



Short-Time Compensation

FACT SHEET FOR TAX REPRESENTATIVES

Short-Time Compensation (STC), also known as Work Sharing or Shared-Work Program, is an alternative to layoffs for employers experiencing a reduction in available work. STC preserves employees' jobs and allows employers to retain their trained workforce during disruptions to a firm's regular business activity. STC allows employers to reduce hours of work for employees rather than laying off some employees while others continue to work full-time. Those employees experiencing a reduction in hours may apply to collect a percentage of their Unemployment Insurance (UI) benefits to offset the impact of lost wages. STC cushions the adverse effect of the reduction in business activity on workers by averting layoffs and ensures that these workers will be available to resume prior employment levels when business demand increases.

Please see the [list of states with active programs](#) and links to their sites.

Eligibility

To receive benefits under the STC program, businesses must have an approved STC plan in place with the appropriate state workforce agency. The STC application process is initiated by the business and not the employee(s). For employees with reduced hours to potentially be eligible for STC, the business must submit a plan to the appropriate state agency and the state must approve the business' plan.

In order to qualify for STC, employees must first be determined to be eligible for UI. While receiving UI benefits under an STC plan, STC employees meet the availability for work and work search test requirements by being available for their normal work week, as required by the State agency. Also, states may require that employees, who are eligible to participate in an employer's STC plan, serve a mandatory "waiting week," which is a non-paid week.

Benefits

An individual's weekly benefit amount (WBA) will be a pro rata portion of the regular weekly UI benefit amount which would otherwise be payable to the employee if such employee were unemployed.

For example: An employee normally works a 40-hour work week. The employee's work week is reduced by eight hours, or 20 percent. If the employee had been laid off and fully unemployed and determined eligible for UI, the individual would have received a weekly benefit amount of \$270.00. The employer submits an STC plan and the plan is approved. Under the STC plan, the employee would receive \$54.00 of benefits (20 percent of \$270) in addition to the 32 hours of wages earned from the employer.

Claims and Income

- Any benefits received under the federal or state UI law is taxable income. Individuals who have received STC benefits should receive a Form 1099-G from the state where the claim

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was filed, showing the amount paid and any federal income taxes they elected to have withheld.

- Claims for STC may, in general, follow the procedures for regular UI.
- Either the employer - or the employees in the affected unit - or both, depending on the state, will be involved in the process of submitting initial claims and weekly or bi-weekly claims for STC directly to the UI agency.
- Receipt of STC reduces the maximum benefit amount available under the regular UI program.
- If the individual is fully laid off after participation in STC, the amount of STC received would be subtracted from the UI maximum benefit amount.
- STC benefits are charged to the employer in the same manner as regular UI benefits.

Learn More

Visit the [STC Collection](#) on WorkforceGPS for more information about setting up and operating a successful STC program.

Visit your state's Unemployment Insurance agency's website for state-specific information on eligibility, applications, and benefits.