

**Testimony on Behalf of Work Sharing Bill AB 1731 (Boerner Horvath) before
California Assembly Insurance Committee on August 31st 2020**

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My name is Till von Wachter, I am professor of Economics and the faculty director of the California Policy Lab at UCLA. It is a pleasure to be here.

Expediting work sharing applications and increasing outreach to employers -- as this bill seeks to do -- has clear benefits for workers, employers, and California as a whole:

- Work sharing increases the number of workers that are employed, and thereby reduces the costs of long-term unemployment.
- Work sharing also helps to maintain attachment between workers and firms; this prevents workers from losing access to good jobs, which has been found to be a key factor in the cost of unemployment.
- Moreover, under Work Sharing workers keep receiving health insurance benefits; this puts them in a much better position than temporary layoff.
- For firms, work sharing means maintaining attachment to valuable employees, saving costs of hiring the right workers.
- Work sharing also allows employers to flexibly modify work hours as economic activity responds to COVID-19.
- In this recession, work sharing can also be used to rehire laid off workers on a part-time basis, providing much-needed flexibility to firms.
- Finally, by keeping workers in place, work sharing allows the CA economy to better adjust to repeated shutdowns, and to restart faster once the pandemic is defeated.
- By limiting ongoing layoffs, work sharing also allows for a faster recovery by reducing crowding in the labor market.

However, there are some well-known barriers to the expansion of work sharing:

- The application process is perceived to be cumbersome & lengthy.
- Currently, while the initial application is automated, employees & firms have to mail in paper forms to receive benefits.
- Moreover, the program is not well known among employers.

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The good news is that we know these problems can be fixed! By speeding up the processing of work sharing and increasing outreach, this is exactly what the bill does.

- In one of the worst years of the Great Recession, 6% of all UI claims in CA were from work sharing. In contrast, since the beginning of today's crisis, less than 1% of all UI claims were from work sharing.
- Other states have done better: for example, in Michigan 7.4% of initial claims during this crisis were from Work Sharing.
- Moreover, Work Sharing is a program that has wide support among Democrats and Republicans alike.

There is a particular advantage from acting now and acting decisively – this is because through December 2020, Work Sharing benefits are entirely paid for by the federal government:

- By reducing the debt of the UI Trust fund, expanding the work sharing program in 2020 is likely to lower future payroll tax increases.
- Using UI records from California, we did some approximate calculations that suggest if we could raise participation in work sharing quickly, there could be substantial savings to the UI Trust fund, and hence to tax payers down the line.
- Another advantage of federal funding is that so-called charging employers – mainly cash-strapped local and state government employers -- can use work sharing to reduce their payrolls & prevent layoffs without having to reimburse the state later on.

Overall, expediting work sharing applications and increasing outreach to employers, as this bill seeks to do, is good for workers, good for firms, and good for California. Thank you.