

A note on the Work Sharing Program

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The federal "Work Sharing Program", sponsored by Employment and Immigration Canada, is a short-term mechanism designed to avert layoffs in individual firms. During the first quarter of 1991, more than 5,300 firms, employing over 92,000 persons, participated in the program and nearly 33,000 layoffs were averted.

The Work Sharing Program is not unique to Canada. It has been in existence in Western Europe for a number of years. The Canadian program is based on the German model which, since 1927, has made use of unemployment insurance benefits to pay employees on reduced work schedules.

This program is aimed at temporarily alleviating the costs and burdens of unemployment. It benefits workers by keeping them employed, and by providing them with more income than they would have if laid off. It is advantageous to employers because it allows them to keep their trained workers, and thereby saves them the costs of hiring and training new workers when business improves. And finally, it benefits society, because it lowers the economic costs generally associated with layoffs, such as lost wages, a drop in demand for goods and services and the spinoff effects on other industries.

This note explores the cyclical nature of the program and profiles selected characteristics of program participants.

Cyclical phenomena

The Work Sharing Program is essentially cyclical in nature - the number of participants increases during economic downturns and declines as the economy improves ([Table 1](#)). The number of approved applications for Work Sharing fell from a high of 8,780 at the height of the 1981-82 recession, to a low of 1,802 in 1989, as the economy enjoyed sustained growth for a number of years. With the onset of the recent recession, the number of agreements signed jumped to 6,297 in 1990.



Table 1 Work Sharing Program, selected indicators, Canada

Source: Employment and Immigration Canada

Similarly, the number of workers participating in the program decreased from a high of 202,037 (in 1982) to a low of 26,294 (in 1987) before climbing to 140,304 (in 1990). Averted layoffs, as a result of these Work Sharing agreements, fell from 87,000 in 1982 to 11,409 in 1987 and then jumped to 51,029 in 1990.

Program costs also followed this pattern, decreasing from a high of \$83.2 million in 1982, to \$16.8 million in 1988, and then rising to \$61.7 million in 1990 (measured in current dollars).

It is interesting to note that the participant/averted-layoff ratio, that is, the number of participants working reduced hours in order to avert one layoff, remained relatively stable at about 2.5 throughout this period.



Chart Work Sharing Program participants, January 1990 to March 1991.

Source: Employment and Immigration Canada

Note: Data for the Atlantic and Prairie provinces are not available.

The program's impact

The Work Sharing Program affects certain industries, demographic groups and regions more than others.

Manufacturing gets the lion's share of Work Sharing agreements. This is not surprising since this is the industry most affected by business cycles. In 1982, for example, 72% of the agreements involving some 90% of the employees on Work Sharing were in the manufacturing sector, far in excess of that industry's 20% share of total paid employment. (1) Available information for 1990 (mainly from Quebec and Ontario) shows that manufacturing continued to account for the largest share of program agreements and participants in that year.

The program's main participants appear to be aged 25 to 44. (2) In 1982, 50% of the participants were this age, similar to this group's share of total paid employment. On the other hand, younger workers (the 15 to

24 age group), were slightly overrepresented in the Work Sharing Program. Some 28% of program participants in 1982 were 15 to 24 years old, but young workers accounted for only 23% of total paid employment.

The distribution of program participants by region has tended to follow the regional distribution of manufacturing employment ([Table 2](#)). Thus Ontario has always had the largest portion of employees in the Work Sharing Program. In 1990, for example, 54% of participants came from this province. Quebec had 27% of program participants in 1990, while British Columbia's share was 7%.



Table 2 Work Sharing Program participants in all industries and paid workers in manufacturing, by region, 1982 and 1990

*Sources: * Employment and Immigration Canada*

Recent trends

The first quarter of 1991 showed strong activity in the Work Sharing Program. A comparison of data for the first quarter of 1991 with that for all of 1989 (the last full year of economic growth) indicates a tripling in the number of applications, and a rise of about 150% in the number of program participants and expenditures.

Data for the five quarters from January 1, 1990 to March 31, 1991 show that Ontario still has the largest portion of employees in the Work Sharing Program, although Quebec's share has increased recently, Manufacturing remains the dominant industry in the program, with two-thirds of program participants coming from this sector in the first quarter of 1991.

Background and definitions

Background

The Work Sharing Program originated in 1977 under Section 37 of the Unemployment Insurance Act of 1971. A number of pilot studies were carried out between 1977 and 1979, but the program was

suspended until 1982, when it was reactivated in response to the 1981-82 economic recession. Under this program, the available work in a firm is spread among its employees, and everyone works fewer than their normally scheduled hours. Instead of laying off some workers, reduced workhours keep the entire workforce employed - temporarily at least. To compensate for the loss of income associated with working fewer hours, the Unemployment Insurance Commission pays the affected workers 60% of their foregone earnings.

Definitions

The term "**work sharing**" has often been used interchangeably (and erroneously) with "**job-sharing**". These two terms look similar but are not identical in meaning.

Work sharing refers to any comprehensive arrangement whereby workers accept reduced hours in order to avert layoffs. This situation occurs generally in economic hard times when a business, for reasons beyond its control, experiences a slackening demand for its goods and services in the short run, but otherwise expects to be viable in the long run.

Job-sharing, on the other hand, is a voluntary arrangement where two employees agree, with the approval of their employer, to share the responsibilities for a single job on an ongoing basis. Although no data are available, it seems likely that many job sharing arrangements are initiated by employees who have family responsibilities or who want to return to school part time.

Notes

Note 1

The manufacturing sector's 72% share is based upon a sample of agreements that were signed by April 27, 1982. For information about the distribution of agreements by industry and region, see "[Evaluation of the Work Sharing Program](#)", Program Evaluation Branch, Employment and Immigration Canada, March 1984, p.28-29.

Note 2

See "[A Preliminary Evaluation of the Work Sharing Program](#)", Program Evaluation Branch, Employment and Immigration Canada, March 1983, p. 81.

References

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Source

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Table 1

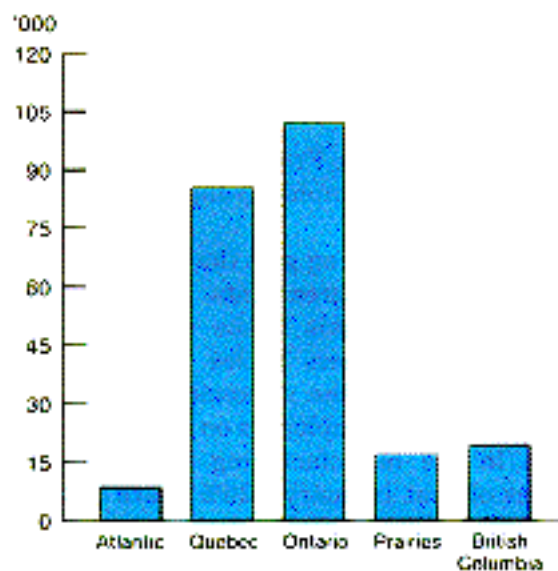
Work Sharing Program, selected indicators, Canada

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 Jan.- March
Applications approved	8,780	7,238	4,141	2,659	2,784	2,170	1,883	1,802	6,297	5,351
Participants (employees)	202,037	93,812	56,378	36,631	35,121	26,294	31,282	37,487	140,304	92,519
Averted-layoffs	87,000	34,836	22,215	16,404	14,923	11,409	12,813	16,493	51,029	32,830
Participant/averted-layoff ratio	2.3	2.7	2.5	2.2	2.4	2.3	2.4	2.3	2.7	2.8
Expenditures (\$<000)	83,200	83,100	32,400	25,200	21,700	17,000	16,800	21,200	61,700	55,000

Source: Employment and Immigration Canada

Work Sharing Program participants, January 1990 to March 1991

Most participants worked in Central Canada.



Source: Employment and Immigration Canada

Note: Data for the Atlantic and Prairie provinces
are not available.

Table 2

Work Sharing Program participants in all industries and paid workers in manufacturing, by region, 1982 and 1990

	1982				1990			
Region	Work Sharing Program participants*		Manufacturing paid workers**		Work Sharing Program participants*		Manufacturing paid workers**	
	number	%	'000	%	number	%	'000	%
Atlantic	5,051	3	99	5	4,780	3	103	5
Quebec	53,136	26	531	28	37,640	27	574	29
Ontario	94,755	47	942	50	76,463	54	955	48
Prairies	19,598	10	172	9	10,935	8	170	9
B.C.	29,497	15	154	8	10,486	7	170	9
Canada	202,037	100	1,898	100	140,304	100	1,972	100

*Sources: *Employment and Immigration Canada; data for the Atlantic and Prairie provinces are not available separately.*

*** Labour Force Survey*