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Colorado Work Share Program
SB13-157

Rich Jones, Director of Policy and Research
Testimony to the Senate Business, Labor and Technology Committee
February 25, 2013

Thank you for the opportunity to testify to the committee.

I am Rich Jones, the director of policy and research with the Bell Policy Center. The Bell is a non-partisan, non-profit research and advocacy organization founded on progressive values and dedicated to expanding opportunity for all Coloradans.

The Bell Policy Center supports SB13-157 to extend Colorado's Work Share Program indefinitely and make the necessary changes so it conforms to federal requirements. This program is an effective alternative that prevents layoffs and allows employers who choose to use it the option of reducing their employees' hours rather than resorting to layoffs. According to the fiscal note, it has saved $644,000 in the Unemployment Insurance Trust Fund since its adoption in August of 2010. By complying with the federal changes made in 2012, Colorado will qualify for federal reimbursement of all the benefits paid under the program through August 22, 2015. In addition, Colorado will be eligible for federal grants to cover the costs of promoting enrollment and improving administration of the program. Passing this legislation would benefit employees, employers and the Unemployment Insurance Trust Fund.

Senate Bill 157 extends indefinitely Colorado's voluntary work share program which provides prorated unemployment benefits to workers whose hours are reduced in lieu of layoffs. For example, an employer might reduce the work hours for employees in one of its division by 20 percent, from five days to four days, rather than lay off 20 percent of its workforce. Workers with the reduced work hours receive unemployment benefits to cover a portion of their wages from the "lost" fifth day of work. Under work share employers are able to keep trained employees on staff, and, once demand picks up, to avoid the costs of hiring and training new workers by simply increasing the hours of their existing staff.

The Bell Policy Center supported SB10-028, which originally established the program.

Currently 24 other states and the District of Columbia have work share programs. They tend to affect a very small percentage of all unemployment claims. However, in 2009 Rhode Island had about 20 percent of its unemployment insurance claims covered by work share and over 7,000 employees participated in the program. One reason given for the low participation rates in Colorado and other states is the lack of awareness about the program. A recent study by the Center for Economic Research and Policy estimated that states could save as much as $1.7 billion annually nationwide if all states reached Rhode Island's 20 percent participation rate.[1]

According to the Department of Regulatory Agencies' sunset report on Colorado's program, nine employers were participating in the program in August 2012 and 65 employees were covered by a work share plan during the period August 2010 through July 2012. Obviously, this represents a tiny fraction of the employers and employees in Colorado.[2]

The changes needed to bring Colorado's Work Share Program into compliance with the federal law and qualify for federal subsidies are reasonable steps to take. Colorado would have to remove the sunset provision in the act as well as the automatic repeal triggered by a finding that the work share program accelerates insolvency in the Unemployment Insurance Trust Fund. Future legislatures can repeal the program at any time if they find it negatively affects the trust fund or is not performing as expected. However, according to the fiscal note, the program is generating savings in the trust fund and thus accelerating its *solvency*.

Other required changes include applying the program to instances where there are at least two employees in a unit covered by work share and extending the benefits under the plan for 26 weeks, up from the current 18 weeks. Reducing the minimum number of affected employees would open work share to more employers. Extending benefits to 26 weeks would bring Colorado's program into line with what the majority of other states with work share programs offer.[3]

Again, we support the adoption of SB13-157. It is good for workers, employers and Colorado's Unemployment Insurance Trust Fund. We thank Senators Heath and Tochtrop for bringing it to you today and thank you for the opportunity to share our comments with you.

If you would like more information or if I can answer any questions please contact me at jones@thebell.org or via telephone at 303.297.0456, ext. 244.

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[1] Center for Economic and Policy Research, *Job Creation that Both Parties Can Agree On,* January 7, 2011 http://www.cepr.net/index.php/blogs/cepr-blog/job-creation-that-both-parties-can-agree-on and *Work Sharing Could Save States $1.7 Billion Per Year,* May 12, 2012, http://www.cepr.net/index.php/press-releases/press-releases/work-sharing-could-save-states-17-billion-per-year

[2] Colorado Department of Regulatory Agencies, *2012 Sunset Review: Colorado Work Share Program*, October 15, *http://1.usa.gov/Wl1Oj9*

[3] Ibid.