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**RE: EDD CA WORK SHARING PROGRAM**

Dear Clients and Friends,

If you are an employer facing business challenges that affect your workforce, you might consider California's Employment Development Department Work Sharing Unemployment Insurance Program. The EDD describes this program as a "practical alternative to layoffs."

California's Work Sharing program was the first program of its kind in the nation. It was established by the California State Legislature in 1978 under Senate Bill 1471. The objective of the Work Sharing program is to help employers and employees avoid some of the burdens that accompany a layoff situation. If employees are retained during a temporary slowdown, employers can quickly gear up when business conditions improve. Employers are spared the expense of recruiting, hiring, and training new employees. Employees are spared the hardship of total unemployment.

**Employer Qualification Requirements**

Any employer who has a reduction in production, services, or other conditions that cause the employer to seek an alternative to layoffs may participate in the Work Sharing program. Some of the specific requirements are:

- A minimum of two employees, comprising at least 10 percent of the employer's regular workforce or a unit of the workforce, must be affected by a reduction in wages and hours worked.
- The reduction in weekly wages and hours worked also must be at least 10 percent, not to exceed 60 percent.
- The company will maintain employees' health and retirement benefits under the same terms and conditions as prior to the reduction in hours and wages or to the same extent as other employees not participating in the plan.
- A corporate officer or major stocker holder who is deemed to have significant investment in the company may not participate in the Work Sharing Program.

**Employee Qualification Requirements**

Participating employees must meet these requirements:

- Be a part of the employer's permanent regular workforce and not a leased, intermittent, temporary, or seasonal employee.

- Have qualifying wages in the base quarters used to establish a regular California Unemployment Insurance (UI) claim.
- Have completed a normal work week (with no hour or wage reductions) before participating in Work Sharing.
- Your reduction in hours and wages must be at least 10 percent and no more than 60 percent.

## **Application**

Fill out the Work Sharing Plan Application, DE 8686, and submit to the EDD.

The EDD Special Claims Office will send a letter of approval, one mail claim packet for each participating employee, and a ten-week supply of weekly certifications for each employee. You'll need to issue these certifications to affected employees each week for the duration of the program. These forms must be mailed in weekly.

Benefits will also be paid weekly, proportionate to the percentage of reduction in hours and wages. This example from the EDD is instructive:

*An employee who normally works five days a week for \$500 is reduced to four days a week for \$400. The Work Sharing benefits for this employee would be 20% of the benefits the employee would receive if unemployed. If maximum UI benefits for this employee would be \$300, the employee would qualify for \$60 in Work Sharing Benefits, bringing their weekly pay to \$460.*

The employer will be charged for Work Sharing Unemployment Insurance in the same manner as for regular UI benefits.

## **Conclusion**

Instead of laying off 20% of a workforce, an employer could reduce payroll by 20% and Unemployment Insurance would pay part of the difference in wages to employees. This approach also could help employers by reducing the need to re-hire and re-train employees when business improves.

However, this program can be administratively burdensome, because of the application and weekly certifications. Employers must also periodically re-apply. Exempt employees cannot participate. The proportionate cost of a position is not reduced dollar for dollar, when considering the overall benefits an employed individual receives. And, as always, there is a potential increase in your unemployment insurance tax rate, but layoffs would have the same result if laid-off employees seek unemployment insurance.

Our team is available to discuss these options with you and be of assistance as you embark on the various application paths alongside your financial advisors. Do not hesitate to schedule a call so we can discuss this program further.

Sincerely,

DUFFY KRUSPODIN, LLP