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***California Work Sharing Program Alert:***  
**Small Businesses Impacted by Covid-19 Can Avoid Layoffs**

The Work Sharing Program provides an *alternative to layoffs* amidst economic downturn. Through Work Sharing, employers who need to limit costs reduce the hours of several employees rather than layoff a portion of the workforce. This redistributes the work amongst many so that no one employee loses his or her job. Impacted employees then access partial Unemployment Insurance to compensate for reduced hours. Thus, employees maintain an income and employers retain trained staff, making it easier to start up once conditions improve.

**HOW IT WORKS**

An employer that needs to reduce payroll costs while avoiding layoffs can apply to participate in the Work Share Program through which it reduces hours and earnings of some or all employees, who in turn are able to receive partial Unemployment Insurance (UI) benefits based on their reduced hours and earnings. Any additional wages earned during the week through an employer other than the Work Sharing employer will be deducted from the employees' UI benefits.

Work Sharing benefits are charged to the reserve account of employers in the same manner as regular UI benefits. Therefore, the cost and process of Work Sharing are the same as for an employer terminating employees who would then file for UI benefits.<sup>1</sup> Employers may select which employees participate, rotate which employees participate each week, and select which weeks the business participates.

Employers who have received PPP loans and also wish to enroll in Work Share should be careful to ensure that their work share plan does not impact their access to PPP loan forgiveness. One way to do this is to develop a work share plan that begins once PPP loans have been used up. Work Share employees may still receive the \$600 weekly unemployment boost through July 31.

**REQUIREMENTS**

*Employer*

- Legally registered business in California with an active California State Employer Account Number
- A minimum of two employees and at least 10% of your regular workforce is impacted by a 10%-60% reduction in wages and hours
- Health and retirement benefits stay the same as before, or are the same as employees who are not participating in Work Sharing

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<sup>1</sup>Charges to a reserve account can negatively impact one's reserve account balance. This may increase the future Unemployment Insurance tax rate. Employers should review their most recent Notice of Employer Contribution Rates and Statement of UI Reserve Account (DE 2088) to determine likely impacts. Direct reimbursable account employers are billed directly for all Work Sharing Unemployment Insurance costs.

- For employees governed by a collective bargaining agreement, the appropriate agent approves the Work Sharing plan
- Employees must receive notice of the employer's intent to participate in the Work Sharing plan, or the employer must indicate why giving notice was not possible
- Must identify each participating employee by their legal name and social security number, and indicate the estimated number of layoffs avoided through Work Sharing

#### *Employee<sup>2</sup>*

- Must complete a regular work week prior to participation in Work Sharing<sup>3</sup>
- Must be available for and accept all work offered by the Work Sharing employer
- No leased, intermittent, seasonal, or temporary service employees may participate
- No corporate officers or major stockholders may participate

#### **HOW TO PARTICIPATE**

Employers should complete the [application online](#) or and mail in a [hard copy](#) to the Employment Development Department (EDD). Employers can download the application online or contact the EDD special claims department to have it mailed to them. Upon approval, the EDD will send one mail claim packet for each participating employee, and a ten-week supply of weekly certification forms for each employee. The employer and employee need to continue to certify their benefits weekly. Work Sharing plans are effective for 12 months, after which an employer may renew a plan.

#### **RESOURCES AND MORE INFORMATION**

- [Work Sharing Unemployment Insurance Plan Application](#)
- [Guide for Work Sharing Employers](#)
- [Work Sharing Information for Employers FAQ](#)
- [Work Sharing Information for Employees FAQ](#)
- [Information for Understanding Employer Reserve Account Balances](#)
- EDD Number for Information on Reserve Accounts: (916)-653-7795
- EDD Special Claims Number: (916) 464-3343
- EDD Address:

EDD Special Claims Office  
PO Box 419076  
Rancho Cordova, CA 95741-9076

***This alert should not be construed as legal advice.*** There are numerous other laws that California small businesses are subject to that are not included in this alert. Small businesses should consult the California Unemployment Code § 1279.5 for more information on Work Sharing.

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<sup>2</sup>Employees must meet all other eligibility requirements for obtaining regular UI benefits.

<sup>3</sup>Employees experiencing more than a 60% reduction in hours and wages may use the employer's work share certification to receive benefits for up to three consecutive weeks. Beyond that point, employees must transition to regular UI benefits.