THE HAMILTON PROJECT

Proposal 12: Encouraging Work Sharing to Reduce Unemployment

Katharine G. Abraham
University of Maryland

Susan N. Houseman
The W. E. Upjohn Institute for Employment Research

Introduction

During the Great Recession, millions of Americans lost their jobs as employers downsized in response to falling demand. A substantial body of research implies that these job losses can lead to significant and persistent problems for affected workers, including lengthy periods of unemployment, sustained earnings losses, serious health problems, and other adverse outcomes (see, for example, Black, Devereux, and Salvanes 2012; Davis and von Wachter 2011; Jacobson, LaLonde, and Sullivan 1993; Stevens 1997; Sullivan and von Wachter 2009; von Wachter, Song, and Manchester 2011). Furthermore, the adverse impacts of job loss may extend to future generations: there is growing evidence that job loss for a parent can lead to lower educational attainment and lower lifetime earnings among their children (see, for example, Hilger 2013; Oreopoulus, Page, and Stevens 2008).

Recent public debate about the problem of unemployment—and especially long-term unemployment—has focused to a great extent on providing extended unemployment insurance (UI) benefits to support family incomes following a job loss. Strategies for preventing layoffs have not received comparable attention in the United States. By comparison, many other developed countries have incorporated work sharing into their UI systems, permitting the payment of prorated benefits to workers who are kept on the job with reduced hours because of slack demand.

If work sharing was more accessible in the United States, more employers might be encouraged to reduce work hours during periods of slack demand rather than lay people off. Instead of letting twenty full-time workers go, for example, a company could achieve an equivalent reduction in force by reducing the hours of 100 employees by 20 percent. Work sharing should be particularly attractive when employers expect the reduction in the demand for their products or services to be temporary, as is often the case during a recession. By avoiding layoffs, employers can retain valued employees and avoid screening, hiring, and training costs when the economy improves and they want to hire more workers. By adopting work sharing, employers also may be able to avoid the adverse effects that layoffs have on employee morale and productivity.

Work sharing has been credited with substantially reducing the number of layoffs and mitigating unemployment during the recent recession in several other countries. In contrast, during the Great Recession only seventeen U.S. states offered a formal work-sharing option; even where available, employer use of this option was very low. The success of work sharing in other countries and the lingering impacts of the recession on the U.S. labor market have spurred growing interest in work sharing in this country.

The Middle Class Tax Relief and Job Creation Act of 2012 is best known for extending the payroll tax cut originally introduced in 2011 and authorizing an extension of emergency UI compensation. But the Act also included several provisions designed to encourage wider adoption and greater use of work-sharing programs. Since the recession, an additional nine states and the District of Columbia have incorporated work-share programs into their UI systems. While the 2012

TABLE 12-1.

Percent of Employees Receiving Work-Sharing Benefits in Selected Countries, 2007–2009

	All employees			Manufacturing employees		
	2007	2008	2009	2007	2008	2009
Austria	0.00	0.03	0.63	0.00	0.17	3.41
Belgium	3.22	3.53	5.60	6.44	7.36	16.99
Canada	0.02	0.03	0.34	N/A	N/A	N/A
Czech Republic	N/A	0.61	1.44	N/A	1.59	4.49
Finland	0.36	0.47	1.67	N/A	0.59	2.69
France	0.34	0.31	0.83	N/A	0.53	3.61
Germany	0.08	0.17	3.17	0.17	0.53	12.06
Ireland	N/A	0.17	1.03	N/A	0.48	1.34
Italy	0.64	0.78	3.29	1.75	2.29	9.95
Netherlands	N/A	0.20	0.75	N/A	1.39	5.01
United States	0.04	0.07	0.22	N/A	N/A	N/A

Source: OECD 2010b.
Note: N/A = not available. Take-up rate for the United States is computed for the subset of states with short-time compensation programs. These data were provided as a special tabulation in an EC-OECD questionnaire.

legislation constitutes an important first step, it does not go far enough. We propose that the federal government take additional actions to encourage the use of work sharing as an alternative to layoffs during future U.S. recessions.

The Challenge

In many developed countries, when economic conditions weaken, employers may choose to cut employee hours and have those workers receive prorated UI benefits in lieu of laying workers off. Germany, which has had a work-sharing program since the 1920s, was the first to incorporate work sharing into its UI system. Italy and Norway introduced formal work-sharing programs in the 1950s; Austria, France, and Ireland in the 1960s; and Belgium, Canada, Denmark, Japan, and Luxembourg in the 1970s (Boeri and Bruecker 2011). Many countries with established work-sharing programs also have employment protection laws that mandate significant advance notice before a worker can be laid off and substantial severance payments in the event a layoff occurs. Work-sharing programs can serve as an important complement to strong employment protection legislation by facilitating reductions in the average weekly hours employees work (Abraham and Houseman 1993, 1994; Boeri and Bruecker 2011).

Work-sharing programs played a substantial role in ameliorating the rise in unemployment in many countries during the most recent recession. Although employer work-sharing plans typically are limited in duration, many countries extended the permissible length of these plans as the downturn lingered. Germany, for example, extended the maximum length of a work-sharing plan from six months to twenty-four months for applications submitted in the second half of 2009 and to eighteen months for applications submitted in 2010 (Crimmann and Wiessner 2009; International Labour Office [ILO] 2010). Countries also took steps to reduce employers' costs for using work sharing. Germany temporarily excused employers from paying a portion of the social security contribution on hours not worked for which they otherwise would have been liable (ILO 2010). As shown in table 12-1, when usage peaked during 2009, 1 percent or more of the workforce was collecting work-sharing benefits in six countries, and in three of those countries participation in work-sharing plans exceeded 3 percent. To place these numbers in perspective, in 2009 the number of people on work-share programs was 68 percent of the number of unemployed in Belgium, 38 percent of the number of unemployed in Germany, and 39 percent of the number unemployed in Italy. A study by OECD researchers concluded that work-sharing programs helped to preserve jobs during the recent recession, with the impact being particularly significant in Finland, Germany, Italy, and Japan. In these countries the OECD researchers estimated that the decline in permanent employment would have been about three-quarters of a percentage point greater in the absence of work sharing (OECD 2010a).[1] Subsequent research has reached similar conclusions about the role of work sharing in preventing employment losses during the recession (Boeri and Bruecker 2011; Hijzen and Martin 2013).

U.S. institutions and employers, in contrast to those in many other countries, historically have favored the use of layoffs over work sharing. The United States has no requirement that employers provide laid-off workers with severance payments, and advance notice provisions in U.S. law are weak. Employees with a sufficient work history are entitled to collect UI benefits if they are laid off, and under states' experience rating systems, employers typically are liable for reimbursing the state UI trust fund for benefit costs received by laid-off employees. Although this means that the United States UI tax system imposes some costs on employers who engage in layoffs, these employers generally do not bear the full cost of the benefits their former employees collect.[2] At the same time, support for work sharing through the payment of prorated UI benefits to employees working reduced hours has been much less prevalent in the United States. Although seventeen states had work-sharing programs on the books at the end of 2007 and several more have introduced such programs in the past few years, twenty-four states still do not have work-sharing programs in operation, and usage of the programs that do exist remained at very low levels through the recession (Abraham and Houseman forthcoming). Together these factors—weak employment protection laws, imperfect experience rating of UI taxes, and weak or absent work-sharing programs—help explain U.S. employers' much greater reliance on adjustment of employment levels and correspondingly lower reliance on adjustment of average worker hours during recessions.

Back-of-the-envelope calculations suggest that moderately greater use of work sharing in the United States could have significantly reduced job loss and thereby mitigated unemployment during the Great Recession. Assuming that hours reductions through work sharing offset hours reductions through layoffs on a one-to-one basis—perhaps an overly generous assumption, but useful as a first approximation—work sharing by U.S. employers in 2009 reached a level sufficient to have prevented the loss of only about 22,000 full-time-equivalent (FTE) jobs. Had usage in all states been as large as in Rhode Island, the state with the highest work-sharing rates, the average number of FTE workers on work sharing in 2009 would have been approximately ten times as large as the number actually observed—in the vicinity of 220,000 FTEs rather than 22,000 FTEs. And had the average take-up rate been similar to that in Germany or Italy in 2009, the average number of FTE workers on work sharing would have approached 1 million. In other words, with work-sharing usage at European levels and assuming that work-sharing expansions translate directly into reductions in the number of layoffs, as many as one in eight of the roughly 8 million jobs lost during the recession could have been saved (Abraham and Houseman forthcoming).

Several factors beyond the relative ease and modest cost of laying off workers are generally cited for the low use of work-sharing programs in the United States. First and foremost is lack of information about the availability of this option in states with work-sharing programs. Prior to the passage of the Middle Class Tax Relief and Job Creation Act of 2012, there was some ambiguity about the legality of state work-sharing programs under federal law. This may have discouraged some states from adopting these programs or promoting their use (Balducchi and Wandner 2008). In addition, insufficient funding from the federal government to administer the program may have deterred states from advertising it to employers. With some exceptions, most notably Rhode Island, states with work-sharing programs have done almost nothing to promote them; as a consequence, many employers are unaware that the programs even exist. In contrast, state officials in Rhode Island have promoted the program enthusiastically, and Rhode Island's take-up of this option has been comparable to that of some European countries (see box 12-1).

The administrative burden of participating in a work-sharing program also may have deterred employers from participating. Besides submitting a work-share plan to the state for approval, employers must certify on a weekly or biweekly basis that the program is still operative, identify which employees are affected, and document the reductions in their hours. Cutting through this red tape is made more difficult because the application and continued claims processes typically are not automated.

Additionally, some states prohibit certain employers—such as those who have reached the maximum UI tax rate or have negative UI account balances because of UI benefits paid to previously laid-off employees—from participating in their work-share program. Similarly, in some states employers who have used the UI system intensively in the past may face a higher effective UI tax rate if they use the work-share program than if they lay off workers. While these provisions are designed to prevent employer abuse of the program, they may unnecessarily restrict access to work sharing, particularly during recessions.

The Middle Class Tax Relief and Job Creation Act of 2012 provided explicit authorization for work-sharing programs meeting certain conditions that are set out in the legislation. Under the Act, states with work-sharing programs that

BOX 12-1.

Work Sharing in the Great Recession: The Case of Rhode Island

Rhode Island has considerably more take-up of its work-sharing program than other states, and is often referenced as a model program. Rhode Island's work-sharing success was especially notable during the Great Recession. In 2007, the state made one new work-sharing payment for roughly every twenty new standard UI payments. By the height of the Great Recession in 2009, Rhode Island paid one new work-sharing claim for roughly every six new standard UI claims (Shelton 2011).

Interestingly, the greater use of work sharing in Rhode Island can be attributed largely to factors unrelated to program design: the parameters of Rhode Island's work-sharing program are representative of those found in other participating states. In contrast to other states, 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. According to Ray Filippone, former UI director in Rhode Island, several strategies used in Rhode Island are critical to getting the word out to employers about work sharing:

- *Involve other agencies and stakeholders.* It is important to work with other agencies and stakeholders, such as the governor's office, legislative offices, and chambers of commerce. Typically, the UI office is not the first point of contact for employers who are deciding whether or not to lay off workers. Consequently, staff in these other organizations need to be familiar with the work-sharing program so that they can inform employers about this option.
- *Have a dedicated person who can answer employers' questions about the program.* Although other government representatives or business leaders can tell employers about the work-sharing option, employers interested in utilizing the program will need to contact the state UI office for more information. It is essential to have staff dedicated to answering employers' questions about the program. Employers contemplating a work-sharing plan cannot wait a week or two for someone to answer their questions.
- *Have good presentation materials.* Having a good presentation about the potential benefits of using work sharing over layoffs that can be given to employer groups, workforce investment boards, or other interested parties is important.
- *Contact employers engaged in layoffs.* UI claims staff can flag employers making a lot of layoffs during a recession. Staff then can contact those employers to make sure they are aware of the work-sharing option and its potential benefits.
- *Automate the application and claims process.* Weekly or biweekly certifications, which generally are required of employers on a work-sharing plan, can be burdensome. An automated system reduces the administrative burden on employers and can make the program more attractive to them.

conform to the new federal law are eligible for a share of $100 million in grant funding to be used for program implementation, such as automation of state systems for the filing and processing of work-sharing claims, and for employer outreach. In addition, the law provides full federal reimbursement for all of the benefits paid out under approved state work-sharing laws for up to a three-year period ending in August of 2015. While the 2012 law undoubtedly has helped to raise the level of interest in work sharing, more needs to be done if work sharing is to become a significant weapon in the United States' countercyclical policy arsenal.

A New Approach

The federal government should take several additional steps to make work sharing more available as an option for employers and to encourage the use of work sharing as an alternative to layoffs during future recessions.

MAKE WORK-SHARING PROVISIONS A REQUIREMENT FOR STATE UNEMPLOYMENT INSURANCE PROGRAMS

In the United States, UI is administered as a federal–state system. Although states' laws vary with respect to factors such as exactly how eligibility for UI benefits is determined, the level of benefit payments, and maximum weeks of benefits, the federal government sets minimum conditions that state law must satisfy. If state law does not conform to the federal requirements, employers in the state are not eligible to receive the credit against the 6.0 percent federal UI tax that is otherwise available (normally 5.4 percent, lowering the effective federal tax rate to 0.6 percent) and the nonconforming state is not entitled to receive federal grants to cover the costs of administering its program. We propose that inclusion of a work-sharing provision in the state's law be made a conforming requirement for participation in the federal–state UI system. Such action would make the work-sharing option available to employers and their employees in the twenty-four states that currently do not offer the program.

CHANGE FEDERAL REQUIREMENTS TO PROHIBIT CERTAIN PROVISIONS OF STATE WORK-SHARING PROGRAMS THAT MAY DISCOURAGE EMPLOYER PARTICIPATION

To make state work-sharing programs more attractive to employers, we recommend that the federal government make several changes to the criteria such programs must meet. Under current federal law, a state must require, among other things, that participating employers submit a work-sharing plan; that the proportional reduction in hours under the employer plan not be less than 10 percent nor more than 60 percent; that employees be offered prorated benefits based on the reduction in their hours; that an employee be considered to have satisfied applicable job search requirements so long as they are available to work their regular work week; and that, if health and retirement benefits are provided at the work place, the employer certify that they will not be reduced.

The last of these conditions, on health and retirement benefits, may dissuade some employers from using work sharing in lieu of layoffs. An employer who lays workers off sheds any associated health and retirement plan costs; an employer who uses work sharing does not. Yet there is a strong public interest in ensuring that individuals continue to have health insurance coverage during a recession. And, in many cases, the Affordable Care Act would not permit employers to reduce the health insurance coverage available to workers whose hours are temporarily reduced even if this were permitted under a state's work-sharing law.[3] Recognizing these concerns and complications, we propose to retain the current requirement that employers continue full health insurance benefits for employees who participate in work sharing. We would, however, eliminate the requirement to maintain full contributions to employee retirement plans. Instead, we would apply the less-stringent requirement that employers provide prorated retirement benefits to employees on work share based on the fraction of regular hours their employees work.

We also recommend that states be prohibited from (a) assessing work-sharing employers a higher UI tax rate than they would face if the same amount of benefits were paid to laid-off workers or (b) excluding employers from participation in work sharing based on their past use of the UI system. Among the twenty-six states plus the District of Columbia that, as of this writing, have work-sharing laws in force, in three states employers who choose work sharing may incur higher UI tax charges than they would if the same total benefit payments been generated through layoffs (because of the tax schedule that is applied), and in another seven states employers that already pay the maximum tax rate or that possess negative reserve balances are precluded from participating in work sharing. These rules unnecessarily impede the use of work sharing.[4]

PROVIDE STATES WITH ADEQUATE CAPACITY AND FUNDING TO OPERATE AND PROMOTE THEIR WORK-SHARING PROGRAMS

In most states, the process for handling work-sharing claims is less automated than the process for handling regular UI claims. The funding provided under the 2012 federal legislation should help to address this problem, but time is running out for states to access this money. States cannot apply until they have passed a new work-sharing law or amended their preexisting work-sharing law to satisfy all of the requirements of the Middle Class Tax Relief and Job Creation Act; in addition, applications for grant funding must be submitted by the end of 2014. Most states with existing work-sharing laws are expected to meet this deadline, but some likely will not, and nearly half of states do not yet have a work-sharing law in place. We recommend that, at a minimum, the deadline be extended for states to submit their applications for the federal grant funding provided in the 2012 law to help with automation of state systems and outreach to employers.

It also will be important to ensure that concerns about the level of ongoing funding do not deter states from promoting their work-sharing programs. The allocation of funding that states receive to administer their UI programs is based on a Department of Labor formula that incorporates information about state workloads and state labor costs. States with higher workloads according to this formula get a larger funding allocation. Work-sharing claims are counted as part of the workload, but the workload formula does not reflect additional tasks that are necessary to operate a successful work-sharing program. For example, state staff must review each employer work-share plan that is submitted, but the number of such reviews is not an element in the workload matrix. Anticipating that work sharing will become a more important part of the UI system in the future, we recommend that the Department of Labor carry out a study to determine how the operation of a work-sharing program impacts a state's administrative workload and modify its funding formula accordingly. Some level of funding for promoting the program to employers who could benefit from it ideally also would be provided. Changes to the formula used to allocate funding to states could be made administratively and so would not require new legislation. Additional appropriations would be needed to increase the total pool of administrative funding available to be allocated.

SUBSIDIZE WORK-SHARING PAYMENTS DURING ECONOMIC DOWNTURNS

Perhaps most importantly, we propose that mechanisms be put in place to expand support for work sharing automatically during economic downturns. The existing treatment of UI benefit durations provides a model for how this might work. Since 1970 the maximum duration of UI benefits in a state has risen automatically when the state experiences a significant increase in unemployment. The federal government ordinarily covers half the cost of these so-called extended benefits; during the recent recession, the federal government picked up their full cost. Additional increases in benefit duration, such as those created through the emergency UI compensation program that existed in several different forms from June 2008 through December 2013, often are passed into law by Congress during recessions. The cost of such legislated extensions ordinarily is covered fully by the federal government.

Given the value of keeping workers on the job during economic downturns, similar steps should be taken to increase the support provided for work sharing during periods when the economy is weak. More specifically, we recommend that federal funding to cover half of the benefits paid under approved employer work-sharing plans be triggered whenever extended UI benefits under the 1970 law are triggered. In addition, we recommend that, whenever Congress enacts legislation to extend the maximum duration of UI benefits, this legislation also include 100 percent federal support for work-sharing benefits. Finally, we recommend that employers' UI accounts not be charged for the cost of any work-sharing benefits for which the state is receiving federal reimbursement, thus boosting employer incentives to use work sharing in lieu of layoffs during periods in which unemployment is already high. Most states would need to make changes to their UI laws in order to permit noncharging of employers during future periods of federal funding for work-sharing benefits. To facilitate these changes, we recommend that the Department of Labor be directed to provide model legislative language for the states.

IMPLEMENTATION

These proposals would be enacted through a combination of legislation and administrative actions by the Department of Labor. Congress would enact legislation so that federal funding for half of state work-sharing benefits is triggered whenever extended UI benefits under the Federal-State Extended Unemployment Compensation Act of 1970 are triggered. Congress also would enact legislation to add the following requirements for state participation in the federal–state UI compensation system: (1) the participating state has a work-sharing program, (2) the state's work-sharing program does not charge employers who use work sharing higher UI tax rates than they would charge employers if the same benefits were paid to a laid-off worker, and (3) the state's work-sharing program does not prohibit employers from participating in work sharing based on their past usage of the UI system. Congress would need to include provisions in this legislation stipulating that employers' UI accounts not be charged for any work-sharing benefits for which the state is receiving federal reimbursement. And when Congress passed legislation to extend the maximum duration of UI benefits, it would need to include 100 percent support for any work-sharing benefits paid.

The Department of Labor would use its statutory authority to modify the formula for allocating UI administrative dollars to states to ensure that adequate support is provided for operating a work-sharing program. Congressional action to raise the total funding available for UI administrative expenses might be needed to ensure that increased funding for the administration of work-sharing programs do not lead to other UI operations being shortchanged and that states have the capacity to take appropriate steps to make employers aware of the work-sharing option.

COSTS AND BENEFITS

Given the costs imposed by unemployment, increased substitution of work sharing for job layoffs in the United States would have many benefits. The varied costs of unemployment range from diminished health of laid-off workers to lower lifetime earnings, and are well-established in the academic literature. And as noted earlier, work sharing is an especially promising remedy for unemployment; if used at the levels seen in some European countries, work sharing could potentially have saved up to one in eight of the jobs lost during the Great Recession. With fewer people losing their jobs, unemployment—most importantly long-term unemployment—could have been alleviated. In addition, an increased reliance on work sharing would lower job turnover rates and the associated firing, hiring and training costs.

Expanding work sharing in the United States could, however, have significant economic costs. Work-sharing programs are intended for businesses experiencing temporary reductions in demand, as is particularly common during recessions. But recessions also serve to weed out inefficient businesses and improve the allocation of resources in the economy. A major concern about expanding work-sharing programs is that they will impede needed structural adjustment in the economy (OECD 2010a). Given that there are limits on the length of time that a work-sharing plan can be in effect, however, any impediments to structural adjustment would likely be minor. Also, given the large number of individuals seeking work during a recession, firms that are hiring during recessions generally will not have difficulty finding qualified workers.

On balance, in view of the high individual and social costs associated with unemployment and the relatively low risk of significantly inhibiting structural change, the benefits associated with expanding work-share programs likely outweigh the costs. While work sharing may not be a panacea for reducing painful adjustment in the labor market, the United States could benefit from using it more extensively.

Questions and Concerns

Given the relative ease of firing workers in the United States compared to some other countries, will U.S. employers shift from using layoffs to work share in sufficient numbers to have a noticeable impact on unemployment?

Some might argue that efforts to promote work sharing in the United States are doomed to fail, given the relative ease of hiring and firing in this country. Part of the reason work sharing is attractive to employers in other developed countries is that requirements for advance notice and severance payments to laid-off workers make layoffs costly, which increases the appeal of work sharing as an alternative. The much weaker notice requirements applicable to layoffs in the United States and the fact that employers generally are not required to make severance payments to laid-off workers may be an important explanation for the very low take-up of work sharing in this country.

The experience in Rhode Island, however, provides a basis for optimism about what it is possible to accomplish in the United States, even without the changes we have recommended to make work sharing more attractive to U.S. employers. The level of usage in Rhode Island was similar to that in countries such as France and the Netherlands, and suggests that other factors are behind the low use of work sharing in this country.

By reducing layoffs, will work-share programs inhibit needed structural adjustment?

Some express concern that such measures could cause workers employed at declining enterprises to delay seeking alternative employment, thereby impeding needed reallocations to growing enterprises and sectors (see, for example, OECD 2010a). During a recession, however, firms typically have little difficulty in attracting new recruits, and any effect of work sharing on the pace of economic reallocation cannot be large.

Conclusion

High unemployment during recessions has lasting adverse effects for workers who lose their jobs and for future generations. Work sharing has been an effective policy tool in other developed countries to combat unemployment during recessions, but has been little-used in this country. While some doubt work sharing could ever be used successfully in a country with few impediments to layoffs, many American employers, when faced with a temporary reduction in demand, would like to retain valued employees and could benefit from a work-sharing program. Other factors, including lack of information about the work-sharing option and features that tilt the UI system in the United States toward layoffs, likely have inhibited broader adoption of the program by states and greater use by employers in states where the program is available.

Measures passed as part of the Middle Class Tax Relief and Job Creation Act of 2012 will help reduce the barriers to work sharing in states. We argue, however, that stronger action at the federal level is needed to reduce the bias in the UI system that favors layoffs instead of work sharing. These include effectively mandating that the twenty-four states currently without work-sharing provisions in their UI system adopt them; changing federal requirements concerning maintenance of full retirement benefits, the UI tax rates assessed on work-share employers, and program eligibility under state work-sharing laws to mitigate existing incentives to lay off workers and increase employer take-up of these programs; and providing states with adequate funding to operate their work-sharing programs. Most importantly, we recommend that automatic mechanisms be put in place for federal support of work-sharing benefits during periods of high unemployment, in the same way that the federal government supports extended regular UI benefits for individuals who have been laid off during such periods.

Authors

Katharine G. Abraham

Professor, Department of Economics and Joint Program in Survey Methodology, University of Maryland

Katharine Abraham is a professor in the department of economics and in the Joint Program in Survey Methodology at the University of Maryland. Abraham first joined the University of Maryland faculty in 1987 after holding prior positions at Massachusetts Institute of Technology's Sloan School of Management and the Brookings Institution. She served two terms as Commissioner of the Bureau of Labor Statistics and, more recently, was a member of the President's Council of Economic Advisers. Among other honors and awards, she is an elected fellow of the American Statistical Association and of the Society of Labor Economists. She received her doctorate in economics from Harvard University. Abraham has studied and written about work-sharing policies, unemployment, and job openings; the operation of internal labor markets; the effects of financial aid on the decision to attend college; the work and retirement decisions of older Americans; and the measurement of market and nonmarket economic activity. From 2002 to 2004, Abraham chaired a National Academy of Sciences panel on accounting for nonmarket activity; its report, Beyond the Market, was published in 2005 by the National Academies Press.

Susan N. Houseman

Senior Economist, The W. E. Upjohn Institute for Employment Research

Susan Houseman is a senior economist at the W.E. Upjohn Institute for Employment Research. Houseman chairs the Technical Advisory Committee to the Bureau of Labor Statistics, and is a member of the National Bureau of Economic Research Conference on Research in Income and Wealth. Prior to joining the Upjohn Institute, Houseman was on the faculty at the University of Maryland School of Public Policy and was a visiting scholar at the Brookings Institution. She received her doctorate in economics from Harvard University. Houseman's research has examined the effects of labor market policies, including policies that support work sharing, on workforce adjustment in response to demand changes in the United States, Europe, and Japan. She currently is the principal investigator on a demonstration project funded by the Department of Labor that will test whether interventions designed to reduce perceived barriers to work share increase use of this option. Houseman's other research has focused on employers' use of temporary help employment, outsourcing, and nonstandard work arrangements and their implications for workers' wages, benefits, and employment stability. Her research on outsourcing and offshoring also has highlighted measurement problems in U.S. statistics. With funding from the Alfred P. Sloan Foundation and the Bureau of Economic Analysis, she has conducted research and organized conferences on biases in price indexes, productivity, and output growth, along with other measurement problems arising from the growth of globalization.

Endnotes

1. Perhaps not surprisingly, the study found no effects of work-sharing programs on the level of temporary employment during the recession. Belgium also made heavy use of work sharing during the downturn, but quantifying the impact on employment is complicated by the fact that work sharing was prevalent there even before the recession began.
2. Because employer repayment normally is spread out over a number of years and states do not charge interest on the balances employers owe, the present value of the benefits paid out typically exceeds the present value of the employer reimbursement. States also set minimum and maximum UI tax rates; for employers already at these minimum or maximum rates, the cost of an additional layoff may be very low or zero. Additionally, in most states, if a laid-off worker has worked recently for other employers, those previous employers will be charged a prorated portion of the UI benefits the worker receives. UI systems in many other advanced countries are not experience-rated at all, meaning that employers do not bear any of the cost of UI benefits paid to their employees, but as already noted, employers in these countries are typically subject to stringent advance notice and severance pay requirements.
3. The Affordable Care Act requires, in essence, that all large employers (defined as employers with fifty or more full-time equivalent employees) offer health insurance coverage to their full-time workers (defined as individuals who work thirty hours a week or more on average). Employer size is to be determined by employment during the prior calendar year; in cases where an individual employee's hours are variable, full-time status is based on the hours worked during a base period and that status holds for the following six to twelve months even if the employee's hours change.
4. Some states also charge 100 percent of work-share benefits to the work-share employer rather than prorating the charges to all recent employers, or require all work-share employers already at the maximum UI tax rate or with negative reserve balances to fully reimburse the state for benefits paid. Such provisions also likely have discouraged the use of work sharing. The Department of Labor recently informed states that these practices are no longer permitted, and states have begun to amend their laws to comply with this directive, but the Department does not believe it has the legal authority to require the additional changes we are recommending.

References

Abraham, Katharine G., and Susan N. Houseman. 1993. *Job Security in America: Lessons from Germany*. Washington: Brookings Institution.

———. 1994. "Does Employment Protection Inhibit Labor Market Flexibility? Lessons from Germany, France and Belgium." In *Social Protection vs. Economic Flexibility: Is There A Trade Off?*, edited by R. Blank, 59–93. Chicago: University of Chicago Press.

———. Forthcoming. "Short-Time Compensation as a Tool to Mitigate Job Loss? Evidence on the U.S. Experience during the Recent Recession." *Industrial Relations*.

Balducchi, David E., and Stephen A. Wandner. 2008. "Work Sharing Policy: Power Sharing and Stalemate in American Federalism." *Publius: The Journal of Federalism* 38 (1): 1–27.

Black, Sandra E., Paul J. Devereux, and Kjell G. Salvanes. 2012. "Losing Heart? The Effect of Job Displacement on Health." Working Paper 18660, National Bureau of Economic Research, Cambridge, MA.

Boeri, Tito, and Herbert Bruecker. 2011. "Short-Time Work Benefits Revisited: Some Lessons from the Great Recession." *Economic Policy* 26 (68, October): 697–765.

Crimmann, Andreas, and Frank Wiessner. 2009. "Verschnaufpause dank Kurzarbeit." IAB Kurzbericht.

Davis, Steven J., and Till von Wachter. 2011. "Recessions and the Costs of Job Loss." *Brookings Papers on Economic Activity* 43 (2, Fall): 1–72.

Hijzen, Alexander, and Sebastien Martin. 2013. "The Role of Short-Time Work Schemes During the Global Financial Crisis and Early Recovery: A Cross-Country Analysis." *IZA Journal of Labor Policy* 2 (5): 1–31.

Hilger, Nate. 2013. "How Does Family Income Affect Enrollment?" Unpublished working paper.

International Labour Office (ILO). 2010. *Germany's Response to the Crisis*. G20 Country Brief prepared for the Meeting of Labour and Employment Ministers, Washington, DC.

Jacobson, Louis S., Robert J. LaLonde, and Daniel G. Sullivan. 1993. "Earnings Losses of Displaced Workers." *American Economic Review* 83 (4): 685–709.

Oreopoulos, Philip, Marianne Page, and Ann Huff Stevens. 2008. "The Intergenerational Effects of Worker Displacement." *Journal of Labor Economics* 26 (3): 455–83.

Organisation for Economic Co-operation and Development (OECD). 2010a. "Moving Beyond the Jobs Crisis." *Employment Outlook*. Paris: OECD Publishing.

———. 2010b. "Moving Beyond the Jobs Crisis—Supporting Material for Chapter 1 of the 2010 OECD Employment Outlook." Paris: OECD Publishing.

Shelton, Alison. 2011. "Compensated Work Sharing Arrangements (Short-Time Compensation) as an Alternative to Layoffs." Congressional Research Service Report 40689, Washington, DC.

Stevens, Ann Huff. 1997. "Persistent Effects of Job Displacement: The Importance of Multiple Job Losses." *Journal of Labor Economics* 15 (1): 165–88.

Sullivan, Daniel, and Till von Wachter. 2009. "Job Displacement and Mortality: An Analysis using Administrative Data." *Quarterly Journal of Economics* 124 (3): 1265–1306.

von Wachter, Till, Jae Song, and Joyce Manchester. 2011. "Long-Term Earnings Losses Due to Mass Layoffs during the 1982 Recession: An Analysis Using Longitudinal Administrative Data from 1974 to 2008." Unpublished working paper.