Evaluation of the Work Sharing Program

Final Report

Strategic Evaluations
Evaluation and Data Development
Strategic Policy
Human Resources Development Canada

February 2004

SP-AH-212-02-04E
(également disponible en français)

Paper
ISBN : 0-662-38381-8
Cat. No.: HS28-7/2004E

PDF
ISBN : 0-662-38382-6
Cat. No.: HS28-7/2004E - PDF

HTML
ISBN : 0-662-38383-4
Cat. No.: HS28-7/2004E - HTML

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Executive Summary

During 2003-04, Human Resources Development Canada (HRDC)[1] undertook an evaluation of the Work Sharing program, which is funded through Part 1 of the Employment Insurance Act. The Work Sharing program was introduced in 1977. Its goal is to help companies and employees adjust to production slowdowns by sharing the available work through hours reduction among the affected employees rather than through layoffs. Participating employees receive EI benefits to partially offset income lost due to reduced hours.

The current evaluation concludes that the Work Sharing program works largely as intended, although program implementation concerns exist. Specifically, in terms of the program impact for the economy, it can be concluded that Work Sharing does avert or delay a significant number of potential layoffs, although not to the extent that initial Work Sharing applications by employers predict.

The evaluation of Work Sharing focused on a set of questions in five broad categories: the rationale for Work Sharing; program objectives and achievements; program impacts and effects; alternatives to work sharing; and program delivery issues. To provide evidence to answer these questions, the evaluation adopted both quantitative (e.g., statistical analysis of HRDC administrative data, agreement file review) and qualitative methods (e.g., focus groups, key informant interviews). The research has been undertaken by a mix of contracted experts external to HRDC and in-house evaluation officers.

The evaluation led to the identification of some key results.

- The activities and outputs of the Work Sharing program are consistent with its mandate. The Work Sharing program can be shown to have averted temporary layoffs at a reasonable cost to the EI Account. Further most companies which participate, do so because they believe their slowdown will be temporary. There is little evidence that the Work Sharing agreements are entered into for typical slowdowns that occur on regular seasonal pattern.
- The evaluation shows that, on average, there were 36,219 participants annually in the Work Sharing program over the fiscal year 1991-2002 period although the number of participants varies widely between years. The evaluation analysis shows that on average, 10,302 employees would have been laid off annually in the absence of the Work Sharing program. Of these, some 5,218 participants, on average, collect regular EI benefits in the six months following the termination of their Work Sharing agreements and thus their layoffs were only delayed and not averted.

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[1] Human Resources Development Canada (HRDC) was split into two departments in January 2004: Human Resources Skills Development (HRSD) and Social Development (SD). Throughout this report, however, when discussing the department, it will continued to be referred to as Human Resources Development Canada.

- Evidence collected indicates that the employee participants do not search for new jobs while in the program. Subsequently, if they are laid off, the length of time for which they are unemployed is similar to the non-participating employees.

- There is no evidence that the Work Sharing program is being misused. There are very few repeat users at the individual employee level or company level.

- The incidence of Work Sharing is somewhat higher for men than women (2.6% vs. 2.0%). This may well be because the Work Sharing program is most applicable in the manufacturing production-type and distribution-type jobs where men are over-represented.

- The cost of the Work Sharing program to the EI Account per lay-off is somewhat higher than if the employee simply had been laid off. The higher costs can be attributed to the following factors: (a) when layoffs do occur after a Work Sharing agreement, the employees can collect regular EI benefits for their full entitlement period; (b) there is no two-week waiting period before participants collect their Work Sharing benefits; (c) participants in Work Sharing, on average, collect slightly higher EI benefit rates than do regular EI claimants.

- Participants in Work Sharing earn lower incomes (wages plus EI benefits) but they are able to cope by reducing their spending on non-essentials. Participants, of course, earn much higher incomes than if they had been laid off.

- There are also non-monetary benefits to participating in the Work Sharing program that are difficult to quantify both for the company and the individual employees. The companies benefit by retaining their skilled workers thus reducing their hiring and training costs over time. The employee participants experience far less stress and experience far fewer difficulties than comparison groups of unemployed workers.

- Both the companies and the employees question the usefulness of any required training component being introduced into the Work Sharing program. Most training is done "on the job" and there are significant difficulties in scheduling non-work based training to coincide with their Work Sharing days off the job. In addition, both the companies and employees question the funding for such formal training off the job.

Management Response

During 2003-04, the Evaluation Branch of Human Resources Development Canada (now known as Human Resources and Skills Development Canada) undertook an evaluation of the Work-Sharing program. The evaluation was generally favourable, concluding that the Work-Sharing program can be shown to have averted temporary layoffs at a reasonable cost to the EI account. Furthermore, companies which participated did so because they believed their slowdown to be temporary.

Employees saw the use of Work-Sharing by an employer as a vote of confidence in them and as an indication that the employer was investing in the success of the company, thus not surprising that employee participants did not look for work while on Work-Sharing.

Measuring success at 26 weeks from the termination of the agreement may be too long a period to attribute the collection of benefits to the success or failure of a Work-Sharing agreement. The Work-Sharing program only requires a 6 week follow up as a success measure, while the Employment Benefits and Support Measures require a 12 week follow up. Although the standard 6 week follow up was required in the previous Work-Sharing Operational Guidelines, the Work-Sharing team has rewritten the monitoring and close-out chapters in the recent revision of the Operations Directives with more emphasis on the follow up of agreements and enhanced documentation of results. In addition, the Common System for Grants and Contributions has included detailed questions on the success of programs in both the monitoring and close-out sections. This is a valuable tool to better assess program outcomes.

The program area agrees that the Recovery Plan is essential to ensure that the employer is actively engaged in seeking ways to improve business. To stress the importance of this plan, the requirements for recovery plans have been more clearly delineated for project officers in the recently released Work-Sharing Operations Directives. In addition to the background information surrounding the downturn in business, the employer is now asked to provide an outline of steps that will be taken to generate business and, thus alleviate work shortage. These steps must include objectives, activities, realistic timeframes, milestones probability of success and expected outcomes.

1. Introduction

1.1 Overview

The Work Sharing program is provided under the *Employment Insurance (EI) Act* to help employers and employees adjust to economic slowdowns.[2] The primary purpose of Work Sharing is to reduce the number of temporary layoffs by sharing the available work among all of the employees of the Work Sharing unit. Participating employees are partially compensated for their lost hours of work with EI benefits.

All Human Resources Development Canada (HRDC) programs are subject to periodic evaluations both to document and improve program results. As it has been almost ten years since the last evaluation of Work Sharing, a new look at the program is appropriate given the new demands for Work Sharing benefits as a result of the economic slowdown in 2001.

Demand for Work Sharing rises and falls sharply, reflecting economic conditions. The number of new Work Sharing claims dropped from a high 112,357 during the 1991-92 fiscal year to a relatively low 7,683 claims in 1997-98. Volumes rose sharply from 7,965 claims in 1999-2000 to 46,678 claims in 2001-02 due to a slowing in overall economic activity combined with the adverse impacts of the September 2001 terrorist attacks.

This report sets out the major results of an evaluation of the Work Sharing program. It begins with a description of the evaluation goals and methodology. Section 2 of the report provides the rationale for the Work Sharing program, a description of how it is implemented in Canada, some basic descriptive statistics on program use, and finally a brief overview of the steps taken to encourage work sharing in other countries. In Section 3, this report lays out the evaluation evidence focusing on the program outcomes in terms of preventing layoffs, the impact on worker well-being, the costs of Work Sharing to the EI Account and some issues concerning program delivery. Finally, the conclusions are presented in Section 4 together with implications for the new program *Work Sharing While Learning*, which provides benefits to workers who might have been laid off but are instead attending workplace-based or employer-funded training.

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[2] In this report, Work Sharing is capitalized when it refers to the formal HRDC program. When referring to work sharing as a generic general business adjustment response, it is written in lower case.

1.2 Goals of Evaluation

The evaluation of Work Sharing re-examines the program's role in today's economic environment. The evaluation attempts to provide evidence to answer several fundamental questions:

- Does the Work Sharing program still make sense in light of the changing nature of the Canadian workforce, the changing nature of industry's labour needs, and the nature of the workplace environment?
- To what extent are the Work Sharing program's objectives and mandate still relevant, and are they being achieved in a cost effective manner?

HRDC created a Steering Committee to oversee and guide the evaluation. The Steering Committee decided to focus analysis on eleven questions relating to evaluation issues and four questions related to program delivery.[3] The questions fall into five broad categories:

- The Rationale for Work Sharing;
- Objectives and Achievements;
- Program Impact and Effects;
- Alternatives to Work Sharing; and
- Program Delivery Issues.

Exhibit 1.1 lists the specific questions and the methods of research adopted to provide evidence. In most cases, questions have at least two lines of evidence. This summary report discusses the outcome of each evaluation question.

1.3 Methods of Research

Whenever possible, the evaluation project used multiple lines of evidence to help answer these evaluation issues and questions. Some of the analysis was performed by EI Evaluation officers within the Audit and Evaluation Directorate, while other analytical projects were contracted out to external consultants with the appropriate expertise and experience.[4] The reports produced in-house by EI Evaluation were:

- a literature review;
- a monitoring report;
- an incrementality study; and
- an intranet survey of HRDC program officers.

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[3] The evaluation questions and methodology is described more completely in the methodology document, "A Proposed Methodology for the Evaluation of Work Sharing."

[4] The Evaluation and Data Development (EDD) Directorate was renamed the Audit and Evaluation Directorate in February 2004. We therefore refer to work performed by EI Evaluation, even though the citations of the respective reports say EDD.

The reports written by external consultants were:

- an analysis of administrative data;
- focus groups;
- a review of Work Sharing agreement files and documents;
- key informant interviews; and
- case studies.

For each line of evidence, a technical report is available that provides the detailed evidence and a description of the methods used to collect it. The technical reports are listed in Appendix 1. The reader is encouraged to refer to these reports for the detailed discussion of the evidence and methods. Each is briefly described below.

Literature Review

The "Work Sharing Literature Review" was conducted by EI Evaluation as one of the preliminary components of the evaluation. The review focussed on the theoretical justifications for work sharing programs. It also compared the way that work sharing programs are implemented in Canada, the United States and several European countries.

Monitoring Report

EI Evaluation produced the report "Usage of the Work Sharing Program: 1989/90 to 2002/03," which provided estimates of program participation, as well as demographic breakdowns of participants. The report also emphasized the cyclical nature of program participation, and provided estimates of the typical agreement duration, extent of work reduction, amount of benefits paid and a preliminary estimate of the number of layoffs postponed or averted.

Incrementality Study

EI Evaluation, with the help of an outside academic advisor,[5] examined the incrementality of the Work Sharing program in the paper, "Study of Hours Adjustment and the Extent to which the Work Sharing Program is Incremental." It examined the extent to which Canadian firms adjust their production levels through changes in the hours of work of their employees, rather than through changes in the number of employees. The Work Sharing program, of course, is intended to encourage the former. In order to know to what extent Work Sharing is encouraging adjustment in hours, the study sought to determine the extent to which employers adjust hours across the economy as a whole.

[5] Dr. Marc Van Audenrode, Laval University

Intranet Survey

EI Evaluation also developed and conducted a short intranet survey of HRDC program officers to help answer some of the questions relating to program delivery. The survey was targeted to those who are directly responsible for delivering the Work Sharing program. The survey results are presented and described in the report, "Evaluation of the Work Sharing Program: Results of the Intranet Survey of HRDC Personnel."

Administrative Data Analysis

Data Probe Economic Consulting was contracted to undertake an analysis of HRDC's administrative data to statistically measure the outcomes of the Work Sharing program. The administrative data used in the analysis came from the HRDC EI Databank.

This report is the primary source of quantitative estimates for the effectiveness of the Work Sharing program in averting layoffs. It provides estimates of program participation, the extent of the work reduction, the monetary benefits of Work Sharing for employees and the extent to which Work Sharing is successful in averting layoffs. This analysis is expanded on in Section 3.

Focus Groups

Prairie Research Associates (PRA) conducted a set of 10 focus groups in five cities: Surrey; Winnipeg, Mississauga, Sherbrooke and Quebec City. In each city, two focus groups were held for comparison purposes; one with workers who had participated in Work Sharing, and one with workers who had been laid off and had collected EI benefits.

Each focus group consisted of roughly 10 participants who had participated in Work Sharing, or had been laid off, in the fourth quarter of 2002.[6] The list for those in the comparison group who had been laid off was also selected randomly, but from industries that were similar to the Work Sharing group.[7]

Overall, the focus group participants reflected fairly well the overall breakdown of Work Sharing participants in terms of demographics and broad industry. In any particular city however, participants tended to be concentrated in one industry, as there was typically one large Work Sharing agreement which accounted for the bulk of the participants.

The focus groups were set up to get the input and observations of the actual participants. The focus groups were intended primarily to identify and document the differences in experiences between workers who had been on Work Sharing and workers who had been laid off.

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6 It was intended that enough time would have elapsed so that respondents would have had time to experience the program, but not so much time that they would suffer from recall difficulties. Since the focus groups were conducted in May and June of 2003, roughly 6 to 9 months had elapsed since the commencement of a given worker's Work Sharing agreement or since their layoff. Therefore, some workers were in their last weeks of Work Sharing, while others had finished for some time.

7 This was fairly easy to do since the number of workers who had been laid off in any given city vastly outnumbered the number of Work Sharers in that city.

Review of Documents/Agreement Files

Malatest and Associates Consultants were contracted to undertake a review of the Work Sharing Agreement files. In this research, they reviewed roughly 200 agreement files and other relevant program documents, such as the Work Sharing Operations Guide.

A sample of some 200 agreement files were selected from a population of 3,543 files that were active between April 2000 and mid-October 2002. Of these, 40 files were with estimated values of greater than $500,000 or files that had been developed at HRDC's National Headquarters. The remaining 160 agreement files were randomly selected from the 3,503 files remaining in the population. Of the 200 requested files, 194 were usable and were provided to the consultant for the analysis.

The company application for the Work Sharing agreement is included in the file. This application provides the number of workers in the work unit, the proposed duration of the agreement, the proposed work reduction as well as an estimate by the employer of the number of layoffs that would occur without the program. In addition, the application also includes a company's business recovery plan, which indicates how the firm intends to return to full employment by the conclusion of the agreement. The recovery plans form a major focus of this report.

Key Informant Interviews

Applied Research Consultants (ARC) was contracted to carry out a set of key informant interviews. Key informants were the major decision makers among company executives, union representatives and HRDC program implementation personnel. ARC conducted 40 structured interviews with 10 executives from firms that had participated in Work Sharing, 10 employee/union representatives, six representatives from companies that had applied to the Work Sharing program but did not participate, and 14 HRDC program officers responsible for delivering the Work Sharing program.

Case Studies

Fair Findings was contracted to undertake a set of 25 detailed case studies of specific Work Sharing agreements. Each case study combined data from the agreement file, interviews with company representatives, union/employee representatives, and the HRDC program officer responsible for the file, as well as any other relevant information that could be collected on the company. The case study thus attempted to find out all relevant information on how a Work Sharing agreement was implemented and the outcome for workers and the company.

Evaluation Questions

The evaluation of the Work Sharing program was undertaken to provide evidence to answer certain key questions for judging the effectiveness of the program in achieving desired outcomes. The key evaluation questions are listed in Exhibit 1.1. The reporting of the evaluation results in this report refers to the questions in the order most relevant to the issues being discussed and not in the order that they appear in Exhibit 1.1. Nonetheless, the same question numbering is retained for consistency of reference.

Exhibit 1.1
The Evaluation Issues and Proposed Methodologies for the Evaluation of the Work Sharing Program

Evaluation Questions	Methodology
The Rationale for Work Sharing	
Q-1: Is the rationale of the Work Sharing program still relevant and why?	Document/Agreement File Review Literature Review
Q-2: Are the activities and outputs of the Work Sharing program consistent with its mandate and can they be plausibly linked with the program objectives and intended effects?	Document/Agreement File Review Literature Review
Objectives and Achievements	
Q-3: Is Work Sharing preventing temporary layoffs?	Analysis of Administrative Data Key Informant Interviews Case Studies Incrementality Study
Q-4: Does Work Sharing reduce the length of time unemployed for program participants?	Analysis of Administrative Data Focus Groups
Q-5: What is the nature and extent of abuse/misuse of the Work Sharing program?	Analysis of Administrative Data
Program Impact and Effects	
Q-6: What is the cost of Work Sharing to the EI account, relative to layoffs?	Analysis of Administrative Data Key Informant Interviews
Q-7: What are the monetary benefits for the participating Work Sharing employees, relative to layoff?	Analysis of Administrative Data Focus Groups
Q-8: What are the non-monetary benefits of Work Sharing?	Focus Groups Literature Review Analysis of Administrative Data Key Informant Interviews
Q-9: What are the role and implications of Work Sharing for skills training?	Key Informant Interviews Focus Groups Literature Review Case Studies
Alternatives to Work Sharing	
Q-10: How effective is Work Sharing when compared to other existing or possible programs directed at preventing layoffs?	Literature Review
Q-11: How does Canada's Work Sharing program compare to work sharing policies in other countries?	Literature Review

Exhibit 1.1 (continued) **The Evaluation Issues and Proposed Methodologies for the Evaluation of the Work Sharing Program**	
Evaluation Questions	**Methodology**
Program Delivery Issues	
Q-PD1: For which industrial sectors and types of firms is Work Sharing appropriate?	Document/Agreement File Review Key Informant Interviews Case Studies
Q-PD2: Does the cyclical nature of Work Sharing use create program delivery problems?	Key Informant Interviews Internet Survey of Managers Document/Agreement File Review Case Studies
Q-PD3: Are HRDC program officers accurately assessing business recovery plans of companies participating in Work Sharing?	Key Informant Interviews Document/Agreement File Review Case Studies Internet Survey of Managers
Q-PD4: What program options can be implemented to streamline the Work Sharing application/approval process?	Key Informant Interviews Document/Agreement File Review Internet Survey of Managers Case Studies

2. Work Sharing Program Description

2.1 What is Work Sharing?

As noted above, Work Sharing was introduced to reduce the number of temporary layoffs by sharing the available work among all of the workers of the Work Sharing unit. Participating employees are partially compensated for their lost hours of work with EI benefits.

How does the program work? In a highly simplified format, suppose that a company has 100 workers and it must reduce output by 20 percent temporarily, either because of a recession or other events. To do so, it could lay off 20 workers or reduce the normal working week from 5 to 4 days for all 100 workers. With the Work Sharing program, HRDC encourages companies and their employees to choose the second option.

By choosing Work Sharing, both the companies and employees involved are expected to benefit. Companies retain their skilled employees minimizing hiring and training costs; employees receive EI benefits for the days of lost employment. Specifically, if each worker normally earns $500 per week, participating employees will receive $400 per week from their employer and $55 from EI (55% of $100). As a result their weekly earnings will be reduced by $45.

2.2 Why Work Sharing?

Q-1: Is the rationale of the Work Sharing program still relevant and why?

Both the occupational and industrial structure of Canada's economy and Canadian labour markets have changed significantly over the last 25 years since the Work Sharing program was first introduced. Nonetheless unemployment remains a continuing economic challenge and policy concern for Canadians. Work Sharing was introduced as a program to help both companies and employees to adjust to both economic demand and supply shocks. This need to lessen unemployment and the human costs associated with unemployment remains just as much a major policy goal today as it was in the past.

However, it has been often noted that the composition and nature of unemployment has been changing. For example, recent research in the United States indicates that temporary layoffs as a share of total layoffs is declining[8]. If the same trend held true for Canada, this suggests a reduced need for the Work Sharing program in time. However, as the analysis shows below, the use of the Work Sharing program is very low given the number of job separations in Canada each year and thus there is still considerable room for the program take-up to increase.

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8 Erica L. Groshen and Simon Potter, "Has Structural Change Contributed to a Jobless Recovery?" *Current Issues in Economics and Finance*, Federal Reserve Bank of New York, August 2003.

The review of labour market policy literature identified potential benefits and costs of policies and programs to reduce layoffs. There was nothing in the existing scientific literature that would suggest that the rationale for averting layoffs is any less relevant today than it was at the program's inception. A discussion of some of these potential costs and benefits would highlight the continuing relevance of the Work Sharing program.

A voluminous scientific and policy literature shows that unemployment is associated with a wide range of lifestyle challenges such as increased stress, aggression, alcoholism and reduced physical activity. The economic literature also shows that the longer a worker is unemployed, the more likely will her job skills deteriorate and the tougher it will be to find new employment. If workers participate in Work Sharing as opposed to being laid off, they will earn a much higher income and also avoid many of the socio-economic and psychological stresses associated with a period of unemployment. It is more likely that they will maintain their job-specific skills than in the case of prolonged layoff.

A potential drawback of the Work Sharing program is that it may give workers a false sense of security. Had the worker been laid off, she might have immediately begun looking for new work or began training courses. However, under Work Sharing, since the worker expects to return to full working hours, she may delay looking for new employment or commencing training programs. Therefore, work sharing programs could lead to a less responsive labour adjustment process. This is part of the reason why the Work Sharing program is mainly intended to be used in the case of *temporary* layoffs, since in the case of a permanent layoff, the worker should almost certainly begin looking for new work immediately.

For a company, the primary benefit of the Work Sharing program is that it can keep its skilled work force intact. Some workers who are laid off may no longer be available for recall when the firm is ready to return to full output, as they will have found other work. That increases a firm's rehiring and training costs, which tend to increase further if the affected workers are more skilled. Indeed, Siedule et al. found that as the skill level of the work unit increased, the firm was more likely to use work sharing as opposed to layoffs.[9] The firm may also benefit from increased flexibility when the time comes to increase production. This is because employee hours can often be increased more quickly than workers can be rehired or trained.

Another possible intangible benefit for a company is that with Work Sharing decreasing the likelihood of layoffs, employee morale may well increase. This could eventually translate into productivity improvements for companies.

For Canadian society, the primary benefit of work sharing programs is that they help to reduce unemployment. In turn, this would reduce the negative health and social impacts on society that were noted above, as well as what are likely quite significant costs.

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[9] Siedule, Tom, Carole Guest, and Ging Wong, "Economic Activities and the Demand for Work Sharing in Canada," *Working Time in Canadian Perspective*, Volume 1, Kalamazoo, MI: W.E. Upjohn Institute. 2001

Q-2: Are the activities and outputs of the Work Sharing program consistent with its mandate and can they be plausibly linked with the program objectives and intended effects?

One of the challenges in answering this question arises from the fact that a Results-based Management Accountability Framework (RMAF) has never been written for the Work Sharing program. Therefore, the linkages between activities and outputs to objectives and intended effects have never been clearly delineated and few indicators of program success have been established.

In spite of the lack of a program RMAF, the program documentation clearly indicates that averting temporary layoffs is the primary objective of Work Sharing. Indeed the evidence collected in this evaluation suggests that the program operates to a large extent as intended.

The review of the Work Sharing agreement files indicates that the vast majority of agreements are negotiated and decided for reasons that seem consistent with the mandate of the program. For example, some 80 percent of agreements show that the applying companies cited economic downturns as their reason for requiring Work Sharing. Likewise, consistent with the program's mandate, there was little evidence that firms providing seasonal employment were accessing the program. Indeed there was very little evidence of repeat use of the program by either companies or individual employees. Further, in virtually all Work Sharing files reviewed, the companies indicated that the economic downturn was expected to be temporary in nature and that, given time and effort on their part, they could restore their business.

2.3 How is Work Sharing Implemented in Canada?

When facing a short-term layoff situation, the employers can apply for the Work Sharing program at the local HRDC office level. In order for employers to qualify for the Work Sharing program, they must satisfy the basic eligibility criteria:

- The employer must have been in business in Canada for two years;
- There must be a minimum of two employees in the unit;
- The shortage of work must be beyond the control of the employer;
- The shortage of work cannot be due to seasonal factors; and
- The employer must have the consent of all employees in the Work Sharing unit either through their union, or if there is no union, through the employees themselves.

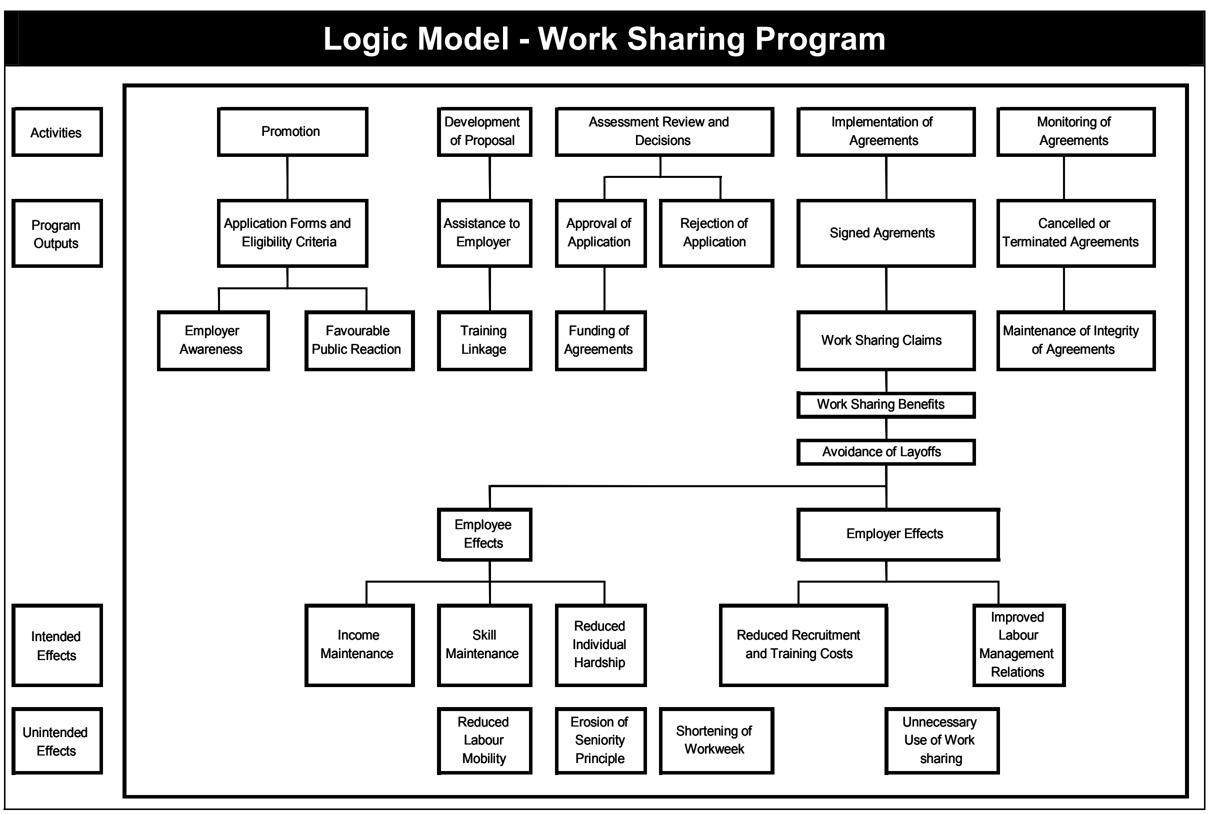
To participate, the employer must maintain significant work activity over the life of the Work Sharing agreement. The anticipated hours of work for the participating Work Sharing employee must drop at least 20 percent and, at most, 60 percent from their normal levels (roughly one to three working days for a full-time worker). The minimum duration of a Work Sharing agreement is 6 weeks and the maximum duration is

26 weeks. Under exceptionable circumstances, the Work Sharing Agreement can receive an extension to 38 weeks.

To be accepted, the company must provide a "recovery plan" to HRDC, which explains why the work reduction is unavoidable, and what the employer intends to do to return to normal employment levels. The employer must also show why the layoffs are expected to be temporary and not due to recurring seasonal developments. Note that a company does not apply for all of its employees; the company can apply for only a selected group of employees (for example, employees who work in shipping and receiving or employees who are product assemblers).

In turn, for individual employees to be qualified for EI Work Sharing benefits, they must be qualified to receive regular EI benefits. However, unlike the case for regular EI benefits, the two-week waiting period prior to drawing regular benefits is waived. If these workers are laid off following the Work Sharing program, they are still fully entitled to regular EI benefits, and the normal EI rules apply. In such cases, the employees must then serve the two-week waiting period before collecting EI benefits. *The amount of time that they are entitled to EI benefits will not be affected by their prior use of the Work Sharing program.*

The following program model (or logic model) roughly identifies the major linkages between activities within the Work Sharing program and the achievement of its outcomes and major impacts. The Work Sharing program structure and operation have not changed to any great extent since the program was first introduced, although the actual EI entitlement and benefit calculation rules have changed with changes to the EI system.



The way the Work Sharing program operates is roughly delineated in the program logic model. The logic model outlines the set of program activities, which in turn produce a set of program outputs that lead to a set of intended effects for individuals and the labour market as well as a set of unintended effects. For example, a set of program activities (e.g. development and implementation of Work Sharing agreements) are carried out by HRDC staff. This leads to various program outputs (e.g. the number of Work Sharing agreements and Work Sharing EI benefit claims). These activities and outputs result in intended effects (e.g. reduced layoffs, reduced individual hardship) as well as unintended effects (e.g. reduced labour mobility, shortening of the work week). It is identifying and measuring the intended and unintended effects that any program must be evaluated.

2.4 The Usage of Work Sharing

Exhibit 2.1 presents the basic statistics of the Work Sharing program between 1990-91 and 2001-02. It is apparent that Work Sharing claims as the proportion of all job separations (as measured through Records of Employment received by the EI program) is quite low even during recessions. More specifically, Exhibit 2.1 shows that:

- In an average year, 36,219 individuals started a Work Sharing claim.[10] However, there is considerable variation over time. The number of participants ranged from a low of 7,683 in 1997-98 to a high of 112,357 in 1990-91;
- The corresponding average annual number of layoffs attributed to a shortage of work was about 3 million a year, and approximately one half of these layoffs resulted in an EI claim. This means that the number of Work Sharing claims is only 1.2% of all layoffs and 2.4% of all EI claims attributed to a shortage of work – although these rates were three times as high at the start of the 1991 recession.

Exhibit 2.1 also shows a number of interesting comparisons between Work Sharing claims and regular EI claims due to a shortage of work:

- The duration of Work Sharing claims is just over one-half as many weeks as regular claims (11.8 vs. 21.3 weeks). This is consistent with the Labour Force Survey result that the duration of temporary layoffs is about one-half as long as the duration of all layoffs;
- Work Sharing weekly benefits are about one-third of regular weekly benefits ($87 vs. $258). Work Sharing participants are unemployed only part of the week and, as a result, just receive partial benefits.

[10] A Work Sharing claim is considered to have started in the first week in which benefits were paid.

Exhibit 2.1

Basic Estimates: Work Sharing claims vs. layoffs due to work shortage

Fiscal Year	Work Sharing EI claims[1]			Layoffs due to work shortage[2]				WS claims as a % of ROEs due to work shortage	WS claims as a % of EI claims due to work shortage
	No. of new claims	Average weeks of benefits[3]	Average weekly benefit amount	No. of ROEs due to work shortage	No. of regular EI claims[4]	Average weeks of benefits	Average weekly benefit amount		
1990-91	112,357	13.1	$80	3,186,360	1,694,376	25.3	$242	3.5%	6.6%
1991-92	105,963	12.8	$84	3,170,594	1,880,689	26.0	$250	3.3%	5.6%
1992-93	55,900	12.6	$89	2,980,929	1,877,181	25.6	$257	1.9%	3.0%
1993-94	29,851	11.4	$85	2,875,923	1,735,127	24.4	$251	1.0%	1.7%
1994-95	11,214	11.9	$81	2,795,162	1,559,182	20.8	$251	0.4%	0.7%
1995-96	18,160	10.8	$80	2,912,484	1,615,407	20.1	$254	0.6%	1.1%
1996-97	11,522	10.6	$84	2,939,710	1,485,865	19.7	$250	0.4%	0.8%
1997-98	7,683	11.1	$92	3,093,438	1,376,007	19.4	$255	0.2%	0.6%
1998-99	13,115	12.3	$99	3,107,158	1,361,488	18.8	$261	0.4%	1.0%
1999-00	7,965	10.1	$86	2,937,410	1,254,747	18.4	$263	0.3%	0.6%
2000-01	14,222	12.1	$89	3,040,272	1,252,915	18.2	$278	0.5%	1.1%
2001-02	46,678	12.3	$89	3,115,480	1,359,753	18.8	$287	1.5%	3.4%
Average	36,219	11.8	$87	3,012,910	1,537,728	21.3	$258	1.2%	2.4%

(1) WS claims are EI claims type 6 (Work Sharing) with at least $1 of benefits. They are shown here in the fiscal year in which the first week of WS benefits was paid.

(2) Layoffs due to work shortage are based on ROEs type A (work shortage). They are shown here in the fiscal year in which the job terminated.

(3) Number of regular EI claims (type 1). Estimates of the weeks of benefits and corresponding benefit amounts are based on all benefit weeks, even if they continued into the next year. Weeks of zero benefits are excluded from the average.

(4) Individuals who had a Work Sharing claim in the period 1990-2001 were excluded.

Source: Data Probe Economic Consulting Inc. using the HRDC EI Database

Exhibit 2.2, in turn, presents the industrial, regional and demographic characteristics of Work Sharing EI benefits. Most of the percentages below compare individuals with Work Sharing claims as a percentage of all similar individuals with regular EI benefit claims. The majority of participants (67%) in the Work Sharing program were employed in the manufacturing sector. The incidence of Work Sharing in manufacturing was almost four times as high as in the entire work force (8.4% vs. 2.3%). The incidence of Work Sharing was also relatively high in the wholesale trade sector (4.9%). A possible reason for the heavy concentration of Work Sharing in manufacturing and wholesale trade is that the design of the program targets non-seasonal and relatively skilled permanent type jobs. The workers in these jobs must be substitutable to some extent so that they can share the work through reduced hours.

The incidence of Work Sharing is highest in Ontario (3.6%), followed by Quebec. These two provinces accounted for almost three quarters of all participants in Work Sharing, which also reflects the concentration of manufacturing in these provinces. The incidence of Work Sharing was lowest in Atlantic Canada (0.7%).

A number of additional characteristics are also revealed in Exhibit 2.2:

- The incidence of Work Sharing is somewhat higher for men than women (2.6% vs. 2.0%). This may well be because the Work Sharing program is most applicable in the manufacturing production-type and distribution-type jobs where men are over-represented. In order for companies to choose Work Sharing as an option to deal with slowdowns, there needs to be a certain amount of substitutability among workers but these workers must have skills that the companies want to preserve. That is to say, the work hours of the work unit need to be interchangeable with the number of workers in the unit. This may be more common in industries where a large number of workers perform similar technically-skilled jobs, such as in manufacturing production. Thus the under-representation of women in manufacturing and thus the Work Sharing program may be due in at least some measure to factors concerning their work functions and occupations.

- Work Sharing use was higher for those with above-average insurable earnings (2.6% vs. 2.1%). This may be because the workers participating in Work Sharing programs are retained for their in-house skills and are generally permanent year-round employees. These employees are generally found in the upper range of the industrial wage distribution.

- The incidence of Work Sharing was similar across different age groups, with the exception of individuals aged under 25 (1.7%). This may be attributed to the fact that younger workers have fewer in-house skills and less experience than their prime-aged (25 to 54) co-workers. Indeed, young workers are usually among the first to be laid off in any production slowdowns.

Exhibit 2.2
Characteristics of Work Sharing participants, 1990-2002

	No. of regular EI claims[1]	Number of Work Sharing claims[2]	Percentage distribution of WS claims	Incidence of WS by characteristics
Industry				
Primary	1,538,251	5,083	1%	0.3%
Manufacturing	3,599,445	303,934	67%	8.4%
Construction	3,210,819	13,851	3%	0.4%
Trans/Commun.	1,113,025	8,536	2%	0.8%
Wholesale	894,731	44,235	10%	4.9%
Retail	1,548,775	24,832	5%	1.6%
Finance/Real estate	488,331	8,107	2%	1.7%
Business service	1,103,164	26,834	6%	2.4%
Government service	1,159,662	2,570	1%	0.2%
Education/Health	2,119,543	1,674	0%	0.1%
Personal services	2,557,359	15,325	3%	0.6%
Missing	421,913	3,866	N/A	N/A
Province				
Atlantic	3,327,693	22,447	5%	0.7%
Quebec	6,451,241	146,681	32%	2.3%
Ontario	5,153,794	185,053	40%	3.6%
Prairies	2,395,466	52,684	11%	2.2%
BC	2,426,823	51,982	11%	2.1%
Sex				
Male	12,051,913	308,358	67%	2.6%
Female	7,703,104	150,489	33%	2.0%
Age				
Under 25	3,000,379	49,773	11%	1.7%
25-34	6,152,770	151,377	33%	2.5%
35-44	5,335,390	134,286	29%	2.5%
45-54	3,507,965	84,276	18%	2.4%
55+	1,758,513	39,135	9%	2.2%
Hourly or weekly insured earnings				
Below mean	11,131,418	236,027	51%	2.1%
At/above mean	8,623,599	222,820	49%	2.6%
All	19,755,017	458,847	100%	2.3%

(1) All regular EI claims of individuals with no Work Sharing claim in 1990-2002 and reason for job loss is layoffs.

(2) All Work Sharing claims (claim type=6) in 1990-2002.

Source: Data Probe Economic Consulting Inc. using the HRDC EI Database

2.5 Implementation in Other Countries

Q-11: How does Canada's Work Sharing program compare to work sharing policies in other countries?

The Work Sharing program is not unique to Canada. It has also been adopted in different formats in other countries. Canada's version of Work-Sharing is somewhat similar to programs that some American states have (e.g. California, Arizona and Oregon) as part of their unemployment insurance systems, but with noteworthy differences. Where they exist, the details of those state government programs differ from state to state.

Under most, if not all, of the state programs, workers who collect work sharing benefits face decreased benefits, if they subsequently apply for regular insurance benefits (e.g. a dollar for dollar reduction in California). Another difference is that employer insurance premiums in most states, such as California, are experienced-rated – the employer pays a higher premium based on their employees' previous receipt of insurance benefits. In other states, such as Oregon, employers are not required to continue with non-wage benefits (vacation pay, health benefits, etc.) when participating in a Work Sharing program.

Participation in the work sharing programs is comparable between Canada and the United States and relatively low as compared to regular EI claims in both countries.

Several European countries also have Work Sharing programs that are somewhat similar to what is found in Canada. Note that it is important to distinguish between what are truly long term Job Sharing programs in Europe from what would be considered Work Sharing programs in Canada. Many European countries have job sharing programs that are designed to distribute the available work among all employees on a long term basis. Nevertheless, Work Sharing programs in the sense of sharing the available work among the existing employees on a temporary basis are an integral element of labour force adjustment mechanisms in many of these same European countries.

European participation in these programs is much higher than that in Canada. This may be largely due to the fact that labour markets are much more heavily regulated in Europe than in Canada. Countries such as France and Germany have many more government-imposed rules and restrictions on notice and severance pay, as well as government review procedures. These limit the ability of companies to lay off workers, make those layoffs much more costly and make participation in work-sharing schemes a more attractive option when faced with production slowdowns.

3. Program Impacts

3.1 Work Sharing as a Way to Reduce Layoffs

Q-3: Is Work Sharing preventing temporary layoffs?

This evaluation attempted to measure the actual impact of the Work Sharing program in delaying or preventing layoffs. Ideally, this would require that the evaluators compare the economy with the HRDC Work Sharing program in place (the reality) to an economy with no HRDC Work Sharing program (the hypothetical counterfactual) to fully measure the incrementality of the program. Obviously this is not possible, so evaluators have adopted different quantitative and qualitative methods to attempt to measure the effect for employment in Canada. The following discussion summarizes the evidence collected through both quantitative administrative data analysis and the qualitative evidence collected through focus groups, interviews and case studies.

Administrative Data Analysis

The most important quantitative evidence is derived from HRDC's own administrative data files.

The study of the administrative data was undertaken by Data Probe Economic Consulting.[11] Each year, an average of 36,219 employees participated in the Work Sharing program between 1990-91 and 2001-02. These employees, on average, worked 29 per cent fewer hours than normal while on the Work Sharing program. Of the Work Sharing participants, roughly three out of ten would have been laid off their jobs while the Work Sharing agreement was in place. In this estimation, an average of 10,302 workers kept their jobs each year because of the Work Sharing program. The basic calculations of the number of layoffs initially avoided are shown in Exhibit 3.1.

[11] The administrative data used in this evaluation study was the EI Databank and in particular the Record of Employment (ROE) datafile and the Status Vector (STVC) datafile. The ROE datafile was used to identify participants in the Work Sharing program and a comparable group of workers who lost their jobs due to a shortage of work. These individuals were then linked to the STVC header and trailer files to determine if they claimed EI benefits following the termination of the Work Sharing agreement and other characteristics. The reader is referred to Data Probe's technical report for a detailed discussion.

Exhibit 3.1 Number of layoffs that were initially avoided through Work Sharing							
Fiscal year	**No. of WS claims**	**Average weeks of WS benefits**	**Average weekly earnings before Work Sharing**	**Average weekly benefit rate[1]**	**Average weekly WS benefit**	**Average work reduction rate[2]**	**No. of layoffs initially avoided[3]**
1990-91	112,357	13.1	$503	$277	$80	29%	32,524
1991-92	105,963	12.8	$543	$298	$84	28%	29,697
1992-93	55,900	12.6	$571	$314	$89	28%	15,866
1993-94	29,851	11.4	$553	$304	$85	28%	8,370
1994-95	11,214	11.9	$497	$273	$81	30%	3,316
1995-96	18,160	10.8	$512	$281	$80	28%	5,172
1996-97	11,522	10.6	$515	$283	$84	30%	3,399
1997-98	7,683	11.1	$557	$306	$92	30%	2,318
1998-99	13,115	12.3	$590	$324	$99	30%	3,997
1999-00	7,965	10.1	$548	$302	$86	28%	2,264
2000-01	14,222	12.1	$563	$309	$89	29%	4,100
2001-02	46,678	12.3	$600	$330	$89	27%	12,597
Average	36,219	11.8	$546	$300	$87	29%	10,302

(1) The weekly EI benefit rate that claimants would have received if they did not work while on claim (normally equal to 55% of weekly insurable earnings)

(2) Average EI weekly Work Sharing Benefits/EI benefit rate.

(3) The number of layoffs that were initially avoided equals the number of work sharing claims, times the average work reduction rate.

Source: Data Probe Economic Consulting Inc. using the HRDC EI Database

However, that is not the final word on the number of layoffs eventually averted by the work-sharing program. It was also necessary to determine how many of these 10,302 workers were eventually laid-off once the Work Sharing program came to an end. This estimate depends on how long after the program termination one looks to measure the unemployment of these employees. The longer the time period selected, the weaker the link that would exist between the Work Sharing program and the number of averted layoffs. The time frame selected is somewhat arbitrary, but Data Probe selected two key potential cut-off dates at 26 weeks (equivalent to the normal limit for a Work Sharing agreement), and 38 weeks (equivalent to the length of an extended Work Sharing agreement).

By examining the EI administrative records to determine which of the Work Sharing employees were laid off subsequently, Data Probe found that, on an average annual basis over the 1990-91 to 2001-02 period, 5,218 of the Work Sharing participants claimed regular benefits within 26 weeks of the termination of their Work Sharing agreements and 6,973 claimed EI benefits within 38 weeks. These calculations are duplicated in Exhibit 3.2.

Exhibit 3.2
Number of layoffs that were averted through Work Sharing for at least a minimum time

Fiscal Year	No. of layoffs initially avoided	Claimed regular EI within:[1]		Percent averted for at least:[2]	
		26 weeks	38 weeks	26 weeks	38 weeks
1990-91	32,524	19,599	26,233	40%	19%
1991-92	29,697	17,245	22,870	42%	23%
1992-93	15,866	7,577	10,722	52%	32%
1993-94	8,370	3,029	4,233	64%	49%
1994-95	3,316	1,538	2,206	54%	33%
1995-96	5,172	2,245	2,950	57%	43%
1996-97	3,399	996	1,371	71%	60%
1997-98	2,318	1,037	1,385	55%	40%
1998-99	3,997	1,466	2,035	63%	49%
1999-00	2,264	843	1,032	63%	54%
2000-01	4,100	2,552	3,048	38%	26%
2001-02	12,597	4,489	5,587	64%	56%
Average	10,302	5,218	6,973	49%	32%

(1) Received regular EI benefits (type 1) within 26, 38 or 52 weeks of the last week of WS benefits.

(2) Averted layoffs equal initially avoided layoffs, minus regular claims within a certain period following the end of Work Sharing. Averted layoffs are expressed as a percentage of initially avoided layoffs.

Source: Data Probe Economic Consulting Inc. using the HRDC EI Database

In summary, the analysis of the HRDC administrative data shows that the Work Sharing program while in place avoids some 10,302 layoffs but that over time the number of layoffs averted declines substantially. However, it should be noted that these averages are weighted towards 1990 and that performance has improved since 1996.

Agreement File Review

To what extent is this administrative analysis supported by the documentation of the individual Work Sharing agreement files? The evaluation undertook a review of some 200 agreement files that were implemented in the years 2000 to 2002. The extent to which Work Sharing averted any company layoffs could not be determined based on the available information contained in these files. None of the agreement files contained any follow-up information about the companies retaining or laying off workers beyond the agreement period. In most cases, any monitoring information provided in the agreement files was found to be in terms of process rather than outcomes (e.g. whether the EI cards are being collected and filled out properly).

However, the files did contain some information that layoffs did occur for those companies that applied for an extension of their original agreements from 26 weeks to 38 weeks. The file review found that four of ten companies that applied for agreement extensions reported a reduced number of employees subsequent to the original application for Work Sharing. For the affected companies, the average reduction was roughly 9.0 per cent of the company work force between the initial agreements and the extended agreements so that the initial Work Sharing agreements had only delayed their layoffs.[12]

Interviews with Key Informants

The qualitative evidence from the interviews with key informants and the case studies as to whether the Work Sharing program prevents layoffs is much more mixed. First, in their interviews with the key decision makers (including company executives, union representatives and HRDC program officers), Applied Research Consultants found that these key informants generally reported that without the Work Sharing agreement, their companies would have laid off a significant number of their skilled employees.

However, these key informants also consistently reported that permanent layoffs following a Work Sharing agreement with a company were rare. This was especially reported by both the company executives as well as the HRDC program officers who have the widest exposure to the complete range of Work Sharing agreements within their jurisdictions. Note these officers generally only monitor the agreements for the period they are active. They do indicate, however, that partial layoffs do sometimes occur. By 'partial' they mean that a proportion of the estimated initial layoffs at the time of the company application lose their jobs following the agreement.

The interviews with the key decision makers in the Work Sharing program contradict to some extent the administrative data analysis. However, it should be noted that the HRDC program representatives did not do any formal outcome monitoring of layoffs after the Work Sharing agreements were completed.

Case Studies

Fair Findings undertook case studies of 25 specific Work Sharing agreements and found some evidence that layoffs occurred under these agreements. The case studies showed that as many as one-third of companies laid off workers before they entered into a Work Sharing agreement. What is most relevant, however, is how many of the companies laid off participating employees while a Work Sharing agreement was in place and in the period immediately following the agreement termination. The case study evidence indicates that four companies laid off workers during the agreement period.[13] Three of these same companies plus one other also laid off workers in the period immediately following the termination of the Work Sharing agreements. In total, five of the 25 companies laid off some employees either during or after the Work Sharing agreement.

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[12] The reason for this decline in employment is not known. The decline is not necessarily the result of layoffs. It may be for normal attrition reasons as employees change jobs and retire or the employees may be re-assigned within the company.

[13] The number of employees laid off in these cases is very small in absolute number and from discussions Fair Findings indicates that these were individual layoffs mutually agreed between the companies and employees.

It should be noted that there were no bankruptcies among these companies;[14] the layoffs took place because of company restructuring. The case study evidence thus shows that companies did lay off some workers and this supports the administrative data analysis findings.

> *Q-4: Does Work Sharing reduce the length of time unemployed for program participants?*

Both the quantitative evidence and the case studies indicate that layoffs do occur following a Work Sharing Agreement. By participating in a Work Sharing agreement, the employee knows that his employing company is having difficulties. Knowing this, a possible benefit of Work Sharing that may occur for laid off employees is that the employee will search more actively for a new job with his extra time off because of the uncertainty concerning whether the employer's business would recover.

Administrative Data Analysis

To examine this question, Data Probe compared the length of the period that laid-off Work Sharing participants claimed benefits to regular EI claim beneficiaries without Work Sharing. If the participation in Work Sharing led to shorter periods of unemployment, the length of time that Work Sharing participants collected benefits would be shorter.[15]

This research showed that over the 1990-91 to 2001-02 period, laid-off Work Sharing participants collected EI benefits for an average 22.7 weeks whereas, regular EI claimants who were laid off collected EI benefits for 21.5 weeks on average – contrary to what was expected. A more detailed statistical analysis, however, showed that this small difference was not significant.

Thus the statistical analysis of the HRDC administrative data offers no support for the thesis that participating in the Work Sharing program will shorten any subsequent period of unemployment. This conclusion is supported indirectly by the focus group discussion with the Work Sharing participants.

Focus Groups

The focus group participants reported that they did not search for another job on their Work Sharing downtime. They used their downtime for leisure activities or for other home activities. They did not look for other jobs for many reasons: they did not consider themselves to be unemployed; they did not want to leave their current employer; some reported a belief that Work Sharing program participation meant they could not look for

[14] All the companies selected to be case studies cooperated with the researchers and provided the requested information. All the companies were still in business but one of the companies did indicate that it had closed the plant.

[15] This analysis must be qualified however. It is hard to compare the two groups as they were laid off at different times and often for different reasons.

other work.[16] Others reported that because downtime was not regularly scheduled in their cases (e.g., every Monday), this worked against job search or seeking a second or part-time job to make up for their lost incomes.

However, it should be noted that the focus group participants were either still participating in the program or had returned to full-time regular hours with their employer. The focus groups would not have included any participants who had searched for, and taken, a new job. Indeed some focus group participants reported that co-workers had used their downtime for successful job searches.

Q-5: What is the nature and extent of abuse/misuse of the Work Sharing program?

The Work Sharing program has been designed for dealing with non-recurring temporary fall-offs in demand or interruptions in production to help employees keep their jobs and companies to keep their skilled workers. The program is not to be used by companies for seasonal slowdowns or regularly scheduled production slowdowns for maintenance and retooling purposes. Using the Work Sharing program for these purposes would be considered misuse. The evaluation of the administrative evidence, however, found little evidence of any program misuse in this sense.[17]

The possibility of misuse is suggested as the quarterly pattern in the Work Sharing participation is quite pronounced.[18] Participation tends to be greatest during the first and last quarters of each year (the October to March period) and lowest during the second and third quarters (the April to September period). Indeed the evaluation shows that the quarterly pattern of Work Sharing demonstrates even more seasonality than associated with regular EI claims.

To explore this issue further, Data Probe examined the repeat use of EI by both Work Sharing claimants and regular claimants over the 1990-2002 period. A large majority (84%) of the Work Sharing participants claimed Work Sharing benefits just once in the ten-year period. Only 2.5% of the Work Sharing participants claimed EI benefits three or more times in the same period, compared to some 40% of the regular EI claimants.[19] This result strongly indicates that the Work Sharing program is being used, as intended, for non-recurring slowdowns.

Q-10: How effective is Work Sharing when compared to other existing or possible programs directed at preventing layoffs?

The Work Sharing program is only one of a broad range of programs that can be used to reduce unemployment. These other programs cover a broad range of interventions from changing tax incentives to introducing much stricter labour laws and regulations on

[16] In fact, they could take another job but earnings received from sources other than Work Sharing employment, in excess of an amount equal to $50 or 25% of the claimant's rate of benefit, would be deducted from the Work Sharing benefits payable in that week.

[17] This evaluation did not look for "abuse" in the operational sense of companies or individuals misrepresentations of utilization or outright fraudulent claims.

[18] In many years, it can be argued that participation was so low that it is anomalous. Seasonality (or the lack thereof) would thus be meaningless in these years.

[19] Again, the two groups of claimants are not fully comparable in that the group of regular EI claimants would likely include a significant number of seasonal workers.

layoffs. Many of these other programs and policies have not been implemented in Canada, and no evaluations of their effectiveness were available. However, it is clear from the above that the Work Sharing is effective in averting or delaying layoffs. There is no reason to believe that any of the other programs would work better than Work Sharing in preventing layoffs in the cases where it is used.

3.2 The Impact on Worker Well-being

Q-7: What are the monetary benefits for the participating Work Sharing employees, relative to layoff?

Data Probe assessed the monetary impacts of Work Sharing for participants between 1990-91 and 2001-02 using HRDC administrative data. The results are replicated in Exhibit 3.3. On average over the period, Work Sharing participants had weekly insured earnings of $546.[20] Since the average duration of Work Sharing was 11.8 weeks, if the workers had worked full time over this period, they would have earned an average of $6,421.

Under Work Sharing, the average worker experienced a 29% reduction in work (Exhibit 3.1). They therefore earned 71% of their normal wage earnings during the Work Sharing period, as well as Work Sharing benefits in the time off, for total earnings of $5,588 during the 11.8 week period, or 87% of their normal insured earnings for that same period. Had they been laid off for this time, they would have earned nothing for the first two-week waiting period, and $300 per week (55% of their average weekly insured earnings) thereafter for a total of $2,931, or 46% of their normal insured earnings.[21] Clearly the incomes of participants are significantly higher than if they were unemployed.

These increased earnings under Work Sharing made a significant difference in the lives of program participants. In focus groups, workers who had participated in Work Sharing were not happy to receive lower incomes but reported that they were able to cope with the decrease in their earnings. Indeed, some focus group respondents reported that their take-home pay was virtually unaffected by participation in the Work Sharing program. Some focus group respondents reported cutting back on their spending on non-essentials and that they were able to adjust without significant hardship. It should be noted that many of the participants were unhappy that they had to make tax payments on their weekly benefits. Income taxes are not deducted from their Work Sharing benefits and their additional tax liability often came as a surprise to participants when they did their yearly taxes.

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20 The EI database contains data only on insured earnings and not actual earnings. Using insured earnings as a proxy for actual earnings understates both actual earnings and the decrease in earnings.

21 This assumes workers do not work while on claim, which would obviously increase their earnings while on EI. Likewise, however, the analysis assumes that Work Sharers are not working outside of their Work Sharing job.

The focus group participants who had been laid-off told a much different story. The respondents reported that they had to significantly cut back on their spending. They reported difficulties in making monthly payments, such as mortgage or car payments. Some reported having to rely on credit cards and other sources of credit, thus incurring even more debt and using up their savings. Some respondents even reported use of food banks and selling off assets. Those unemployed participants who were the primary income earners in their households were more affected than those in two-income families. This hardship tended to increase with the length of the unemployment.

Exhibit 3.3
Impact of Work Sharing on Participants' Total Income During Work Sharing

Fiscal year	Total income during the same period if there was no need for work reduction			Total income during the work reduction period: With Work Sharing				Total income during the work reduction period: Without Work Sharing		
	Average weekly insured earnings	Duration of Work Sharing or temporary layoff	Total income through-out the period	Reduced average weekly insured earnings	Average weekly WS benefits	Total income through-out the period	Total income as a % of no need for layoffs	Average weekly regular EI benefits[1]	Total income throughout the period[2]	Total income as a % of no need for layoffs
1990-91	$503	13.1	$6,596	$358	$80	$5,737	87%	$277	$3,074	47%
1991-92	$543	12.8	$6,933	$391	$84	$6,059	87%	$298	$3,216	46%
1992-93	$571	12.6	$7,183	$409	$89	$6,266	87%	$314	$3,323	46%
1993-94	$553	11.4	$6,324	$398	$85	$5,526	87%	$304	$2,870	45%
1994-95	$497	11.9	$5,916	$350	$81	$5,129	87%	$273	$2,707	46%
1995-96	$512	10.8	$5,531	$366	$80	$4,822	87%	$281	$2,479	45%
1996-97	$515	10.6	$5,486	$363	$84	$4,757	87%	$283	$2,450	45%
1997-98	$557	11.1	$6,180	$389	$92	$5,341	86%	$306	$2,786	45%
1998-99	$590	12.3	$7,252	$410	$99	$6,257	86%	$324	$3,340	46%
1999-00	$548	10.1	$5,541	$393	$86	$4,833	87%	$302	$2,444	44%
2000-01	$563	12.1	$6,796	$400	$89	$5,914	87%	$309	$3,119	46%
2001-02	$600	12.3	$7,374	$438	$89	$6,478	88%	$330	$3,395	46%
Avg.	$546	11.8	$6,421	$389	$87	$5,588	87%	$300	$2,931	46%

(1) 55% of insurable earnings

(2) Weekly EI benefits, times duration of layoff minus 2 weeks waiting period.

Source: Data Probe Economic Consulting Inc. using the HRDC EI Database

Q-8: What are the non-monetary benefits of Work Sharing?

In addition to the obvious monetary benefits of Work Sharing for those who would have been laid off, there are also benefits that cannot easily be quantified. For many of the participants in Work Sharing, the non-monetary benefits are even more important. As noted above, unemployment is associated with a wide range of negative socio-economic and psychological impacts. The participation in Work Sharing clearly seems to help ameliorate these negative consequences of unemployment.

Not surprisingly, the focus groups with participants in the Work Sharing program as well as those who had been laid off confirmed that having a job has very significant and positive psychological benefits. The workers participating in the Work Sharing were clearly not as stressed as those who were unemployed.

Participants in focus groups reported that, while on Work Sharing, they were still employed, and some even welcomed the extra time off due to Work Sharing. Indeed many of the participants indicated that Work Sharing was similar to a "paid holiday" as their drop in earning was, in after-tax terms, relatively small. Thus, most participants reported that they used the day off as if it was just an extension of their weekend. Participants used the extra time off to do home-related work and/or to spend extra time in leisure activities with their family and friends.

In some non-unionized companies, however, workers often did not know in advance what day they would get off during the week, or if there would be a day off at all. For example, some participants at these companies reported being told Thursday afternoon whether they should come in on Friday. This inability to schedule their time was a significant source of frustration for workers as it made planning more difficult for such things as travel and child care.

The focus groups of laid-off workers were clearly more unhappy than were participants in the Work Sharing program. These participants indicated that being laid off and the subsequent unemployment was very stressful and negative. In particular, these participants who had been laid off reported a loss of self-esteem and more self-doubts due to their unemployment. They found that not having a job was very "devaluing". While unemployed, they not only questioned their own self-worth, but so did their families and friends. Participants wondered if they had done something wrong to end up in this situation.

Focus group participants who had been laid off reported more family-related stress. Some reported that family and friends started excluding them from social events because of a belief that, being unemployed, they could not afford to attend or because many of their friends had been coworkers. Also, participants reported increased stress meeting the demands of children, trying to put on a brave face to pretend everything was alright, even when they were not sure of how they would make ends meet.

Finally, focus group participants who had been laid off reported that searching for a new job was itself stressful. Many participants did not like the rejection associated with applying to many potential employers. Some participants noted that even getting a new job was stressful because they had to enter a strange new environment and prove themselves to a new employer.

The impacts of being unemployed, however, were not entirely negative for all participants. Some focus group participants pointed out that being laid off from their job allowed them to re-evaluate their goals. Some reported that this meant that they were able to find a new and better job, or to take training for a new field of work or occupation.

Q-9: What are the roles and implications of Work Sharing for skills training?

As shown in Exhibit 3.1, participants in Work Sharing experience a 29% reduction in their working hours, on average, and use the time for leisure and family purposes. There are provisions in the Work Sharing program that permit participants to take training but these provisions are currently seldom used. Given the need for life-long learning, it has been suggested that the Work Sharing program could be more actively applied to encourage workers to take more training during their time off. The evidence collected in this evaluation, however, does not support this suggestion.

Literature Review

First, theoretically, the economic literature points out several drawbacks to linking training programs and Work Sharing. In particular, the literature noted that formal training is typically of a fixed duration. Because Work Sharing reflects the uncertain duration of a business downturn, training participation and completion is made more difficult.

Second, the literature suggests that more senior workers, who are not likely to be laid off, may be less willing to participate in a Work Sharing program if they are not compensated with increased leisure time.

Thirdly, the literature points out a danger with such programs. Companies may try to use them as a means to subsidize their employee training, even when no layoffs were initially intended.

Opinions of Work Sharing Participants

Work Sharers who participated in focus groups were asked about their reactions to the idea that Work Sharing be linked to training. No participants reported that they had undertaken any training during their days off, with many choosing an extended weekend where possible. While participants were generally supportive of training, most were unsure of how it could be linked to Work Sharing. Participants invariably indicated that the training would have to be optional. They felt that they were entitled to do what they chose during their day off, since the extra leisure time was considered compensation for the decrease in their earnings.

In particular, some participants noted that their schedule of work time while participating in Work Sharing was unpredictable. Many of the focus group participants reported they never knew which days they would have off. The companies determined their downtimes often in a seemingly random fashion with little forewarning of what days they would have no work. This reinforces the notion that scheduling training during Work Sharing would be difficult.

When asked about training, Work Sharers indicated that the type of training that they wanted or needed would often be for a new and different job, and not to stay with the same firm. They suggested that employers would be unlikely to be supportive of training that would lead to employees seeking work elsewhere. They also wondered who would pay for the training.

Views of Company Executives

In the key informant interviews and the case studies, company executives indicated that the majority of the training that is done at their companies is "on-the-job". They indicated that such training was virtually unaffected by the Work Sharing program except of course that workers were working fewer days and thus their "on-the-job" training was less.

The company executives did indicate some willingness to train selected workers during the days off but, in their view, scheduling formal training was impractical. For many of the executives the issue was costs of training and who would pay. Thus they did not think that making training mandatory for the entire work unit was a good idea.

3.3 The Employer and Work Sharing

> *Q-PD1: For which industrial sectors and types of firms is Work Sharing appropriate?*

Traditionally, the manufacturing industry has been the primary user of the Work Sharing program. Participants from this industry represent roughly two thirds of the total number of participants, a proportion that has remained fairly constant over time.

The review of the Work Sharing agreement files showed that after September 11, 2001, a significantly greater number of applications came from travel- and tourism-related companies. However, many of these were small travel agencies and the number of participating employees relatively few so that participants from manufacturing still made up 70 percent of all participants during the 2001-02 fiscal year.[22]

Participants in the Work Sharing program also tend to be either skilled or semi-skilled technical and production workers. Although substitutable between jobs, the skills are often learned on the job and are closely aligned to firm-specific jobs. It is the need to retain these skilled workers that makes the Work Sharing program attractive to companies. The companies can easily replace unskilled workers and thus often lay them off to avoid the additional non-wage benefit costs for these workers.

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[22] This data comes from the report *"Usage of the Work Sharing program: 1989/90 to 2002/03,"* produced by EI Evaluation.

Because the manufacturing sector is the biggest user of Work Sharing, the profile of participants reflects the profile found in that sector through factors such as under-representation of women.[23] As Exhibit 2.2 indicates, on average, two thirds of Work Sharing participants are male, and 80 percent of participants are of prime working age (25-54 years of age). This is because women are underrepresented in the manufacturing industry[24]. The key informant interviews and case studies, in general, indicated little perceived bias by industry sector. However, respondents in these studies noted that the best "fit" seemed to be in the manufacturing sector.

3.4 Work Sharing Costs to the EI Account

Q-6 What is the cost of Work Sharing to the EI account, relative to layoffs?

When discussing the costs of a Work Sharing agreement it is important to distinguish between the gross costs and the net costs of the program. The gross costs refer to the total benefits paid out to Work Sharing participants. Normally when a Work Sharing agreement is negotiated, the program officers calculate a gross cost and that is the cost usually quoted in administrative reports. However, the net cost (or incremental costs) of the program is the difference between the gross costs of the program and what would have been paid out in EI benefits if the program did not exist. Under certain conditions these net costs could be zero. The following discussion is intended to clarify this distinction.

Costs Estimated Prior to Work Sharing Agreement

When a company applies, the responsible HRDC program officer calculates an estimate of the cost to the EI account of the agreement. This cost is compared to the estimated cost of the layoffs that would have occurred if there were no Work Sharing program. However, these cost estimates rely on the information provided by the employer. In particular, they draw on the company's estimate of the potential number of layoffs.

Typically, upon a company's application, the program officers calculate that the costs of Work Sharing and layoffs to be very similar and thus the net costs to the program to be close to zero. Using before-program estimates of the number of Work Sharers and potential layoffs, the cost of Work Sharing is generally found to be slightly greater than the cost of layoff simply because there is no two-week waiting period for Work Sharing participants when they collect EI benefits. Moreover, for those applications in which the cost differences are significant, it is usually because the estimated number of layoffs to be averted and the estimated work reduction do not match.[25] For example, the review of agreement files found that when the companies apply, they estimate that the average

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[23] In 2002, the Labour Force Survey found that only 28.9% of the employees in manufacturing were female.

[24] In 2002, Labour Force Survey data indicated that 15.1% of all employed Canadians were employed in manufacturing. In 2002-2003, 79.3% of the EI Work Sharing claimants were employed in manufacturing.

[25] It is also possible that the average benefit rate could be higher for the whole work sharing unit than for those who are to be laid off. This can occur if the firm lays off those with the least seniority and wages are positively correlated with seniority. This would result in the estimated costs of Work Sharing being greater than for layoffs. However, this is likely not a significant difference, and is rarely considered when estimating costs.

number of layoffs averted as a percentage of the work unit to be 39.7% and that the average estimated amount of work reduction was 35.1%.

Since these cost estimates are made before the Work Sharing agreements are signed, they obviously cannot take into account layoffs that occur from the work sharing unit after the end of the Work Sharing agreement. However, as discussed above (Exhibit 3.2), roughly 16 percent of Work Sharers are laid off in the 26 weeks following the expiry of their agreement. A more compete analysis must also consider the costs to the EI account of laid off Work Sharers.

Incremental Costs Calculated by Administrative Data Analysis

Data Probe, using HRDC administrative data, calculated the costs to the EI account incorporating an estimate of the actual layoffs comparable to the actual work reduction under the Work Sharing agreements. The analysis considers the costs of the Work Sharing program to consist of two parts:

a) Work Sharing benefits paid during the duration of the program; plus

b) Regular EI benefits paid to Work Sharers who were laid off within 26 weeks of the termination of the program.

Based on the average of the years from 1990-91 to 2001-02, Data Probe estimates that, in an average year:

- 36,219 workers participated in Work Sharing;
- in the absence of Work Sharing, roughly 10,302 would have been temporarily laid off;[26]
- the total annual cost of Work Sharing benefits was $36.7 million;
- 5,218 Work Sharing participants were laid off within 26 weeks of the termination of their program with total annual costs of the additional EI benefits amounting to $32.3 million;
- in total, Work Sharers received $69.0 million in EI benefits annually (including both Work Sharing and regular benefits).

These costs of the Work Sharing program are then contrasted to the costs of EI benefits if there were no Work Sharing program and the same 10,302 workers were laid off immediately and collected EI.[27] These costs roughly amount to $57.9 million.

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[26] This assumes, as in the section on layoff reduction, that the work reduction would have been the same under the Work Sharing or layoff scenarios. For example, if the firm reduced its working time by 20% (one working day), it is assumed that in the absence of Work Sharing, it would have laid off 20% of the work unit.

[27] It is further assumed that in the absence of Work Sharing, workers who are laid off would all collect EI benefits. This may seem like a strong assumption. Remember however, that by virtue of their having collected benefits under Work Sharing, we know that all of the employees qualify for EI and are not morally averse to collecting it. The only likely reason then for them to not collect EI is if they found a job immediately after layoff.

Therefore, the difference, or net incremental cost of the Work Sharing program to the EI account, is about $11.2 million annually.[28] This is about 19 percent greater than if layoffs were allowed to take place immediately. It translates to about $1,000 per layoff that was initially avoided through Work Sharing, and $2,200 per layoff that was averted for at least 26 weeks following the end of Work Sharing.

The primary reason for the positive net cost of Work Sharing is because some workers are laid off after the program ends. These workers who are laid off after Work Sharing collect regular EI benefits for just as long as the workers who are laid off immediately. This is because a worker's entitlement to regular EI benefits is not affected by his or her participation in Work Sharing. Work Sharing is also more costly as there is no two-week waiting period for benefits.

Total Costs / Benefits of the Work Sharing Program

A complete cost/benefit analysis of the Work Sharing program would take into account all of the costs and benefits accruing to all of the stakeholders above and beyond the net costs to the EI account described above.

While the program provides a wide menu of benefits for participants, as discussed in Section 3.3, many cannot easily be quantified even if they are significant for the individuals involved.

Given the fact that a large part of the benefits of the Work Sharing program are non-quantifiable, this evaluation has not provided a cost/benefit ratio in terms of a single number. However, it is clear that substantial non-monetary benefits do exist.

3.5 Issues in Program Delivery

Q-PD2: Does the cyclical nature of Work Sharing use create program delivery problems?

As shown above, the use of the Work Sharing program varies significantly based on economic conditions. Participation rises in recessions and declines during recoveries. Inevitably, this variation in participation leads to changes in workload for the HRDC program staff responsible for Work Sharing, who are located in Human Resources Centres of Canada (HRCCs) across the country. Is it manageable?

The review of the agreement files assessed the amount of time for agreements to be processed from the date of the application to the date that the agreement was in place. The analysis was conducted for roughly 200 agreements dated from April 2000 to mid-October 2002. A large upsurge in program activity occurred in the fourth quarter of 2001. Indeed, the total number of applications for Work Sharing agreements rose from 198 in the fourth quarter of 2000 to 1105 in the fourth quarter of 2001.

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[28] Administrative costs are ignored in this analysis. There is, however, a slightly larger administrative burden imposed by the Work Sharing program since under EI only those laid off commence EI claims, whereas under Work Sharing, claims must be processed for the entire work unit.

The review of agreement files compared the processing time for an application in the fourth quarter of 2000 to the rest of the sample. Surprisingly, there was almost no difference in processing time; it took an average of about 22 days in the fourth quarter of 2001, and about 21 days for the total sample, from the date of the application to the date the agreement was in place. Note that it was not possible to determine how much extra time or effort was invested in developing the initial application. The evidence suggests that the HRCCs were able to cope with the increased demand for the Work Sharing program.

The key informant interviews with program officers also supported the view that HRCCs are able to cope with the workload shifts when interest in Work Sharing rises. While program officers agreed that their workloads have increased considerably since 2001, in general, respondents felt that "the time-critical aspect of the Work Sharing means that HRDC staff will ensure that this program will get the resources it needs." This often means that program officers responsible for Work Sharing will delegate some of their other work to co-workers or reallocate their work time.

Program Evaluation also undertook an intranet survey of HRDC personnel to examine delivery issues. Fully 70 percent of respondents agreed or strongly agreed with the statement that their workload was significantly increased during periods of high participation in Work Sharing. Survey respondents also confirmed that they believed the time between a firm's initial enquiry about the program and approval of the application was "quick and efficient." Finally, confirming the results of the Review of Agreement Files, respondents were most likely to estimate that the time from when a firm applies to the Work Sharing program and implementation of an actual agreement was between 2 to 4 weeks.

Q-PD3: Are HRDC program officers accurately assessing business recovery plans of companies participating in Work Sharing?

As part of its application to the Work Sharing program, a firm must submit a business recovery plan (BRP), which indicates how it will return the work unit to full employment during the period of the Work Sharing agreement. The HRCC program officer is responsible for assessing the BRP and determining whether the firm has a realistic likelihood of returning to full employment.

The review of the agreement files examined the business recovery plans of the companies applying for Work Sharing. The BRPs showed a wide variation in both the types of recovery activities and the level of information detail provided.

The most common type of recovery activity was related to increasing marketing effort or trying to find a new purchaser of the company's product. Over 80 percent of BRPs included the intention to increase such activities. Although increased marketing seems to be a reasonable activity to increase sales, one comment from HRDC program officers that came out in both the case studies and the key informant interviews was that usually there is no way of knowing what is the typical level of expenditure/effort by the firm on marketing activities. Therefore, it is difficult to know whether the proposed marketing effort described in the BRP represents an increase from traditional levels.

The next most popular action that companies intended to undertake to increase sales was to invest in a new product or technology. Finally, in almost one quarter of the BRPs, the companies indicate that they would simply wait for a business recovery to occur. A number of program officers noted in key informant interviews that they felt that this was an inappropriate recovery method for a BRP.

The BRPs also varied in the amount of detail they contained. The agreement file review ranked the BRPs into three categories of detail: low, medium and high. Essentially, a low level of detail would be assigned if the BRP contained only general plans, but did not contain specific steps toward achieving the recovery. A high level of detail would only be assigned if the specific steps were accompanied by a detailed timeline.[29] Only 23 percent of approved recovery plans were assigned a high level of detail. It was most common for a BRP to be assigned a rating of medium level of detail. However, almost 30 percent of approved business recovery plans were assigned a low level of detail, indicating that the BRP contained no specific steps or detailed timeline for achieving the recovery.

The HRCC respondents showed little consensus when asked in the intranet survey about the criteria for assessing BRPs. When asked whether the criteria for assessing BRPs are "clear and straightforward to implement" almost 47 percent of respondents agreed or strongly agreed with the statement; slightly over 40 percent disagreed or strongly disagreed.

The survey also asked program officers about their confidence in assessing business recovery plans. Roughly 70 percent of respondents agreed that they felt confident in their ability to assess recovery plans. However, a small minority of 20 percent disagreed, saying that they did not feel confident in assessing BRPs (and 10 percent were neutral). This latter result was reflected in the case studies, and to some extent, the key informant interviews.

Evidence gathered in the key informant interviews and case studies found that the executives in some companies did not take the requirement of the BRP seriously. In particular, many of the small companies believed that they simply needed to "weather the storm". HRCC program officers were likely to help these companies prepare their recovery plans. Indeed some recovery plans were actually written by the program officer in consultation with the applying company. Nevertheless, some small business owners acknowledged that the BRP was a good tool for them and caused them to re-examine their own business strategies.

The review of the Work Sharing agreement files also attempted to determine the extent that program officers were successful at assessing the business recovery plans. However, in virtually none of the agreement files was there any indication of whether the firm returned to full employment or whether it had laid off some portion of the workers in the work unit. Program officers confirmed in both key informant interviews and case studies that there is no formal mechanism by which they track layoffs at the firm after the Work Sharing agreement expires.

Any monitoring that occurs takes place during the life of the Work Sharing agreement is largely in the form of process monitoring rather than outcome monitoring. For example,

[29] In order to be assigned a high level of detail, there were several other conditions. The complete description of the assignment of high, medium and low ratings of detail can be found in the technical report on the review of agreement files.

there would be no report in the agreement file even if the company laid off the entire work unit after the expiry of the Work Sharing agreement. There is no outcome reporting in the agreement files to determine which business recovery plans were successful and which failed. Thus, there is no way of accurately determining how well program officers are assessing the BRP.

Q-PD4: What program options can be implemented to streamline the Work Sharing application/approval process?

The companies that apply for Work Sharing are often facing immediate downturns in the demand for their product or service. Often the companies have already been struggling with reduced sales for several months prior to their application. They may therefore be right on the verge of having to resort to layoffs of core staff. This means that a rapid turnaround time from the time the firm submits its application to the time the Work Sharing agreement is in place is crucial.

Generally, all decision makers in the Work Sharing process report that the application/approval process was fairly quick. Company and employee representatives interviewed as part of case studies and key informant interviews were quite positive with respect to this process. HRDC program officers noted that because of the time-sensitive element of the Work Sharing program, they make sure that it gets the resources it needs and that applications are processed quickly.

Program officers overwhelmingly believed that the application/approval process was quick and efficient. Any delays in the process were likely at the application stage. In key informant interviews, HRDC program officers suggested that the key potential delay occurs in the development of the recovery plan. The review of the agreement files estimated the processing time for the average Work Sharing application by comparing the date on the application form and the date that the agreement was in place. The review found that the average time between the date of application and the date of agreement was about 20 days for most agreements valued at less than $500,000.

4. Conclusion

4.1 Summary of Main Findings

The evaluation of the Work Sharing program was undertaken to examine the role and effectiveness of the program in the current economic environment. The evaluation attempted to provide answers to specific questions set out by the HRDC Work Sharing Steering Committee using multiple lines of both quantitative data and qualitative evidence. The questions and the evaluation findings fall into five major categories as follows:

The Rationale for Work Sharing

Work Sharing as a program has been designed to encourage companies and their employees to adjust to temporary production slowdowns by reducing the hours of work and sharing the work among the existing company employees rather than through layoffs. There can be significant benefits for workers who keep their jobs through Work Sharing. Companies, in turn, can save on their hiring and training costs. Given the continuing problems associated with unemployment, the rationale for the Work Sharing program is just as relevant today as at the program's inception.

Objectives and Achievements

The Work Sharing program fundamental purpose is to help prevent temporary layoffs. In the period 1990 to 2001, there were annually, on average, some 36,000 participants in Work Sharing. Of these participants, the evaluation estimates that some 10,302 employees would have been laid off in the absence of the program while the Work Sharing agreement was in place. Of these participants, approximately one half collected regular EI benefits within 26 weeks of the termination of the agreement.

The evaluation of Work Sharing found that the program largely works as intended. The available evidence suggests that there is little, if any, misuse of the program. Most companies enter the program to avoid or limit temporary layoffs to deal with weak demand that they would make otherwise. Their economic cutbacks are not following a regular seasonal pattern in that there is very little evidence of repeat use of the program.

The majority of participants in the Work Sharing program are employed in the manufacturing industry. This may well account for the fact that the incidence of Work Sharing is somewhat higher for men than women.

Program Impact and Effects

Not surprisingly, participants in Work Sharing have lower earnings because of fewer hours of work. The lower earning combined with EI benefits means that they maintain on average roughly 87% of their pre-program incomes. The lower incomes do lead to some spending cutbacks for the affected households but ones with which they are able to cope. The participants who would have been laid off fare much better when compared with those who are unemployed. They have higher incomes, less stress in their lives and fewer morale problems. People who are completely unemployed, rather than participating in Work Sharing, often have to adjust by using up savings and selling assets. They also experience considerable stress in both their personal and social lives.

The companies that participated in the Work Sharing program were generally very supportive of the program. The evidence suggests that the companies believe that the program helps employee morale as well as helping them retain their skilled employees through temporary business slowdowns.

Alternatives to Work Sharing

The evaluation was unable to reach a strong conclusion about the potential policy/program alternatives to Work Sharing. There is a broad menu of policies/programs that can be adopted. Many of these have not been implemented in Canada, and there are few if any evaluations of those which have been implemented. Clearly, Work Sharing is more cost effective than some direct program interventions once a worker becomes unemployed but more costly than other programs that improve labour market information flows. The evaluation does show that the Work Sharing program averts or delays 10,302 layoffs annually, on average, while an agreement is in place at a net incremental cost to the EI Account of about $1,000 per layoff.

Program Delivery Issues

The evaluation was able to conclude that the Work Sharing programs are delivered in a timely manner. An analysis of the Work Sharing Agreement files found that it took roughly twenty days between program application and approval for most agreement that were less than $500,000 in value and slightly longer for high-value agreements that require approval at HQ level. There was little difference in application-to-approval times in periods of heavy program use versus periods of low use. The Work Sharing program officers were able to handle the extra demands in peak periods of program use.

The primary concern that the evaluation had with program delivery was in program monitoring and in the use of Business Recovery Plans for the application. In terms of monitoring, there does not seem to be any major effort at post-agreement outcome monitoring to determine whether the agreement was successful in reaching program objectives. This is important, since Exhibit 3.2 shows on average over the 1990 to 2001 fiscal years that within 26 weeks of the termination of a Work Sharing Agreement, 5,218 participants claimed regular EI benefits. As there is no post-program monitoring, there is no documentation of layoffs following program termination.

The evaluation of Work Sharing also questions the value of the Business Recovery Plan in the application process. In many cases the Business Recovery Plan amounts to little more than the applying company stating that it will undertake increased marketing. The evidence also suggests that many companies view these Business Recovery Plans as just necessary documentation to satisfy government application procedures. The Work Sharing program officers find the business recovery plans to be useful in assessing the likely success of an application. The program officers also were confident in their ability to assess these business plans.

4.2 Applicability to Work Sharing While Learning

A major policy goal of HRDC is to promote skills development and life-long learning. The Work Sharing program, as it is implemented, does not have a training component. The evaluation examined the extent to which Work Sharing participants would value a possible training component.

On a theoretical basis, there is no support in the literature for using the Work Sharing program as a means of encouraging further skills development and learning. In the literature, it was suggested that linking Work Sharing compensation to skills training may encourage business to misuse the Work Sharing program to cover their training costs rather than investing company funds.

The evaluation queried participants in Work Sharing on their views on using the program for training purposes. Almost all focus group participants were interested in further skills training. However, participants indicated that they would have difficulties in scheduling formal training. Participants often did not know the days they would have no work until the night before. Further, they did not consider using their downtime appropriate since they were earning less and saw increased time off as their compensation for the reduced earnings. Most existing company training was 'in-house' training and would be on their job time. Any other training would be for a new job and probably at a new company, not their current employer. If not 'in-house' training, the question arises as to who will pay for their training?

The evaluation also queried employers about their views on adding a training component to the Work Sharing program. The employers indicated that most of their training was 'in-house' and this would require the worker to be on the job. If the training involved some type of formal training, they indicated that they would be willing to train some employees for a limited period, but not the entire Work Sharing unit. Again the question was, "who pays?"

4.3 Relationships to Past Evaluations

This current evaluation of the Work Sharing follows two earlier evaluations of the same program – the first in 1984 (covering the period 1982 to 1983) and the second in 1993 (covering the period 1989 to 1990). Not surprisingly, the evaluations differ somewhat in the evidence collected and results.

Comparing the three evaluations, the most important similarity in results is that all three evaluations estimated the same amount of work reduction by companies participating in the Work Sharing program. The current evaluation finds that on average over the 1990 to 2002 period, companies cut their hours of work by roughly 29% as compared to 28.5% in the 1993 evaluation and 30% in the 1984 evaluation.

At the same time, however, the big difference between the three evaluations is in measuring the success at averting layoffs. The current evaluation finds that the number of layoffs to be averted as a share of all program participants to be 28.6% as compared to 43% in the 1993 evaluation and 28.5% in the 1984 evaluation. This difference can be attributed in part to how the layoffs averted were calculated. As described above, the current evaluation estimate is based on the amount of work reduction whereas the two earlier evaluation estimates were based on the number of layoffs that companies provided upon applying to the program.

Appendix 1
Technical Reports

Documents Prepared for the Work Sharing Evaluation

Documents prepared by HRDC

"A Proposed Methodology for the Evaluation of the Work Sharing Program," EI Evaluation, Evaluation and Data Development, HRDC (September 2002)

"Work Sharing Literature Review," EI Evaluation, Evaluation and Data Development, HRDC (September 2002)

"Study of Hours Adjustment and the Extent to which the Work Sharing Program is Incremental," EI Evaluation, Evaluation and Data Development, HRDC (March 2003)

"Evaluation of the Work Sharing Program: Results of the Intranet Survey of HRDC Personnel," EI Evaluation, Evaluation and Data Development, HRDC (July 2003)

"Usage of the Work Sharing Program: 1989/90 to 2002/03," EI Evaluation, Evaluation and Data Development, HRDC (August 2003)

Documents prepared by Consultants

"Evaluation of the Work Sharing Program: Key Informant Interviews," Dr. Douglas Smith, Applied Research Consultants (ARC)

"Evaluation of the Work Sharing Program: Review of Work Sharing Agreements and Program Documentation," Malatest and Associates

"Evaluation of the Work Sharing Program using Administrative Data," Dr. Costa Kapsalis, Data Probe Economic Consulting

"Evaluation of the Work Sharing Program: Case Studies," Dr. Gerald Halpern, Fair Findings

"Evaluation of Work Sharing: Focus Groups," Prairie Research Associates (PRA)