

1989

Session Law 89-346

Florida Senate & House of Representatives

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H 1514 GENERAL BILL/CS by Employee & Management Relations; Shelley (Similar S 1186)
Unemployment Compensation: extends indefinitely the short-time compensation program, which permits payment of prorated unemployment compensation benefits to employees laid off for portion of week; provides for financing of short-time compensation benefits. Revives/readopts 443.111(6)..131(3)(a)(e).(4)(d).(5)(a); amends 443.131. Effective Date: 10/01/89.
03/28/89 HOUSE Prefiled
04/04/89 HOUSE Introduced, referred to Employee & Management Relations -HJ 144
04/10/89 HOUSE On Committee agenda—Employee & Management Relations, 04/12/89, 3:30 pm, 314-HOB—For ratification to subcommittee
04/13/89 HOUSE On subcommittee agenda—Employee & Management Relations, 04/17/89, 8:30 am, 317-HOB
04/17/89 HOUSE Subcommittee Recommendation: Favorable with 2 amendments; On Committee agenda, pending subcommittee action—Employee & Management Relations, 04/18/89, 10:40 am, 314-HOB
04/18/89 HOUSE Preliminary Committee Action by Employee & Management Relations: Favorable as a CS
04/25/89 HOUSE Comm. Report: CS by Employee & Management Relations, placed on Calendar -HJ 274; CS read first time -HJ 274
05/24/89 HOUSE Placed on Special Order Calendar
05/26/89 HOUSE Placed on Consent Calendar; Read second time; Read third time; CS passed; YEAS 107 NAYS 0 -HJ 664
05/26/89 SENATE In Messages
05/30/89 SENATE Received, referred to Commerce -SJ 564
06/01/89 SENATE Withdrawn from Commerce; Substituted for SB 1186; CS passed; YEAS 38 NAYS 0 -SJ 754
06/01/89 Ordered enrolled
06/20/89 Signed by Officers and presented to Governor
07/05/89 Approved by Governor; Chapter No. 89-346

NOTES: Above bill history from Division of Legislative Information's *FINAL LEGISLATIVE BILL INFORMATION, 1989 SESSIONS*. Staff Analyses for bills amended beyond final committee action may not be in accordance with the enacted law. Journal page numbers (HJ & SJ) refer to daily Journals and may not be the same as final bound Journals.

STORAGE NAME: h1514s-f.emr
DATE: June 9, 1989

**HOUSE OF REPRESENTATIVES
COMMITTEE ON EMPLOYEE & MANAGEMENT RELATIONS
FINAL STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 1514

RELATING TO: Unemployment Compensation/Short-Time Compensation Program

SPONSOR(S): Committee on Employee & Management Relations and
Representative Shelley

EFFECTIVE DATE: October 1, 1989

DATE BECAME LAW: July 5, 1989

CHAPTER #: 89-346, Laws of Florida

COMPANION BILL(S): SB 1186 (Similar)

OTHER COMMITTEES OF REFERENCE: (1)

(2)

I. SUMMARY:

CS/HB 1514 deletes expiration language which would otherwise terminate the Short-Time Compensation Program. This program was established by the Legislature in 1983 under the Florida Unemployment Compensation Law to permit employers to spread the burden of unemployment by paying prorated unemployment compensation benefits to employees laid off for a portion of the week, and thus avoid the total layoff of some of the employees. This program allows employees to "share the work" available from their employer (rather than have some employees laid off while others continue to work full time) and enables employers to quickly gear up when business conditions improve.

A. PRESENT SITUATION:

Unemployment Compensation Program

The federal-state system of unemployment compensation was created in 1935 by the Social Security Act and has been in operation in Florida since 1939. The primary purpose of the program is to alleviate the hardships associated with unemployment by providing benefits equivalent to partial wages to steady workers who become unemployed through no fault of their own and are actively seeking work. Federal law sets minimum requirements for the operation of state programs. Each state has considerable flexibility to determine eligibility requirements and the manner and degree to which taxes are levied and collected from employers.

Florida's unemployment compensation program is funded by contributions from approximately 290,000 employers covering almost 6 million employees (about 95 percent of the entire Florida workforce). Under Florida's Unemployment Compensation Law, qualified individuals who are temporarily out of work through no fault of their own can receive benefits for up to 26 weeks.

Short-Time Compensation Program

In 1983, the Florida Legislature passed an amendment to our Unemployment Compensation Law to permit payment of prorated unemployment compensation benefits to employees laid off for a portion of a week, as part of a program to avoid the total layoff of any of the employees.

For example, a firm facing a 20 percent reduction in production usually lays off one-fifth of its work force. This program allows the hypothetical employer to retain the total workforce on a 4-day-a-week basis, because all workers would be entitled to collect unemployment compensation benefits on a prorated basis for up to 1 year.

Any employer facing a decline in production is eligible to participate in the program, provided that he has at least a 10 percent reduction in his workforce, or in an identifiable unit in his workforce (the upper limit is a 40 percent reduction). If collective bargaining agreements cover the employees, union approval must be obtained.

Generally, any employee who would be covered for unemployment compensation benefits will be covered under the program, except that the employee is not required to look for work and is not penalized for refusing job offers from **other** employers; however, he may be penalized for refusing an offer of full-time work from his Short-Time Compensation employer.

The program is very flexible. As long as at least 10 percent of the workforce is sharing in the work reduction at any given time, employees can be rotated so that different employees have reduced hours each week.

Expiration Date

The Short-Time Compensation Program was created in Florida after an experimental program in California caught the attention of Florida lawmakers. At that time, the program was established on a trial basis because no one was certain how well it would work, or what the potential problems might be. Because of this, the enabling statute was given an expiration date of December 31, 1989. If this date is not deleted or extended, the program will be terminated on that date.

B. EFFECT OF PROPOSED CHANGES:

CS/HB 1514 deletes the provisions which establish an expiration date for the Short-Time Compensation Program from the enabling act under which the program was established, thereby preventing the program's termination on December 31, 1989, and extending its life indefinitely. In addition, the bill reinstates language (relating to the program) which was inadvertently deleted from the statutes in 1988 legislation.

C. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends section 3 of ch. 83-285, L.O.F., to remove an expiration date which would otherwise terminate the Florida Short-Time Compensation Program on December 31, 1989, and makes technical corrections to related statutes.

Section 2. Provides an effective date of October 1, 1989.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

None. This bill would maintain the status quo.

2. Recurring or Annualized Continuation Effects:

None. Public employers reimburse the Florida Unemployment Compensation Trust Fund for benefits paid. Reimbursable employers are billed their proportionate share of benefits paid.

3. Long Run Effects Other Than Normal Growth:

None.

4. Appropriations Consequences:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

[SEE A.1. ABOVE]

2. Recurring or Annualized Continuation Effects:

[SEE A.2. ABOVE]

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Participation in the program is **strictly voluntary**. For employers having less than the maximum tax rate (5.4%), the tax rate will be no greater than it would be if employees were permanently laid off. Only employers assessed at the maximum tax rate (about 3.5% of all employers) can, if experience warrants, have their tax rate increased by as much as 1 percent. According to the division, throughout the 5-year life of the program, fewer than five employers have been subject to tax increases.

2. Direct Private Sector Benefits:

According to staff research, the Short-Time Compensation Program benefits everyone: Employers, employees, unions, and Florida citizens in general. [SEE LONG RANGE CONSEQUENCES AND COMMENTS]

3. Effects on Competition, Private Enterprise, and Employment Markets:

[SEE LONG RANGE CONSEQUENCES]

D. FISCAL COMMENTS:

There is virtually no cost associated with the passage of this bill (as it maintains the status quo). In contrast, however, the costs associated with doing nothing, and thereby allowing the Short-Time Compensation Program to expire, would be great. [SEE LONG RANGE CONSEQUENCES]

III. LONG RANGE CONSEQUENCES:

This bill, which would preserve the Short-Time Compensation Program, is in harmony with the Employment Goal of the State Comprehensive Plan. This program offers several longterm benefits to Florida. First, it more equitably spreads the burdens of unemployment. This allows affected workers to essentially maintain their spending patterns as consumers, thereby potentially leading to milder recessions and more rapid economic recoveries. Second, through operation of the program, affirmative action and equal employment opportunity gains can be maintained at a higher level than normally occurs with general layoffs. And third, the program reduces expenditures for public assistance for those persons who are laid off and later forced to go on welfare or other public assistance

programs. These benefits will be lost if this program is allowed to expire.

IV. COMMENTS:

This bill is in accord with the mission statements of the Employee and Management Relations Committee to "promote more harmonious and productive relationships between employers and employees"; to "assure the vitality of the workforce"; and to "[encourage] and [utilize] innovative benefits and incentives."

Prior to establishment of the Short-Time Compensation Program, there was no way to adequately compensate workers for reduced work time, since the amount of benefits payable under partial unemployment is the relatively low weekly benefit amount (roughly half the normal wage) less any wages earned during the portion of the week that the worker was employed.

The Short-Time Compensation Program **benefits employers** in several ways:

- ◆ Employers can retain a skilled workforce and thus maintain higher productivity and quality levels than if skilled workers were lost.
- ◆ Employers can reduce the costs of recruiting, rehiring, and retraining employees when production returns to normal levels.
- ◆ By keeping a complete and fully trained workforce on board, employers can quickly respond to increased production demands.

The program **benefits employees** by:

- ◆ Preserving jobs for workers who would otherwise have been laid off.
- ◆ Providing employees with greater income than would be provided to workers who are laid off.
- ◆ Allowing more women and other minority workers (often the last-hired and first-fired) to retain their jobs, thus preserving the results of affirmative action efforts.
- ◆ Protecting employees' fringe benefits (including retirement benefits) which might otherwise be lost; this is especially important to older workers who, as more highly paid workers, are often among the first fired in selective layoffs.
- ◆ Maintaining the skills, seniority, and advancement opportunities of more workers.

STORAGE NAME: h1514s-f.emr

DATE: June 9, 1989

PAGE: 6

V. SIGNATURES:

SUBSTANTIVE COMMITTEE:

Prepared by:

Sharon K Lowe
Sharon K. Lowe

Staff Director
Ron Poppell
Ron Poppell

SECOND COMMITTEE OF REFERENCE:

Prepared by:

Staff Director:

APPROPRIATIONS:

Prepared by:

Staff Director:

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1. <u>Fentriss</u> <i>RF</i>	<u>Wilkes</u> <i>W</i>	1. <u>COM</u>	<u>Fav/l amend.</u>
2. _____	_____	2. _____	_____
3. _____	_____	3. _____	_____
4. _____	_____	4. _____	_____

SUBJECT:

Umemployment Compensation;
Short-time Compensation

BILL NO. AND SPONSOR:

SB 1186 by
Senator D. C. Childers

I. SUMMARY:

A. Present Situation:

The short-time compensation program was created by ch. 83-285, L.O.F., and is codified at s. 443.111(6), F.S. It is administered by the Division of Unemployment Compensation (division) of the Florida Department of Labor and Employment Security. The program became effective January 1, 1984, and is due to expire December 31, 1989.

This program was designed to provide short term compensation for employees who are required to scale back their number of hours temporarily. It is used to offset some or all of the loss in income experienced by such employees. It may also be used to supplement the income of those employees scheduled to be laid off permanently who remain employed on a part-time basis for a given period to provide income while searching for alternative employment.

In order to benefit from this short-time compensation program employers are potentially liable for an additional one percent contribution for unemployment compensation for a potential maximum of 6.4 percent (the current maximum employer contribution for unemployment compensation without taking into account the short-time compensation program is 5.4 percent). The provisions relating to employer contributions to the short-time compensation program are codified at s. 443.131, F.S. These provisions will expire on December 31, 1989, and the law as it existed on December 31, 1983, will be revived and readopted. Employers voluntarily participate in this program and may terminate such participation when no longer necessary.

For participation, the program requires employers to submit a plan to the division stating, among other things, the identity of the workers involved, a reduction in weekly hours for the workers of between 10 percent and 40 percent, and that the program benefits will not serve as a subsidy for the pay of seasonal or truly part-time employees. In order for a worker to be eligible for short-time compensation benefits, the program requires, among other things, that he be available for additional or full-time work with the employer and that his wages are reduced by a percentage corresponding to the percentage reduction in working hours. If a plan is approved, the plan may then remain in effect up to twelve months. If an employee is eligible, he may receive up to 26 weeks of benefits in any benefit year.

To date, the program has not had widespread use, and this is in line with any expectations as economic stability has prevailed in the last few years. The application for and use of such plans have been as follows:

<u>YEAR</u>	<u>EMPLOYERS</u>
1984	3
1985	45
1986	28
1987	17
1988	21

Currently, nine employers participate in the program. According to the records of the division, 95 percent of the participating employers have been in central and south Florida, and 85 percent of the participating employers have been in the computer and related high technology industries. Additionally, several of the employers are participants with more than one plan. The average time for duration of a plan has been four and one-half months.

B. Effect of Proposed Changes:

This bill extends indefinitely the short-time compensation program by deleting the language currently in the law relating to the expiration date of this program.

II. ECONOMIC IMPACT AND FISCAL NOTE:

A. Public:

Because this program is voluntary, it has no adverse impact on employers choosing not to participate. For those employers wishing to participate, this program is useful because it maintains a trained work force which saves the expenses and time involved with recruiting and training new people.

For employees, this program relieves some of the problems associated with temporary economic downswings by maintaining the same members of the work force at a reduced capacity thereby avoiding the possible alternatives of either overproduction or temporary layoffs.

Since this bill seeks to continue the existing program, there is no additional or new economic or fiscal impact.

B. Government:

The Division of Unemployment Compensation has not found this program to be an administrative burden. The program requires minimal supervision and very little additional manpower.

With respect to public employers, short-time compensation benefits are treated in the same manner as unemployment compensation benefits in that the public employer reimburses the Florida Unemployment Compensation Trust Fund for actual benefits paid.

III. COMMENTS:

None.

IV. AMENDMENTS:

1 by Commerce:

A technical amendment has been made to correct two cross-references from s. 443.036(19) to s. 443.036(19)(b), F.S.