INSTITUT FÜR ARBEITSMARKT- UND BERUFSFORSCHUNG
Die Forschungseinrichtung der Bundesagentur für Arbeit

Short-Time Compensatio United States

27. Jun | Ma 2023 Schludi, Jutta Winters

During the Covid-19 pandemic, governments ar of labor market policy tools to prevent job on two such programs: Short-Time Compensatio Program. In this interview, Till von Wachter California, will give some insights into the from applying the programs.

Did your country have any kind of job retention employment effects of economic crises?

During the Covid-19 pandemic, the United States retention, Short-Time Compensation (STC) and the STC program, employees whose hours are reduced b

Unemployment Insurance benefits.

PPP provided low-interest loans to small busines
and employment. The loans were forgivable if 60

In addition, the United States broadened Unemplo
benefits up to $600 per week and durations by an
Unemployment Insurance is not primarily job rete
reported that they expected to return quickly to
employer. The extensions also subsidized partial
reduced hours at their current or at another emp

When were these two job retention schemes introd

In the United States, Short-Time Compensation is
states as part of their Unemployment Insurance p
at the federal level in 1992, and as of November
programs. The only state to introduce STC during

The Paycheck Protection Program was a temporary
three rounds of federal funding and disbursement
April 2020, $320 billion between April and June
May 2021.

> In the United States, Short-Time Compensation
> 27 out of 50 states.

What are the objectives of the schemes?

Short-Time Compensation is an alternative to lay
available work. STC preserves employees jobs an
lowered economic activity. By allowing employers
employees it is meant to prevent permanent layof

The Paycheck Protection Program (PPP) was meant
assistance they needed to maintain their payroll
and cover applicable overhead. If the employer m
loan used for covered payroll costs, interest on

forgiven.

How did the maximum duration for which the benef

Typically, STC claimants are eligible for up to
varies by state. Since a worker s benefit amount
Insurance, the benefit extensions during the pan
incentivize use of the program during the pandem
governments for the full costs of STC up to 26 w

For PPP loans, qualified small businesses were a
forgiveness within 10 months after the last day
original disbursement.

What are the eligibility criteria of the scheme

To qualify for STC, a firm must submit a plan fo
they have reduced the hours for impacted employe
provide health and retirement benefits.

Furthermore, in order to receive STC benefits, e
Unemployment Insurance. State Unemployment Insur
applicant must meet a minimum income threshold a
minimum income requirements, among others, worke
benefits.

During the Covid-19 crisis, federal legislation
requirements, expanded eligibility to self-emplo
previously laid-off workers at part-time under S

To be eligible for PPP loans, a business typical
businesses may also qualify via other criteria s
government targeted PPP loans to small businesse
wealthy companies.

Has the benefit level also been changed during t

The STC benefit level is mainly a function of pr
demographics or characteristics. Before the pand

percent, but during the pandemic, the federal go
STC recipients, increasing the average replaceme

> Before the pandemic, California s average rep
> the pandemic, the federal government increase
> percent.

What was the maximum take-up rate in 2020 and in

STC claims represented about 4.9 percent of all
available at the peak in 2020 and 1.9 percent at
Washington, and Oregon substantially scaled ST
percent of all Unemployment Insurance claims. In
to 10.9 percent.

For PPP, the Cleveland Federal Reserve estimated
received a loan.

How is the support scheme financed?

STC benefits are usually financed through state
taxes levied on employers. A firm s Unemployment
calculated based on the firm s history of layoff

In March 2020, the United States Congress passed
(CARES) Act which provided 100 percent reimburse
programs, up to a maximum of 26 weeks. It was up
experience rating for STC use or more generally

The CARES Act and subsequent extensions also pro
rejected for forgiveness were paid by the respon

> It was up to the discretion of states whether
> more generally Unemployment Insurance use dur
> did so.

Are there any measures to avoid misuse and deadw
not need financial support?

The tax treatment of Short-Time Compensation pro
Unemployment Insurance benefits: states levy pay
the firm s use of unemployment benefits.

During the pandemic, several states elected to e
taxes were not a function of the amount of STC u
was paying for STC benefits, and partly because

PPP was a relatively untargeted program and was
did not need financial support. One estimate of
percent of PPP dollars went to workers who would

Did the support system in your view slow down th

It is unlikely that either job retention scheme
the unique nature of the pandemic-driven recessi
among the unemployed was larger than in previous
lower.

Is there a financial incentive for employers to
receiving support?

Neither STC nor PPP offered explicit financial i
STC programs, workers may participate in a train

> While use of Short Time Compensation was limi
> supporting wages.

Have there been incentives for benefit recipient

By the rules of the program, STC claimants are d
remain available to their employer to return to

How would you judge the general effectiveness of

While use of STC was limited, it was effective i
administration and awareness of the program has
government offered program improvement grants to
during the pandemic and for future recessions.

Despite the significant deadweight loss, the $80
employment effects of the pandemic. But program
government was a challenge; the program has been

When were the special rules that applied during
justified?

For the STC program, federal reimbursement ended
prior recessions when the federal government tem
recessionary moments and incentivize use of the
temporarily waiving the impact of STC on a firm

Federal extensions to unemployment insurance dur
the initial authorization. Benefits were not ext
inflation and the concern that unemployment bene

> Firms have been known to systematically chall
> claims of their workers out of concerns for t

Is there a political debate on the scheme s elem

The current degree of experience rating is imper
Unemployment Insurance benefit use only up to a
automatically balance its funding over the busin
across sectors and firms. At the same time, firm
legitimacy of unemployment claims of their worke
tax rate. Imperfect experience rating helps to l

Which lessons can be learned from the use of STC
States?

More research is needed on the use and efficacy
States. Lessons learned from other countries ind
jobs and sustain wages during temporary shocks,
prevent labor market crowding. STC is underutili
by state governments and business and employer o
among employers would increase program take-up.

Personal details

Till Marcoivson PMoafchstseorr of Economics at the Uni
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Cite article

Winters, Jutta (2023): “Short-Time Compensation is underutilized in the United States”, In: IAB-Forum 27th of June 2023, https://iab-forum.de/en/short-time-compensation-is-underutilized-in-the-united-states/, Retrieved: 7th of March 2026

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Martin Schludi; Jutta Winters (2023): Short-Tim
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underutilized-in-the-united-states/, Abrufdatum:

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