SHORT-TIME COMPENSATION (STC)

WHAT IS THE STC PROGRAM?

The Short-Time Compensation (STC) program, also known as work sharing or shared-work, is an alternative to layoffs for employers experiencing a reduction in available work. STC preserves jobs and trained workers during times of downturn economy. STC allows employers to reduce hours of work for employees rather than laying off some employees. Employees experiencing a reduction in hours, if determined to be eligible, may collect a percentage of their unemployment insurance (UI) 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, 26 states are operating active programs (Arizona, Arkansas, California, Colorado, Connecticut, Florida, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Vermont**, Washington, and Wisconsin).

***On July 1, 2020, the Short-Time Compensation Program shall cease operation and shall not resume operation unless directed to do so by enactment of the General Assembly or, if the General Assembly is not in session, by order of the Joint Fiscal Committee.*

ESTABLISHING AN STC PROGRAM & EMPLOYER PARTICIPATION

The state where the employer operates the business must first enact the STC program in its law according to Subtitle A of Title II of the Coronavirus Aid, Relief, and Economic Security Act. Once enacted, employers can contact the UI state agency for instructions on completing and submitting their STC plans for approval. The employer’s plan must be in accordance with the state’s STC law. Upon state approval, the employer can take advantage of the STC program in lieu of layoffs.

ELIGIBILITY REQUIREMENTS

In order to qualify for STC, employees must first be determined to be monetarily eligible for regular UI benefits. 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).

FILING A STC APPLICATION

Employers and not employees initiate the STC application process. Employers must submit STC applications to the state UI agency that includes a minimum of two employees in each affected unit. Once the state agency approves the employer’s application, unemployment weekly claims can be filed by either the employees or the employer depending on the terms of the employer’s STC agreement with the state UI agency.

CONTINUED ELIGIBILITY

While receiving UI benefits under an STC plan, employees are not required to look for work under the state's eligibility requirements. However, employees are required to be available for work to their employer during their normal work schedule.

WEEKLY STC BENEFIT AMOUNT

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. Such individuals whose workweeks have been reduced by at least 10 percent, and by not more than the percentage, if any, that is determined by the State to be appropriate (but in no case more than 60 percent), are not disqualified from unemployment compensation

Example: An employee normally works a 40-hour workweek. If the employee had been laid off and totally unemployed and determined eligible for UI, the individual would have received a weekly benefit amount of $270.00. Alternatively, under STC, the employer submits an STC plan and the state UI agency approves the plan. Under the STC plan, the employee's workweek is reduced by eight hours or 20 percent and 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.

STC BENEFITS ARE TAXABLE

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 the claim was filed, showing the amount paid and any federal income taxes they elected to have withheld.

STATE STC WEBSITES:

You may contact state UC agencies for more information.

Arizona
Arkansas
California
Colorado
Connecticut
Florida
Iowa
Kansas
Maine
Maryland
Massachusetts
Michigan
Minnesota
Missouri
Nebraska
New Hampshire
New Jersey
New York
Ohio
Oregon
Pennsylvania
Rhode Island
Texas
Washington
Wisconsin

LEGAL AUTHORITY

Initially, states were authorized to implement temporary STC programs using funds from their accounts in the Unemployment Trust Fund (UTF), pursuant to the Tax Equity and Fiscal Responsibility Act of 1982 (Pub. L. 97-248). The Unemployment Compensation Amendments of 1992 (Pub. L 102-318) added statutory authority for states to fund STC from the UTF and established certain requirements related to the definition of an STC program. Title II of the Middle Class Tax Relief and Job Creation Act of 2012, (Pub. L. 112-96) modified the definition of STC outlined in Pub. L 102-318 to require state STC programs to must operate consistent with the provisions in the new subsection (v).