciated the question from Ralph in the first round – leave it to Ralph to go right to the heart of the matter – in the United States, because of experience rating, the way to think about work-sharing is, it really is a temporal loan – it's a loan to companies from their own future profits, because of experience rating.

The other reason we don't have solvency issues with the program is that inactive accounts are more – inactive accounts means a company has gone out of business. If a company goes out of business, you can't collect UI taxes from them. They become an inactive account. Other employers have to cover it. So if you can have an employer that keeps going after a short-term compensation program, then they are paying back, later, the funds that were drawn out of the UI system. Our evidence in Washington shows that they pay in more than they need to at the beginning at build up the trust fund. They draw it down during the work-sharing program and they pay it back again because of experience rating.

So it's – but that is unique to the U.S. unemployment insurance program. Careers are made among academic economists studying incomplete experience rating and missing the fact that most countries don't have experience rating at all. So two of us on the panel – I know Washington a bit – we know New York. There are not significant administrative or financial barriers to these programs, which leads to my second question.

Why so few? Why so small? And I think a key to understanding it requires a basic understanding of the federal/state division of labor around unemployment insurance in the United States. I think work-sharing largely gets lost in bigger struggles about UI solvency. I query whether that's about to happen again, with all the states going broke in their UI programs. I suspect it will get lost in the shuffle again in state legislatures as they try to figure out these bigger struggles. They're struggles over payroll taxes, struggles over administrative cost. And I think these issues at the state level have dominated UI agendas and sort of bumped things like work-sharing and other innovations off to the side.

Along those lines, it's worth remember the difference is not just in work-sharing between the United States and Germany, but the underlying UI program in Germany. The wage-replacement rate is so much better. There are eligibility issues. People assume unemployment insurance is received by unemployed workers, which is actually not always the case. You can not get in the program; you can fall out sooner. So many unemployed workers are not UI-eligible in the first place, and therefore not eligible for a work-sharing program. So it's worth looking at the underlying programs and the struggles that happen.

And the third point I would make is that even at its best, work-sharing represents an important, but relatively modest, intervention to reduce layoffs. These are firms that cannot – on the one hand, cannot stay at full employment and, on the other hand, are hopefully not going to fail totally. And that's sort of the range of your intervention. And with that in mind, you will see, in the program in Washington and the other programs, boundaries put on which firms can enter a work-sharing program.

So you'll have to have a reduction of hours that's 10 percent or more, but less than 50 percent. The scale is often constrained. And then there are protections that have come up in Washington state and others – union collective bargaining agreement has – the union has to signoff if there's a collective bargaining agreement. Health-care benefits have to be maintained. But it's fast and it is an important intervention. Work-sharing is yet another short-term, cyclical impact in a program that is too much focused on short-term, cyclical impacts in the first place.

The UI program in the United States is not good at big structural change. It's a 1930s model where you would leave your employer and come back to the same employer after a layoff. And what we need to be thinking about – not just programs like this, which keep people in their jobs – keep an employer attachment – but also, in the bigger picture, given that people who lose their jobs are more likely to change industries, more likely to change occupations, how do we make sure that the big-picture active labor market policy addresses some of these structural changes, as well as these important short-term adjustments?

MR. BALDUCCHI: Thank you, Marc, very much. (Applause.) Compensated work-sharing is tethered to the UI program in the U.S., so some years ago, the U.S. Department of Labor funded an independent study of compensated work-sharing. While researchers acknowledged some selectivity bias, they found that the use of work-sharing did result – did result – in some differences in UI taxes paid by those employers who participated in work-sharing.

But as our speakers have said – and our previous speakers – the overall impact on state UI trust funds were minimal. Now, what about the costs? Bruce, in New York, what's been the impact of experience rating on work-sharing employers and the state's trust fund as a result of work-sharing alone?

MR. HERMAN: Well, to begin with, we're quite broke in New York state, and have already borrowed billions from the federal government to keep our trust fund up and running. And that's the overall story, given the high levels of unemployment, and the main story that policymakers are focused on in our state.

The impact of our shared-work program is minimal. It has not really impacted the trust fund, to any great degree. When we look at the individual, kind of case-by-case experience rating situations, employer-by-employer, also not much of an impact very much at all, with some exceptions, given the duration of the recession. And we've seen them very much in a minority of cases – considerably less than 20 percent of the firms involved in the program. If – and we have a time-limited program – 20 weeks. With the federal extensions, you can get up to, now, 53 weeks of a shared-work program can be in place.

In some of those minority cases – less than 20 percent – where the employers have not seen a recovery in their business and then have gone to full layoff of workers, there we see some impact on their experience rating – negative impact. But it's a very, very small number of cases and for the most part, it's a very positive experience. It hasn't impacted our trust fund solvency to any degree at all.

And the positives, particularly from the firms – and we hear this directly through our interaction with the businesses – far outweigh any of the negatives associated with the

experience rating, which, as I mentioned is only in a very, very minority of the cases anyway. So overall, this has been a positive program that has not had a negative impact, broadly, on the trust fund or on the experience rating of the individual employers.

MR. BALDUCCHI: Thank you, Bruce. Marc, from what Bruce said here, we always want to remember that employers choose to participate in this program. Based on your experience in Washington state, do you want to swing at that pitch, also, about costs?

MR. BALDWIN: I think that's been our experience, too. Washington state – I would add one, maybe, piece, which is, there's a lot of interest in Washington state around cross-subsidies among employers and there was concern about whether the work-sharing program would be a subsidy from more stable employers to more at-risk firms and whether that was going to be a mistake. And that's not been our experience, as I've mentioned. It seems to be caught up in the adjustment of the program.

MR. BALDUCCHI: Very good. Markus Franz, as Jon Messenger's graph vividly pointed out, the Federal Republic of Germany is certainly a large user of work-sharing in Europe. With no apparent opposition, employers, workers and policymakers alike seem to support work-sharing programs? Why?

MR. FRANZ: The answer is so easy and so short and I guess it shouldn't be distracted by too many words. It saves jobs.

MR. BALDUCCHI: It saves jobs. That's the best thing. All right, what we can do right now is, we're going to take a couple questions from the audience. We'd love that. If you would give your name and also, your affiliation and wait for the mike. And the first question is right there.

Q: Hi, I'm Janet McCubbin from the AARP Public Policy Institute, and my question is about how this works in the various states. Given that there are, sort of, 50 state UI programs embedded in a federal system and states must each enact enabling legislation, I'd like to know do the key program parameters vary at all across states, or are they allowed to vary across states? Or do the key things, like the amount of compensation that is provided and the time limits and those kinds of things – are they uniform across the states?

MR. BALDUCCHI: Very good. And one more question.

Q: I'm Mel Brodsky from the U.S. Department of Labor. And I have a question for Markus. We've seen – well, work-sharing is supposed to be a temporary response to the economic crisis, in Germany, we've seen it increase from six months to years. So my question is, how temporary is it in Germany? And also, do you think by subsidizing possibly declining firms, you're taking resources away from expanding – whether in the long term, work-sharing, as extensive as it is in Germany, will actually cost jobs, in the long term?

MR. BALDUCCHI: Okay, those are good questions. The first question is Janet's about the uniformity of requirements from state-to-state. I'll ask our state people who would like to jump on that one.

MR. BALDWIN: May I? Wow, this was not a plant. This question was not a plant. (Laughter.)

MR. BALDUCCHI: Are you sure?

MR. BALDWIN: Because my biggest hang-up with the U.S. unemployment insurance system program is that the way that it came into being in the '30s, we have all suffered with ever since, which is, namely, you have a vital national safety net program funded with a state payroll tax. You would never do that on purpose.

It comes about because of the fights around the New Deal and the pay-or-play provision around that payroll tax and how, if states were going to implement a program, they would get back a rebate on the payroll tax, and that was a way to avoid the heavy hand of the feds in creating a UI program, because of the – long story short, you end up with a wide variety of programs around eligibility, benefit levels, very creative ways to keep people out of the system, very creative penalties on folks who do things within the program, wide variations in what you're eligible for, dependence allowances in some states, not in other states.

The range is enormous, and that's part of why, I think, you have trouble getting an innovation like this, is that if you say to workers or employers from either side of the struggle, what's your legislative agenda this year, they'll be counting the votes they have and say, this is the year we finally get rid of the fill-in-the-blank from the employers' side, or on the workers' side, this is the year we finally get fill-in-the-blank, and the answer for that question is rarely work-sharing.

So I think you've really hit, to me – and the other reason I wanted to mention Germany is, if you look at the U.S. UI system, you see why modest innovations like this are hard to come by, given the failures of the underlying program. That's my jaundiced position no longer speaking for a governor, but that's my experience for many, many years from many different perspectives.

MR. BALDUCCHI: Right, we do have a highly calibrated system, but I guess speaking for the founding fathers of the Social Security Act, I've got to say that we have a federal/state UI system because we have a federal retirement/old age system and that was part of the deal that was made.

MR. BALDWIN: And it did work, to be honest – you know, the act passes in '35. By '38, every state had a UI program. So I mean, yeah, you pays your money and you takes your choice.

MR. BALDUCCHI: Very good. So it's complicated. It's complicated.

MR. HERMAN: One point, though – and Marc is right on in terms of the policy struggles around these issues or around these larger UI issues – benefit rates, the amount employers pay in – and that's why shared work is sort of pushed to the sidelines, very much so. But we see too much variance, frankly, at the state level, and in some ways, some of the things that New York state does – requiring benefits be maintained and a number of other things – put

us somewhat at odds with some of our federal counterparts, currently, where there's an opinion that that's not supposed to be how the program is run.

We strongly believe that that's a very important element of the program and we will defend that in our state, but that is why we think that we do need a federal template for shared work. I think it would also make it a lot easier for some of those states that aren't in the 17 that currently have a program to opt in. To give some basic guidelines, to provide a template that would permit the states to more readily develop this program, I think, is an important step that needs to be taken.

MR. BALDUCCHI: Very good. Markus Franz, I wondered if you could tackle Mel's question about the temporary nature of work-sharing in Germany.

MR. FRANZ: I think it depends on the needs, because you can change it very easily and very fast. In Germany, for example, when the crisis hit, there was one evening where three people sat together – it was the labor minister and it was the boss of the employer organization and the boss of the unions – and they sat together in the evening and the next day, they decided okay, let's extend it to 24 months. It's no problem at all – not much paperwork.

They just decided they'd do it. And now it's up to 24 months and if you apply in this year, it's up to 24 months; if you apply it from next year on, it's up to 18 months. But if the crisis hits again, you extend it. You lower it; you extend it. I didn't get your second question, sorry.

MR. BALDUCCHI: Just wait a second, Mel. He's coming.

Q: You run the risk of subsidizing firms that aren't doing well and using those resources at the expense of growing for – in other words, are you interfering with a – (inaudible) – adjustment of the German economy?

MR. FRANZ: Yeah, but the costs are not so high and I think it's worth trying it. And I'm not aware of any misuse because the companies, they have to pay their share of society contributions, and so they think about it, if they want to do it. And there's no misuse, so I think it's fine.

MR. BALDUCCHI: Marc, do you want to –

MR. BALDWIN: There is a hardcore economist perspective that says – they call it labor hoarding. What we say – you know, maintaining your employer becomes labor hoarding and that anything that messes with the price mechanism is a bad thing. And so you don't want programs like this because you want quicker adjustment, not slower adjustment. So that is a hardcore economics position.

I did see one bit of data from Germany from the '70s – may not hold true now, but it's interesting – that productivity actually went up in Germany as a result of the work-sharing program in the '70s. And so there is a case – and it may be because of the link to training and what firms are doing during this time period. If firms are saving money for that short-term

project and some of it is going into new technology or training, the argument could be made that this is part of the adjustment process; not a barrier to adjustment.

I'm not convinced that this needs to be a mandatory function of this program. In other words, I don't think that training needs to be a requirement or tech adoption needs to be a requirement, but to have more options along those lines makes a ton of sense to me. To link this to a more structural strategy makes a lot of sense.

MR. FRANZ: And another good argument for not laying people off – and nobody talks about it – and that's, if it's more difficult to lay people off and you have more job security, I would say you are more motivated for your job. You identify more with your employer and you don't have to have two or three jobs and so you work harder for your company.

And so you are more productive. In Germany, which many people regard as overregulated, it's a world export champion now. So small Germany – why? I would say – I would argue because of the productive workforce, which is quite secure and so, can really play out its talents.

MR. BALDUCCHI: Markus, I think that's correct in this country also. For work-sharing to work, it has to work for the employer, the worker and the state has to help referee that process. And that's a good thing – that's a good thing. Marc Baldwin, I want to ask you a question. You know, we've had work-sharing in this country for 31 years, beginning with California as the first state to adopt it. Given the history of work-sharing in the United States, maybe you could speak a little bit about what labor's view of comprehensive work-sharing is today.

MR. BALDWIN: Mm-hmm. This is an issue that comes and goes, and plays out mostly at the state level. So there isn't, like – that I know of, there is not a constitutional resolution or something like that that says, this is labor's position on work-sharing. I think what you see is an evolution of the issue at the state level, where it's mostly played out. I saw part of that firsthand in Michigan in the past and I think what often happens is folks misunderstand it at the beginning.

Almost always, it gets wrapped up in some of the late-'70s programs around work-sharing. Ancient history – Hoover was really the first to propose a work-sharing program and he proposed it as an alternative to unemployment insurance. So you know, you've got to look at the time period; you've got to look at the state. But I think it's an idea that has gained more converts over time, and Bruce and I both have been at labor at different times in our lives.

And I think as people look at it more and more, it's very hard to argue that it's not better to remain attached – in an economy where so many benefits and so many issues are connected to your employer, it's almost always going to be better to maintain an employer attachment than to sever that relationship.

And we can fight over the terms of that discussion, the verification issues and so on, but I mean, sooner or later, you come back to the first principles, which is that attachment is really important. It's important to pensions; it's important to seniority; it's important for health-care benefits, at least for the foreseeable future. And so I think you've seen an evolution – and usually, it starts with skepticism and ends with support – at the state level.

MR. BALDUCCHI: Very good. Employment is job one – it always has been. Can we take another question from the audience? We have a lot of questions here – very good. The gentleman way back there – yes.

Q: Hi, Tony Sarmiento with Senior Service America. Two questions: Is there any research on how older workers – 55 and older – have fared with the various work-share programs? And if there isn't any hard evidence or research, anyone care to conjecture about what a wider implementation of work-sharing in the United States might do for the older workers, who are suffering longer unemployment now than in past recessions?

MR. BALDUCCHI: I'm going to take the moderator's prerogative, because I'm most familiar with this last thing that was done on work-sharing, unless either of you would like to take it. We conducted a study at Department of Labor that was published in 1997. It was based on the recession of 1991 – and two of my colleagues in the room here were part of that study also – and we did not find any disproportionate use of work-sharing for minorities or women.

So it did not disproportionately affect any one group. We have not done research since and we should, and that may be, Sara, one of the takeaways that we can look at on this subject, is to do some research in that very area. I would ask my colleagues –

MR. HERMAN: Just two points – and we don't have the data, Tony, so we have not done the research – but two points I would make. Because, in New York state and in a number of states, we require the union to sign off on any program – so obviously, that takes into account seniority in the context of a unionized workplace. And so having a union sign off, we think, in some ways is one of the elements of the program that would prevent a discriminatory utilization.

And then, as you well know and you mentioned, older workers, when they lose their employment – when they are severed from their employer – have longer duration of unemployment insurance and have more difficulty finding new employment and often suffer significant income loss even when they get that next job. So in that regard, shared work, by maintaining the connection to that employer, I think, is a very positive aspect to the program, particularly for older workers.

MR. BALDWIN: If there is more – and I don't know the numbers – but if there is more utilization among older workers, you would need to control for industry because, even though it's expanded, I still think in Washington, it may be more – I think in Connecticut, it's 60 percent; in Washington, it's more than 60 percent; I'm not sure about New York – but manufacturing is overrepresented in work-sharing pans and that's an older workforce.

So I think if you controlled for industry, I don't think it would show up. But I second what Bruce is saying – my point about structural adjustment. That gets really tough and, again, attachment to an employer is going to be a much better, longer-term prospect.

MR. BALDUCCHI: Let me follow up on that with you, Bruce, on a question. We've heard Jon Messenger and others that work-sharing is a win-win type of government program, but we've also heard that the administrative burden is pretty steep. Just how tough is it? Maybe you could talk to us a little bit about that. And also, what are the costs of administration of these programs?

MR. HERMAN: Well, that's a serious issue and that's where we also, I think, could use some federal support to cover the administrative cost. It was one of the reasons – the concern in our state with the administrative burden – whereby we hesitated, in terms of advocating and rolling out the program a year-and-a-half ago. But we addressed that, in part, by adding additional staff. It was too, still, paper-intensive, and we're trying to modernize it and make it much more of a process where IT is much more relevant.

So we think that you can address those issues, and we have done so in our state. We still have a ways to go, but we are administering the program effectively, giving timely response to the employers, managing an over-600 percent increase in the number of firms and workers in the program. That has a cost associated with it. We don't think it's a burdensome cost or a disproportional cost compared to running the overall UI system. So that's been our experience in New York.

MR. BALDWIN: I have a resource from Washington state to highlight for folks. If you go on the Washington state employment security department Web site, there is a section on shared work, and within it is the employer handbook for shared work. Although it's called the employer handbook, it has information for employees, it has spreadsheets to how people would calculate their benefits and how employers would apply. And it relates directly to this question because you'll see in here the forms that employers use to create a work-sharing program. And the plan is not particularly burdensome, is one thing I would say.

We propose that folks check a certain box to make it easier to modify. We encourage employers to file electronically and have a spreadsheet that they can use to file electronically. When the governor, in January, was looking for stimulus opportunities, work-sharing came up. And working with the department, we thought about the kinds of things we might do to improve the work-sharing program.

And truthfully, we decided that outreach and publicity was much more important than any kind of administrative changes we might make to the program. Bear in mind, we start with Washington state being the best-run unemployment insurance program in the country, so it makes it easier for us. (Laughter.)

MR. HERMAN: Hey, you won't get any argument from me on that. (Laughter.) I don't take sides, though.

MR. BALDUCCHI: I want to follow up with one more thing for Bruce and Marc. How long does it take, on average, to approve one of these plans once an employer brings one in to you?

MR. BALDWIN: Fifteen days. We have a mandatory – we are required to answer within 15 days. We have a requirement that's at 15 days.

MR. HERMAN: Similar for New York.

MR. BALDUCCHI: I can also say I checked with a couple states, because I anticipated asking that question, and it is around 15 days. So it does not take very long, and of course, a lot

of times, there's a great deal of education that needs to take place, as we all said. Generally, the employers are for this and once that plan comes in, it's usually approved within 15 days.

MR. FRANZ: May I add, in Germany, nobody talks about bureaucracy and paperwork regarding this topic. And by the way, it's about lives; it's about jobs for the families. So if there's some paperwork, so what?

MR. BALDUCCHI: Maybe we could follow up, Markus, on that, because I think that responsibility issue is a big one. In utilizing work-sharing in Germany as a job-retention strategy, what's been the employment effect? Maybe you can just talk to that again. I know Jon Messenger's talked about that. We'd love to hear that perspective from you.

MR. FRANZ: It's very difficult to say. I asked before in Germany in the ministry and they told me, just say it's saved some 100,000 jobs. So to be on the safe side, you can say 300,000, I guess. And you're really on the sure side – the safe side. Maybe 400,000 –

MR. BALDUCCHI: Between 100,000 and 400,000 jobs?

MR. FRANZ: Yeah, between 100,000 and 400,000 jobs, and that reduces the unemployment percentage by 1 percent.

MR. BALDUCCHI: Very good. We'll take another question. The lady in blue.

Q: I'm Linda Lawson from the National Governors Association. Hello.

MR. BALDUCCHI: Hi. (Chuckles.) We talked on the phone.

Q: I wonder, as we are in the recession we're in and recognizing more and more that we're in this skills crisis nationally, I wonder if the programs in either New York or Washington or, perhaps in other states, combine the up-skilling issue with the work-share program, and if you do, how you do that? And are there complementary programs to help subsidize or pay for the worker training as they're off work and are work-sharing?

MR. BALDUCCHI: You don't have that provision in your law, so you're off the hook on this one. That provision that she's referring to was in the '92 amendments that was authored by my boss, at the time. And it allowed for skill upgrading on the off days. Does Washington state have that?

MR. BALDWIN: Allows – because here's the connection – and it's not explicit. We do not – I'll say right off, there's not, like, a pot of money for training for folks in short-term compensation. There's no explicit link like that. But here's the core of the program: You have to be able, available and actively seeking work to draw unemployment insurance. Every short-term compensation program, by definition, says we're going to waive that provision.

So you start in a place where you can actually get into training because you're not going to have to quit the minute you find something else. So that's an important fact, but it's not money. It's just administratively possible. States also have what's called commissioner-

approved training, which is you can get BOK to waive the job-search functions for – any UI claimant, whether short-term or not can apply for commissioner-approved training.

You have to be making satisfactory progress in an approved training program and then you don't have to do the job-search while you're in UI. A lot of people don't know that exists and federal law allows it and it exists in many states. But there's not a pot of money set aside for training. And I would also hasten to add, on the firm side, there's not a pot of money for technology adoption or something in these firms, either.

I think we often think about worker adjustment in these situations, but it's also worth thinking through, as a country, firm adjustment and what you do during this time period at the firm level. But I cannot – we don't have a pot of money for it. Oh, we do one other thing – sorry. One other thing that Washington state has, Maine, some other states have, which is additional UI benefits while you're in training – extended benefit program while you're in training.

Because one of the problems we have is that people quit, use their UI for however many weeks they have it and then they have to quit their training program when their money runs out. So Washington state has a program for extended UI training. So we did do that, but it's not connected with short-term comp.

MR. HERMAN: New York's similar in that regard. We have the ability for individuals who are receiving UI to waive the job-search requirement if they are in approved training programs, and they can pursue those for extended periods, as well. So we think that's actually the approach to build upon, in terms of shared work. Another effort that we're very interested in seeing expanded resources to promote, particularly in the economic crisis, is on-the-job training an allowable expense, as many of you know, under the Workforce Investment Act – not something that's utilized extensively in our state.

We're going to be launching a statewide pilot OJT program. But that's also, I think, a mechanism whereby you can be applied to a short-term compensation system. And if those resources are available, they could be available to individuals on shared-work programs, as well as individuals that are, you know, fully unemployed.

MR. BALDUCCHI: That's exactly right. One more question. GW?

Q: (Inaudible) – from George Washington University. My question about the firms who participate in the program: What type of firms participate in this? Small businesses; big businesses; interstate businesses with interstate presence?

MR. HERMAN: In New York state's experience – it's, I think, similar to Washington's – again, the core users historically have been manufacturing firms, primarily in the upstate economy. That's broadened considerably as we've seen this over-600 percent increase. And we just ran the numbers. It's still a majority small and mid-sized firms, but coming from all sectors of the economy. Still, the core is manufacturing, but we see a lot of construction firms; we see not-for-profits, for-profits, architectural firms, legal firms – all types of firms, now.

And we have seen an increase in the participation of large businesses as well. They are currently – you know, less than a quarter of the businesses are large firms, but because they are large firms, almost half the participants in the shared-work program are coming out of large firms. So as the program use has been embraced by our employers, we've seen it broaden in terms of sectors of the economy, and also, many more large firms and mid-size firms than historically has been the case.

MR. BALDUCCHI: Very good. One more question – last question. My colleague, Steve Wandner – wait for the mike. Right up here, sir.

Q: Hi, Steve Wandner with the Department of Labor. My question is, you know, where do we go from here? There's been a lot about work-sharing over the last year. I was particularly struck by the Economist magazine, a conservative British magazine that has an American addition, and last month, it said in its leader – in its editorial – work-sharing, as Jon Messenger indicated, has worked in Germany and has had a big effect. And they asked the question, would it work in the U.S.? And surprisingly, they give a qualified yes. So where do we go from here and how do we do it?

MR. HERMAN: Well, from New York state's perspective, it's worked. It's worked very well in our state. We would like additional federal support to continue to expand our program, and we think some of the legislation that's been introduced – particularly Sen. Reid's legislation – is something that we support.

In terms of federal funds to cover the UI component and the administrative cost, we think that would be very important and dramatically increase what has already been a rapidly growing program, because from our perspective, this would effectively federalize, if you will, the shared-work program. And you know, because workers are drawing down UI, there is an impact on the experience rating.

As I said, we don't see a big different between shared-work and firms with laying folks off full-time. But having the cost of that UI component covered by the federal government, we think, would also mitigate that negative experience rating. So firms would not have that negative if the program was covered with federal dollars.

We think that would be a tremendous positive for New York state businesses and I think you would see that 600 percent increase of participation grow even more dramatically. And the time to do this is now. We are still, in our state, experiencing significant layoffs. I reviewed the data before coming down yesterday; it is raining warn notices in New York state – dramatic numbers in terms of the announced –

MR. BALDUCCHI: Layoff notices.

MR. HERMAN: Yeah, warn notices are when firms tell us they're going to be laying people off or shutting down. Our state has a requirement that builds upon the federal requirement requiring a 90-day notice. And employers of 50 employees or above. So we have more coverage with our warn legislation, and we are seeing just enormous amounts of warn notices continuing to hit our system.

We know that those are firms that are the top-of-the-list, likely candidates for potential shared-work applications so we consider it extremely important and relevant going forward, as we try to, you know, stop layoffs, which are still happening in quite a dramatic fashion in our state.

MR. BALDUCCHI: Very good, very good. Well, let me summarize this for a moment for Susan and Sara. It seems to me that we heard, around the table here and from the audience, that perhaps the federal partner could provide some better guidance on uniformity of requirements, or a template of requirements. We also heard the need for some study, from Linda and others, about, what is the impact of training and that connection that Jon Messenger made about compensated work-sharing and training. We also heard the need for some additional research about what the impact is for older workers, with respect to work-sharing.

Compensated work-sharing is not the silver bullet; it is a silver bullet that, it seems to me, that every governor in the state should be exposed to. Whether or not he wants to put that in his arsenal of employment interventions or not is up to the state. But we need to be exposed to that so he can determine whether or not the employers in his state would want to make that available to him. And if I may say a personal note, back in 1991, I went to Topeka, Kansas. And I was sitting – and it was late afternoon – and I was in the office of the UI chief. And we were talking about something completely different, and he had just finished implementing the state’s work-sharing program.

And in those days, people could come in and say, you have a call; would you be able to take it? The UI director turned to me and said, this is a big employer; I need to take this call. Just stay there. So I got to listen on, on a conversation he had. This employer was going to lose his core employees and the UI director, named Bill Clausen (sp), was able to talk to him about compensated work-sharing – one of the first big employers that came to talk to him about, is there a way that I don’t have to lay these core employees off.

And they talked for about 30 minutes and I just happened to be like a fly on the wall sitting and listening. He put down the receiver and he turned to me and said, the first time in my career I’ve had something positive to say to an employer. I have a way out for that employer. I have a way that he can keep those quality workers. So with that, I’ll turn it back to Sara. (Applause.)

(Audio break.)

MS. RIX: Well, thank you to all of the panelists in this second group, and a special thanks to David Balducchi, who did a terrific job chairing that panel. Thank you. (Applause.) And again, my thanks to the first panelists as well. I would like to second something David said about further research, and I’d encourage those of you who are researchers in the audience to think about more research on short-term compensation.

But I just want to point out that our participant from George Washington University is writing a dissertation on this topic. So we’ll be among the first to want to read the final product. And in conclusion, I want to thank all of you who braved the elements to join us this morning. I think it was worth it and we look forward to continuing our work on short-term compensation

and look forward to working with all of you on that and related topics, if possible. (Applause.)
Thank you.

(END)