

Research [in] Brief

Short-Time Compensation Programs Allow Some Employers to Avoid Layoffs



Primary issue

Short-time compensation (STC) is a type of unemployment insurance program that gives employers facing an economic downturn an alternative to layoffs. Instead of laying off some workers, employers can spread a needed reduction in work hours across multiple workers and keep those workers on the job. Workers with reduced hours continue to receive pay at their regular rate for the hours they work, and STC benefits provide a portion of the rest. Congress included provisions for STC in the 2020 CARES Act. But the programs aren't available nationwide: Only 27 states and the District of Columbia offer them.



Key findings

While knowledge of STC programs among employers in the United States is generally low, the use of STC programs has risen sharply during the COVID-19 pandemic and is at its highest level in the last 20 years. However, most of the increase occurred in just two states: Michigan and Washington, where the programs have been promoted during the COVID-19 pandemic. Michigan also relaxed its STC program eligibility requirements in April 2020.

Many other developed countries have programs similar to STC that are being used more during the current recession and have worked successfully in the past.



The bottom line

STC programs can be beneficial to workers, employers, and the overall economy. Greater awareness of existing STC provisions could increase their use in the United States, and studies of other countries' programs could help us understand the benefits of expanding our STC provisions.

