

FACT SHEET



WORK SHARING UNEMPLOYMENT INSURANCE PROGRAM

This California program allows for the payment of Work Sharing Unemployment Insurance benefits to individuals whose wages and hours have been reduced. The program is considered a temporary and practical alternative to layoffs. For example:

- Due to an economic downturn, an employer with 100 employees finds it necessary to lay off 20 employees. However, rather than lay off these employees, the employer participates in the Work Sharing program. The employer keeps all 100 employees on the payroll but reduces their workweek from five days to four days, thereby achieving the same desired 20 percent reduction in payroll. All 100 employees continue to earn wages for four days and also are eligible for Work Sharing benefits for the fifth (nonworking) day. The employer retains all trained staff and, when business improves, the employees resume their five-day work schedule.
- The company will maintain employees' health and retirement benefits under the same terms and conditions as prior to the reduction in hours and wages or to the same extent as other employees not participating in the plan.
- A corporate officer or major stocker holder who is deemed to have significant investment in the company may not participate in the Work Sharing Program.

Background

California's Work Sharing program was the first program of its kind in the nation. It was established by the California State Legislature in 1978 under Senate Bill 1471. The objective of the Work Sharing program is to help employers and employees avoid some of the burdens that accompany a layoff situation. If employees are retained during a temporary slowdown, employers can quickly gear up when business conditions improve. Employers are spared the expense of recruiting, hiring, and training new employees. Employees are spared the hardship of total unemployment.

Who May Participate in Work Sharing?

Any employer who has a reduction in production, services, or other conditions that cause the employer to seek an alternative to layoffs may participate in the Work Sharing program. Some of the specific requirements are:

- A minimum of two employees, comprising at least 10 percent of the employer's regular workforce or a unit of the workforce, must be affected by a reduction in wages and hours worked.
- The reduction in weekly wages and hours worked also must be at least 10 percent, not to exceed 60 percent.

How Does an Employer Participate in Work Sharing?

To participate in this program, employers may call or write:

EDD Special Claims Office
PO Box 419076
Rancho Cordova, CA 95741-9076
916-464-3343

The Special Claims Office will mail interested employers a *Work Sharing Plan Application*, DE 8686 and other general information, or the employer may download the *Work Sharing Plan Application*, DE 8686 from the Internet at www.edd.ca.gov/pdf_pub_ctr/de8686.pdf.

What Happens After the Employer's Work Sharing Plan Application is Approved?

The Special Claims Office in Sacramento sends the employer a letter of approval, one mail claim packet for each participating employee, and a ten-week supply of weekly certification forms for each employee. During the weeks of reduced hours and wages, the employer issues the certification forms to the participating employees.

All Work Sharing claims are filed by mail. The employer and participating employee complete the documents contained in the mail claim packet. After completion, the documents are mailed to the Special Claims Office to establish an Unemployment Insurance claim. Employees approved to participate in the program must meet regular Unemployment Insurance claim filing requirements. After the Unemployment Insurance claim is filed, the employer issues a certification form to each participating employee.

Benefits are paid weekly proportionate to the percentage of reduction in hours and wages. For example:

- An employee normally works a five-day workweek and is paid \$500. If this employee's workweek is reduced to four days, the employee's weekly wages would be \$400. This is a 20 percent reduction in wages and hours. The Work Sharing benefits for this employee are 20 percent of the Unemployment Insurance benefits the employee would receive if the employee were totally unemployed. If the employee's weekly Unemployment Insurance benefit amount is \$300, the employee would qualify for \$60 in Work Sharing benefits. This results in a reduction in gross wages of only \$40 for that week ($\$400 + \$60 = \460).

How is the Employer Charged?

Employers are charged for Work Sharing Unemployment Insurance benefits in the same manner as for regular Unemployment Insurance benefits. Questions regarding employer charges may be directed to:

EDD Contribution Rate Group
916-653-7795

The Advantages of Work Sharing

The Work Sharing program can meet employers' needs due to its built-in flexibility and possible variations by:

- Minimizing or eliminating the need for layoffs and the accompanying hardships for employees.
- Enabling a business to retain trained employees and avoid the expense of recruiting, hiring, and training new employees.

- Retaining employees during a temporary slowdown allowing employers to quickly gear-up when business conditions improve.
- Treating employees more equitably than layoffs, which place the burden of economic adjustments for an entire business on relatively few employees.
- Allowing almost all types of business or industry.

For More Information

For further information, please contact:

EDD Special Claims Office
PO Box 419076
Rancho Cordova, CA 95741-9076
916-464-3343

For additional information on other EDD programs and services, please visit EDD's Internet site at www.edd.ca.gov.

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Auxiliary aids and services are available upon request to individuals with disabilities.