

An Alternative for Employers to Reducing the Workforce: New Jersey's Shared Work Program

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New Jersey's employers may utilize a short-time work or shared work program as an alternative to reducing their workforces. One of 26 states that have done so, New Jersey set up its shared work program in 2014. The Coronavirus Aid, Relief and Economic Security Act (CARES Act) provides additional funding to states, such as New Jersey, who have set up shared work programs.

What is a Shared Work Program?

A shared work program allows an employer to reduce the number of regularly scheduled hours of work for all, or a group of individuals in circumstances when employers might otherwise consider a reduction in force. A minimum of 10 employees must be enrolled in a workshare program. Not unlike partial benefit payments from unemployment insurance, shared work programs allow an individual who is employed for a portion of the week to collect unemployment benefits in addition to reduced pay. However, unemployment benefits based on a workshare plan are formulated by providing beneficiaries with a pro-rated share of weekly benefits based on the employee's reduction in weekly hours of work. This is in contrast to how partial unemployment benefits are calculated, which are determined by a formula that considers the employee's earnings, rather than an employee's hours.

Why Choose a Shared Work Program?

Employers who choose a shared work program potentially receive multiple benefits such as the retention of a skilled, trained workforce according to the [New Jersey Shared Work Program website](#). The website emphasizes that maintaining employees allows for quicker retooling than hiring and training new employees. This may help the employer save time and money in the long run because the rehire/retrain process is completely avoided. In addition, choosing a shared work program is likely to strengthen employee morale by allowing some employees to collect unemployment benefits who otherwise would be ineligible to collect partial unemployment benefits because their income, even if reduced, is too high. In addition, in New Jersey, employees whose hours are reduced between 10% and 20% qualify for unemployment benefits under a shared work program, while otherwise an employee's hours must be reduced by more than 20% to qualify for partial unemployment benefits.

Under the CARES Act, the federal government will fully fund the amount of short-time compensation paid under New Jersey's shared work compensation program. The CARES Act limits the amount of benefits payable to an individual to 26 times the amount of regular compensation payable under each state's unemployment benefits program. The employer who utilizes a workshare program will pay the New Jersey Department of Labor an amount equal to half of the amount of short-time compensation benefits paid under such plan. These payments will be deposited in New Jersey's unemployment fund but will not be used for purposes of calculating an employer's contribution rate in the future. This is an advantage to an employer, because its unemployment contribution rate will not be raised.

Proceeding with the New Jersey Shared Work Program

Employers who wish to use a workshare plan must submit their specific plan to the State of New Jersey's Department of Labor, Division of Unemployment for approval. The plan must adhere to the federal and state laws regulating such plans. In New Jersey, employees' hours must have been reduced by at least 10%, and by not more than 60%. The workshare plan must provide that the employer will maintain health benefits and retirement benefits for affected employees during the time the workshare plan is in effect.

If you are an employer and need help implementing a shared work plan or navigating any other employment laws during this COVID-19 crisis, contact [Stephanie Gironda](#) or any member of the Wilentz [Employment Law Team](#).

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