

AB 1731 Provides Rare Win-Win Option for California's Businesses and Workers During Economic Downturn

By

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As the 2020 legislative season comes to a close, we can certainly say it has been a chaotic time for employers. One bright spot for employers was [AB 1731 \(Boerner Horvath; D-Encinitas\)](#), which the California Chamber of Commerce was glad to support and glad to see it signed by Governor Gavin Newsom with an urgency clause, meaning it went into effect immediately on September 28.

Generally speaking, **AB 1731** streamlined the application process for California's under-used Work Share Program. For those unfamiliar with the program: the work share program allows employers to save on payroll costs during economic downturns—but still avoid—by submitting a plan to the Employment Development Department (EDD) that must meet certain requirements.

Broadly, these plans allow employers to, in exchange for avoiding layoffs, reduce hours and allow workers to retain health coverage (if applicable), and access to unemployment insurance (UI) benefits to supplement their decreased wages. In other words—this allows employers the option of providing partial unemployment insurance payments and various other benefits, while simultaneously reducing hours and cutting costs during an economic downturn. Again, this is a totally optional program—but it allows many employers to find a middle path: both saving on payroll in tough times, and also retaining employees and allowing them to access critical benefits.

Though California's Work Share Program dates back to the 1970's, it has long been underused. **AB 1731** should help address that problem. **AB 1731** accelerates the approval process (which previously could take months) through a range of measures, including providing for automatic one-year approval of all applications from September of 2020 until September of 2023.

Also, in order to continue improving the work share program's appeal to employers, **AB 1731** allows the California Department of Industrial Relations

(DIR) to collaborate with the Governor's Office of Business and Economic Development (GO-Biz) and the California Infrastructure and Economic Development Bank to implement strategic outreach to employers. Hopefully, these collaborations will lead to more employer input on this program and more employers' taking advantage of it during times of economic turbulence.

Another benefit of Work Share Programs during economic downturns is that the federal government tends to provide some aid for states' unemployment payments. This effectively further reduces the cost for employers to utilize work share programs by making any UI payments provided to reduced-time workers essentially free money. We saw this federal aid a decade ago in the Great Recession, and we saw it previously during the COVID-19 pandemic. Though it remains unclear if additional benefits will be provided at the federal level—and we may not know until after the election—the fact remains that many of California's employers have struggled to care for their workforce while also making necessary cuts to their payroll. And, for employers facing these tough choices, Work Share may be exactly the solution they've been looking for.

Here's hoping for more common-sense legislation like **AB 1731** that helps both employers and employees by streamlining helpful programs.

For additional information on Work Share and to determine if it may be right for your business, we would advise you to look to EDD's website: https://www.edd.ca.gov/unemployment/Work_Sharing_Program.htm.

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