

The CT DOL'S Shared Work Program Might Reduce Labor Costs Without Permanent Layoffs

Working Together

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The Shared Work Program May Work For Your Company

With the impact of COVID-19, many employers are confronting a loss of demand for their goods and services and facing the prospect of laying off employees. Connecticut employers may have another option: the Shared Work Program. This Program is voluntary and in some instances may provide a potential alternative to permanent layoffs. It allows an employer to preserve its skilled workforce for when circumstances return to normal, but reduces labor costs in the meantime.

Under the Shared Work Program, an employer may reduce an employee's hours between 10% and 60% and the employee will receive an equal percentage of his or her unemployment benefits for the hours the employee has lost. In addition, employees on the Shared Work Program are exempt from work search requirements – they do not need to be looking for other full-time employment. Moreover, wages from another company (if the employee finds other part-time employment) will not affect the calculation of their Shared Work Program unemployment benefit. In other words, employees can supplement their wages during the reduced working time without losing benefits. The Program is available for both full and part-time employees.

There are some restrictions. Employers must:

- have at least two employees participating in their Shared Work Program,
- continue to provide the employees' fringe benefits during the reduced work period, and
- an application for the Shared Work Program must be accompanied by a document evidencing that the employer has explained the Program to its employees and given them at least 7 days to comment on the Program (see discussion below).

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Employers will also need to check their insurance plans to make sure that the reduction in hours does not render employees ineligible for continuing benefits. For example, many health insurance plans require an employee to work 30 hours, or an average of 30 hours, per week to be eligible for coverage.

If You Need To Take Immediate Action

For employers who are contemplating immediate layoffs, but may want to take advantage of this Program, you may reduce employees' hours immediately and file for the Program as soon as possible. The DOL has up to 30 days to approve applications, but we understand that the Department is trying to expedite the process. We have also been told (but the DOL has not issued any guidance on this yet) that applications will be approved retroactive to the date of filing.

Comparison of Shared Work Benefits To Regular Partial Unemployment Benefits

The DOL has always provided some partial unemployment benefits to employees whose hours have been reduced by their employer due to lack of work. In the past, one of the requirements to receive these benefits was that an employee be available and searching for work, so employees who wanted to return to their existing employer could not apply. The DOL recently waived that requirement during the coronavirus crisis. The benefits received by an employee under the regular partial unemployment formula are less generous than those the employee can receive under the Shared Work Program. Under regular partial unemployment, 2/3 of the employee's gross earnings during the reduced work period will be deducted from the employee's normal full unemployment benefit. In contrast, an employee whose hours are reduced by 50% under the Shared Work Program will receive 50% of the employee's normal full unemployment benefit AND be able to receive his or her earnings for the reduced work period.

Remember To Check Any Employment Contracts

Employers should keep in mind that any reductions in hours (or layoffs) will still be subject to the contract rights of any employees who have contracts and/or collective bargaining agreements.

How To Apply For The Program

To participate in the Program, employers must file an application with the Connecticut Department of Labor ("DOL"). Employers can find the application here and file it by emailing to DOL.SharedWork@ct.gov or fax it to 860-263-6681. The DOL must approve or deny the application no later than 30 days from the date it is received. We understand that the DOL is making efforts to expedite processing of applications in the current crisis.

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Employee Acknowledgement Required

An application for the Shared Work Program must be accompanied by a document evidencing that the employer has explained the Program to its employees and given them at least 7 days to comment on the Program. Currently, the employer may submit an application at the same time it explains the program to employees, and then may send any comments to the DOL 7 days later. A sample document which can be adapted to meet an employer's specific circumstances, follows:

To our valued employees:

As we cope with the disruption to our business caused by COVID-19, (insert company name here) will be filing an application with the State of Connecticut to participate in the Department of Labor's Shared Work Program. This Program provides an alternative to layoffs. If the application is approved, your work hours may be reduced by (insert percentage), and you will be eligible for partial unemployment benefits. Employees' fringe benefits will be maintained during the Program. At present, we expect to need to participate in the Shared Work Program for (enter expected duration of program use). We will notify you of any changes. **Please sign below to show that you have received this information**, and please give any comments to your supervisor or to (enter name of HR Representative) in Human Resources within 7 days.

Thank you.

[Employee signature] [Date]

You can find more information about the Shared Work Program on the DOL website.

As always, feel free to contact one of our Labor & Employment Attorneys if you have questions.

Posted in COVID-19, Unemployment

Tags: CT Department of Labor, Layoffs