

## **TEMPORARY LAYOFFS AND REDUCTION IN HOURS - FINANCIAL IMPACT**

**PURPOSE:** To provide employees and management with alternatives to layoff taking into consideration of the needs of the County, budget requirements, maintaining services and retaining employees.

**SCOPE:** This policy applies to all regular, temporary and probationary Clackamas County employees. When in conflict, collective bargaining agreement language will supersede.

**POLICY STATEMENT:** When a reduction in force is being considered, a department may also consider strategies such as temporary layoffs or reduction in hours as alternatives to long-term layoffs. Such arrangements, when consistent with the needs of the department and the County, can retain the valuable skills of existing employees while responding to critical budget issues. As with a regular layoff, alternatives require the approval of the County Administrator and the DES Director.

The County reimburses the State for all unemployment benefits paid to laid off employees on a dollar for dollar basis. Outlined here is information to assist you in determining the cost of alternatives to layoff such as temporary layoff and reduction in hours. A County employee who is laid off and finds another job without filing a claim does not cost the County anything for unemployment benefits. Another employee who is laid off and claims benefits for 26 weeks could cost in excess of \$11,570 in unemployment benefits over the period of the claim. By reducing the same employee's hours, we could benefit from his/her productivity rather than paying toward unemployment benefits of that employee.

### **TEMPORARY LAYOFFS**

Temporary layoffs are defined as a period of unemployment with a definite time duration and a commitment by the employer to rehire a laid off person at the end of such period.

A layoff of no more than one week per calendar year per employee will have no net effect on unemployment compensation liability paid by the County. Layoffs in excess of one week will cost the County in unemployment benefits after the first week.

The employee on temporary layoff is less likely to seek employment elsewhere and is not required by the State to do so if the layoff is not to exceed four to six weeks. This has the advantage to the County of retaining a pool of trained employees but at the cost of the employee's unemployment benefits for the duration of the layoff.

It should be noted that layoffs are subject to the terms and conditions identified in the applicable collective bargaining agreement or the Personnel Ordinance. For more information regarding layoffs refer to EPP #37 or the applicable collective bargaining agreement.

When placing someone in a temporary layoff status it is important to consider the impact on his/her benefits. For full-time regular status employees experiencing temporary layoffs, County paid medical, dental and life insurance will continue during any month in which the employee is in a paid status the first working day of the month or is in a paid status at least 11 work days during the calendar month. An employee must be in a paid status at least 11 work days in any calendar month in order to receive longevity, time toward salary increases, sick leave and vacation accrual for the month. Seniority does not accrue while someone is in a layoff status; however, upon their return, any previously accrued seniority will be restored. These conditions apply unless otherwise stated in the applicable collective bargaining agreement.

## **REDUCTION IN HOURS**

In reducing the number of hours in the work week, we face potential unemployment liabilities associated with justifiable resignations that qualify for unemployment benefits. The State Employment Department makes this determination on a case by case basis. Per a conversation with the State Employment Department, a reduction of one day per week (37.5 to 30 hours) would probably not produce a valid claim for unemployment if the employee resigns. At a reduction of two days (37.5 to 22.5 hours), the outcome of a potential claim for unemployment compensation by an employee resigning becomes questionable. Anything greater than a two day reduction would probably allow the employee to establish a valid claim by resigning his/her position.

In order to effectuate a reduction in hours, a supervisor needs to submit a Personnel Action form to Employee Services with the appointing authority's signature, stating that an employee's hours are being reduced from full-time to part-time. The number of hours worked per week and the FTE status should be included on the Personnel Action form. When such a Personnel Action is received in the Personnel Division, Payroll and Budget are notified. The position is then reallocated from full-time to part-time. Once the position has been reallocated, Personnel will then slot the employee into the part-time position. Once an employee is allocated as part-time, his/her time sheet must reflect actual hours worked, hours used for vacation and sick, etc. Holiday pay is prorated based upon the number of available work hours in the pay period in which the holiday falls.

There are other factors, in addition to the reduction in pay, that impact an employee when hours are reduced or a temporary layoff occurs. For regular status employees working half-time or greater and less than full-time, the following conditions apply: vacation and sick time are accrued on a prorated basis for the employee, i.e., if an employee is working .9 FTE they will be earning vacation and sick leave at a rate equivalent to .9 of the full-time equivalent. Eligibility toward a salary increase date and credit for longevity pay would still be calculated on a calendar basis and would not be prorated for a part-time employee.

As long as an employee is regularly working 20 hours per week or greater, the employee is eligible for medical insurance for him/herself and family members to the same extent that he/she would be eligible if working full-time. In order to be eligible for dental, life, disability insurance and flexible benefits (if applicable), an employee must be working at least 30 hours per week. As long as an employee is in a position working at least 600 hours per year, the employee is eligible for PERS contributions. The County would continue to make the percentage contribution to PERS for the hours that the employee actually worked. Further discussion of benefits and service accruals for part-time employees is found in EPP #32.

## **COST COMPARISONS**

The most desirable method of reducing personnel costs on a temporary basis is by reducing the workweek by one to eight hours. Whether you reduce the workweek to four days or the workday by one hour, reduced personnel costs result without incurring costs for unemployment benefits.

The following examples discuss two unrelated scenarios that illustrate different costs based on whether unemployment compensation is a factor. Note that in both scenarios the affected employee's benefits package could remain intact if reduced hours comply with benefit policy.

1. Five employees, each earning \$32,000/year (40-hour workweek), are laid off once a year for two weeks, or a total of 50 days. The savings to the County would be \$4,153 (\$6,153 in salary savings less \$2,000 paid in unemployment benefits). The loss in productive work time would be 50 days.
2. An employee's schedule is reduced to a four- day workweek for the year. This would save the County \$6,400 in salary minus \$00 unemployment costs. The lost productive work time would be 52 days. There would be additional savings with prorated sick and vacation time.

In arriving at a decision regarding personnel cost reduction, there are a number of factors for a County manager to consider. The cost of unemployment benefits is only one of several. The impact on the cost of fringe benefits is another major consideration. If you have any questions regarding these issues, please contact the Department of Employee Services, Personnel Division. We are available to work through the financial impact of various scenarios with you.

## **INTERNET LINKS**

County Ordinance (<http://www.co.clackamas.or.us/about/code/Title2.pdf>)