

JOB SERVICE SHARED WORK DEMONSTRATION PROJECT - BACKGROUND MEMORANDUM

Section 9 of Senate Bill No. 2018 (attached as an appendix) provides for a study of the implementation by Job Service North Dakota of a shared work demonstration project. In Section 8 of Senate Bill No. 2018, which is the appropriations bill for the Department of Commerce, Job Service North Dakota is required to develop, implement, and operate a shared work demonstration project to demonstrate the feasibility of providing for a statewide shared work unemployment compensation program. Job Service North Dakota is required to seek the advice of the Unemployment Insurance Advisory Council in developing, implementing, and operating the demonstration project. The bill provides that the demonstration project must:

1. Operate for one selected employer, which must have at least 75 employees and must be an experienced-rated employer.
2. Operate in accordance with a specific written agreement between Job Service North Dakota, the selected employer, and the labor representative of the collective bargaining agreement if a collective bargaining agreement exists.
3. Allow shared work compensation to be paid to employees who, being otherwise eligible for unemployment insurance benefits, have their working hours reduced by the selected employer by at least 10 percent but no more than 60 percent.
4. Operate in such a manner that the selected employer's unemployment insurance experience ratings are not compromised.
5. Operate in such a manner that the unemployment trust fund is not so negatively impacted as to result in a greater tax burden to the remainder of the employers contributing to the trust fund.
6. Operate from January 1, 2006, through June 30, 2007, after which the demonstration project must cease.
7. Provide that employees receiving benefits calculated solely under the shared work demonstration project are not subject to the 60 percent weekly earnings disregard provided for under North Dakota Century Code Section 52-06-06.

The provisions of Senate Bill No. 2018 relating to the shared work demonstration project were included in the bill during conference committee meetings. Senate Bill No. 2374, which failed to pass the House, contained similar provisions relating to implementation of the demonstration project. That bill also

included an appropriation of \$40,000 to Job Service North Dakota to defray implementation costs of the project.

BACKGROUND

In general, shared work unemployment compensation offers an alternative to employers facing a reduction in force. Instead of laying off employees, the employer reduces the hours of work among a specific group of employees. Wages lost to the worker as a result of reduced hours is supplemented by a partial unemployment benefit amount that will match the percentage of reduction in the employer's plan. Such a program allows an employer to maintain production and quality levels and more quickly recover to full capacity through retention of an experienced workforce. In addition, a shared work unemployment compensation program will reduce the cost of hiring and training of new employees after an economic recovery and allow employees to retain skills and advancement opportunities.

In 2001 the Legislative Assembly adopted Senate Bill No. 2337, which established a shared work unemployment compensation program that was effective until June 30, 2003. The bill defined a "shared work unemployment compensation program" as a program designed to reduce unemployment and stabilize the workforce by allowing certain employees to collect unemployment compensation benefits if the employees share the work remaining after a reduction in the total number of hours of work and a corresponding proportionate reduction in wages.

Senate Bill No. 2337 required an employer wishing to participate in the shared work unemployment compensation program to submit a signed shared work plan to Job Service for approval. As a condition for approval, a participating employer was required to agree to furnish Job Service with reports relating to the operation of the shared work plan as requested by Job Service. The legislation provided that an employer would be required to monitor and evaluate the operation of the established shared work plan as requested by Job Service and report the findings to Job Service.

Senate Bill No. 2337 limited participation in the program to employers employing at least 50 full-time employees and which have filed all reports required to be filed under the Unemployment Compensation Law for all past and current periods and paid all contributions, benefit cost payments, interest, and penalty charges for all past and current periods.

Senate Bill No. 2337 also established requirements for employee qualification for shared work benefits. The bill provided that notwithstanding any other provision of the Unemployment Compensation Law, an individual would be considered unemployed and eligible for shared work benefits in any week in which the individual, as an employee in an affected unit, worked for fewer than the individual's normal weekly hours of work in accordance with an approved shared work plan in effect for that week. The bill limited the payment of shared work benefits for an individual to no more than 26 weeks in any benefit year.

The bill required Job Service to pay an individual eligible for shared work benefits a weekly shared work benefit amount equal to the individual's regular weekly benefit amount for a period of total unemployment multiplied by the nearest full percentage of reduction of the individual's hours as set forth in the employer's approved shared work plan. Under the bill, an individual would not be eligible for shared work benefits

for any week that employment was performed for the shared work employer in excess of the reduced hours set forth in the approved shared work plan.

Although the program was effective for two years, a representative of Job Service North Dakota indicated that the cost of implementation of the program was higher than anticipated and no employers were interested in participating in the program.

POSSIBLE STUDY APPROACH

Senate Bill No. 2018 requires Job Service North Dakota to operate the shared work demonstration project from January 1, 2006, through June 30, 2007. In undertaking this study, the committee should receive periodic updates from Job Service regarding the development and implementation of the program and, after January 1, 2006, receive reports from Job Service regarding the operation of the program.

ATTACH:1