

SUBJECT: Expanding access to the shared work unemployment comp program.

COMMITTEE: Technology, Economic Development and Workforce — favorable without amendment.

VOTE: 6 ayes — Strama, F. Brown, Button, Eissler, Gattis, Harless
0 nays
3 absent — Parker, Ritter, Rodriguez

WITNESSES: For — Geoff Wurzel, TECHNET; (*Registered, but did not testify:* Dana Chiodo, TechAmerica; Bill Hammond, Texas Association of Business; Rick Levy, Texas AFL-CIO; Rebecca Moss, Texas Association of Manufacturers; Jon Weist, Arlington Chamber of Commerce)
Against — None
On — Steve Riley, Texas Workforce Commission

BACKGROUND: Labor Code, ch. 215 establishes the shared work unemployment compensation program. It is designed to offer employers an alternative to laying off employees, who receive a combination of wages and unemployment benefits. In order to participate in the program, employers must submit a shared work plan to the Texas Workforce Commission for approval.

Under the program, participating employers can reduce the normal weekly hours of work, along with a corresponding reduction in wages, of participating employees, by between 10 and 40 percent. To offset part of their lost wages, participating employees receive a weekly shared work benefit equal to the individual's regular unemployment benefit multiplied by the percentage that the individual's wages were reduced.

Under Labor Code, sec. 215.001(3), the normal weekly hours of work for the program are considered to be the number of hours in a week that an employee ordinarily works for a participating employer, or 40 hours, whichever is less.

DIGEST: HB 1637 would amend the Labor Code by changing the definition of the normal weekly hours of work for the shared work unemployment compensation program to an average of 40 hours per week over a two-week pay period.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2009.

**SUPPORTERS
SAY:**

HB 1637 would make a simple but important change to the Labor Code that would expand access to the shared work unemployment program. This voluntary program provides participating employers with needed flexibility to retain workers and allows participating employees who otherwise would be unemployed to retain a portion of their earnings.

The current definition of a normal work week was designed for a five-day, 40-hour environment. In today's global economy, many businesses, such as distributors and manufacturers, operate seven days a week, 24 hours a day. Often employees in this environment work in shifts with an uneven allotment of hours over a two week period, but work an average of 40 hours over that period. Currently, if participating employees who have uneven hours over a two-week period have their hours reduced, they can receive unemployment benefits for only the portion of hours reduced below 40 hours per week.

Current law does not allow shift workers to receive full benefits under the program and places them and their employers, who have been paying into unemployment, at a disadvantage compared to their retail and office counterparts. The current definition assumes that a person working over 40 hours per week must be working overtime, which is not the case with shift work.

According to a 2008 study conducted by the Texas Workforce Commission (TWC), this change would allow approximately 200 workers already participating in the program to receive their full unemployment benefit. The proposed change would not expand the criteria for businesses to participate in the program and would not expand compensation for overtime wages. Also, the bill would have no effect on laid off employees filing traditional unemployment claims.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The companion bill, SB 1975 by Ellis, has been referred to the Senate Economic Development Committee.