

SHORT-TIME COMPENSATION (STC)

PURPOSE:

Short-Time Compensation (STC), also known as work sharing or shared-work program, is an alternative to layoffs for employers experiencing a reduction in available work. STC preserves employees' jobs and employers' trained workforces during times of lowered economic activity. STC allows employers to reduce hours of work for employees rather than laying-off some employees while others continue to work full time. STC cushions the adverse effects of reduced income for employees experiencing a reduction in hours by collecting a percentage of their unemployment compensation (UC) benefits to replace a portion of their lost wages. STC cushions the adverse effect of the reduction in business activity on workers by averting layoffs and ensures that these workers will be available to resume prior employment levels when business demand increases.

Currently, 33 states have STC programs established in law that meet the federal definition with 30 having operational programs (Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Illinois, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Washington, West Virginia, Wisconsin, and Wyoming).

ELIGIBILITY:

In order to receive benefits under the STC program, employers must have an approved STC plan in place with the appropriate state workforce agency. Employers and not employees initiate the STC application process. In order to qualify for STC, employees must first be determined to be eligible for UC. While receiving UC benefits under an STC plan, employees must meet the availability for work and work search test requirements while collecting short-time compensation benefits, by being available for their workweek as required by the State agency. Also, employees who are eligible to participate in an employer's STC plan may be required to serve a mandatory "waiting week," which is a non-paid week (required by most states).

BENEFITS:

The amount of UC paid to individuals filing for STC is a prorated portion of the UC payment they would have received if they were totally unemployed.

Example: An employee normally works a 40-hour workweek. The employee's workweek is reduced by eight hours or 20 percent. If the employee had been laid off and totally unemployed and determined eligible for UC, the individual would have received a weekly benefit amount of \$270.00. The employer submits an STC plan and the plan is approved. Under the STC plan, the employee would receive \$54.00 of benefits (or 20 percent of \$270) in addition to the 32 hours of wages earned from the employer.

TAXABLE INCOME:

Any benefits received under the federal or state UC law is taxable income. Individuals who have received STC benefits should receive a Form 1099-G from the state where individuals file their claims for STC benefits, showing the amount paid and any federal income taxes they elected to have withheld.

STATE STC WEBSITES:

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