

THE EMPLOYEE JOB-SHARING FURLOUGH PROTECTION ACT

Creating a Job-Sharing Furlough Program to Generate Major State and Local Budget Savings, Increase Federal Payments to Public and Private Sector NJ Workers, and Spur Post-Recession Economic Growth

S2350, the Employee Job-Sharing Furlough Protection Act is needed to:

- Permit public, private and nonprofit employers to achieve cost savings by implementing furlough programs under the provision of this law in accordance with the New Jersey job-sharing furlough law with an effective date corresponding to the date of submission of a plan to the Department of Labor Workforce Development.
- Provide a guarantee to public employees that their future pension benefits will not be affected by being furloughed, and that seniority will continue to accrue as if they were working full-time;
- Provide for pre-qualification for unemployment benefits by public employers for employees to be furloughed so as to ensure no interruption in income. The DLWD may provide final certification later. This this is intended to reduce the immediate impact of the workload on DLWD.

S2350, the Employee Job-Sharing Furlough Protection Act

- The act is projected to generate tens of millions of dollars in weekly savings for New Jersey state, county and municipal governments and school districts, while putting an additional \$1,000 to \$6,000 more into the pockets of furloughed workers than they would have earned by remaining full-time on the government payroll for the next three months. The furlough initiative would work equally well for private sector and nonprofit employers.
- Based on projections, state and local government savings over a three-month period could reach \$750 million if 100,000 state and local employees were furloughed, with most furloughs to come from the ranks of non-uniformed county and municipal employees. Furthermore, the extra take-home pay would effectively translate into a \$500 million additional stimulus package paid for by the federal government that furloughed employees would have available to spend, boosting our post-coronavirus economic recovery.

- New Jersey has 400,000 full-time state, county and municipal government and school district employees – of whom 320,000 earn \$89,000 or less and would make more money under our furlough initiative than they would by working. These numbers do not include the tens of thousands of part-time workers not in local government pension systems who also would be eligible for the furlough program.
- While a majority of government employees are providing essential services during the coronavirus crisis, it is certainly reasonable to assume that any furlough initiative would include a high percentage of the 146,000 non-uniformed county and municipal government employees in the Local Public Employees Retirement System, much of the traditional white-collar workforce in state government, most support personnel in school districts not involved in providing distance learning or other services to schoolchildren in their homes, and part-time workers in all sectors of government.

Fast-tracking Implementation Through Executive Order

- While the legislative provisions are important, we believe the program itself can be implemented by executive order or by an announcement by the Labor Commissioner that he will be implementing a Job Sharing Furlough Program under the provisions of the 2011 statute.
- With pension and seniority rights fully protected and furloughs strictly limited to union and non-union employees whose take-home pay would increase by participating in the program, the public employee unions should have no reason not to sign on, especially because the savings will help public sector employers with plunging revenues to avert layoffs in the recession that is likely to linger well after the coronavirus shelter-in-place restrictions are lifted.

Capitalizing on the Benefits of the Federal CARE Act under NJ's Job-Sharing Furlough Law

- Our Employee Job-Sharing Protection Act takes advantage of the CARES Act's federal reimbursement provisions for states with existing job-sharing furlough laws to increase the amount of federal aid we can pull in both for employees and for public, private and non-profit employers. The New Jersey law requires approval of unions representing employees, but we believe the fact that they will agree to participate in a program under which employees earning up to \$89,000 will receive more money with full protection of pensions, benefits and seniority rights until they return to their current jobs on August 1

- The federal CARES Act stimulus package provides a \$600 per week federal unemployment payment on top of weekly state unemployment benefits. Because New Jersey's maximum weekly unemployment benefit is 60 percent of salary up to a maximum of \$713 per week, all public and private sector workers earning up to \$72,000 per year actually would make more money laid off than by continuing to work.
- Federal CARES Act intentionally made benefits better for those who fall under job-sharing furlough laws than for conventional layoffs: Employees making up to \$89,000 who are furloughed under New Jersey's job-sharing furlough law – which calculates unemployment benefits differently -- would make more money by being furloughed than by continuing to work.
- The CARES Act includes a provision requiring the federal government to pay 100 percent of the state unemployment benefit costs through July 31 for any worker furloughed in a state that already has a job-sharing furlough law in place, which New Jersey and 25 other states do. States enacting such a law now would only receive 50 percent federal reimbursement. Taking advantage of this furlough program would enable the state to offload the full cost of unemployment claims for public employees to the federal government.
- This provision also applies to private sector and non-profit employers, who can avert future increases to their own Unemployment Insurance Trust Fund payments by shifting their UI costs to the federal government. The more employers participate, the less money the state will have to borrow from the federal government to shore up the UI Fund if it runs dry. An added inducement to private sector and nonprofit employers participating in the Small Business Administration's Payroll Protection Program under the CARES Act is that they will receive 100 percent loan forgiveness for the percentage of salary they continue to pay under the New Jersey program continuing and all pension and benefit costs.
- Under the terms of our job-sharing furlough law, participating public and private sector employers must pay furloughed employees 40 percent to 90 percent of salary. Our program assumptions assume 40 percent payment. Standard New Jersey unemployment benefits are calculated at 60 percent of salary up to the maximum benefit of \$713, but under our New Jersey job-sharing law, unemployment benefits for furloughed employees under this program would represent an additional 36 percent of salary up to a maximum of \$427 per week, which is reached at a \$61,800 salary. With the additional \$600 federal unemployment payment, the break-even point for employees participating in the program is just over \$89,000 in salary.

- The federal CARES Act requires employers seeking reimbursement under the job-sharing furlough program to continue pension and health benefits for these workers, and we would require public employers to do so. Employees would continue to pay their pension and benefit costs out of their 40 percent of salary as if they were still working.
- Pension payments by employers and employees would continue to be based upon regular salary, and our legislation contains a “hold harmless” provision requiring future pension calculations for public employees furloughed during the coronavirus crisis to be calculated as if they had worked at full pensionable salary for the entire year. There is no added cost to the pension system’s unfunded liability because the program continues full employer and employee contributions. The legislation also would require that furloughed employees continue to accrue seniority as if they were working full-time and would suspend any pension loan repayment during the furlough period.

Increased Take-Home Pay for Furloughed Workers

The increased income for employees furloughed under this program would be a tremendous boost, especially for lower-income workers. Over a three-month period:

- A \$30,000 employee who would normally make \$7,500 over three months would get \$13,500 – a \$6,000 increase.
- A \$50,000 worker would jump from \$12,500 to \$17,300, an effective pay raise of \$4,800.
- At \$70,000 in income, an employee would make \$17,500 by working and \$20,361 on furlough – a \$2,861 increase.
- AT \$89,000, we basically hit the break-even point, where \$22,250 in regular pay is just \$11 less than \$22,261 in furlough reimbursement.

These are true net savings because pension and benefit costs are the same for employed and furloughed workers.

If 100,000 government employees were furloughed for three months, we project that these employees would collect an additional net of about \$500 million in take-home pay. In effect, this is an additional federal stimulus package coming into New Jersey that would spur \$750 million in needed economic activity based upon the traditional 1.5x multiplier for stimulus spending during a recession.

Savings for Government

For state, county and municipal governments and school districts, we project budget savings of about \$750 million if 100,000 employees were furloughed for three months under this program. The three-month savings calculations are:

- \$4,372 per employee for a worker earning \$30,000 a year
- \$7,429 for a worker making \$50,000
- \$10,517 for an employee earning \$70,000; and
- \$13,407 for a worker making \$89,000.

As much as 80 percent of the savings would most likely be achieved by county and municipal governments, by authorities and, to a lesser extent, by school districts. These savings would be a welcome budget savings to offset expected late property tax payments in August by families that lose income due to the coronavirus recession. Municipal officials expect that escrow accounts will cover most property tax payments even for those who seek mortgage deferrals.

To ensure a smooth transition, the legislation would allow employers to pre-qualify furloughed employees for unemployment benefits to ensure that there is no break in furloughed employees receiving checks during their transition from payroll to unemployment.

A second provision allowing employees to earn up to 40 percent of salary would also enable furloughed employees to earn additional income on the days they do not work in their regular public or private sector jobs.