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Employment and Training Administration**

**Employer Views about the Short-Time
Compensation Program: A Survey and
Analysis in Four States**

Final Report

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TABLE OF CONTENTS

	Page
Acknowledgments	iii
Executive Summary	iv
Introduction	viii
Chapter One. Survey Results: Characteristics of Employer Respondents	1
1.1 Survey Responses	1
1.2 Type of Employer.....	2
1.3 Industry Sector	3
1.4 Employer Size	9
1.5 Employer Length of Time in Business.....	10
1.6 Employee Skill Levels of STC Respondents.....	11
1.7 Fringe Benefits Offered to Employees by STC Respondents.....	12
1.8 Summary.....	13
Chapter Two. Survey Results: Composition and Use of STC Employer Respondents' Plans	14
2.1 Employer STC Application Submissions	14
2.2 STC Plan Composition at the Time of Application.....	17
2.3 STC Plans Approved, Denied, and Withdrawn	19
2.4 STC Plan Use	20
2.5 Eventual Layoffs	21
2.6 Summary.....	22
Chapter Three. Survey Results: Employer Perceptions of the STC Program: Awareness, Opinions, and Perceived Outcomes	24
3.1 Employer Awareness of the Short-Time Compensation Program	24
3.2 Employers' Opinions of the STC Program	28
3.3 Summary.....	38
Chapter Four. Findings and Recommendations	39
4.1 Key Findings, Program Implications, and Recommendations.....	39
4.2 How the STC Program Has Changed over Time	46
4.3 Recommended Further Research.....	47
4.4 Overall Study Findings	49

Appendices.....	52
Appendix A. State Selection and Survey Methods	53
Appendix B. Additional Survey Methodology	61
Appendix C. Employer Questionnaire.....	73
Appendix D. STC History and Literature Review	100
Appendix E. Study States During the Study Period, 2008 – 2013: Economic Conditions, Laws, Policies, Procedures and Program Outcomes	117
Appendix F. State Administrative Data: Analysis of STC Participation and Usage in Each Study State.....	127
Appendix G. STC Policies, Laws and Administrative Practices	142
Appendix H. Additional Tables and Charts of Survey Responses	180
Appendix I. Case Study of The STC Program In Washington	196
Appendix J. Qualitative Feedback from Employers	210
References.....	219

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EXECUTIVE SUMMARY

U.S. Department of Labor (DOL) Employment and Training Administration (ETA) contracted with IMPAQ International, LLC (IMPAQ) to conduct a study of employer views about the Short-Time Compensation (STC) Program. The purpose of STC is to help preserve jobs, especially during disruptions to regular business activity. Employers use STC to avoid layoffs by spreading reductions in work hours across employees. Employees receive pro-rated unemployment benefits for their reduced hours of work. STC has been used on a small scale relative to regular unemployment insurance (UI), never exceeding three percent of total UI beneficiaries in the United States.¹ IMPAQ conducted this study to investigate the characteristics of employers and employer awareness of, participation in, and perceptions of the STC program. The study included a survey of employers in Kansas, Minnesota, Rhode Island, and Washington; site visits to state workforce agencies (SWA); an analysis of administrative data; and a comprehensive literature review.

Survey Research Design and Responses

IMPAQ surveyed 2,415 employers in the 4 states: 77 percent were STC employers (1,869) and 23 percent were non-STC employers (546). The states were strategically selected based on criteria including geographical diversity, data availability, and length of experience with STC. IMPAQ fielded the survey from May 27, 2014 to October 31, 2014. The sample generally included participating and non-participating employers registered in UI administrative records during the study period of 2008 through 2013 (See Chapter One and Appendix B).

The survey concentrated on the STC program (2008 through 2013) prior to the implementation of the Middle Class Tax Relief and Job Creation Act (MCTRJC Act).² We implemented a mixed-mode survey providing the option for respondents to choose their preferred mode of response: Web or telephone. Academic research on response rates to surveys shows that offering this option to the responders maximizes response rates.³ The response rates were 35 percent for STC employers, which is generally consistent with response rates for surveys of employers, and 3 percent for non-STC employers.⁴ Although there are limits to the generalizability of the results, particularly for non-STC employer responses, the absolute number of STC employer responses is still larger than in previous DOL-sponsored studies of the STC program.⁵ Because STC employer responses are more likely to be representative, and given the low response rate for non-STC

¹ Shelton, 2012, p.3.

² Based upon STC plan begin dates, a very small number of employers responded under plans after the effective dates of state laws to comply with the MCTRJC Act: Minnesota (July 1, 2013): 4 (2 were repeat users); Rhode Island (June 18, 2013): 17 (15 were repeat users); Washington (July 27, 2013):3 (2 were repeat users).

³ Converse, Wolfe, Huang, & Oswald, 2008; Fricker, Galesic, Tourangeau, & Yan, 2005.

⁴ Baruch & Holtom, 2008; Groves, 2011.

⁵ Walsh et al., 1997; Kerachsky, Nicholson, Calvin, & Hershey, 1986.

employers, the analysis in this report focuses on STC employer responses more than on non-STC employer responses.⁶ The IMPAQ study obtained employer viewpoints about the benefits of STC during the Great Recession that began in December 2007 and officially ended in June 2009. During this period, unemployment rates rapidly rose and employers turned to STC as a layoff aversion strategy. In obtaining data during such an important period, we can assess and evaluate employer use of STC in the context of such challenging economic conditions. Therefore, the results reflect an extreme economic context, appropriate for the goals of the STC program but not necessarily representative of the results in a less severe economic decline. Appendix B describes other methodological details.

Study Findings

Overall, STC employer respondents were very satisfied with their state's program. Many employers appreciated STC because it was instrumental in retaining highly skilled workers. For example, one employer said, "[STC] was a lifesaver for our company. We didn't have to lay off any of our talent. It was great." In this regard, employers generally viewed STC as a win-win solution for employees and employers. In all 4 study states, more than 80 percent of STC employers said that they were either "somewhat likely" or "very likely" to apply in the future.⁷ It appears that, once employers participated in STC, they were likely to participate again.

However, some barriers still exist for increasing awareness and broader use of the STC program. First, familiarity with STC remains low and use historically has been confined to mainly larger employers (number of employees) and mostly in the manufacturing industry. Second, there appears to be some lack of awareness of the costs associated with STC use.

Characteristics of Employer Respondents

- **Industry Mix.** STC participation has historically concentrated in manufacturing, and that trend continued in Kansas, Rhode Island, and Minnesota. However, STC employers in Washington were fairly balanced across the sector categories, due in part to extensive outreach efforts (See Appendices G and I).
- **Years in Business of STC Employers Surveyed.** STC employers had been in business longer than non-STC employers. 62 percent of STC employers surveyed had been in business at least 20 years, compared to 38 percent of surveyed non-STC employers.
- **STC Employers' Employee Skill Levels.** Surveyed STC employers in all industries reported employing a higher proportion of medium to high skilled employees. More than 81 percent employers reported that more than three-fourths of their employees are medium to highly-skilled. The employers also described their participating employees as highly

⁶ For a complete description of why non-STC employer responses were minimized in the analysis, refer to Appendix B. Note that we offer some non-STC employer responses when appropriate with the caveat that those findings may not be representative of trends in the universe of non-STC employers.

⁷ Less than 20 percent of STC employers said that they were either somewhat unlikely or very unlikely to apply in the future.

skilled, classifying 84 percent of salaried and 50 percent of hourly STC employees as highly skilled.

- **Employer Size of STC Respondents.** Micro (one through nine employees) employers were substantially under-represented among the STC respondents and historically have made lower use of STC, although micro-sized employers were better represented in Washington.

Extent of Employer Participation in STC

- **Repeat Use of STC.** According to state administrative data, 43 to 65 percent of STC employers were repeat users. Repeat use seems to have increased since the last DOL-sponsored STC study when, during a 3-year period, repeat use reached a high of 45 percent in one state.⁸
- **Eventual Layoffs.** Across all study states, between 16 and 21 percent of the STC employers reported that they eventually laid off some STC employees due to a continued lack of work.
- **Employer Motivations for STC Participation.** STC employers said that they applied for STC because they faced economic hardships, wanted to retain valued employees, and wanted to maintain the morale and health benefits of their employees. Also, STC employers indicated that retaining employees saves on hiring and training costs.
- **Increased Administrative Effort for Employers.** Between 60 and 70 percent of STC employers in the study states noted that STC “increased” the administrative burden on their staff. Given the high rates of employer favorability with the STC program for those who use it, it is not clear whether the administrative burden is a participation barrier.

Employer Awareness of STC

- **Employer Knowledge about the STC Program.** Overall, approximately a third of non-STC employers knew about the program by the name of the state’s STC program, and less than a quarter knew the term used in federal law--“short-time compensation.” Even STC employers knew the program only by the state-chosen name.
- **State Workforce Agency (SWA) Outreach.** STC employers most commonly heard about the STC program from their state UI agency; the second most common source of information was other employers that participated in the program.

Employer Opinions and Perceptions of STC

- **Ease of Application.** Between 65 and 82 percent of STC employers in the 4 study states said that they found it very easy or easy to apply for STC. Only 2 through 13 percent of employers found it difficult or very difficult to apply.

⁸ Walsh et al., 1997.

- **Employer Satisfaction with STC.** From 86 to 99 percent of STC employers in the 4 states were “very satisfied” or “satisfied” with their communication with state agency officials about STC. Employers were similarly satisfied with the administrative support they received.
- **UI Tax Rate Implications.** The survey offers imprecise evidence about STC employers’ perceptions about UI tax implications. Nonetheless, at least a plurality of STC employers believed that STC was less expensive than a layoff of similar magnitude. A definite answer awaits further research.

Recommendations

Based on the study’s findings, IMPAQ offers several recommendations to DOL.

- **STC Would Benefit from a National Brand.** STC employers do not recognize the term “short-time compensation.” They know the program only by the official name of their state’s STC program. Difficulties in increasing employer (or employee) knowledge about the program nationwide will persist without assigning a national name to the STC program and promoting that name, much as DOL has done with the name American Job Centers for local SWA offices.
- **State Workforce Agencies Are Critical to Outreach.** Employers more frequently learned about the program through information provided by state agencies. The amount of outreach that SWAs provided differed, and some employers did not always receive sufficient information to make informed decisions. If the federal objective is to expand STC to increase use in future recessions, DOL should continue to provide technical assistance and guidance, such as the tools available at DOL’s STC Website, (<http://stc.workforce3one.org>). DOL can consider hosting a national STC conference to promote cross-state learning and exchange.
- **Federal Program Reviews and More STC Administrative Funding Needed.** State approaches to STC administration varied. States could learn from one another about making their administrative practices (e.g., staffing) more responsive to demand. DOL could institute STC program operation reviews—including a review of STC automation processes. These reviews, with DOL guidance, can help states adopt more effective administrative practices. For example, DOL can collect best practices in simplifying and automating the STC application and claims processes, and in managing STC program data.
- **STC Customer Surveys Help Build Continuing Employer Involvement.** Washington was the only study state that conducted an annual customer satisfaction survey. Washington also made the survey results available to all employers on their Website. This approach appeared to engage new employers, build a constituency for STC, and promote repeat use. Conducting an annual state survey of STC employer satisfaction and posting the results may increase support for STC within the employer community in other states and help foster greater program participation.

INTRODUCTION

The DOL ETA contracted with IMPAQ to conduct an independent study of employer characteristics and employer awareness of, participation in, and perceptions of the STC program. The study included a survey of employers in four states (Kansas, Minnesota, Rhode Island, and Washington), site visits to SWAs, an analysis of administrative data, and a comprehensive literature review. Responses to the survey reflect employer views in the context of economic conditions, state laws, and program administration in each state during the study period of 2008 through 2013, which includes the Great Recession of 2007 through 2009 and the subsequent recovery period. Except for a very small number of employers applying for STC later in 2013, the survey did not include employers after implementation of state STC laws to comply with the MCTRJC Act.⁹

Background

STC, also known as “work sharing” or “shared work”, preserves employees' jobs and employers' trained workforces during disruptions to regular business activity. As part of an active labor market policy and as an alternative to traditional unemployment insurance, STC enables employers to avoid layoffs by spreading reductions in work hours across employees.¹⁰ Employers must submit an STC plan that the SWA must approve. The STC plan also may apply to an affected unit, and not necessarily to the employer's entire workforce. For example, an employer facing a 20 percent layoff of workers due to a downturn in production or sales may reduce all workers' hours by 20 percent (1 day per week) in lieu of any full layoffs. All workers participating in the STC program would be eligible for 20 percent of their weekly unemployment benefits.¹¹ The employees would work 80 percent of their normal hours and receive 80 percent of their wages. No workers in this scenario would lose their jobs. Use of STC, however, is limited. Throughout the United States, the yearly ratio of STC beneficiaries to regular UI beneficiaries in states with STC laws has been lower than three percent (Shelton, 2012, p. 3).

STC benefits both workers and employers and is a win-win program. Prior studies show that employers participate in STC because it keeps their skilled workforce intact during recessions (discussed further in Appendix D). Those studies also reported that employees liked the program because participating employees received partial unemployment benefits to compensate for their reduced hours of work.

⁹ Based upon STC plan begin dates, a very small number of employers responded under plans after the effective dates of state laws to comply with the MCTRJC Act: Minnesota (July 1, 2013): 4 (2 were repeat users); Rhode Island (June 18, 2013): 17 (15 were repeat users); Washington (July 27, 2013):3 (2 were repeat users).

¹⁰ Unemployment insurance (UI) is a federal-state program that provides temporary and limited financial support—often referred to as unemployment benefits—for workers who lose their jobs through no fault of their own while they search for new work. State STC laws share the same administrative, benefit, and tax structures as their parent state UI laws (Balducchi & Wandner, 2008).

¹¹ Under the federal-state UI program, states establish weekly and maximum benefit amounts, and amounts vary state-to-state.

The recent history of severe recession has driven a surge in efforts to broaden STC. Under the MCTRJC Act, DOL provided one-time grants to states to implement and improve state STC programs and to promote the program and enroll employers. Additionally, DOL provided temporary reimbursement of the STC benefits paid. Thus, this is an opportune time for DOL and the states to assess the potential that STC has for becoming a better-known and more used program to help employers retain skilled employees, avoid layoffs, maintain productivity, and, often, simply survive during temporary periods of business contraction.

Research Questions

The primary objective of this study was to survey employers to understand their awareness and perceptions of the STC program. IMPAQ used this data to identify the types of employers that participated in the program and how these employers used STC. Specifically, the study sought to address the following key research questions and issues.

- Have employers heard about STC?
- What is the level of employer knowledge about STC?
- Why do some employers take up STC while others do not?
- What are the industries that use and do not use STC?
- What are the sizes of STC and non-STC industries and employers?
- What STC provisions are of greatest interest to employers?

In this report, IMPAQ attempted to answer these questions and a number of other questions.

Study Design

This study was largely based upon a survey that examined employers' experiences with, awareness of, and perspectives on, the STC program. The survey was conducted in a purposely selected sample of four states: Kansas, Minnesota, Rhode Island, and Washington. Each had long-standing and active STC programs and sufficient data capabilities for supporting the research. The survey included employers in the study states who had used the STC program as well as employers who had not used the program. IMPAQ used administrative data from the states (containing UI and STC participant data) to identify the population of employers from which to draw the survey sample.

Based on this study's research questions, IMPAQ examined the following areas:

- Characteristics of employers participating in the STC program.
- Extent of employer participation in the STC program.
- Employers' awareness of, experience with, and views of the STC program.
- Employers' opinions about workers' and unions' views of STC and other features.

The study included the employer survey, brief site visits to each of the four state's administrative offices, analyses of state administrative data, and a comprehensive literature review. The study did not include an impact or cost-benefit analysis of STC participation for employers. The study also did not obtain direct employee feedback on STC. Consequently, the study does not speak to critical issues such as differential access to the program for particular subgroups of workers. Furthermore, this study was not intended to investigate what happened to STC employers and employees after program completion. Such issues, though crucial for developing a more comprehensive understanding of STC, lie beyond the scope of this study.

This study's main contributions are twofold. First, the findings update a very limited body of existing literature on STC, which helps to promote a better understanding of what drives employers to participate in STC and what impedes successful program implementation and administration. Second, IMPAQ conducted this study against the backdrop of the Great Recession and its aftermath--extreme conditions under which to examine the usefulness of a program like STC. Consequently, the study provides a unique contextual landscape from which to understand the value of the program for employers in difficult times as well as the primary hurdles to overcome for continued efforts to expand its use.

The survey field period began in May 2014 and ended in October 2014. IMPAQ administered the survey via two different modes: a Web and telephone survey. Although both STC employers and non-STC employers received information to complete either mode, only STC employers were contacted by IMPAQ's survey center by phone because they were the focus of the study. Non-STC employers had the option to complete the survey by phone by calling IMPAQ's survey center. The survey results included 2,415 employer respondents: 77 percent (1,869) had used STC, and 23 percent (546) had not used STC. The survey sample was larger than the sample for employer surveys conducted in previous DOL-sponsored STC studies. The overall response rate for STC employers was 35 percent and 3 percent for non-STC employers. Appendix B provide a more complete description of the methods and responses.

Limitations of the Study Design

The IMPAQ study has a number of limitations that affect the survey's main findings. First, the selected study states had well-established STC programs to ensure that the data were of sufficient quality for analysis and that the state had sufficient experience with STC administration to have stable and consistent processes in place. However, the drawback of this approach is that findings cannot be generalized to the STC program across the country.

Second, although the study incorporated a mixed-modal survey design--a cost-efficient survey practice to maximize response rates in a large and diverse set of responding units (Converse, Wolfe, Huang, & Oswald, 2008)--a larger scale mixed-method study approach would have revealed many more nuances about the administrative processes, contextual factors within each state, employer perceptions, and impressions of other stakeholders, such as employees and union staff who are difficult to reach in a survey.

Third, despite a wide deployment of the survey to non-STC employers, their response rates were low, and the study could not speak definitively to critical issues such as the motivations for and against participating in the program or general familiarity with STC among non-users. Reaching non-STC employers in future surveys will continue to be a challenge as employers or individuals are less likely to respond to a survey about a program or topic with which they may be unaware or unfamiliar along with a general decline in survey response rates.

Finally, the time lag between the study period (2008 to 2013) and the data collection period (May through October 2014) may have introduced recall bias into the survey results. The passage of time may have prevented researchers from gathering fresh and immediate impressions about STC from employers in the midst of the Great Recession. An added risk was that employers who had participated in STC were no longer in business or had reorganized into new entities. For a more detailed description on these issues, refer to Appendix B.

CHAPTER ONE. SURVEY RESULTS: CHARACTERISTICS OF EMPLOYER RESPONDENTS

This chapter presents the IMPAQ employer survey findings, starting with an overview of the respondents and how they were distributed by state, STC status, employer type, and industry sector. The rest of the chapter focuses on explaining the characteristics of employers that participated in STC during the study period, 2008 through 2013. The chapter analyzes the types of employers (private, non-profit, government), industry sectors, subsectors within each industry category, employer size, employer age, skills of employees, and benefits offered by employers. Comparisons between the information collected in the survey about STC participants and U.S. Census Bureau data, where possible, highlight how STC employers differ from the general population of employers in the study states.

1.1 Survey Responses

Exhibit 1.1 presents the number of survey responses received from the STC employer and non-STC employer samples. The STC employer sample was composed of STC employers from all four study states. The non-STC sample was composed of a sample of employers from each of the study states stratified by industry. Appendix B provides additional details about the study sample.

The employer survey results included 2,415 employer respondents. Not all respondents answered every survey question; the number of responses varies by question. Seventy-seven percent (1,869) of the survey respondents were from employers in our STC sample and were approved for STC between 2008 and 2013; 23 percent (546) were non-STC employers. Exhibit 1.1 shows the number and percentage of STC and non-STC employer respondents for each state.

Exhibit 1.1 Responses to the Employer Survey by State – Summary Table, 2008-2013

	Kansas		Minnesota		Rhode Island		Washington		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
STC employers	101	59%	171	47%	183	75%	1,414	86%	1,869	77%
Non-STC employers	70	41%	193	53%	60	25%	223	14%	546	23%
Total	171	100%	364	100%	243	100%	1,637	100%	2,415	100%

Source: Employer characteristics dataset (2008-2013). This dataset excludes 182 employers that did not respond about whether they applied for the STC program, and 6 employers that were denied participation. (See Appendix B for details).

As Exhibit 1.1 shows, Washington had more employer respondents (1,637) than the rest of the states combined (778). Washington also had more STC employer participation and higher STC employer survey response levels than the other states.¹² The survey responses reflect employer

¹²Washington STC employers were accustomed to responding to surveys, because the agency conducted STC customer satisfaction surveys annually. See Appendix G for more details.

views within the context of economic conditions, state STC laws, and program administration in each state during the study period of 2008 through 2013, which includes the Great Recession of 2007 through 2009 and the subsequent recovery period. Thus, most analyses of survey results in this report are disaggregated by state.

The overall response rate of 35 percent for STC employers is similar to response rates attained on other employer surveys.¹³ Baruch & Holton (2008) found a 35.7 percent average response rate (standard deviation of 18.8) for studies using data collected from organizations in 2000 and 2005.

The response rate for non-STC employers, however, was three percent despite the wide cast of the Web survey. As discussed earlier, one of the many likely reasons for the low response from non-STC respondents is the low likelihood of an individual responding to a survey about a program with which it is unfamiliar. Further, in recent decades, response rates for surveys in general have fallen. Existing research documents the declining trend in response rates to surveys. For example, Groves (2011) notes how survey participation rates declined since the 1990s as alternative modes of data collection became popular.

When feasible, therefore, the following discussion emphasizes the STC survey results and compares STC responses to secondary sources instead of to non-STC responses. Given the low response rate of non-STC employers, the results must be interpreted with caution.

Appendix B provides more detail about the survey respondents, including the universe, sample, and responses for each state by the three industry sectors used for this study: Manufacturing; Transportation, Warehousing, Trade, and Professional Services (TWPS); and Other.

1.2 Type of Employer

The overwhelming majority of employers in our survey were for-profit employers, as shown in Exhibit 1.2. For-profit firms made up 96 percent of STC employers in Kansas, 98 percent in Minnesota, 88 percent in Rhode Island, and 96 percent in Washington. In Rhode Island, 11 percent of STC employers were from non-profits.

Non-STC employers tended to be more diverse in Kansas (91 percent for-profit) and Minnesota (90 percent for-profit), while non-STC respondent employers had roughly the same percentage of for-profit employers as STC employers in Rhode Island (85 percent) and Washington (95 percent). Kansas had a slightly higher percentage of government employers among STC respondents compared to other states, although in total they made up only three percent of Kansas STC employers (three employers). This information is consistent with information obtained from Kansas agency staff during the site visits (See Appendix G).

¹³ See Appendix B for a broader discussion of response rates.

Exhibit 1.2 Types of STC Employer Survey Respondents

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
For-profit	97	96%	167	98%	158	88%	1,337	96%
Non-profit	1	1%	4	2%	19	11%	45	3%
Government	3	3%	0	0%	0	0%	6	<1%
Other	0	0%	0	0%	2	1%	1	<1%

Source: Employer characteristics dataset (2008-2013). Survey Question: A7 (Appendix C).

Exhibit 1.3 Types of Non-STC Employer Survey Respondents

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
For-profit	64	93%	174	94%	51	85%	212	98%
Non-profit	2	3%	9	5%	8	13%	4	2%
Government	3	4%	2	1%	1	2%	1	1%
Other	0	0%	0	0%	0	0%	0	0%

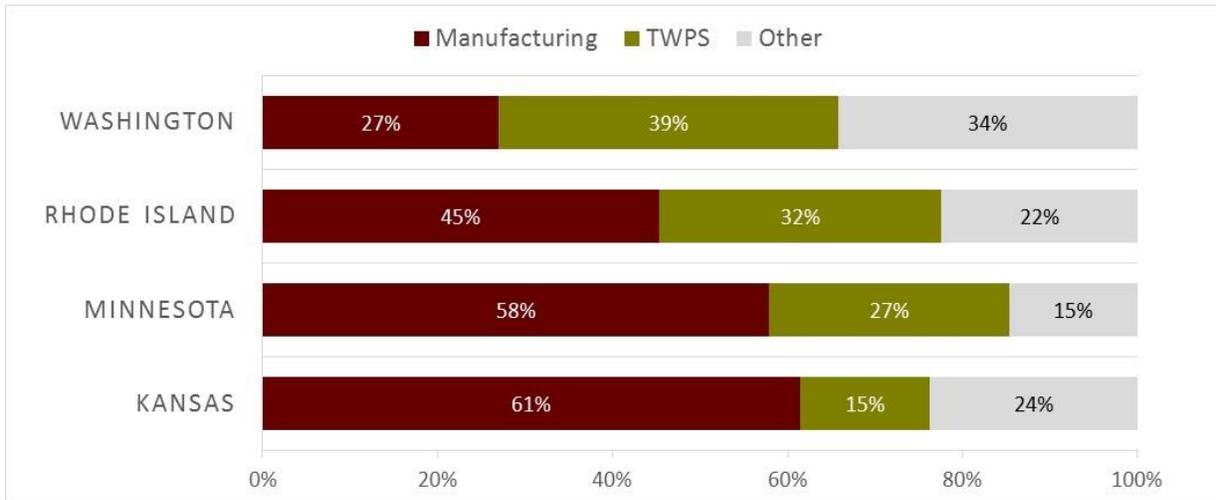
Source: Employer characteristics dataset (2008-2013). Survey Question: A7 (Appendix C).

1.3 Industry Sector

As shown in Exhibit 1.4, Kansas, Rhode Island, and Minnesota STC respondents were more highly concentrated in “Manufacturing” than all Washington respondents, which were fairly balanced across the industry sector categories. Considering that STC participation has historically concentrated in the manufacturing industry,¹⁴ these results suggest that Washington may be branching out into a diverse array of industry sectors for STC participation (Appendix I). Twenty-seven percent of Washington STC respondents were in the Manufacturing category, while, according to the administrative data from the states, 29 percent of STC employers in Washington were in manufacturing (Exhibit 1.5). Washington’s STC respondents represent the state’s STC employer population; however, the same does not hold for the other three states.

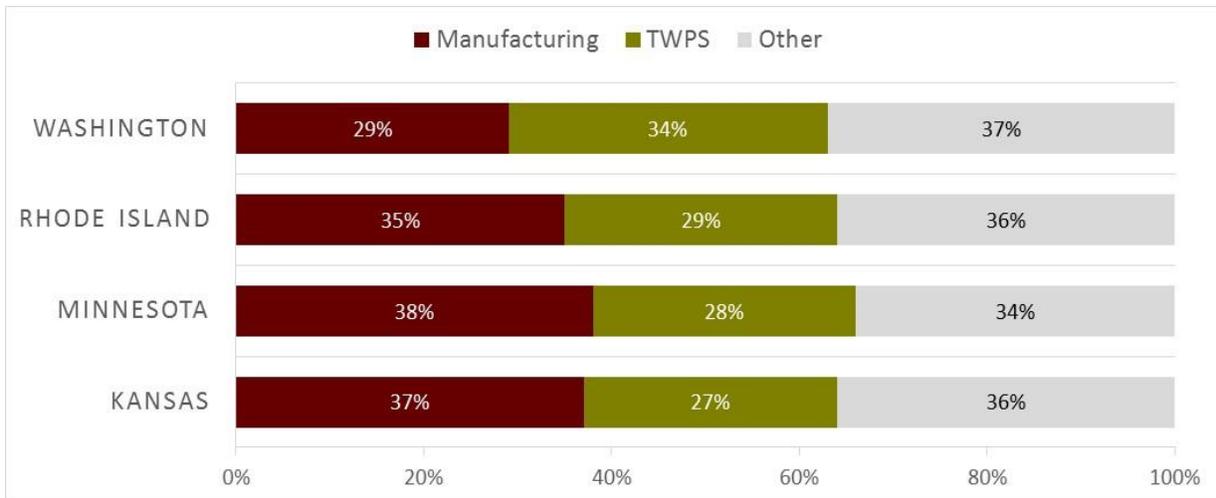
¹⁴In the past, manufacturing employers, particularly those classified as durable manufacturers, have been disproportionately heavy users of STC. For details about other past STC users, see Kerachsky et al. (1986). MaCurdy et al. (2004) found that, although manufacturing accounted for only 11 percent of employers that paid UI benefits in California in 2002, STC employers in manufacturing were 62 percent of all STC employers.

Exhibit 1.4 Industry Sectors of STC Employer Survey Respondents



Source: Employer characteristics dataset (2008-2013); North American Industry Classification System (NAICS) codes. See Appendix H for additional tables.

Exhibit 1.5 Industry Sectors of STC Employer Population in Four Study States, 2008-2013

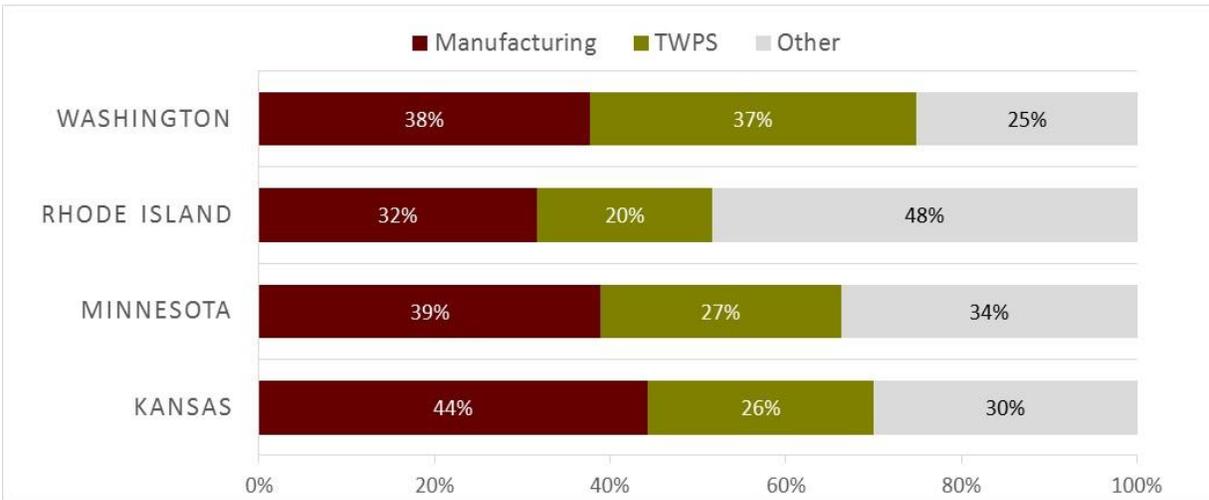


Source: STC Administrative Data from States, 2008-2013.

Exhibit 1.6 shows that non-STC employer respondents generally were more evenly distributed across the sector categories than the STC employers.¹⁵ However, this is not representative of the non-STC employer population in the four states (See Exhibit H.1)

¹⁵ This distribution is most likely because more manufacturing employers are aware of what the STC program is, due to a greater history of use in the manufacturing sector. We assumed that if respondents are not at all aware of STC, they are less likely to respond to a survey about it.

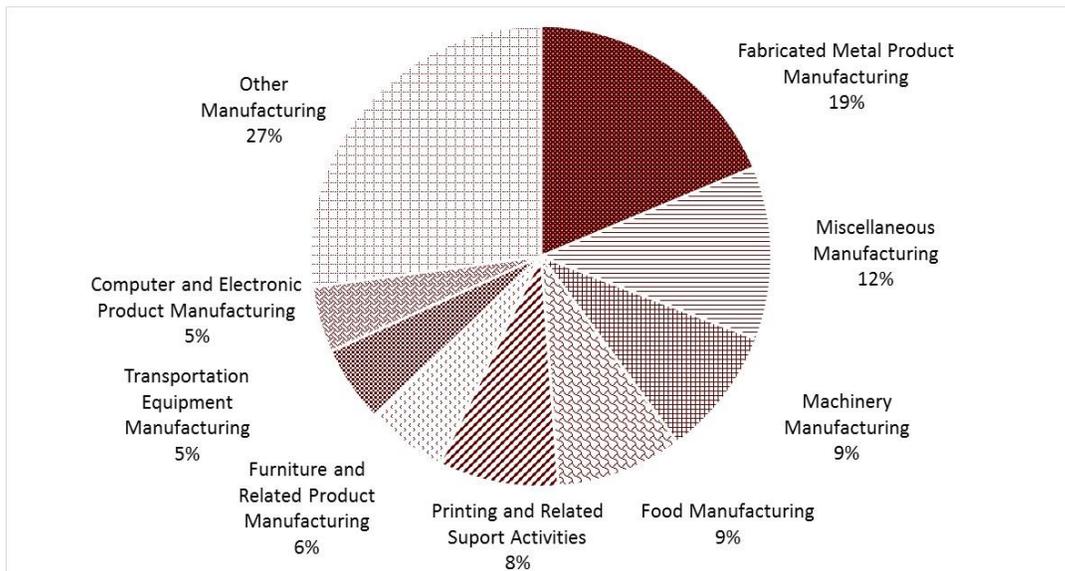
Exhibit 1.6 Industry Sectors of Non-STC Employer Survey Respondents



Source: Employer characteristics dataset (2008-2013); NAICS codes.

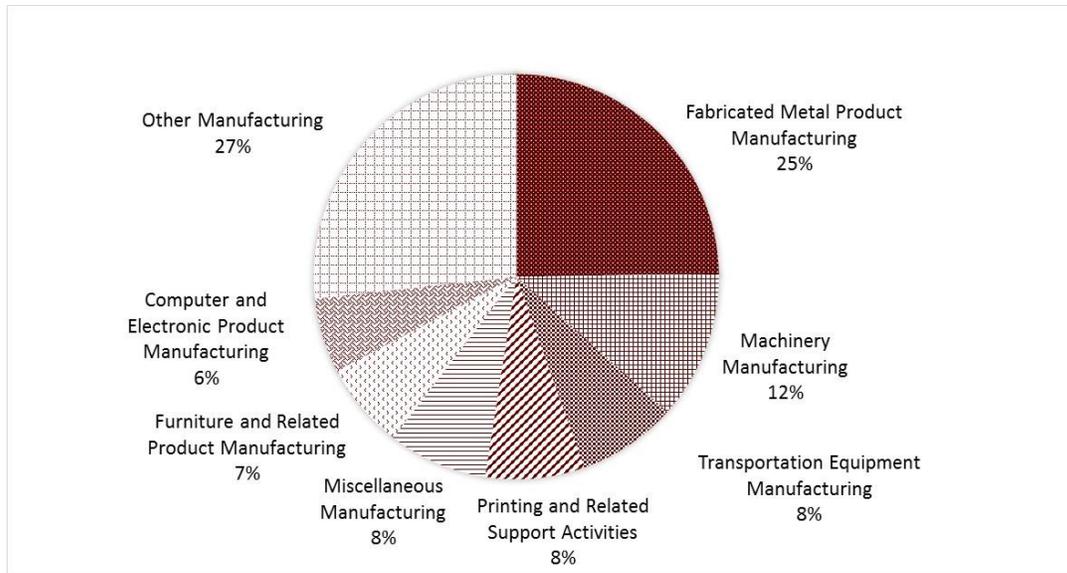
Within each industry category, the employers in our sample were concentrated in particular subsectors. Below, we examine the composition of the three broad categories and the differences between IMPAQ survey respondents and the state administrative data from 2008-2013, for the four study states, to analyze the differences between survey respondents (both STC and non-STC employers) and the universe of employers in each state. In Manufacturing, similar results were found between the IMPAQ survey respondents and the state administrative data. Compared to the census of STC employers from the state administrative data (Exhibit 1.7), slightly higher proportions of STC respondents (Exhibit 1.8) were in Fabricated Metals (25 percent versus 19 percent), Machinery (12 percent versus 9 percent), Transportation Equipment (8 percent versus 5 percent), and Computer and Electronic Product Manufacturing (6 percent versus 5 percent).

Exhibit 1.7 Manufacturing Subsectors of STC Employer Population in the Four Study States



Source: STC Administrative Data from States (2008-2013). Note: The Manufacturing industry is disaggregated at the three-digit level of NAICS classifications.

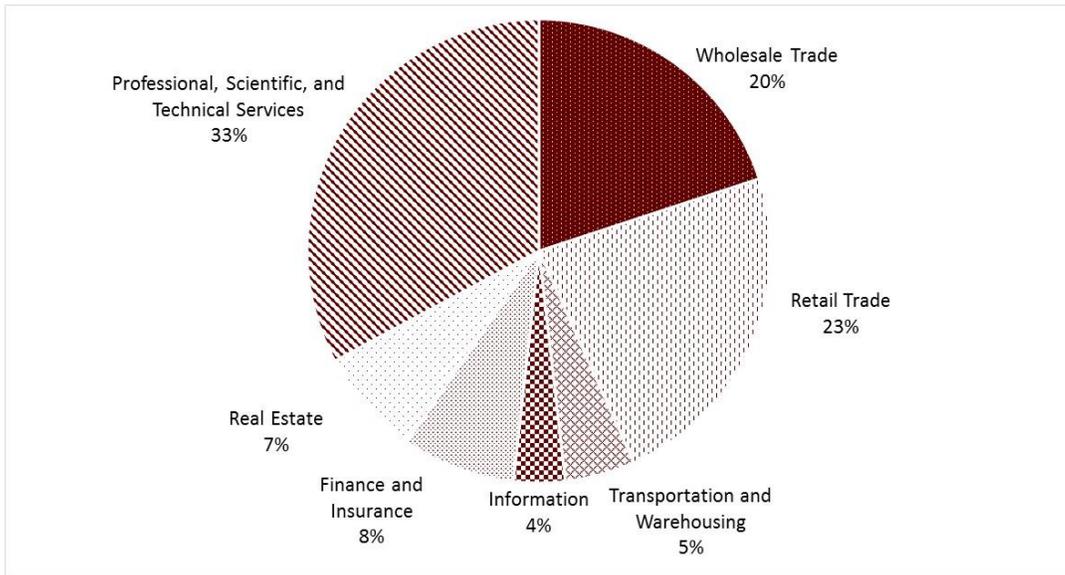
Exhibit 1.8 Manufacturing Subsectors of STC Employer Survey Respondents



Source: Employer characteristics dataset (2008-2013). Note: The Manufacturing industry is disaggregated at the three-digit level of NAICS classification.

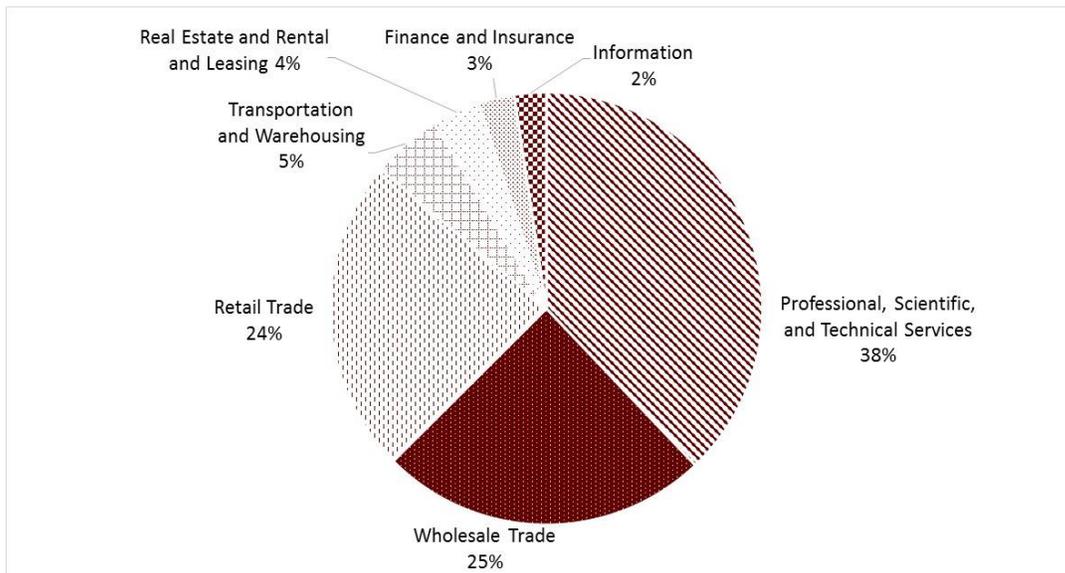
Across all states, the TWPS industry category was predominantly made up of Professional, Scientific, and Technical Services; Wholesale Trade; and Retail Trade. Exhibit 1.9 shows the numbers by state administrative data in TWPS subsectors for all the study states. Compared to the state administrative data, the study sample (Exhibit 1.10) had a higher share of professional, scientific, and technical services (38 percent versus 33 percent) and wholesale trade employers (25 percent versus 20 percent).

Exhibit 1.9 TWPS Subsectors of STC Employer Population in the Four Study States



Source: STC Administrative Data from States (2008-2013). Note: The TWPS industries are disaggregated by at two-digit NAICS classification.

Exhibit 1.10 TWPS Industry Subsectors of STC Employer Survey Respondents

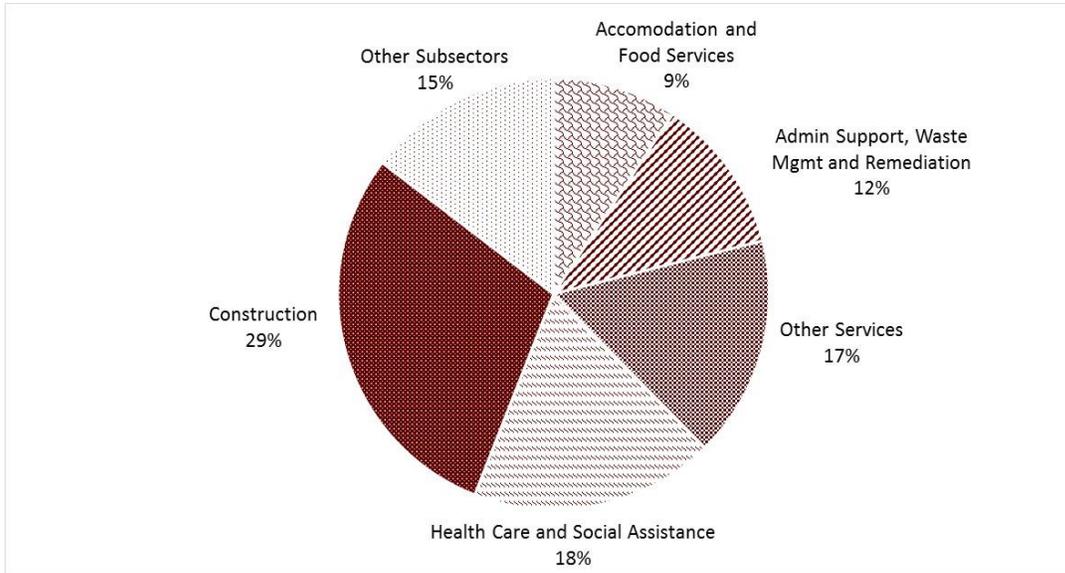


Source: Employer characteristics dataset (2008-2013). Note: The TWPS industries are disaggregated by at two-digit NAICS classification.

In the “Other” industry category, construction dominated the STC employers, comprising 53 percent of STC employers (Exhibit 12). By comparison, construction made up only 29 percent of “Other” businesses in the state STC employer administrative data (Exhibit 1.11). MaCurdy et al. (2004) found that, within construction, the principal STC users were special trade contractors rather than general building or heavy construction firms. This finding might explain why so many

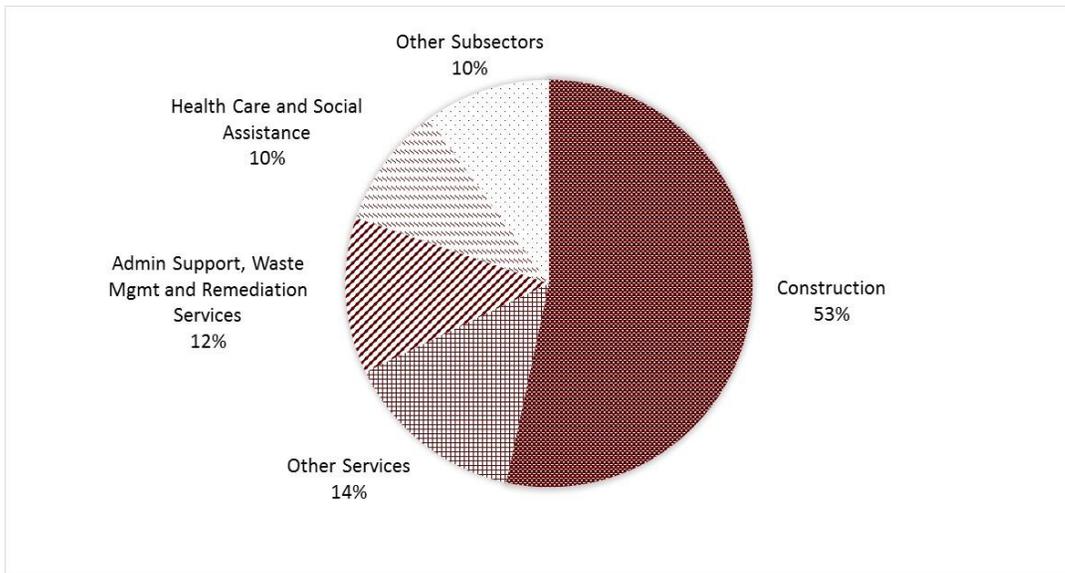
construction employers responded as STC participants in the IMPAQ survey. Specialized construction tends to have long-term employees.¹⁶

Exhibit 1.11 Other Industry Subsectors of STC Employer Population in the Four Study States



Source: STC Administrative Data from States (2008-2013). Note: The Other industry category is disaggregated by two-digit level NAICS classifications.

Exhibit 1.12 Other Industry Subsectors of STC Employer Survey Respondents



¹⁶ In Washington, the effect of the Great Recession on construction was extensive. Most construction stopped in Washington. There were no loans for new construction. The construction industry was sharply cut back in all areas. Related employers such as manufacturers of windows, siding, and wood products were greatly affected. The construction cutbacks started in eastern Washington and moved west. Large firms were affected first and smaller firms later. In earlier recessions, the effect was much more limited, but during the study period the impact was much wider. A wide range of construction firms and suppliers (Washington State ESD, 2015b) used STC..

Source: Employer characteristics dataset (2008-2013); NAICS codes in state UI administrative data. Note: The Other industry category is disaggregated by two-digit level NAICS classifications.

1.4 Employer Size

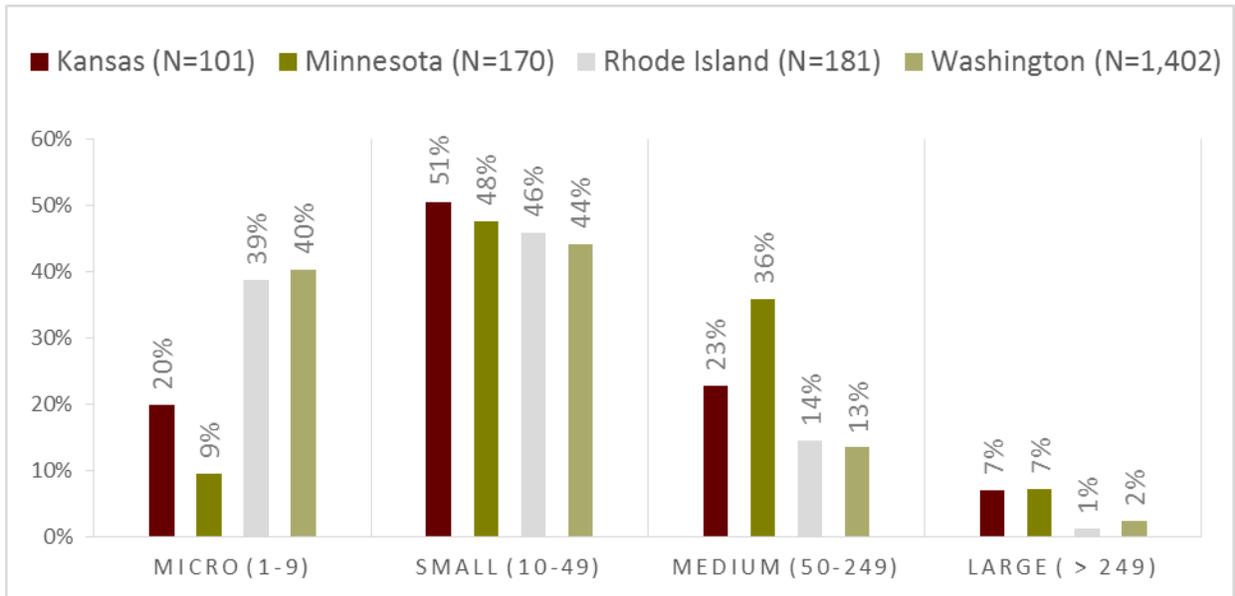
Past research has found that STC employers' employment levels generally are much larger than non-STC employers (MaCurdy et al., 2004), even though the size of an employer's workforce is not a condition of eligibility for participation in STC in any of the study states (as long as at least two employees were listed on the STC plan). Similarly in all four study states, STC employer respondents tended to have more employees compared to non-STC employers. This difference was particularly great in Minnesota. Respondents across all 4 states had a median employer size of 12 employees, with higher median employer sizes for STC employers (14 employees) than non-STC employers (5 employees). The median size of manufacturing employers was also higher in each state than the median size of employers in the non-STC respondents or the census employers in the states. Appendix H presents more detail for each of the three industry categories (Manufacturing, TWPS, and Other Industry).

To analyze the distribution of employer sizes, we grouped employers into 4 categories: micro (1 to 9 employees), small (10 to 49 employees), medium (50 to 249 employees), and large (more than 249 employees).¹⁷ As in past research findings, micro employers were substantially under-represented among the STC employers responding to the IMPAQ survey (Exhibit 1.13). Lower use and lower response rates among micro-sized employers most likely led to this result. For example, 9 percent of STC employer respondents in Minnesota were micro-sized while 65 percent of non-STC respondents in Minnesota were micro-sized (Exhibit 1.14).

Rhode Island and Washington were much more successful in attracting microenterprises to participate in STC than Kansas and Minnesota. One possible explanation is the higher level of outreach in those states during the study period, which drew out a larger number and variety of employers than in the past and encouraged participation by new and smaller employers.

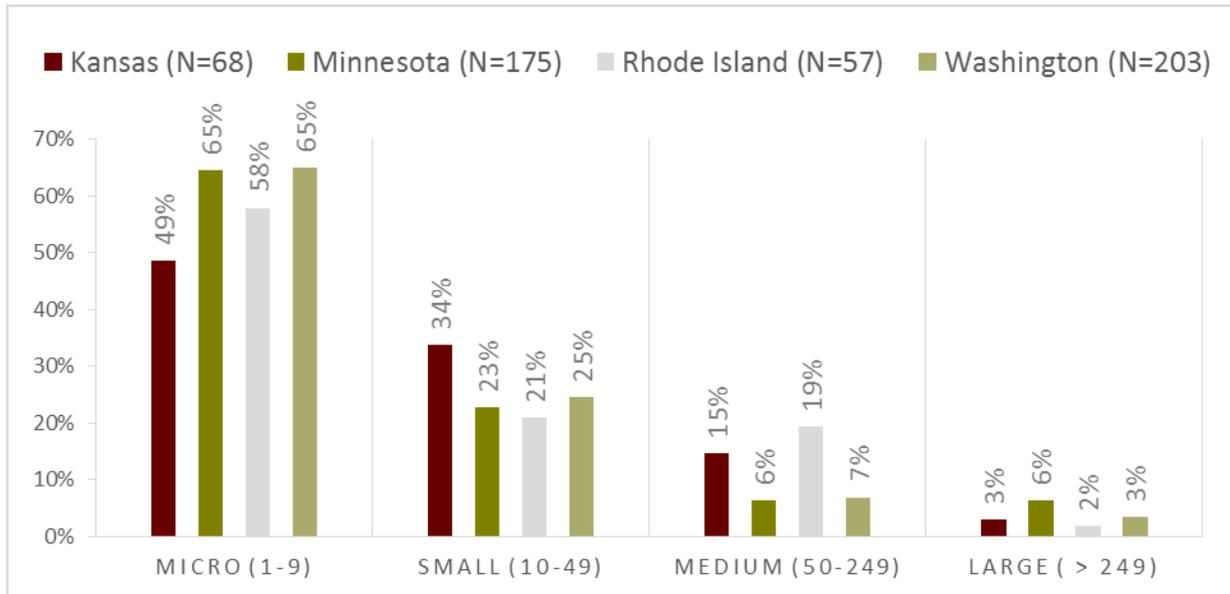
¹⁷ This categorization of employers by size is based on the Organization for Economic Co-operation and Development (OECD) definitions of small and medium-sized employers, and is consistent with classifications made by a previous STC study (Kerachsky et al., 1986).

Exhibit 1.13 Size of STC Employer Survey Respondents



Source: Employer characteristics dataset (2008-2013). Survey Question: A8a (Appendix C).

Exhibit 1.14 Size of Non-STC Employer Respondents



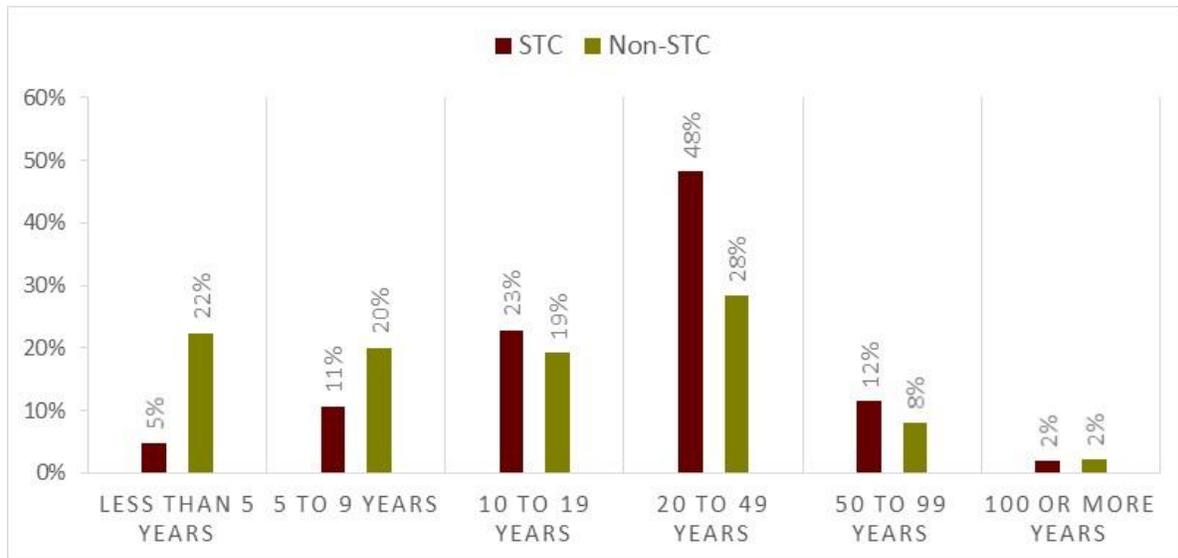
Source: Employer characteristics dataset (2008-2013). Survey Question: A8a (Appendix C).

1.5 Employer Length of Time in Business

STC employers in our survey tended to have been in business longer than non-STC employers (Exhibit 1.15). The average amount of time STC respondents had been in business was 29.1 years,

while the average for non-STC respondents was 20.9 years.¹⁸ In Rhode Island STC and non-STC respondents were roughly the same age.¹⁹ Across the 4 states, 62 percent of STC employers had been in business more than 20 years, compared to 38 percent of non-STC employers. This number is consistent with the finding of Walsh et al. (1997) that the average age range of STC employers was between 22 and 39 years. As in previous studies, respondents to the IMPAQ survey revealed that mature employers were more likely to participate in STC.

Exhibit 1.15 Years in Business of Employer Respondents for All Four Study States by STC Status



Source: Employer characteristics dataset (2008-2013). Survey Question: A5b (Appendix C).

1.6 Employee Skill Levels of STC Respondents

Past studies found that employers in manufacturing were the dominant users of STC (Kerachsky, Nicholson, Calvin, & Hershey, 1986; Walsh et al., 1997); these businesses tended to employ workers with a variety of skill levels whom they wanted to retain during periods of economic slowdown.

Respondents to the survey generally rated the skill levels of their employees quite high. Across all industries, 81 percent of STC employers classified more than 75 percent of their employees as medium to highly skilled (Exhibit 1.16).²⁰ Higher STC participation of employers with a higher proportion of medium to high skilled employees suggests that STC employers use STC as a skills

¹⁸ Draw direct comparisons between the STC and non-STC sample with caution due to the low response rate for non-STC firms.

¹⁹ Rhode Island is a mature manufacturing state; there may be fewer young firms in the general population than in other states.

²⁰ Employers were asked how many of their employees were highly skilled, medium skilled, and low skilled; their responses are subjective. We calculated Exhibit 1.16 using the number of high skilled and medium skilled workers as a percentage of total employees.

retention strategy and is dominant among employers with a higher proportion of medium to highly skilled employees.

Exhibit 1.16 Employee Skills-Composition of STC Respondents for All Four Study States

Percent of Medium to High Skilled Employees	Manufacturing	TWPS	Other	All Industry
Less than 25	7 (1%)	7 (1%)	7 (1%)	21 (1%)
25 to 50	41 (7%)	23 (4%)	15 (3%)	79 (4%)
50 to 75	109 (18%)	71 (11%)	64 (11%)	244 (13%)
75 and over	455 (74%)	552 (85%)	479 (85%)	1486 (81%)

Source: Employer characteristics dataset (2008-2013). Survey Questions: All, A12 (Appendix C).

By industry, the skill composition of STC employers is quite similar (Exhibit 1.16). Some 74 to 85 percent of the STC employers across the 3 industries reported having more than 75 percent of employees as medium to highly skilled. This number confirms that STC is attractive to high skill employers and that retaining skilled employees may indeed be an important driver of participation.

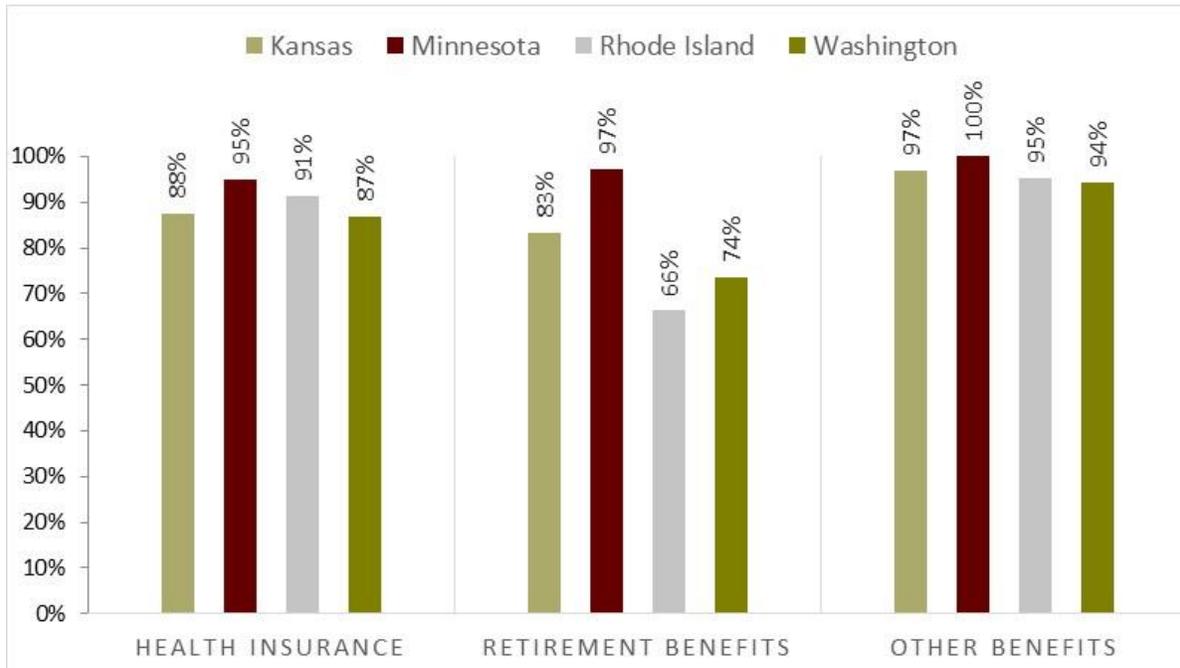
1.7 Fringe Benefits Offered to Employees by STC Respondents

In practice, we noted very little variation among the study states whether they require employers to maintain the fringe benefits of employees receiving STC. This lack of variation is because employers in all states during the study period were either required to maintain benefits or asked to explain in the plan how they will treat fringe benefits (See Appendix G). STC employers are generally high-wage, high-retention employers who tend to provide more generous benefit packages to full-time employees than do low-wage, low-retention employers.²¹ In the IMPAQ survey, more than 87 percent of STC employers offered health insurance to full-time employees, while there was some variation across states in employers offering retirement benefits, from 66 percent in Rhode Island to 97 percent in Minnesota (Exhibit 1.17).²²

²¹ The low response rate in the non-STC sample precludes meaningful comparison between STC and non-STC benefit levels. Further research is required to ascertain whether STC employers tend to offer more generous benefits packages than other employers.

²² Part-time workers were not eligible for STC in Minnesota, and Rhode Island until the second half of 2013, and not in Kansas until 2014. The changes in the federal law in 2012 have expanded eligibility to part-time workers. Sample sizes for part-time workers in this study were very low.

Exhibit 1.17 Fringe Benefits Offered to Full-Time Employees by STC Employers



Source: Employer characteristics dataset (2008-2013) (STC only). Exhibit H.6 in Appendix H. Survey Questions: A9b1-3 (Appendix C).

1.8 Summary

The STC respondents were more concentrated in manufacturing compared to the general population of employers in each state, which was expected due to high levels of historical use of STC in that sector and the stratification of the sample. The STC respondents also were concentrated in particular subsectors of the TWPS category, such as Construction; Professional, Scientific, and Technical Services; and Wholesale Trade.

Based on the results of the IMPAQ survey, employers that participate in STC tend to be larger and in business longer than non-STC employers. In addition, STC employers characterized a large percentage of their employees as medium to highly skilled, which is consistent with past research that describes STC employers as high-wage, high-retention employers. More than 87 percent of STC employer respondents offered health benefits to their full-time employees; the percentage of employers in the 4 states that offered retirement benefits to full-time employees ranged from 66 percent to 97 percent. These results are consistent with previous U.S. STC studies.

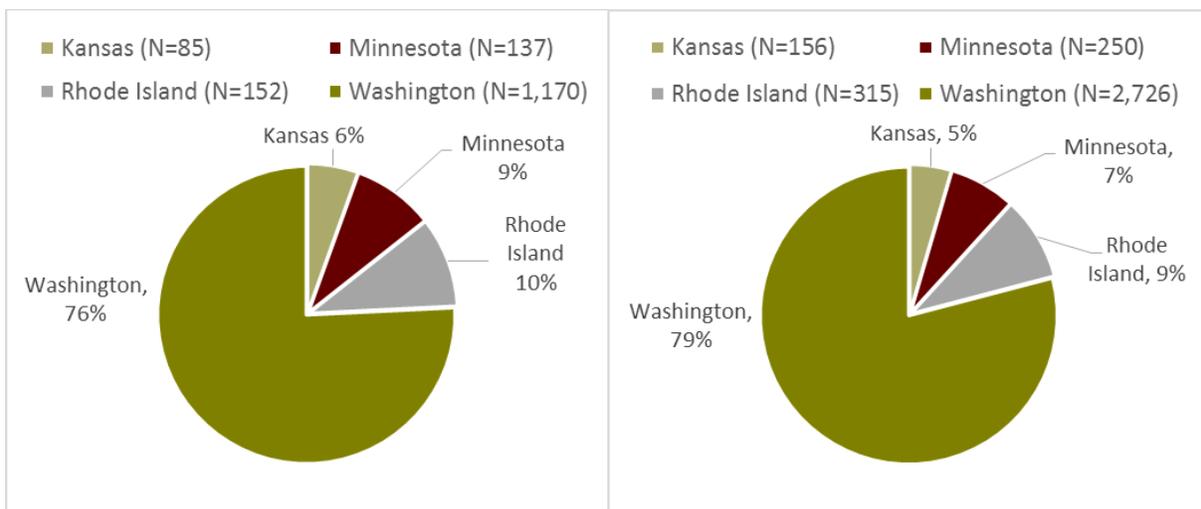
CHAPTER TWO. SURVEY RESULTS: COMPOSITION AND USE OF STC EMPLOYER RESPONDENTS' PLANS

This chapter uses survey responses to examine employer participation in, and use of, the STC program. The chapter begins with an analysis of employer applications, followed by details about plan composition and use. Next, we analyze which employees were covered by STC plans, the benefits received, and the frequency with which employers reported layoffs after STC participation ended. This chapter focuses only on STC respondents that applied for STC participation and were approved during the study period (2008 through 2013). Of the 2,062 employers surveyed, approximately three-quarters—1,544 firms—reported submitting at least one STC plan.

2.1 Employer STC Application Submissions

Exhibit 2.1 shows the difference between the share of respondents by state (left) and the share of STC application submitted by the respondents from each state (right). The vast majority of submissions in the study originated from employers in Washington, with a total count of 2,726 (79 percent) submissions over the course of 5 years. Rhode Island had 315 (9 percent) submissions, Minnesota with 250 (7 percent) submissions, and Kansas with 156 (5 percent) submissions. Washington and Rhode Island also had the largest percentage of employers that applied in more than 1 year (Exhibit 2.2), likely due to these states having had higher unemployment rates and engaged in greater levels of outreach to employers.

**Exhibit 2.1 STC Employer Respondents by State, 2008–2013 (Left)
Plans Submitted by State, 2008–2013 (Right)**



Source: Employer perceptions dataset (2008-2013). Survey Question: B11 (Appendix C).

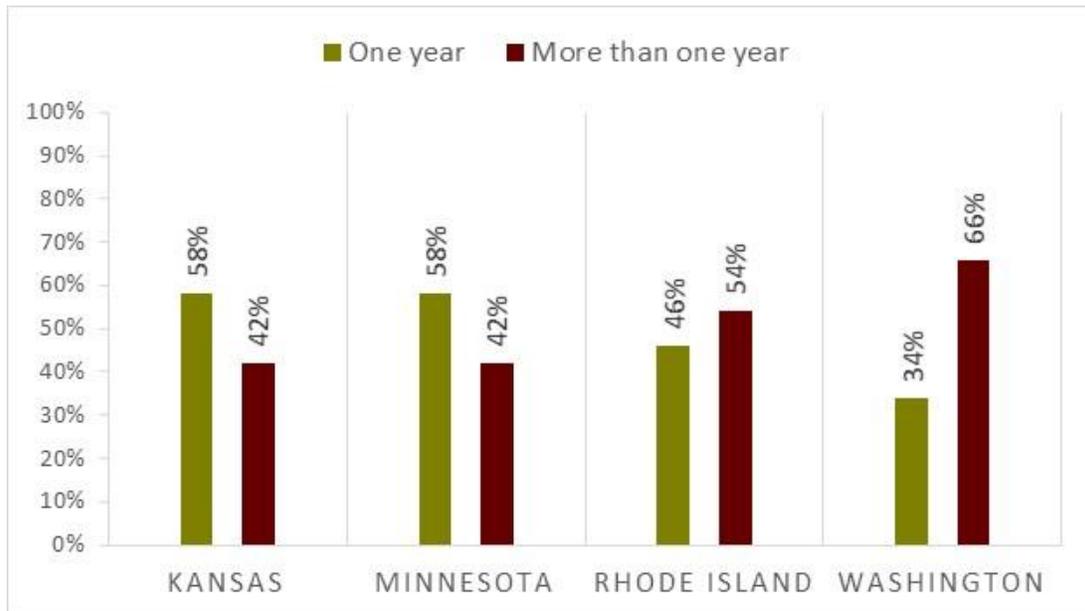
A relatively higher number of employers applying for STC in Washington could be attributed to high support from the state to encourage STC use. For example, the Washington SWA increased staffing to help alleviate administrative burdens during the recession (See Appendix I for more

details). It is likely that this additional outreach contributed to higher numbers of applications among eligible employers, along with the fact that Washington has the largest population of the study states and had higher total unemployment rates (TURs) than Kansas and Minnesota.

Rhode Island is the other study state that had extensive employer outreach during and after the recession. Rhode Island also had the highest total unemployment rate and STC use rate as measured by the ratio of STC initial claims to regular UI initial claims (See Appendix F).

Repeat use of STC (instances of the same employer with STC plans in multiple years during the study period) may signify that employers had a high level of interest in the program and that it had been effective for them. Exhibit 2.2 shows the pattern of repeat use across the study states. The exhibit reports the distribution of STC application submissions for employers applying in a single year compared to employers applying in multiple years (repeat use).

Exhibit 2.2 Comparison of Single- and Multiple-Year STC Plan Submissions, 2008–2013



Source: Employer perceptions dataset (2008–2013). Survey Questions: B9a-b (Appendix C).

In Washington, 66 percent of STC respondents had STC applications in multiple years. In Rhode Island, 54 percent STC respondents report plans in multiple years, while 42 percent of STC respondents in Kansas and Minnesota had STC plans in more than one year during the study period.

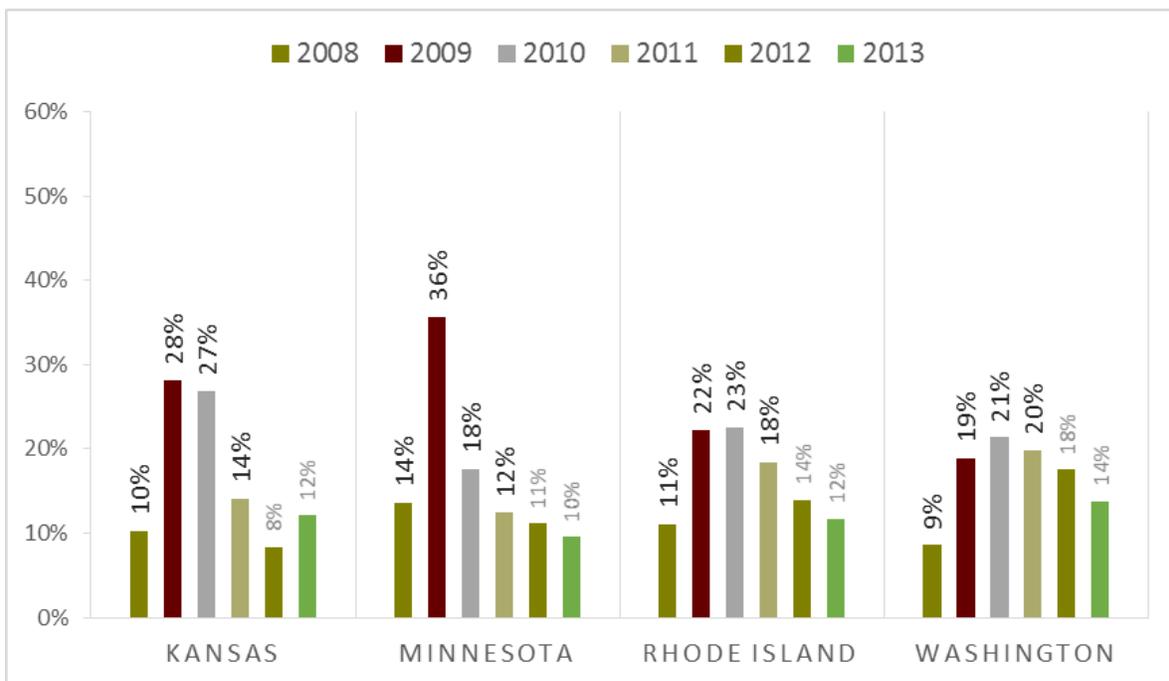
Although Rhode Island employer respondents reported lower satisfaction with STC program administration than most other states, the state still had high frequencies of multiple-year submissions. Rhode Island’s economy was generally worse than that of the other states during the study period, and the SWA promoted the program very heavily.

According to a previous study, widespread publicity increased participation. “Rhode Island aggressively marketed work sharing to employers engaged in layoffs during the Great Recession and made use of the media to highlight potential work-sharing benefits” (Harris & Kearney, 2014). However, the SWA’s staffing budget could not accommodate the program’s demand. There were only two or three individuals managing the program at the time, and the state had not yet automated its application process.²³

Exhibit 2.3 displays the percent distribution by year of STC application submissions for the study period. The most striking feature is the sharp spike in STC submissions in Kansas and Minnesota in 2009, the height of the Great Recession. Submissions in Rhode Island and Washington were more evenly distributed through the study years, reflecting the wide differences in the severity of the recession among the study states.

TUR levels in Rhode Island and Washington were above nine percent from 2008 to 2011, then declined slowly. Total unemployment rates in Kansas and Minnesota reached only seven percent and eight percent in 2009, respectively, and then declined below six percent by 2012. High levels of outreach in Rhode Island and Washington also may have contributed to this result.

Exhibit 2.3 Distribution of STC Applications of Respondents across State, year, 2008–2013



Source: Employer perceptions dataset (2008-2013). Survey Question: B11 (Appendix C).

²³ The Rhode Island agency conducted a major automation of its STC system in early 2015 using federal grants provided for that purpose.

2.2 STC Plan Composition at the Time of Application

The IMPAQ survey asked respondents to describe the general makeup of employees covered under their STC plan. The survey questions about composition dealt specifically with payroll classifications (hourly or salaried) and the skill levels of employees under the STC plan.

2.2.1 Payroll Classifications of Employees Covered in STC Applications

Historically, STC has covered only hourly workers and not salaried workers. Although many states have recently expanded STC eligibility to cover salaried workers as well, hourly workers still comprise a large percentage of STC-covered employees. During the study period, state requirements varied with regard to salaried workers' eligibility. The IMPAQ survey results reflect this variation (Exhibit 2.4).

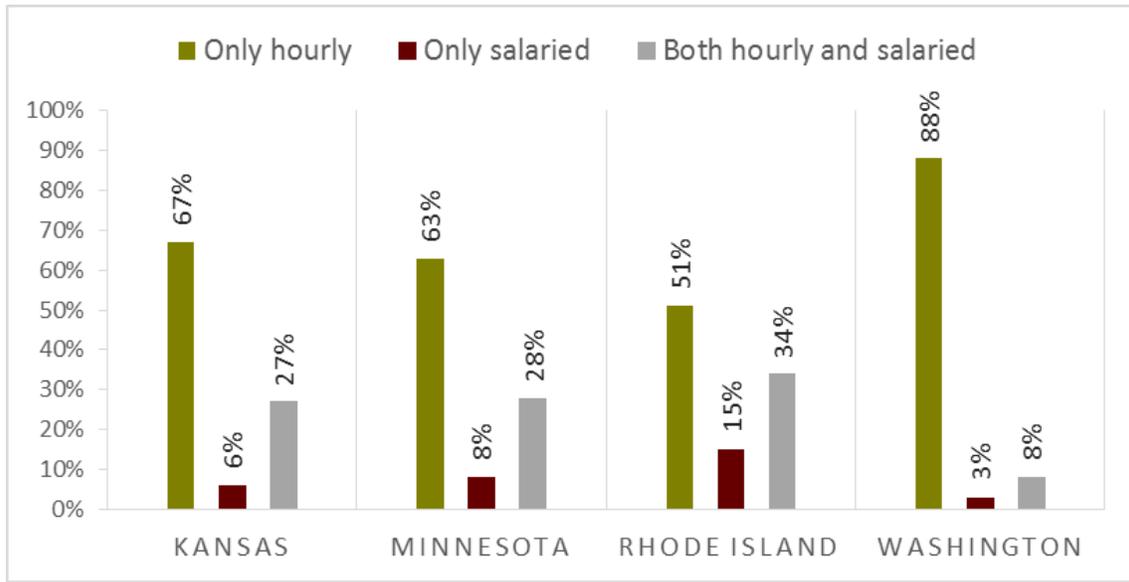
Salaried workers were not eligible for STC in Washington during most²⁴ of the study period, and correspondingly 88 percent of Washington STC employers reported including only hourly workers in their STC application.²⁵ Salaried workers were eligible in the other three study states during the study period, and the plan compositions reported in those states showed more salaried workers than in Washington.²⁶ Employers reported covering "only hourly" employees in their plans as follows: 67 percent in Kansas, 63 percent in Minnesota, and 51 percent in Rhode Island.

²⁴ "Most" in this instance and others related to this topic refer to the study period prior to the effective date of the amended state law to comply with the MCTRJC Act in Washington (July 27, 2013). Likewise, when "most of the study period" references Minnesota (July 1, 2013), and Rhode Island (June 18, 2013) it is the study period prior to the effective dates of their amended state laws as indicated in parenthesis.

²⁵ The employer responses in Washington related to salaried workers may be due to recall error given that the survey was conducted in 2014.

²⁶ In 2009, salaried employees in Minnesota became eligible for STC participation (See Appendix G).

Exhibit 2.4 STC Employer Respondent Plan Composition by Payroll Classification, 2008-2013

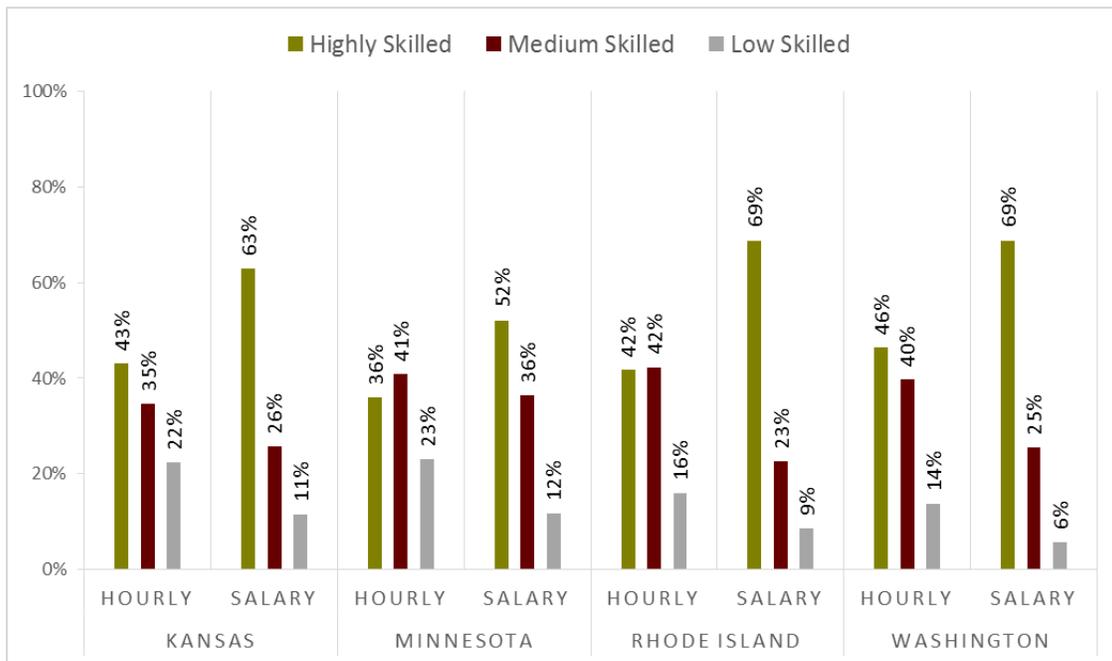


Source: Employer perceptions dataset (2008-2013) (STC only). Survey Question: B14b (Appendix C).

2.2.2 Skill Levels of Employees Covered in STC Plans

We also asked respondents about the general skill level of employees covered under the employer's STC application, because an employer can be selective about who is included in the plan. Exhibit 2.5 details the variation in employee skill levels in the most recent application across hourly versus salaried types, as reported by employers. The skill levels of salaried workers who were part of the plan were relatively higher than those of hourly workers across all four states. However, as previously noted, STC plans tended to cover more hourly than salaried workers, even though salaried workers are often more skilled. Employers may be targeting a specific subset of employees to include in STC plans, not just the highest-skilled employees who tend to be the most valuable to the employer, but rather the medium-skilled employees and, at times, lower-skilled hourly workers as well.

Exhibit 2.5 Skill Levels of Employees Covered in STC Employer Respondent Plans



Source: Employer perceptions dataset (2008-2013) (STC only). Four respondents that reported having zero employees were dropped from this table. Survey Questions: B14b1, B14b2 (Appendix C).

Note: Percentages were calculated by dividing the number of respondents who selected a particular skill level by the total number responses to the question about the skill levels of the employees included in the most recent application.

2.3 STC Plans Approved, Denied, and Withdrawn

The approval rate for STC applications was high across all four states. The high approval rate might be attributed to state officials frequently working with the employers to discuss whether STC was suitable, and if so, to help build and present a case for a successful STC application. The survey found only six non-STC employers that had submitted an application and reported being denied.²⁷ Another 70 employers experienced a denied application in at least 1 of the study years. However, because these 70 respondents did have at least 1 approved plan during the study period according to the state UI administrative data, they have been classified as STC employers rather than denied employers. They may have submitted multiple plans or resubmitted a denied plan. The reasons for denial varied but were mostly statutory. The most cited reason for denial was failure to meet UI tax requirements. Appendix F provides specific reasons for denial in each study state.

Twenty-six employers, less than 2 percent of the survey respondents, reported withdrawing their STC applications and never reapplying for STC. The two primary reasons for withdrawal were an

²⁷ One employer from Kansas (2013), two from Rhode Island (2008, 2010), and three from Washington (2009, 2011, 2012).

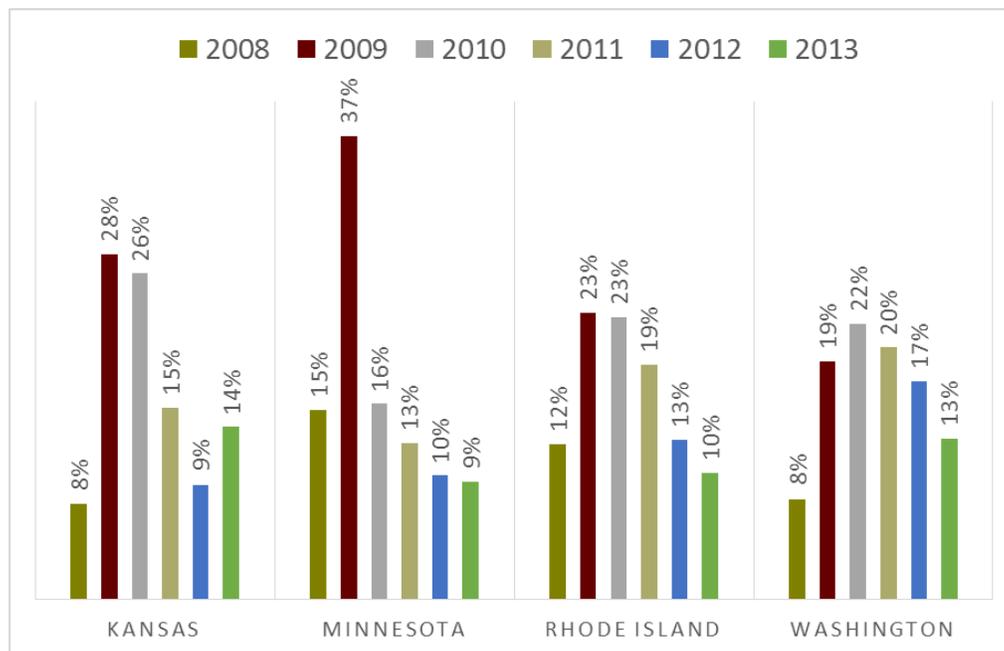
increase in contracts and more work for the business. Only one respondent reported a cumbersome application process and delay in STC implementation as reason for withdrawal.

2.4 STC Plan Use

The IMPAQ survey found that STC plans were heavily used by approved applicants; more than 80 percent of employers used their plans during the study period. Throughout the period, Minnesota had a use rate of 82 percent, while Kansas, Rhode Island, and Washington use rates were at or close to 90 percent (See Exhibit H.8).

Exhibit 2.6 conveys how STC use was distributed by year between 2008 and 2013. As with the application submissions, Minnesota experienced a spike in STC use in 2009, with roughly 37 percent of respondents using their approved plan at the peak of the Great Recession. Use dipped dramatically in the following years as economic conditions improved. Kansas experienced similar variability in use with a similar improvement in economic conditions. STC use in Rhode Island and Washington appears more evenly distributed over the study period, in a pattern similar to the application submissions.

Exhibit 2.6 Distribution of STC Plan Use by State, STC Employer Respondents, and Year, 2008–2013



Source: Employer perceptions dataset (2008-2013) (STC only). Survey Questions: B12, C3 (Appendix C).

Note: The graph reports the percentage of employers that responded “yes” to C3 and “approved” to B12 for each of the study years. Percentage represents the number of respondents that had an approved plan (B12) and confirmed use (C3) for any given year divided by the total number of respondents that had an approved plan and confirmed use during the entire study period.

2.5 Eventual Layoffs

Across all study states, between 16 and 21 percent of the STC employers reported that they eventually laid off STC employees due to a continued lack of work (Exhibit 2.7). That 79 percent or more of STC employers did not lay off STC employees suggests that STC was successful at relieving employers from temporary layoff pressures. Not only were employers able to retain critical workforce personnel during an economic downturn, but also they could resume full production after using STC without having to pay the full cost of hiring and training new workers. Several free-response answers to the IMPAQ survey illustrate this fact by praising the program as critical for survival through the recession:

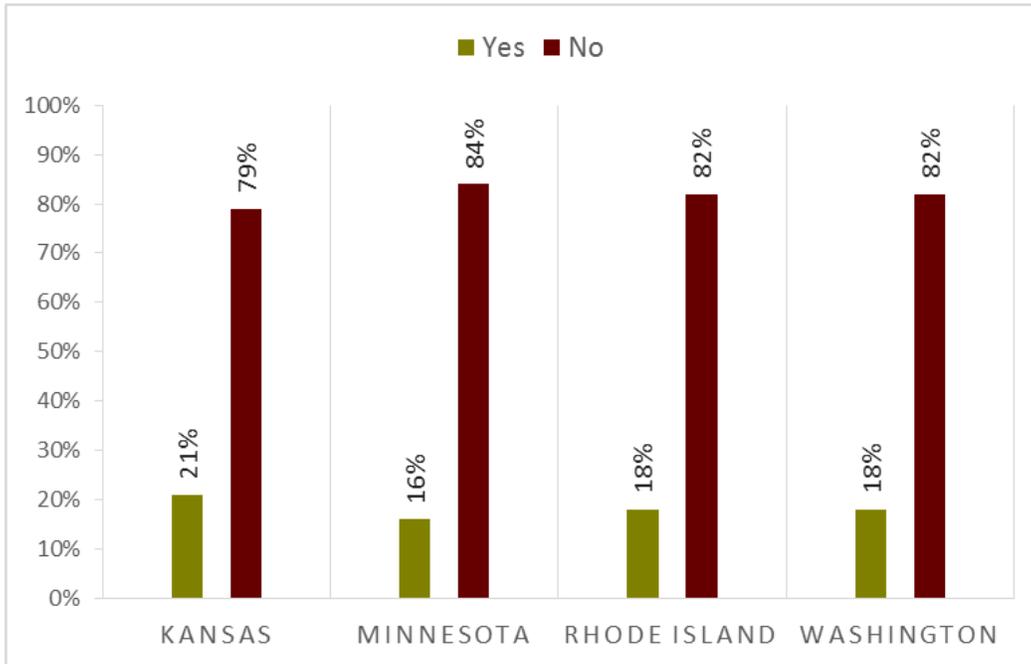
“If it wasn’t for the program, we probably would have been out of business. [It] helped us get through a difficult time.”

“It was very helpful and really helped [us] survive the recession in 2008.”

Exhibit 2.8 shows the annual percentage of STC employers who laid off STC employees between 2008 and 2013 after their most recent STC use.²⁸ As might be expected, in Kansas and Minnesota, layoffs subsequent to STC participation were heavily concentrated in the period 2009 through 2010 likely because of shorter recessions relative to the other study states. By contrast, the long, severe recessions in Rhode Island and Washington led to subsequent layoffs that were much more evenly distributed over the study period. The increase in layoffs in Washington in 2013 is likely related to the fact that we counted multiple-use employers only once during the study period but they may have referred to layoffs throughout the study period. The resources that Washington and Rhode Island devoted to outreach also may have contributed to this trend. Some potential policy implications merit exploration to determine whether severe recessions warrant creating an option for extending STC participation to increase the plan durations on a temporary basis in states that have persistently high unemployment levels.

²⁸ These results for eventual layoffs are likely to have a downward bias because they cover only the most recent use of STC, where the most recent use for repeat users is likely to have been late in the study period, when economic conditions had improved and employers were less likely to have laid off workers after using STC.

Exhibit 2.7 STC Employer Respondents That Eventually Laid Off STC Employees, Considering Only the Most Recent Use During the Study Period, 2008-2013



Source: Employer perceptions dataset (2008-2013) (STC only). Survey Question: C9a (Appendix C).

Note: We calculated the percentage by tallying the number of reported layoffs during the most recent year in which a firm used its approved STC plan and then divided that number by the total number of layoffs reported.

Exhibit 2.8 STC Employer Respondents that Eventually Laid Off Employees, Considering Only the Most Recent Use During the Study Period, by State by Year, 2008–2013

Year	Kansas (N=72)		Minnesota (N=101)		Rhode Island (N=131)		Washington (N=976)	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
2008	1	7%	0	0%	4	17%	6	3%
2009	4	27%	11	69%	2	8%	23	13%
2010	7	47%	2	13%	3	13%	37	21%
2011	2	13%	2	13%	8	33%	34	19%
2012	0	0%	1	6%	4	17%	29	17%
2013	1	7%	0	0%	3	13%	46	26%
Total	15	100%	16	100%	24	100%	175	100%

Source: Employer perceptions dataset (STC only). Survey Questions: B12, C3, C9a (Appendix C).

2.6 Summary

The IMPAQ survey provided some useful insights into STC application trends among respondents, including how the employer survey respondents used their STC plans. More Washington employers submitted applications for STC than employers in other states. Rhode Island

employers also were more likely to submit applications in multiple years. In general, though, while the number of STC applications was lower in Kansas and Minnesota, a large percentage of submissions were repeat submissions. According to survey results, application submissions peaked during the Great Recession in Minnesota (36 percent of total submissions occurred in 2009) and Kansas (28 percent of total submissions occurred in 2009), but were evenly distributed in Washington and Rhode Island across the study period.

In terms of plan composition, the IMPAQ survey found that most of the employer plans covered highly skilled and medium-skilled hourly employees, with lower coverage of salaried and low-skilled workers. Among survey respondents, plan use peaked in Minnesota in 2009, at the height of the Great Recession, but it peaked later in other states or was fairly stable across the study period. A fairly low percentage (16 to 21 percent) of employers eventually laid off their STC employees after the most recent STC use, and those layoffs occurred throughout the study period.

CHAPTER THREE. SURVEY RESULTS: EMPLOYER PERCEPTIONS OF THE STC PROGRAM: AWARENESS, OPINIONS, AND PERCEIVED OUTCOMES

This chapter focuses on employers' perceptions about the STC program, primarily on STC employer participant responses. The chapter also discusses STC awareness, examining whether non-STC employers have any familiarity with the program even if they have not participated.

Because the STC program is relatively small and used more during economic downturns, this feedback from employers during one such time (the Great Recession) is valuable for understanding the program's potential and popularity among employers.

3.1 Employer Awareness of the Short-Time Compensation Program

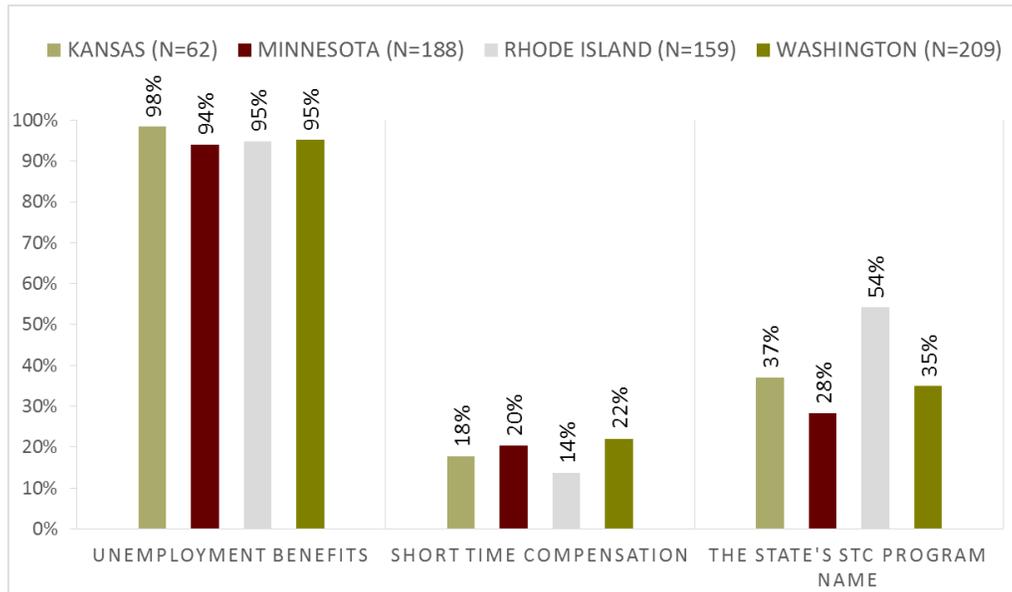
The UI program is generally well known in the U.S., and almost all of the respondents (more than 94 percent in each state) had heard about "Unemployment Benefits." Among non-STC employers (Exhibit 3.1), awareness of STC was much lower than for UI. However, when we used the state's own name for the program (for example, "WorkShare"), awareness was higher. Across states, less than a quarter of non-STC employers had heard the term "Short-Time Compensation." Among non-STC respondents this awareness varied from 14 to 22 percent. Yet, awareness of each state's program name was much higher. More than half of Rhode Island's non-STC employers were aware of the state's program name, followed by Kansas (37 percent) and Washington (35 percent).

Exhibit 3.2 shows the awareness level among STC employers. STC employers had very high awareness of the term "unemployment insurance" but low awareness of the term "Short-Time Compensation." Again, the STC employers almost universally recognized the name of their state's STC program, and their awareness was predictably much higher than that of non-STC employers.

These findings suggest that the names of the state programs are much more established than "Short-Time Compensation." The findings also indicate that outreach to employers conducted at the state or federal level is likely to be ineffective if it uses the federal term.²⁹ Federal outreach is normally provided regionally or nationwide, but based on the results of the survey, using "Short-Time Compensation," will likely be more confusing than helpful. Efforts to conduct outreach for STC would be less confusing if using the state names. The wide variation in state names, however, is likely to make federal STC outreach impractical.

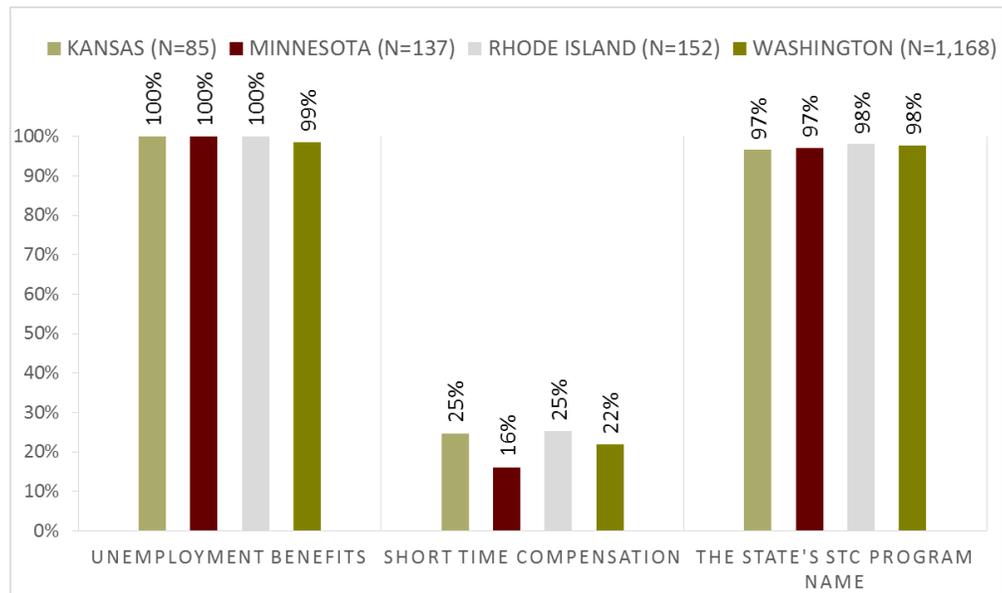
²⁹ An exception to this likely ineffectiveness is in Florida, Vermont, Nebraska, and Virginia, where state laws use two variations of the term Short-Time Compensation (See Exhibit D.2 in Appendix D).

Exhibit 3.1 Awareness of the STC Program among Non-STC Employer Respondents



Source: Employer perceptions dataset (2008-2013) (non-STC only). Survey Questions: B1, B2a-b, B3 (Appendix C).

Exhibit 3.2 Awareness of the STC Program among STC Employer Respondents



Source: Employer perceptions dataset (2008-2013) (STC only). Survey Questions: B1, B2a-b, B3 (Appendix C).

3.1.1 How Employers Heard About the STC Program

The survey results show that STC employers typically heard about the program from state or local government officials, with many STC employer participants also hearing about it from other companies,³⁰ and, in rare instances, employees (Exhibit 3.3). However, non-STC employers in Kansas and Minnesota were more likely to hear about STC through word-of-mouth from other companies, while in Rhode Island, non-STC employers heard about STC almost equally from government officials and other companies. In Washington, non-STC employers most often heard about the program from government officials. These results are consistent with findings from the site visits and phone interviews, indicating that government officials in Washington and Rhode Island conducted far more outreach than those in other states during the study period. These results suggest that the outreach efforts of state and local government officials play a very important role in determining whether potentially eligible employers become aware of the STC program and decide to use it. In addition, informal channels, such as word-of-mouth from other companies, also are valuable marketing mediums.

Exhibit 3.3 Where Employer Respondents Heard About the STC Program, by State

	State or Local Government Officials	Other Companies	Employees
Number of STC Employers			
Kansas	30	25	4
Minnesota	48	46	25
Rhode Island	63	40	10
Washington	405	274	175
Number of Non-STC Employers			
Kansas	6	14	4
Minnesota	19	32	8
Rhode Island	14	13	5
Washington	39	30	16

Source: Employer perceptions dataset (2008-2013). Survey Questions: B3b-c (Appendix C).

Note: We did not calculate percentages for this exhibit, because employers could select more than one response.

³⁰ The effectiveness of communication about STC between employers is asymmetrical. While some STC employers heard about the program from other employers (likely employers who participated or considered participating in STC) the universe of STC employers is very small compared to the universe of non-STC employers. Therefore, the average non-STC employer is less likely to hear about the program from another employer than an STC employer.

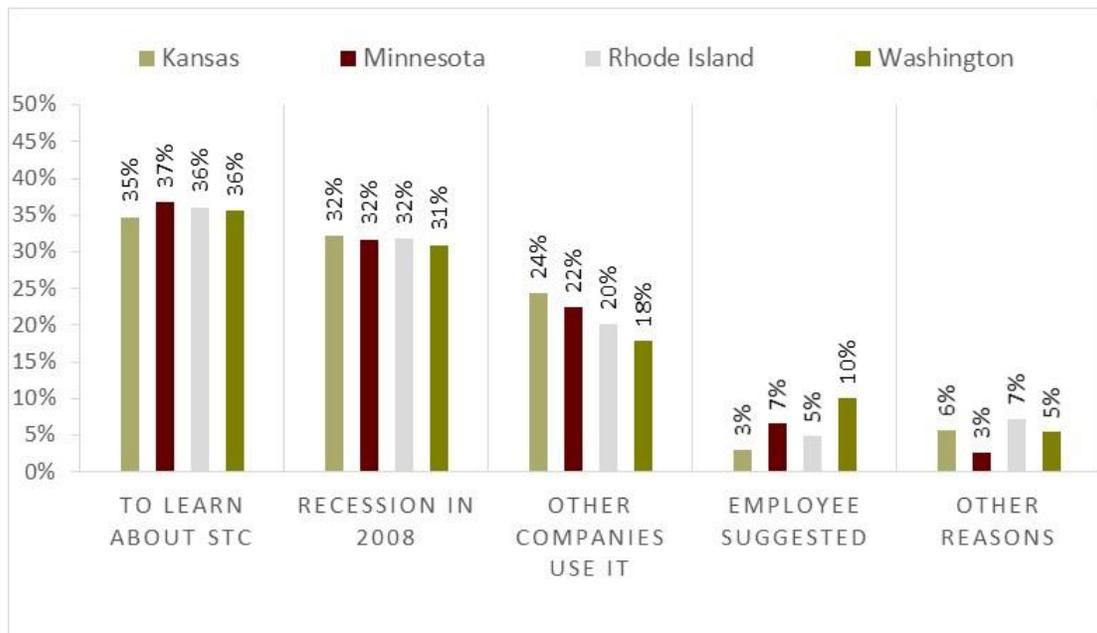
3.1.2 Distribution of Information About STC and Motivations for Applying

Most STC participating employers had asked the state agency about the STC program before applying—roughly 97 percent across the states. Non-STC employers in Kansas, Rhode Island, and Washington were far more likely to inquire about STC (11 percent) than employers in Minnesota (1 percent). These findings may indicate that employers may not be very inclined to seek out information about STC on their own unless they are actively interested in participating in the program.

Employers that asked state agencies about STC were generally very pleased with the adequacy of information that they received. Overall, 100 percent of the non-STC employers were satisfied (N=19), and 99 percent of STC employers were satisfied (N=1,418). Only three percent of STC employers reported that the state agency officials had told them that STC was not appropriate for their company (N=1,414). More non-STC employers (26 percent) reported being told that STC was not appropriate for their company (N=nineteen).

The survey asked employers why they first inquired about the STC program. As shown in Exhibit 3.4, STC employers chose a number of the suggested reasons, but most first inquired to learn about the program generally and because they were concerned about the Great Recession. Word-of-mouth from other companies and employees also motivated employers to seek information about STC, but not as frequently. In no state did STC employers indicate that employee unions played a significant role in motivating them to pursue information about STC.

Exhibit 3.4 Reasons STC Employers First Asked about the STC Program by State

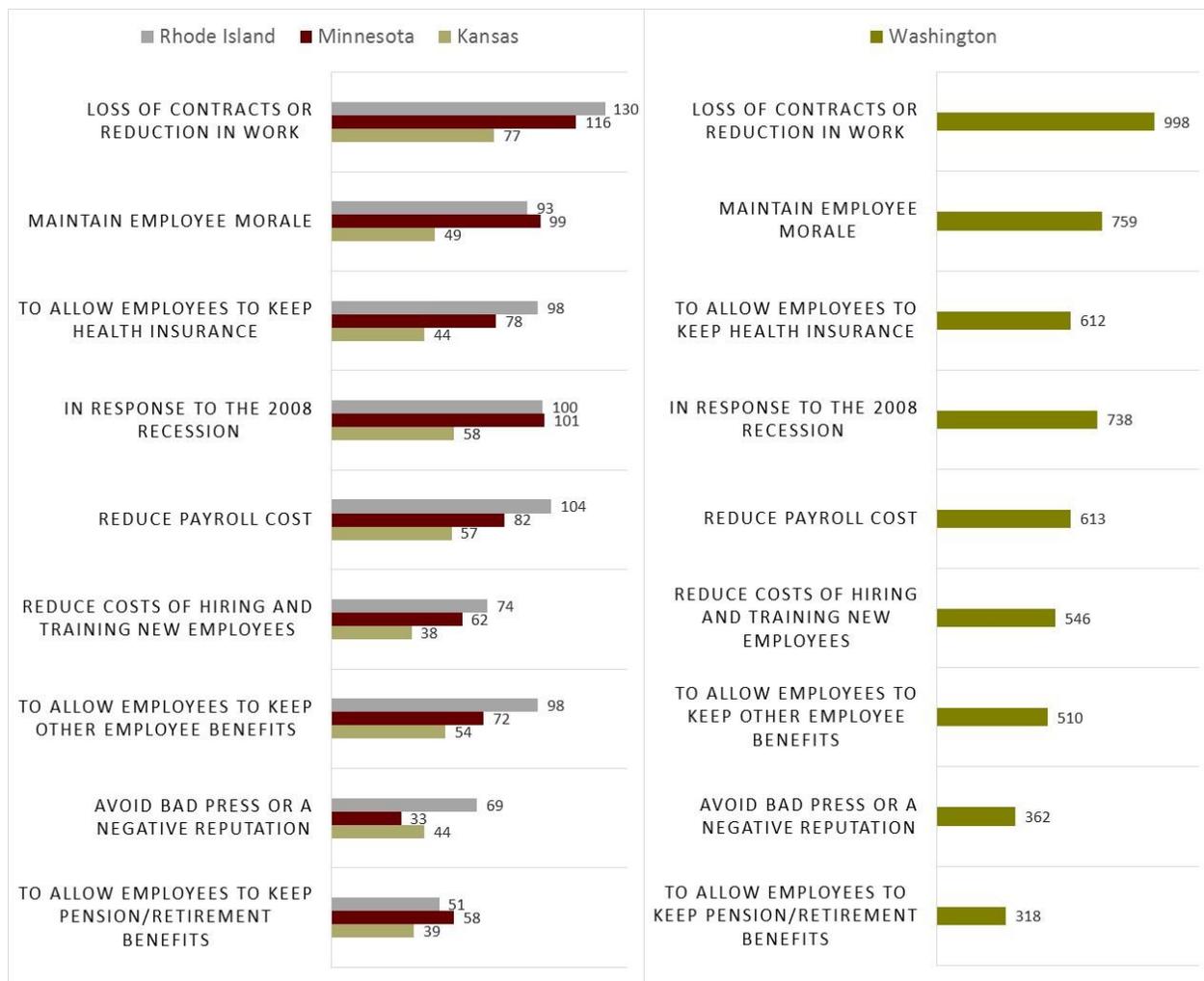


Source: Employer perceptions dataset (2008-2013). Survey Questions: B5a-e (Appendix C).

Notes: “Union suggested” was presented as an option but was not selected by any STC employers. Also, we cannot report sample sizes (Ns) for each state because the Ns for each question were different (the employers could select multiple responses).

The survey also asked respondents why they applied to STC. Across all four study states, the main reason cited by employers was economic hardship: loss of contracts or reduction in work. This finding confirms that employers in all the states used STC to support their businesses during cyclical downturns, such as the Great Recession. Other reasons included that the program helped to maintain employee morale, enabled employees to maintain health benefits, and reduced the cost of hiring and training new employees.

Exhibit 3.5 Reasons for STC Employer Respondents Applying for STC, by State



Source: Employer perceptions (STC only). Survey Questions: B16a-j (Appendix C).

Note: The Washington data are presented separately because the counts were much higher than for the other states, making it impossible to display them on the same scale. Also, we cannot present these results as percentages because the sample sizes (Ns) for each option were different (there is no common denominator).

3.2 Employers' Opinions of the STC Program

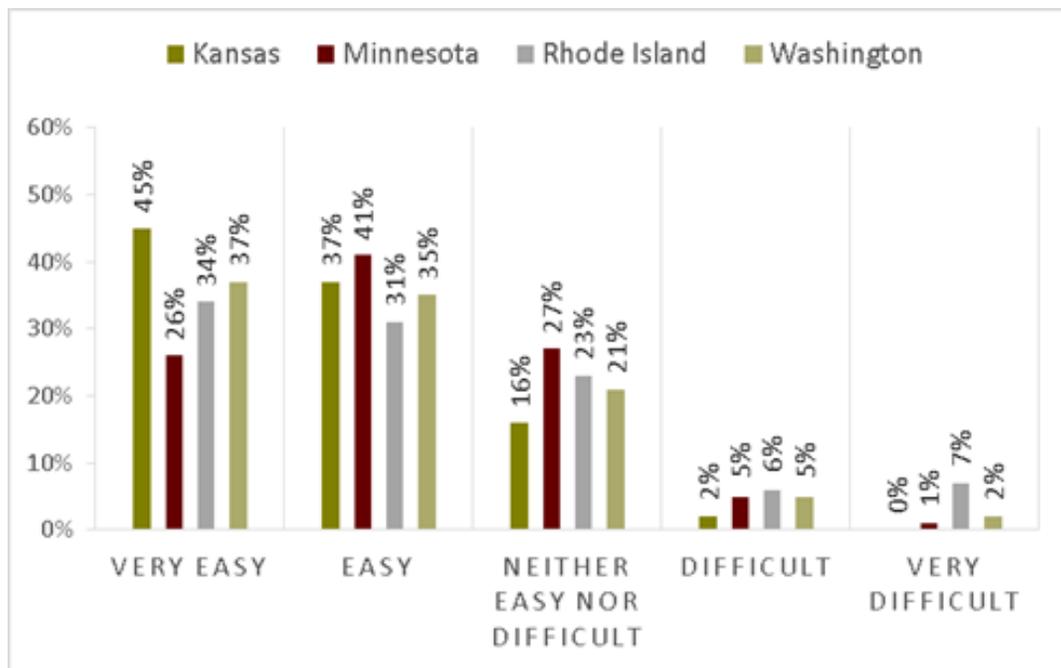
Employers who participated in STC generally gave positive feedback about the program, but they also offered rich feedback on possible improvements. This section examines their experiences with program administration and their general perceptions of STC. The IMPAQ survey asked STC

employers to rate their levels of satisfaction with the ease of the application process and with state agency support throughout the administrative process. The survey also gave employers an opportunity to share free-response feedback about the program and allowed us to gather their perceptions on a variety of other outcomes, such as the effect of STC on employee morale, productivity, and UI tax rates.

3.2.1 Ease of Application

The administrative processes for applying to STC varied across the study states, with some more automated and providing more staff resources than others (Appendix G). As shown in Exhibit 3.6, STC employer survey responses about the application process ranged from neutral to positive, with very few rating it “difficult” or “very difficult.” Employers in Kansas were most satisfied with the application process; 82 percent rated the process as “very easy” or “easy.” Washington and Rhode Island employers also showed high ratings with 72 percent and 65 percent respectively rating the application process as “very easy” or “easy.” In Minnesota, 68 percent rated it “easy” or “neither easy nor difficult”, but only 26 percent rating it “very easy.” One employer in Kansas said, “The people in the office were excellent to work with when I had questions.” One Minnesota employer noted, “They were very helpful with questions, and they responded very quickly via email or phone [when] needed.”

Exhibit 3.6 STC Employer Ratings of the Application Process



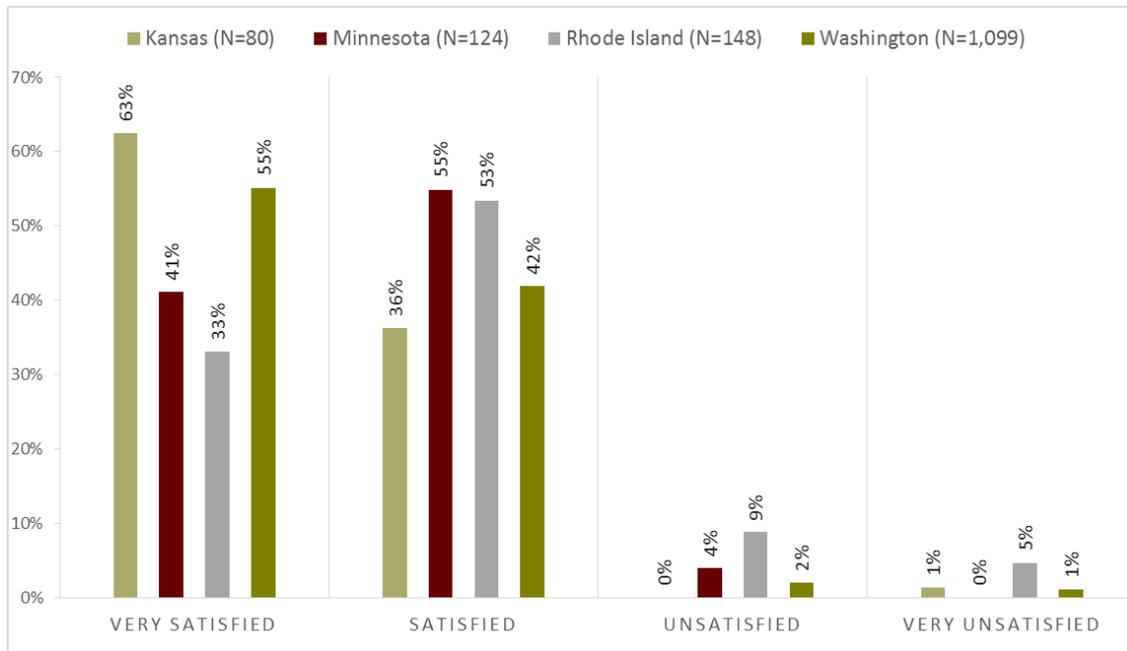
Source: Employer perceptions dataset (2008-2013) (STC only); Survey Question: B13 (Appendix C).

3.2.2 Employer Satisfaction with State Administrative Support and Communication

An overwhelming majority of STC employers reported that they were satisfied with the communication they had with state officials about the program (Exhibit 3.7) and with the administrative support they received in the process (Exhibit 3.8). STC employers in Kansas and Washington had the highest satisfaction levels with their STC program officials at the state level, with over half of the employers selecting “very satisfied.” Eighty-six percent of Rhode Island STC employers were either “satisfied” or “very satisfied” with the communication they had with state officials and 84 percent with their administrative support for the program.

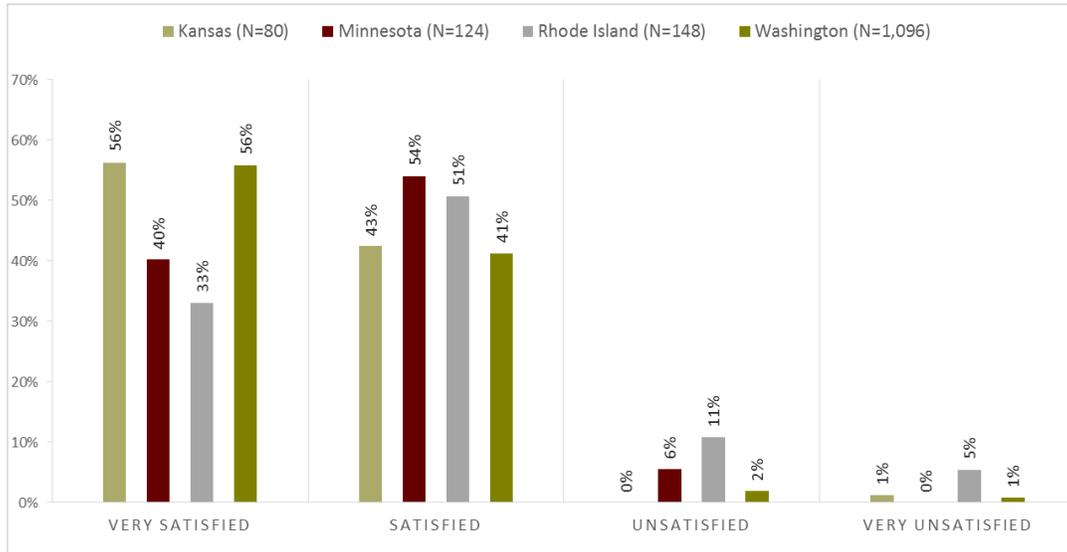
According to state agency staff, both Rhode Island and Washington were overwhelmed with inquiries and applications during their severe recessions, but Rhode Island was slower to respond to employers because it was not able to dedicate additional state agency employees to its STC unit as Washington had during this period. This explanation is consistent with the feedback employers gave on the ease of the application process, in which seven percent rated it “very difficult” and six percent rated it “difficult” (Exhibit 3.6).

Exhibit 3.7 STC Employers’ Satisfaction with Communication Received from SWA Officials



Source: Employer perceptions dataset (2008-2013) (STC only). Survey Question: C10 (Appendix C).

Exhibit 3.8 STC Employers' Satisfaction with Administrative Support Received from SWA Officials

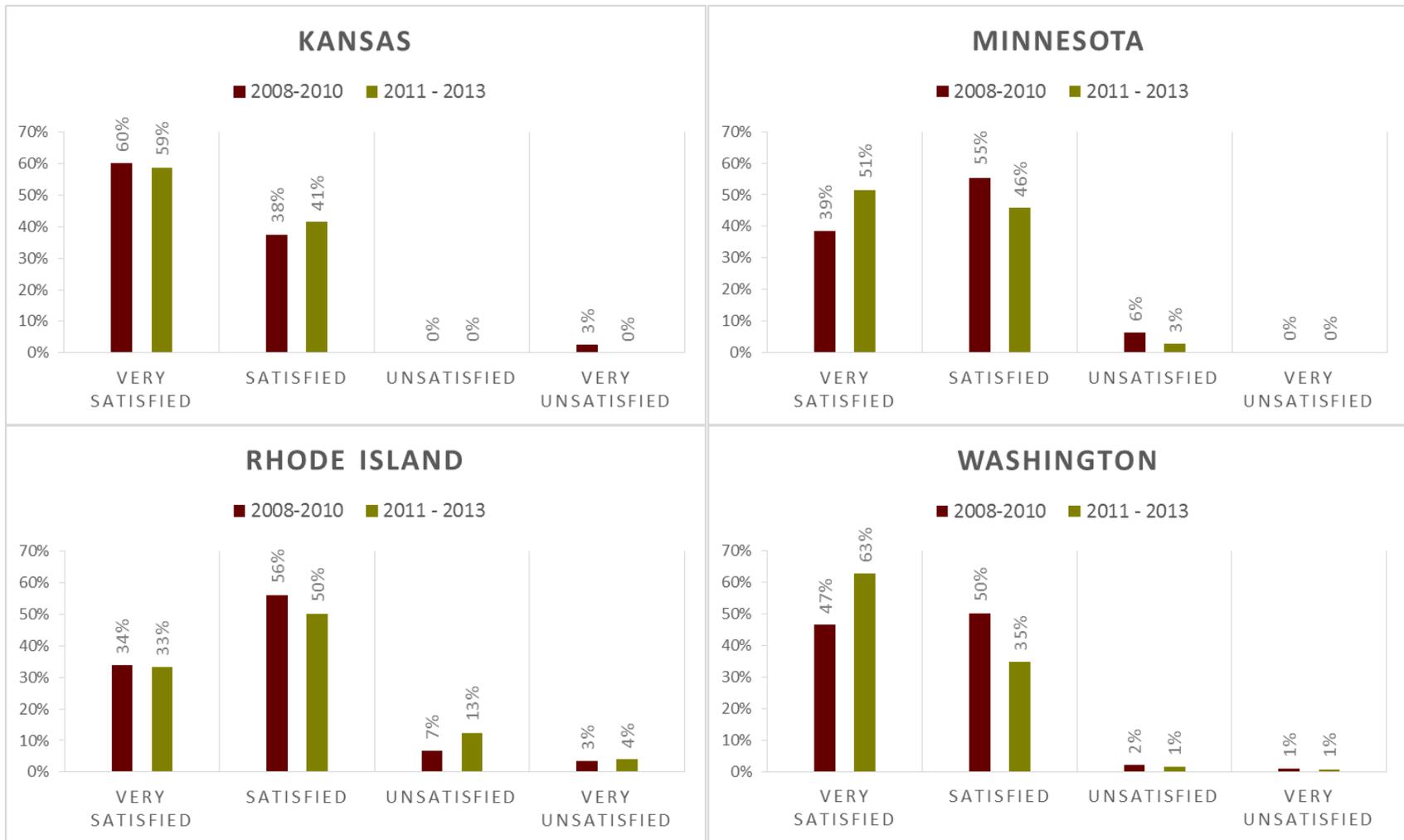


Source: Employer perceptions dataset (2008-2013) (STC only). Survey Question:C11 (Appendix C).

Exhibit 3.9 divides survey results about STC employer satisfaction levels with SWA communications and administrative support into two time periods: 2008 through 2010 and 2011 through 2013. This split uncovers variation in approval ratings during and after the Great Recession. As expected, overall satisfaction levels among respondents tended to be higher after the recession, after the surge in STC applications had ended. Employer satisfaction with communication received from state officials was similar in Kansas and Rhode Island during and after the recession, but Minnesota and Washington employers experienced higher levels of satisfaction with communication in the post-recession period.

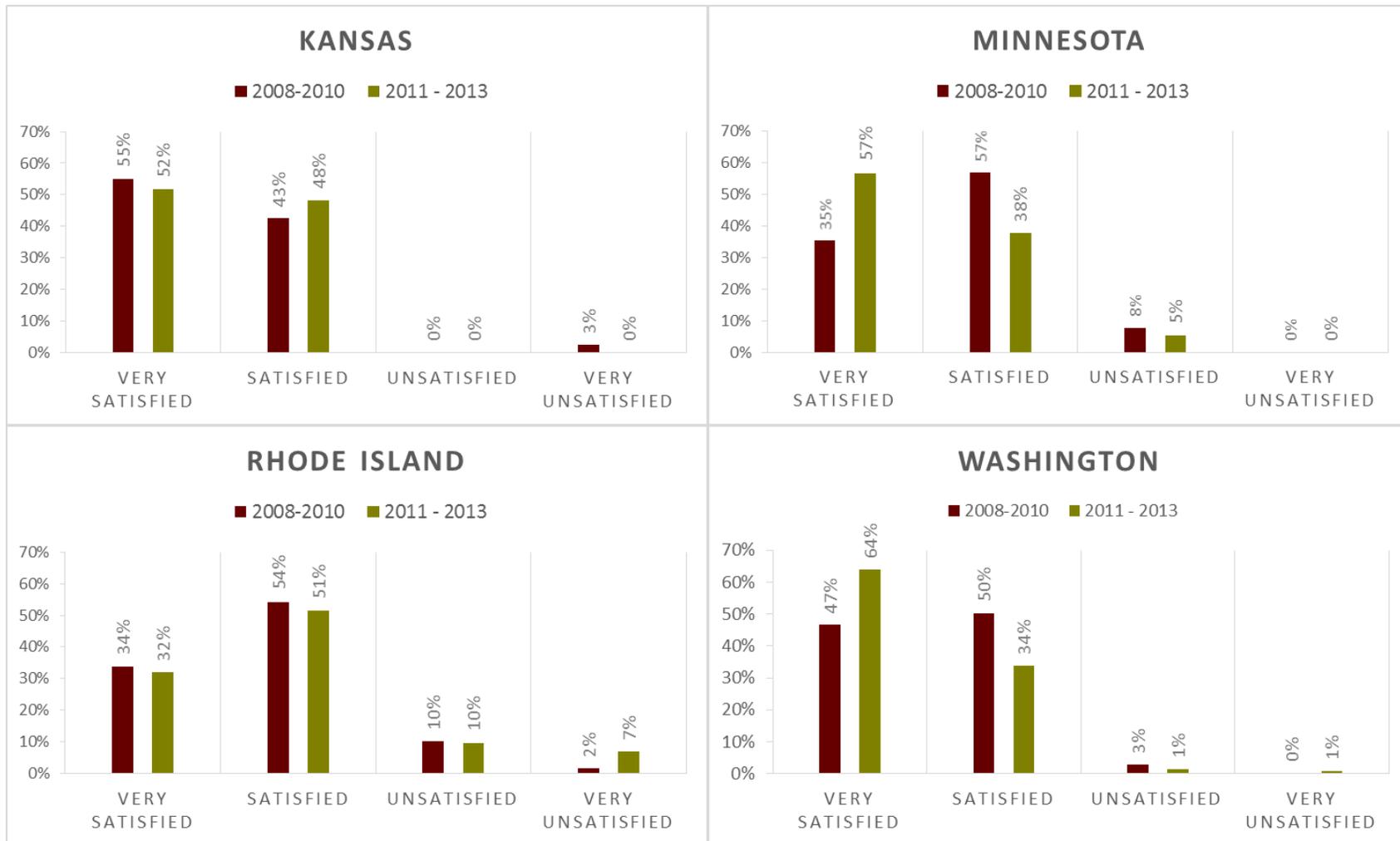
When employers rated their satisfaction with the support that they received from state agency staff (Exhibit 3.10), we noted response differences between the recession and post-recession periods in Minnesota and Washington, but lesser differences in other states. In Minnesota, the percentage of employers that were “very satisfied” with state support rose from 35 percent during the recession to 57 percent during the recovery period. Similarly, the percent of “very satisfied” employers rose from 47 percent to 64 percent in Washington. After the recession, Washington was able to offset its continuing high unemployment and high demand for STC by temporarily dedicating more employees to the STC unit to serve employers inquiring about and applying for the program. Kansas and Rhode Island experienced little change across the two time periods, for two different reasons. Kansas weathered its mild recession well with its simple administrative procedures. By contrast, Rhode Island faced a lingering period of high unemployment and continuing interest in STC participation.

Exhibit 3.9 STC Employer Satisfaction with Communication Received from SWA Officials, 2008–2010 and 2011–2013



Source: Employer perceptions dataset (2008-2013) (STC only). Survey Questions: B9a-b, C10 (Appendix C).

Exhibit 3.10 STC Employer Satisfaction with Administrative Support Received from SWA Officials, 2008–2010 and 2011–2013



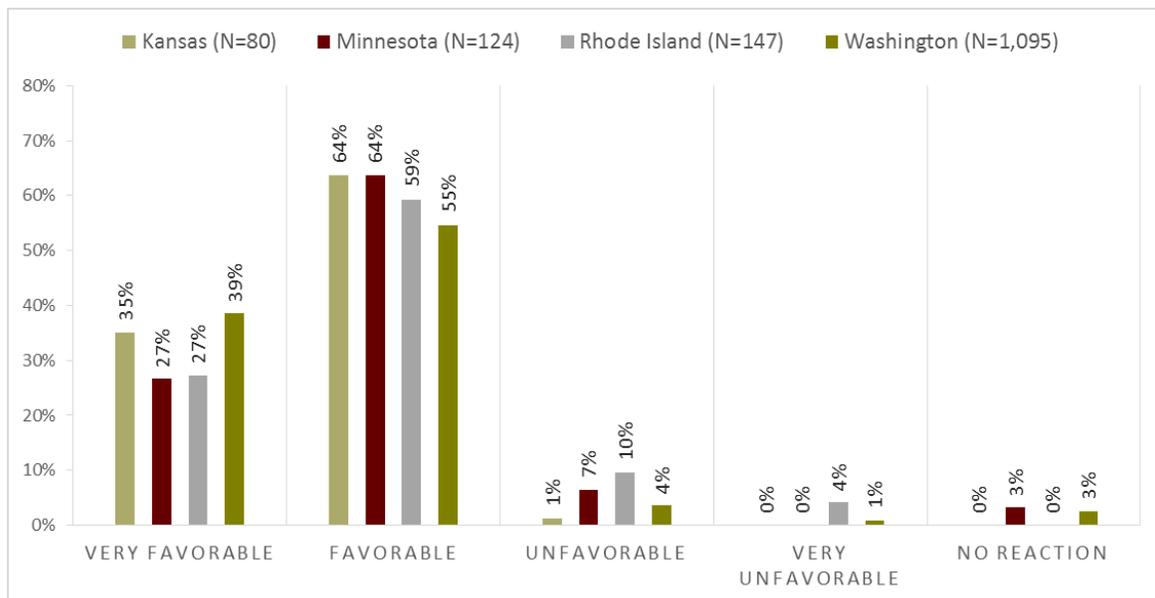
Source: Employer perceptions dataset (2008-2013) (STC only). Survey Questions: B9a-b, C11 (Appendix C).

Repeated use of STC is associated with a more positive STC experience. Repeat users in most states rated the communicative and administrative support that they received more favorably than single-year users. This finding was especially strong in Kansas, where 55 percent of one-time STC users were “very satisfied” with the communication from SWA officials, compared to 69 percent of repeat STC users that were “very satisfied.” Repeat users may have had less need for SWA support as they filed subsequent applications. Rhode Island was the only study state with satisfaction levels higher for one-time users than for repeaters. In Rhode Island, 38 percent of one-time users were “very satisfied” with communication from SWA officials, compared to 30 percent of repeat users. Also in Rhode Island, 36 percent of one-time STC users were “very satisfied” with the administrative support from SWA officials, compared to 31 percent of repeat users. See Exhibits H.18 and H.19 in Appendix H for greater detail.

3.2.3 Effects of STC: Employee and Union Reactions, Morale, Staff Time, and Productivity

Employers said that the employee reactions to STC were favorable (Exhibit 3.11). Employers rated employee reactions highest in Kansas, where 99 percent said employees reacted either favorably or very favorably. Second highest was Washington (94 percent), followed by Minnesota (91 percent) and then Rhode Island (86 percent). Very few respondents reported on union reactions, perhaps because of relatively low unionization rates. However, in Washington, where 62 respondents rated union reactions, 16 percent reported that union reactions were “very favorable,” and another 47 percent said they were “favorable.”

Exhibit 3.11 STC Employer Perceptions of Employees’ Reaction to STC

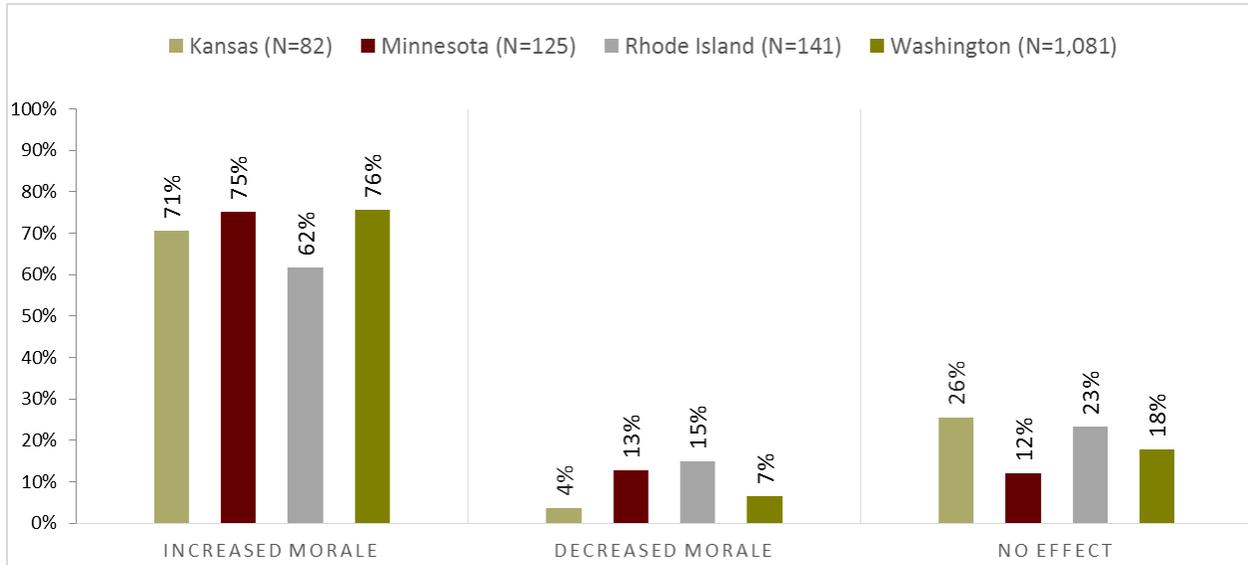


Source: Employer perceptions dataset (2008-2013) (STC only). Survey Question: C12 (Appendix C).

Employers also reported that the STC program increased employee morale, with more than 70 percent of employers selecting that morale “increased” in every state except Rhode Island, where 62 percent selected this option (Exhibit 3.12). Recent changes to federal and state STC laws—such as

increased access to STC for salaried and part-time workers—give employers more options to address this concern (Appendix G).

Exhibit 3.12 STC Employer Perceptions of Effect of STC on Employee Morale



Source: Employer perceptions dataset (2008-2013) (STC only). Survey Question: C16a (Appendix C).

Over 60 percent of STC employers in each study state reported that the STC program increased the administrative burden on staff, as shown in Exhibit 3.13. This response is likely based upon the fact that, compared to the regular UI program, STC requires additional steps to initiate plans and to file or support filing for benefits for employees.

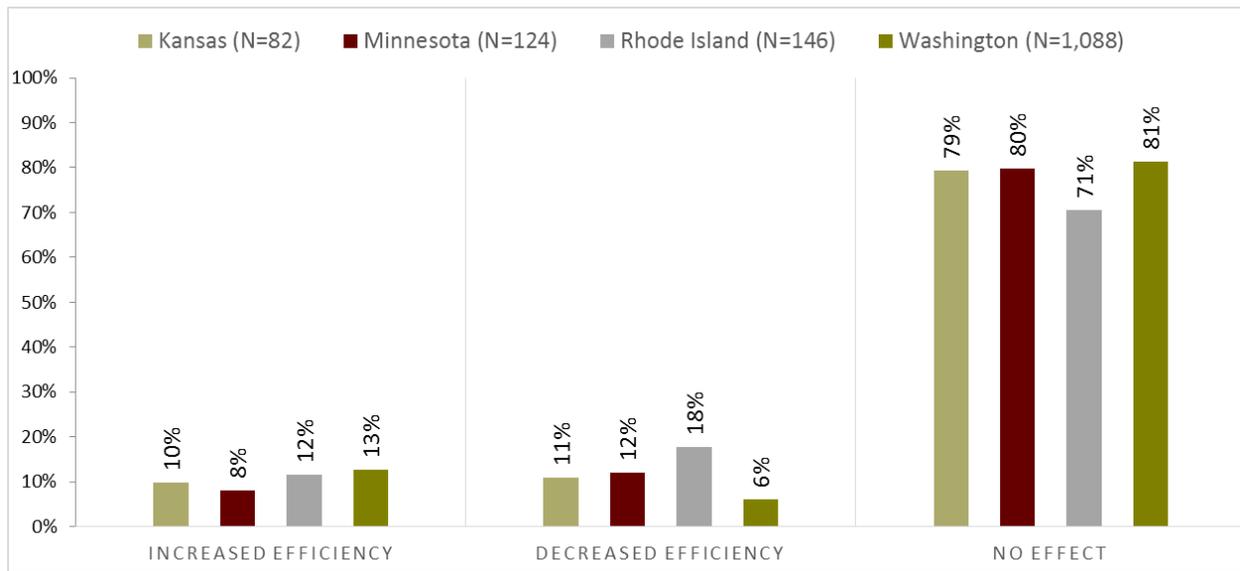
Exhibit 3.13 STC Employer Respondent Perception of Administrative Burden on Employer Staff

Employer Response	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
STC increased burden on staff	50	61%	87	70%	87	60%	659	60%
STC decreased burden on staff	0	0%	2	2%	2	1%	30	3%
STC did not affect staff burden	32	39%	35	28%	56	39%	404	37%

Source: Employer perceptions dataset (2008-2013) (STC only). Survey Question: C16c (Appendix C).

Most employers responded that STC had no effect on production efficiency (Exhibit 3.14). Roughly, 70-80 percent of STC employers in Kansas, Minnesota, and Washington said that STC did not affect production efficiency. This response is consistent with the fact that employers who used STC believed it helps maintain employee morale (Exhibit 3.12 above). In this way, STC offers mutual benefits to both employers and employees.

Exhibit 3.14 STC Employer Perception of the Effect of STC on Production Efficiency



Source: Employer perceptions dataset (2008-2013) (STC only). Survey Question: C17 (Appendix C).

3.2.4 Comparative Effect of STC on UI Tax Rates

The survey offers imprecise evidence about employers' perceptions about UI tax implications of STC benefits relative to a layoff. In the survey, the question about employer perception about UI tax rate implication of STC benefits was asked in two different ways. A random group of respondents was asked how layoffs would affect their UI tax rates relative to receiving STC benefits while some other respondents were asked about UI tax rate implications of STC benefits compared to layoffs (See Exhibit H.20 in Appendix H).

Under the first case, between 58 percent and 63 percent of the STC employers in the study states reported that UI tax costs of a layoff are greater than that of receiving STC benefits. In addition, under the second case, between 30 percent and 48 percent of STC employers reported that UI tax rate implications of employees receiving STC benefits are less than that of layoffs. Among the two sets of respondents, there was not a majority or a consensus on whether STC benefits affected UI tax rate more, less, or same as layoffs. In short, respondents' reactions were mixed. Thus, there is no conclusive evidence on STC employers' perceptions of the UI tax rate implications of STC benefits vis-à-vis layoffs apart from the fact that there is variation among employers on how they perceived the tax implications of STC benefits. Nonetheless, we can say that at least a plurality of STC employers believed that STC was less expensive than a layoff of similar magnitude. A more definite answer to the question of the relative effect of STC and layoffs on UI tax rates turns on an analysis of the UI benefit payment and tax data rather than the perceptions of employers, although the fact that their perceptions reveal lack of clarity is important to bear in mind for outreach and education purposes.³¹

³¹ We did not collect benefit payment and tax data as part of this study.

The free-response questions in the survey provide some insight into this issue as well but is not fully reliable as the numbers are small. However, it does illustrate some concerns on the effect of STC participation on UI tax rates.

“The cost of it is not known to the employer until the insurance rates become increased. While you do not have visibility of the increased insurance cost, therefore you do not have enough information to make a decision about the benefits.”

“The one thing I didn’t like was that it treated my unemployment insurance tax rates like I laid off the employees. That wasn’t communicated to me by the officials. I thought: what was the point of being on the program if my tax rate still went up?”

“[STC] imposes a much higher unemployment tax rate on the employer. Even after you are off the program, the company still has the burden of paying those higher unemployment tax rates.”

Although a small number, these responses still suggest opportunities for improvement, a need for more attention to how states communicate with employers about the effect that both UI program and STC participation will have on future UI tax rates.

3.2.5 Comparing STC and Non-STC Employers’ Perceptions of STC

STC employers had a much more favorable and consistent opinion of the STC program and its potential costs and benefits than non-STC employers, although the non-STC employer results should be interpreted with caution due to low responses and low awareness levels overall. This low awareness suggests a need for more education and outreach about the actual costs and benefits of the STC program for employers who have never participated in STC. Providing more education and outreach will allow employers to decide whether or not to participate. The result may be that some employers (especially high-wage, high-retention employers) will be more likely to participate while others (especially low-wage, low-retention employers) will not.

Exhibit 3.15 shows that when asked whether they were likely to apply for or participate in STC if they were faced with a layoff or a decrease in demand, more than 84 percent of STC employers across all states responded that they were either “very likely” or “somewhat likely” to participate in STC again. Furthermore, only 5 to 13 percent of non-STC employers in the 4 states said that they were “very likely” to apply for STC. Exhibit 3.15 also shows that non-STC employers in Minnesota and Kansas reported the lowest rates of likelihood of applying to STC, with 38 percent and 41 percent, respectively, responding “very likely” or “somewhat likely.” Rates in Washington (48 percent) and Rhode Island (53 percent) were a little higher.

Exhibit 3.15 Likelihood of Applying for STC in the Future

	Kansas		Minnesota		Rhode Island		Washington	
	Non-STC	STC	Non-STC	STC	Non-STC	STC	Non-STC	STC
Very likely	7%	62%	5%	46%	9%	64%	13%	73%
Somewhat likely	34%	24%	33%	38%	44%	24%	35%	20%
Somewhat unlikely	27%	5%	23%	10%	17%	8%	19%	4%
Very unlikely	32%	9%	38%	5%	31%	4%	33%	3%
Number of respondents	59	82	186	125	59	148	208	1,093

Source: Employer perceptions dataset (2008-2013). Survey Questions: C20, E8a (Appendix C).

Note: Due to rounding, numbers may not add up to 100 percent

Additionally to gauge STC employers’ perception of the relative costs of retaining employees through STC versus layoffs and training and hiring new employees, the survey asked whether STC participation would be more or less expensive than laying off workers and hiring new ones. As in the case of the question of the relative effects of STC and layoffs on UI taxes, the question was worded in two ways, with approximately half of the respondents asked which would be *less* expensive and half asked which would be *more* expensive. STC respondents clearly indicated that retaining employees by using STC was less expensive than hiring and training new workers (see Exhibit H.21 in Appendix H).

3.3 Summary

Employers responding to the survey shared their perceptions on a wide range of topics pertaining to STC. The awareness of the STC program was quite low when we used the name “Short-Time Compensation” rather than the state’s name for the program. This lack of awareness was particularly true for non-STC employers. STC employers’ perceptions of the STC program as a whole were favorable. They clearly indicated that the program had positive effects, such as retaining employees, increasing employee morale and enabling employers to keep productivity stable in a recessionary period. Employers were generally happy with the program and with the ability of state officials to meet their administrative and communication needs.

CHAPTER FOUR. FINDINGS AND RECOMMENDATIONS

The purpose of this study—based on the employer survey and companion research— was to gather information from employers and state workforce agencies in Kansas, Minnesota, Rhode Island, and Washington about the STC programs, focusing on recent trends in employers’ characteristics and employer awareness of, participation in, and perceptions of STC. This chapter first describes key study findings from the four states, examines their program implications, and suggests policy recommendations. Second, the chapter examines how the STC program has changed over time. Finally, it recommends specific avenues for future STC research based on the findings of this study. Due to the scope of this study, survey results are only from employers; we do not present employee feedback. Readers should also note that employers’ responses reflect their participation or non-participation in STC during the high unemployment study period of 2008 through 2013.

4.1 Key Findings, Program Implications, and Recommendations

The federal government currently has a policy of encouraging states to adopt and improve the STC program and increase its use. The more activist policy stems in large part from the recent history of a severe recession and subsequent enactment of the STC provisions of the Middle Class Tax Relief and Job Creation Act (MCTRJC Act).

Thus, this is an opportune time for DOL and the states to assess the role that STC played in the U.S. labor market and STC’s potential for becoming a better-known and more used tool to help employers retain skilled employees, avoid layoffs, maintain productivity, and, often, simply survive during temporary periods of business contractions. The success of the STC program depends on a number of factors. This study has revealed findings that can increase the future success of the STC program. This chapter describes key findings that have implications for public policy.

4.1.1 For Employers, STC Is About Skill Retention and Avoiding Layoffs

Finding: Employers apply for STC for business reasons related to declines in demand for their goods and services and to support and retain their valued employees—typically higher-skilled hourly employees. Also many employers noted in their responses to the survey that STC enabled them to save the costs of hiring and training new employees.

Employers also reported that STC participation enabled them to keep productivity stable. The top four reasons given for applying for STC were “loss of contract or reduction in work”, “in response to the 2008 recession”, “to maintain employee morale”, and “to allow employees to keep health insurance.”

Past experience suggests that one key to the increased use of STC is to help employers understand that STC can help them get through a temporary decline in demand without layoffs at a cost comparable to an equivalent layoff. In addition, by retaining all employees instead of terminating some, employers demonstrate their confidence in the future and their concern for their workforce.

4.1.2 Employer Satisfaction: Employers Like STC

Finding: Employers were generally satisfied with their interactions with SWA officials regarding STC. Between 86 and 99 percent of STC employers in the 4 study states were very satisfied or satisfied with their communications with SWA staff. The employers gave similarly high ratings to the administrative support they received from the SWAs. Beyond retaining skilled employees, employers seemed to be most interested in an effective and flexible STC administrative process.

Challenges in communication and support derived from mismatches between employer demand and SWA resources. Both Rhode Island and Washington experienced massive increases in STC applications during the recession. Washington greatly increased staff and other resources used to support STC, while the other states did not do so to the same extent. Rhode Island had difficulty keeping up with the needs of employers who wanted to participate in the program. Rhode Island also had challenges associated with a long-established manual STC system, which it began automating in 2015 using a federal MCTRJC Act STC grant. This type of grant appeared to be crucial for making operational improvements to the STC program.

Employers that asked state agencies about STC were generally very pleased with the adequacy of the information they received. Overall, 100 percent of the non-STC employers were satisfied and 99 percent of STC employers were satisfied.

A key measure of employer satisfaction with the STC programs is whether employers are likely to apply for STC when facing a layoff or decreased demand. More than 80 percent of STC employers across all study states responded they were either “very likely” or “somewhat likely” to participate in STC again.

Interestingly, employers’ likelihood of applying for STC in the future was substantially greater in Washington and slightly greater in Rhode Island than in Kansas and Minnesota. This result might be related to the fact that the Great Recession was milder in Kansas and Minnesota than in Rhode Island and Washington. Also note that Rhode Island and Washington conducted more outreach to employers than the other two states. Rhode Island and Washington STC employers seemed to understand that they had been affected by a severe recession and to appreciate the likely need for STC in any future severe recessions.

4.1.3 Employee Satisfaction: Employer Indicate Employees Like STC

Finding: Employee satisfaction with STC appears to be at the same high level as that of employers. Between 86 and 99 percent of employers in the 4 states indicated that their employees’ reaction to STC was favorable or very favorable.

Employee satisfaction likely depends on whether participating employees were retained after the STC period or were subsequently laid off, and layoff rates appear to be low. In the study states, only 16 to 21 percent of STC employers responded that they later laid off some STC employees.

Another factor contributing to employee satisfaction may be how seamless or unobtrusive the claims filing process was for employees. Kansas was the only study state that administered an employer-filed STC claims process both for initial claims and continued claims.

4.1.4 Employer Non-Financial Incentives: Increases Administrative Effort, But Easy to Apply

Finding: Employers perceived their STC administrative cost to be higher than that of the regular UI program. Between 60 and 70 percent of employers in the study states responded that STC “increased” the administrative burden on their staff. Given the high rates of satisfaction with the STC program by employer users, it is not clear whether increased employer administrative effort is a barrier to participation.

In addition, employers generally did not find it difficult to apply for STC. In Rhode Island, with its manual application processes, 65 percent of employers found it very easy or easy to apply for STC. The percentages were higher in other states, topping out at 82 percent for Kansas. Only two to 13 percent of employers found it difficult or very difficult to apply.

Recommendation: Encourage participation in the STC program by simplifying and automating the application process and the process for filing initial and continued claims. Encourage states to consider methods to simplify administrative processes, by, for example, adopting employer-filed claims as Kansas has done. Encourage all STC states to automate or further automate their STC procedures and recordkeeping.

4.1.5 Financial Incentives: STC Tax Implications are Imprecise but Positive

Finding: The IMPAQ survey offers imprecise evidence about employers’ perceptions about UI tax implications of STC benefits relative to a layoff. Nonetheless, it can be said that at least a plurality of STC employers believed that STC was less expensive than a layoff of similar magnitude.

The IMPAQ survey asked STC employers whether they believed STC affected their UI tax rates more than, less than, or the same as equivalent layoffs. As a methodological test, IMPAQ asked this question two different ways, putting STC first or layoffs first, so that the responses to the two different ways of asking the question should have mirrored each other. However, the responses between the two variations on the question were inconsistent, and the results are imprecise (See Exhibit H.20 in Appendix H).

While a plurality of STC employers reported that STC is cheaper than layoffs, no recent objective analysis exists about the tradeoffs between uses of the UI and STC programs. This information shortfall is related to the lack of any recent objective study of the relative costs of STC compared to regular UI. A definite analysis awaits further research.

Recommendation: A permanent STC program that does not increase the employers’ UI experience rating likely can have a substantial positive effect on employer participation.

Employers would choose whether to fully pay for experience-rated layoffs or pay less or nothing for an equivalent use of STC that would not be charged against their UI tax rates. Policymakers also would have to decide what effect such a program might have on the traditional UI experience rating system. As well, Congress would have to amend federal STC law with companion changes in state laws.

Today, the U.S. STC program is structured considerably differently than STC in other countries, which administer the STC program separately from their UI programs. STC benefits (as well as regular UI benefits) in these countries are not experience rated. Rather, they are paid from general revenue. In addition, there is no disincentive to employee participation in STC in other countries because STC does not reduce future eligibility for regular UI benefits. On the other hand, hiring and separation costs are often greater in other countries than in the U.S.

In sum, the financial incentives to employers and employees would have to be increased substantially to encourage STC participation at the much higher European levels. For employers, the charges for STC benefits could be partially or completely eliminated from their experience-rated UI taxes. For employees, the reduction in entitlement to regular UI because of their use of STC during the same benefit year also could be eliminated. Policymakers should consider whether to use financial incentives to increase employer STC participation, and the methods to achieve it. With STC laws in just over half the states, however, it seems the first policy objective should be to encourage states without STC laws to enact them.

4.1.6 Employer Knowledge about the STC Program: STC Needs a Brand

Finding: Most non-STC employers seem to know little or nothing about the STC program, perhaps because the program is so small and used by so few employers. In the IMPAQ survey, employers who had previously used the program were familiar with it, but they constitute a small portion of the universe of employers. Only about a third of non-STC employers in the study sample knew anything about the program.

Further, even STC employers generally knew the program only by the state name. Each state chooses its own name for the program. The names selected by the study states were “WorkShare” in Rhode Island and “Shared Work” in Kansas, Minnesota, and Washington. Although these names are similar to each other, they bear no resemblance to “Short-Time Compensation.” Among all STC states, there are 10 different names for the STC program; “Shared Work” is by far the most popular (See Exhibit D.2).

The IMPAQ survey showed that neither STC employers nor non-STC employers were familiar with the federal name of “Short-Time Compensation.” Only about 25 percent of the employers who had used the program knew it by that name. Thus, any federal outreach efforts that use this label will not communicate effectively with the great majority of U.S. employers because of a lack of a “brand” that can be used in regional or national outreach efforts.

Further, IMPAQ’s survey showed that the term “work sharing” also is inadequate. The term is imprecise. Does it refer to the uncompensated work sharing of the Great Depression or to the

compensated Work Sharing—the state STC program—that began in 1978 in California? Further, many people confuse “work sharing” with “job sharing,” an arrangement in which two workers share a single job, both working part time.

Recommendation: For the STC program to become more widely known, a single, nationwide branding effort, with a consistent and instantly recognizable name, should be used in a nationwide education campaign targeting employer and worker groups. A reasonable name might be “Shared Work,” because it is the name most commonly used by STC states. Ultimately, what is most important is that the federal Government considers adopting a branding and naming strategy that will assist states in educating employers, workers, and the general public about the program. The benefit of a single nationwide term for STC would be similar to the use of a single nationwide term for local public workforce offices, now called American Job Centers.

4.1.7 The STC Program Has Data Gaps: Limited Availability of STC Operational Information

Finding: In the past, DOL has collected limited information about the STC program. Our survey results indicate that most employers that use the STC program perceive it to be a win-win for employers and employees: a better strategy than layoffs for coping with fluctuations in demand. We have insufficient data to quantify the contribution of STC to economic stabilization. During the study period, federally collected data was restricted to workers who participated in the program. A special monthly Claims and Payments Activities Report (ETA 5159) collects the data on the STC program.

To operate their STC programs, state workforce agencies actually collect a good deal of data on both employers and employees. The agencies could provide these data to DOL with minimal additional reporting burdens. For example, SWAs have detailed requirements about what data employers must submit with STC plans. After they receive these plans, SWAs must approve or deny the plans and explain any plan denial to the applying employer.³² SWAs also collect information on the operation of STC plans, including plan start and end dates and lists of participating employees. In addition, most SWAs retain information on past plans, because they generally place limits on how frequently an employer can participate in the STC program.

Recommendation: Reports sent to DOL by SWAs should include information about employer participation. DOL has, in fact, already expanded its STC reporting requirements as required by the MCTRJC Act. Collecting more employer data can allow program managers and policy analysts to better understand the nature of the STC program. These data might include information such

³² Denials of employer STC plans during the study period were extremely low, likely due to the levels of pre-screening conducted by agency staff, particularly in Minnesota, prior to formal plan submissions.

as the number of STC plans approved and denied and selected characteristics of participating employers, e.g., the industry in which they operate.³³

Recommendation: DOL also should collect qualitative information about the STC program by monitoring the program periodically, perhaps when federal staff members conduct reviews of the rest of the UI program. Now that just over half of the states have enacted STC laws, DOL should review STC procedures, analyze best practices, and provide more guidance to SWAs on collecting and retaining employer STC application and program operation data. SWAs vary in how they collect and store data on employer STC applications, and federal guidance is needed. Similarly, DOL should provide guidance on collecting information on the operation of STC plans. Analysis of such data could help to improve program performance and public policy.

In addition, the IMPAQ survey and other research suggests that more can be done to strengthen the understanding of STC, increase the administrative consistency of STC across states, and share best practices. Information sharing would not only help states improve their STC administrative processes but also make it easier to increase national awareness of the program. To assist federal monitoring of state STC programs, DOL should develop an administrative review guide that federal program monitors can use to assess state STC program operations. Assessment should include the employer STC application process and the employee STC claims filing process. State operations could be reviewed, for example, using a 3-year cycle, so that one-third of the states would be reviewed yearly.

4.1.8 State Workforce Agencies Are Critical to Outreach

Finding: Employers usually hear about the STC program as a result of their interactions with their state UI programs. Most SWAs in states with STC laws have information on their Websites about the program, but few conduct much outreach.³⁴ Two of the study states, Rhode Island and Washington, were atypical in that they had relatively strong outreach programs.

Although some STC employer respondents reported hearing about the STC program from other employers, employers more frequently learned about the program through information provided by state agencies. Employees were less likely than employers to provide information about the program to those employers who eventually became STC participants.

Recommendation: If policymakers want to expand the use of STC, making it more available in future recessions, DOL should continue the stepped-up role it has assumed since 2012 to provide more and better information about the program and to increase its oversight of state STC programs. After the Great Recession, the White House, Congress, and DOL undertook a major

³³ The MCTRJC Act, section 2165(a)(3), requires the Secretary of Labor to collect the number of estimated adverted layoffs and the number of participating employers and workers, as well as, "Other items as the Secretary of Labor determines are appropriate." Following the enactment, DOL expanded the ETA 5159 report to include these two new items. IMPAQ suggests that, after conferring with the state agencies, DOL collect additional items that the states already obtain to operate their STC programs.

³⁴ As of May 2015, Illinois and Nebraska were the only STC states without an STC Website presence.

policy initiative to expand the program under the MCTRJC Act of 2012, which contains provisions to promote adoption and use of STC in the states. Under the Act, grants have been made available for states to increase awareness about the program. DOL implemented the amended MCTRJC Act's STC provisions and has taken administrative action to encourage state and employer participation. In the next recession, similar strong leadership by federal policymakers will be needed if STC is to be widely used.

4.1.9 Program Reviews and More Administrative Funding Are Needed to Support State Workforce Agencies

Finding: According to past studies, the administrative cost to SWAs of operating the STC program is higher than for the regular UI program, for a number of reasons. Employers inquire about the program and about how to apply. The application review and approval process involves substantial staff time. The STC initial and continued claims process is generally more time-intensive than for the regular UI program because, on average, approximately five times as many claimants claim one fifth of their weekly benefit entitlement relative to the regular UI program.

Recommendations: DOL could take a number of steps to improve STC administration. Instituting DOL STC program operation reviews could reveal best practices in STC administration. These reviews, combined with additional DOL technical assistance and guidance, similar to the guidebook, *Steps for Developing a State Short-Time Compensation Program* (DOL, 2015a) on the <http://stc.workforce3one.org/> Website, could help states adopt more consistent, effective, and efficient administrative practices. Further improvements could be made if DOL monitoring also covered automation processes; those best practices could be shared as well.

Congress might consider providing additional funding for STC states that did not receive the now-expired MCTRJC Act grants to improve and automate their programs. Congress can also consider adjusting its formula for administrative funding for processing STC employers' applications to better reflect the time needed to administer the STC program. Moreover, study states' SWA staff indicated that explaining the STC program to employers before they decided whether to file an application took considerably more staff time than did explaining the better-known UI program. DOL also could explore ways to fund these pre-application STC activities.³⁵

4.1.10 STC Customer Survey Helps Build Employer Involvement

Finding: Washington is the only study state that conducted an annual customer satisfaction survey during the study period. All employers that used STC in the previous year were surveyed about their satisfaction with the program. By fielding this survey, the Washington agency let STC employers know that it cared how they felt about the STC program, and employers overwhelmingly responded that they were highly satisfied. The SWA received good feedback from the results of

³⁵ For example, in the 1970s, UI and other SWA staff expended time in filing and processing petitions for certification under the Trade Act of 1974. For a time, DOL developed a separate pre-certification funding category for such activities (Gillham, 2014).

the annual survey. Importantly, the agency posted the results on its STC Website annually, and apparently other employers who did not participate in STC have seen it over the years. This approach appears to engage new employers and builds a natural constituency for STC. Many surveyed STC employers were repeat users, in part, because of their continuing engagement in the program and their feeling that they contributed to administrative improvements through the survey.

This sense of involvement also may be why Washington STC employers were more likely than employers in other study states to respond to the IMPAQ survey. They had likely responded to the Washington annual survey at least once during the study period. The IMPAQ study was just one more STC survey to complete.

Recommendation: The SWAs should conduct annual surveys of STC employer satisfaction and post results to understand employer response to the STC program, and build support for STC within the employer community

4.2 How the STC Program Has Changed over Time

This study has shown a number of changes in the STC program since it was last studied. These changes include the industrial mix and size of STC employers in some states. In addition, public support for the STC program has become more widespread.

4.2.1 Broader Industry STC participation

Historically, STC has been a niche program with manufacturers constituting the largest percentage of STC employers. Among the states in the IMPAQ study, the percentage of STC employers in the manufacturing sector varied enormously, from 61 percent in Kansas to 27 percent in Washington. Washington's vigorous outreach and promotion program brought other industries to the STC program, resulting in a more nearly equal number of STC employers among industry sectors.

While manufacturing will always be an important component of STC, it is clear that employers in many other industries participate as well. When more employers learn about the STC program, a wider variety is likely to respond.

4.2.2 STC Employer Size

STC use traditionally concentrates among employers with 10 to 249 employees. That was still true in Kansas and Minnesota during the study period. However, Rhode Island and Washington experienced a surge in participation by microenterprises (1 to 9 employees); 40 percent of participating employers in both states were in that size range. Enhanced outreach may be the reason why these two SWAs attracted a wider range of employers.

4.2.3 Wider Support for STC

In the last 5 years, the STC program has garnered wider support across the United States. Since 2010, STC laws have been enacted in Colorado, the District of Columbia, Illinois, Maine, Michigan, New Hampshire, New Jersey, Ohio, Pennsylvania, and Virginia—jurisdictions with both Republican and Democratic leaders. STC is truly a bipartisan program. A study of the enactment of the Virginia STC law, (Balducci, 2015) shows that bipartisan sponsorship and support was an important factor.

STC also is supported by employer and labor groups, including the AFL-CIO and business organizations. Locally, employer groups and individual employers supported the program. For example, an Ohio plant manager, whose company previously had used STC in Texas and Washington, advocated for enactment in Ohio (Schiller, 2013).

In recent years, policy analysts of all political persuasions have supported the STC program. They analyzed the effect of the widespread use of STC in Western Europe and found that STC had a substantial effect on reducing unemployment in the countries that used it. One interesting example of research by U.S. analysts is found in the collaboration of Kevin Hassett of the American Enterprise Institute and Dean Baker of the Center for Economic and Policy Research, whose analysis of STC has informed joint presentations and editorials advocating expanded use of the program (Baker & Hassett, 2012).

The increased state participation in STC in recent years and widespread public support for the program bodes well for its use in future economic downturns. Employers, workers, state governments, and the general public are likely to be more accepting of STC than in the past.

4.3 Recommended Further Research

This study has reviewed past STC research and conducted an employer survey. Taken together, this study has revealed a number of STC issues about which current knowledge is limited and suggests the need for further research.

4.3.1 UI Tax Consequences of STC

The UI tax consequences of STC use, compared to layoffs, needs further exploration. When the IMPAQ survey asked employers about tax impacts, they did have a precise answer. Past research indicates that employers using STC pay, in the short term, a slightly higher tax rate than comparison employers who lay off their employees (Kerachsky et al., 1986; Walsh et al., 1997). Rather than relying on the perceptions of employers, DOL should conduct a rigorous quantitative analysis of actual tax consequences and estimated net benefits (i.e., costs and benefits) of STC participation to employers. Focus groups could supplement this study to explore the perceptions of STC employers about the comparative costs of STC and regular UI.

4.3.2 Effects of STC Financial Incentives on Employers

The key difference between the U.S. and European STC programs is that American employers pay for STC as part of the UI system. DOL could consider the feasibility of an experimental study in which a treatment group of potential participating employers is offered the STC program at no cost to measure the effect on employer participation. Focus groups with employers could draw out more detail about how employers perceive the costs and benefits of STC and their financial motivations for applying to STC.

4.3.3 Employees' Opinions of STC

Past DOL research has not assessed how employees who participate in STC plans view the program. DOL could conduct a survey of employees using and have used STC to determine, among other things, 1) why they participated, 2) whether they would have been subject to layoff, 3) how they perceive the STC benefit payment process, 4) whether STC helped them stay on the job, and 5) whether they participated in public job training programs during their off-work hours. The survey can also include employee demographics and additional views and perceptions about STC. Focus groups conducted with employees could draw out more nuanced information about employees' perceptions and experiences with the STC program, such as why and how it affects morale.

4.3.4 What Happens to STC Employers and Employees

Employer views about STC may be influenced by what happens after the STC plan expires. DOL does not have information on how many STC employers seek extension of plans, cease operations after using the program, or what effect STC has on participating businesses. No companion information exists about what happens subsequently to STC employees, including whether they are later laid off. Often, promotional STC material indicates that using STC saves on hiring and training costs, but no quantitative data support this assertion. DOL should study these issues. One method of assessing the costs and benefits of STC could historically follow approved STC plans. Studying approved STC plans containing a number of STC employees may determine the employers' costs and savings, and with administrative records, assess employees' outcomes.

4.3.5 Administrative Costs

The STC program can benefit from a detailed analysis of the SWA administrative costs of STC and a comparison to the current federal funding allocation. Better estimates of the cost of receiving and deciding on STC applications are needed, as well as the cost of processing initial and continued claims. Such analysis can measure the relative costs of the STC and regular UI programs and, if warranted, could form the basis for revamping the current allocation of administrative funds to STC.

4.3.6 Administrative Practices

DOL could conduct a study of STC administrative practices, including how STC applications are received, reviewed, and approved and how initial and continued UI claims are processed. DOL also could study STC automation methods, with results disseminated to the states in a handbook of best practices.

4.3.7 Alternative STC Program Administration and Outreach Approaches

The STC program requires employer-related activities that are not part of the normal UI tax and benefit payment processes. Most state agencies have assigned administration of the entire STC program to their UI benefit payment units. In the past, some SWAs, such as Connecticut, assigned some outreach and promotion activities to the Employment Service employer representatives (Wentworth, 2015). DOL could undertake a study of alternative state agency STC administrative and outreach processes to reveal the most effective and efficient models of STC program operations. Research could also investigate program messaging to see whether current outreach methods enable employers to make sound participation decisions, especially with respect to program costs.

4.3.8 Use of Skip Week (Rolling Layoffs) Programs

Some employers and employees prefer skip week or rolling layoff programs (See Appendix G) to STC, for reasons that deserve investigation. DOL should study these programs and their effectiveness as an alternative to STC.

4.4 Overall Study Findings

This study reviewed employers' characteristics and their awareness of, participation in, and perceptions of the STC program. Some of the key employer survey findings include the following:

- Awareness of the STC program and the state's name for the program was very low among non-STC employers—that is, the vast majority of employers. This lack of awareness may be an important reason why the program is not used more frequently.
- The term “short-time compensation” was generally not recognized by either STC or non-STC employers, but STC employers knew the state STC program name.
- STC employers that used STC were satisfied with the SWAs' administration of the program, and more than 80 percent said they would use STC again.
- Employers generally heard about STC from SWAs.
- Employers applied for STC because of reduced business activity, to avert layoffs, and to maintain the morale and the health insurance of their workforce.
- Employers indicated that their employees liked STC and that it improved morale.

- While a plurality of STC employers reported that STC is cheaper than layoffs, no recent objective analysis exists about the tradeoffs between uses of the UI and STC programs.
- In general, STC employers indicated that retaining employees by using STC was less expensive than hiring and training new workers.
- The majority of STC employers responded that STC increased their administrative burden, but an even larger majority indicated that it was not difficult to apply for STC.
- Employers who used STC were spread across Manufacturing, TWPS, and Other sectors. The percentage of STC employers in Manufacturing varied from approximately 25 to 60 percent among the study states.
- STC use traditionally concentrated among employers of 10 to 249 employees; this was the case in Kansas and Minnesota during the study period. Rhode Island and Washington, however, experienced increased participation by very small employers. Aggressive outreach and promotion by these two state agencies may have increased the diversity of employer participation in terms of employer size and industry mix.
- Small employers (one to nine employees) constitute the great majority of employers in the United States. These employers make little use of STC.
- Employers described STC employees as mostly high-skilled and medium-skilled hourly employees; they described less than a quarter of employees as low skilled.
- Repeat use of STC by employers was high. According to state administrative data, between 43 and 65 percent of employers in the study states used it more than once during the study period.³⁶
- Most employers indicated that using STC enabled them to maintain productivity and retain skilled workers.
- After using STC, only 16 to 21 percent of employers eventually laid off STC employees. This finding suggests that STC served well in its function as a layoff avoidance strategy during and after the Great Recession.

Generally, during the study period, state STC laws in the study states did not appear to affect employer attitudes, perspectives, and opinions because of the small variations in key STC provisions. SWA administrative procedures and outreach activities do appear to have made a difference in how many employers used STC and how they felt about it.

The IMPAQ survey of employers was designed to update the literature and fill some of the gaps in the knowledge about STC in the U.S. The employer survey in four states contributes new and updated findings about the characteristics of STC employers, their awareness and use of the program, their perceptions about the value of STC, effects on employees and productivity, and costs. Several topics were outside the scope of the IMPAQ employer survey and remain

³⁶ Repeat use was high among STC respondents (See Exhibit 2.2 in Chapter 2).

important areas for future research, including topics related to employee perceptions and demographics and a comprehensive cost study.

Though this study has facilitated greater understanding of how employers respond to the STC program, a great deal of additional research needs to be conducted to better understand the program and how to increase its use to reduce layoffs and maintain productivity, especially in recessionary times.

APPENDICES

Methodology

Appendix A: State Selection

Appendix B: Methodology

Appendix C: Employer Survey of Short-Time Compensation Program

Program Context

Appendix D: STC History and Literature Review

Appendix E: Study States During the Period 2008-2013: Economic Conditions, Laws, Policies, Procedures and Program Outcomes

Appendix F: State Administrative Data: Analysis OFSTC Participation and Usage in Each State

Appendix G: STC Policies, Laws, and Administrative Practices

Appendix H: Additional Tables and Charts of Survey Responses

Appendix I: Case Study of the STC Program in Washington

Appendix J: Qualitative Feedback from Employers

APPENDIX A. STATE SELECTION AND SURVEY METHODS

A.1 Selection of Study States

IMPAQ first considered each of the seventeen states operating STC programs in 2009³⁷ for inclusion in the study. These programs varied in age, statutory language, rules, state agency practices, and usage rates. From these seventeen, the research team narrowed down the list of states by selecting only those that met the following criteria:

- Implementation of STC in two different decades;
- STC payments in 2009,³⁸ (preference for larger STC payments relative to payment of UI first payments);
- Capacity of the state data system to identify both employers who used STC and employers who had contacted the state about the program;
- Experience working with STC employers; and
- Geographic and economic diversity.

Using these criteria, researchers narrowed down the list of potential study states to Connecticut, Rhode Island, Minnesota, Oregon, Washington, and Kansas.

A.1.1 Initial Contact with Potential Study States

After first obtaining permission from DOL and then giving notice to the ETA regional offices and the states, IMPAQ contacted key STC staff in these six states to conduct short, semi-structured interviews with them. The purpose of these interviews, conducted in August and October 2012, was to gain a richer understanding of employer issues and assess each state according to IMPAQ's selection criteria. Each call was about an hour in length, and the focus was confined to STC administration and employer participation. Dialogue between the IMPAQ team and state staff centered on four topics:

- Outreach, application, and benefit payment processes;
- Data elements, collection, and retention;
- Employer use and attitudes; and
- Future contact information

Exhibit A.1 presents a summary of the characteristics of the STC programs whose staff were interviewed. The variations across these characteristics, identified in the SWA interviews, enabled the research team to make the final selection of states for the study.

³⁷ These seventeen states are Arizona, Arkansas, California, Connecticut, Florida, Iowa, Kansas, Maryland, Massachusetts, Minnesota, Missouri, New York, Oregon, Rhode Island, Texas, Vermont, and Washington.

³⁸ According to ETA 5159, national STC claims usage in 2009 was 2.04 percent of UI first payments.

These initial calls with the state STC leaders helped ensure that the final study sample included state STC programs with varying degrees of employer use and varying employer attitudes toward the program. Based on the interviews, our understanding of the states' data systems, and DOL advice during a meeting on October 19, 2012, the IMPAQ team identified four states for inclusion in the survey of employers: Kansas, Minnesota, Rhode Island, and Washington. The final four states selected for the study varied in geography, program experience, and statutory requirements.

Exhibit A.1 Characteristics of Initially Selected State STC Programs

State	Year STC Adopted	STC Payments as a Percentage of UI First Payments, 2009	Maximum STC Staffing, 2007-2009 (FTEs)
Connecticut	1992	Not Available	6-7
Kansas	1988	12.7%	3
Minnesota	1994	5.6%	3
Oregon	1982	5.5%	2-3
Rhode Island	1991	15.9%	2-3
Washington	1983	5.5%	16-24

Sources: For STC Payments 2009, ETA 5159. Retrieved 3/27/2015, from <http://www.workforcesecurity.doleta.gov/unemploy/DataDownloads.asp>; for STC Staffing, Great Recession Workload High Point, IMPAQ interviews with SWA staff, 2012. Rhode Island staffing reached 5-6 in October 2012 to meet continuing workload demands.

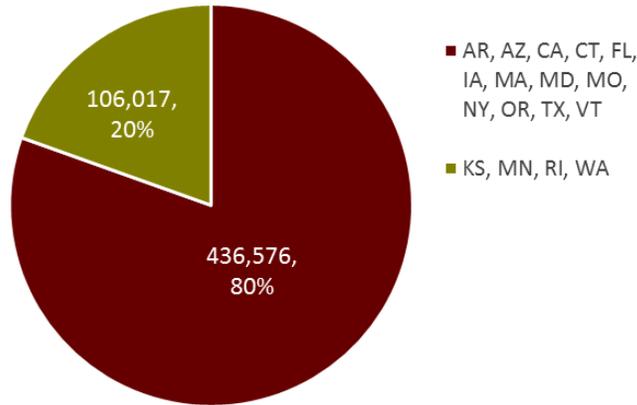
A.2.2 Second Round of Calls and Solicitation of States

During October and November 2012, IMPAQ conducted a second round of telephone interviews with SWA staff in the four states to identify STC data capabilities and willingness to participate in the study. During the next few months, IMPAQ worked on various aspects of the evaluation, including developing data sharing agreements.

In May 2013, DOL approved the four states selected to participate in the survey. DOL sent letters to the administrators in Kansas, Minnesota, Rhode Island, and Washington formally soliciting their participation. In June 2013, the four SWAs agreed to participate. The IMPAQ team contacted each state agency to prepare for the data acquisition process and submit data sharing agreements.

Based upon the criteria above, the four selected states accounted for roughly twenty percent of all STC first payments made between 2009 and 2011. Exhibit A.2 illustrates the number of STC first payments made between 2009 and 2011 for the four selected states and thirteen states not selected for participation.

Exhibit A.2 STC First Payments, 2009–2011



Source: ETA 5159. Retrieved 3/27/2015, from <http://www.workforcesecurity.doleta.gov/unemploy/DataDownloads.asp>

As indicated in Exhibit A.3 there was variation in statutory requirements among the four states at the time of the study. Kansas and Rhode Island did not require employers to maintain health and retirement benefits for employees while they received STC; Washington and Minnesota, by contrast, did require maintenance of health and retirement benefits.³⁹

All states except Minnesota required union concurrence with employers’ plans to participate in STC. Minnesota required employee notification of the plan and written notice of the plan end. Kansas, Rhode Island, and Washington required employee notification of the STC plan submission.

Exhibit A.3 Selected STC Plan Approval Requirements During Study Period, 2012

Selected Plan Requirements	Kansas	Washington	Minnesota	Rhode Island
Maintenance of Health Benefits	Plan must specify	Yes, by state statute	Yes, by SWA practice	Plan must specify
Maintenance of Pension Benefits	Plan must specify	Yes, by state statute	Yes, by SWA practice	Plan must specify
Union Concurrence or Sign-off	Yes	Yes	No	Yes
Employee Notification or Concurrence	Notification only	Yes	Notification only	Notification only

Source: Interviews with SWA staff, 2012.

³⁹ Kansas and Rhode Island required that employer plans indicate how fringe benefits should be treated.

Exhibit A.4 shows that the four states varied in their unemployment rates and in their UI tax systems. Minnesota and Washington were benefit ratio states, while Kansas and Rhode Island were reserve ratio states.⁴⁰ Minnesota experienced the lowest annual average unemployment rate of the four states in 2011 (6.4 percent), while Rhode Island experienced the highest unemployment rate (11.3 percent).⁴¹ The four states are geographically dispersed with one state in the Northeast region, two in the West North Central region, and one in the Pacific region.

Exhibit A.4 Additional Characteristics of Study State STC Programs

Selected Plan Requirements	Kansas	Minnesota	Rhode Island	Washington
2011 Unemployment Rate	6.7%	6.4%	11.3%	9.2%
Type of UI System	Reserve Ratio	Benefit Ratio	Reserve Ratio	Benefit Ratio
Region	West North Central	West North Central	Northeast	Pacific

Source: U.S Department of Labor, Bureau of Labor Statistics, 2012a.

A.2 Field Work in the Four Study States

In July and August 2013, a two-person IMPAQ team, a project manager and a subject matter expert, conducted site visits to the four SWAs. The STC program is managed statewide at each SWA’s administrative office (See Exhibit A.5) rather than being decentralized to UI call centers or American Job Centers. The IMPAQ team sent an agenda to each SWA before the visit. Agendas consisted of a kickoff meeting and individual meetings with key SWA staff. The purposes of the meetings were to:

- Review draft data sharing agreements;
- Finalize the list of data requested;
- Review the draft survey instrument with SWA staff;
- Review the pilot test protocol; and
- Review STC administrative processes.

⁴⁰ “Reserve ratio” is the ratio of an employer’s accumulated reserves (contributions minus benefits) to taxable payroll. “Benefit ratio” is the ratio of average annual benefit charges to taxable payroll.

⁴¹ The U.S. annual average unemployment rate in 2011 was 8.9 percent.

Exhibit A.5 On-Site Field Visits

State	SWA Administrative Office	Date of Visit
Kansas	Topeka	August 1–2, 2013
Minnesota	St. Paul	July 25–26, 2013
Rhode Island	Providence	August 7–9, 2013
Washington	Olympia	July 21–24, 2013

Throughout autumn 2013, IMPAQ continued to work with the four states to finalize the data sharing agreements, identify data, discuss STC programming, and establish protocols for secure transmission of data. IMPAQ completed data sharing agreements with Kansas and Washington in October and with Minnesota and Rhode Island in November.

A.3 Employer Survey

The IMPAQ employer survey was designed to capture responses from three groups of employers:

- 1) **STC employers:** employers for which STC plans had been approved;
- 2) **Non-STC employers:** employers that had no knowledge of STC; employers that did not apply; employers that withdrew their application;
- 3) **Denied employers:** employers that applied but were denied.

IMPAQ’s employer survey had seven sections:

- Introduction;
- Section A: Employer Characteristics;
- Section B: Screener;
- Section C: STC Employers;
- Section D: Denied Employers;
- Section E: Non-STC Employers; and
- Closing.

All employer groups received the first three sections of the survey: Introduction; Section A, Employer Characteristics; and Section B, Screener. The Introduction provided respondents with information about who was conducting the research, the purpose of the research, and participation and privacy. Section A asked respondents questions about their company’s age, products and services, employees, and benefits. Section B allowed the research team to identify to which of the three employer groups the respondent belonged. The survey used the name of each respondent’s state’s STC program rather than calling it “short-time compensation”.

Next, the survey directed employers to different sections depending on the respondent's group status (STC employer, non-STC employer, or denied employer). The detailed survey questions for these sections are in Appendix C. Finally, all respondents were directed to the Closing section of the survey, where they were asked to share any comments about their state's STC program. The Closing also thanked respondents for their participation and, at the request of state STC administrators, provided respondents with the state STC program Website address.

A.3.1 Mixed-Mode Design

The IMPAQ employer survey was administered via two different modes: computer-assisted Web interviewing (CAWI, referred to as the "Web" survey) and computer-assisted telephone interviewing (CATI, referred to as the "telephone" survey). The Web survey enabled employers to complete the questionnaire online. The telephone survey enabled employers to complete the questionnaire over the telephone with the assistance of a trained interviewer. Employers could choose their preferred mode to respond. Survey literature has shown how offering choices to respondents to respond to a survey enhances response rates while keeping costs minimal when the study group is large and diverse (Converse et al., 2008; Tobin, Thomson, Radhakrishna, & LaBorde, 2012). Once the survey was in the field, daily suppression files were generated for both versions in order to limit burden on the respondents and to prevent duplicate responses. For example, Web respondents would not be contacted by IMPAQ's survey center to respond to the telephone version.

A.3.2 Pilot Testing

During the site visits to study states, IMPAQ conducted pilot tests of the employer survey with knowledgeable SWA practitioners who administered the STC program in each of the four study states. The IMPAQ team conducted each of these tests in person by reviewing the Web survey with the practitioners. These sessions lasted about two hours each. The IMPAQ team solicited direct input from the practitioners by reviewing the questionnaire one question at a time, soliciting practitioner feedback, and discussing potential changes as comments arose. Upon completing these four practitioner reviews, IMPAQ incorporated the suggestions by modifying, deleting, substituting, or adding questions.

IMPAQ also pilot tested the employer telephone survey with five employers in October 2013. At IMPAQ's request, Minnesota agency staff identified five Minnesota employers—four that had participated in STC and one that had not—that were willing to conduct a pilot test of the survey instrument. IMPAQ administered each pilot test interview by telephone. The interviewer used cognitive interviewing techniques with the employers to test content and question validity. After each pilot interview, the IMPAQ team modified the instrument by eliminating redundant and unnecessary questions and by clarifying any misunderstood or unclear questions and response options. These changes were designed to improve the overall quality of the survey data and to

reduce response time.⁴² After a final review of the survey, IMPAQ submitted it to DOL for review resulting in further modifications.

IMPAQ sent the survey to the Office of Management and Budget (OMB) for Paperwork Reduction Act approval on November 26, 2013. On February 24, 2014, OMB staff met with DOL and the IMPAQ team to discuss the content of the survey and IMPAQ's OMB submission. OMB granted approval to conduct the survey on April 3, 2014.

A.3.3 Constructing the Employer Samples to Be Surveyed

By February 2014, the four study states had sent initial administrative data to IMPAQ to enable construction of the samples of employers to be surveyed. By May, all study SWAs had provided additional complete and updated administrative data. The IMPAQ team created the study sample using two main groups of employers: STC employers and non-STC employers. For the STC sample, IMPAQ used the universe of STC participants during the study period. For non-STC employers, IMPAQ selected a stratified random sample from the universe of non-STC employers. The non-STC employer sample was stratified into three industry sector categories. The first two sectors, Manufacturing and Transportation, Warehousing and Trade, and Professional Services (TWPS) are industry categories with historically high rates of STC usage. The third category, "Other", was a catch-all for all other industries.⁴³ IMPAQ stratified the sample by these industry sector categories in order to adequately incorporate feedback from employers that are likely to use STC from the non-STC employer universe.

Initially, the IMPAQ team created the STC employers sample group by identifying employers who had approved STC plans from 2010 through 2012. However, in order to maximize the responses received, the team expanded the sample to include all employers with approved STC plans from 2008 through 2013. This revised time frame also meant that the study period would include the Great Recession and its aftermath. If an employer had STC plans in multiple years, the IMPAQ team used only the most recent plan year to identify the employer's plan year in the sample.

The IMPAQ team initially constructed the non-STC employer sample by randomly selecting 500 non-STC employers from each industry sector for each study state. However, in order to maximize the responses received, the team expanded the non-STC sample by randomly selecting an additional 1,000 non-STC employers from each industry sector. Appendix B includes additional details about the samples and state administrative datasets.

⁴² For example, the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5, established the Federal Additional Compensation (FAC) program. The FAC program provided a temporary \$25 supplement to the weekly payment of all forms of UI, including STC. In the pilot test, IMPAQ asked employers if they applied for STC "because during the recession, STC employees were to receive an additional \$25 per week in unemployment benefits." No pilot test employer knew about the \$25 stimulus supplement, and none thought it was reason to apply for STC. As a result, IMPAQ eliminated the question from the final survey.

⁴³ Industries were defined by NAICS codes as follows: Manufacturing: 311-316, 321-327, 331-337, 339; TWPS: 42, 44, 45, 48, 49, 51-54; Other: 11, 21-23, 55, 56, 61, 62, 71, 72, 81, 92, 99.

A.3.4 Field Period for Survey

The IMPAQ employer survey was fielded from May 27, 2014, to October 31, 2014—approximately five months. In the weeks prior to the study period, the IMPAQ team sent notification letters to employers with information about the study, the questionnaire, and options for completion. In November 2014, team members called the SWAs to tell them that the survey period had concluded on October 31 and to share with them the preliminary response rates for their states. Chapter One includes a summary of the number of responses that were received.

APPENDIX B. ADDITIONAL SURVEY METHODOLOGY

B.1 Study Sample Creation

B.1.1 State Administrative Data

Each study state provided IMPAQ with administrative data to create the employer survey sample. Exhibit B.1 below describes the files that the states provided (in “.txt” format).

Exhibit B.1 Administrative Files Received from Study States

State	Files Received*
Kansas	All Employer Information
	STC Claimant Extract
Minnesota**	All Employer Information
	STC Employer Plan Information
	All Plan Participants
	Benefit Account SOC Characteristics
	Benefit Payments During Plan Participation
	Claimant Base Period Wages
	Claimant Demographics
	Entire Benefit History of Participants
Washington	All Employer Information
	STC Employer Plan Information
Rhode Island	All Employer Information

Notes: * All files received in “.txt” format.

** Only used the necessary datasets (described below).

The state UI administrative data were used to produce an employer-level dataset of the universe of employers in each state, with each employer coded as either STC or non-STC for the study period. Because IMPAQ received different sets of data from each state, the data cleaning procedures were customized in order to construct employer datasets that were comparable across states. Each state’s employer dataset was then used to select a sample of STC and non-STC employers to survey. The sections below outline the data cleaning procedures used for data from each of the study states.

B.1.2 Kansas Shared Work Datasets

Kansas provided two datasets, *All Employer Information* and *STC Claimant Extract*. The *STC Claimant Extract* was used to identify the Shared Work employers. It contained employee-level

UI claims data for employees receiving Shared Work benefits, including an employer identification number for each employee. These employer numbers were used to produce a dataset of unique employers participating in Shared Work. Then, this dataset of Shared Work employers was merged with the *All Employer Information*, which contained the universe of Kansas employers, to designate employers as STC or non-STC.

The next step was to isolate only the Shared Work employers that participated in STC during the study period (2008-2013). The Kansas *STC Claimant Extract* dataset did not include the Shared Work plan begin and end dates; it only tracked claims made under Shared Work and the date of each claim (“claim date” in the dataset). Therefore, in order to clip out employers that participated in the desired range of years, the claim date (rather than a Shared Work plan begin date), had to be used. The claim dates selected ranged from January 19, 2008 to December 31, 2013. In the dataset, there were employers with STC claimants in more than one year (repeat users). Because Shared Work plans were only included when there was a claim made on them, one limitation of the Kansas dataset is that it excluded employers with an approved Shared Work plan during the study period that did not have any claims.

The *All Employer Information* included information on the full population of employers within the state of Kansas including employer name, industry, status, and contact information. Therefore, once the STC and non-STC employers were coded in *All Employer Information* for our study period, the contact information in *All Employer Information* was used to field the survey.

B.1.3 Minnesota Shared Work Datasets

Minnesota provided eight datasets. Two of them, *All Employer Information* and *STC Employer Plan Information*, were most relevant for creating the STC and non-STC employer samples. *All Employer Information* included information on the universe of employers within the state of Minnesota including employer name, industry, employer status (active or inactive), contact information, and an employer identification variable that uniquely identified each employer.

STC Employer Plan Information was a plan-level dataset for the Shared Work program that included employer information for each plan and other plan information, such as the begin and end dates of the Shared Work plan and information about the Shared Work plan contact person within the firm. Each shared work plan had a unique identifier, the plan serial number, and employers were identified with the same identification variable as the *All Employer Information* dataset. Minnesota sent a dataset for which the plan begin date ranged from August 6, 2006 to October 13, 2013, which was culled to create a dataset only for the study period by selecting records with plan begin dates between 2008 and 2013. The employer identifier variable was used to generate a file of unique Shared Work employers. This file was merged with the *All Employer Information* dataset to code the employers as STC or non-STC. Employers that did not have a plan in *STC Employer Plan Information* during the study period were coded as non-STC employers in *All Employer Information*.

B.1.4 Rhode Island WorkShare Dataset

Rhode Island provided a single dataset, *All Employer Information*, which was an employer-level dataset containing variables such as employer name, industry, status, and contact information. This included firms with and without a WorkShare plan. The dataset included WorkShare plan information for employers participating in WorkShare, such as a unique plan identifier (“Plan ID”) and the plan begin and end dates. The original dataset included records from January 4, 2009 to May 25, 2014, so it was reduced to identify employers with WorkShare plans during the study period.⁴⁴ Those employers that had at least one Workshare plan in the study period were coded as STC employers, and the rest were coded as non-STC employers.

B.1.5 Washington Shared Work Datasets

Washington provided two datasets, *All Employer Information* and *STC Employer Plan Information*. *All Employer Information* included information on the universe of employers in Washington and included variables such as employer name, industry, contact information, and unique employer identification number.

STC Employer Plan Information was a plan-level dataset containing Shared Work plans approved between April 7, 2007 and February 24, 2013. It tracked plan details such as a unique plan identifier (“Plan ID”), plan begin and end dates, number of employees included in the plan, and the city where it was effective. Active plans beginning in any year between 2008 and 2013 were selected and used to generate a Shared Work employer dataset for the study period. A file of unique Shared Work employers was generated from the plan-level data (eliminating duplicates for employers with multiple plans). Then, the employer dataset was merged with the *All Employer Information* dataset to code the employers as STC and non-STC employers.

B.1.6 Employer Universe and Survey Samples

Below describes the employer datasets, which include the universe of unique employers in each study state. In these datasets, each employer was either coded as an “STC employer” (with at least one STC plan in the study period of 2008-2013) or a “non-STC employer” (no STC plans during this period), based on each state’s UI administrative data and the data cleaning procedures described above.⁴⁵

⁴⁴ Note: There are no administrative data for Rhode Island for 2008.

⁴⁵ Unique employers are unique within the study period, not within a year. To generate the universe, no employer was counted more than once.

Exhibit B.2 Universe of Unique Employers by State – STC and Non-STC

State	STC Employers							Non-STC Employers
	2008	2009	2010	2011	2012	2013	2008–2013	2008–2013
Kansas	NA	30	141	118	73	49	411	70,973
Minnesota	30	223	123	42	57	56	531	129,219
Rhode Island	NA	213	163	122	140	100	738	31,535
Washington	74	616	809	1,024	1,047	158	3,728	208,053
Total	104	1,082	1,236	1,306	1,317	363	5,408	439,780

Source: State UI administrative data, 2014.

Note: If an employer had STC plans in multiple years, it was counted only in the most recent year in the table.

Sampling Frame

The initial STC employers sample group was created by identifying the universe of employers with approved STC plans from 2010 through 2012. However, to maximize the number of responses from STC employers, it was later expanded to include employers with approved STC plans from 2008 through 2013⁴⁶ – spanning the Great Recession and its aftermath. In the final sample, Kansas had 411 STC employers, Minnesota had 531, Rhode Island had 738, and Washington had 3,728. Washington had a significantly larger number of STC employers than any other state in the study for several reasons (See Appendices G and I). The total number of STC employers in the sample for the study was 5,408.

For non-STC employers, the universe of employers to start with was much higher than for STC employers, so a stratified random sample was created from the employer universe datasets from each state. The sample was stratified into the three industry sectors (described in Appendix A) in order to adequately incorporate feedback from employers that are likely to use STC. The three industry categories were: Manufacturing, TWPS, and Other.⁴⁷

Initially, 500 non-STC employers from each stratum were randomly selected. However, to maximize the response rate, the sample was later expanded by randomly selecting an additional 1,000 non-STC employers from each industry stratum. In total, the team randomly selected 1,500 non-STC employers from each industry sector category (See Exhibit B.3).⁴⁸ The total sample size for all non-STC employers was 17,645 employers.

⁴⁶ For STC employers in Washington, the initial plan was to keep only 50 percent of the sample of STC Employers. But due to low response rates, this was expanded to include the entire sample. We ultimately reached out to the universe of STC employers in Washington as in other states.

⁴⁷ The industry categories were created based on NAICS codes (See Appendix A).

⁴⁸ The universe of Manufacturing employers in Rhode Island was less than 1,500, so the entire population of 1,145 employers was selected in that case.

Exhibit B.3 Non-STC Employers by Industry Sector

State	Manufacturing	TWPS	Other	Sample
Kansas	1,500	1,500	1,500	4,500
Minnesota	1,500	1,500	1,500	4,500
Rhode Island	1,145*	1,500	1,500	4,145
Washington	1,500	1,500	1,500	4,500
Total	5,645	6,000	6,000	17,645

Source: IMPAQ survey design calculation

*Represents the total universe of non-STC Manufacturing firms in Rhode Island.

The state UI administrative data did not capture employers whose STC applications were denied or employers who inquired about the STC program but never applied. Therefore, the non-STC sample included employers that applied to STC but were denied, applied and then withdrew their applications, inquired about STC but never applied, and never inquired or applied.⁴⁹

B.2 Survey Center Methodology

B.2.1 Pre-Notification Letters

Before the survey went live on May 27, 2014, the IMPAQ team mailed survey pre-notification letters to all STC and non-STC employers in the samples. These letters were sent via the U.S. Postal Service and were addressed to the contacts listed in the states' administrative data. The letters introduced IMPAQ, described the purpose of the employer survey, described how to participate either via the Web or by phone, and included a statement for the Paperwork Reduction Act, including the OMB Control Number. These letters did not identify or refer to STC in order not to seed employers' awareness of the program. Instead, these letters referred to the survey as *Unemployment Insurance Program Survey*. Letters sent to STC employers differed only slightly from letters sent to non-STC employers in that they stated that IMPAQ staff members would follow up with employers by phone. Survey center staff focused on maximizing the response rate of STC employers by proactively calling STC employers. (See Call Center Attempts below.) The decision not to follow up with non-STC employers by phone was based on the expectation that a sufficient number of non-STC employers would respond to the survey, since the non-STC employer sample was much larger than the sample of STC employers (See Exhibit B.4).

⁴⁹ The survey asked employers to self-categorize as STC and non-STC (with questions about whether they had submitted an STC plan application between 2008-2013), and it included separate response options for employers with denied and withdrawn applications. A very small number of employers selected denied or withdrawn and never had an STC plan approved within the study period (six denied and 26 withdrawn).

B.2.2 Telephone Interviewer Training

Prior to the start of outbound calls, IMPAQ provided extensive training to survey center telephone interviewers. Training included an introduction to and overview of the IMPAQ STC study, a review of questions anticipated from respondents, guidance on how to handle refusals and gatekeepers, and interviewer guidelines. Questions interviewers were coached on how to answer include:

- How do I know this is a legitimate survey?
- How did you get my number/information?
- Who is IMPAQ International?
- Is the survey confidential?
- Will participation in the survey impact my company's UI tax rate or eligibility for any publicly funded program?
- I received a letter/email about this survey. I thought I could take it online?
- Why should I do this survey?
- What kind of information does this survey collect?
- How long with this take?
- What happens if I don't want to participate?

B.2.3 Call Center Attempts

Interviewers conducted outbound telephone interviews with STC employers during normal business hours in the respondent's time zone—Monday through Friday, 9:00 a.m. to 5:00 p.m. local time (9:00 a.m. to 8:00 p.m. Eastern time). Interviewers attempted a maximum of nine calls to each STC employer contact over the course of the field period. At the beginning of calling efforts, priority was given to requested callbacks and records with no attempts. After all contacts had been attempted at least once, the call priority shifted to allow for a measured calling approach focusing on calling the sample evenly across calling occasions. Contacts that did not answer were contacted again following a set of no-answer rules that ensured they were re-called at a different day and/or time to ensure a higher likelihood of response on subsequent attempts. Once a final disposition was reached, no further call attempts were made. Final dispositions include, but are not limited to, conditions such as "complete," "strong refusal," "business closed," and "disconnected number." In order to maximize the effectiveness of call attempts, several calling occasions were used to split attempts across the calling day. Each calling day (Monday through Friday) was split into two "day parts": 9:00 a.m. to 1:00 p.m. and 1:00 p.m. to 5:00 p.m.

For example, if a contact was called on Monday at 9:00 a.m. and received a "no answer" disposition, the system scheduled that contact as an *indefinite* callback to be queued up for calling during another day part (generally skipping one or more calling occasions). The system might deliver that contact to an interviewer for calling on Thursday at 2:00 p.m. This scheduling

allowed a contact attempt on several different days and times in an effort to reach an eligible employer. Scheduled or *definite* callbacks, such as those generated by employer requests, took precedence over indefinite callbacks to maximize the chance of reaching employers at their chosen appointment time. Daily suppression files were generated for the telephone and Web surveys to limit the burden on respondents and minimize duplicate responses.

B.2.4 Response Rates

Exhibit B.4 provides a detailed breakdown of the universe, sample size, responses, and response rates of the survey by industry and state for STC employers and non-STC employers. The overall response rate for STC employers was 35 percent and three percent for non-STC employers.

In recent decades, response rates for surveys have fallen for a variety of complex reasons, including changes in public attitudes, a growing sensitivity about government intrusion, and other factors that are not within the scope of this study.

Exhibit B.4 STC and Non-STC Employers, Survey Sample, and Respondents by Industry

	KANSAS							
	NON-STC				STC			
	Universe	Sample	Responses	Response Rate	Universe	Sample	Responses	Response Rate
Manufacturing	2,607	1,500	31	2%	224	224	62	28%
TWPS	38,720	1,500	18	1%	97	97	15	15%
Other	29,646	1,500	21	1%	90	90	24	27%
Total	70,973	4,500	70	2%	411	411	101	25%
	MINNESOTA							
	NON-STC				STC			
	Universe	Sample	Responses	Response Rate	Universe	Sample	Responses	Response Rate
Manufacturing	8,344	1,500	75	5%	334	334	99	30%
TWPS	66,230	1,500	53	4%	59	59	47	80%
Other	54,645	1,500	65	4%	139	139	25	18%
Total	129,219	4,500	193	4%	531	531	171	32%
	RHODE ISLAND							
	NON-STC				STC			
	Universe	Sample	Responses	Response Rate	Universe	Sample	Responses	Response Rate
Manufacturing	1,145	1,145	19	2%	322	322	83	26%
TWPS	15,721	1,500	12	1%	197	197	59	30%
Other	14,669	1,500	29	2%	219	219	41	19%
Total	31,535	4,145	60	1%	738	738	183	25%

	WASHINGTON							
	NON-STC				STC			
	Universe	Sample	Responses	Response Rate	Universe	Sample	Responses	Response Rate
Manufacturing	5,726	1,500	84	6%	968	968	381	39%
TWPS	77,531	1,500	83	6%	1,340	1,340	549	41%
Other	124,796	1,500	56	4%	1,420	1,420	484	34%
Total	208,053	4,500	223	5%	3,728	3,728	1,414	38%
	TOTAL							
	NON-STC				STC			
	Universe	Sample	Responses	Response Rate	Universe	Sample	Responses	Response Rate
Manufacturing	17,822	5,645	209	4%	1,848	1,848	625	34%
TWPS	198,202	6,000	166	3%	1,693	1,693	670	40%
Other	223,756	6,000	171	3%	1,868	1,868	574	31%
Total	439,780	17,645	546	3%	5,408	5,408	1,869	35%

Source: Employer characteristics dataset (2008-2013); state UI data, 2014.

Baruch and Holtom (2008) analyzed 1,607 studies published in 2000 and 2005 to examine response rates in surveys. The 490 studies that used surveys covered more than 100,000 organizations and 400,000 individual respondents. The average response rate for studies that utilized data collected from organizations was 35.7 percent, with a standard deviation of 18.8, indicating high variation. Other research has documented a declining trend in response rates to surveys; for example, Groves (2011) notes that survey participation rates have declined since the 1990s as alternative modes of data collection have become more popular.

The response rate of 35 percent for STC employers is similar to response rates attained by other surveys of organizations. High satisfaction levels with the program, frequent repeat usage, and continued outreach (such as in Washington), are likely to translate into higher response rates in future surveys as the program becomes more well known. However, although the IMPAQ survey received 546 responses from non-STC employers, the response rate of three percent was very low.

There are several plausible explanations for this. First, non-STC employers did not participate in the program and, therefore, lack any affinity to it that could incentivize them to complete the survey. Second, the quality of employer contact information in the state UI administrative data is difficult to ascertain, so it is plausible that the contact information was out-of-date. Therefore, the survey may not have been sent to the most appropriate respondent, ideally someone knowledgeable about the company's experience with the program and responsible for filing a program application. In future surveys, researchers need to pay special attention to obtaining

the highest quality contact information for the STC plan coordinator at each employer. This would likely to increase response rates and improve the quality of responses.

Finally, unlike STC employers, non-STC employers were not contacted by phone prior to receiving the Web survey.⁵⁰ The decision not to contact non-STC employers by phone was made in order to invest resources to maximize of STC employer responses, and also because the team was concerned that the initial sample of STC employers was very small compared to the sample of non-STC employers.

In hindsight, the assumption that the large samples of non-STC employers would be sufficient to yield a comparable number of responses for non-STC was incorrect. When it became clear that non-STC responses would be very low and resources for follow-up phone calls were limited, the research team decided to focus resources on maximizing STC employer responses. Future employer surveys would likely achieve better responses by closely monitoring response rates of each subgroup of employers to ensure that a balanced number of responses are obtained across each group (STC, non-STC), state, and industry sector.

B.2.5 Determining Final Datasets for Analysis

As discussed in Appendix A, the IMPAQ team decided to divide the raw survey results into three final datasets for analysis:

1. Employer Characteristics
2. Employer Perceptions
3. STC Denied

Employer survey respondents self-identified as STC or non-STC by answering questions B9 and B10 about whether they had applied for STC in the years 2008 through 2013. If they answered that they had applied for STC, then they were routed to the questions for STC employers. If they answered that they had not applied for STC, then they were routed to the questions for non-STC employers.

Some respondents did not answer B9 and B10 at all; others gave answers that contradicted the administrative data, thereby introducing ambiguity about whether they were STC employers during the study period or not. The 182 respondents that did not respond to B9 and B10 (choosing “refused” or “don’t know”) were classified as “missing” and excluded from all datasets. Plausible explanations for why employers skipped this question include concerns about privacy and competition or a desire not to complete the survey.

Responses from 300 employers identified in state administrative data as STC participants said that the employers had not applied for STC. The plausible explanations for why STC participants

⁵⁰ In addition to receiving advance letters, STC employers were also contacted by phone proactively throughout the survey period—an effective way to raise response rates (Baruch & Holtom, 2008).

may have erroneously answered “no” to B9 include recall error, the possibility that the survey reached the wrong respondent (one who would not have any knowledge of STC participation), or employee turnover (new staff may have had limited knowledge of STC participation in earlier years). IMPAQ decided to include these 300 respondents as STC employers in the employer characteristics dataset, because their answers to questions about firm characteristics, such as size and age of the firm, should be valid responses. However, the IMPAQ team decided to exclude these 300 respondents from the employer perceptions dataset, because, even if these 300 respondents were STC participants as shown in administrative records, they gave no responses to questions about their participation in STC because of the way the survey used questions B9 and B10 to direct respondents to appropriate sections.

In addition, 27 firms not identified in the administrative data as STC employers indicated that they had applied for STC. The plausible explanations include recall error or STC participation that was either before or after the study period. The IMPAQ team treated these respondents similarly to the 300 above (for similar reasons, and because they participated outside the study period): They were included in the employer characteristics dataset as non-STC employers, based on administrative record classifications, and excluded from the employer perceptions dataset.

The third dataset, STC denied, included six employers that applied but were denied and were never accepted at any point within the sampling time frame. IMPAQ excluded the six denied employers from both the employer characteristics and the employer perceptions datasets, because they could not be classified as STC or non-STC.

There were also 26 employers that said they applied but then withdrew their application for STC. IMPAQ included these respondents in the employer characteristics dataset but excluded them from the employer perceptions dataset. In the employer characteristics dataset, they were classified into STC and non-STC categories based on the administrative records.

B.3 Limitations of the Study Design

The employer survey was designed to examine the perceptions and experiences of both STC and non-STC employers in the four study states. The survey population was more extensive than populations studied in the two previous DOL-sponsored STC studies (See Appendix D). However, a survey that includes employers that both STC and non-STC employers has distinct limitations.

One of the selection criteria for study states was having a well-established STC program, because these states were more likely to provide sufficient datasets and to have more stable administrative procedures during the study period. This decision may have introduced some selection bias, because these states had relatively large STC workloads and were more experienced at administering STC; therefore, the results may tend to overstate positive experiences of STC. Nevertheless, the research team felt that it was more important to examine established STC programs than to risk including programs that had limited data or were not yet established enough to provide reasonably fair feedback from employers.

Another limitation of the study design is that it did not incorporate a mixed-method design, so it provided a fairly limited understanding of the administrative processes and contextual factors within each state, the nuances of employer perceptions, and perceptions of other stakeholders, such as employees. For example, gathering a richer understanding of employer perceptions, decisions, and preferred messages about STC would be attainable by conducting focus groups or semi-structured interviews with employers. Therefore, the narrow scope of the study tasks and research design likely prevented the team from obtaining more balanced input from stakeholders and conducting a more thorough interpretation of results.

In addition, having a low number of non-STC employer responses weakens the ability of the study to illuminate why employers decide to participate in STC or not and what the awareness gaps are in the general employer population. As a result, it is difficult to gauge the general awareness of STC and awareness of specific aspects of the program, such as eligibility requirements or costs, from these survey results. It is also difficult to say what would make the program more appealing to eligible employers.

Having so many responses from Washington, which is well known to have a very mature and active STC program, may also bias the results. To help address this, the research team minimized the instances of aggregating results across all study states when feasible, and disaggregating the analysis by state in most cases.

A final limitation pertains to the time lag between the study period and our data collection period. The IMPAQ study began in the summer of 2012, several years after the Great Recession ended in 2009. Due to the time it took to select states, obtain approvals for state participation and negotiate data sharing agreements, acquire data, and secure OMB approval for the employer survey, there was a delay between the study period and the fielding of the survey in May 2014. Therefore, it is likely that the time lag introduced some recall bias, because too much time had passed for researchers to obtain accurate and fresh views or impressions from employers about STC during the Great Recession. The delay also created a risk that some employers would no longer be in business or would have reorganized into new entities. In addition, key individuals who administered the STC program for employers might no longer be employed.

Most of the above constraints were outside the control of the research team, so the team did its best to obtain the most valuable and relevant information possible from employers. To help mitigate these risks, for example, an STC employer completing the survey was asked to focus on the most recent approved STC plan. Similar survey techniques were used for non-STC employers to reduce these risks.

B.4 Recommendations for Future Employer Surveys

Given that getting survey responses from employers is well known to be particularly challenging, there are a number of steps that those undertaking future employer surveys can take to improve the response rates and overall quality of results. First, one of the challenges in this survey was getting the right contact person in the firm to recruit for the survey. For example, the people who

received the survey may not have been the ones who administered STC; they therefore would be either less inclined to respond or less capable of providing valid answers if they did respond. Therefore, when collecting administrative data from the states, future researchers should seek the name and contact information of the people in the firms who handled the STC administrative requirements, because they are the ideal survey respondents, if they are still at the company.

Second, the acquisition and retention of the state STC data, such as employer contact information and STC tracking systems, can be improved. States should be encouraged to improve the quality of their administrative data and maintain more accurate contact information.

Third, as in many other studies, employers responded at higher rates to telephone surveys than to the Web-based survey. Future studies might focus on telephone interviews as the primary vehicle for administering the surveys. Telephone interviews can also be used to ensure that the sample sizes are balanced across each subgroup for the survey; more telephone interviews can be conducted in subgroups with the lowest response rates to attempt get those rates up to a pre-determined standard that is sufficient for sound quantitative analysis.

Fourth, researchers should gather UI tax data to analyze the effect of STC participation on UI tax rates and the overall cost of participation to the employer based on tax data rather than employer perceptions. In the qualitative responses seven employers cited as one of their major problems with STC participation is the effect of STC on their UI tax rate. Having the data to conduct this analysis will help to uncover the actual cost to employers.

Fifth, future studies of STC might include a state that has implemented STC more recently in order to get a comparative sense of what the more experienced states offer that is different from what the newcomers provide.

Finally, researchers might consider designing a mixed-methods study that is qualitative as well as quantitative, with time built in for in-depth site visits to review STC administrative practices of SWAs and conduct employer focus groups. The purpose of the site visits in the study states would be to improve understanding of how the application process and participation are administered in each state. This understanding would contextualize the employer survey results for more meaningful interpretation. Having a visit before and after the survey to the study states would provide an opportunity to ask follow-up questions based on the data from the survey, thereby improving the quality and depth of the interpretation.⁵¹ Conducting employer focus groups would be helpful because it would enable non-STC employers to discuss their awareness of STC, preferred methods of communication, responses to specific outreach messages, and factors that might make them more inclined to participate. STC employers could discuss their awareness of specific components of STC and their satisfaction, challenges, and recommendations for improvement. The focus groups would provide more depth than the survey and enable the research team to identify any other important factors that drive awareness and participation.

⁵¹ IMPAQ conducted follow up telephone calls to study state staff to clarify, update, and explain study findings.

APPENDIX C. EMPLOYER QUESTIONNAIRE



**Employer Survey of
Short-Time Compensation Program
Computer Assisted Web Interviewing
(CAWI) Version**

Employer Group	Survey Sections						
	Intro	A	B	C	D	E	Closing
Applied for STC and plan approved	●	●	●	●			●
Applied for STC but plan not approved	●	●	●		●		●
Did not apply for STC	●	●	●			●	●

VARIABLE INSERTS

STATE: Rhode Island (RI); Minnesota (MN); Kansas (KS); Washington (WA)

STATE STC NAME: **RI**: WorkShare; **MN**: Shared Work; **KS**: Shared Work; **WA**: Shared Work

STATE DEPT/AGENCY: **RI**: Rhode Island Department of Labor and Training; **MN**: Minnesota Department of Employment and Economic Development; **KS**: Kansas Department of Labor; **WA**: Washington Employment Security Department

INTRODUCTION

Thank you for visiting the **Unemployment Insurance Program Employer Survey** Website. We appreciate your attention to our research.

WHO IS CONDUCTING THIS RESEARCH?

The [STATE DEPT/AGENCY] and the US Department of Labor (DOL) are partnering with IMPAQ International, LLC (IMPAQ) to conduct the **Unemployment Insurance Program Employer Survey**. The US Office of Management and Budget has approved this research (OMB Control No. XXX, expiration date of XXX).

WHAT IS THE PURPOSE OF THE UNEMPLOYMENT INSURANCE PROGRAM EMPLOYER SURVEY?

The purpose of this survey is to gather information about your state's unemployment insurance program from the employers' perspective. The information you provide could lead to improvements in the Unemployment Insurance program.

PARTICIPATION AND PRIVACY

This survey may take about 20 minutes to complete. If you are unable to complete the survey in one sitting, you will be able to save your session for completion at a later time. Participation is voluntary and will not affect your firm's current or future unemployment insurance tax rate or eligibility for any public-funded program. Your answers will be kept private to the extent permitted by law, and you will never be identified in any report based on the survey.

WHO DO I CALL IF I HAVE QUESTIONS ABOUT THE SURVEY?

If you have trouble completing the survey or have questions about your participation, please call XXXX XXXX at (XXX) XXX-XXXX or email her at XXXXXXXX@impaqint.com.

Please enter your employer pin to continue to the survey: _____

(Your pin may be found on the letter or email you received under the instructions for completing the survey online.)

SECTION A – EMPLOYER CHARACTERISTICS

A1a. Our records show that your company's name is [COMPANY]. Is this correct?

YES.....	01→A2
NO	02
DON'T KNOW	98
REFUSED.....	99

A1b. Please update the name of your company if necessary.

Specify: _____
REFUSED..... 99

Replace COMPANY NAME if A1b is populated.

A2.	Are you the owner or CEO? Choose one of the following answers.	
	YES.....	01 →A5a
	NO	02
	REFUSED.....	99
A3.	Do you work in the human resources or personnel department? Choose one of the following answers.	
	YES.....	01 →A4b
	NO	02
	REFUSED.....	99
A4a.	Which department do you work in?	
	Specify: _____	
	REFUSED.....	99
A4b.	What is your title?	
	Specify: _____	
	REFUSED.....	99
A5a.	Has [COMPANY] always been under its current ownership or is it a spin-off or successor of another company? Choose one of the following answers.	
	Always under current ownership	01
	Spin-off/successor	02
A5B.	How many years has [COMPANY] been under the current ownership? Choose one of the following answers.	
	_____ Number of years	→ A6
	LESS THAN ONE YEAR.....	96 → A6
	DON'T KNOW	98
	REFUSED.....	99

IF A5c < 1 READ: For this survey, I want you to think about [COMPANY] since it has been under the current ownership and not any time before.

A6.	How would you best describe what [COMPANY] does or what service it provides?	
	Specify: _____	
	DON'T KNOW	98
	REFUSED.....	99

A7. And, are you for-profit, non-profit, or a government agency? Choose one of the following answers.

- For-profit 01
- Non-profit 02
- Public/Government Agency 03
- Other: Specify
- DON'T KNOW 98
- REFUSED..... 99

A8a. How many total employees, both full- and part-time, currently work for your company within the state of [STATE]?

- _____ Number of employees
- DON'T KNOW 98 → **A8b**
- REFUSED..... 99 → **A8c**

A9a. In terms of part-time and full-time employees, how many pf of the [A8a NUMBER] total employees are full-time? *Full-time should be thought of in the way your company defines it.*

- _____ Number of employees
- DON'T KNOW 98
- REFUSED..... 99

A9b. Thinking of the full-time employees, does [COMPANY] offer them ...
Check any that apply.

- health insurance *that is company sponsored where the company pays at least some of the premiums to the insurance company*
- pension or other retirement benefits (such as 401Ks, IRAs, pension plans)
- other benefits such as vacation time, sick time, or child care

A9c. **IF A9a < 98%:** Thinking of the part-time employees, does [COMPANY] offer them ...
Check any that apply.

- health insurance *that is company sponsored where the company pays at least some of the premiums to the insurance company*
- pension or other retirement benefits (such as 401Ks, IRAs, pension plans)
- other benefits such as vacation time, sick time, or child care

A10. In terms of hourly or salaried employees, how many of the [A8a NUMBER] total employees are hourly workers? *Pay by each hour worked rather than a yearly salary.*

_____ Number of employees
 DON'T KNOW 98
 REFUSED..... 99

A11. Now, we'd like to know the break-down of the hourly employees in terms of three skill levels – high, medium, and low. How many of the [# of HOURLY] hourly employees, would you say are ...

Only number may be entered in these fields. The sum must equal [# of hourly]...

_____ Highly-skilled?
 _____ Medium-skilled?
 _____ Low-skilled?
 DON'T KNOW 98
 REFUSED..... 99

A12. How many of the *estimated* [# of SALARIED] salaried employees, would you say are ... Please use your best estimate.

Only number may be entered in these fields. The sum must equal [# of salaried].

_____ Highly-skilled?
 _____ Medium-skilled?
 _____ Low-skilled?
 DON'T KNOW 98
 REFUSED..... 99

A13a. Do any employees belong to a union?

YES..... 01
 NO 02 → B1
 DON'T KNOW 98 → B1
 REFUSED..... 99 → B1

A13b. How many of the [A8a NUMBER] employees belong to a union? If you are unsure, please use your best estimate.

Only numbers may be entered in this field. Each answer must be at most [A8a NUMBER].

_____ Number of employees → B1
 DON'T KNOW 98
 REFUSED..... 99

SECTION B - SCREENER

B1. The following questions are about whether you have heard of workforce programs that may or may not be available to your company. Have you ever heard of unemployment insurance or unemployment benefits? Choose one of the following answers.

- YES..... 01
- NO 02
- (VOL) MAYBE..... 03
- REFUSED..... 99

B2a. Have you ever heard of the Short-Time Compensation program? Choose one of the following answers.

- YES..... 01
- NO 02
- REFUSED..... 99

B2b. Have you ever heard of the [STATE STC NAME] program? Choose one of the following answers.

- YES..... 01 → B3b
- NO 02
- REFUSED... 99

B3a. The [STATE STC NAME] program is a type of unemployment insurance that pays partial benefits to employees whose hours have been reduced and allows companies to avoid lay-offs. It is also known as the Short-Time Compensation program. Given this information have you ever heard of the [STATE STC NAME] program? Choose one of the following answers.

- YES..... 01
- NO 02 → B9
- REFUSED..... 99 → B9

B3b. Thinking back, how did you first hear about the [STATE STC NAME] program?

Choose one of the following answers.

- State or local government officials..... 01
- Other companies..... 02
- Employees themselves..... 03
- I don't remember..... 04
- Other; Specify: _____
- REFUSED..... 99

B3c. Do you hear about the [STATE STC NAME] program from any of these other sources? Please check all that apply.

- a. **SKIP IF B3b = 1:** State or local government officials
- b. **SKIP IF B3b = 2:** Other companies
- c. **SKIP IF B3b = 3:** Employees themselves

YES..... 01
NO 02
DON'T KNOW 98
REFUSED..... 99

B4. Has [COMPANY] ever asked the [STATE DEPT/AGENCY] about the [STATE STC NAME] program? *As a reminder, this program is a type of unemployment insurance that pays partial benefits to employees whose hours have been reduced and allows companies to avoid lay-offs.*

Choose one of the following answers.

YES..... 01
NO 02 → **B9**
DON'T KNOW 98 → **B9**
REFUSED..... 99 → **B9**

B5. Next, we'd like to know the reasons your company first asked the [STATE DEPT/AGENCY] about [STATE STC NAME]. Did your company ask about the [STATE STC NAME] program ...

Please select at least 3 answers.

ROTATE

- a. Because your company wanted to learn more about it?
- b. **IF A5a > 5 OR A5b > 1:** Because of the recession that began in 2008?
- c. Because you heard that other companies use it?
- d. Because an employee suggested the company ask about it?
- e. **IF A13A = YES:** Because the union suggested that the company ask about it?

Yes..... 01
No..... 02
Asked before I was working for company 03 → **B9**
DON'T KNOW 98
REFUSED..... 99

B6a Are there other reasons that your company asked about the [STATE STC NAME] program that were not listed] in the previous question? Choose one of the following answers.

YES..... 01
NO 02 → **B7a**

B6b. IF B6a=1: What are the other reasons?

Specify: _____

B7a. When your company first asked the [STATE DEPT/AGENCY] about the [STATE STC NAME] program, did you receive adequate information? Chose one of the following answers.

- YES..... 01 → B8
- NO 02

B7b. What are the reasons you indicated that adequate information was not received?

Specify: _____

B8a. Did state or local officials ever indicate that the [STATE STC NAME] program was not appropriate for your company? Chose one of the following answers.

- Yes..... 01
- No..... 02 → B9
- DON'T KNOW 98 → B9
- REFUSED..... 99 → B9

B8b. Why did state or local officials tell you that the program was not appropriate for [COMPANY NAME]?

Specify: _____

B9a. During the five years from 2008 through 2012 did [COMPANY] ever submit an application to participate in the [STATE STC NAME] program? Chose one of the following answers.

- YES..... 01 → B10
- NO 02
- DON'T KNOW 98
- REFUSED..... 99

B9b. Has [COMPANY] submitted an application to participate in [STATE STC NAME] in 2013? Chose one of the following answers.

- YES..... 01 → B12
- NO 02
- DON'T KNOW 98
- REFUSED..... 99

IF B9b > 1: GO TO SECTION E

B14a. SKIP IF A9 > 99% OR IF STATE = KANSAS: Did this most recent application include only full-time employees, only part-time employees or both full and part-time employees?

Only full time.....	01
Only part time.....	02
Both full and part time.....	03
DON'T KNOW.....	98
REFUSED.....	99

B14a1. IF B14a = 1 or 3: For your full time employees included in the most recent application, would you say that they are highly-skilled, medium-skilled, and/or low-skilled hourly employees? *Please select all that apply.*

HIGHLY skilled.....	01
MEDIUM skilled.....	02
LOW skilled.....	03
DON'T KNOW.....	98
REFUSED.....	99

B14a2. IF B14a = 2 or 3: For your part time employees included in the most recent application, would you say that they are highly-skilled, medium-skilled, and/or low-skilled hourly employees? *Please select all that apply.*

HIGHLY skilled.....	01
MEDIUM skilled.....	02
LOW skilled.....	03
DON'T KNOW.....	98
REFUSED.....	99

B14b. SKIP IF A10 < 2%: Did this most recent application include only hourly employees, only salaried employees or both hourly and salaried employees?

Only hourly.....	01
Only salaried.....	02
Both hourly and salaried.....	03
DON'T KNOW.....	98
REFUSED.....	99

B14b1. IF B14b = 1 or 3: For your hourly employees included in the most recent application, would you say that they are highly-skilled, medium-skilled, and/or low-skilled hourly employees? *Please select all that apply.*

HIGHLY skilled.....	01
MEDIUM skilled.....	02
LOW skilled.....	03
DON'T KNOW.....	98
REFUSED.....	99

B14b2. IF B14b = 2 or 3: For your salaried employees included in the most recent application, would you say that they are highly-skilled, medium-skilled, and/or low-skilled hourly employees? *Please select all that apply.*

HIGHLY skilled	01
MEDIUM skilled.....	02
LOW skilled	03
DON'T KNOW	98
REFUSED.....	99

B15. How much do you agree or disagree with this statement: [COMPANY] applied to the [STATE STC NAME] program to retain employees...Choose one of the following answers.

Strongly agree	01
Somewhat agree	02
Somewhat disagree	03
Strongly disagree	04
DON'T KNOW	98
REFUSED.....	99

B16 Next, we'd like to know about other reasons your company *applied* to participate in the [STATE STC NAME] program for [YEAR]. Let me know yes, no, or if you were not aware. Did your company apply to the [STATE STC NAME] program ...

- a. To reduce the future cost of hiring and training new employees?
- b. To maintain employee morale?
- c. To avoid bad press *or* a negative reputation?
- d. To reduce payroll cost?
- e. **IF A5a > 5 OR A5b > 1:** In response to the recession that began in 2008?
- f. **IF A9ba or A9ca = YES:** To allow employees to keep health insurance to which your company contributes?
- g. **IF A9bb or A9cb = YES:** To allow employees to keep pension or other retirement benefits?
- h. **IF A9bc or A9cc = YES:** To allow employees to keep other employee benefits such as vacation time, sick time, child-care?
- i. Because your company was experiencing an actual loss of contracts or reduction in work?
- j. Because your company expected a future loss of contracts or reduction in work?

ROTATE A-F

YES.....	01
NO	02
Not Aware of.....	03
Does not apply/not applicable.....	04
REFUSED.....	99

IF B15 > 2 AND IF ONLY ONE YES B15 A-K: GO TO C1

B17. What was the *most* important and the *next most* important reason your company applied to the [STATE STC NAME] program for [YEAR]?

List TO RETAIN EMPLOYEES IF B15 = 1 OR 2 AND ALL YES from B16 A THROUGH K, presented in same order as asked in B16

Which was the **most** important reason that your company applied?

Most important reason

Next most important reason

DON'T KNOW 98

REFUSED 99

SECTION C

GROUP 1: EMPLOYERS THAT APPLIED FOR THE STC PROGRAM AND HAVE/HAD AN APPROVED PLAN.

C1. Next, I'd like you to focus on the most recently *approved* [STATE STC NAME] plan, which was in [YEAR]. When this plan became active, how many total employees did [COMPANY] have working across the state of [STATE]? *If you are unsure, please provide your best estimate.*

_____ Number of employees
DON'T KNOW 98
REFUSED..... 99

C2. How many of these [C1 ANSWER] employees were included in or covered under this [STATE STC NAME] plan?

_____ Number of employees
DON'T KNOW 98
REFUSED..... 99

C3. As part of the [YEAR] plan(s), did [COMPANY] ever use the [STATE STC NAME] plan so that employees received [STATE STC NAME] benefits? Choose one of the following answers.

Yes 01
No 02 → C10
DON'T KNOW 98
REFUSED..... 99

C4. How long did [COMPANY] use the [STATE STC NAME] plan in [YEAR]?

_____ Weeks
_____ Months
DON'T KNOW 98
REFUSED..... 99

C5. SKIP IF A9 > 99% OR IF STATE = KANSAS: When your company used the [STATE STC NAME] plan, did only full-time employees, only part-time employees or both full and part-time employees received [STATE STC NAME] benefits? Choose one of the following answers.

Only full time..... 01
Only part time 02
Both full and part time..... 03
DON'T KNOW 98
REFUSED..... 99

C6. SKIP IF A10 < 2%: When your company used the [STATE STC NAME] plan, did only hourly employees, only salaried employees or both hourly and salaried employees receive [STATE STC NAME] benefits? Choose one of the following answers.

- Only hourly..... 01
- Only salaried 02
- Both hourly and salaried..... 03
- DON'T KNOW 98
- REFUSED..... 99

C7. IF C6 = 1 or 3: Which types of hourly employees received these [STATE STC NAME] benefits ... Would you say highly-skilled, medium-skilled, and/or low-skilled hourly employees? *Probe: any others? (Multiple Response)*

- HIGHLY skilled 01
- MEDIUM skilled..... 02
- LOW skilled 03
- DON'T KNOW 98
- REFUSED..... 99

C8. IF C6 = 2 or 3: Which types of salaried employees received these [STATE STC NAME] benefits ...

Would you say highly-skilled, medium-skilled, and/or low-skilled salaried employees?
Probe: any others? (Multiple Response)

- HIGHLY skilled 01
- MEDIUM skilled..... 02
- LOW skilled 03
- DON'T KNOW 98
- REFUSED..... 99

C9a. Thinking of all employees who received [STATE STC NAME] benefits as part of the [YEAR] plan, were any eventually laid off due to lack of work? Choose one of the following answers.

- YES..... 01
- NO 02 → C10
- DON'T KNOW 98 → C10
- REFUSED..... 99 → C10

C9b. IF C9a=1: How many who received [STATE STC NAME] benefits as part of the [YEAR] plan, were eventually laid off due to lack of work? If you are unsure, please use your best estimate.

_____ Number of employees
 DON'T KNOW..... 98
 REFUSED 99

C9c. Of the [# OF LAID OFF FROM C9b] laid-off employees, how many were hourly employees?

_____ Number of hourly employees
 DON'T KNOW..... 98
 REFUSED 99

C9d. Of the [# OF LAID OFF FROM C9c] hourly laid-off employees, what skill levels were they? Please check all that apply.

HIGHLY skilled..... 01
 MEDIUM skilled 02
 LOW skilled 03
 DON'T KNOW..... 98
 REFUSED 99

C9e. In terms of the salaried employees who were laid-off, what skill levels were they? Please check all that apply.

HIGHLY skilled..... 01
 MEDIUM skilled 02
 LOW skilled 03
 DON'T KNOW..... 98
 REFUSED 99

C9f. Have any laid-off employees of any type or skill returned to their normal work schedule at [COMPANY]? Choose one of the following answers

Yes 01
 No 02 → C10
 DON'T KNOW..... 98 → C10
 REFUSED 99 → C10

C9g. How many of the [# OF LAID OFF FROM C9b] total laid-off employees have returned to their normal work schedule?

_____ Number of employees
 DON'T KNOW..... 98
 REFUSED 99

C10. How satisfied was your company with the communication it had with state unemployment officials about the [YEAR] [STATE STC NAME] program? Choose one of the following answers

- Very satisfied..... 01
- Satisfied 02
- Unsatisfied 03
- Or very unsatisfied 04
- DON'T KNOW 98
- REFUSED..... 99

C11. How satisfied was your company with the administrative support that the state unemployment officials gave to you while participating in the [YEAR] [STATE STC NAME] program? Choose one of the following answers

- Very satisfied 01
- Satisfied..... 02
- Unsatisfied 03
- Or very unsatisfied 04
- DON'T KNOW 98
- REFUSED..... 99

C12. How would you rate the overall employee reaction to the [YEAR] [STATE STC NAME] program?

- Choose one of the following answers. Very favorable..... 01
- Favorable..... 02
 - Unfavorable 03
 - Very unfavorable..... 04
 - (VOL) Employees did not have a reaction..... 05
 - DON'T KNOW 98
 - REFUSED..... 99

C13. IF A13A = YES OR DK: How would you rate the union's reaction to the [YEAR] [STATE STC NAME] program? Choose one of the following answers

- Very favorable 01
- Favorable 02
- Unfavorable 03
- Very unfavorable..... 04
- (VOL) union did not have a reaction..... 05
- DON'T KNOW 98
- REFUSED..... 99

50% RECEIVE C14a / C14b

C14a. In your opinion, which is *more* expensive for your company: retaining employees through the use of the [STATE STC NAME] program until they can return to their normal schedule or letting them go and hiring and training new employees? Choose one of the following answers

- Retaining employees through use of program 01
- Hiring and training new employees 02
- They are equal..... 03
- DON'T KNOW 98
- REFUSED..... 99

C14b. In your opinion, which is *less* expensive for your company: retaining employees through the use of the [STATE STC NAME] program until they can return to their normal schedule or letting them go and hiring and training new employees? Choose one of the following answers

- Retaining employees through use of program 01
- Hiring and training new employees 02
- They are equal..... 03
- DON'T KNOW 98
- REFUSED..... 99

50% RECEIVE C15a / C15b

C15a. Do you think a layoff would affect your company's unemployment insurance tax rate more, less, or the same as when employees receive [STATE STC NAME] benefits? Choose one of the following answers

- More..... 01
- Less..... 02
- Same as 03
- Does not apply 97
- DON'T KNOW 98
- REFUSED..... 99

C15b. Do you think employees receiving [STATE STC NAME] benefits affect your company's unemployment insurance tax rate more, less, or the same as a layoff? Choose one of the following answers

- More..... 01
- Less 02
- Same as 03
- Does not apply 97
- DON'T KNOW 98
- REFUSED..... 99

ROTATE C16 - C19

C16. Would you say that participating in the [STATE STC NAME] program increases, decreases or does not affect...

ROTATE

- a. Employee morale?
- b. The amount the company pays for other employee benefits?
- c. Administrative burden on you or other staff?

Increases	01
Decreases	02
Does not affect.....	03
DON'T KNOW	98
REFUSED.....	99

C17. Would you say that participating in the [STATE STC NAME] program increases, decreases, or allows your company to maintain the same level of production efficiency? Choose one of the following answers

Increases	01
Decreases	02
Maintain	03
DON'T KNOW	98
REFUSED.....	99

C18. Would you say that the rules and regulations of the [STATE STC NAME] program are fair or unfair? Choose one of the following answers

Fair	01
Unfair	02
DON'T KNOW	98
REFUSED.....	99

C19. Would you say that the benefit period of the [STATE STC NAME] program is long enough or is not long enough to make a difference to employees? Choose one of the following answers

Is long enough.....	01
Not long enough	02
DON'T KNOW	98
REFUSED.....	99

C20. In the event that [COMPANY NAME] would be facing employee lay-offs, how likely is it that it would participate again in the [STATE STC NAME] program? Choose one of the following answers

- Very likely..... 01
- Somewhat likely 02
- Somewhat unlikely..... 03
- Or Very unlikely..... 04
- DON'T KNOW 98
- REFUSED..... 99

Go To CLOSING

SECTION D

GROUP 2: EMPLOYERS THAT APPLIED FOR THE WORK SHARING PROGRAM BUT WERE DENIED EVERY YEAR

D1. Next, we'll discuss the [STATE STC NAME] plan that was denied to your company in [YEAR]. What was the reason your application was denied?

- Specify: _____
- DON'T KNOW 98
 - REFUSED..... 99

D2. Did [COMPANY] have to lay-off any employees in the 12-month period after you submitted the application that was ultimately denied? Choose one of the following answers

- YES..... 01
- NO 02 → D9
- DON'T KNOW 98 → D9
- REFUSED..... 99 → D9

D3. IF D2=1: How many employees were laid off in this 12-month period?

- _____ Number of employees
- DON'T KNOW 98
 - REFUSED..... 99

D4. Were these employees hourly, salaried, or both hourly and salaried employees? Choose one of the following answers

- Hourly..... 01
- Salaried..... 02 → D6
- Both hourly and salaried..... 03
- DON'T KNOW 98 → D7
- REFUSED..... 99 → D7

D5. Thinking of the hourly laid-off employees, what skill levels were they? *Please check all that apply.*

- HIGHLY skilled 01
- MEDIUM skilled..... 02
- LOW skilled 03
- DON'T KNOW 98
- REFUSED..... 99

D6. SKIP IF D4 =1: In terms of the salaried employees who were laid-off, what skill levels were they? Please check all that apply.

- HIGHLY skilled 01
- MEDIUM skilled..... 02
- LOW skilled 03
- DON'T KNOW 98
- REFUSED..... 99

D7 Have any of these laid-off employees of any type or skill returned to their normal work schedule at [COMPANY]? Choose one of the following answers

- Yes 01
- No 02
- DON'T KNOW 98
- REFUSED 99

D8. If the [STATE STC NAME] application had been approved, do you think that your company would have used the [STATE STC NAME] plan instead of laying off employees? Choose one of the following answers

- YES..... 01
- NO 02
- Other, specify: _____
- DON'T KNOW 98
- REFUSED..... 99

D9. What do you think the overall employee reaction to the [STATE STC NAME] program would have been if the company's plan was approved? Choose one of the following answers

- Very favorable..... 01
- Favorable..... 02
- Unfavorable 03
- Very unfavorable..... 04
- (VOL) Employees don't know about STC program 05
- DON'T KNOW 98
- REFUSED..... 99

D10. IF A13A = YES OR DK: What do you think the union’s reaction to the [STATE STC NAME] program would have been? Choose one of the following answers

- Very favorable..... 01
- Favorable 02
- Unfavorable 03
- Very unfavorable..... 04
- (VOL) Union does not know about STC program..... 05
- DON’T KNOW 98
- REFUSED..... 99

D11. How likely it is that [COMPANY] would consider applying to the [STATE STC NAME] program again? Choose one of the following answers

- Very likely..... 01
- Somewhat likely 02
- Somewhat unlikely..... 03
- Or very unlikely 04
- DON’T KNOW 98 → D13a/b
- REFUSED..... 99→ D13a/b

D12. What is the main reason [COMPANY] [IF D6 = 1 or 2: would/ IF D6 = 3 or 4 would not] consider applying to the [STATE STC NAME] program again?

- Specify: _____
- DON’T KNOW 98
 - REFUSED..... 99

50% RECEIVE D13a / D13b

D13a. And, to wrap up, in your opinion, which would be *more* expensive for your company: retaining employees through the use of the [STATE STC NAME] program until they can return to their normal schedule or laying them off permanently and then needing to hire and train new employees? Choose one of the following answers

- Retaining employees through use of program 01
- Hiring and training new employees..... 02
- (VOL) They are equal..... 03
- DON’T KNOW 98
- REFUSED..... 99

D13b. And, to wrap up, in your opinion, which would be *less* expensive for your company: retaining employees through the use of the [STATE STC NAME] program until they can return to their normal schedule or laying them off permanently and then needing to hire and train new employees? Choose one of the following answers

- Retaining employees through use of program 01
- Hiring and training new employees 02
- (VOL) They are equal..... 03
- DON'T KNOW 98
- REFUSED..... 99

Go to CLOSING

SECTION E

GROUP 3: EMPLOYERS WHO DID NOT APPLY.

E1. IF ASKED ABOUT PROGRAM: What were some of the reasons that your company did not apply to the [STATE STC NAME] program?

Specify _____

Specify _____

Specify _____

E2. During the five years between 2008 and 2012 did [COMPANY] have any layoffs due to lack of work? Choose one of the following answers

- Yes 01
- No 05 → E8a
- DON'T KNOW 98 → E8a
- REFUSED 99 → E8a

E3. IF E2=1: How many employees were laid off between 2008 and 2012?

_____ Number of employees

- DON'T KNOW 98
- REFUSED 99

E4. Were these employees hourly, salaried, or both hourly and salaried employees? Choose one of the following answers

- Hourly 01
- Salaried 02 → E6
- Both hourly and salaried 03
- DON'T KNOW 98 → E7
- REFUSED 99 → E7

E5. Thinking of the hourly laid-off employees, what skill levels were they? Please check all that apply.

- HIGHLY skilled 01
- MEDIUM skilled 02
- LOW skilled 03
- DON'T KNOW 98
- REFUSED 99

E6. SKIP IF E4 =1: In terms of the salaried employees who were laid-off, what skill levels were they? Please check all that apply.

HIGHLY skilled	01
MEDIUM skilled.....	02
LOW skilled	03
DON'T KNOW	98
REFUSED.....	99

E7. Have any of these laid-off employees of any type or skill returned to their normal work schedule at [COMPANY]? Choose one of the following answers

Yes	01
No.....	05
DON'T KNOW	98
REFUSED.....	99

E8a. As mentioned earlier, [STATE STC NAME] is a type of unemployment insurance that pays partial benefits to employees whose hours have been reduced and allows companies to avoid lay-offs. If you knew that your company would be facing a decline in product demand or work orders and needed to temporarily lay-off employees, how likely is that [COMPANY] would consider applying to the [STATE STC NAME] program? Choose one of the following answers

Very likely.....	01
Somewhat likely.....	02
Somewhat unlikely.....	03
Or very unlikely	04
DON'T KNOW	98 → E9a/b
REFUSED.....	99 → E9a/b

E8b. What are the reasons that your company is [IF E4a = 1 or 2: likely / IF E4a = 3 or 4 not likely] to apply to the [STATE STC NAME] in the future?

Specify: _____

DON'T KNOW	98
REFUSED.....	99

50% RECEIVE E9a / E9b

E9a. And, to wrap up, in your opinion, which would be *more* expensive for your company: retaining employees through the use of the [STATE STC NAME] program until they can return to their normal schedule *or* laying them off and then needing to hire and train new employees? Choose one of the following answers

- Retaining employees through use of program 01
- Hiring and training new employees 02
- They are equal..... 03
- DON'T KNOW 98
- REFUSED..... 99

E9b. And, to wrap up, in your opinion, which would be *less* expensive for your company: retaining employees through the use of the [STATE STC NAME] program until they can return to their normal schedule *or* laying them off and then needing to hire and train new employees? Choose one of the following answers

- Retaining employees through use of program 01
- Hiring and training new employees 02
- They are equal..... 03
- DON'T KNOW 98
- REFUSED..... 99

Go to CLOSING

CLOSING

CL1. Do you have any additional comments about the [STATE STC NAME] program that you'd like to share?

YES: SPECIFY _____

NO

Thank you for your participation in this important survey. Your responses will be added to information we receive from other employers like you to give us a better understanding of the employers' perspective on your state's [STATE STC NAME].

If you would like additional information on [STATE]'s [STATE STC NAME], please visit [STATE URL].

If you have questions about this survey please contact XXXX XXXX at (XXX) XXX-XXXX or email XXXX at XXXXXXXX@impaqint.com.

APPENDIX D. STC HISTORY AND LITERATURE REVIEW

STC in the United States looks markedly different than similar programs in other nations—in large part because it is structurally tethered to the state-run UI system, which translates into a specific set of costs and benefits for employers. States vary considerably in how they choose to operate their program, which most likely has contributed to uneven participation rates and low national familiarity with the program. Overall, U.S. policy interest in STC has waxed and waned since the late 1970s in tandem with changes in the economy.

This appendix explains the U.S. STC program vis-à-vis other similar programs in Organization of Economic Cooperation and Development (OECD) countries, examines the history of STC policy in the U.S., and reviews existing literature on the STC program in the United States. The first section focuses on a brief cross-national comparison of STC programs. The second section describes the historical evolution of STC policy in the U.S. since the Great Depression. This discussion will be helpful for contextualizing survey results and understanding why the program is not as well-known or well-used as traditional unemployment benefits. The appendix concludes by reviewing existing literature on STC to clarify what is known about the program, identifying critical knowledge gaps, and comparing the IMPAQ study to previous DOL-sponsored studies.

D.1 Global Context for STC: Policies in Other Nations

D.1.1 STC in the United States Compared to STC in Other Nations

STC in the United States has a unique structure that distinguishes it from similar programs in other industrialized nations.⁵² The principal difference is that STC in the U.S. is an appendage of the unemployment insurance system and therefore subject to its rules. This connection has created several barriers to participation that are virtually non-existent in other OECD nations:

- STC is ultimately a cost to employers in the U.S. because payments are charged to their UI accounts which can result in higher UI taxes.
- STC benefits are less generous in the U.S than in other nations.
- STC counts against workers' potential entitlement to unemployment benefits in the United States. Thus, if workers in the U.S. are laid off after receiving STC, their entitlement to regular UI benefits is reduced.
- STC is more costly to administer in the U.S. than in other countries (Wandner, 2010).

Exhibit D.1 compares key statutory features of STC programs in the U.S. in 2013 to those of four other OECD nations: Canada, Belgium, Germany, and Italy. Vroman (2013) reported that these

⁵² This section focuses on nations within the Organization for Economic Cooperation and Development (OECD).

nations show a wide diversity in the minimum and maximum range of permissible reductions from normal work schedules, eligibility requirements, and other conditions.⁵³

Exhibit D.1 Comparison of Provisions of STC Laws in Selected Countries (2013)

STC Program Provision	U.S.	Canada	Belgium	Germany	Italy
National program	No	Yes	Yes	Yes	Yes
Plans need union approval	No*	Yes	Yes	Yes	Yes
Fringe benefits maintained	Yes	Yes	Yes	Yes	Yes
STC benefits reduce regular UI benefits	Yes	No	No	No	No
Employer administers payments	No	No	No	Yes	Yes
STC experience rated	Yes	No	No	No	No
Working-time accounts (overtime alternative) available	No	No	Yes	Yes	No
Restricts overtime, encourages vacations	No	No	No	Yes	Yes

Source for Canada, Belgium, Germany, and Italy: Vroman, 2013, adapted by IMPAQ; Source for U.S. data: MCTRJC Act of 2012.

*Union approval is contingent solely on employer obligations under applicable federal and state laws. Federal law requires at a minimum that the union is notified, and states, at their option, can require union approval.

In the United States, STC payments can lead to higher UI taxes for employers; STC payments are experience rated; and they also reduce the employees' remaining UI entitlement during the benefit year. Vroman (2013) observes that, in the four other nations, if a period of STC was followed by a layoff, entitlement to unemployment benefits was not reduced by the prior receipt of STC benefits. Vroman argues, therefore, that workers were treated as "truly" employed while taking part in STC in these other nations, but not in the United States. This feature of the U.S. program, Vroman speculates, may adversely affect participation: U.S. workers might decide not to apply for STC in anticipation of a possible pending layoff.

In Germany and Italy, STC payments were administered by the employer, a fact that might increase participation (Vroman, 2013). In these nations, the public administrative agencies then reimbursed the employer for STC payments. Germany and Belgium also had working-time accounts, a form of deferred compensation. These accounts, owned by individual workers, were

⁵³ All five nations administered STC within the same public agencies that administered the regular unemployment benefits program. The STC programs operated as a national program in all countries except the U.S., where states administered STC under the federal-state UI partnership. For example, in the U.S., duration of employer STC plans was governed by state laws. Federal law did not prescribe duration, and the time periods varied somewhat across states. (In IMPAQ's survey, employers indicated that STC benefits lasted long enough, but there was no comparison measure of duration.) In addition, union approval of employer plans was required in all four of European countries but not in the U.S. However, all five nations had requirements for participating employers to maintain fringe benefits such as health and retirement benefits.

used to accumulate hours worked that exceeded standard hours—an alternative to overtime pay. During the Great Recession, about half of German workers had these accounts; withdrawals from these accounts by workers may have saved up to 300,000 jobs in 2009 (Vroman, 2013). German employers also encouraged workers to use vacations, another tool to help maintain overall employment. Because of the severity of the Great Recession, some of the STC nations eased administrative and programmatic requirements. For example, employer application rules were relaxed in Germany and Canada. Germany, Belgium, Canada, and Italy temporarily extended plan durations and increased advertising about STC.⁵⁴ German and Italy allowed small employers to participate, and Belgium expanded the scope of STC by extending coverage to white-collar workers (Vroman, 2013).

In all five nations, the STC programs were similar in purpose and content. Nonetheless, the programs were also highly diverse in magnitude and in their specific provisions. The U.S. program, while worthwhile as a labor market policy, likely will remain small compared to the programs of other nations, in part, due to its being tethered to the federal-state UI program and being administered by states rather than nationally. There are also substantial institutional differences in labor markets and labor market policy between the U.S. and European countries that contribute to greater use of STC outside the United States.

D.1.2 Overview of STC Use in Other Nations

STC has been an enduring labor market policy in many Western European countries for over half a century.⁵⁵ In Europe, STC also has been used as a tool to accommodate changes in the labor market due to industrial and political transitions. This section discusses how some nations in the OECD used STC in response to the Great Recession.

In 2009, the OECD gathered information from seventeen nations that reported using STC. Of the respondent nations, Belgium was the only country in which over five percent of all employees participated in an STC program. Six countries (France, Germany, Hungary, Japan, the Slovak Republic, and Turkey) reported employee participation of between two and four percent, three (Austria, the Czech Republic, and Switzerland) reported participation of between one and two percent, and seven (Canada, Netherlands, New Zealand, Norway, Poland, Portugal, and the U.S.) reported participation of less than one percent. The U.S. was nearly at the bottom, with about 0.2 percent of U.S. employees participating in STC programs (Wandner, 2012).

Reviewing data from member countries, the OECD (2012) observed that STC programs did play a prominent role in cushioning the labor market impact of downturns. It concluded that, in the short run, STC “may have protected permanent jobs and prevented large income losses where they were in place” (OECD, 2012, p. 36). The long-term net impact of STC during the Great

⁵⁴ The MCTRJC Act encouraged employer usage of STC in the U.S. by offering states, for a limited period, one-time federal grants-in aid, but the Act was enacted too late to curb unemployment during the three-year period following the Great Recession.

⁵⁵ As in the United States, STC is known by different names in other countries. Unless specified, we use the term short-time compensation to describe the program in other countries.

Recession is not known. OECD noted that some of the unknowns include the magnitude of deadweight losses, displacement effects, and wage pressures. To minimize these risks, OECD recommended (1) tight employer eligibility conditions, such as proof of minimal and sudden reduction in production or sales; (2) co-financing by employers; (3) built-in incentives, like those implemented in Germany and Netherlands, for workers and employers to withdraw from STC plans once the plans have served their purpose; and (4) quick phasing out of STC as the economy recovers to mitigate displacement effects (OECD, 2012).

Looking at similar data, Hijzen and Martin (2013) estimated the effects of STC in 23 countries from 2004 to 2014, before and after the Great Recession. Their conclusions were that:

- STC programs had a significant impact on preserving jobs during the Great Recession. The largest effects were observed in Germany, Italy, and Japan.
- The social effect of STC was best measured in terms of the cumulative number of jobs saved in each quarter, referred to by Hijzen and Martin as the “gross impact.” The gross impact was “substantial and positive in all countries, except Japan, which was in an extended period of stagnation rather than a cyclical downturn. In Germany, the cumulative number of jobs saved each quarter amounted to almost 1.2 million, while it amounted to 460,000 in Italy” (Hijzen & Martin, 2013, pp. 23–24).

According to Hijzen and Venn (2011), during the Great Recession, 24 of the 30 OECD nations operated STC or partial unemployment benefit programs.⁵⁶ New programs were established in the Czech Republic, Hungary, Mexico, the Netherlands, New Zealand, Poland, and the Slovak Republic.

Real World Impact: Germany and the Effects of *Kurtzarbeit*

Germany STC program offers valuable insight into its influence on stabilizing labor market conditions in the face of severe changes in the economy. Extensive structural unemployment in eastern Germany after the 1990 reunification prompted widespread use of STC or *Kurtzarbeit* to delay some dislocations. Moreover, *Kurtzarbeit* was, according to Brenke, Rinne, and Zimmerman (2011), “the German answer” to the Great Recession. In 2009 and 2010 the number of STC workers dramatically increased in the recession and peaked at more than 1.5 million – fully half the approximately three million unemployed workers – almost four percent of Germany’s labor force of 40 million. Without the extensive use of STC, the researchers estimate that unemployment would have doubled; however, they caution that Germany’s relatively mild recession may not have been due entirely to the use of *Kurtzarbeit* (Brenke et al., 2011, p. 1 and 6).

Between the 1990s and 2005, the role of STC programs in Europe declined as a result of the rise of “flexicurity” as a labor market policy, which the European Union also adopted as a central labor market policy in 2005 (Wandner, 2010). Flexicurity combines labor market flexibility for

⁵⁶ Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Switzerland, Turkey, United States

employers with agile workforce security programs for workers. Flexicurity is a policy of encouraging layoffs and reemployment rather than STC's emphasis on employee retention. While STC had low priority during a period of prosperity, its use surged again in Europe during the Great Recession.

D.2 History of STC in the United States, 1929 – 2012

This section examines the evolution of STC policy in the U.S. from the Great Depression up through the end of the study period (2008-2013). In the United States, policy makers' interest in STC has risen when unemployment is high and it has fallen when unemployment is reduced.

In the Great Depression of the 1930s, before the advent of a federal-state UI program, several "work sharing" arrangements without public subsidies were tested, first through industry-led initiatives encouraged by the Hoover administration and then through an organized effort by the Roosevelt administration, called the President's Reemployment Agreement (PRA). PRAs, which had multiple purposes, mandated that employers reduce workweek hours; PRAs were later replaced by regulatory codes under the National Industrial Recovery Act of 1933.⁵⁷ Taylor (2009, p. 28) estimated that, during 1933, PRA "work sharing added 2.47 million workers to private sector payrolls which would represent a nearly 22 percent decline in economy-wide unemployment."

After the Second World War, the U.S. economy recorded an unprecedented period of prosperity and came to dominate global markets. Consequently, STC was not widely pursued as a tool of labor market policy until the late 1970s. The first major surge of interest in STC came during the oil shocks and recessions of the 1970s and early 1980s. Several states and the Carter administration began separately to re-examine STC policy; however, an exploratory DOL initiative to conduct a demonstration using randomized controlled trial techniques was later discarded (Wandner, 2010). In 1978, California became the first state to adopt STC under the federal-state UI program.

In late 1982, a three-year experimental STC program was enacted under the Tax Equity and Fiscal Responsibility Act. DOL issued guidance and draft legislative language in July 1983 (USDOL, 1983) to assist the states. States were encouraged to adopt STC programs as part of their UI laws. This marked the first of five major policy statements (1983, 1992, 2008, 2011, and 2012), two evaluations, and four policy supplements (discussed below) issued by DOL about making use of STC as a tool of labor market policy.

The temporary federal STC law lapsed in 1985, but states with STC laws continued to operate programs and several states enacted STC laws. The recessions of the early 1990s sparked the second major surge of interest in STC policies. Congress sponsored action on STC policy as part of a bill to extend emergency unemployment benefits and enacted STC as a permanent federal-

⁵⁷ Later the NIRA was declared unconstitutional. Reduced workweeks under NIRA became the 40-hour workweek in the Fair Labor Standard Act of 1938 (Messenger & Ghosheh, 2013).

state program in July 1992. That same year, DOL issued policy information to states about the federal STC law without providing draft legislative language or encouraging program adoption (USDOL, 1992). At the time, a federal policy issue arose regarding language in the new STC law that restricted state programs. Concerns about the issue led DOL to issue no additional policy guidance until the Great Recession.

Throughout 2008, production slowed and unemployment in the U.S. increased. Abetted by the financial crisis, employers laid off workers at near-record rates. In December 2008, DOL responded to the recession by issuing policy guidance to states to remind them of alternative UI programs that could ease layoffs, including the STC program (USDOL, 2008). In this guidance, DOL cautioned states that it had “no current draft language for the STC program,” advising non-STC states that might want to adopt the program to “model their amendments on provisions in state UI laws with existing STC programs.” At the time, only seventeen states operated STC programs.⁵⁸ Thus, during the Great Recession use of STC was encouraged but not nearly as much as would occur with the 2012 enactment of federal STC legislation.

D.3 The STC Program after the Middle Class Tax Relief and Job Creation Act of 2012

This section explains the most recent changes to U.S. STC policy, which effectively were implemented after the study period for the IMPAQ employer survey (2008-2013). The Great Recession of 2007-2008 spurred the third major surge of interest in STC in recent history. Beginning in 2009, bills were introduced in Congress to increase the use of STC in states with STC laws and to encourage expansion of STC to those states without programs. In July 2011, Secretary of Labor Hilda Solis endorsed a sweeping STC reform bill sponsored by Senator Jack Reed of Rhode Island. The Secretary stated, “We are at a critical time, and millions of Americans remain unemployed. I appreciate Sen. Reed's longtime commitment to promoting STC as a common-sense approach to keep people working and businesses running. For workers, their families and the broader pace of our economic recovery, Congress should give these proposals worthy consideration,” (Solis, 2011). In 2011, the Obama administration proposed policies to jump-start STC in the President’s fiscal year 2012 budget request and later in the proposed American Jobs Act.

Federal legislative efforts to spur STC use during the study period are discussed in Appendix G. The lead legislative effort, the Reed-DeLauro bill to reform STC was later incorporated into a broader stimulus bill and enacted on February 22, 2012, as the MCTRJC Act. In June, DOL issued in-depth STC guidance (USDOL, 2012a) to states. The policy guidance included instructions about the new law’s definition of STC, the transition period for states that currently had STC laws, the availability of 100 percent federal reimbursement of certain state STC benefits, and grants-in-aid for implementation and outreach. Based upon its original 2012 STC policy guidance, DOL issued four supplements: The first transmitted draft model language for states seeking to revise or enact

⁵⁸ Actually, 18 states had STC laws, but Louisiana did not operate its program. Louisiana abolished its STC law in August 2014.

new STC laws (USDOL, 2012b), and the second provided states with additional optional provisions they could enact in their STC laws (USDOL, 2014). A third, separate supplement, described STC grant funding (USDOL, 2012c) and a fourth, described financing of temporary federal STC programs under Section 2163 of the MCTRJC Act (USDOL, 2012d). However, no non-STC state opted to participate in the temporary financing arrangement.

After 30 years of experimentation, restraint, and reform, the federal government at present has adopted a proactive national policy that supports STC as a tool of labor market policy. In addition, DOL provided states with the means to enhance or enact STC programs under the federal-state UI partnership.

States have considerable freedom in the design of their STC programs within the broad parameters of federal STC law. They also have complete freedom to name their STC program as they wish. Exhibit D.2 shows that states have ten different names for their STC programs.

Exhibit D.2 Variation in State Short-Time Compensation Program Names

STC Program Name	Number of States (N=29)	States Using That Name
Shared Work	12	Arizona, Arkansas, Connecticut, District of Columbia, Kansas, Minnesota, Missouri, New Jersey, New York, Ohio, Texas, Washington
WorkShare	4	Maine, Massachusetts, New Hampshire, Rhode Island
Work Sharing	2	California, Maryland
Work-Share	2	Colorado, Wisconsin
Work Share	2	Michigan, Oregon
Short Time Compensation	2	Florida, Vermont
Short-Time Compensation	2	Nebraska, Virginia
Workshare	1	Illinois
Shared-Work	1	Pennsylvania
Voluntary Shared Work Program	1	Iowa

Source: IMPAQ 2015 review of SWA Websites.

D.4 Literature Review on STC in the U.S.⁵⁹

This section reviews existing literature on the STC program in the United States. Historical evaluations of the effectiveness of STC programs in the United States are limited. The most comprehensive studies of STC include two DOL-sponsored evaluations (Kerachsky et al., 1986; Walsh et al., 1997), and a study of the California STC program (MaCurdy et al., 2004). This section summarizes key findings from these studies. This overview is important for contextualizing IMPAQ’s survey findings and elucidating why awareness and program usage remain low in the United States.

D.4.1 DOL-Sponsored Studies

DOL sponsored two STC evaluations (Kerachsky et al., 1986; Walsh et al., 1997) before the present IMPAQ study. Both were mandated by Congress, as part of the STC laws enacted in 1982 and 1992. These evaluations revealed mixed results. Because of the small size of the STC program and the high cost of administering randomized controlled trials, these studies made use of comparison group methodologies. The evaluations were limited in scope, in part because of limited data and limited funds. There were no benefit-cost analyses in the two DOL-sponsored evaluations.

⁵⁹ This section draws from Chapter Nine of Wandner (2010).

Exhibit D.3 Overview of DOL-Sponsored Studies of STC

	Mathematica Policy Research (Kerachsky et al., 1986)	Berkeley Policy Associates, (Walsh et al., 1997)	IMPAQ International
Employer survey of STC participants	✓ (N=430)	✓ (N=454)	✓ (N=1,869)
Employer Survey of Non-STC Participants	✓ (N=557)		✓ (N=546)
Analysis of Benefit and Tax Administrative Data	✓	✓	
States Included	Arizona, California, Oregon	California, Florida, Kansas, New York, Washington	Kansas, Minnesota, Rhode Island, Washington
Study Period	1982 – 1983	1992	2008 - 2013

The first DOL-sponsored STC study was conducted by Mathematica Policy Research (Kerachsky et al., 1986). The key study period was state fiscal year 1983, July 1, 1982 through June 30, 1983, which included a portion of the recession that lasted from July 1981 to November 1982. The study consisted of three major activities:

- In-person interviews with state workforce agency (SWA) officials in the study states;
- A survey of a sample of employers who used STC and a comparison sample of non-STC employers; and
- Analysis of UI administrative records on UI and STC benefits paid to employees and on the UI taxes paid by sampled employers.

Kerachsky et al. conducted an impact study to address questions raised by Congress about (1) program administration, (2) effects on UI tax rates and the UI trust fund, (3) effects on employment stability, and (4) effects on the relative costs of layoffs and reduced hours. The study used a comparison methodology matching a sample of STC employers with a sample of non-STC employers based on their three-digit industry code, UI tax rate, and number of employees. An employer survey was conducted to gauge employers’ opinions of and attitudes toward STC and to ask about financial considerations (Kerachsky et al., 1986).

Berkeley Planning Associates conducted the second DOL-sponsored STC study, with a subcontract to Mathematica Policy Research (Walsh et al., 1997). The study period was calendar year 1992, starting almost one year after the July 1990 to March 1991 recession. The study consisted of three major activities:

- Survey of SWA officials in the 53 states and territories with UI laws;
- Survey of employers in the study states who used STC; and
- Analysis of state administrative records in the study states.

Walsh et al., (1997) conducted an impact study to determine how participation in STC affected employers' behavior and whether increased program use posed significant treats to the solvency of state accounts in the UI trust fund. The researchers applied a comparison methodology using administrative data in the five study states. Employers that participated in STC were matched with those that did not participate by industry, employment, and UI tax rate. Walsh et al. (1997) administered an employer survey to examine the perceptions and experiences of employers who had participated in STC in 1992. The researchers also conducted telephone interviews during 1996 with STC employers in the study states (Walsh et al., 1997).

The next sections examine survey findings by Kerachsky et al. (1986) and by Walsh et al. (1997). Special attention is paid to the following areas: (1) Effects on Employee Satisfaction; (2) Employer Views of STC and Effects on Layoffs; (3) Repeat Use of STC; (4) Effect on Productivity; (5) Effect on the UI Trust Fund; and (6) Administrative Costs to State Workforce Agencies. The relationship of these survey findings to IMPAQ's survey findings is discussed below.

D.4.1.1 Effects on Employee Satisfaction

Neither of the two DOL-sponsored evaluations obtained direct information from employees. However, the studies did survey employers and union officials about their perceptions of the attitudes of employees regarding STC (Walsh et al., 1997). According to employers, the vast majority of employees and unions had highly or moderately favorable views of STC (Kerachsky et al., 1986) as well. The Walsh et al. (1997, p. 20) study found that labor unions believed that STC prevented layoffs and preserved union jobs. Reviewing these evaluations and others, Wandner (2010) suggested that the main distributional effect of STC is a sharing of wage loss between more and less senior workers:

- Less senior workers were found to experience financial gains from the program because they avoided layoffs,
- The avoidance of layoffs and the improved financial position of these workers were paid for by more senior workers who, in the absence of STC, would have experienced no wage loss. Thus, studies found that there is a transfer of earnings from more senior to less senior workers, and
- There appears to have been a good deal of solidarity among workers; senior workers did not oppose STC arrangements (Wandner, 2010).

There were early expectations that STC might have a significant effect on helping women and minorities retain their jobs. The Kerachsky et al. (1986) study found that the demographic characteristics of laid-off workers were similar for the STC group and the comparison group. It also found that the characteristics of laid-off workers were similar to those of workers who stayed employed, for both STC and comparison employers. The Walsh et al. (1997) study compared new STC claimants with new UI claimants and found no statistically significant differences. The comparison did not show that women, youth, or minorities gained significantly in retaining jobs due to STC. Though women and youth made somewhat more use of STC, these results were not significant. Older workers tended to use STC less than other age groups. This under-representation could result either from employer decisions or from

worker preferences. Using administrative data, Walsh et al. (1997) found no statistical difference between racial and ethnic groups.

D.4.1.2 Employer Views of STC and Effects on Layoffs

Kerachsky et al. (1986) reported that STC and non-STC employers believed that STC's foremost advantage was in keeping valued employees, with the vast majority of STC employers retaining full fringe benefits for employees. These findings were confirmed in the Walsh (1997) study. This study was unsuccessful in its attempt to estimate the number of employees STC employers would have laid off without STC, using a comparison group methodology. However, it found that STC employers experienced mass layoffs at a higher rate than the comparison group (Walsh et al., 1997).

The Kerachsky et al. study (1986, p. xxiii) found that the amount of total compensated unemployment (UI and STC) was greater for STC treatment group employers than for comparison group of employers, with employees at STC participating employers spending five to thirteen percent more time on compensated unemployment. Although, surveyed employers reported that layoffs subsequent to STC use occurred infrequently. The findings of the Walsh et al. (1997) study are similar to the Kerachsky et al. study, although more modest. This study found that STC employers had high levels of UI charges, both in general and compared to STC charges. At the same time that employers were using STC, they also were making heavy use of the UI program. This finding suggested that STC was not so much a layoff prevention program as a part of employers' overall labor force reduction strategy.

For employers, the most frequently cited "disadvantage" of STC in the Kerachsky et al. (1986) study was the administrative burden. However, this finding was uncovered before the advent of computer networks. At that time, the tasks associated with application preparation were considered to be a major drawback by respondents (Kerachsky et al., 1986). However, by the 1990s, with increased automation by SWAs, fewer than twenty percent of respondents in the Walsh et al. (1997) study indicated that the administrative burden was an impediment to participation.⁶⁰

D.4.1.2 Repeat Use of STC

The Walsh et al. (1997) study found that some employers used STC in more than one year. For the five states the study examined in 1991–1993, employer STC use was split into three categories: one to four quarters, five to eight quarters, or nine to twelve quarters. The percentage of employers that used STC for nine to twelve quarters ranged from nearly half (45 percent) in New York to only five percent in Florida. The other states ranged between twelve and sixteen percent. At that time, high rates of repeat users resulted in a change in the STC law in Washington to limit repeat participation. Employers in Washington were required to be off STC for twelve

⁶⁰ Given the improvements in information technology since these two surveys were conducted, the IMPAQ survey only asked employers how STC administratively affected them and not whether STC administration was a disadvantage to employer participation. As a result, the IMPAQ survey responses are not comparable to the earlier survey findings.

months following three years of usage before they could initiate a new STC plan (Walsh et al., 1997).

D.4.1.3 Effect on Productivity

Another issue associated with employer STC usage was its effect on productivity. DOL-sponsored studies did not make estimates of the effects on productivity for employers using STC. However, the Kerachsky et al. (1986) survey asked STC employers how they rated the productivity of STC employees; 63 percent of the respondents reported no difference between employees who were and were not on STC. In the same study, 86 percent of non-STC employers speculated that productivity would remain steady or fall under STC. By contrast, in the Walsh et al. (1997) survey, almost 90 percent of STC employers reported that reductions in turnover led to increased productivity.

D.4.1.4 Effect on the UI Trust Fund

STC in the U.S. is funded by UI payroll taxes paid by employers, and both STC and UI benefit costs are assigned to employers' experience rate accounts. The two DOL-sponsored studies considered this issue and found that the total cost to the UI trust fund of STC and UI was greater for STC employers than for comparison groups.

Kerachsky et al. (1986) concluded that employer participation in STC increased the total benefits paid to employees as well as the UI payroll taxes the employers paid. The net effect on UI trust fund solvency was less clear. The study made qualitative estimates showing significant negative impacts on the UI trust fund in the short run. However, the study concluded that STC should not affect the UI trust fund adversely in the long run because STC benefits are fully experience rated (Kerachsky et al., 1986).

To determine the effect of STC on the UI trust fund, the Walsh (1997, pp. 11–13) study analyzed the UI benefit charges of STC employers with nine to twelve quarters of use during 1991–1993, a period that included a recession. In 1992, California and Washington high-use employers did not have higher levels of benefit charges than low-use employers. However, in New York and Kansas, UI charges for high users were more than double those of low users, indicating an adverse net effect on the UI trust fund accounts in these states (Walsh et al., 1997). However, like Kerachsky et al. (1986), Walsh et al. (1997) found the overall impacts of STC use on state UI trust funds appeared to be minimal in the long run.

D.4.1.5 Administrative Costs to State Workforce Agencies

Kerachsky et al. (1986) examined administrative costs to the UI program. They found that STC administrative costs to SWAs were more than double those incurred in processing regular UI benefits because of the expectation that there would be approximately five times as many claimants receiving benefits compared to the regular program, assuming a twenty percent workweek reduction. These costs did not include the costs associated with plan approval and responding to inquiries about STC.

During a decade of increased UI automation in the 1990s, the study by Walsh et al. (1997) found that administrative costs continued to be high for states that did not automate the STC program. At that time, states reduced their administrative costs by reducing the layers of approval for STC plan submissions. For the claims process, similar streamlining took place, with over half of the states switching to employer-filed claims; five of these states allowed employers to submit ongoing claims forms without claimant signatures. The STC states that were fully automated responded that their costs of administration were actually less per claim than the cost of regular UI (Walsh et al., 1997). The other states found the STC program more expensive because STC administration was so labor intensive. Hence automation greatly increased STC efficiency.⁶¹

D.4.2 Overview of California STC Evaluation

MaCurdy, Pearce, and Kihlthau (2004) examined the use of the STC program in California during the recession of 2001–2002, comparing STC employers to all UI covered employers. They analyzed which employers relied on STC, how they used STC, and which workers were affected. Administrative data from the UI benefit and tax system were used to evaluate the program. The study was descriptive, and no impact or benefit-cost analyses were conducted.

Employees collecting STC were older and better paid than those drawing regular unemployment benefits. STC was used by a small number of employers: 0.9 percent of employers that paid UI benefits. STC compensated weeks generally were less than 1.5 percent of UI compensation weeks except during the recession.

Employers in California who used STC were usually larger, higher-wage paying, longer established, more likely to be unionized, and more likely to be in the manufacturing sector than non-STC UI-paying employers. STC employers had an average of 239 workers, compared to 40 for non-STC employers. Seventy-three percent of STC employers had been paying UI taxes for eleven years or more, compared to 48 percent of non-STC employers. While Manufacturing accounted for eleven percent of the employers paying UI benefits, manufacturers constituted 62 percent of STC employers (MaCurdy, et al. 2004).

Among Manufacturing employers, STC was concentrated in producers of electronics, industrial machinery, fabricated metal, instruments, and furniture (MaCurdy et al., 2004). Employers in these industries tend to want to retain highly skilled workers, who have generally been trained on the job.

Like Walsh et al. (1997), MaCurdy, et al. (2004) also found that employers that used STC were more apt to use the UI program in general than non-STC employers. The authors of the California study assert that the STC program “can be expected to generate larger amounts of UI benefits for employers and some affected workers may not prefer [STC] because it imposes reductions in

⁶¹ Today, the UI program is highly automated, with internet and telephone claims taking. However, processing and tracking of STC employer plans is not automated in all states. For example, Rhode Island is revising and automating its STC benefit and application process in 2015.

pay that can be avoided by acquiring alternative full-time employment” (MaCurdy et al., 2004). The authors maintain that one reason for the higher benefit costs to employers was that only about 35 percent of unemployed workers collected regular UI, whereas workers who participated in STC by definition drew benefits.

D.5 IMPAQ Study Compared with Findings of Previously DOL-Sponsored STC Studies

DOL has sponsored three studies of the STC program since it was introduced in the U.S. in 1978. These studies were conducted in response to mandates included in major federal STC legislation enacted in 1982, 1992, and 2012.

D.5.1 Study States and Survey Sample Size

The first DOL-funded study (Kerachsky et al., 1986) was an analysis of the first three states to enact STC programs under the temporary federal STC legislation in effect 1982–1985. The second study (Walsh et al., 1997) was conducted in five states—California, Florida, Kansas, New York, and Washington—in response to the permanent legislation that was in effect from 1992 to 2012.

The third DOL-funded study, this IMPAQ study, was initiated following the enactment of the amended federal STC provisions included in the MCTRJC Act. Two of the five Walsh et al. (1997) study states, Kansas and Washington, were included in the IMPAQ study.

Although the first two studies were more comprehensive than the IMPAQ study, all three included employer surveys. As shown in Exhibit D.3, the Kerachsky et al. (1986) and IMPAQ studies surveyed both STC and non-STC employers, while the Walsh et al. (1997) study surveyed only STC employers. The IMPAQ study surveyed a larger number of STC employers, while the Kerachsky et al. (1986) and IMPAQ studies surveyed similar numbers of non-STC employers.

D.5.2 Industry Mix and Age of STC Employers

In the Kerachsky et al. (1986) study, conducted at the beginning of the U.S. STC program, non-durable and durable manufacturing employers were the heaviest users of STC, with durable manufacturing having the highest percentage of users. Employers engaged in wholesale trade were the next heaviest users in Oregon and California, but not in Arizona. Similarly, Walsh et al. (1997) found that the highest percentage of STC repeat users in the mid-1990s was still in durable manufacturing. Taken together, these past studies found that the heaviest STC employer use was in manufacturing.

In this IMPAQ survey, STC employer respondents were divided into three industry sectors: Manufacturing; Transportation, Warehousing and Trade, and Professional Services (TWPS); and Other, a catch-all category. Consistent with previous findings, Kansas, Rhode Island, and Minnesota STC respondents were fairly highly concentrated in Manufacturing. Washington

employers were more balanced across the sector categories. This greater variation in Washington may be a result of increased SWA staff resources, outreach, and promotion during the study period.

STC employers in the IMPAQ survey tended to have been in business longer than non-STC employers. The average length of time STC employers had been in operation under the same ownership was 29 years, compared to 21 years for non-STC employers. Across all four study states, 62 percent of STC employers had been in business more than twenty years, compared to 38 percent of non-STC employers. This finding is consistent with the findings of Walsh et al. (1997) that the average age range of STC employers in the five study states was between 22 and 39 years. These results are consistent with a previous finding from Andersson et al. (2005) that high-wage, high-retention employers are likely to be older than low-wage, low-retention employers in the same industries. STC employers, by their nature, are concerned with the retention of their skilled workforce.

D.5.3 Employee Skill Levels

In the Walsh et al. (1997) study, 32–60 percent of STC employer survey respondents in the study states indicated that the highest percentage of STC employees were production employees, both semi-skilled and unskilled. By contrast, in this IMPAQ survey, STC employers described their participating employees as highly skilled, classifying 84 percent of salaried and 50 percent of hourly STC employees as highly skilled. In Manufacturing (the largest single industry sector), employers described 81 percent of salaried and 49 percent of hourly employees as highly skilled. Across industries, the STC employer respondents considered only 22 percent of hourly and three percent of salaried workers to be low skilled.

D.5.4 Knowledge of STC

In this IMPAQ study, STC employers were highly aware of the UI program but had a very low awareness of the term “short-term compensation.” However, the STC employers almost universally recognized the name their own state gave to their STC program (for example, Shared Work). Not unexpectedly, non-STC employers were not aware of either the term STC or the state’s name for the STC program. In the Kerachsky et al. (1986) employer survey, 50 percent of non-STC employers appeared to have heard about either “short-time compensation” or the state’s official name for STC.

D.5.5 Repeat Use of STC

The Walsh et al. (1997) study indicated that, of all employers that used STC, the highest percentage of repeat users were in durable manufacturing, in proportions ranging from about a third to nearly half in the various study states. Repeat use of STC varied a great deal by state. In Florida, only five percent of STC employers used STC over a three-year period. In New York, 45 percent used STC during this same period (Walsh et al., 1997). Employers that used STC repeatedly were typically large employers. According to state administrative data in the IMPAQ study (See Appendix F), the

percentage of employers that were repeat users of STC ranged from 65 percent in Kansas to 43 percent in Minnesota. Generally, repeat use seems to have increased since the Walsh et al. (1997) study, especially in Kansas, one of two states involved in both studies.

D.5.6 Employee Productivity⁶²

In the Kerachsky et al. (1986) survey, 63 percent of STC employers believed STC employees were as productive as full-time employees. In the same study, 86 percent of non-STC employers speculated that productivity would remain steady or fall. Walsh et al. (1997) found that over 83 percent of surveyed employers in the study states believed reduced turnover increased productivity or profits.

In the IMPAQ survey, roughly 80 percent of STC employers in three of the four study states indicated that STC did not change production efficiency. This response was somewhat less common in Rhode Island at 71 percent. These responses are consistent with the fact that employers that used STC believed that it helped maintain employee morale and likely preserved productivity.

D.5.7 STC Employers' Experience with the Program

D.5.7.1 UI Taxes

In the Kerachsky et al. (1986) survey, 55 percent of STC employers thought that their UI taxes increased as a result of STC participation, but only 23 percent of those respondents thought the increase was a serious drawback. The Walsh et al. (1997) study found that employers in all states thought that participating in STC increased UI taxes; eleven to 40 percent, depending on the state, thought this was a serious drawback. The IMPAQ survey offered imprecise evidence about STC employers' perceptions about UI tax implications of STC benefits relative to a layoff. Nonetheless, it can be said that at least a plurality of STC employers believed that STC was less expensive than a layoff of similar magnitude.

D.5.7.2 Employer Administrative Effort

In the Kerachsky et al. (1986, p. 78) survey, 46 percent of the STC employers responded that STC was an administrative burden, but when asked specifically about administrative tasks, only 27 percent thought that the program was presented an additional burden, and only twenty percent of those respondents thought this burden was a serious drawback. Ten years later, Walsh et al. (1997) found that less than four percent of STC employers in Kansas thought the STC increased administrative tasks, compared to a high among the study states of nineteen percent in New York. The strong positive results for Kansas were likely related to its streamlined STC approval and claims processes.

⁶² STC employers generally responded that they produced the same quantity of goods and services per unit of labor input. However, this does not mean that prior levels of total production or sales were maintained after work hour reductions.

Given increased levels automation within the private and public sectors since the previous two DOL-sponsored studies, the IMPAQ survey asked employers whether administration of STC increased, decreased, or stayed about the same. In the IMPAQ study, over 60 percent of STC employers in each state reported that the STC program “increased” their administrative effort. At one level, this finding was expected, because, compared to the regular UI program, more tasks are required of employers to participate in STC, and STC program operations are generally less automated. Given the high rate of employer satisfaction of employers using STC, it is not clear that employer administrative efforts are a barrier to program participation. Moreover, in 2015, some states began upgrading the automation of their STC operations.

D.5.8 Employee and Union Reaction

The Kerachsky et al. (1986) survey found that STC employers believed that over 40 percent of employees and unions reacted highly favorably to STC participation. In the Walsh et al. (1997) survey, STC employers indicated that 38–56 percent of employees and 62 percent of unions had highly favorable opinions of STC participation. In the IMPAQ survey, employers indicated that the employee and union reactions to STC were favorable; however, results must be interpreted cautiously because response rates to this question were low. Employers rated employee reactions most highly in Kansas, where 99 percent indicated employees reacted either favorably, or very favorably, and lowest in Rhode Island at 86 percent.

D.5.9 Subsequent Layoffs

Using administrative records, Kerachsky et al. (1986, p. xxiii) measured layoffs before, during, and after STC program use. They estimated that STC employees spent from five percent to thirteen percent additional time on compensated unemployment, combining both time collecting STC and UI. In addition, Kerachsky et al. (1986, p. 196) found that only fourteen percent of employers reported layoffs after the period of STC use.⁶³ The IMPAQ survey also found that layoffs after STC use were infrequent. Only between sixteen and 21 percent of the STC employers reported to IMPAQ that they eventually laid off STC employees in Kansas, Minnesota, Rhode Island, and Washington. This is consistent with the IMPAQ finding that employers tend to use STC as a skill retention strategy and, therefore, an alternative to layoffs.

⁶³ The Walsh et al. (1997, pp. 5–15) study did not investigate subsequent layoff activities.

APPENDIX E. STUDY STATES DURING THE STUDY PERIOD, 2008 – 2013: ECONOMIC CONDITIONS, LAWS, POLICIES, PROCEDURES AND PROGRAM OUTCOMES

Economic conditions, employer demographics, policies, laws, and administrative procedures – when taken together – play an integral role in shaping participation in STC and perceptions about the program. This appendix summarizes the economic landscape, state laws, and administrative practices during the study period. This overview helps contextualize the survey findings.

The information presented in this appendix is based on site visits conducted at the four state workforce agencies; phone interviews and follow-up communication with SWA staff; secondary data from public data sources, such as the U.S. Census and U.S. Bureau of Labor Statistics; and relevant literature on the subject.

E.1 Economic Conditions and Employer Demographics in Study States

The Great Recession of 2007–2009,⁶⁴ which had a deep and lasting impact on America’s workforce, provides important context for understanding STC participation and why there has been a recent surge of interest in STC. At the end of the study period in 2013, which was nearly five years after the end of the recession, unemployment and labor force participation rates still had not returned to pre-recession levels.⁶⁵ This section provides a brief overview of the economic conditions nationwide and in the four study states.

E.1.1 National Economic Conditions, 2008–2014

The 2007–2009 recession took a large toll on the nation’s economy. Though some regions were hit harder than others, no state fully escaped the effects of the recession. The workforce in the manufacturing sector, already shrinking in the U.S., suffered further damage. The manufacturing sector employed approximately 17.2 million workers in 2000; by 2007 (before the recession), manufacturing employment was down to 13.9 million workers (“Bureau of Labor Statistics Data, CES,” 2015). By the end of the recession in 2009, the manufacturing sector employed only 11.4 million workers. In 2014, manufacturing still had not returned to pre-recession employment levels, having reached only 12.1 million workers.

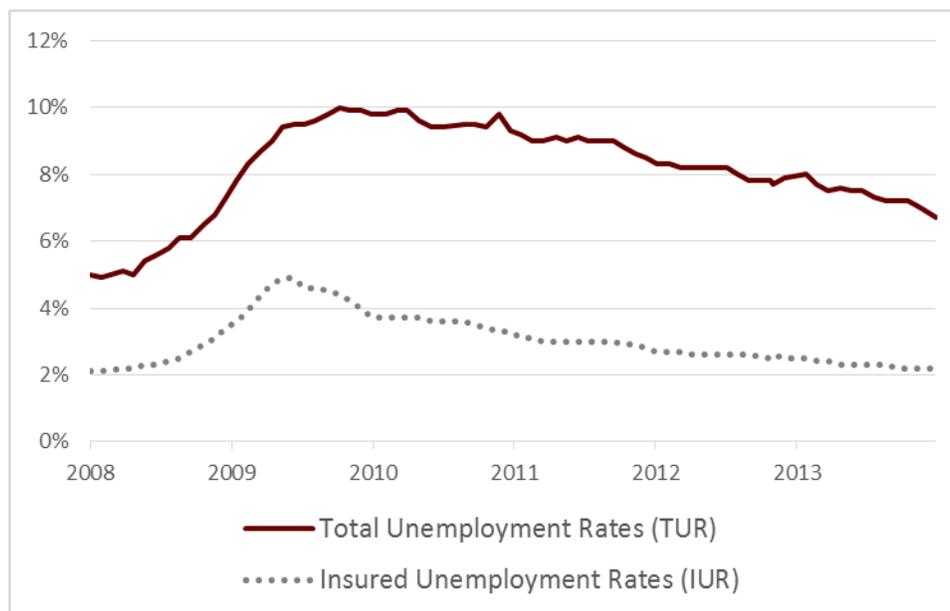
Exhibit E.1 below shows the extent of the recession using two key indicators of economic wellbeing: the total unemployment rate (TUR) and the insured unemployment rate (IUR). The TUR is the number of unemployed divided by the number of people in the labor force. The IUR is the number of UI claims divided by the number of UI-covered employed workers (Burtless, 1983).

⁶⁴ United States recessionary periods in this study are those defined by the National Bureau of Economic Research, and these periods are general accepted by U.S. analysts. Please see <http://www.nber.org/> for more information.

⁶⁵ Please refer to <http://data.bls.gov/timeseries/LNS11300000> for a detailed summary of US labor force participation rates over the last decade. Please refer to <http://data.bls.gov/timeseries/LNS14000000> for a detailed summary of the U.S. unemployment rate over the last decade. Accessed June 22, 2015.

While the TUR focuses on the entire U.S. labor force, the IUR only deals with the subset of workers who have been engaged in UI covered employment – the population that is potentially eligible to participate in STC. This appendix presents both measures as indicators of the economic conditions in the four study states.

Exhibit E.1 U.S. Total and Insured Unemployment Rates, 2008–2014



Source for TUR: U.S. Department of Labor (DOL), Bureau of Labor Statistics (BLS), Labor Force Statistics from Current Population Survey. Retrieved 1/26/2015, from <http://data.bls.gov/timeseries/LNS14000000>

Source for IUR: DOL ETA OUI, Unemployment Insurance Weekly Claims Data. Retrieved 1/26/2015, from <http://www.oui.doleta.gov/unemploy/claims.asp>

Note: Data points are seasonally adjusted monthly rates. See Appendix H for tables of data in this exhibit.

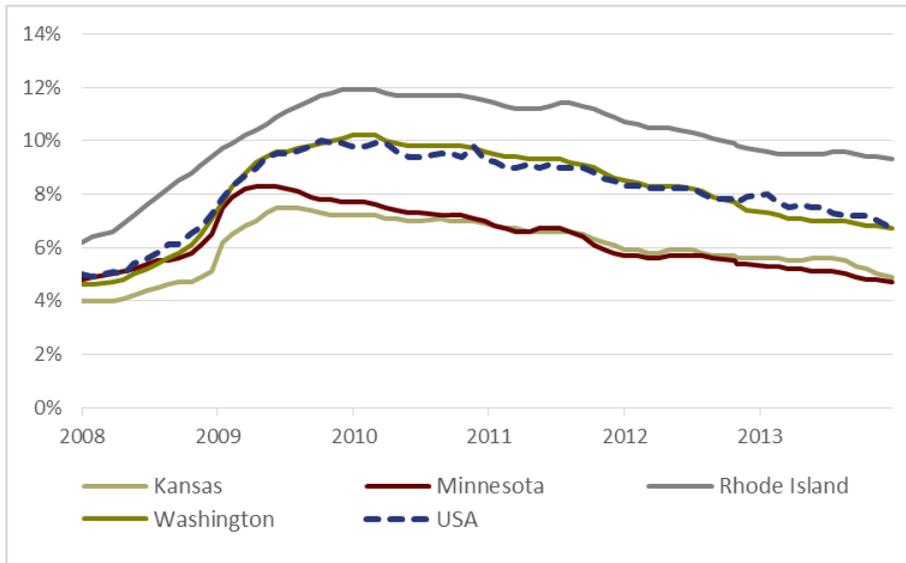
Though the recession first hit in 2007, the TUR and IUR did not peak until 2009. Both have slowly declined since that time. Unemployment rates are often lagging indicators of economic wellbeing (Zarnowitz, 1992). And as unemployment rates start to rise, one would expect to see greater demand for STC as employers begin to feel the pressures of a slowing economy and contemplate layoffs. Appendix F confirms that there was a positive correlation between STC first payments and unemployment rates in the four study states during the study period.

E.1.2 Economic Conditions in the Four Study States, 2008–2014

This section examines the unemployment landscape in each of the study states. Over the study period, TURs in each of the study states rose and fell with the national TUR, as shown in Exhibit E.2. However, some states had TURs that were consistently either higher or lower than the national rate. Rhode Island’s rate was approximately two percentage points higher than the national rate. After the recession, Minnesota and Kansas had TURs approximately two percentage points lower than the national rate. Washington had approximately the same

unemployment rate as the nation during the study period. The IURs in the study sates followed the national IUR trend more closely (Exhibit E.3). These severe and persistent unemployment levels resulted in unprecedented extensions of emergency benefits.

Exhibit E.2 Total Unemployment Rates in Four Study States

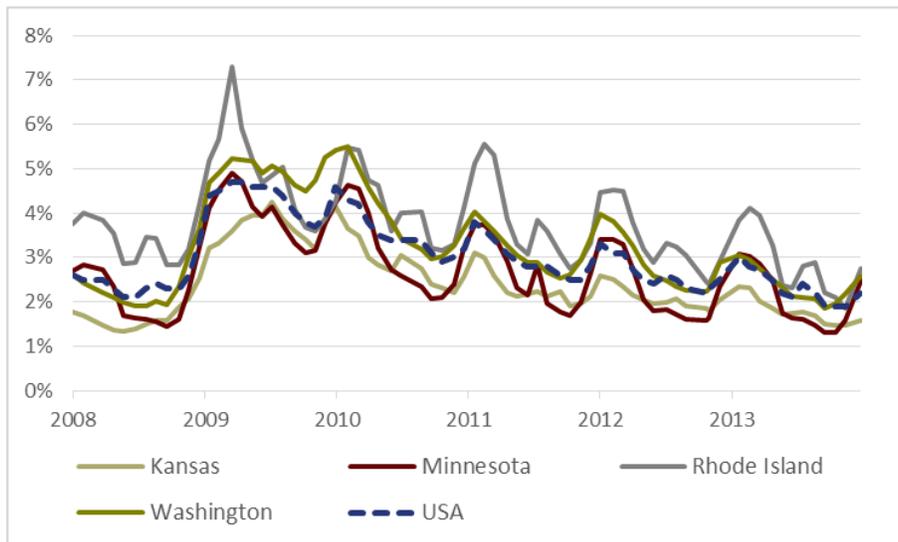


Source for TUR: DOL, BLS, Labor Force Statistics from Current Population Survey.

Retrieved 1/27/2015, from <http://data.bls.gov/timeseries/LNS14000000>

Note: Data points are averaged seasonally adjusted monthly rates.

Exhibit E.3 Insured Unemployment Rates in Four Study States



Source for IUR: DOL ETA OUI, Unemployment Insurance Weekly Claims Data.

Retrieved 1/27/2015, from <http://www.oui.doleta.gov/unemploy/claims.asp>

Note: Data points are non-seasonally adjusted monthly rates.

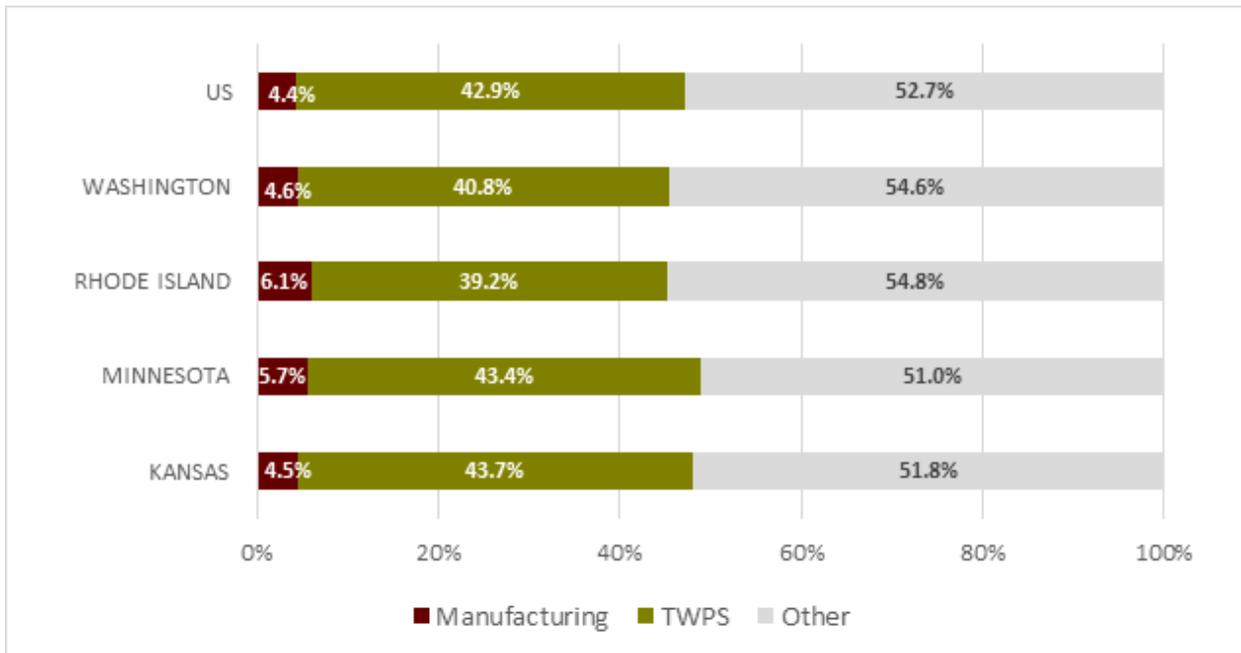
E.1.3 Employer Demographics in the Four Study States

As shown by Walsh, et al. (1997), employer characteristics and the industrial mix of states are likely to affect STC usage. This section draws on secondary data to analyze the employer demographics and industrial composition in each of the study states.

E.1.3.1 Industrial Mix

Study states showed little variation in the distribution of employers by industry, as illustrated in Exhibit E.4. Manufacturing employers made up approximately five percent of all employers, as in the nation as a whole. The percentage of employers in TWPS (approximately 40 percent) and in other sectors (approximately 55 percent) also did not vary substantially from state to state or from the national average.

Exhibit E.4 Distribution of Employers by Industry in Four Study States, 2012

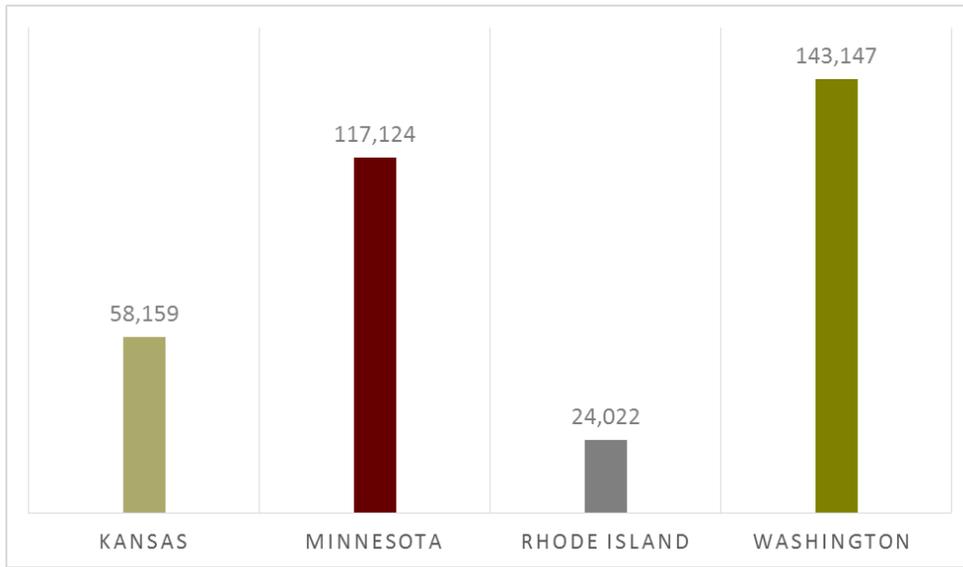


Source: U.S. Census Bureau, Statistics of U.S. Businesses, 2012.

E.1.3.2 Firm Sizes and Number of Firms

Although the industry mix was similar across the study states, the total number of firms varied a lot. In 2012, Washington had the most firms of all of the study states, with 143,147. Rhode Island had the fewest firms, with 24,022. Minnesota and Kansas were in between the two, with 117,124, and 58,159 firms respectively.

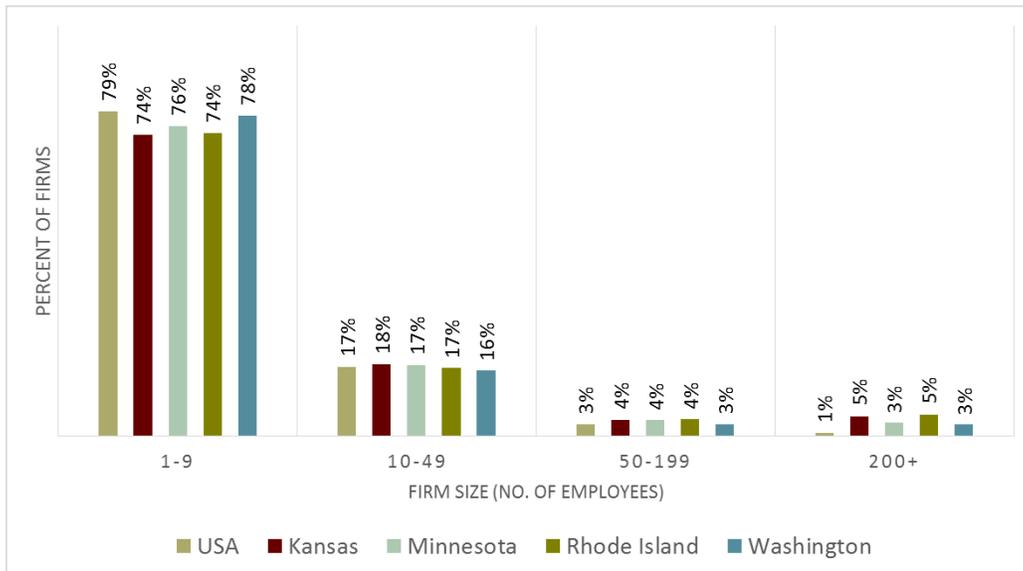
Exhibit E.5 Number of Firms in Study States, 2012



Source: U.S. Census Bureau, Statistics of U.S. Businesses, 2012.

Exhibit E.6 shows that employer size did not vary greatly by state. In the study states, approximately 76 percent of employers had one to nine employees, seventeen percent had ten to 49 employees, four percent had 50–199 employees, and four percent had more than 200 employees. These data demonstrate that micro-sized firms made up roughly three-quarters of U.S. Businesses in the study states.

Exhibit E.6 Size Distribution of U.S. Businesses in Study States, 2012



Source: U.S. Census Bureau, Statistics of U.S. Businesses, 2012.

E.2 STC Laws and Policies in Study States

The basic provisions of most STC laws in the four study states were fairly similar during the study period, largely because states generally continued to follow the model state STC language issued by DOL following the enactment of the federal STC law in 1982. Nonetheless, many STC states enacted special provisions to deal with issues of local concern. Recently states changed their STC laws to conform to new federal STC requirements included in the MCTRJC Act. Below is a discussion of a number of key provisions of study state laws that were in effect during most of the study period 2008 through 2013. These provisions are relevant for interpreting this study's survey results because they helped determine whether and to what extent employers were able to participate in STC.

E.2.1 Variations in the Four STC Laws and What They Mean for STC Programs

All four study states have well-established programs enacted over twenty years ago. The STC laws in participating states have gradually evolved over time. Exhibit E.7 shows that, during the study period, the maximum duration of a plan was twelve months for all states. Rhode Island and Minnesota offered longer maximum benefit periods to employers (52 weeks) compared to Kansas and Washington (26 weeks). Kansas and Minnesota allowed a more narrow range of reductions in work hours (twenty to 40 percent) than Rhode Island and Washington, which allowed ten to 50 percent reductions.

In addition, the study states differed in terms of which employers could participate, and how benefits were charged. The two states that utilized a benefit-ratio formula to compute employer contributions, Minnesota and Washington, excluded employers at the maximum tax rate from participation. The two reserve ratio states, Kansas and Rhode Island, each employed a different method to promote tax equity. Kansas excluded employers who had negative UI reserve balances, and Rhode Island charged all of the STC benefits to the liable STC employer.

Exhibit E.7 STC Plan Duration, Hour Reductions, Weeks payable, and Selected Provisions during the Study Period, 2012

State	Plan Duration	Allowable Reductions in Work Hours	Maximum Number of Benefit Weeks	Selected Provisions
Kansas	12 months	20–40%	26	Excluded employers with negative UI balances
Minnesota	12 months	20–40%	52	Excluded employers at maximum tax rate
Rhode Island	12 months	10–50%	52	Charged all STC benefits to employer
Washington	12 months	10–50%	26	Excluded employers at maximum tax rate

Source: IMPAQ compilation from the DOL Comparison of State Unemployment Insurance Laws (2009).

Exhibit A.3 in Appendix A shows the study state STC provisions relating to employee protections existing in 2012. These provisions differed in a number of ways. With respect to whether employers had to maintain health and pension benefits during an STC period, Washington (by law) and Minnesota (through administrative practice⁶⁶) required maintenance while Kansas and Rhode Island did not, although Kansas and Rhode Island did require that plans indicate how health and pension benefits were to be treated.⁶⁷ Minnesota did not require union concurrence or sign-off on STC plans, if a union was in the workplace, but the other three states did. All study states required that employees be notified about or concur with the STC plan.

E.2.2 Training Provisions during the Study Period

Under the 1992 federal STC law, states were permitted to include in their STC laws a provision that allowed employees to receive employer-sponsored training to enhance their job skills on non-work days while receiving STC. In 2012, none of the study states included such provisions in their own STC laws. State officials indicated that STC employers generally were most interested in maintaining their workforce, not in retraining. According to state officials, employers using STC did not inquire about training. During the study period, Kansas had a program called Additional Approved Training Benefits for UI claimants who were in approved training and had exhausted regular benefits. This program was available to claimants who had been on STC, but, according to the Kansas agency, none used it. It appears that STC-associated training was not requested or used by employers or employees in the study states during the study period.

E.2.3 Salaried, Hourly, Full-Time, and Part-Time Employees

In all study states, hourly employees were eligible for STC, as shown in Exhibit E.8. In Kansas and Rhode Island, salaried employees were also eligible for STC. Minnesota amended its law to include salaried employees in 2009. Only Washington excluded salaried employees from eligibility for the vast majority of the study period.

During the study period, all study states enabled employers to include full-time employees in their STC plans, with certain restrictions related to tenure (See Appendix G). Washington extended STC participation to part-time workers, while Minnesota and Rhode Island did not until 2013 and Kansas in 2014. The varying eligibility requirements in the study states and their relationship to employee protections for both STC and non-STC sample employers are discussed in Appendix G.

⁶⁶ One official from the Minnesota agency remarked, “In our experience, if the plans do not include health and pension benefits, they often do not go well.”

⁶⁷ Under the MCTRJC Act of 2012, state STC laws require that employers who participate in STC plans must maintain unreduced contributions for health and retirement benefits. In the past, some states with STC laws provided for proportional contributions of certain fringe benefits.

Exhibit E.8 Employee Eligibility for STC, 2012

State	Eligible Employees			
	Hourly	Salaried	Full-Time	Part-Time
Kansas	Yes	Yes	Yes	No***
Minnesota	Yes	Yes*	Yes	No***
Rhode Island	Yes	Yes	Yes	No***
Washington	Yes	No**	Yes	Yes

Source: IMPAQ analysis, 2015.

*Minnesota extended STC eligibility in 2009 to salaried employees.

**Washington extended STC eligibility in 2013 to salaried employees.

***Minnesota and Rhode Island extended eligibility to part-time workers in 2013, and Kansas in 2014.

E.3 Administrative Procedures in Study States

This section describes the differences in STC policies and procedures in the four study states. This information is helpful for explaining the variations in survey results across Kansas, Minnesota, Rhode Island and Washington, especially with regard to differences in opinions about the application process for employers, claims filing and the benefits payment process, and outreach and promotion.

E.3.1 Application Process for Employers

All study states required employers to submit an application, otherwise known as a plan, which was the primary agreement establishing an STC arrangement. Employers filed applications directly with the SWAs. Applications were downloadable from state STC Websites, except in Rhode Island. In all four states, applications were generally sent to the SWAs by mail, fax, or email. Many employers in Washington uploaded their applications to the STC Web platform. At one time, Minnesota enabled employers to upload applications, but that approach was later abandoned because employers had difficulty in completing the application properly. Exhibit E.9 below summarizes the available STC application methods for the four study states.

Peaks in STC application rates occurred in 2009 and peaks in approval of employer plans in 2010 (See Appendix F). The SWA staff and computer systems were dedicated to meeting high benefit payment workloads. As a result, the processing of STC plans and claims in the study states remained unchanged during the study period. Improvement in computer systems for the STC program had to wait for the decline in use that followed the study period; the improvement was facilitated by federal grants dedicated to that purpose.

Exhibit E.9 Automation of STC Application Methods during the Study Period

Application Process	KS	MN	RI	WA
Online Application Download	✓	✓		✓
Manual Application Preparation	✓	✓	✓	✓
Mail/Fax/PDF	✓	✓	✓	✓
Online Application Upload				✓

Source: IMPAQ interviews with SWA staff, 2012.

E.3.2 Claims Filing and Benefit Payment Process

The relationships among employers, SWAs, and employees under state STC arrangements varied somewhat with regard to the filing of STC initial and continued weekly claims. Employers and SWA staff had to work together to ensure that STC employees knew what was required of them. In all states, benefit payments were made directly to STC employees using the regular UI benefit payment system. Claims filing methods varied between the study states (Exhibit E.10). Two of the study states, Minnesota and Washington, relied on regular UI claims filing processes for employees to file STC claims through paper, internet, and voice response technology.

As shown in Appendix G, Kansas employers submitted both STC initial claims and continued claims for employees. Once the plan was approved, a certification form was mailed to the employer for completion. Weekly certification forms in Kansas continued to be mailed to the employer each week the plan was in effect. Employees who were eligible for STC were mailed a debit card containing their STC payment following their first week of eligibility. STC employees established a password and PIN number, and future weeks of benefits were placed on the card.

In Minnesota, employees were instructed by employers to file STC initial and continued claims through the regular UI claims filing processes, which was mainly internet-based. In Rhode Island, employees were responsible for filing the initial claim for STC benefits through their regular UI claims process, and the employers filed continued claims. In Washington, STC initial claims were completed on paper by employees; batched by the employer, and sent to the SWA for processing. (See Appendix G for additional information on how STC claims were filed.)

Exhibit E.10 STC Claims Filing Process in Study States during the Study Period

State	STC Initial Claim Submitted by		STC Weekly Continued Claims Submitted by	
	Employer	Employee	Employer	Employee
Kansas	✓		✓	
Minnesota		✓		✓
Rhode Island		✓	✓	
Washington		✓		✓

Source: IMPAQ interviews with SWA staff, 2012.

E.3.3 Outreach and Promotion

Outreach played a vital role in increasing employer interests and awareness in STC. The variability in outreach efforts helps to explain why some states in this study experienced greater rates of STC involvement than others. The amount of outreach and promotion was markedly different in the four study states. Two states, Kansas and Minnesota, did not devote resources to conduct outreach and promotion, but Rhode Island and Washington did. However, in each state many STC employers—both repeat and new users—were familiar with the program. In all states, STC participation by employers during the study period reached new highs (See Appendix F).

The Kansas and Minnesota agencies did not undertake outreach or promotion campaigns. Based on staff interviews with SWAs in these two states, employers knew about STC either through the Websites, discussions with SWA staff, or other employers. Officials in Kansas and Minnesota felt that their STC programs had reached record participation levels and that they were serving the appropriate industries and employers.

During the study period, Rhode Island and Washington undertook extensive campaigns to educate employers about the advantages of using STC. They recruited employers to use the program. Rhode Island staff regularly spoke to employer associations and unions, worked with the media to get the word out, and arranged for testimonials by satisfied employers who had used the program. Washington conducted three public service advertising campaigns during and after the recession: January 2008–March 2009, August 2009–November 2009, and January–February 2010 (Gorrell, 2013). In each case, employers responded with a short-term increase in STC participation. These outreach efforts had a substantial effect; they appear to have slowed the rate of decline in STC first payments in Washington in the years after 2009 (See Exhibit F.1).

E.4 Summary

In general, STC programs were fairly similar in scope and administration, regardless of differences in state law provisions. Nevertheless, there were a few salient features that may have rendered some states more conducive to increasing employer participation and satisfaction. For example, Kansas, Minnesota, and Washington enabled on-line application downloads, and Washington also allowed on-line uploads of applications. Kansas also enabled employers to file initial claims for employees, and Kansas and Rhode Island allowed employers to file weekly continued claims for employees. In addition, Rhode Island and Washington conducted extensive outreach to raise awareness about STC, which may help explain the high employer usage of STC in those states (the next appendix examines usage in more detail). These findings suggest that, if policymakers seek to expand employer participation in STC, increasing automation and outreach of STC administration are two promising strategies.

APPENDIX F. STATE ADMINISTRATIVE DATA: ANALYSIS OF STC PARTICIPATION AND USAGE IN EACH STUDY STATE

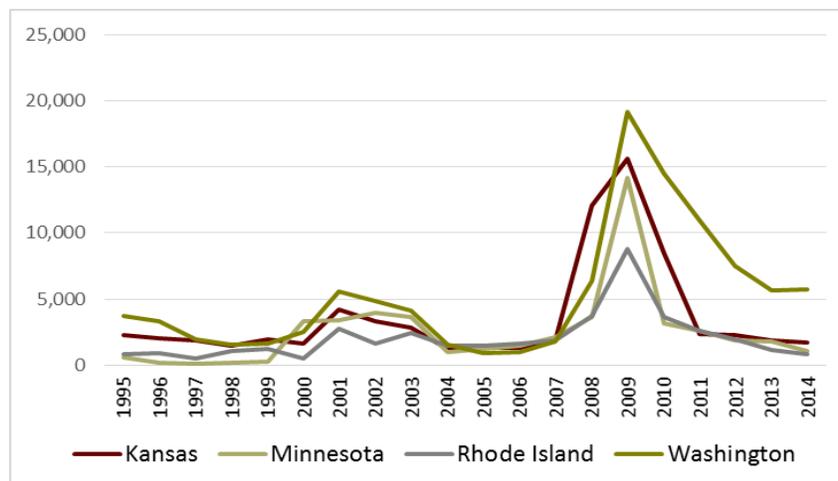
This appendix draws on study state and national administrative data obtained from the four SWAs and the DOL Employment and Training Administration (ETA). The analysis of these data provides a more complete picture of how employers participated in STC through the study period.⁶⁸

F.1 STC First Payment Trends in the Study States, 1995 – 2014

F.1.1 STC First Payment in Study States, 1995 – 2014

The number of STC first payments increased sharply at the outset of the Great Recession in all four participating states. It declined just as sharply after 2009 in all states except Washington. While Kansas, Minnesota, and Rhode Island quickly returned to pre-recession levels of STC first payments, Washington's levels remained considerably higher. Exhibit F.1 reveals a central finding about the relationship between unemployment rates and STC involvement: they follow a similar trajectory. As the unemployment rate rises, so too does the level of interest and participation in STC, as shown through the rise in STC first payments in 2009. This exhibit also reveals how much greater the effect of the 2007-2009 recession was on STC participation than the 2001 recession.

Exhibit F.1 STC First Payments in Study States, 1995–2014



Source: ETA 5159. Retrieved 3/27/2015, from

<http://www.workforcesecurity.doleta.gov/unemploy/DataDownloads.asp>

F.1.2 Relative Size of the STC Program in the Study States: Participants

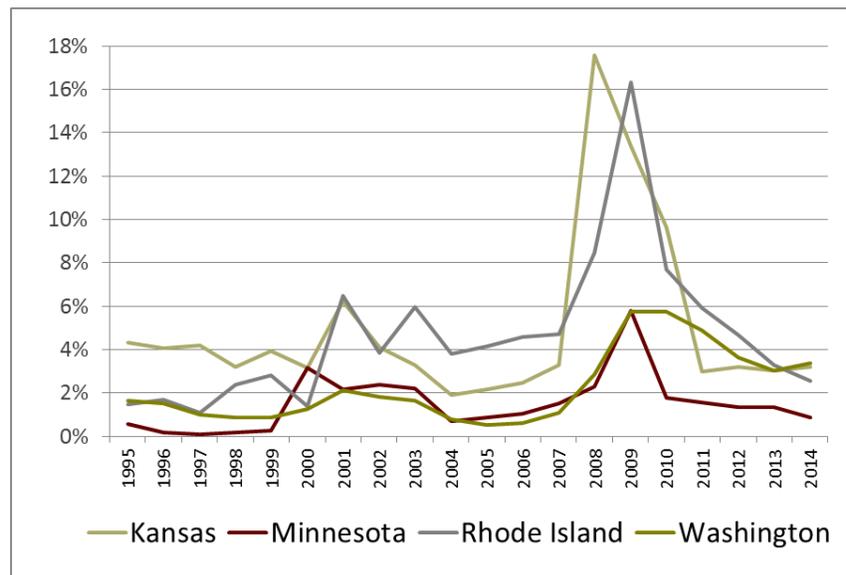
⁶⁸ This analysis should not be confused with the survey data. The administrative data offer a more complete picture of STC participation and usage that is taken from the universe of employers in the four study states, while the survey datasets only include survey respondents.

When compared to both the regular UI program in the U.S. and similar programs in other industrialized nations, STC in the U.S. is small (Shelton 2012, p.3). Relative to the regular UI program, it is not used much, especially during non-recessionary times. In two of the study states, STC first payments were less than six percent of UI first payments in most years (Exhibit F.2). The percentage increased sharply during recessionary periods, showing that the STC program was even more countercyclical than the regular UI program.

An exception was Rhode Island. The STC percentage of regular UI first payments declined after the 2001 recession, but it remained much higher than for the other three states. This phenomenon is likely to be related both to the heavy dependence of the Rhode Island economy on a declining manufacturing sector and to the active promotion of the STC program by the Rhode Island agency.

During the Great Recession of 2007-2009, STC first payments peaked in 2009 for Minnesota, Rhode Island, and Washington and in 2008 for Kansas. In each case, the 2009 peak was much greater than in the prior recession. The Kansas agency staff indicated that the sharp increase in STC participation in Kansas was due mainly to cutbacks in the aircraft industry.

Exhibit F.2 Trends in STC First Payments as a Percentage of UI First Payments in Study States, 1995–2014



Source: ETA 5159. Retrieved 6/12/2015, from <http://www.workforcesecurity.doleta.gov/unemploy/DataDownloads.asp>

F.1.3 Relative Size of the STC Program in Study States: Benefit Payments

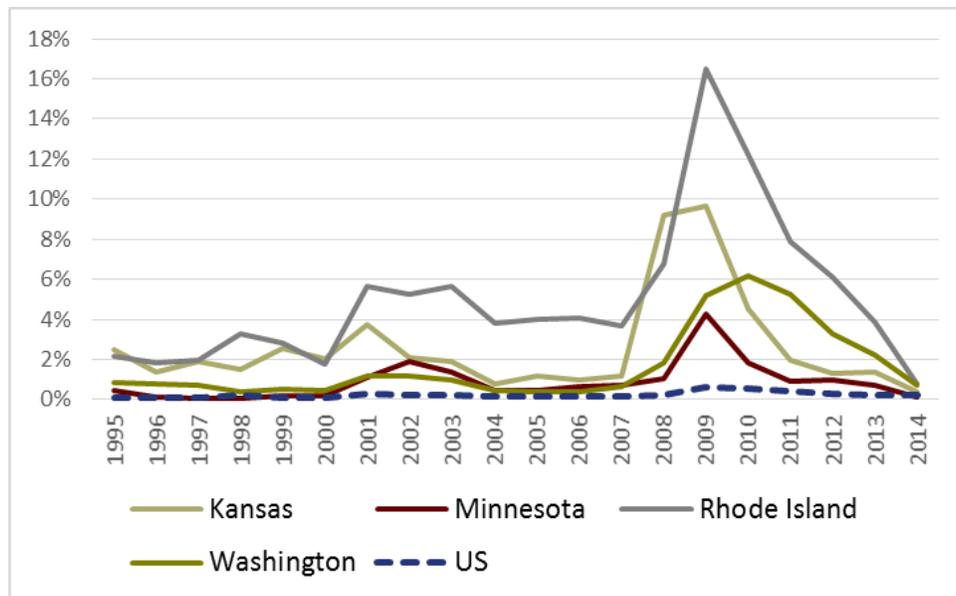
A key measure of the size of the STC program is revealed by comparing the benefit payments from the STC and regular UI programs (Exhibit F.3). The STC benefits paid remained less than two percent of regular UI benefits in Minnesota, Washington, and the U.S. in almost every year

between 1995 and the Great Recession. Rhode Island and Kansas followed a different pattern, especially during the Great Recession.

Rhode Island’s high utilization of STC can be explained by high levels of unemployment in its manufacturing sector during the recession and vigorous promotion of the program by Rhode Island SWA staff. Kansas had the highest single-year percentage of STC utilization, in 2008. However, high STC utilization in 2008 and 2009 cannot be attributed to outreach by the Kansas agency. Rather it was due to circumstances in the Kansas economy.

Production declines in Kansas were more rapid than in the other study states during the Great Recession. Both employers who had used the STC program before and those who were using it for the first time attempted to preserve the jobs of their employees. In 2007, there were 1,849 STC first payments in Kansas; the number jumped to 12,040 in 2008 and peaked at 15,585 in 2009. According to Kansas agency staff, the bulk of STC use occurred in the civilian aircraft industry. Aircraft manufacturers and secondary suppliers used the program to retain their skilled workforce. Moreover, aircraft manufacturers had experience using the STC program in past economic downturns. Memories of successful past use and discussions among employers in the industry appear to have motivated aircraft industry employers to use STC earlier and longer than most other employers in the participating states.⁶⁹

Exhibit F.3 Trends in Total STC Benefits as a Percentage of Total UI Benefits in Study States, 1995–2014



Source: ETA 5159. Retrieved 3/27/2015, from <http://www.workforcesecurity.doleta.gov/unemploy/DataDownloads.asp>

⁶⁹ The size of STC programs in the U.S. starkly contrasts to the size of programs in a number of Western European countries that depended heavily on STC to moderate the increase in unemployment during the Great Recession. For example, in Germany, it is estimated that without the extensive use of STC, unemployment would have doubled (Brenke, Rinne, & Zimmerman, 2011).

F.2 Multiple Plans and Repeat Users in the Four Study States

This section focuses specifically on trends within each study state, highlighting patterns of repeated program use. The two primary data sources for the information presented below were administrative data obtained from SWAs and ongoing communications with state officials.

Most employers had only one plan during the period they used STC. Still, in most states, employers could submit more than one plan for different units within the business. This phenomenon is called having *multiple plans* during any period of STC use. Plans could be for different work groups of employees, and the reduction in hours worked each week and the duration of the plans could vary.

In many states, there were limits to how frequently employers could use STC plans. For example, in Minnesota, if an employer canceled a plan before the expiration date, a new STC plan could not be approved for at least 60 calendar days (Appendix G). However, many employers were subject to cyclical and other repeated declines in demand for their goods or services. In this study, employers who used STC more than once are called *repeat users*.

F.2.1 Kansas

In 2008, the weekly maximum benefit amount for regular UI benefits in Kansas was \$407.00, increasing to \$456 in 2013. STC benefits were the percentage of regular UI benefits matching the reduction in work hours described in the employer's plan.

In this study, first payments in a benefit year, as defined by ETA 5159, were used as a proxy for unique beneficiaries under the UI and STC programs. In 2009, Kansas UI first payments reached a record high of 123,178, and STC first payments also reached their high of 15,585. STC first payments as a percentage of UI first payments in 2009 were 12.7 percent, lower than the record high percentage of 16.5 percent in 2008.

Raw administrative data was obtained from the Kansas agency in February 2014, for the period January 19, 2008, through February 1, 2014. The administrative data did not contain information about approved or denied STC plans. The information on approved and denied STC plans in Exhibit F.4 was subsequently provided by the Kansas agency.

Exhibit F.4 Kansas STC Employer Plans Approved and Denied, 2010–2014

Year	Number of Plans Approved	Number of Plans Denied
2010	185	NA
2011	158	61
2012	118	31
2013	112	26
2014	87	14
Total	660	132

Source: Kansas Department of Labor (DOL) data, provided 1/14/2015.

The highest number of STC plans approved in Kansas was 185 in 2010, and the highest number of denied plans was 61 in 2011. The total number of approved STC plans 2010–2014 was 660, and the total number of denied plans for the years data were available was 132. Interestingly, the denial rate for the STC program among the study states was high at 16.6 percent.

According to Kansas SWA staff, the most usual reasons for the denial of STC plans were that the employers:

- Had negative balances in their UI accounts;
- Were new employers without the requisite years of rated experience;
- Were delinquent in filing contributions or reports.

Exhibit F.5 shows the number of employers with STC plans and the number of plans approved across the study period. The first row shows the number of unique employers, as calculated by IMPAQ from the Kansas administrative data.⁷⁰ The second row contains the data received from the Kansas agency on the number of plans.⁷¹ The peak year for Kansas STC plans was 2009 (448 unique employers with STC plans), although there may have been more plans than employers given the data limitations.

Exhibit F.5 Kansas STC Employer Plans, 2008–2013

	2008	2009	2010	2011	2012	2013
Number of Employers with STC Plans*	41	448	393	201	115	97
Number of Plans Approved **	NA	NA	185	158	118	112

Source: Kansas DOL.

*Calculated by IMPAQ from raw administrative data received from Kansas DOL.

** Provided by Kansas DOL.

Exhibit F.6 uses the Kansas agency administrative data. It shows the number of employers who had a plan in one or more years of the study period. Here, IMPAQ assumes that employers had only one plan each year and the calendar year where the claims show up under a plan as the duration of the plan. This way the reader can observe the employers repeating over the different years during the study period.

⁷⁰ The Kansas administrative data permitted calculation only of the number of unique employers who listed STC claimants under any STC plan. The administrative data did not have the necessary plan-level information (such as plan identifier, start date, or end date) to isolate multiple STC plans under one employer, nor did they include the duration of plans. Thus, we cannot differentiate multiple plans under a single employer. Thus, for the two exhibits below, IMPAQ assumed that each employer has only one STC plan, which resulted in a count of unique employers. The number of plans was obtained from the state agency.

⁷¹ Kansas officials sent the data to IMPAQ via email in January 2015. There were no plan data available for 2009 and 2008.

In Kansas, between 2008 and 2013, 221 unique employers had plans in only one year. The majority of unique employers, 404 or 64.6 percent, had plans in two or more years. From 2008 through 2013, 625 unique employers appeared in the administrative data as having an STC plan in one or more calendar years.

Exhibit F.6 Kansas STC Employers by Number of Years with Plans, 2008–2013

Number of Years with STC Plan	Number of Employers	Percentage of Total Employers
1	221	35.4%
2	229	36.6%
3	111	17.8%
4	42	6.7%
5	17	2.7%
6	5	.8%
Total	625	100%

Source: Kansas Department of Labor. IMPAQ calculation from Kansas Department of Labor administrative data, January, 2014.

F.2.2 Minnesota

In 2008, the weekly maximum benefit amount for regular UI benefits in Minnesota was \$538, increasing to \$610 in 2013. STC benefits were the percentage of regular UI benefits matching the reduction in work hours described in the employer's plan.

As in Kansas, first payments were used as a proxy for unique beneficiaries under the UI and STC programs. UI first payments reached their record high of 252,468 in 2009, when STC first payments were 14,173. STC first payments as a percentage of UI first payments in 2009 were 5.6 percent.

There are two tables displaying the numbers of approved STC plans with slightly different totals. Exhibit F.7 shows the calculated results from raw administrative data received from the Minnesota agency in January 2014. These administrative data did not contain information about employer STC plans that were denied. They show the number of plans peaked in 2009.

Exhibit F.7 Minnesota STC Plans Approved, by Start Year, 2006–2013

Start Year	Number of Plans
2006	2
2007	45
2008	109
2009	529
2010	343
2011	166
2012	246
2013	134
Total	1,574

Source: IMPAQ calculation from Minnesota Department of Employment and Economic Development (DEED) administrative data, 1/9/2014.

Exhibit F.8 shows plans that were approved and denied for the period of 2007–2013, based on data calculated by the Minnesota agency and received in January 2015. The numbers of approved STC plans differ from those in Exhibit F.7. These differences may be attributable to a difference in the period covered by the two sets of data, the manner in which plans were counted in a given year, delays in the timing of employer submissions, or other factors.

Exhibit F.8 Minnesota STC Employer Plans Approved and Denied, 2007–2013

Year	Number of Plans Approved	Number of Plans Denied
2007	43	0
2008	93	0
2009	536	0
2010	493	0
2011	206	4
2012	216	3
2013	218	1
Total	1805	8

Source: IMPAQ calculation from Minnesota DEED administrative data, 1/27/2015.

In both tables, the high point in the number of approved plans was 2009, and the next highest year was 2010. According to the data calculated by the Minnesota agency, the total number of approved STC plans from 2007 through 2013 was 1805, and the total number of denied plans was eight. All denials occurred after 2010. Over seven years, Minnesota denied less than one (.44) percent of STC plan applications.

Denials were uncommon in the administration of Minnesota’s program due chiefly to careful pre-application screening of employers by agency staff. According to agency staff, STC plans were denied because:

- Employers were delinquent in filing contributions or reports.

- Employers were evasive and appeared to attempt to move to a part-time workforce and then hire new part-time staff.
- Employers reduced the pay of salaried employees but did not reduce the hours.
- Employers reduced the employee benefits along with the reduction in hours.
- Employees included in the plan did not have a date of first hire at least one year before the date of the application.

Exhibit F.9 Multiple STC Plans and Repeat Users in Minnesota, 2008–2013

Number of Plans	One-Time Users	Repeat Users (2 or more years)
1 plan only	285	149
2 or more plans	30	84
Total	315	233

Source: IMPAQ calculation from Minnesota DEED administrative data, 1/9/2014.

Exhibit F.9 indicates that more employers were one-time users of the STC program (315) than were repeat users (233) during 2008 through 2013. Of the one-time users, the great majority (285) had only one plan, whereas 30 had multiple plans. Most repeat users (149) had only one plan in two or more years. By contrast, 84 employers had multiple plans each year and had plans in more than one year. Of the 548 STC employers, 42.5 percent (233) were repeat users.

Exhibit F.10 Minnesota STC Plan Data, January 2007–October 2013

Plan or Employer Characteristic	2007	2008	2009	2010	2011	2012	2013
Number of Plans Approved*	45	109	529	343	166	246	134
Average Plan Duration (in days)	283	261	294	241	213	181	166
Employers, by Number of Plans per Year							
1 Plan	30	81	369	145	66	51	38
2 Plans	6	11	52	21	12	13	10
3 Plans	1	2	7	5	5	5	2
4 Plans	0	0	3	4	1	1	2
5 or More Plans	0	0	4	9	6	7	4
<i>Number of Plans Approved</i> **	43	93	536	493	206	216	218***

Source: Minnesota DEED.

*Calculated from administrative data received from Minnesota DEED, 1/9/2014

** Calculated by Minnesota DEED, received via email 1/27/2015

*** Data for full calendar year

Note: Minnesota sent IMPAQ two sets of administrative data, one on 1/9/2014 and another on 1/27/2015. As indicated with asterisks above, the first row of the table (“Number of Plans Approved”) and the last row of the table (Number of Plans Approved”***; also in Exhibit F.8) are from different sources. It is unclear why the data are not the same.

Altogether, Minnesota had 1,572 unique STC plans between January 2007 and October 2013. These plans were initiated by 560 unique employers, so that participating employers averaged

more than two STC plans apiece, representing both employers who initiated more than one plan in a given year and employers who were repeat users in different years.

F.2.3 Rhode Island

In 2008, the weekly maximum benefit amount for regular UI benefits in Rhode Island was \$513, increasing to \$566 in 2013. STC benefits were calculated as the percentage reduction in hours worked times the regular weekly UI benefits.

Rhode Island consistently has been a large user of STC as measured by STC first payments as a percentage of regular UI first payments. The Rhode Island agency has strongly supported the program as a method of reducing unemployment. Agency staff members believed that STC usage is greatly increased by extensive agency promotion of the program to employer and worker organizations, resulting in wide support for the program. The SWA promoted STC in many ways: directly contacting employers after layoffs, placing stories in newspapers, prominently offering STC as part of an employer service package, describing the program in a monthly bulletin sent to employers, making presentations to employer groups and labor unions, and marketing STC on the agency Website. These efforts resulted in strong support from both the governor and labor unions and heightened awareness of the program in the state chamber of commerce. Employer support also has been spread by communication between employers. There has been a positive response from employers and workers, with a very high use of the program since 2001 and a doubling of its use in the two years ending in October 2008 (Wandner, 2010).

Rhode Island entered the Great Recession early, in 2007. The recession also hit harder than in most of the rest of the U.S., and the recovery has been slower, so that Rhode Island’s need for STC started earlier and lasted longer than in most states.

During the Great Recession, the number of participating employers in Rhode Island peaked in 2009 at 642. Those employers tended to have an average of more than three plans approved each year. The number of applying employers and proposed plans denied has been very small.

Exhibit F.11 Rhode Island STC Employers and STC Plans Approved and Denied, 2007–2013

Year	Number of STC Employers	Number of Plans Approved	Number of Employers Denied	Number of Plans Denied
2007	188	637	NA	NA
2008	264	1309	NA	NA
2009	642	2589	2	2
2010	387	1307	4	4
2011	245	806	5	10
2012	195	650	9	NA
2013	118	466	13	NA

Source: Rhode Island Department of Labor and Training (DLT), 2015.

During and immediately after the Great Recession, between 2007 and 2010, Rhode Island lost 36,600 jobs, which represented 8.0 percent of the total number of jobs in Rhode Island. During that time, the Rhode Island agency estimated that the use of STC averted the loss of an estimated 13,957 jobs, which represented 2.8 percent of all jobs in Rhode Island. During the height of the Great Recession in 2009, Rhode Island experienced 27,000 STC initial claims. The SWA estimated that 6,619 layoffs were averted that year (Fogarty, 2014). For the period 2007 to 2011, the number of estimated layoffs avoided by year is shown in Exhibit F.12.

Exhibit F.12 Rhode Island Estimate of Number of Layoffs Averted by STC Program, 2007–2011

Year	Number of Layoffs
2007	1,472
2008	2,934
2009	6,619
2010	2,933
2011	963

Source: NASWA 2012 Estimate calculated by Rhode Island Agency.

Another way of looking at the effect of the STC program on the Rhode Island labor force is to estimate the effect of STC on the total unemployment rate. During 2007–2010, Rhode Island agency staff estimated that STC reduced the unemployment rate between 0.2 and 1.5 percentage points (Fogarty, 2014).

Participation in STC is highly cyclical—more so than in the UI program, which itself responds directly to the demand for labor. In Rhode Island, as in most states, employer STC participation peaked in 2009 (Exhibit F.13).

Exhibit F.13 STC Employers in Rhode Island, 2007–2013

Year	STC Employers
2007	180
2008	283
2009	612
2010	479
2011	235
2012	278
2013	171

Source: Fogarty 2014.

Note: There is a discrepancy between Exhibits F.11 and F.13, which both report the total number of STC employers in Rhode Island using two different data sources. There are several plausible explanations for this discrepancy. For example, these sources may have used different time frames for collecting program data, which could contribute to the differences we see in the exhibits.

Rhode Island implemented a limit of three years of STC participation to prevent STC from being used to counter seasonal fluctuations in employment. The main reason for the denial of employer plans was that employers requested plan extensions beyond three years. Other reasons for denial include employers being delinquent in their payment of UI taxes and an agency judgment of misuse of the STC program.

Employee participation also peaked in 2009 (Exhibit F.14). Employees filing initial claims for STC reached 27,372 in 2009. These employees received 175,282 employee-weeks of benefits, for an average of 6.4 weeks of collection of STC benefits per employee. These workers were paid \$18.7 million.

The Rhode Island agency was faced with significant challenges to operating its STC program and meeting demand for participation during the Great Recession. During discussions with the IMPAQ team, agency staff listed three major challenges.

First, the mechanics were time consuming and cumbersome. The STC program depended on a manual system that delayed the plan application and approval process as well as the claims approval process. Employer application information was entered into the computer system by SWA staff. Information was mailed or faxed to employers. Each employee’s UI application was entered manually by staff. Every biweekly payment was manually processed.

Exhibit F.14 STC Employee Participation in Rhode Island, 2007 – 2013

Year	Initial Claims	Weeks Paid	Benefits Paid	Layoffs Averted
2007	6,415	23,528	\$2,138,166	1,472
2008	10,546	51,327	\$4,680,686	2,934
2009	27,372	175,282	\$18,665,226	6,618
2010	12,099	102,373	\$10,642,743	2,933
2011	3,612	59,546	\$6,830,723	963
2012	2,299	42,424	\$4,947,891	625
2013	1,683	20,213	\$1,993,047	454

Source: Fogarty 2014.

Second, staffing issues developed during peak UI periods because of the high volume of activity. There was a significant increase in employer participation at the height of the recession. Employers requested flexibility in the modification of plans to meet their own needs.

Third, participating employers needed significant assistance. Rhode Island agency staff believed that the STC program should do extensive program monitoring to ensure compliance with the state statute. Employers also needed technical assistance to help them stay in business.

Exhibit F.15 Multiple STC Plans and Repeat Users in Rhode Island, 2009–2013

Number of Plans	One-Time Users	Repeat Users (2 or more years)
One plan only	193	130
Two or more plans	165	253
Total	358	383

Source: IMPAQ calculation from Rhode Island DLT administrative data.

Exhibit F.15 indicates that fewer employers used the STC program once (358) than multiple times (383) during 2009–2013. Of the one-time users, the majority (193) had only one plan, while 165 had multiple plans. Fewer repeat users (130) had only one plan; more employers (253) had multiple plans each year and had plans in several years. Thus, during 2009–2013, of the 741 employer users, 51.6 percent (383) were repeat users.

Altogether, Rhode Island had 4,863 unique plans between January 2007 and December 2013. These plans were initiated by 741 unique employers, so that participating employers averaged more than six STC plans each during the entire period, representing both employers who initiated more than one plan in a given year and employers who were repeat users in different years.

Exhibit F.16 Rhode Island STC Plan Data, 2009–2013

Plan or Employer Characteristic	2007	2008	2009	2010	2011	2012	2013
Number of Plans Approved*	NA	NA	2,016	1,037	738	618	454
Average Plan Duration (in days)	NA	NA	363	363	363	363	363
Employers, by Number of Plans per Year							
1 Plan	NA	NA	213	153	95	91	50
2 Plans	NA	NA	96	61	43	39	25
3 Plans	NA	NA	61	34	17	11	12
4 Plans	NA	NA	26	13	17	9	3
5 or More Plans	NA	NA	115	67	41	30	23
Number of Plans Approved**	637	1,309	2,569	1,307	806	650	466***

Source: Rhode Island agency provided IMPAQ all plan data they had available -- from 2009-2013.

*Calculated from administrative data received from Rhode Island DLT, February 2, 2014

** Calculated by Rhode Island DLT, received January 30, 2015

*** Data for full calendar year

****Full data not available for 2008 and 2009

F.2.4 Washington

In 2008, the weekly maximum benefit amount for regular UI benefits in Washington was \$515, increasing to \$604 in 2013. STC benefits were the percentage of regular UI benefits matching the reduction in work hours described in the employer's plan.

Use of the Washington STC program was highly variable, reaching high points shortly after the last two recessions, in 2003 and 2010 (Exhibit F.17). However, the greater severity of the Great Recession can be seen in the greater use of STC plans: five times more than the number used in the earlier recession. The number of employers with approved STC plans increased from approximately 124 in 2007 to 2,568 in 2010. Even in 2014, approximately 815 employers still had STC plans.

Denials in 2008–2014 generally were well under ten percent of approvals. According to agency staff, the main reasons for denials, in order of use, were (1) employers’ delinquency in paying UI taxes, (2) legal provisions prior to the MCTRJC Act amendments that prohibited employers from having two plans within three years, (3) employers proposing fewer than two participants, and (4) employers not having been in business for at least six months.

The number of covered employees in the STC program grew from 5,700 in 2008 to almost 44,000 in 2010. By August 2013, the number of employees in the STC program had declined sharply to almost 13,000 (Gorrell, 2013). Nonetheless, STC is a small program relative to the regular UI program. It has always been less than two percent of UI claims and of benefits paid, as illustrated in Exhibit F.18.

Exhibit F.17 Washington STC Plans Approved and Denied, 2007 – 2014

Year	Number of Plans Approved	Number of Plans Denied
2007	124	NA
2008	578	13
2009	2,550	142
2010	2,568	117
2011	2,011	104
2012	1,266	192
2013	855	76
2014*	815	23

Source: Washington ESD.

*Incomplete data for 2014.

Exhibit F.18 Washington STC Claims and Benefits as Percentages of Regular UI Claims and Benefits, Selected Years

Comparison	2001	2002	2007	2009	2011	2013
STC Full-Time Equivalent Claims / Regular UI Claims	0.3%	0.3%	0.1%	1.3%	1.3%	0.6%
STC Benefits Paid / Regular UI Benefits Paid	0.4%	0.3%	0.2%	1.6%	1.5%	0.6%

Source: Wentworth et al., 2014.

Washington estimates that the STC program saved more than 15,000 jobs in 2013 and more than \$16.8 million in UI benefit payouts (Gorrell, 2013).

Exhibit F.19 Multiple Plans and Repeat Users in Washington, 2008–2013

Number of Plans	One-Time Users	Repeat Users (2 or more years)
One plan only	2,208	2,256
2 or more plans	68	209
Total	2,276	2,465

Source: Calculated by IMPAQ from administrative data received from Washington ESD, 2/26/2014.

Exhibit F.19 indicates that fewer employers used the STC program once (2,276) than repeatedly (2,465) in 2008 through 2013. Of the one-time users, the great majority (2,208) had only one plan, while 68 had multiple plans. Most repeat users (2,256) had only one plan. By contrast, 209 employers had multiple plans each year and had plans in several years. Thus, during 2008 through 2013, of the 4,741 one-time and repeat employer users, 51.9 percent (2,465) of employers were repeat users.

Exhibit F.20 Washington STC Plan Data, January 2007–February 2013

	2007	2008	2009	2010	2011	2012	2013
Number of Plans Approved*	124	578	2,548	2,562	2,083	1,266	171
Average Plan Duration (in days)	376	370	367	362	349	359	362
Average Number of Employees per Plan	45	34	17	12	12	13	14
Employers, by Number of Plans per Year							
1 Plan	112	536	2,389	2,316	1,1816	1,136	166
2 Plans	3	12	51	91	63	36	1
3 Plans	2	1	3	13	19	8	1
4 Plans	0	2	4	2	13	4	0
5 or More Plans	0	2	5	2	5	3	0
Number of Plans Approved**	124	578	2,550	2,568	2,091	1,266	815***

Source: Washington ESD administrative data

*Calculated by IMPAQ from administrative data received from Washington ESD, 2/26/2014.

** Calculated by Washington ESD, received 1/14/2015.

*** Data for full calendar year.

The great majority of Washington STC employers had one plan per year. Altogether, Washington State had 9,332 unique plans between January 2007 and February 2013. These plans were initiated by 4,476 unique employers, so that participating employers averaged just over two STC plans, representing both employers who had initiated more than one plan in a given year and employers who were repeat users in different years.

F.3 Summary

Appendix F used SWA and DOL ETA administrative data to examine utilization of the STC program in the four study states, which captured the universe of STC employers, as opposed to a sample. Graphing the ETA first payment data to unemployment rates revealed a strong correlation between STC utilization and unemployment. This suggests that employers were using STC most

at times when the general economic conditions worsen, which is one indicator that the program is serving its basic purpose.

The spikes in participation during the Great Recession were common throughout the states, but especially high in Kansas, Rhode Island and Washington. Kansas witnessed a peak in STC first payments in 2009 as production demands declined, with a record high of 15,585 payments. The aircraft industry made up the lion's share of STC users in the state.

This appendix also examined repeat use patterns, which are an indicator of employer satisfaction with STC. Repeat users were higher than one-time users in Rhode Island and Washington.

APPENDIX G. STC POLICIES, LAWS AND ADMINISTRATIVE PRACTICES

G.1 Federal STC Policy, Laws and Administrative Practices

This appendix describes the evolution of federal STC policy. It examines how the progression of state law making has coincided with economic recessions. It then reviews the recent resurgence of interest in STC at the state and federal levels in the wake of the Great Recession.⁷² Finally, it ends with a description of study state laws and claims processes during the study period.

G.1.1 Evolution of Federal STC Policies and Laws, 1978–2011

From the 1990s until the Great Recession, STC was a strategy for retaining employees and avoiding layoffs in about a third of American states. During economic declines, political interest in STC increases, and state and federal leaders revisit STC as one way to address job losses. Conversely, STC is generally disregarded during prosperous times. Overall, the rate of STC usage has been low. STC has never constituted more than three percent of the yearly total of unemployment benefits paid in the United States. In contrast, in some European countries, employers have used STC much more regularly. (See Appendix D)

While other nations administer discrete STC programs, STC policy in the U.S. is attached by federal law to the federal-state UI program. Federal and state responsibilities have shifted little over time in the administration of unemployment benefits. The states maintain the authority to establish UI programs and discretion over most of the administrative processes, but they do so according to broad federal requirements and grants-in-aid. This shared authority and the effect of STC on raising UI taxes and reducing UI benefit entitlement slowed the adoption of STC policy, and after 1994, stalled state adoption until the Great Recession (Balducchi & Wandner, 2008; Vroman, 2013, pp. 13–14).

G.1.1.1 Amendments to Federal and State UI Laws to Create STC

Under federal UI law, states may withdraw funds from the UI trust fund only to pay unemployment benefits with benefits payable only to unemployed individuals. Initially the payment of state STC was inconsistent with federal law because it allowed benefit payments to be based upon reduced work hours rather than unemployment. Therefore, in order to allow for STC, federal and companion state UI laws had to be amended. This proved to be easier said than done.

G.1.1.2 Temporary Federal Law, 1982

In June 1980, a recession year, Rep. Patricia Schroeder (D-CO) introduced the first STC bill to Congress. Not until 1982 was STC enacted into federal law to operate for a three-year period as part of the Tax Equity and Fiscal Responsibility Act. The Act required DOL to develop model state language, establish program guidelines, and conduct research. It authorized states to enact

⁷² Parts of the following subsections are drawn from Balducchi and Wandner (2008).

companion laws corresponding to the eleven-part definition contained in the federal law. By July 1983, DOL (1983) had issued guidance and draft language; states began to consider whether to add the STC program.

Authority under federal law for states to adopt STC lapsed in 1985. States with existing laws continued to operate programs, and additional states enacted laws during the next seven years. During the mid-1980s, a time of economic prosperity, DOL neither issued policy guidance nor contested the state laws. Congress returned to the STC issue when the U.S. economy declined during the recession of 1990–1991.

G.1.1.3 Permanent Federal Law, 1992

In January 1992, Rep. Pete Stark (D-CA) sponsored a bill to make STC a permanent part of the UI program. In April, Sen. Harris Wofford (D-PA) introduced a bill in the Senate that included STC and other UI reforms. Both bills included the eleven-part definition of STC contained in the 1982 temporary federal law. Wofford's bill also added a provision to allow workers to receive employer-sponsored training to enhance their job skills on non-work days while receiving benefits.⁷³

Congress passed an STC bill, H.R. 5260, with a five-part definition, including, as a state option, a provision that enabled employees to participate in employer-sponsored training. President George H. W. Bush signed the bill in July 1992 as the Unemployment Compensation Amendments, which extended emergency benefits and made STC a permanent fixture in the federal UI program. No legislative history exists to explain why the House and Senate conference did not incorporate the full eleven-part definition contained in the 1982 federal law.⁷⁴ Like the temporary federal law, the new federal law required DOL to develop model state language, establish guidelines, provide technical assistance, and conduct an evaluation. However, it eliminated the earlier law's safeguards for states, employers, employees, and unions.

G.1.1.4 Federal Policy Impasse, 1992–2011

Between 1992 and 2011, STC policy was in limbo. DOL's reading of the 1992 federal law would have made it impermissible for states to adopt the more expansive STC definition contained in the 1982 federal law, but this interpretation was not enforced. Moreover, states that had enacted STC laws prior to the new law would have been required to remove the employer, employee, union, and state protections, for example, the maintenance of fringe benefits. DOL policy makers became concerned about the consequences of the new law, viewing it as unworkable in its then current form. Policy makers were sorting through options to address their concerns as the Clinton administration assumed control of the federal government.

⁷³ An author of this report worked on the staff of Sen. Wofford, drafting the bill along with other actions.

⁷⁴ Several potential explanations are found in Balducchi and Wandner (2008) and Wandner (2010).

By 1994, federal policy makers determined that the permanent law did not allow for broad interpretive or administrative authority. Corrective language was included in House and Senate versions of the Clinton’s administration’s proposed Reemployment Act (REA) of 1994, an omnibus bill to restructure the nation’s workforce development system. The REA was introduced in the 103rd Congress, which failed to enact it. Subsequent Clinton-era workforce development bills did not include technical corrections to STC. As a result, DOL neither provided policy guidance to states nor issued model state language for the 1992 law. For practical purposes, active federal STC policy was suspended from the mid-1990s until after the Great Recession.

G.1.2 Middle Class Tax Relief and Job Creation Act of 2012

The Great Recession began in December 2007 and technically ended in June 2009, but the unemployment rate remained stubbornly high until 2014. Beginning in 2009, media attention helped stir interest in seeking to help the jobless. Newspapers, magazines, and journals published articles that described how STC was combating job loss in Germany and in several northeastern states. An important news story in the *New York Times* (Greenhouse, 2009), “Work-Sharing May Help Companies Avoid Layoffs,” described a Connecticut factory that kept skilled workers on the job by using STC and pointedly noted that less than a third of the states used the program. The article brought attention to STC in other media and policy circles, including in Congress.

During the period 2009–2014, roughly the study period for the IMPAQ survey, there were eleven major bills (Exhibit G.1) in Congress to spur enactment of state STC laws and increase employer participation. Sen. Jack Reed (D) of Rhode Island—a state that made heavy use of STC—led the campaign to revitalize the program. White House backing was needed; in a nationally televised address on September 8, 2011, President Obama proposed the American Jobs Act, which, among other things, sought to repair defects in the federal STC law and promote the adoption of companion state laws.

Many of the STC provisions in bills preceding H.R. 3630 were included in that bill and enacted as the Middle Class Tax Relief and Job Creation Act, P. L. 112-16. The law had three STC components: (1) temporary federal financing of STC benefits, (2) grants to states for STC-related purposes, and (3) increased federal responsibilities for promoting STC along with a new ten-part definition of STC (Vroman, 2013).

Exhibit G.1 Major Post-Great Recession Federal Bills to Amend the STC Program, 2009–2014

Bill No.	Short Title	Principal Sponsor	Introduced
S. 1646	Keeping Americans Working Act	Sen. Jack Reed	August 7, 2009
H.R. 4183	Helping Unemployed Workers Act	Rep. Jim McDermott	December 2, 2009
S. 2831	Helping Unemployed Workers Act	Sen. Jack Reed	December 3, 2009
S. 3753	Preventing Unemployment Act	Sen. Jack Reed	August 5, 2010
S. 1333	Layoff Prevention Act	Sen. Jack Reed	July 6, 2011
H.R. 2421	Layoff Prevention Act	Rep. Rosa DeLauro	July 6, 2011
S. 1549	American Jobs Act	Sen. Harry Reid	September 13, 2011
H.R. 12	American Jobs Act	Rep. John Larson	September 21, 2011

Bill No.	Short Title	Principal Sponsor	Introduced
S. 1660	American Jobs Act	Sen. Harry Reid	October 5, 2011
H.R. 3630	Middle Class Tax Relief Job Creation Act (Subtitle D of Title II, Layoff Prevention Act of 2012)	Rep. Dave Camp	December 9, 2011
S. 2906	Layoff Prevention Act of 2014	Sen. Jack Reed	September 18, 2014

Source: Congress.gov, IMPAQ compilation.

Notes: S.1549, H.R. 12, and S.1660 were identical bills; the first two bills received no committee action and the third (S.1660) was removed from the Senate floor. The purpose of S. 2906 was to provide for an extension of the temporary financing of STC programs.

G.1.2.1 Overview of New Federal STC Requirements⁷⁵

The elements in the new STC definition were explained in Unemployment Insurance Letter No. 22-12 (USDOL, 2012a). The ten-part federal definition for state laws provided that:

- 1) Employer participation is voluntary.
- 2) Employers should reduce employee hours in lieu of layoffs.
- 3) Employees whose hours are reduced by at least ten percent but not more than 60 percent (as determined by the state) are not disqualified from subsequently receiving UI benefits.
- 4) Employees receive a prorated share of the UI benefits they would have received if totally unemployed.
- 5) Employees meet work availability and work search requirements if they are available for their full workweek as required.
- 6) Eligible employees may participate in appropriate training approved by the state UI agency.
- 7) If health and retirement benefits are provided, employers must certify that those benefits will not be reduced due to participation in the STC program.
- 8) Employers must submit a written plan to the state UI agency describing how they will implement requirements of the STC program (including a plan to give advance notice, where feasible, to employees whose workweek will be reduced), as well as an estimate of the number of layoffs that would have occurred if not for the STC program.
- 9) Employers' plans must be consistent with employer obligations under applicable federal and state laws.
- 10) States can request, and the Secretary of Labor can approve, other provisions that are determined to be appropriate for the purposes of STC (Ridley & Wentworth, 2012).

⁷⁵ The new federal requirements were not in place during the study period except for the latter half of 2013 in Minnesota, Rhode Island, and Washington.

G.1.2.2 Incentives

The new federal law provided financial incentives both to states that had STC programs as of February 2012 and to states seeking to establish such laws.⁷⁶ According federal law, states with established programs had until August 22, 2014, to amend their UI laws to conform to the new ten-part definition. They could receive up to three years of federal reimbursement of STC benefit costs. Once they enacted conforming state STC laws, they had until December 31, 2014, to apply for a portion of the \$100 million in grants the law provided for program improvement and outreach to employers.

States without STC programs that wanted to adopt them had two options:

- They could establish a new program by amending their state UI laws. They could then receive federal reimbursement of STC benefit costs for up to three years and apply for a grant to launch the program, educate employers, and engage them in STC.
- While state laws were in the process of being adopted, states could enter into an agreement with DOL to make STC immediately available to employers and employees. They could receive partial reimbursement of benefit costs paid to workers for no more than two years. Though DOL released guidelines for use of this option (USDOL, 2012a), no state applied for the temporary federal program (Ridley & Wentworth, 2012).

G.1.3 State STC Policy, Laws, and Administration

Discussed first in this section is the evolution of STC laws in the twenty states that enacted such laws between 1978 and 2009. Next is an examination of state laws enacted after the Great Recession, followed by a general description of administrative practices, employer outreach, and variations among state laws. The evolution of state STC laws and administrative practices provides context for understanding the employer responses to the IMPAQ survey.

G.1.3.1 Evolution of STC Laws, 1978–2009

State by state, coalitions of business and labor began promoting STC policy—based upon European programs—after the severe recession of 1974–1975 (Balducci & Wandner, 2008). The first state to consider STC was New York; the bill was touted as a human capital retention policy. It was introduced in the New York State Assembly in June 1975 but failed in committee. In 1978, California became the first state to enact an STC program; its purpose was to cushion anticipated public sector layoffs arising from Proposition 13 tax reductions, which limited state expenditures. The layoffs of state employees never occurred, and private sector employers instead began using

⁷⁶ For details about the incentives see, Unemployment Insurance Letters Nos. 22-12 and 03-13 (USDOL, 2012a) and (USDOL, 2012d). UIPL 27-12 dealt with the grant process under MCTRJC Act (USDOL, 2012c).

STC. It soon became a small but popular program, actively supported by Gov. Jerry Brown (D-CA), who was eyeing a bid for the presidency.⁷⁷

In the early 1980s, Motorola, a private for-profit company, was largely responsible for mobilizing business, labor, and political support for state STC laws.⁷⁸ At the time, Motorola sought to implement a no-layoff policy, and STC was an ideal tool to reduce labor costs during periods of low demand (Vroman, 2013; Wandner, 2010). In 1981, the Executive Council of the AFL-CIO endorsed STC. In a statement, the AFL-CIO (1981) acknowledged that nearly “one-quarter of major collective bargaining agreements now provide for a shorter workweek in lieu of layoff, short time is rarely used because there is no provision for income replacement. If compensation is available, these contracts would allow senior workers to elect the shorter workweek they may well prefer and at the same time preserve employment opportunities for the recently hired, including minorities and women.”

Generally, states facing more extreme downturns have been more likely to be proactive in adopting STC. The recessions of the early 1980s prompted an initial wave of legislative activity. Before a temporary federal policy under the Tax Equity and Fiscal Responsibility Act was first established in September 1982, Arizona and Oregon followed California by enacting state laws. From 1983 to 1985, the three-year period of temporary federal authority, eight states enacted STC laws: Arkansas, Florida, Illinois, Maryland, New York, Texas, Vermont, and Washington.

Though federal authority to enact STC laws lapsed in September 1985, enactment of state laws did not cease. Likely the activism exhibited by DOL during the previous three years—coupled with policy makers’ memories of the economic devastation of the recessions of the 1980s and of the mild recession of 1990–1991—helped propel an additional seven states to enact laws: Connecticut, Iowa, Louisiana, Kansas, Massachusetts, Missouri, and Rhode Island.

During the federal impasse of 1992–2009, Minnesota was the only state that enacted an ongoing program, and North Dakota enacted a one-year demonstration. Of the twenty states that had STC laws during the period 1978–2009, only seventeen states actually operated programs. STC laws lapsed in Illinois⁷⁹ and North Dakota, and Louisiana discouraged participation, so that no employers applied after 1988 (Walsh et al., 1997).

G.1.3.2 Enactment of STC Laws after the Great Recession, 2010–2014

An analysis of STC in the seventeen states with programs before 2010 was conducted by Vroman (2013). Two factors were found to be statistically significant in the likelihood that a state would

⁷⁷ This is not the only time a governor with presidential ambition saw STC as valuable. Gov. Bill Clinton (D-AR) championed labor market policies to counter high levels of unemployment in Arkansas. Clinton’s economic bill presented to the General Assembly in 1985 included STC, and it was enacted the same year.

⁷⁸ Motorola encouraged adoption of STC in states where it had a presence – Arizona, Florida, Illinois and Louisiana (Wandner, 2010).

⁷⁹ Participation in the Illinois program required employers to reimburse the state dollar-for-dollar for STC paid. Unsurprisingly, no employer participated. The law was allowed to expire in 1988 (Walsh et al., 1997).

adopt STC: a “liberal-leaning” political philosophy (Vroman, 2013, p. 5) and the presence of manufacturing plants operated by Motorola.

Media reports of continued high unemployment rates in 2009 prompted national and state advocacy groups, including the Center for Law and Social Policy, the National Employment Law Project, and AARP, to lobby for the adoption of STC in states without programs (Balducchi, Forthcoming). Before the new federal law was enacted, in 2010, Colorado, the District of Columbia, New Hampshire, and Oklahoma enacted their own laws. Momentum built through continued advocacy in other states as Congress proceeded with STC reforms. Maine and Pennsylvania adopted laws in 2011, followed by New Jersey in 2012.

Michigan⁸⁰ adopted STC on June 21, 2012, becoming the first state to enact a law after the President signed the MCTRJC Act of 2012. Ohio and Wisconsin were added in 2013; in 2014, Illinois, Nebraska, and Virginia adopted programs. Also in 2014, two states, Louisiana and Oklahoma, opted not to conform to new federal requirements required by the MCTRJC Act and revoked their laws.

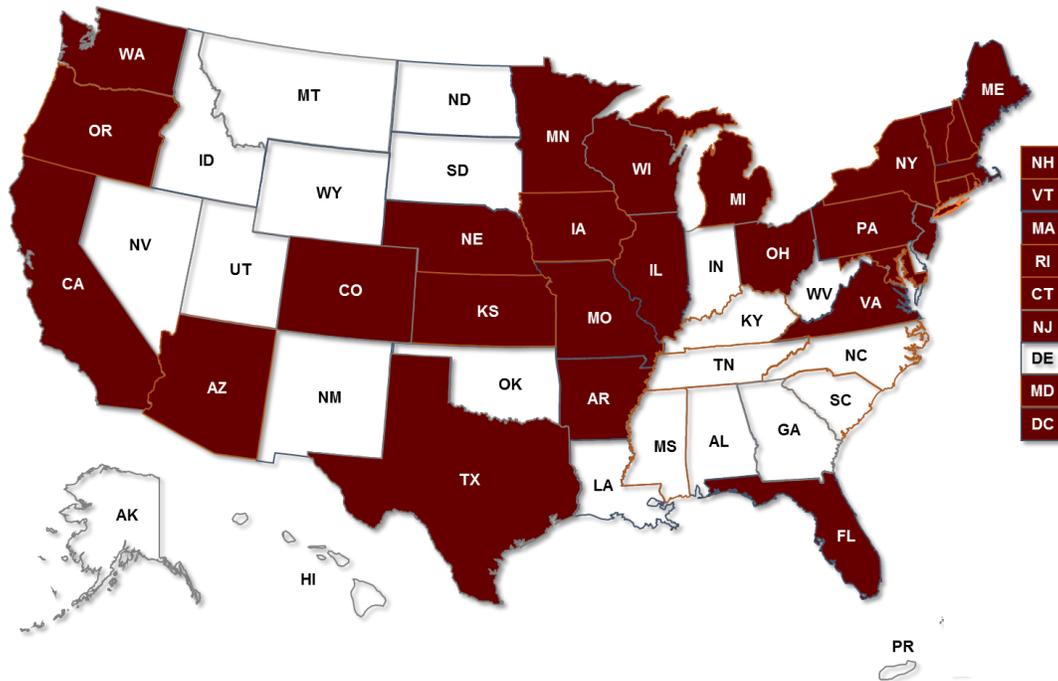
After the Great Recession, the political landscape of STC policy may have shifted to the ideological center in some states in order to keep their economies stronger in difficult times. Since 2010, Republican governors have exceeded their Democratic counterparts in adopting STC laws. Of the twelve states and the District of Columbia that enacted laws from 2010 through 2014, seven were led by Republican governors: Maine, Nebraska, Michigan, New Jersey, Ohio, Pennsylvania, and Wisconsin. Thus, STC seems to have emerged as a bipartisan policy in some states. As a sponsor of the Virginia STC bill told members of the General Assembly in 2013, this program “is not a blue state or red state issue” (Balducchi, 2015).

As of March 2015, 28 states and the District of Columbia had incorporated STC in their UI laws (Exhibit G.2). In total, 29 of the 53 UI states and jurisdictions had STC provisions.⁸¹

⁸⁰ Policy makers in Michigan worked closely with DOL during the drafting process to ensure that the bill was consistent with a bill, the federal Layoff Prevention Act, which was making its way through Congress.

⁸¹ For purposes of federal UI law, the District of Columbia, Puerto Rico, and the Virgin Islands are part of the federal-state UI system.

Exhibit G.2 States with STC Laws as of March 2015



Source: Balducchi, 2015.

Highlighted states are those with STC laws: Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Illinois, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Vermont, Virginia, Washington, and Wisconsin

G.2 Kansas Department of Labor's Shared Work Program: Law and Claims Process during Study Period

G.2.1 Kansas Shared Work Background

Under Kansas UI law, STC is called Shared Work. The Kansas Department of Labor, Division of Employment Security, administers the Shared Work program centrally out of the Benefits Branch located in Topeka. Kansas is particularly instructive for the research questions in this study for the following reasons: Kansas has streamlined the STC employee claims filing process; employers who used STC were very satisfied; and repeat usage was high.

Law During Early Period

The Kansas Shared Work program began in 1985, when State Rep. Darrel Webb read about the Texas program in a Pipefitters Union newsletter. He brought the idea to the Labor and Industry Committee of the Kansas House of Representatives. The Kansas agency contacted Arizona, Missouri, and Texas to learn about the program and worked with the legislature to develop language for a bill (Batt, 1990; Matsunaga, 1989). A temporary Shared Work law was enacted in 1988, effective April 1, 1989, through April 1, 1992.

Law During Study Period

A Kansas law was enacted in 1991 to make the Shared Work program permanent. The law was amended three times through 2012. During the early 1990s, the Kansas agency aggressively promoted Shared Work. For example, in 1992, the unemployment rate in Kansas was 4.3 percent, and 16.3 percent of the workforce was employed in manufacturing. That year, 102 employers had Shared Work plans (Walsh et al., 1997). Among other things, the law denied eligibility for the Shared Work program to employers with negative balances in their unemployment tax accounts. This appendix discusses the Shared Work eligibility conditions for employers and employees as well as administrative procedures prior to enactment of Kansas Senate Bill (SB) 372 in 2014.

Law under the Middle Class Tax Relief and Job Creation Act of 2012 Conforming Law

Kansas STC law has changed since the study period. In February 2014, SB 372 was introduced to conform to federal STC requirements under the MCTRJC Act, and the Kansas bill was enacted on April 9, 2014. The effective date of the revised Kansas Shared Work law was June 2, 2014.

Reimbursement and Administrative Grant

As authorized by the MCTRJC Act, Kansas sought and was approved for reimbursement of Shared Work benefits paid.⁸² The reimbursement period began February 26, 2012 and ended on February 21, 2015. Also available to all states under the MCTRJC Act was a one-time grant for enhancement and promotion of state STC programs. The Kansas agency did not apply for this one-time grant.⁸³

G.2.2 Kansas Rates of Unemployment Before and During the Study Period

During the study period, the annual average total unemployment rate (TUR) in Kansas peaked at 7.1 percent in 2009 and held at that level in 2010, and the annual average insured unemployment rate (IUR) peaked at 3.6 percent in 2009. From 2010 through 2013, rates declined slowly. By the end of 2013, they still exceeded 2007 levels.

Exhibit G.3 Unemployment Rates in Kansas, 2007–2013

Year	TUR	IUR
2007	4.1%	1.3%
2008	4.4%	1.6%
2009	7.1%	3.6%
2010	7.1%	2.9%
2011	6.5%	2.3%
2012	5.7%	2.1%
2013	5.8%	1.8%

Source for TUR: Bureau of Labor Statistics, 2015.

Source for IUR: U.S. Department of Labor, Employment

⁸² Federal reimbursement of STC benefits were reduced by sequestration. The STC reimbursement amount in fiscal year (FY) 2013 was 94.9 percent, in FY 2014 92.8 percent, and in FY 2015 92.7 percent.

⁸³ According to Kansas agency staff, this decision resulted from a departmental discussion about the scope of the Shared Work program.

G.2.3 Staffing, Outreach, and Promotion

During the study period, both during and after the Great Recession, the number of Kansas Benefits Branch staff members dedicated to processing Shared Work employer applications and employee benefits peaked at three individuals. In 2013, a year with Shared Work usage near the pre-Great Recession level, one staff member in the Benefits Branch worked with STC employers and employees. From time to time, two additional staff members were detailed to help enter claims into the benefit payment system when several Shared Work plans were approved concurrently.

According to agency staff, the best promotional method for making employers aware of the Shared Work program has been the Shared Work Website. Employers have learned about the Shared Work program and called the Kansas agency. During these calls, agency staff answered questions, provided information about the benefits and requirements of Shared Work, and told callers how to apply. During the study period, there was no organized outreach campaign to increase employer participation.

Shared Work Web Presence

During the study, the Kansas agency had a Website that included a separate page for the Shared Work program (http://www.dol.ks.gov/UI/swpempinfo_bus.aspx). The Shared Work Webpage contained information about the administrative process, eligibility conditions for employers and employees, and a Shared Work plan application for employers.

Shared Work Highly Employer-Focused

Administering the Shared Work program required agency staff to explain the program to employers and to help employers apply for Shared Work or modify their plans. Shared Work has been a customer-focused program, and employers were key customers. Telephone contact between agency staff and employers was generally required prior to or during the period of the Shared Work plan.

The Kansas Shared Work program was implemented in 1989, and many employers, including government agencies, are familiar with it. Throughout the study period, the agency conducted no special outreach or promotional activities to increase employer participation. According to agency staff, the program sold itself, and the Benefits Branch staff provided information and technical assistance to employers who inquired about the program.

G.2.4 Submission and Review of Employer Plans

Application Process

The Shared Work application could be downloaded from the Kansas agency Shared Work Website and completed using word processing software. Completed applications would then be

transmitted to the Benefits Branch by email, fax, or postal mail. The application (K-BEN 101) included four sections:

- Employer information: The company name and Kansas employer serial number;
- Employer certification: Description of how fringe benefits⁸⁴ would be affected by the plan;
- Collective bargaining information: Consent of a bargaining representative, if a union represented the employees;
- Identification of affected employees, including certification that:
 - The plan applied to at least ten percent of employees;
 - The work hours reduction was in lieu of temporary layoffs;
 - Employees were notified that an identity verification would be conducted with the Social Security Administration; and
 - Employees were provided an Unemployment Insurance Notice (K-BEN 1068), which explains UI requirements.

To accompany the application, the employer would prepare a separate list of the employees participating in the plan, providing their full names and Social Security numbers.

Shared Work Plan Timeframes

Upon receipt of an employer's application for Shared Work, the Benefits Branch had 30 days to approve or deny the plan. Approval or denial of a plan would be conveyed in writing. If the plan was approved, the employer would be asked to designate an individual to act as a liaison between employees and the Shared Work unit in Topeka. If the plan was denied, the Kansas agency's notification included the reason for denial. A Shared Work plan went into effect on the date it was approved, and a plan could be effective at any time within a period of fourteen days prior to the date it was approved. The Shared Work plan expired on the last day of the twelfth full calendar month after its effective date (see Renewal and Revocation below).

Maintenance of Health and Pension Benefits, Union Concurrence

During the study period, the Kansas Shared Work law did not require the maintenance of health and retirement benefits to employees participating in a Shared Work plan; however, the plan was required to describe the manner in which the employer would treat the fringe benefits of each employee in the affected unit. Plan approval or denial was not based upon whether fringe benefits were maintained or reduced, but only upon whether the employer described how employees would be treated.

⁸⁴According to Kansas Statute 44-757 (2), "fringe benefit" means health insurance, a retirement benefit received under a pension plan, a paid vacation day, a paid holiday, sick leave, and any other analogous employee benefit that is provided by an employer (*Kansas Statute Chapter 44, Article 7, Section 57 Employment Security Law, 2014*).

If a union represented employees participating in a Shared Work plan, the union's bargaining representative's concurrence was required. The application included a signature line for certification by a bargaining representative.

*Eligibility of Employers and Conditions for Shared Work Plan*⁸⁵

In order for an employer to participate, a Shared Work plan had to indicate that:

- There was an "affected unit" of two or more employees.
- The normal weekly hours of work and corresponding wages for a participating employee would be reduced in the plan by no less than twenty percent and no more than 40 percent.
- The plan applied to at least ten percent of the employees in the affected unit.
- The plan described the manner in which the participating employer would treat the fringe benefits of each employee in the affected unit.
- Part-time employees were not eligible to participate in the plan.
- The employer certified that the implementation of a Shared Work plan and the resulting reduction in work hours was in lieu of a temporary layoff affecting at least ten percent of the employees in the affected unit and resulting in an equivalent reduction in work hours.

Kansas law K.S.A 44-757 sets forth the eligibility conditions for employer Shared Work participation. The Kansas UI law used a reserve-ratio formula to determine employer experience rates. To participate, employers had to have established a UI tax experience rating and could not:

- Have a negative balance in their unemployment tax account.
- Be delinquent on unemployment tax reports or payments. Reimbursable employers had to have made all payments in lieu of contributions due for all past and current periods.

Benefits paid to employees under Shared Work plans were charged against employers' accounts for use in computing UI tax rates. Therefore, participation affected employers' unemployment tax rates in the same manner and to the same extent as other benefit charges.

Employee Conditions for Shared Work Benefits

Employees had to work for the employer for at least twelve weeks prior to participating in the Shared Work program. Employees participating in Shared Work were not required to look for new work and were not disqualified for refusing job offers from other employers.

An employee participating in Shared Work had to:

- Accept all work offered by the participating employer for the claim period filed;
- Be able to work and available for full-time work with the participating employer; and

⁸⁵The remaining sections are drawn in part from documents located on the Kansas Shared Work Webpage (Kansas Department of Labor, 2015a).

- Be eligible for regular unemployment benefits in the state of Kansas.

No benefits were paid to an employee who worked for the participating employer more than the reduced hours specified in the plan or whose work hours were reduced as a result of seasonal lack of work.

G.2.5 Claims Filing and Processing

Initial Claims Processing: Employer Filing

For the past decade, nearly all Shared Work employers initiated initial claims processing⁸⁶ on behalf of employees using the Kansas agency's Mass Layoff spreadsheet.

Employer access to the Mass Layoff spreadsheet for Shared Work initial claims was through the Kansas agency's Website (Kansas Department of Labor 2015a). Employers would select "Download Mass Layoff Spreadsheet Template" to access an Excel spreadsheet for data entry. After entering the information regarding their Shared Work plan, employers would save and close the spreadsheet. Employers would then return to the Web page and select the option for uploading spreadsheet information, using the employer username and password they also used to upload quarterly contribution reports.

Continued Claims Processing: Employer Filing

Employers filed weekly claims for benefits each week employees were eligible under the Shared Work plan. The first week of a new benefit year was a non-payable waiting period. Once a plan was approved, a certification form containing the names and Social Security numbers of employees covered under the plan was mailed to the employer. Certification forms continued to be mailed to the employer each week the plan was in effect.

Each week, the employer would certify the number of hours each employee worked during the week and whether the employee had refused an offer of full-time work with this employer. The weekly certification was mailed to the Kansas agency for processing. A debit card was mailed to employees who were eligible for Shared Work following the first week of eligibility. Future weeks of Shared Work benefits were placed on the debit card.

G.2.6 Monitoring, Modification, Renewal, and Revocation of Plans

Monitoring

Monitoring of Shared Work plan implementation was integrated within the regular UI benefit payment system due to the nature of the STC program. Ongoing monitoring of Shared Work plans was built into the plan requirements and the processing of benefit payments. Employers submitted initial and weekly claims for employees directly to the Kansas agency, within the

⁸⁶An estimated ten percent of employees filed paper Shared Work initial claims (K-BEN 103). These employees submitted completed initial claims to employers, who filed them with their Shared Work applications (Kansas Department of Labor, 2015b).

timeframe set forth in the Shared Work plan. Adherence to the plan requirements was monitored by Kansas agency staff through regular benefit processing of weekly claims. Additional monitoring occurred each time an employer requested a new plan, plan modification, or plan renewal.

Modification of Plans

An employer could modify a Shared Work plan to meet changed conditions if the modification conformed to the basic provisions of the original Shared Work plan. The employer had to report the changes to the Shared Work plan in writing before implementing the changes. If the original Shared Work plan was substantially modified, the agency could approve the modified Shared Work plan as long as the modification did not affect the expiration date originally set for that Shared Work plan. If substantial modifications caused the plan to fail to meet the requirements for approval, the plan had to be denied (*Kansas Statute Chapter 44, Article 7, Section 57 Employment Security Law, 2014*).

Renewal and Revocation of Plans

Shared Work plans expired on the last day of the twelfth full calendar month after their effective date, but nothing in the Kansas law prohibited an employer from seeking renewal of an expired plan. The Kansas agency could terminate a Shared Work plan for good cause if it determined that the Shared Work plan was not being executed according to the terms and intent of the program.

G.2.7 Data Collection and Reporting

Data on approved Shared Work plans were retained in the Kansas agency's mainframe computer system. Data on denied plans were saved on a Shared Work spreadsheet in accordance with normal record retention requirements.

All employer and employee Shared Work data were housed in the Kansas agency mainframe computer system. Shared Work claims processing was highly automated. Required reports about Shared Work sent to DOL were generated from the mainframe computer system.

G.2.8 Customer Use and Satisfaction

There was no standard customer satisfaction feedback process in place. The day-to-day informal feedback from employers and employees to Kansas agency staff about the Shared Work program has been positive. The large numbers of employers and employees who use the program reflect this positive feedback. In 2008, Kansas had the highest proportion of STC first payments as a percentage of UI first payments (16.5 percent) for the period 1995–2014 among all states with STC laws (See Appendix D).

G.3 Minnesota Department of Employment and Economic Development Shared Work Program: Law and Claims Process During Most of the Study Period

G.3.1 Minnesota Shared Work Background

Under Minnesota UI law, STC is called Shared Work. The Minnesota Department of Employment and Economic Development, Unemployment Insurance Division, administers the Shared Work program centrally in St. Paul. Minnesota is instructive for the research questions in this study for the following reasons:

- Employers in Minnesota laid off few employees after STC usage;
- Employees were generally satisfied with the program; and
- Agency staff worked closely with employers.

Law During Early Period

A temporary Shared Work law was enacted in 1994, based on guidance issued by DOL in 1983. This Shared Work law, which was scheduled to expire on June 30, 1996, was made permanent in 1996 and then amended. The 1996 amendments conformed to provisions in the federal STC law of 1992. Under the Minnesota law, among other things, salaried employees were not eligible to participate in a Shared Work plan.

Law During Most of the Study Period

To ease unemployment in the wake of the Great Recession, the Shared Work law was amended in 2009. According to Saltzman (2009), the law was made less restrictive by:

- Allowing Shared Work plans to be as short as two months in duration;
- Permitting employers to adopt back-to-back plans for up to two years, with state approval;
- Granting much greater flexibility in work hour reductions; and
- Enabling salaried employees to be covered by Shared Work plans.

The explanation beginning in Section G.3.3 of the eligibility conditions for employers and employees and administrative procedures is based upon the Minnesota Shared Work requirements prior to enactment of House File (HF) 729.

Law Under the Middle Class Tax Relief and Job Creation Act of 2012 Conforming Law

HF 729 was introduced to conform to new federal STC requirements under the MCTRJC Act, and the bill was enacted on May 23, 2013. The effective date of the amended Minnesota Shared Work law was July 1, 2013.

Reimbursement and Administrative Grant

As authorized by the MCTRJC Act, the Minnesota agency sought and was approved for reimbursement of Shared Work benefits paid. The reimbursement period began February 26,

2012, and ended on February 21, 2015.⁸⁷ Also available to all states under the MCTRJC Act was a one-time grant for enhancement and promotion of the Shared Work program. The Minnesota agency did not apply for this one-time grant.⁸⁸

G.3.2 Rates of Unemployment before and During the Study Period

During the study period, unemployment in Minnesota peaked in 2009 with an annual average total unemployment rate (TUR) of 8.0 percent and annual average insured unemployment rate (IUR) of 3.9 percent. From 2010 through 2013, rates declined slowly, but by the end of 2013 they still exceeded 2007 levels (See Exhibit G.4).

Exhibit G.4 Unemployment Rates in Minnesota, 2007–2013

Year	TUR	IUR
2007	4.7%	1.9%
2008	5.4%	2.1%
2009	8.0%	3.9%
2010	7.3%	3.1%
2011	6.5%	2.6%
2012	5.6%	2.3%
2013	5.4%	2.1%

Source for TUR: Bureau of Labor Statistics, 2015.

Source for IUR: U.S. Department of Labor, Employment and Training Administration, Office of Unemployment Insurance, 2015.

G.3.3 Staffing, Outreach, and Promotion

During the study period, the number of staff dedicated to processing Shared Work employer applications and employee benefits peaked at three. In 2013, a year with Shared Work use near pre-Great Recession levels, between one and three staff members worked with Shared Work employers and employees.

Shared Work Web Presence

The Minnesota agency had a departmental Website with a separate page for the Shared Work program (<http://www.uimn.org/uimn/employers/help-and-support/shared-work/>). The Shared Work Webpage contained information about the administrative process, eligibility conditions for employers and employees, Shared Work plan application for employers, and frequently asked questions.

⁸⁷ Federal reimbursement of STC benefits was reduced by sequestration. The STC reimbursement amount in FY 2013 was 94.9 percent, in FY 2014 92.8 percent, and in FY 2015 92.7 percent.

⁸⁸According to Minnesota agency staff, the decision not to apply for the grant resulted from a discussion among state policy makers (Minnesota DEED, 2014a).

Shared Work Highly Employer-Focused

Administering the Shared Work program required agency staff to explain the program to employers and to help employers apply for Shared Work or modify their plans. Employers were a primary customer of this customer-focused program. Communications between agency staff and employers could take place before and after applications were approved; however, the bulk of interactions occurred after the applications had been approved.

Employers learned about Shared Work through the Website or through other employers or employees. Agency staff members devoted time to talk with employers before they submitted plans to determine whether Shared Work would benefit their businesses' needs. These preliminary conversations usually were fairly short compared to talks with employers who were submitting plans. Once the agency staff explained the program and suitability criteria, employers that were not good candidates for STC usually understood quickly that the program was not for them. During these conversations, agency staff discussed with employers issues similar to the questions asked on the Shared Work Website (Minnesota DEED, 2014a):

- Have you considered the financial impact to your business or organization as a result of having a Shared Work Agreement in place?
- Are you prepared to dedicate the time necessary to administer your Shared Work Agreements?
- Do you meet the qualifications for a Shared Work Agreement?
- Have you reviewed the requirements necessary to apply for and implement a successful Shared Work Agreement?

At the end of these talks, the experience in Minnesota was that most employers who responded negatively to the questions withdrew their applications or did not file applications for Shared Work. According to agency staff, these conversations likely accounted for the low number of denied Work Share applications.

Once a plan was approved, employers usually required one-on-one time – generally by telephone – with agency staff. Staff confirmed employers understood which employer reporting items were required. These requirements, which were different from those under the regular UI program, necessitated additional tasks. As one interviewee put it, agency staff indicated that “a lot of talking is required with an employer after the plan is approved” (Minnesota DEED, 2015).

Shared Work in Minnesota was implemented in the mid-1990s, so the agency staff felt that most employers were familiar with the program. During the study period, there were no special outreach or promotional activities to increase employer participation. Agency staff said that, in the mid-1990s, they would make on-site visits to employers and talk with them and their employees about the attributes of Shared Work and collect Shared Work claims. Agency staff members said that face-to-face interactions have been lost with automation and Web-based communications. However, they believed that the program mostly sells itself.

Based upon their experiences, agency staff asserted that the key to a successful Shared Work plan is the employer's human resources department or director. The employer needs to be open with agency staff about the company's expectations of Shared Work for the plan to be successful.

G.3.4 Submission and Review of Employer Plans

*Application Process*⁸⁹

The Minnesota Shared Work application could be downloaded and completed using word processing software. To submit an application, employers had to log in with their employer account and process documents through the Website. Employers could select which employees to place on the plan using a listing of employees already available in their quarterly contribution reports. The application, saved as a portable document format (PDF), and a participant list, saved in an Excel file, could be transmitted to the agency via email,⁹⁰ fax, or postal mail.⁹¹ The application process was entirely automated and completely integrated with the UI benefit and tax data.

Prior to submitting applications, employers were asked to telephone agency staff to discuss their employment circumstances and review document submissions. This telephone conversation with the employer was important to the integrity of the entire Shared Work plan process.

The application included eight sections:

- Legal name of business;
- Employer representative;
- Desired agreement start date;
- Desired agreement end date;
- Proposed reduction in hours;
- Product or service the company or organization provides;
- Employer Shared Work Agreement Certification; and
- Instruction on how to submit the application and participant list.

Often, agency staff members obtained the data elements of the plan application directly from employers and entered the data into the agency computer system. Staff members felt that this was easier than trying to explain the process to employers. Also, in this way, agency staff was assured that the data were entered properly. Performing this task often strengthened staff rapport with employers. With the application, employers submitted spreadsheets listing Shared

⁸⁹ The remaining sections are drawn in part from documents located on the Minnesota agency Webpage (Minnesota DEED, 2014b) and the Minnesota Shared Work law of 2012 (*Minnesota Statutes, 268.135, 2012*).

⁹⁰ See shared.work@state.mn.us

⁹¹ Before the study period, the Minnesota agency permitted employers to upload applications, but that approach was later abandoned because employers too often made errors.

Work employee participants by email or other means. If the application was accepted, a notification letter was automatically sent to the employer.

Shared Work Plan Timeframes

Upon receipt of an employer's application for Shared Work, the agency had fifteen days to approve or deny the plan. Approval or denial of a plan was conveyed by letter via email. If the plan was denied, the explanation included the reasons for denial.

Maintenance of Health and Pension Benefits, Union Concurrence

Although employers were not required to maintain health and pension benefits under Minnesota law, as matter of policy these requirements were included as part of the employer's certification. However, a response to a frequently asked question (FAQ) on the agency Website stated, "Employees participating in Shared Work will continue to be eligible for health care benefits and pension plans to the same extent as employees who are not participating in Shared Work."⁹² Agency staff said that, in their experience, if employers cut health and pension benefits at a rate greater than the reduction in hours, those plans often faltered.

During the study period, labor union notification or written sign-off was not required in Minnesota for approval of an employer Shared Work plan. According to agency staff, however, experience had shown that, if unions were not involved, Shared Work plans "do not go well." Staff members elaborated that "going well" meant that the employer maintained morale, productivity, and staffing levels. And, if employees felt that they were being mistreated, then they would leave their jobs.

Employers were required to inform participating employees, rather than unions, of the plan; they were also required to provide written notification to participating employees when the plan ended.

Eligibility of Employers and Conditions for a Shared Work Plan

When employers submitted a Shared Work application for an employee group to the Minnesota agency, the plan had to include:

- Certified statement that the normal weekly hours of work of all participating employees constituted full-time work but that the hours were being reduced, with a corresponding reduction in pay, in order to prevent layoffs;
- Name and Social Security number of each participating employee;
- Certified statement of when each participating employee was first hired by the employer; the date had to be at least one year before the proposed agreement was submitted;

⁹² The Minnesota Shared Work law of 1994 required maintenance of health insurance and pension contributions, but the law was later amended to comply with the 1992 federal STC law that excluded such requirements.

- Hours each participating employee would work each week for the duration of the agreement: at least twenty hours and no more than 32 hours per week, except that the agreement could provide for a uniform vacation shutdown of up to two weeks;
- Agreement duration of at least two months and not more than one year, although an agreement could be extended for up to an additional year upon approval;
- Starting date beginning on a Sunday at least fifteen calendar days after the date the proposed agreement was submitted; and
- Signature of an owner or officer as listed on the employer's UI account.

At least two employees had to be listed on a Shared Work plan for it to be approved. The number of participating employees combined with the reduction of hours had to reflect savings of at least one full-time position (40 hours). The reduction of hours in the plan had to be the same for each employee who was part of the plan.

Employers were required to notify the agency immediately of any changes that would affect the plan. They also acted as the primary source of information for their employees. Employers were responsible for:

- Informing participating employees of the plan;
- Assisting employees to request benefit payments when necessary;
- Providing written notification to participating employees when the plan ended;
- Informing the agency in advance of any uniform vacation shutdown; and
- Notifying the agency immediately if a participating employee was permanently separated for any reason.

In Minnesota, benefits paid and charged to an employer's account were part of the benefit-ratio formula used to calculate UI tax rates. Benefits paid to employees under Shared Work plans were charged against employers' accounts for the purpose of computing tax rates. Thus, participation in Shared Work affected employers' unemployment tax rates in the same manner and to the same extent as other benefit charges. In order to be eligible for a Shared Work plan, employers had to:

- Be current on all UI taxes or charges (reimbursements) due, including any interest, fees, and penalties;
- Have an experience rating for their UI tax rate less than the maximum for the quarter in which they filed an application⁹³; and
- Have up-to-date owner and officer information on their Minnesota UI employer account.

⁹³ Under the amended Minnesota Shared Work law (HF 729, effective July 1, 2013), this requirement was eliminated.

Employee Conditions for Shared Work Benefits

Employees had to have worked for the employer for at least one year prior to participating in the Shared Work program. Part-time employees were not eligible. Employees participating in Shared Work had to be eligible for regular unemployment benefits in Minnesota and had to accept all work offered by the participating employer for the claim period. Further, they had to be able to work and available for full-time work with the participating employer. No benefits were paid to individuals whose work hours were reduced as a result of seasonal lack of work. Employees participating in Shared Work were not required to look for new work and were not disqualified for refusing job offers from other employers.

An exception to Minnesota law under the Shared Work provisions states that earnings from both the Shared Work employer and any other, secondary employer are disregarded so long as the employee is working within the reduction parameters of their plan and total hours from both employers is not greater than 32 hours. The general rule under Minnesota law is that any claimant who works 32 hours or more in a week is ineligible for unemployment benefits (including Shared Work). The first Shared Work week claimed is a waiting week, that is, an eligible employee participating in the program requested a benefit payment is not paid. To get credit for that waiting week, the employee had to request a payment and meet all eligibility requirements for that week. Claim dates, under Minnesota law, are set as the Sunday of the week the claimant applies for benefits. In order to keep all participants on the same schedule and to avoid confusion among them, Shared Work employees are asked to apply for benefits no later than the Friday of the first week their plan begins. In most cases, this is the in which week hours are first reduced.

G.3.5 Claims Filing and Processing

Initial Claims Processing: Employee Filing

The Minnesota agency sent notifications to employers that the Shared Work plans had been approved, at which point employees were instructed by employers to file an initial claim through the regular UI claims filing process, which was mostly internet-based.

Continued Claims Processing: Employees Filing

Shared Work employees filed weekly continued claims using the regular UI filing process. Most claimants filed online, but there was also a voice response line. A unique Shared Work continued claim asked these questions:

- During the reporting period:
 - Enter the total number of hours you worked for [employer name]. This includes holiday, vacation, sick, or paid time off (PTO) hours.
- Did you work for anyone other than your Shared Work employer?
 - If yes, enter the total number of hours you worked for all other employers.
- Did you receive or expect to receive income from any other source that you have not already reported?
- During the reporting period:

- Did you quit a job?
- Were you discharged from a job?
- Were you permanently laid off from your Shared Work employer? (Minnesota DEED, 2013).

G.3.6 Monitoring, Modification, Renewal, and Revocation of Plans

Monitoring of Shared Work plan implementation was integrated within the regular UI benefit payment system due to the nature of the program. Ongoing monitoring of Shared Work plans was built into the plan requirements and the processing of benefit payments. Employees submitted initial and continued claims directly to the Minnesota agency. The continued claims process required employees to certify weekly the status of their Shared Work participation. Adherence to the plan requirements was monitored by agency staff through the benefit payment system. Additional monitoring occurred each time an employer requested a new plan, plan modification, or plan renewal.

Modification and Renewal of Plans

An employer could modify a Shared Work plan to meet revised conditions if the modification conformed to the basic provisions of the original Shared Work plan. An employer that cancelled a plan or requested modification of a Shared Work plan had to provide written notice to each participating employee of the cancellation or modification at the time notice was sent to the Minnesota agency. If an employer cancelled a Shared Work plan before the expiration date provided for in the plan, a new Shared Work plan could not be approved for that employer for at least 60 calendar days.

Revocation of Plans

The Minnesota agency could immediately cancel any Shared Work plan if it determined that the plan was based upon false information or that the employer had failed to adhere to the terms of the Shared Work plan. The agency had to send immediate written notice of cancellation to the employer. An employer that received notice of cancellation had to provide written notice to each participating employee.

G.3.7 Alternative to STC: Rolling Layoffs

In Minnesota an alternative to Shared Work, called “rolling layoffs” (or “skip week”⁹⁴ in some other states), was preferred by some employers. This preference might in part explain the moderate usage of the Shared Work program in Minnesota.

Under rolling layoffs, some employers opt to lay off twenty percent of their employees once every five weeks. According to agency staff, some employees have expressed a preference for

⁹⁴ In lieu of STC, Louisiana employers have used this option for many years. As in Minnesota, Louisiana employees would work for a week or two and then be laid off for a week or two. On their off weeks, they collect full weekly unemployment benefits (Wandner, 2010, p. 369).

rolling layoffs, suggesting that taking a week off every five weeks with full unemployment benefits was favored over a Shared Work arrangement (Minnesota DEED, 2014a).

G.3.8 Data Collection and Reporting

All employer and employee Shared Work data was housed in the Minnesota agency mainframe computer system. The database held required data from 2007 forward. A weekly report on the Shared Work program was generated from the database.

The employer application and employee claims processes were highly automated and were integrated with the UI benefits and tax data. Data collection was processed entirely through a database program. When an employer plan was submitted, the system automatically created a database shell. All employer data, including the number of plans, percentage reduction of hours, duration, benefits, and how much each employee was paid, were stored in the database. The database tracked when agency staff members approved Shared Work applications and when the plans changed.⁹⁵ Reports required by DOL about Shared Work were generated from the mainframe computer system.

G.3.9 Customer Use and Satisfaction

According to agency staff, employer use was driven by the manufacturing sector. Nonetheless, agency staff said that, at the height of the Great Recession, there was an influx of mortgage companies that also sought to participate in Shared Work.

Agency staff reported that the Shared Work program had received positive responses from employers and workers. Employers told agency staff that they appreciated the simplicity of the application process and the program administration. An ongoing customer satisfaction feedback process was not in place. Early in the history of the Minnesota Shared Work law, a report on customer satisfaction was prepared, but there has been none since.

Before the study period, a news outlet reported favorable comments by an employer. The report resulted in applications that did not meet Shared Work requirements. Since then, the agency has not encouraged media attention. Based upon program experience, agency staff felt that the program was sized properly for the needs of employers.

G.4 Rhode Island Department of Labor and Training's WorkShare Program: Law and Claims Process During Most of the Study Period

G.4.1 Rhode Island WorkShare Background

Under Rhode Island UI law, STC is called WorkShare. STC is an important program in Rhode Island, and the state strongly supports it. The 2012 amendments to the federal STC law in the MCTRJC

⁹⁵ The administrative data that IMPAQ received from Minnesota was well organized and straightforward.

Act were sponsored by Rhode Island Senator Jack Reed, who was a strong supporter of the program. STC is particularly suited to Rhode Island because of the state's heavy dependence on manufacturing and its continuing high rates of unemployment during and after the Great Recession. The case of Rhode Island provides insight into this study's research questions: Despite limited staffing of the WorkShare unit and highly manual administrative procedures during the study period, Rhode Island has become the largest user of STC in the U.S. relative to its UI claims load due to ongoing, aggressive outreach and promotion.

Law During Early Period

In 1991, WorkShare was enacted in Rhode Island just before enactment of the 1992 permanent federal STC law. Rhode Island was the fourteenth state to enact STC legislation. Implementation of WorkShare coincided with a downturn in the state economy, during the 1990–1991 recession. Prior to September 11, 2001, the Rhode Island STC program was used almost exclusively by the manufacturing industry.

Law During the Most of the Study Period

The original Rhode Island WorkShare law let employers establish programs for up to 26 weeks. Reduction in weekly hours for individual employees could be between ten percent and 50 percent. The provision of fringe benefits was optional. To ensure the integrity of the state account in the UI trust fund, all STC employers were required to pay the entire STC benefit charges for employees, regardless of the regular UI charging requirements. In 2002, the maximum potential length of an employer's program was expanded from 26 to 52 weeks.

Law Under the Middle Class Tax Relief and Job Creation Act of 2012

In 2013, Rhode Island amended its WorkShare law to comply with the new requirements in the amendments to federal STC provisions that were part of the MCTRJC Act. During the study period, the program is available to any employers with two or more employees. It is available for use only during an unanticipated downturn in employers' demand for labor; that downturn may be due either to an economic downturn or to another unanticipated decrease in the demand for labor.

The program is available only for employees who are eligible for UI. Employers must file an approved plan for a work week reduction. In cases where there is a collective bargaining unit, the union must sign off on the plan. The plan cannot exceed 52 weeks, but the employer can apply for up to three consecutive years of STC plans.

Rhode Island applied for and received grants and reimbursement for WorkShare benefit costs as provided under MCTJCA. Rhode Island's grant for improving and marketing its WorkShare program was awarded on January 29, 2015, in the amount of \$328,092.

G.4.2 Rates of Unemployment Before and During the Study Period

During the study period, the annual average total unemployment rate (TUR) in Rhode Island peaked at 11.7 percent in 2010 and has declined slowly thereafter. The annual average insured

unemployment rate (IUR) peaked at 5.0 percent in 2009, declining more rapidly than the TUR (See Exhibit G.5). These rates of unemployment and their relationship to WorkShare usage are discussed in Appendix E.

Exhibit G.5 Unemployment Rates in Rhode Island, 2007–2013

Year	TUR	IUR
2007	5.2%	2.8%
2008	7.7%	3.4%
2009	10.9%	5.0%
2010	11.7%	4.1%
2011	11.2%	3.9%
2012	10.4%	3.3%
2013	9.2%	2.9%

Source for TUR: Bureau of Labor Statistics, 2015.
 Source for IUR: U.S. Department of Labor, Employment and Training Administration, Office of Unemployment Insurance, 2015.

G.4.3 Staffing, Outreach, and Promotion

In 2013, Rhode Island had an average of two staff members working on the WorkShare program, compared to a total of 43 staff members who processed regular UI claims. The agency took a proactive approach to WorkShare by training all UI claims takers to monitor business claims for layoffs that might indicate a need for the program.

In addition, Business Workforce Center staff members educated employers on WorkShare as part of a menu of available services. These staff were able to inform employers about WorkShare when they visited approximately 2,000 businesses every year. The agency worked with local chambers of commerce and other business organizations to promote awareness of the program. It also sought opportunities for coverage through newspapers and other media to make the public more aware of WorkShare. When WorkShare staff members traveled around the state, they would speak to business, labor, and membership organizations. They also appeared on radio and television (Fogarty, 2014).

Although WorkShare was actively promoted by the Rhode Island agency during the study period, limited staff and other resources allowed less outreach and promotion than staff members would have liked to provide. The state agency lacked sufficient funding to promote WorkShare on a regular basis, using mailings, TV, radio, and newspapers. The agency also lacked sufficient funds to properly monitor WorkShare plans to ensure compliance. This problem was exacerbated by a 33 percent reduction in UI staff between 2011 and the end of 2013. Rhode Island also had difficulty promoting WorkShare because most struggling companies do not want customers, suppliers, and competitors to know that they are considering layoffs or work week reductions. In response, employers requested and received additional flexibility in modification of plans to meet their own needs during economic downturns (Fogarty, 2014).

Rhode Island promoted WorkShare to the extent that it could with available resources. At the time of the study, information about Rhode Island's WorkShare program was on the Rhode Island Department of Labor and Training's (Rhode Island DLTR, 2015a) Website. WorkShare was featured under employer services relating to the UI program. Information available at the site included a description of the program, frequently asked questions, advantages of WorkShare, and eligibility for the program. The site included a video by Senator Jack Reed about the benefits of WorkShare and a brochure, dated September 2013.

G.4.4 Submission and Review of Employer Plans

During the study period, Rhode Island had a detailed application, review, and approval process. It also had a number of requirements for employers to be eligible to participate in the program.

Application Process

During the study period, employers could not apply for WorkShare online. Instead, they were asked to apply by calling the Rhode Island WorkShare unit to indicate that they were interested in participating in the program. During the call, staff members would collect contact information including the employer's name, address, and employer identification number. Other information collected included standard worker hours, the amount of work reduction, pay frequency, and proposed plan effective date.

After the employer information was entered into the computer, the system would generate an instructional letter and application that would be sent to the employer. The letters were printed in the computer room and forwarded to the WorkShare unit for mailing. As part of the application, employers were required to provide a list of all employees who would be included in the plan. Employers were required to sign an agreement that they understood the requirements for participation in the STC program.

If employees were represented by a collective bargaining agent or union, the plan had to be approved in writing by the collective bargaining agent or union. In the absence of a collective bargaining agent or union, the plan had to contain a certification by the employer that the proposed plan or a summary of it had been made available to each affected employee.

The employer would then mail the signed application to the WorkShare unit. If the agency director approved the plan, the agency would also sign the agreement. The director could reject a WorkShare plan or revoke an approved plan for good cause, including failure to comply with the assurances given in the plan, unreasonable revision of productivity standards for the affected unit, conduct or occurrences tending to defeat the intent and effective operation of the plan, or any violation of any criterion on which the approval of the plan was based. If a plan submitted by an employer failed to meet the approval criteria, the director would send the employer a letter of denial describing the reason that the plan was not approved. Although rejection and revocation were final and not subject to appeal, employers could submit another plan for consideration, and the subsequent determination would be based upon the new data submitted by the interested employer.

If the Rhode Island agency approved the WorkShare plan, the computer system would generate a letter informing the employer of the approval. The agency would send the employer an employee WorkShare packet for each employee listed on the plan (Rhode Island DLTR, 2015b).

Plan and Eligibility Requirements

During the study period, each plan had to include:

- The estimated number of layoffs to be avoided;
- The proposed duration of the employer plan (the plan's time limits); and
- A statement of union notification.

In addition, applications could contain elements or requirements not specified in state law.⁹⁶

Criteria for Plan Approval

To approve an employer's plan, the agency would determine that the plan met a number of Rhode Island statutory criteria:

- The plan identified the affected unit(s) and specified the proposed date of the plan.
- The employees in the affected unit(s) were identified by name, Social Security number, the usual weekly hours worked, the proposed wage and hour reduction, and any other information the agency director required.
- The plan certified that the reduction in the usual weekly hours of work was in lieu of temporary layoffs that would affect at least ten percent of the employees in the affected unit(s).
- The usual weekly hours of work for employees in the affected unit(s) were reduced by not less than ten percent and not more than 50 percent, and the reduction in hours in each affected unit was spread equally among all the employees in the affected unit.

Eligibility of Employers

During the study period, all Rhode Island private employers whose taxes were currently up to date were eligible to apply for WorkShare. Public employers were not eligible for WorkShare. Seasonal employers also were not eligible. WorkShare applications could cover any business unit in which there was a reduction in the number of hours worked by employees in lieu of a temporary layoff of some of the employees. Under the WorkShare program, a temporary layoff was defined as a separation of workers in the affected unit for an indefinite period that was

⁹⁶ After the study period, Rhode Island amended its STC law, and now WorkShare plans meet the new MCTRJC Act requirements: 1) seasonal workers are excluded; 2) regular part-time workers are eligible (this is not a requirement in the MCTRJC Act, but DOL has interpreted this as a condition in UIPL 22-12, and Rhode Island is in conformity with this and other new federal requirements); 3) the minimum number of workers affected; 4) the minimum and maximum reduction of hours allowed (percentage parameters); 5) maintenance of employee health and pension benefits; 6) the minimum tenure required with employer; and 7) the maximum duration of WorkShare benefit receipt.

expected to last at least two months but less than six months. The affected unit could be an entire establishment or a definable entity, such as a department or shift, consisting of two or more employees. The plan could apply only to employees who normally worked 30 hours or more per week. The employer had to agree to maintain fringe benefits including, but not limited to, health insurance, retirement benefits, paid vacation and holidays, sick leave, and similar benefits.

Reasons for rejection or revocation of a plan included failure to comply with assurances given in the agreement, unreasonable revision of the productivity standards for the affected unit, any conduct or occurrence tending to defeat the intent and effective operation of the plan, and violation of any criteria on which approval of the plan was based.

To prevent long-term use of WorkShare, Rhode Island issued Rule 31, which limits WorkShare usage in the following manner: If an employer participates in the WorkShare program for eighteen months or more within two consecutive years, the reduced hours become the standard for the usual weekly hours of work for the third year, and any reduction is computed based on the previous years' hours.

Employers were required to provide a list of all employees who would be on the plan. They were required to sign the WorkShare plan agreement, stating that they understood the requirements for participation. The Rhode Island agency would also sign the agreement if approved. The Rhode Island agency had to approve or disapprove WorkShare plans within fifteen days. If the plan was approved, the employer was informed by letter of the approval. Approved employers were sent an employee WorkShare packet for each employee listed on the plan, because participating workers were responsible for filing initial and continued WorkShare claims.

Taxation for the WorkShare Program

The Rhode Island UI tax system used a reserve ratio formula to compute experience for determining employer UI taxes, taking into account all benefits and contributions paid. WorkShare benefits were treated like regular UI benefits for this purpose.

During most of the study period, all WorkShare benefits were charged to the account of the WorkShare employer. Reimbursable employers were liable for payments in lieu of UI taxes and were responsible for reimbursing the UI trust fund for the full amount of WorkShare benefits paid to their employees.

G.4.5 Employee Eligibility Requirements and Employee Claims Filing and Processing

Employees have always been responsible for filing initial claims for WorkShare benefits. During the study period, each employee was required to fill out an initial claim to apply for benefits, while the employer was responsible for filing continued claims. The WorkShare package for each participating employee included a form about payment options: either an electronic payment card or direct deposit. Claimants also had to fill out an application to withhold federal and state income tax. Finally, employees had to advise the Rhode Island agency if they had other

employment in addition to the WorkShare employer. Upon receipt of the completed initial claim package, the agency filed a claim for UI benefits using the information provided on the form.

Employers filed bi-weekly continued claims for WorkShare employees. Conditions for receipt of WorkShare benefits during the study period included the following:

- Employees could receive a maximum of 52 weeks of WorkShare benefits during a benefit year. An employee's WorkShare benefit amount was the employee's regular weekly benefit amount, including any dependent allowances, multiplied by the percentage reduction in the employee's weekly hours of work.
- Employees participating in WorkShare had to serve a waiting week before receiving WorkShare benefits unless they had previously served a waiting week for an existing UI claim.
- Employees were eligible to participate in the WorkShare plan if they were full-time workers. Rhode Island law defined full-time workers as workers who normally worked 30 or more hours per week and would normally be eligible to receive UI benefits in Rhode Island.
- As required by the STC provisions in the MCTRJC Act, the Rhode Island UI work test was limited for WorkShare participants. WorkShare participants had to be able to work and available for the normal work week with the WorkShare employer. They had to work all hours offered by the WorkShare employer in any given week, up to their usual weekly hours.
- If an employee receiving WorkShare benefits had earnings in the same week with another employer, those earnings would not affect the employee's WorkShare benefits, as long as the employee was working less than full time for the other employer.

As of January 1, 2011, during the study period, the minimum weekly benefit amount in Rhode Island was \$68 and the maximum was \$551. (Both figures were weekly benefit amounts without dependent allowances, which could raise the minimum to \$118 and the maximum to \$688.) The WorkShare benefit was a prorated percentage of that amount. Thus, the WorkShare payment for a one-day reduction in work (without dependent allowances) could have been as low as \$14 and as high as \$110.

G.4.6 Monitoring, Modification, and Renewal of WorkShare Plans

During and after the study period, monitoring of WorkShare plan implementation has been limited because of limited resources in the WorkShare unit. Monitoring was most likely to take place when employers came to the agency to ask for a plan modification or request a plan renewal.

Monitoring of WorkShare was also simplified because a key part of UI program administration is determining employees' weekly (or bi-weekly) continuing eligibility for regular UI benefits as

demonstrated by their being able to work, available for work, and actively seeking work. In the case of the WorkShare program, this requirement disappears.

Employers were not permitted to make modifications to their WorkShare plans for 30 days after the effective date of a WorkShare plan. If a modification was needed after this 30-day period, the employer had to submit a new application.

A WorkShare employee could not participate in the program during any week of a vacation shutdown or an economic shutdown.

For a layoff to be permitted in a unit participating in WorkShare, work in that unit first had to be reduced by the maximum number of hours permitted under WorkShare, unless the employer submitted a document justifying why the layoff had to occur.

Rhode Island placed some restrictions on renewing WorkShare plans. Employers were not allowed to participate in the STC program for the same period of time each year for more than three years, in accordance with the seasonal employment provisions in section 28-44-69(a)(6) of the Rhode Island Employment Security Act.

G.4.7 Data Collection and Reporting

Throughout the study period, the Rhode Island WorkShare program depended on a manual operating system.⁹⁷ This system slowed the plan application and approval process as well as the claims process. WorkShare staff entered employer application information into the UI computer system. WorkShare claims and payments were processed through the regular UI system.

Under Rhode Island state law, each participating WorkShare employer agreed to furnish reports relating to the proper conduct of the plan. The employer also agreed to allow the Rhode Island agency director or authorized representative access to all records necessary in order to verify the plan prior to approval and, after approval, in order to monitor and evaluate the implementation of the plan. During the study period, the Rhode Island agency regularly submitted monthly reports to DOL with required data regarding WorkShare employees. For its own purposes, the agency also collected data on employers and employer plans.

G.4.8 Customer Use and Satisfaction

The Rhode Island agency did not conduct customer satisfaction surveys of WorkShare employers. However, comments agency staff received from employers indicated a high degree of customer satisfaction. Employers were willing to provide testimonials about their satisfaction with the program and the agency staff, and some testimonials appear on the Rhode Island agency Website. Satisfaction is also revealed by the fact that many new customers have found out about the program from other employers who recommended use of WorkShare.

⁹⁷ The Rhode Island agency currently is working on automation of the STC application and claims processes.

G.5 Washington State Employment Security Department's Shared Work Program: Law and Claims Process during Most of the Study Period

G.5.1 Washington Shared Work Background

Under Washington UI Law, STC is called Shared Work. The program has been in operation for three decades. Washington was the fourth state to implement STC after California, Arizona, and Oregon. The program is operated in Olympia by the Washington Employment Security Department (ESD). The program has had strong support throughout the state government and has been vigorously promoted. It has been one of the largest STC programs in the United States.

Washington's Shared Work program is instructive in dealing with the research questions raised by this study because it shows how employer participation can be greatly increased by outreach and promotion, automation of the STC application process, policy and financial support from state agency leadership, and the conduct of an annual employer customer satisfaction survey.

Law During Early Period

Washington was an early adopter of STC, enacting a Shared Work law in 1983, shortly after temporary, three-year federal STC legislation was enacted in 1982.

In the 1980s, Washington launched a massive publicity campaign for its new Shared Work program. It printed and distributed its own informational material and made use of the mass media. It created and presented around the state a Shared Work slide show. The use of radio announcements in July 1985 resulted in a 500 percent increase in inquiries and a 700 percent increase in applications for approval in succeeding months (Morand, 1990, p. 337).

The original Washington law allowed employers to establish a Shared Work program for up to 26 weeks. The reduction in weekly hours could be between ten percent and 50 percent. The provision of fringe benefits was required only for health insurance.

The employer tax for Shared Work was identical to the tax provisions for the regular UI program. Among the early STC states, Washington was the first to decide not to charge a surtax in addition to the regular UI taxes for employers who used the program. Maryland, Arkansas, and Louisiana soon followed Washington's lead (Morand, 1990, p. 337). Over time, STC surtaxes fell out of favor as concern about employer abuse of the STC program declined.

Law Under the Middle Class Tax Relief and Job Creation Act

In 2013, Washington enacted legislation conforming to the requirements of the MCTRJC Act. Washington was the first state to apply for federal grants under the new law, and it was the first state to receive an award, on February 6, 2014. The grant, in the amount of \$2,136,749, had two components, \$708,445 to enhance the Washington Shared Work program and \$1,428,234 for public education and efforts to increase program enrollment (USDOL, 2012a).

After the study period, Washington was one of the states that took advantage of the federal STC reimbursement provisions.⁹⁸ It decided not to charge employers using Shared Work for the portion of benefits that are reimbursed (Washington State ESD, 2014).

G.5.2 Rates of Unemployment before and during the Study Period

During the study period, the annual average total unemployment rate (TUR) in Washington peaked in 2010 at 9.9 percent and declined slowly thereafter. The annual average insured unemployment rate (IUR) peaked in 2009 and then declined more rapidly than the TUR (See Exhibit G.6). These rates of unemployment and their relationship to Shared Work usage are discussed in Appendix F.

Exhibit G.6 Unemployment Rates in Washington, 2007–2013

Year	TUR	IUR
2007	4.5%	1.8%
2008	5.5%	2.3%
2009	9.3%	4.9%
2010	9.9%	4.0%
2011	9.2%	3.2%
2012	8.2%	3.2%
2013	7.8%	2.4%

Source for TUR: Bureau of Labor Statistics, 2015.

Source for IUR: U.S. Department of Labor, Employment and Training Administration, Office of Unemployment Insurance, 2015.

G.5.3 Staffing, Outreach, and Promotion

Washington was active in outreach and promotion of Shared Work throughout the Great Recession. The state agency provided additional staff to manage the program and to encourage its use. In addition, it conducted three major marketing efforts during and after the Great Recession. The outreach methods included news releases, business newsletters, phone outreach, employer event presentations, the Washington agency’s Website, and updates to the program brochure. These efforts took place January 2008 through March 2009, August 2009 through November 2009, and January through February 2010. In addition, both NBC News and the McClatchy news service published national stories on the Washington Shared Work program in November 2009. Each of these three outreach efforts coincided with a substantial increase in the monthly employer applications for Shared Work. For example, the number of applications

⁹⁸ Despite the reimbursement provisions of the MCTRJC Act, Washington was reimbursed for only 94.9 percent of its STC benefit costs from October 2012 through September 2013 and for 92.8 percent for the period October 2013 through September 2014. The reimbursement rate was reduced from 100 percent, as specified in MCTRJC Act, due to the federal sequester, an across-the-board reduction of federal expenditures.

jumped from about 174 in November 2008 to over 300 in February 2009 and from about 150 in August 2009 to over 300 in October 2009 (Gorrell, 2013).

G.5.4 Submission and Review of Employer Plans

During the study period, Washington operated an efficient and effective Shared Work application and approval process. It also clearly laid out the application process and the eligibility requirements for employers.

Application and Approval Process

The Washington Shared Work application process was semi-automated. Employers were expected to apply using Shared Work forms available on the Washington agency Website (Washington State ESD, 2015a). The forms could be accessed as Excel or portable document format (PDF) files. Employers were asked to save a copy of the form to their hard drive, to complete the form, and to upload it to the Washington agency Website.

Shared Work plans submitted to the Washington agency had to be signed by an employer or an employers' association and dated. The signature of the collective bargaining agent was also necessary, if applicable. The company's name had to be included in the file name of the electronic application.

All new and consecutive plan applications submitted by an employer were subject to the same eligibility review.

The Washington agency was required to approve or reject Shared Work compensation plans in writing within fifteen days of receipt. The reasons for rejection were final and not subject to appeal, but employers could submit another plan not earlier than fifteen days after the date of a written rejection. The agency was generally able to meet the fifteen day deadline, with the major exception of a surge in plan submissions in late 2008 and early 2009.

Once a Shared Work plan was approved, employers were required to tell their affected employees (1) that they were approved for participation in the Shared Work plan, (2) how to apply for Shared Work benefits, and (3) how to file their weekly claims.

Approved Shared Work plans could be modified in specific ways. Employers could add additional employees or units of the business after the approved plan start date. Adding new employees or units to an approved plan was subject to the same eligibility review that applied to the original plan. Employers had to notify the Shared Work unit of any change to the information in the application within ten working days. Employers were required to seek a modification of their plan when any condition in the plan changed, including increases or decreases in the hours of work. After the employer informed the state agency of the changes, the modification would be approved if the changes met the requirements for plan approval.

Employer Plan Participation Requirements

To be approved, Shared Work plans had to meet the approval criteria listed in the Washington Shared Work law (RCW 50.60.030):

- Affected employees were identified.
- Usual weekly hours of work for each affected employee were reduced by not less than ten percent and not more than 50 percent.
- The employer certified that health benefits, retirement benefits, paid vacation, holidays, and sick leave would continue to be provided.
- The plan certified that the aggregate reduction in work hours for affected employees was in lieu of layoffs that would have resulted in an equivalent reduction in work hours.
- The plan was approved in writing by the collective bargaining agent for each collective bargaining agreement covering any affected employee.
- The employer agreed to furnish reports necessary for proper program administration, as well as to permit access to all records necessary to verify the plan.
- The plan included an estimate of the number of layoffs that would have occurred without Shared Work.
- The plan included a provision to give advance notice, when feasible, to employees whose usual weekly hours of work would be reduced.
- The employer attested that participation was consistent with employer obligations under federal and state law.

In addition to these statutory criteria, employers submitting a plan had to (1) be current in the payment of all unemployment taxes, or be current on an approved deferred payment contract with the Washington agency; (2) include their Washington agency number on the plan application; and (3) designate a representative to be a liaison between the state agency and participating employees.

Shared Work plans could last up to one year. Employers could ask for approval of plans lasting less than one year, but they were encouraged to apply for a full year. Shared Work could not be used to support seasonal businesses during the off-season.

Employer Eligibility

Employers had to meet several eligibility criteria to participate in the Shared Work program. Employers had to:

- Have two or more employees;
- Be legally registered in Washington for at least six months prior to application;
- Be in compliance with federal Internal Revenue Service rules, as well as state, county, and municipal laws, rules, and ordinances;
- Have paid unemployment taxes for the past four quarters; and

- Continue paying employee health and retirement benefits, vacation, holidays, and sick leave under the same terms and conditions as before being accepted for the program.

Plan Revocation

The agency could revoke approval of a Shared Work compensation plan for good cause. Good cause for revocation included failure to comply with the assurances given in the plan, unreasonable revision of productivity standards, conduct or occurrences tending to defeat the intent and effective operation of the plan, and violation of the criteria on which approval of the plan was based. The revocation order had to be in writing and to specify the effective date and the reasons for the revocation.

G.5.5 Employee Eligibility and Claims Filing and Processing

Employees were eligible to receive Shared Work benefits in any week if they (1) were employed during that week as affected employees under an approved Shared Work compensation plan; (2) were able to work and available for work with the Shared Work employer; and (3) worked less than their normal weekly hours of work as specified under the approved Shared Work plan in effect for that week.

Employees had to meet several eligibility criteria to participate in the Shared Work program:

- Employees had to be hired permanently and paid hourly. Workers not covered included employees paid a piece rate, mileage rate, job rate, salary, or commission.
- Corporate officers were not eligible.
- Employees had to be eligible for regular UI benefits.

Employees could receive up to 52 weeks of Shared Work benefits in each one-year plan, as long as there was a positive balance in their UI benefit entitlement.

Shared Work employees were required to submit a Shared Work initial claim and a first weekly claim form in order to begin receiving Shared Work benefits. Then they would file weekly claims until their participation in the program ended. Participants could file online or use a toll-free number for an automated phone system or Telephone Text (TTY). They needed to establish a PIN to file a weekly claim, change their address, check the status of their payments, or set up direct deposit.

Under state law, the first week participants were eligible for a benefit payment was the waiting week. Though employees had to file a weekly claim for this week, they were not paid for it. Employees were told that they should file a claim every week, even if they were waiting to find out if they qualified for benefits, had wages and hours added to their claims, or were appealing a denial of benefits.

Each week, Shared Work claimants were required to file a weekly claim which included thirteen questions: 1) Were you physically able and available for work each day? 2) Did you actively search

for work this week as directed? 3) Did you refuse any offer of work or fail to go to a scheduled job interview? 4) Have you applied for or did you receive workers' or crime victims' compensation? 5) Have you applied for or did you have a change in pension? 6) Did you or will you receive holiday pay from your regular employer for any day of the week you are now claiming? 7) Did you or will you receive vacation pay for any day of the week you are now claiming? 8) Did you or will you receive pay in lieu of notice or termination pay for any day of the week you are now claiming? 9) Did you serve on a jury? 10) Did you perform duty in the Military Reserve or National Guard for more than 72 consecutive hours? 11) Did you work in self-employment? 12) Did you work for any employer? 13) Did you have any other reportable earnings?

As of January 1, 2011, during the study period, the minimum weekly benefit amount in Washington was \$135 and the maximum was \$570. The Shared Work weekly benefit was a prorated percentage of that amount. Thus, the Shared Work payment for a one-day reduction in work could have been as low as \$27 and as high as \$114.

G.5.6 Monitoring STC Plan Implementation

Normally the administration of Shared Work was a prompt and orderly process in Washington. An exception was in 2009, during the height of demand by employers to participate in the program. The Washington agency was inundated with submissions of Shared Work employer plans. During the first six months of 2009, Shared Work staff could not keep up with the processing of plans. In March 2009, more than 600 plans that were ultimately approved were in the agency's pipeline. Decisions on approval and denials took considerably longer than the goal of fifteen days; the average was over 40. The average number of days to make a decision declined rapidly thereafter and has been approximately fifteen days since June 2009 (Gorrell, 2013).

Monitoring of STC was simplified because a key part of UI program administration is determining claimants' weekly continuing eligibility for benefits as demonstrated by their being able to work, and available for work. Actively seeking work was not a requirement of the Shared Work program.

G.5.7 Shared Work Financing Provisions

The Washington UI tax system used a benefit-ratio method of computing experience for determining employer taxes. The system took into account the last four years of benefits used and the last four years of payrolls.

Other than excluding maximum rated employers, Washington had no other special tax provisions for the Shared Work program; there were no special taxes and no limitations on which employers could participate. Shared Work benefits were normally charged to the employers' experience

rating in the same manner as other UI benefits. Reimbursable employers had Shared Work benefits attributed to their account in the same manner as other UI benefits.⁹⁹

G.5.8 Data Collection and Reporting

During the study, both the application process and the claims process for the Shared Work program were automated. Shared Work plans and participating employer data were processed on a standalone computer that was not linked to the Washington UI computer system. Shared Work claims and payment data were all processed on the agency's UI computer system.

G.5.9 Customer Use and Satisfaction

The Washington agency conducted an annual customer satisfaction survey of Shared Work employers throughout the study period and beyond (See Appendix I). The results were consistently and overwhelmingly positive.

Exhibit G.7 Employer Satisfaction with the Washington Shared Work Program, 2013

Issue	Percentage of Employer Respondents
Would consider applying again	96%
Would recommend program to other employers	98%
Very positive about participation in Shared Work	80%
Helped business survive the economic downturn	69%

Source: Washington 2013 Shared Work Customer Satisfaction Survey.

In the 2013 Washington survey, employers were asked about their perception of employee reaction to the Shared Work program. Sixty-five percent said their employees found the program very helpful, and 24 percent thought employees found the program moderately helpful.

Employers were also asked to assess the extent to which some of the benefits of the Shared Work program were helpful to them. They believed that the program was most helpful in keeping their skilled workforce intact. To a lesser extent, they believed that it helped them reduce their payrolls, improved morale and employee loyalty, and helped keep their businesses afloat.

⁹⁹ Washington employer payments for Shared Work were reduced considerably during the three-year period of federal reimbursement. Washington qualified for 100 percent federal reimbursement, minus the reduction required by federal budget sequester rules. For the weeks of benefits paid between July 1, 2012, and June 28, 2015, Shared Work benefits reimbursed by the federal government were not charged to the experience rating of employers or to reimbursable employers.

Exhibit G.8 Helpfulness of Washington Shared Work Program to Employers

Issue	Extremely Helpful	Moderately Helpful	Somewhat Helpful	Not Helpful
Kept skilled workforce intact	84	10	4	3
Reduced payroll cost	52	28	16	4
Helped business stay afloat	49	27	17	6
Improved company morale and employee loyalty	58	28	11	3

Source: Washington 2013 Consumer Satisfaction Survey.

During the study period, the Washington agency regularly submitted monthly ETA 5159 reports to DOL with required data regarding Shared Work employees. For its own purposes, the agency collected data on Shared Work employer activity and plan usage.

APPENDIX H. ADDITIONAL TABLES AND CHARTS OF SURVEY RESPONSES

H.1 Exhibits for Chapter One

Exhibit H.1 Industry Sectors of STC and Non-STC Survey Respondents in Study States

	Kansas		Minnesota		Rhode Island		Washington		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
STC										
Manufacturing	62	61%	99	58%	83	45%	381	27%	625	33%
TWPS	15	15%	47	27%	59	32%	549	39%	670	36%
Other	24	24%	25	15%	41	22%	484	34%	574	31%
Total	101	100%	171	100%	183	100%	1414	100%	1869	100%
Non-STC										
Manufacturing	31	44%	75	39%	19	32%	84	38%	209	38%
TWPS	18	26%	53	27%	12	20%	83	37%	166	30%
Other	21	30%	65	34%	29	48%	56	25%	171	31%
Total	70	100%	193	100%	60	100%	223	100%	546	100%

Source: Employer characteristics dataset (2008-2013).

Exhibit H.2 Manufacturing Industry Subsectors of STC and Non-STC Survey Respondents by NAICS Code for All Study States

Subsector	No.	%
STC		
Fabricated Metal Product Manufacturing	154	25%
Machinery Manufacturing	73	12%
Transportation Equipment Manufacturing	51	8%
Printing and Related Support Activities	49	8%
Miscellaneous Manufacturing	47	8%
Furniture and Related Product Manufacturing	45	7%
Computer and Electronic Product Manufacturing	37	6%
Wood Product Manufacturing	34	5%
Plastics and Rubber Products Manufacturing	33	5%
Nonmetallic Mineral Product Manufacturing	23	4%
Paper Manufacturing	17	3%
Food Manufacturing	13	2%
Primary Metal Manufacturing	13	2%
Electrical Equipment, Appliance, and Component Manufacturing	13	2%
Textile Product Mills	9	1%

Subsector	No.	%
Textile Mills	6	1%
Chemical Manufacturing	5	1%
Apparel Manufacturing	1	<1%
Leather and Allied Product Manufacturing	1	<1%
Non-STC		
Fabricated Metal Product Manufacturing	31	15%
Miscellaneous Manufacturing	23	11%
Computer and Electronic Product Manufacturing	19	9%
Machinery Manufacturing	18	9%
Printing and Related Support Activities	17	8%
Food Manufacturing	16	8%
Transportation Equipment Manufacturing	15	7%
Plastics and Rubber Products Manufacturing	13	6%
Furniture and Related Product Manufacturing	10	5%
Beverage and Tobacco Product Manufacturing	9	4%
Textile Product Mills	6	3%
Wood Product Manufacturing	6	3%
Nonmetallic Mineral Product Manufacturing	6	3%
Electrical Equipment, Appliance, and Component Manufacturing	5	2%
Chemical Manufacturing	4	2%
Primary Metal Manufacturing	4	2%
Apparel Manufacturing	3	1%
Textile Mills	2	1%
Paper Manufacturing	2	1%

Sources: Employer characteristics dataset (2008-2013); NAICS codes from state UI administrative data.

**Exhibit H.3 TWPS Industry Subsectors of STC and Non-STC Survey Respondents
by NAICS Code for All Study States**

Subsector	No.	%
STC		
Professional, Scientific, and Technical Services	254	38%
Wholesale Trade	165	25%
Retail Trade	158	24%
Transportation and Warehousing	35	5%
Real Estate and Rental and Leasing	24	4%
Finance and Insurance	18	3%
Information	16	2%
Non-STC		
Professional, Scientific, and Technical Services	57	34%
Retail Trade	32	19%
Wholesale Trade	23	14%
Finance and Insurance	16	10%
Real Estate and Rental and Leasing	16	10%
Information	13	8%
Transportation and Warehousing	9	5%

Source: Employer characteristics dataset (2008-2013); NAICS codes from state UI administrative data.

Exhibit H.4 Other Industry Subsectors of STC and Non-STC Survey Respondents by NAICS Code for All Study States

Other Sectors		
Subsector	No.	%
STC		
Construction	306	53%
Other Services	83	14%
Admin. Support, Waste Mgmt. and Remediation Services	71	12%
Health Care and Social Assistance	56	10%
Arts, Entertainment, and Recreation	15	3%
Educational Services	9	2%
Agriculture, Forestry, Fishing and Hunting	8	1%
Mining, Quarrying, Oil and Gas Extraction	8	1%
Accommodation and Food Services	6	1%
Public Administration	6	1%
Management of Companies and Enterprises	5	1%
Utilities	1	0%
Non-STC		
Other Services	39	23%
Construction	32	19%
Health Care and Social Assistance	27	16%
Admin Support, Waste Mgmt. and Remediation Services	25	15%
Accommodation and Food Services	12	7%
Arts, Entertainment, and Recreation	11	6%
Educational Services	9	5%
Agriculture, Forestry, Fishing and Hunting	8	5%
Public Administration	3	2%
N.E.S.	3	2%
Utilities	1	1%
Management of Companies and Enterprises	1	1%

Source: Employer characteristics dataset (2008-2013); NAICS codes from state UI administrative data.

Exhibit H.5 Size of STC Respondent Employers, in Number of Employees, by State and Industry

	Mean	Median	Min.	Max.	Standard Deviation	Sample Size
Kansas						
Manufacturing	74	32	4	734	113	62
TWPS	40	16	3	300	74	15
Other	185	13	4	3,800	771	24
All Industries	95	25	3	3,800	385	101
Minnesota						
Manufacturing	84	50	8	528	96	99
TWPS	55	30	4	407	79	46
Other	88	45	3	645	147	25
All Industries	77	45	3	645	102	170
Rhode Island						
Manufacturing	46	23	1	345	62	83
TWPS	13	10	2	60	13	58
Other	17	8	1	110	24	40
All Industries	29	12	1	345	46	181
Washington						
Manufacturing	61	23	1	2,500	156	376
TWPS	23	10	1	773	54	545
Other	31	11	1	1125	90	481
All Industries	36	12	1	2,500	103	1,402

Source: Employer characteristics dataset (2008-2013) (STC only).

Survey Question: A8a (Appendix C).

Note: In calculating the average firm size, we excluded an outlier that had 60,000 employees, 50 firms that reported zero employees, and eight responses that reported a skip value for this question.

**Exhibit H.6 Benefits Offered by STC and Non-STC Respondent Employers
to Full-Time Employees**

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
STC								
Health Insurance	97	88%	162	95%	174	91%	1,230	87%
Retirement Benefits	96	83%	155	97%	166	66%	1100	74%
Other Benefits	100	97%	160	100%	174	95%	1,258	94%
Non-STC								
Health Insurance	52	100%	99	99%	37	100%	97	95%
Retirement Benefits	49	96%	88	98%	33	100%	74	91%
Other Benefits	57	100%	120	100%	39	100%	116	98%

Source: Employer characteristics dataset (2008-2013).
Survey Question: A9b1-3 (Appendix C).

H.2 Exhibits for Chapter Two

**Exhibit H.7 Payroll Classifications of Employees Covered in STC Applications
by STC Respondent Employers**

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
Only hourly	56	67%	82	63%	76	51%	983	88%
Only salaried	5	6%	11	8%	22	15%	39	3%
Both hourly and salaried	22	27%	37	28%	51	34%	93	8%
Total	83	100%	130	100%	149	100%	1,115	100%

Source: Employer perceptions dataset (2008-2013) (STC only).
Survey Question: B14b (Appendix C).

Exhibit H.8 STC Respondent Employer STC Plan Utilization

	Kansas		Minnesota		Rhode Island		Washington		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Used STC plan	70	89%	104	82%	132	90%	975	89%	1,281	88%
Did not use STC plan	9	11%	23	18%	15	10%	122	11%	169	12%
Total	79	100%	127	100%	147	100%	1,097	100%	1,450	100%

Source: Employer perceptions dataset (2008-2013) (STC only).
Survey Question: C3 (Appendix C).

Exhibit H.9 Year of STC Plan Utilization for STC Employer Respondents by Study State

Year	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
2008	10	8%	30	16%	33	12%	183	8%
2009	36	28%	71	37%	61	23%	433	19%
2010	34	26%	30	16%	60	22%	504	22%
2011	20	15%	24	13%	50	19%	463	20%
2012	12	9%	19	10%	36	13%	412	18%
2013	18	14%	18	9%	29	11%	308	13%

Source: Employer perceptions dataset (2008-2013) (STC only).

Survey Questions: B12, C3 (Appendix C).

Note: Includes employers with STC utilization in more than one year.

Exhibit H.10 Predominant Skill Levels of Employees Covered in STC Plans (No. of Responses) for STC Respondent Employers

	Kansas		Minnesota		Rhode Island		Washington	
Hourly Employees								
	No.	%	No.	%	No.	%	No.	%
Highly skilled	56	43%	81	36%	76	42%	716	46%
Medium skilled	45	35%	92	41%	77	42%	614	40%
Low skilled	29	22%	52	23%	29	16%	212	14%
Salaried Employees								
	No.	%	No.	%	No.	%	No.	%
Highly skilled	22	63%	40	52%	64	69%	108	69%
Medium skilled	9	26%	28	36%	21	23%	40	25%
Low skilled	4	11%	9	12%	8	9%	9	6%

Source: Employer perceptions dataset (2008-2013) (STC only). Four respondents that reported having zero employees were dropped from this table.

Survey Questions: B14b1, B14b2 (Appendix C).

Note: For this exhibit, IMPAQ is counting the number of employers who responded that their STC employees were at least these skill levels. Percentages for this exhibit were calculated such that the numerator was the number of respondents who selected a particular skill level and the denominator was the total number responses to the question asking employers to characterize the skill levels of the employees who were included in their most recent application.

Exhibit H.11 STC Respondent Employer’s Payroll Classifications of Employees Who Received STC Benefits by Study State

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
Only hourly	45	73%	12	60%	55	54%	480	89%
Only salaried	1	2%	3	15%	12	12%	17	3%
Both hourly and salaried	16	26%	5	25%	35	34%	40	7%
Total	62	100%	20	100%	102	100%	537	100%

Source: Employer perceptions dataset (2008-2013) (STC only).

Survey Question: C6 (Appendix C).

Note: For this exhibit, IMPAQ is counting the number of employers who reported that their workers who received STC benefits were classified as either only hourly, only salaried or both hourly and salaried employees.

H.3 Exhibits for Chapter Three

Exhibit H.12 STC and Non-STC Employer Respondents Awareness of STC Program by Study State

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
STC								
"Unemployment Benefits"	85	100%	137	100%	152	100%	1,150	99%
"Short-Time Compensation"	21	25%	22	16%	38	25%	254	22%
The State's STC Program Name	82	97%	133	97%	149	98%	1,140	98%
Non-STC								
"Unemployment Benefits"	61	98%	177	94%	56	95%	199	95%
"Short-Time Compensation"	11	18%	38	20%	8	14%	46	22%
The State's STC Program Name	23	37%	53	28%	32	54%	73	35%

Source: Employer perceptions dataset (2008-2013).

Survey Questions: B1, B2a-b, B3 (Appendix C).

Exhibit H.13 Reasons STC Employers Respondents First Asked About the STC Program (No. of Employers) by Study State

Reasons	Kansas	Minnesota	Rhode Island	Washington
To learn about STC	67	123	134	955
Recession in 2008	62	106	118	831
Other companies use it	47	75	75	480
Employee suggested	6	22	18	270
Union suggested	0	0	0	3
Other reasons	11	9	27	146

Source: Employer perceptions dataset (2008-2013).

Survey Questions: B5a-e (Appendix C).

**Exhibit H.14 STC Respondent Employer Perception of Ease of STC Application Process
by Study State**

Ease of Process	Kansas (N=82)	Minnesota (N=130)	Rhode Island (N=146)	Washington (N=1098)
Very easy	45%	26%	34%	37%
Easy	37%	41%	31%	35%
Neither easy nor difficult	16%	27%	23%	21%
Difficult	2%	5%	6%	5%
Very difficult	0%	1%	7%	2%

Source: Employer perceptions dataset (2008-2013) (STC only).
Survey Question: B13 (Appendix C).

Exhibit H.15 STC Respondent Employer Satisfaction with STC Program Officials by Study State

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
<i>How satisfied were you with communication you had with state unemployment officials about the STC program?</i>								
Very satisfied	50	63%	51	41%	49	33%	605	55%
Satisfied	29	36%	68	55%	79	53%	460	42%
Unsatisfied	0	0%	5	4%	13	9%	22	2%
Very unsatisfied	1	1%	0	0%	7	5%	12	1%
<i>How satisfied were you with the administrative support that the state unemployment officials gave to you?</i>								
Very satisfied	45	56%	50	40%	49	33%	612	56%
Satisfied	34	43%	67	54%	75	51%	453	41%
Unsatisfied	0	0%	7	6%	16	11%	22	2%
Very unsatisfied	1	1%	0	0%	8	5%	9	1%

Source: Employer perceptions dataset (2008-2013) (STC only).
Survey Questions: C10, C11 (Appendix C).

Exhibit H.16 STC Respondent Employer Satisfaction with Communication from STC Program Officials during and after the Great Recession by Study State

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
2008–2010								
Very satisfied	24	60%	25	39%	20	34%	151	47%
Satisfied	15	38%	36	55%	33	56%	162	50%
Unsatisfied	0	0%	4	6%	4	7%	7	2%
Very unsatisfied	1	3%	0	0%	2	3%	3	1%
Total	40	100%	65	100%	59	100%	323	100%
2011–2013								
Very satisfied	17	59%	19	51%	24	33%	404	63%
Satisfied	12	41%	17	46%	36	50%	224	35%
Unsatisfied	0	0%	1	3%	9	13%	9	1%
Very unsatisfied	0	0%	0	0%	3	4%	5	1%
Total	29	100%	37	100%	72	100%	642	100%

Source: Employer perceptions dataset (2008-2013).

Survey Question: B9a-b, C10 (Appendix C).

Exhibit H.17 STC Employer Satisfaction with Support from STC Program Officials during and after the Great Recession

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
2008–2010								
Very satisfied	22	55%	23	35%	20	34%	151	47%
Satisfied	17	43%	37	57%	32	54%	162	50%
Unsatisfied	0	0%	5	8%	6	10%	9	3%
Very unsatisfied	1	3%	0	0%	1	2%	1	0%
Total	40	100%	65	100%	59	100%	323	100%
2011–2013								
Very satisfied	15	52%	21	57%	23	32%	408	64%
Satisfied	14	48%	14	38%	37	51%	216	34%
Unsatisfied	0	0%	2	5%	7	10%	9	1%
Very unsatisfied	0	0%	0	0%	5	7%	6	1%
Total	29	100%	37	100%	72	100%	639	100%

Source: Employer perceptions dataset (2008-2013) (STC only).

Survey Question: B9a-b, C11 (Appendix C).

Exhibit H.18 STC Respondent Employer Satisfaction with Communication from STC Program Officials, One Approved STC Plan and More than One Approved STC by Study State

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
1 Approved STC Plan								
Very satisfied	21	55%	26	37%	22	38%	165	51%
Satisfied	16	42%	42	59%	29	50%	147	45%
Unsatisfied	0	0%	3	4%	4	7%	8	2%
Very unsatisfied	1	3%	0	0%	3	5%	7	2%
Total	38	100%	71	100%	58	100%	327	100%
>1 Approved STC Plan								
Very satisfied	29	69%	25	47%	27	30%	440	57%
Satisfied	13	31%	26	49%	50	56%	313	41%
Unsatisfied	0	0%	2	4%	9	10%	14	2%
Very unsatisfied	0	0%	0	0%	4	4%	5	1%
Total	42	100%	53	100%	90	100%	771	100%

Source: Employer perceptions dataset (2008-2013) (STC only).

Survey Questions: B9a-b, B12, C10 (Appendix C).

Exhibit H.19 STC Respondent Employer Satisfaction with Support from STC Program Officials, One Approved STC Plan and More than One Approved STC by Study State

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
1 Approved STC Plan								
Very satisfied	21	55%	26	37%	21	36%	164	51%
Satisfied	16	42%	40	56%	28	48%	151	47%
Unsatisfied	0	0%	5	7%	6	10%	6	2%
Very unsatisfied	1	3%	0	0%	3	5%	4	1%
Total	38	100%	71	100%	58	100%	325	100%
>1 Approved STC Plan								
Very satisfied	24	57%	24	45%	28	31%	448	58%
Satisfied	18	43%	27	51%	47	52%	302	39%
Unsatisfied	0	0%	2	4%	10	11%	16	2%
Very unsatisfied	0	0%	0	0%	5	6%	5	1%
Total	42	100%	53	100%	90	100%	771	100%

Source: Employer perceptions dataset (2008-2013) (STC only).

Survey Questions: B9a-b, B12, C11 (Appendix C).

Exhibit H.20 STC Respondent Employer Perceptions of STC Program Effect on UI Tax Rates, Compared to a Layoff by Study State

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
<i>Do you think a layoff would affect your company's unemployment insurance tax rate more, less, or the same as when employees receive STC benefits?</i>								
More	24	60%	44	63%	37	60%	299	58%
Less	4	10%	6	9%	9	15%	77	15%
Same as	12	30%	20	29%	16	26%	143	28%
<i>Do you think employees receiving STC benefits affect your company's unemployment insurance tax rate more, less, or the same as a layoff?</i>								
More	11	33%	8	17%	11	20%	96	22%
Less	10	30%	22	47%	18	33%	209	48%
Same as	12	36%	17	36%	25	46%	129	30%

Source: Employer perceptions dataset (2008-2013) (STC Only).

Survey Questions: C15a, C15b (Appendix C).

Note: The survey posed the same question in two different ways. Approximately half of the respondents were asked whether a layoff would affect their UI tax rate more or less than STC participation. The other half of the respondents received essentially the same question in reverse order: asking whether STC would affect their UI tax rate more or less than a layoff.

Exhibit H.21 STC Respondent Employer Perceptions of STC Program Effect on Costs of Retaining Employees through STC

	Kansas		Minnesota		Rhode Island		Washington	
	No.	%	No.	%	No.	%	No.	%
<i>In your opinion, which is <u>more</u> expensive for your company: retaining employees through the use of the [STATE STC NAME] program until they can return to their normal schedule or letting them go and hiring and training new employees?</i>								
Retaining employees through STC	10	23%	13	22%	19	28%	149	27%
Hire and train new employees	31	72%	38	63%	46	69%	371	68%
Equal	2	5%	9	15%	2	3%	28	5%
<i>In your opinion, which is <u>less</u> expensive for your company: retaining employees through the use of the [STATE STC NAME] program until they can return to their normal schedule or letting them go and hiring and training new employees?</i>								
Retaining employees through STC	38	97%	59	94%	76	94%	513	94%
Hire and train new employees	1	3%	2	3%	4	5%	17	3%
Equal	0	0%	2	3%	1	1%	16	3%

Source: Employer perceptions dataset (2008-2013) (STC Only). Survey Questions: C14a, C14b (Appendix C).

Note: The survey posed the same question in two different ways. Approximately half of the respondents were asked whether retaining employees through STC program was “more” expensive than laying off, and hiring and training new employees. And the other half of the respondents were asked whether retaining employees through STC was “less” expensive than hiring and training new employees

H.4 Exhibits for Appendix F

Exhibit H.22 Regular UI First Payments in Study States, 1995–2014

Year	KS	MN	RI	WA
1995	58,503	116,098	57,046	237,365
1996	54,528	117,192	54,102	229,032
1997	49,393	109,566	49,077	197,549
1998	49,164	106,529	46,742	177,642
1999	52,947	100,147	43,505	190,056
2000	54,263	109,278	37,798	205,411
2001	69,886	164,690	44,154	272,761
2002	83,381	170,607	43,957	280,946
2003	89,324	169,854	43,097	267,960
2004	68,335	147,127	40,610	208,210
2005	61,002	144,233	38,442	183,530
2006	54,376	141,039	37,588	171,137
2007	58,451	142,182	41,215	168,734
2008	72,762	163,871	46,446	232,831
2009	123,178	252,468	55,512	345,913
2010	91,193	184,752	48,750	263,691
2011	85,415	172,235	45,019	235,620
2012	78,252	144,931	42,126	217,523
2013	66,002	138,824	36,995	195,029
2014	63,004	120,628	34,847	178,030

Source: ETA 5159.

Exhibit H.23 STC First Payments in Study States, 1995–2014

Year	KS	MN	RI	WA
1995	2,301	617	805	3,689
1996	2,013	188	888	3,275
1997	1,894	115	513	1,921
1998	1,447	177	1,092	1,507
1999	1,973	262	1,189	1,618
2000	1,650	3,310	508	2,476
2001	4,211	3,423	2,748	5,525
2002	3,314	3,952	1,623	4,841
2003	2,827	3,599	2,434	4,116
2004	1,257	965	1,462	1,576
2005	1,273	1,199	1,500	937
2006	1,286	1,443	1,643	998
2007	1,849	2,120	1,846	1,756
2008	12,040	3,624	3,750	6,393
2009	15,585	14,173	8,809	19,182
2010	8,464	3,162	3,642	14,487
2011	2,353	2,603	2,594	10,963
2012	2,289	1,854	1,907	7,531
2013	1,836	1,793	1,169	5,640
2014	1,724	1,073	860	5,741

Source: ETA 5159. Retrieved 3/27/2015, from
<http://www.workforcesecurity.doleta.gov/unemploy/DataDownloads.asp>

**Exhibit H.24 STC First Payments as Percentages of UI First Payments in Study States,
1995–2014**

Year	KS	MN	RI	WA
1995	3.9%	0.5%	1.4%	1.6%
1996	3.7%	0.2%	1.6%	1.4%
1997	3.8%	0.1%	1.0%	1.0%
1998	2.9%	0.2%	2.3%	0.8%
1999	3.7%	0.3%	2.7%	0.9%
2000	3.0%	3.0%	1.3%	1.2%
2001	6.0%	2.1%	6.2%	2.0%
2002	4.0%	2.3%	3.7%	1.7%
2003	3.2%	2.1%	5.6%	1.5%
2004	1.8%	0.7%	3.6%	0.8%
2005	2.1%	0.8%	3.9%	0.5%
2006	2.4%	1.0%	4.4%	0.6%
2007	3.2%	1.5%	4.5%	1.0%
2008	16.5%	2.2%	8.1%	2.7%
2009	12.7%	5.6%	15.9%	5.5%
2010	9.3%	1.7%	7.5%	5.5%
2011	2.8%	1.5%	5.8%	4.7%
2012	2.9%	1.3%	4.5%	3.5%
2013	2.8%	1.3%	3.2%	2.9%
2014	2.7%	0.9%	2.5%	3.2%

Source: ETA 5159. Retrieved 3/27/2015, from
<http://www.workforcesecurity.doleta.gov/unemploy/DataDownloads.asp>

**Exhibit H.25 STC Benefit Amounts Paid as Percentages of
UI Benefit Amounts Paid in Study States, 1995–2014**

Year	KS	MN	RI	WA
1995	0.7%	0.1%	0.6%	0.1%
1996	0.4%	0.0%	0.6%	0.2%
1997	0.5%	0.0%	0.8%	0.3%
1998	0.3%	0.0%	0.9%	0.1%
1999	0.6%	0.0%	0.8%	0.2%
2000	0.5%	0.0%	0.5%	0.1%
2001	1.0%	0.3%	1.8%	0.4%
2002	0.5%	0.5%	1.6%	0.3%
2003	0.5%	0.3%	1.6%	0.3%
2004	0.2%	0.1%	0.9%	0.2%
2005	0.3%	0.1%	1.0%	0.1%
2006	0.2%	0.2%	1.1%	0.1%
2007	0.3%	0.2%	1.0%	0.2%
2008	3.7%	0.2%	1.7%	0.6%
2009	3.0%	1.0%	9.8%	1.6%
2010	1.2%	0.5%	3.5%	1.9%
2011	0.5%	0.2%	2.5%	1.6%
2012	0.4%	0.2%	2.0%	1.0%
2013	0.3%	0.2%	1.1%	0.6%
2014	0.4%	0.1%	0.8%	0.7%

Source: ETA 5159.

APPENDIX I. CASE STUDY OF THE STC PROGRAM IN WASHINGTON

Washington's short-time compensation (STC) program, called Shared Work, exhibits several unique characteristics, so it is useful to examine this program in more detail as a case study. This section examines how Washington's STC program was set up during the study period and what policy lessons the Washington case offers.

Of the study states, Washington had the most employers in the sample; the results can be disaggregated without encountering very low sample sizes. It reached a broader set of industries and had more responsive staffing arrangements during the Great Recession than the other study states. State-level policy leaders had a strong commitment to strengthening and expanding the program.

"I called often for support from the program and I always got the answers I needed. It helped a lot. It allowed us to keep the employees working and not lay them off. It kept our business operating."

– *Washington Employer*

I.1 Economic Background

During the study period, Washington's unemployment rate approximately mirrored the national rate. The total unemployment rate was the second highest in our study, after Rhode Island, and considerably higher than in Kansas and Minnesota. In 2012, Washington had the most employers of the study states, with 175,553 employers.¹⁰⁰ Washington's industrial mix in 2012 was approximately five percent Manufacturing, 41 percent TWPS, and 55 percent in the Other industry category used in this study (U.S. Census Bureau, 2012a, 2012b).

I.2 STC Program Background

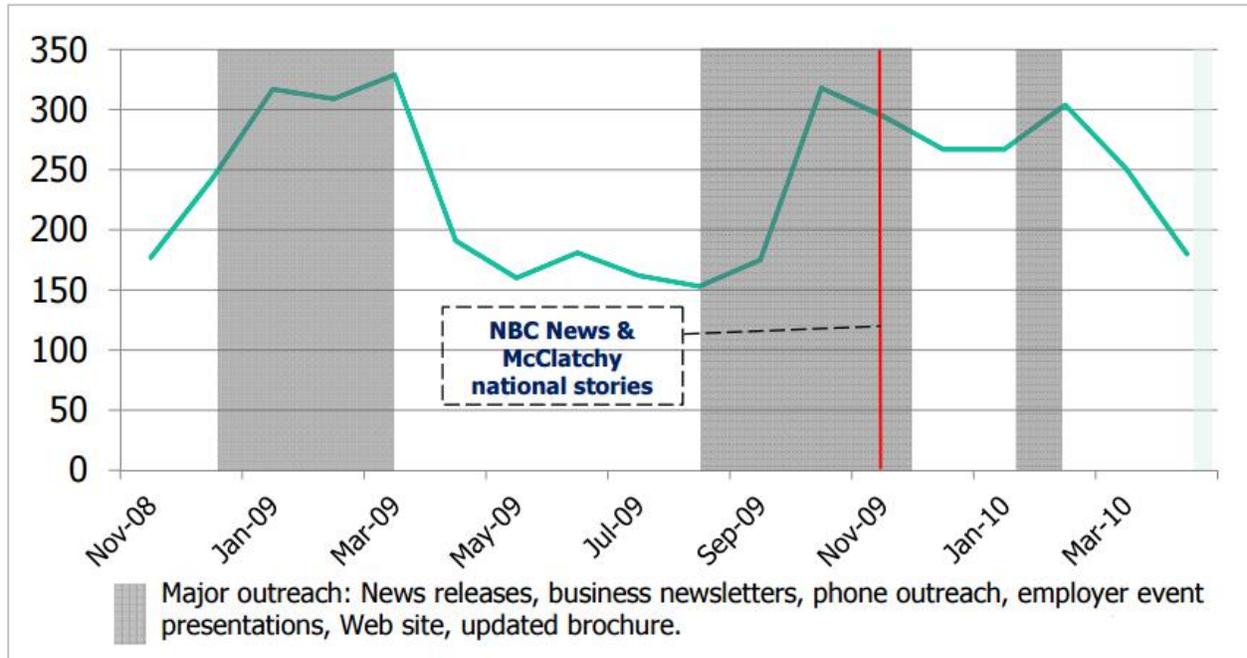
Washington was an early adopter of the STC program. It enacted an STC law in 1983 and has had a history of strong state support. The state workforce agency has been, and continues to be, a strong STC supporter. In the 1980s, Washington launched a massive publicity campaign for the newly enacted program, and, in the 1990s, it proactively provided outreach to at-risk employers, likely based upon economic conditions in key industries and UI workloads (Morand, 1990).

In response to a massive increase in STC applications in late 2008 and early 2009, the Washington agency assigned additional staff to manage the STC program and encouraged its use during the Great Recession. At the height of the recession, between sixteen and 24 staff members were dedicated to administer STC, more than other study states. Only Washington and Rhode Island provided staff specifically for outreach and promotion. To assist employers, agency staff conducted STC webinars to explain the program. One result of these webinars was employer acceptance and widespread use of the STC computer-based internet application process.

¹⁰⁰ U.S. Census Bureau. County Business Patterns. 2012.

Additionally, Washington had three public service advertising campaigns during and after the Great Recession. The success of these campaigns was reflected in an increase in STC applications during the campaigns. Exhibit I.1, from the Washington agency, illustrates the dramatic rise in monthly applications during the major outreach periods.

Exhibit I.1 Washington STC Monthly Applications and Marketing Efforts

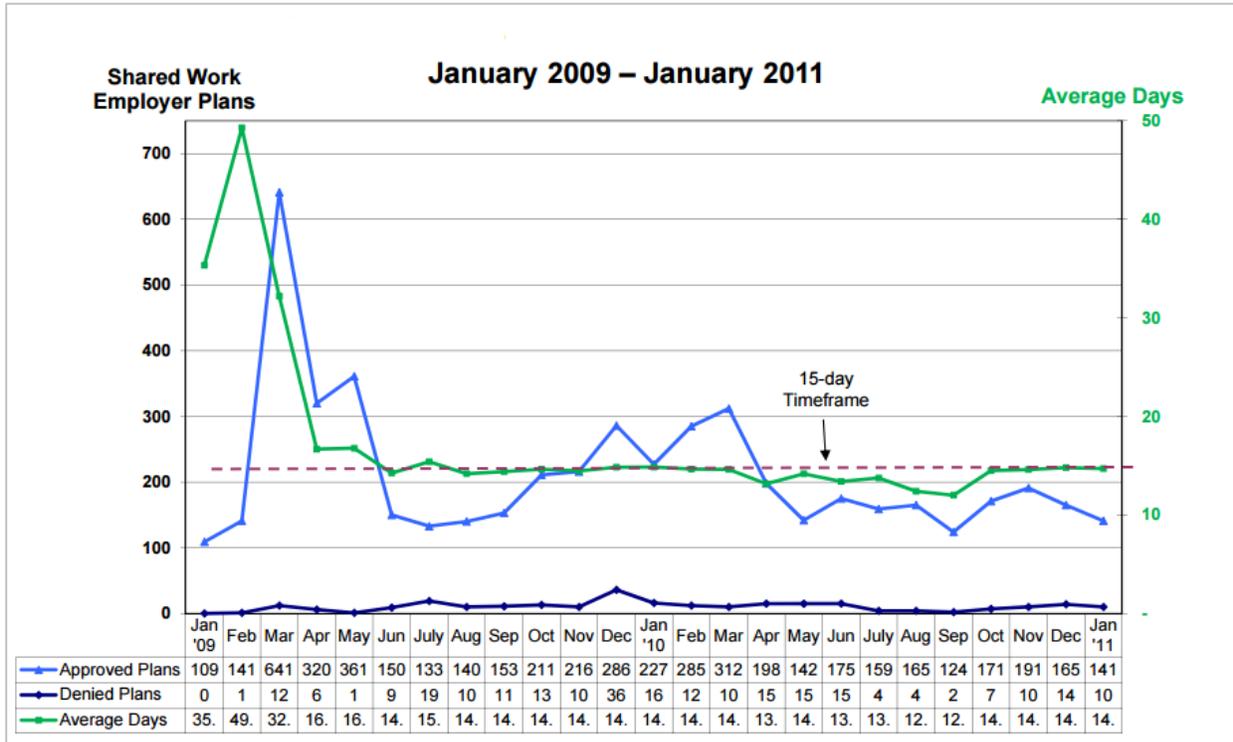


Source: Overview of Shared Work Program Washington State. October 2013. Employment Security Department. Washington State. Retrieved 2/25/2015, from https://www.naswa.org/assets/utilities/serve.cfm?gid=D8B7B627-B50E-4C7B-8C92-87C11167F6ED&save=1&dsp_meta=0

The employer application process for Washington’s STC program was highly automated—the most automated of all of the study states at the time of the study. Employers were able to download the application from the state Website and upload it for submittal. During the study period, no other study state utilized submittal online.

However, even with this level of automation, following a surge of applications in early 2009, the Washington agency was unable to meet its fifteen-day target for approving or denying applications. By providing more staff support the agency quickly improved its timeliness and decreased the average response time from 49 days in February 2009 to fourteen by June 2009, reflecting strong state leadership to keep the program responsive to fluctuations in employer demand. Exhibit H.2 shows that the Washington agency’s staff commitment not only reduced application response time but also greatly increased employer satisfaction with the support they received from the agency, from 47 percent very satisfied in 2008-2010 to 64 percent very satisfied in 2011-2013.

Exhibit I.2 Washington STC Plan Approvals and Timeline



Source: Overview of Shared Work Program Washington State. October 2013. Employment Security Department. Washington State.

Note: Average Days indicate average number of days between submittal of STC application and approval or denial.

Comments on the IMPAQ survey by STC employers clarified the reasons for employer satisfaction. In the words of one employer, “I think [the STC program] is a great benefit for those companies who do not want to lose good people. It saved us from losing the best.” In the words of another, “If it wasn’t for the program, we would’ve lost our company.” These sentiments were echoed across the sample. Washington STC employers largely felt that the STC program enabled them not only to retain a skilled workforce but also to remain competitive in a dwindling economy.

Additionally, further reflecting the state-level commitment to and concern for employer satisfaction, Washington was the only study state that conducted an annual survey of its STC program.

As a result of state policy and leadership, Washington employers had highly favorable views of the program. In a 2014 survey of 323 employers conducted by the Washington agency, 96 percent of employers rated their participation as positive, 97 percent said they would apply for the program again, and 97 percent said they would recommend the program to other business owners.¹⁰¹ These findings are in line with IMPAQ survey data, where 93 percent of STC employers in Washington said they were very or somewhat likely to apply for STC in the future (See Exhibit 3.15).

¹⁰¹ Customer Survey. 2014. Employment Security Department. Washington State. <http://www.esd.wa.gov/uibenefits/faq/shared-work-survey.pdf#zoom=100> Accessed 2/25/2015.

I.2.1 Administrative Data Results

Washington employers using STC have been very supportive of the program, as indicated by their responses to an annual customer satisfaction survey. The 2013 customer satisfaction survey indicated a high degree of satisfaction with the program (See Exhibit I.3). Employers would overwhelmingly consider using the program again and would recommend usage to other employers. Over two-thirds of employers said that the program helped them survive the economic downturn.

Exhibit I.3 Washington Employer Satisfaction with the STC Program, 2013

Issue	Percentage of Employers
Would consider applying again	96%
Would recommend program to other employers	98%
Very positive about participation	80%
Helped business survive the economic downturn	69%

Source: Washington Shared Work Customer Satisfaction Survey, 2013.

The customer survey asked employers about their perception of employees' opinion about the STC program. Sixty-five percent said their employees found the program very helpful, and 24 percent thought employees found the program moderately helpful.

Employers also were asked to assess the extent to which some of the benefits of the STC program were helpful to them (Exhibit I.4). They believed that the program was most helpful in keeping their skilled workforce intact. To a lesser extent, they believed that it helped them reduce their payrolls, improved morale and employee loyalty, and helped keep their businesses afloat.

Exhibit I.4 Helpfulness of Washington STC Program to Employers, 2013

Issue	Extremely Helpful	Moderately Helpful	Somewhat Helpful	Not Helpful
Kept skilled workforce intact	84%	10%	4%	3%
Reduced payroll cost	52%	28%	16%	4%
Helped business stay afloat	49%	27%	17%	6%
Improved company morale and employee loyalty	58%	28%	11%	3%

Source: Washington Consumer Satisfaction Survey, 2013.

I.2.2 Employee Eligibility

In 2013, Washington updated its STC program to conform to federal requirements under the Middle Class Tax Relief and Job Creation Act. Under current law, employees must meet several eligibility criteria to participate in Washington's STC program, Shared Work:

- Employees must be hired permanently and paid hourly. Workers not covered include employees paid a piece rate, mileage rate, job rate, salary, or commission.
- Corporate officers are not eligible.
- Employees must be eligible for regular UI benefits.
- Employees can receive up to 52 weeks of STC benefit in each one-year plan, as long as there is a positive balance in their UI benefit entitlement.

Prior to 2013, Washington's STC program allowed employees to receive up to 26 weeks of STC benefits. Weekly hours could be reduced by ten to 50 percent, and the provision of health and pension benefits was required. Overall, Washington's STC program was very similar to other states.

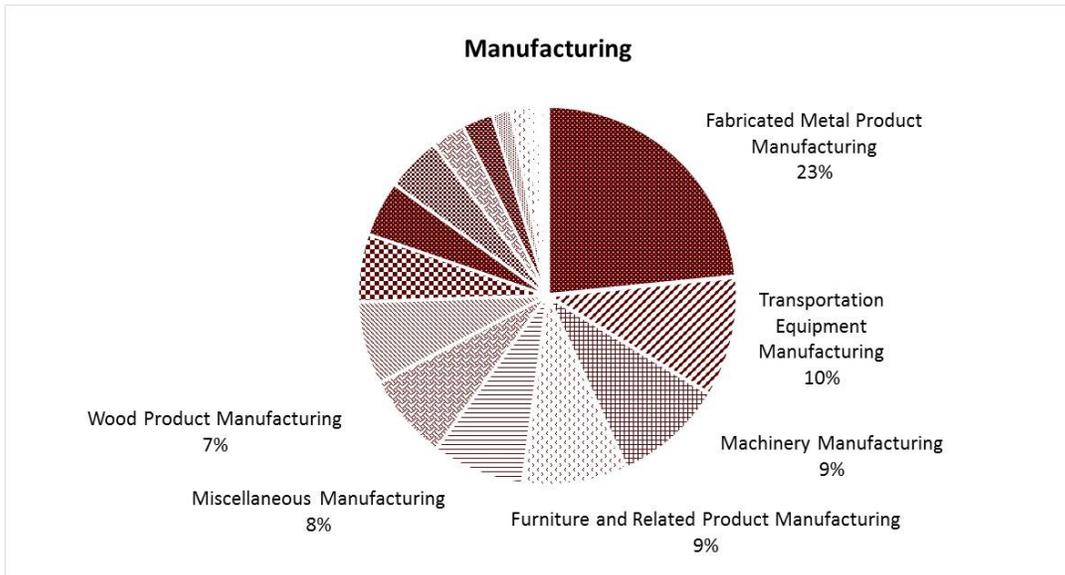
I.3 Industry Sectors

Prior to the Great Recession, manufacturing comprised 90 percent of employer STC participants in Washington. In the IMPAQ study, Manufacturing represented the largest single industry of STC employer respondents; however, the percentage was significantly lower than before the recession, at 27 percent, and much lower than in the other study states. This suggests a major transition unique to Washington's program, reflecting a significant effort to expand the industry base that participates in the program. The TWPS category comprised the largest portion of STC employer respondents, with 39 percent of employers fitting into that category. Washington, by far, had the lowest percentage of Manufacturing STC employers—less than half the percentage of Kansas, the state with the highest percentage (61 percent). Among the study states, Washington's industry breakdown among the three categories most closely mirrored the breakdown in the U.S. Census of businesses in 2012, so none of the sector categories are especially over-represented in the program (See Exhibits I.5 Exhibit I.6).

Below, we unpack each industry category in Washington and compare STC employer respondents to U.S. Census data for Washington.

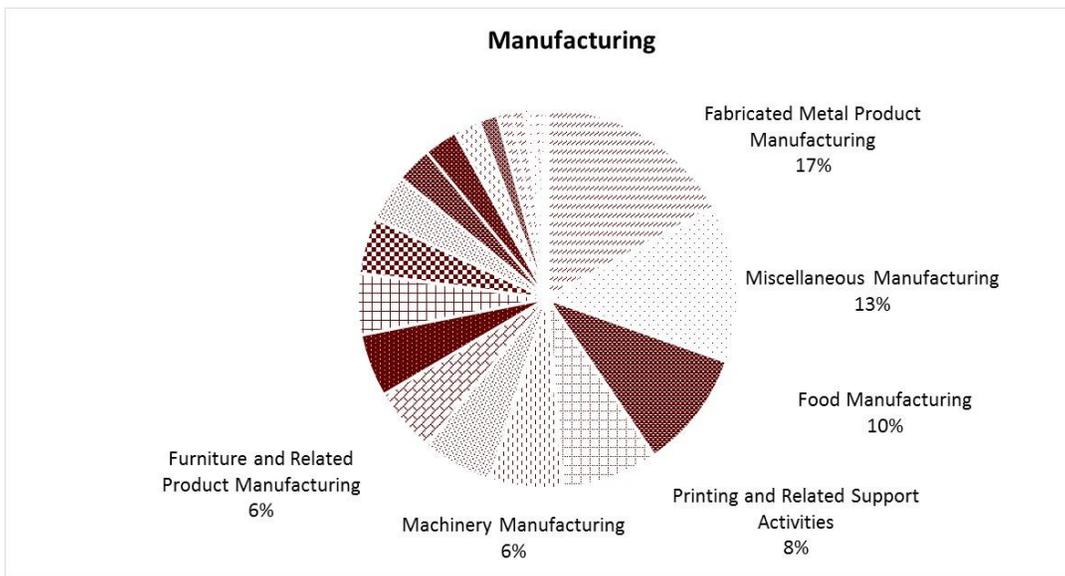
In Manufacturing, the top three subsectors for STC employers were Fabricated Metal Product Manufacturing (23 percent), Transportation Equipment Manufacturing (ten percent), and Machinery Manufacturing (nine percent). By comparison, from the Census data, Fabricated Metal Product Manufacturing comprised seventeen percent of employers followed by Miscellaneous Manufacturing (thirteen percent) and Food Manufacturing (ten percent).

Exhibit I.5 Manufacturing Subsectors of Washington STC Respondent Employers



Source: Employer characteristics dataset (2008-2013), based on three-digit NAICS codes.

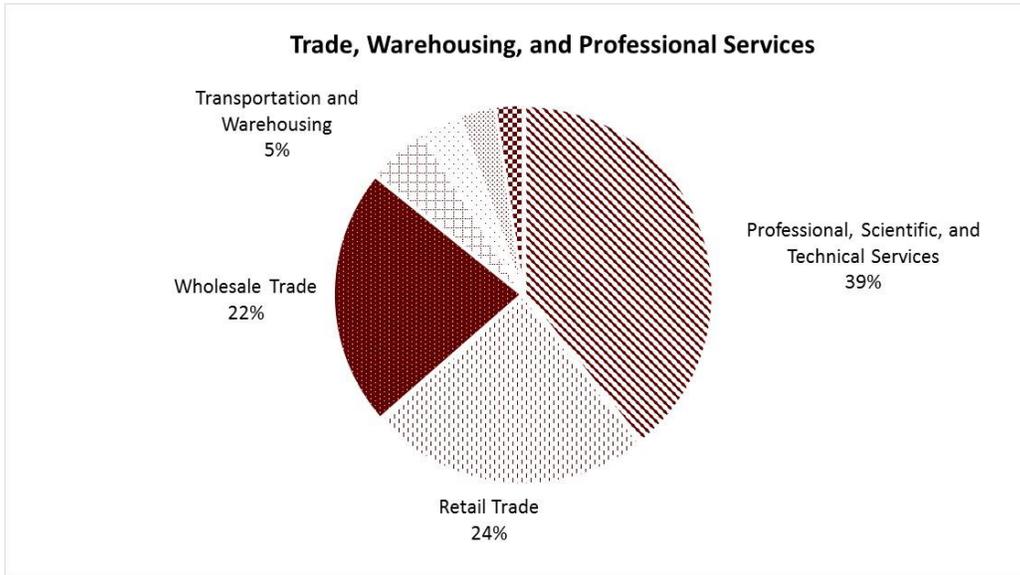
Exhibit I.6 Manufacturing Subsectors of All Washington Businesses



Source: U.S. Census Bureau 2012, based on three-digit NAICS codes.

TWPS, the largest category in the sample, was more highly concentrated in the professional, scientific, and technical services subsector (39 percent) compared to U.S. Census Bureau data for Washington employers overall (32 percent).

Exhibit I.7 Trade, Warehousing, and Professional Services Subsectors of Washington STC Respondent Employers



Source: Employer characteristics dataset (2008-2013), based on three-digit NAICS codes.

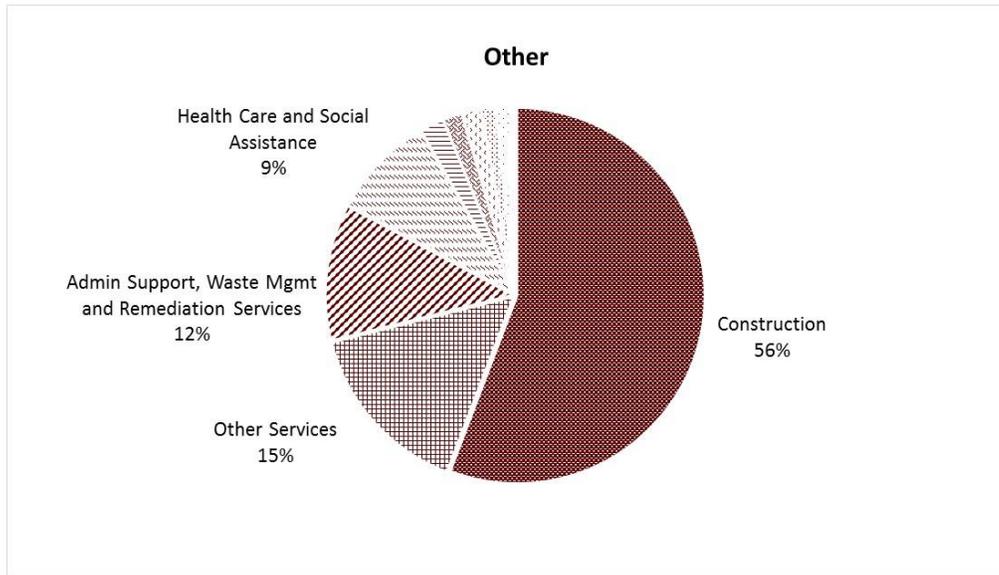
Exhibit I.8 Trade, Warehousing, and Professional Services Subsectors of All Washington Businesses



Source: U.S. Census Bureau 2012, based on three-digit NAICS codes.

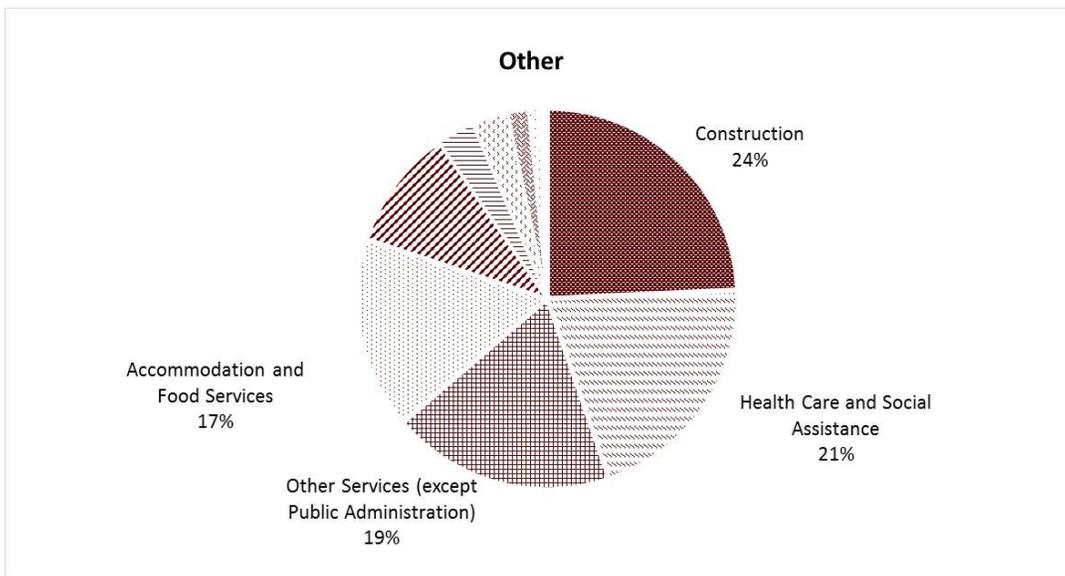
In the Other category, construction dominated the STC Employers comprising 56 percent of the sample. In contrast, construction comprised only 24 percent of employers in the Census data.

Exhibit I.9 Other Subsectors of Washington STC Respondent Employers



Source: Employer characteristics dataset (2008-2013), based on three-digit NAICS codes.

Exhibit I.10 Other Subsectors of All Washington Businesses

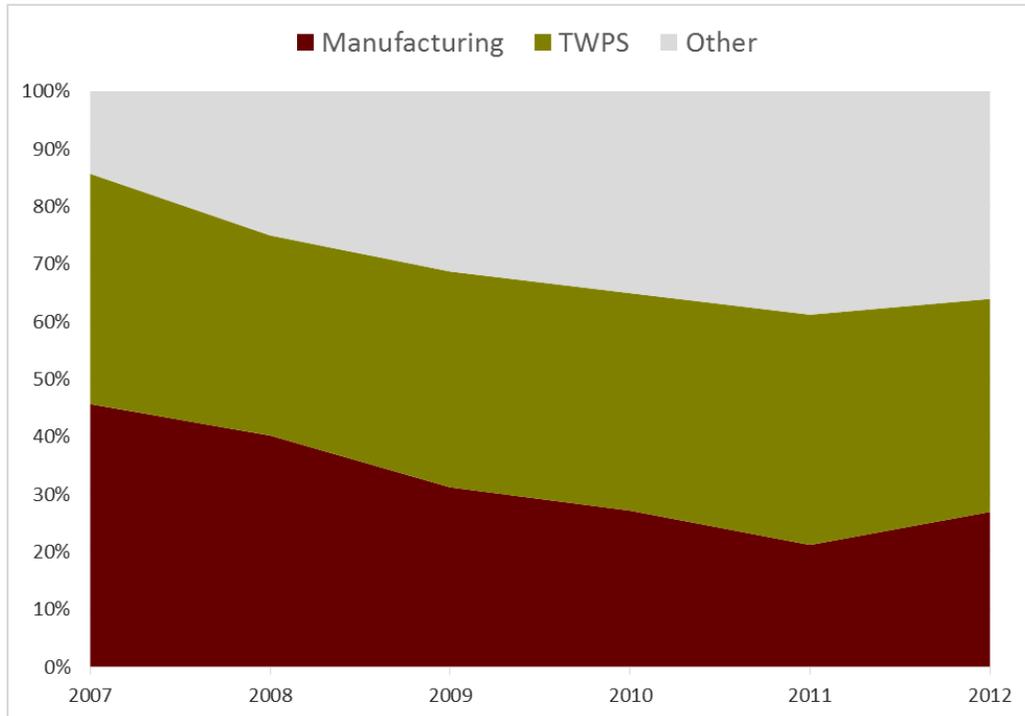


Source: U.S. Census Bureau 2012, based on three-digit NAICS codes.

Examining the mix of industry categories over time supports this transition and illustrates the steady decline in the proportion of STC Manufacturing employers. According to administrative data obtained from the state, in 2007, Manufacturing comprised 46 percent of STC Employers in Washington and by 2011, this proportion was more than halved to 21 percent. There was a slight increase in 2012 but the share of Manufacturing employers remains far below 2007 numbers. The decrease in Manufacturing employers has largely been driven by an increase in employers in the Other category while the percentage of Trade, Warehousing, and Professional Services employers has largely stayed constant. Further investigation into subsectors shows that the

decrease in STC employers came primarily from Transportation Equipment Manufacturing employers and the increase in the Other category from Specialty Trade Contractors and Repair and Maintenance employers. Because Specialty Trade Contractors and repair and maintenance employers contain skilled workers, the industry change over the 2007-2012 period is consistent with the finding that employers with more skilled workers are likely to participate in STC (MaCurdy et al., 2004).

Exhibit I.11 Distribution of Industry Categories for All UI Covered Employers in Washington 2007-2012



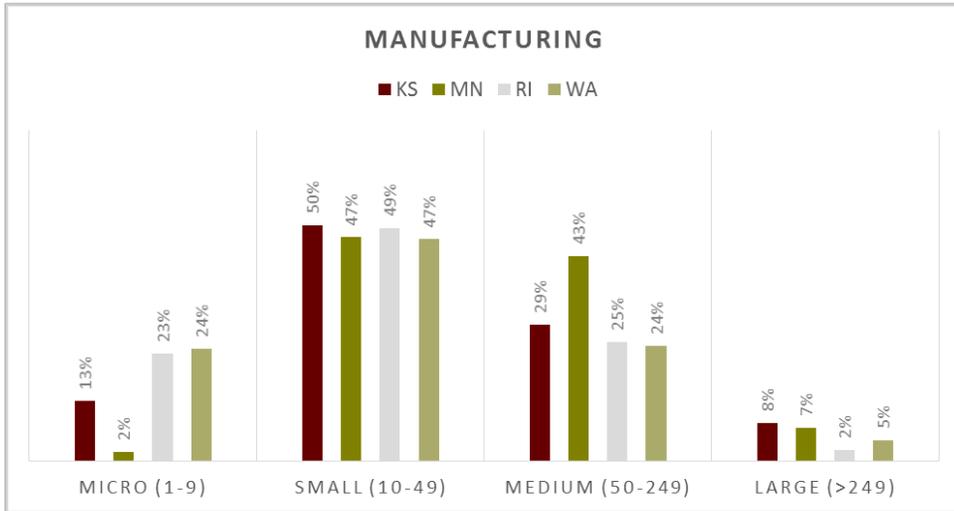
Source: Washington state UI administrative data, based on NAICs codes.

I.4 Employer Size

When compared to other study states, both Washington and Rhode Island had significantly higher percentages of micro-sized employers (with one to nine employees) among their STC employer respondents. Both of these states had very actively conducted outreach for their STC programs. The ability of Washington to reach smaller firms was likely due to the state’s aggressive education campaigns and streamlined application processes (Exhibits I.12, I.13, and I.14).

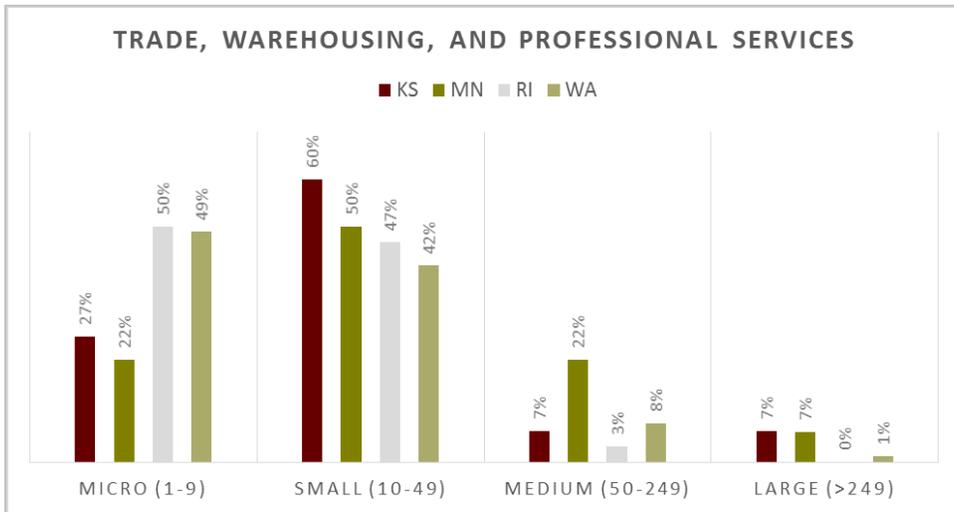
The next exhibits break employer size down by industry to show that the increased percentage of micro-sized employers holds true across industries for both Washington and Rhode Island. For Washington, the greatest percentage of micro-sized firms resides in the TWPS category.

Exhibit I.12 Size Distribution of Manufacturing STC Employers



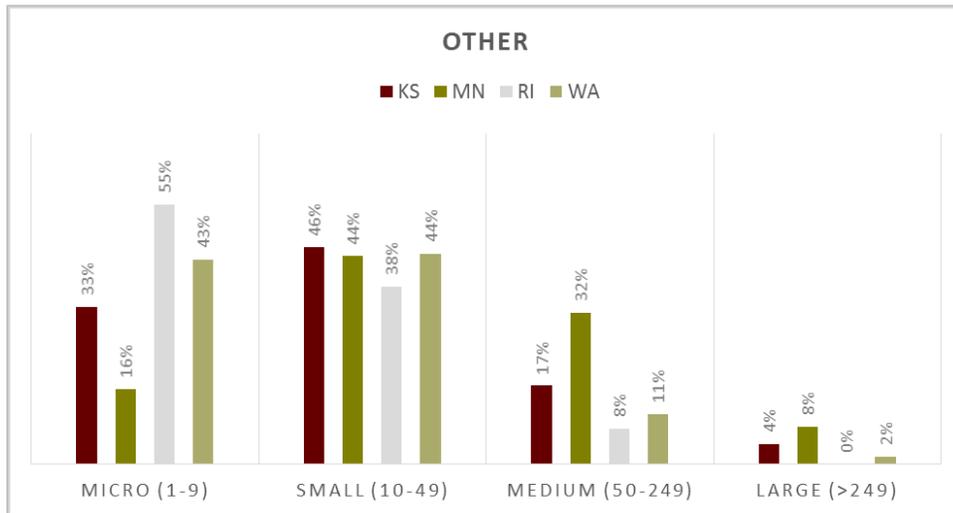
Source: Employer characteristics dataset (2008-2013).

Exhibit I.13 Size Distribution of TWPS STC Employers



Source: Employer characteristics dataset (2008-2013).

Exhibit I.14 Size Distribution of Other STC Employers

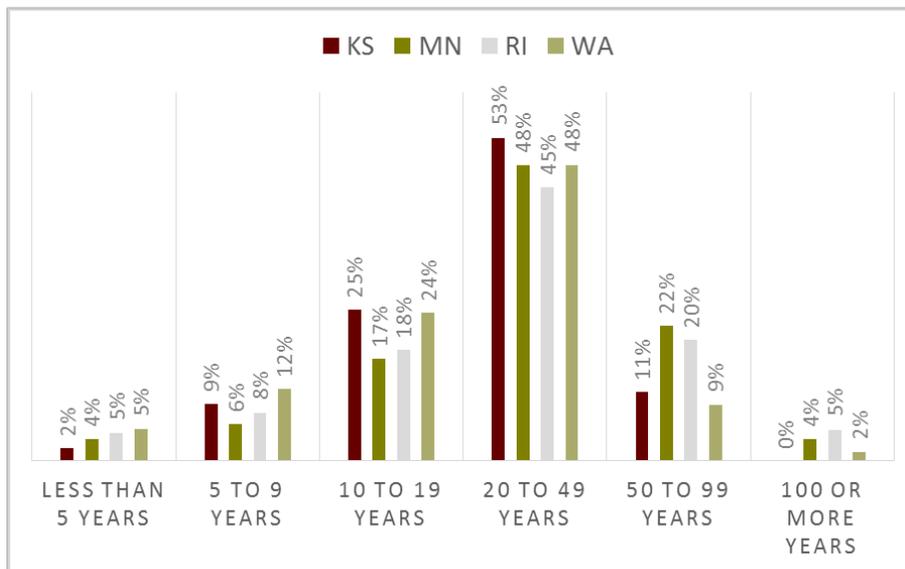


Source: Employer characteristics dataset (2008-2013).

I.5 Employer Age – Years in Business

A comparison of STC employers among states shows that Washington employers tend to skew slightly younger. This may be related to increased use of the STC program by smaller firms, which have lower survival rates, or it may be due to the large and relatively young tech industry in the state. Seventeen percent of STC employers in Washington had been in business for less than nine years. In comparison, this percentage was eleven percent in Kansas, ten percent in Minnesota, and thirteen percent in Rhode Island. The average age of STC employers in all four study states was 29, while the average age of STC employers in Washington was 27.

Exhibit I.15 Age Distribution of STC Employers

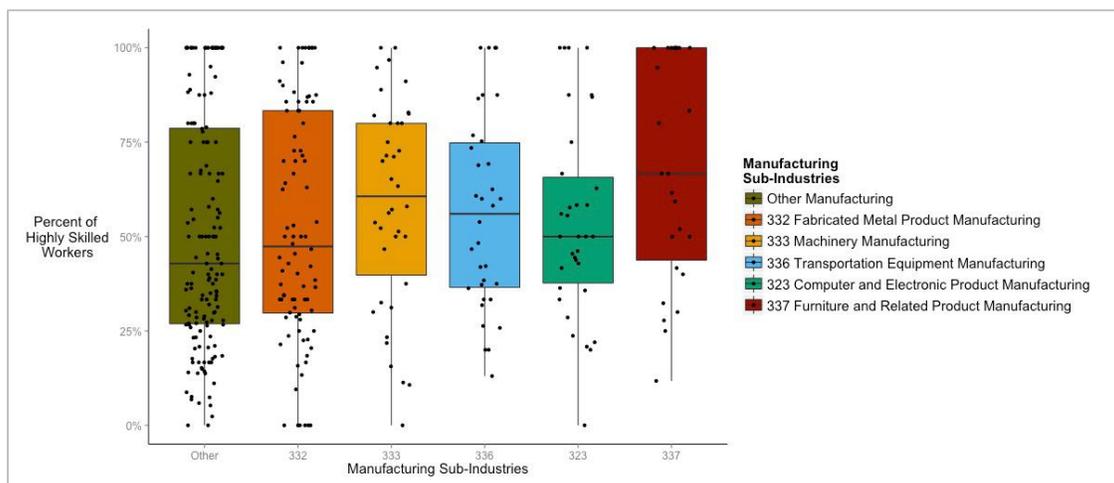


Source: Employer characteristics dataset (2008-2013).

I.6 Employee Skill Levels

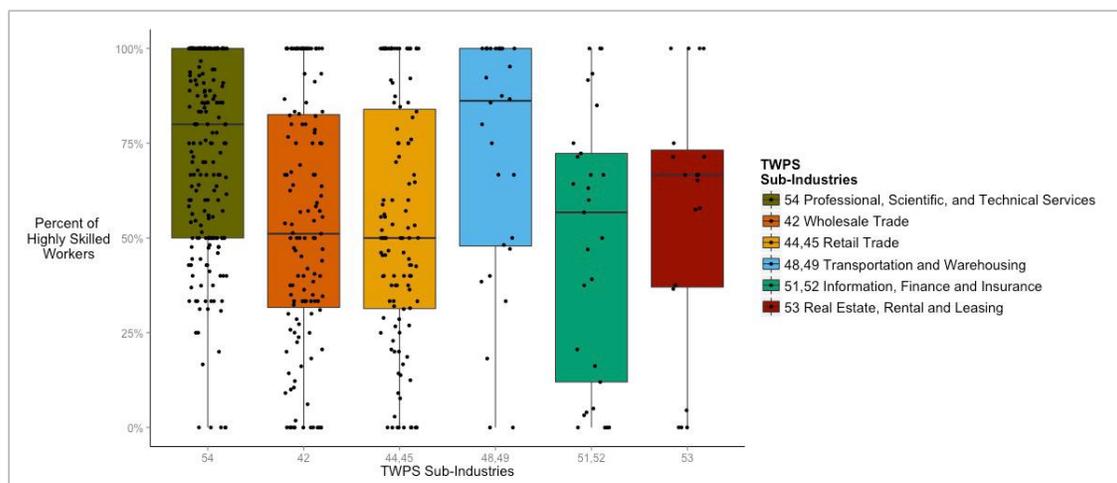
The three exhibits shown below highlight STC employer skill ratings of their workforce. The consistent finding not only within sub-industries, but also across the three main industry categories (Manufacturing, TWPS, and Other) is that employers classified at least 50 percent of their workforce as highly skilled. This suggests that STC employers in Washington had been using the program as a vehicle for retaining their highly skilled workforce during the economic downturn. As discussed in Chapter One, there is a substantial amount of variation despite the large share of highly skilled employees within subsectors, and possible explanations for the variance is discussed there.

Exhibit I.16 Washington Employer Distribution of Highly Skilled Workers by Manufacturing Subsectors



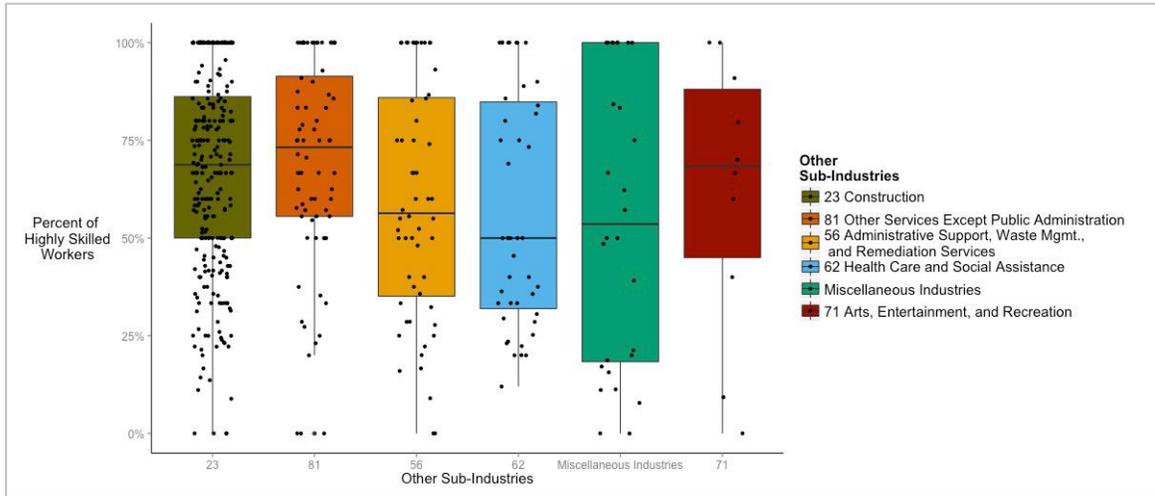
Source: Employer characteristics dataset (2008-2013).

Exhibit I.17 Washington Employer Distribution of Highly Skilled Workers by TWPS Subsectors



Source: Employer characteristics dataset (2008-2013)

Exhibit I.18 Washington Employer Distribution of Highly Skilled Workers by Other Subsectors



Source: Employer characteristics dataset (2008-2013).

Note: Percentages were calculated by dividing the reported number of employees in each skill level by the total number of employees reported in the firm. The Manufacturing industry is disaggregated by three-digit level NAICS classifications; the TWPS and Other industries are disaggregated by two-digit level NAICS classifications. For interpretation purposes: 50 percent of respondents fall within the boxes. 25 percent of respondents fall under the box while the remaining 25 percent fall above it. The horizontal line inside the box denotes the median: 50 percent of the respondents fall below and 50 percent fall above that line. These graphs pertain only to Washington employers.

I.7 Awareness

Among all survey respondents who had heard of STC, the government was the most likely source of information only in Rhode Island and Washington. A higher percentage of Washington employers (34 percent) had heard of the program from state or local government officials than employers in Kansas (31 percent) or Minnesota (30 percent), again reflecting the state commitment to the program. Compared to other states, Washington employers were less likely to hear about the program from other employers. Twenty-four percent of Washington employers had heard of STC from other companies while 33 percent and 34 percent of employers in Kansas and Minnesota had heard of STC from other employers, respectively.

Exhibit I.19 Source of Awareness of STC among Employers



Source: Employer perceptions dataset (2008-2013).

I.8 Summary

The strength of the STC program in Washington during the Great Recession was in part due to strong levels of commitment from state policy makers. Washington agency officials saw STC as a viable means to help employers during tough times and to reduce or delay job loss. Washington agency leaders provided resources to conduct outreach and reached a broad cross-section of the state’s industry sectors. They worked directly with employers and processed STC claims in a timely fashion. Agency staff conducted STC webinars.

The success of the Washington STC program during the study period can be attributed to three factors: (1) the commitment of policy makers, (2) computerization of key STC application and claims processes, and (3) extensive outreach by agency staff to employers, and the use of public media. Washington policy makers continue to be committed to expanding and improving the STC program; that commitment is made clear by the fact that Washington was the first state to apply for and receive a special one-time federal grant in 2014 to improve and promote its program.

APPENDIX J. QUALITATIVE FEEDBACK FROM EMPLOYERS

The IMPAQ team asked STC employer respondents a series of open-ended questions about their experiences with the STC application process, their company's interactions with state program administrators, and their overall impressions of the STC program. IMPAQ received 302 qualitative feedback responses from the 2,415 survey respondents across different topics. Narrowing on any particular theme reduced the number responses considerably. Within each sub-topic or theme, this rate of participation is small. As a result, the qualitative feedback reported below should not be understood as representative of all employer respondents, and this appendix should be used cautiously and mostly for illustrative purposes.

This appendix presents summaries of the employer feedback along four themes:

- Education and outreach;
- Drivers of STC participation;
- Administrative and technical support; and
- STC program content, rules, and effects.¹⁰²

All STC employers were asked to provide qualitative feedback regarding the issues raised in the questionnaire. Again, given that a small percentage of respondents provided this feedback, the responses are not representative of the STC employer universe. The feedback, however, helped the research team identify some factors that are important from the employer's perspective.

The qualitative feedback and the information provided in this appendix only should be considered to be illustrative rather than representative of employer attitudes. Nevertheless, the open-ended sections of the survey revealed that the responding STC employers in all four states had both positive and negative responses to the STC program, although the overwhelming employer response was positive. Below the employer feedback is described in more detail for each of the four themes.

J.1 Education and Outreach

J.1.1 How Employers Heard About STC

The IMPAQ survey invited employers in each of the four study states to reflect on STC outreach. Respondents were asked how they first heard about their state STC program and were given an option to report other media or outlets from which they had heard about STC, aside from the pre-set response options: government officials, other companies, or employees.

¹⁰² These themes map onto questions B3, B6a, E8b and CL1. See Appendix C for specific questions.

In Kansas, respondents reported first hearing about the program from three additional sources: advertisements in newspapers and television, state unemployment insurance (UI) offices, and informal discussions within their own company or with human resources professional associations in the state.¹⁰³ A few respondents also indicated that they had previous experience with the STC program prior to their most recent participation. One respondent specifically noted a need for more outreach in Kansas: “Marketing and communication can be stronger to inform other qualifying organizations throughout the state.”

Employers in Minnesota, STC and non-STC employers alike reported learning about the program from additional sources including their own research and informal discussions with friends, family, and coworkers. Unlike employers in Kansas, very few respondents indicated that they learned about the program through advertisements or materials provided by the state.

STC employers in Rhode Island pointed to a wide variety of additional sources of information about STC. These included materials provided by the Rhode Island agency via its Website and agency promotional print materials, information from other companies, and media coverage in newspapers.¹⁰⁴ The IMPAQ team found in its interviews with state officials that Rhode Island stepped up its outreach during and after the Great Recession, so the open-ended results confirm what the state officials reported.

Employers in Washington cited several additional sources, a finding that is consistent with the increased levels of outreach that the Washington agency officials reported to the IMPAQ team. Some employers were referred by family and friends. Others were referred by their human resources department. A handful of respondents also became aware of the program through local news channels, which reported stories about STC.

These survey results, combined with qualitative comments, suggest that the efforts in Washington and Rhode Island to conduct more outreach were effective at reaching new employers. They also indicate that word of mouth is an important method for getting information out to employers. Outreach could have a ripple effect. If the message reaches varied employer networks, it may reverberate through new networks of friends, families, and other companies.

J.1.2 Effect of STC Participation on UI Taxes

Overwhelmingly, SWA provided information about the charging of STC benefits to employer UI accounts, and the fact that these charges would be similar to charges for the regular UI program. Also, employers would be expected to read the STC material provided by the SWAs prior to deciding to participate in the program. Nevertheless, 29 employers in their qualitative feedback noted that they were taken by surprise when they realized that their UI tax rates increased as a

¹⁰³ Kansas agency officials did not report conducting outreach in television, radio, or newspaper outlets to the IMPAQ team; therefore, it is likely that these employers were referring to media coverage rather than advertisements.

¹⁰⁴ Non-STC firms from Rhode Island did not provide feedback on this open-ended question. We note that this finding emerged from open-ended responses, which are distinct from the results of the more quantitative, multiple choice questions. There may or may not be overlap between the responses across the two different types of questions.

result of STC participation. This was a recurring theme in the open-ended sections of the survey. Not only were some respondents displeased with the unexpected changes in their UI tax rates; they also were disappointed by how long it took for their UI taxes to revert back to pre-STC involvement rates after discontinuing their plans. For example, a few respondents in Kansas lamented about the tax hike:

“I had no idea how much [STC] would cost our company.”

“We stopped participating in the Shared Work program because we determined it was costing our company a lot of money. We have no intention of participating in it again.”

Minnesota employers echoed similar sentiments, for example:

“It was not relayed to our company that going on the Shared Work program was going to cause our unemployment rates/amounts to rise.”

Employers in Washington cited a need for more information up front about how participation would affect the UI taxes that companies pay. Some employers perceived the tax hikes to be unfair. A sample of their comments is below:

“We used the Shared Work program to maintain our employee base. We had no idea that it would cost us so much money in unemployment rate increases. We also didn’t know it would affect us for so many years after we were off the program.”

“Unemployment insurance rates are now too high. I wish that the rates would be based on all the years a business pays into the program and not just a couple of years out of over 30 years in business.”

“The biggest drawback to the Shared Work program is the large rate increase to our annual L&I rate. Had we known that, we would not have used the program at all—we would have just laid off the employees.”

“The cost of it is not known to the employer until the insurance rates become increased. While you do not have visibility of the increased insurance cost; therefore you do not have enough information to make a decision about the benefits.”¹⁰⁵

From these responses, three main findings emerge. First, despite the fact that SWA generally provided information about the charging of STC benefits to employer accounts, some employers were unaware of the full implications of STC involvement when they initially decided whether to participate or not. To help with such reactions, SWAs could consider devoting more resources to clarifying this aspect of STC participation in their interactions with employers and in their outreach materials, specifically stating how STC (as an alternative to layoffs) will likely affect an employer’s UI tax rates and for how long. Second, many employers believed STC to be a great

¹⁰⁵ Washington non-charged employers in response to the MCTRJC Act, but the study period was mostly prior to the period of non-charging.

idea in theory, but from their perspective, the UI tax hikes became a barrier to participation, or at least to repeat usage. Third, many STC employers may not understand the way the basic UI program worked under an experience rating system that normally increases UI taxes in years after employer use for both the regular UI and STC programs.

J.2 Drivers of STC Participation

The survey asked respondents to reflect on their motivations for applying to STC. Respondents were asked why they had inquired about the program beyond the possible answers listed in questions B5a through B5e.¹⁰⁶ Across states, about 260 respondents provided qualitative responses. Overall it appears skill retention was a key driver of their decisions to participate both in the survey and in their qualitative responses:

“We needed to cut down hours, but at the same time maintain our workforce.”

“[We] wanted to protect as many employees as possible.”

“We wanted to get it implemented here to avoid layoffs of highly trained staff.”

“Because we didn't want to lose our workforce to layoffs.”

“We had a very low workload. We did not want to lay off good employees.”

“To protect my highly skilled workforce.”

“To retain skilled workers during the recession.”

“[We] wanted to keep valuable experienced employees during slow sales periods.”

“We did not want to lose our prime employees.”

Employers also reported other reasons for their interest in STC, such as declines in demand for goods or services.

“[We inquired about STC] because of the decline in sales.”

“[We inquired about STC] when our business with our customers fell by 30 percent in early 2009.”

Also, past experience with STC appears to have factored into repeated usage, echoing a finding earlier in this report.

“We had used it years ago when times [were] getting bad.”

¹⁰⁶ Please refer to Appendix C for the employer questionnaire.

These open-ended responses suggest that employers tended to see STC primarily as a skills retention program rather than as a layoff avoidance program. Although these aspects of STC are related, the emphasis on skills retention stresses the value of the program to the employers themselves. Therefore, more focus on skill retention in outreach and education efforts may make the program more appealing to certain employer audiences.

J.3 Administrative and Technical Support

The STC program was designed with the intention of being used primarily during periods of economic downturn. The IMPAQ study period covered the Great Recession, so it offers interesting insight into how effective STC programs were at handling the greatest demand for STC in the history of the program. 43 respondents provided qualitative responses on this topic. Overall, survey respondents reported satisfaction with state-level support for the STC program

Generally, however, respondents expressed approval of the support they received from administrative officials. Below are a few illustrations of such feedback:

“The people in the office were excellent to work with when I had questions.”

“We always received great support from the Shared Work employees. If we had questions or were confused about anything, I could call or email support, and we always got the help we needed. They were great.”

“Everybody that we dealt with in the program was very informative and [it] was a very good experience for our company.”

“I just want to say that the Shared Work staff/employees are fantastic. They are so helpful, quick to respond, and really nice. They are all a huge asset to the administration of the Shared Work program.”

However, some of the 43 respondents also reported disapproval with the STC application process and the overall support services provided by program administrators. Several different respondents objected to the STC paperwork which they perceived as burdensome.

“My overall recollection is that the process was somewhat cumbersome to manage and it eventually led to a decrease in morale.”

“With this type of program it is nice to be able to discuss options and procedures to make sure that one does it properly. Having staff available to field calls or emails in a timely manner is recommended.”

“It was almost impossible to get in touch with an actual person at the WorkShare department. The regular unemployment office would not answer questions about the program. It was very confusing and difficult to resolve questions and issues.”

“Time consuming to administer and cumbersome reporting. Computer system written for regular benefits so required un-intuitive responses and lots of paperwork and time to stay on top of.”

“It would be useful to employers to have less paperwork to complete and maintain. It is understood that a certain amount is necessary but it seems excessive at times.”

Some qualitative respondents spoke to the difficulty employees experienced in interpreting program language and filing required paperwork. Some noted that the application process was overly complicated: The interpretive hurdles and hoops prospective participants had to jump through were enough to incentivize against applying despite the benefits associated with participation. When coupled with unresponsive state program administrators and overworked employers, an employer found that the administrative demands became too burdensome and too much of a barrier for participating employees. Other respondents suggested streamlining the application and weekly certification process for both employers and employees, as several responses indicated that both parties had difficulty determining what needed to be completed each week. This issue was compounded, according to some employers, by what they characterized as delayed communication and inconsistent or inadequate information on completing these forms. Below are a few examples:

“Very difficult for employees to file online and understand the form – it is extremely confusing and added a lot of work for HR.”

“The paperwork required to participate was extensive. It should not be that hard. We had two of our employees who we signed up, but chose not to submit their hours for reimbursement because they just didn't want to.”

“I would just say that it's easy for the employer but difficult for employees. The employees don't have ease of access for submitting the forms. The process for the employee can be confusing. I question if the lower-skilled employees would be able to submit the forms like my medium and higher-skilled employees can even with me explaining the process to everyone equally.”

“We applied and enrolled, but the employees did not use it at all. There was an administrative burden to the employees because of the paperwork they had to sign every week.”

Many respondents indicated that they would have preferred an electronic means of applying rather than using a traditional paper-based form. This seems to have been a concern specific to Rhode Island employers, since physical copies of an application were required for submission during the study period.

“...needs an online system. Paper system is far too cumbersome.”

“..is not an easy agent to work with. Technology is not up to date... in need of a complete overall.”

J.4 STC Program Content, Rules, and Effects

J.4.1 Program Eligibility Rules

Program eligibility rules that determine the type of employers and employees who qualify for STC benefits vary by state (See Appendix G). In the open-ended sections of the survey, employers offered feedback on these eligibility requirements. Many employers noted a need for more flexible eligibility rules. This section examines the changes that some employers wanted to see to make the program more flexible.

In Minnesota, one employer was unclear about the requirements for different employee payroll categories. Because of this confusion, this particular employer reported omitting highly skilled salaried workers¹⁰⁷ from an STC application plan when that exclusion had not been necessary. Similarly, an employer from Washington, where salaried workers were not eligible during most of the study period, noted a contradiction in the program. If the central aim of the program is to help retain highly skilled employees, then limiting the program to hourly workers is counterproductive.

“In 2009, when we participated in the Shared Work program, the rules as they applied to salaried employees were confusing so we only had our low skilled employees at our warehouse in the program.”

“We were only able to allow hourly employees to participate in the Shared Work program. Salaried and salary/commission employees were specifically excluded from participating, by rule.”

Others suggested reducing the length of time required to work at a company before qualifying for STC, essentially asking for an expansion of STC to cover seasonal and temporary workers. A selection of employer comments about eligibility is below:

“[STC] might work for workers in an office setting to avoid layoffs, but will not work where compensation depends on ‘by the piece’ or where ‘productivity-driven’ incentive programs are in place.”

“The program does not allow the use of contract employees for flexibility in scheduling for short-term work opportunities.”

“It would be nice if employees that have worked for a company less than a year be eligible for shared work program. Maybe employed with the company three months or six months. one year is hard.”

¹⁰⁷ In 2009, Minnesota STC law was amended to permit salaried employees to receive STC, if otherwise eligible. This change may explain that employer’s confusion

“There are some restrictions that make it challenging to qualify that should be lifted such as length of employment restrictions and not being able to add people after the initial application.”

“The plan is a little too rigid in that it does not give the employer enough room to react to their situation and make changes when they may receive more work [on a] temporary basis. For [example], when [employers get] orders and they want to bring people in for more hours, they have to keep them on for full time for four weeks even if there [is] no work available. [Employers] should be able to make short-term changes.”

J.4.2 Employee Morale

Survey respondents were given the opportunity to qualitatively discuss the perceived effects of STC involvement on employee morale. Six employers reported on the effect of STC on employee morale. These reactions were mixed.

“We received an unexpected reaction from both employees on Shared Work and other employees not on Shared Work that it would have been better for morale for the company to make permanent cuts.”

“The company’s goal was to keep existing employees with the hope of also maintain[ing] employee morale. That was not the case, employees were still unhappy.”

“The program itself is great. I think it had some effects on our company that we did not foresee, such as poor morale and heavy turnover as the economy picked up.”

More research is needed to understand why some employers perceived that STC decreased employee morale and the nuances of whose morale was affected most. Employee morale in general can be expected to decrease during a recession due to an increased fear of layoffs. Without more research, it is difficult to say exactly why employee morale decreased in some companies and to what extent the STC program, rather than the recession or other factors, caused those decreases in morale.

Overall, the survey responses make clear that STC, even during a severe recession, increased morale for the great majority of participating STC employees.

J.5 Areas for Improvement

While this study is based on IMPAQ survey responses and other related research, the qualitative responses reinforce the need for states and DOL to consider three key policy areas.

- Expand outreach and education
- Provide additional administrative support to employers
- More flexible eligibility rules

Some issues raised by employers which they faced during the study period were addressed by the MCTRJC Act of 2012. Others remain unresolved. All of these areas of concern are based both on STC employer survey and qualitative employer feedback, and reflect the STC issues that were of most interest to responding employers based on their STC program experiences. However, DOL should consider gathering feedback from employees, union representatives, and state officials as well to ensure that any changes to STC include input from all stakeholders involved, rather than employers alone.

J.6 Summary

Given that a small percentage of respondents provided qualitative feedback, the responses are not representative of the employer universe. In some instances, qualitative feedback from employers confirmed and illustrated some of the findings of this study. Overall, STC employers who provided responses to open-ended questions conveyed both positive and negative sentiments about the STC program. Some employers saw STC as a vital tool that they could use to mitigate layoffs, retain highly skilled employees, and continue paying employee wages despite fluctuations in the business cycle. Many employers indicated that the program was essential during the Great Recession, because it enabled them to maintain their valuable workforce while simultaneously allowing employees to keep their health insurance and other fringe benefits. Some employers criticized the program for its unexpected costs and what they perceived as excessive administrative burdens that the program placed on employers and employees alike. The qualitative feedback should be used cautiously, however, because of small sample sizes and because employers are more likely to provide such comments if they feel strongly about the program – either positively or negatively.

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