

Short-Time Compensation (STC) Program

EXPLANATION AND GENERAL OVERVIEW

During this uncertain time, many employers are experiencing business slowdowns. The STC Program can help retain employees who without it may have to be laid off or furloughed. STC is a program that provides employers with an alternative to layoff; hours of work and wages may be reduced between 20% and 50%. Workers receive the percentage of their unemployment that corresponds to the percentage of reduction in their work hours each week. Should you ultimately decide to apply for an STC plan, you must allow at least 30 days for the approval process prior to your plan start date.

Advantages of using the STC option in lieu of a full layoff: Employers retain their skilled workforce, promote job attachment, eliminate the time and expense of recruiting and training a replacement workforce, maintain their employees' incomes and benefits, and greatly reduce the financial and psychological effects of total unemployment. Employees are not required to register for or conduct a work search; they can stay in the area and do not have to train for a new job. Monies earned while working during a STC plan can be applied to establish weekly benefits in the following years. The plan can prevent workers from being permanently laid off due to lack of work or business closure. And, it has shown to improve the morale of both employees and employers.

DEFINITIONS:

- A. **Affected Unit** – An employer defined unit consisting of five or more employees designated by the employer to participate in a STC plan.
- B. **Employee Participant** – A full-time or regular part-time employee (see E) whose work hours will be reduced by 20-50% under an STC plan. The number of hours worked each week by employees may vary slightly to meet the needs of the business as long as **all employees are reduced** by the same percentage.
- C. **STC Employer** – An employer with an STC plan in effect.
- D. **STC Plan** – An employer's voluntary, written plan for reducing the work hours of a specified group of employees for not less than 8 weeks or more than 26 weeks to avoid a temporary layoff of one or more workers, for an indefinite period expected to last for more than two months, but not more than six months. Additionally, the STC plan may not be used to subsidize seasonal workers during the off season, nor can it subsidize periods of intermittent employment where part-time workers have traditionally been used.
- E. **Normal Weekly Hours of Work** – The hours the employee regularly works between 30 and 40, excluding overtime.
- F. **Modification** – A change in any STC plan which may be an addition or deletion of employee participants, or a change in percentage for an affected unit. A modification request must be approved before it becomes effective. To request a modified plan, please contact our STC Unit for assistance OR submit a "Modified" Application A (B-148) and Application B (B-146) forms. **Please be advised that a request for modification shall not change the end date of the original approved STC Plan.**
- G. **STC Benefit** – The STC benefit amount is calculated by multiplying the regular UI weekly benefit amount by the percentage reduction of normal work hours specified in the approved plan. For example, an individual whose working hours and wages are reduced by 30% will receive 30% of the weekly benefit allowance. However, STC benefits are also adjusted for any week that an individual works more or less than the approved plan percentage. For instance, if an employee is scheduled for a 30% reduction in work hours but actually works 75% of his or her normal hours in a given week, the STC benefit for that week will be 25% of the normal UI weekly benefit allowance. It should also be noted that employees who work more than 80% or less than 50% of their normal work hours will have their claims reviewed under the normal UI claim procedure, not through the STC plan.

H. **Work Search and Availability Requirement** – While the STC participants are excluded from the normal work search requirements, they must be able to work and available for the normal work week with the STC employer.

If the participant performed work for the STC employer during a week the employer approved an insignificant amount of vacation time off work, likely the participant will be eligible for an STC payment.

If injury or illness does not allow an employee on STC to work all of the hours that the STC employer had available, both the STC employer and employee will be asked to provide information on the injury/illness.

During any week the participant did not work all hours the STC employer had available, VDOL will make a decision on whether to allow or deny STC benefits during the impacted week. Should VDOL deny the STC benefit, both the STC employer and participant will be mailed a copy of such decision.

I. **STC Benefit Charging** – Under the STC program, the benefits paid are classified as STC payments providing the claimant's work hours in that week are within the 50-80% rules for eligibility and the charge for that week's benefit is assigned to the STC employer's experience rating account only. If the claimant's work hours are less than 50% any benefits that are paid would be regular UI benefits, not STC, and therefore are charged proportionately to **ALL** base period employers.

APPLYING FOR STC

An employer interested in participating in the STC program for some or all employees must submit Application Forms A & B (B-148 and B-146) for approval. These applications include proposed starting and ending dates of the plan, number of employee participants, any impact on fringe benefits, employer certification of collective bargaining agent agreements, a list of employees selected to participate with associated social security numbers, and the proposed percentage in reduction of hours.

Application A form requires the employer to certify that:

- The employees normally work at least 30, but not more than 40 (excluding overtime) regular pay hours per week.
- The hours shown in the plan exclude overtime pay hours and any in excess of 40 hours per week.
- The plan has been agreed to by all collective bargaining agents representing all participants.
- Each participant is a full-time or regular part-time employee of the employer.
- The planned reduction in weekly hours for participants is instead of layoffs that would result in at least as large a reduction in total work hours.
- The plan is in lieu of a temporary layoff of one or more workers for an indefinite period expected to last for more than two months, but not more than six months.
- The normal weekly hours for participants will be reduced in accordance with the approved Application Form "B".
- The employer has an understanding that:
 - a) the STC benefits paid under the plan will be charged to the employer's experience rating (or if a reimbursable employer, will be assessed for all STC payments);
 - b) participation in the STC program will not affect current unemployment tax rate, but it could cause increases in the future;
 - c) the plan is subject to review and can be revoked due to non-compliance with program rules and requirements.

The employer's STC plan can last up to 6 months, but no plan can last more than 6 months. Individual employees can draw up to 26 weeks of STC benefits. The number of weeks in the STC plan could be reduced if the participant has received payments in an existing benefit year.

Please be mindful of the following when completing Applications A and B forms:

- All information provided must be true and accurate.
- The number of hours needing to be saved (line 9 on Application A form) should equal the total number of hours workers will not work (line 12 on Application B form).
- **Temporary layoffs of the STC participants in the affected unit during the plan are prohibited.**
- The proposed reduction **MUST BE** the same for all workers in a plan.
- **The "start date" of your plan should be 15 days or more from the date your plan is submitted for approval.**

ONCE PLAN IS APPROVED - What To Expect:

You will be notified once your application has been reviewed. Upon notification that your plan has been approved, the next step in the process requires each participating employee to complete an Initial Claim form (B-65 STC). The employer shall also provide each participating employee a copy of "Important Information for STC Participants" form (B-102). All base period employer wages on file will be used to determine the employee's unemployment entitlement, resulting in a monetary determination being issued. If all wages have been reported, this monetary determination is an overnight process and a notice will be mailed directly to each participant.

A sample of the weekly claim forms and employer reports will be sent to the employer. A separate Weekly Claim form (B-6 STC) must be completed by each affected employee and then given to the employer following the end of each week throughout the duration of the STC plan. The participant may not complete or sign weekly forms prior to the week ending. The employer completes a separate Weekly Report of Participants form (B-145) each week that attests to whether or not employees accepted all work, that the reduction in hours was the same as agreed to in the plan, and shows hours of work and other compensation. When all B-6 STC and B-145 forms are completed for a week, the employer will forward them to the STC Unit of the Vermont Department of Labor in Montpelier.

INCOMPLETE OR INCORRECT WEEKLY CLAIM FORMS (Form B-6 STC)

If the claim is incomplete or incorrectly completed, the STC Unit will attempt to contact the participant by phoning the employer's office. If the claim is unsigned or undated, it will be returned directly to the participant for correction.

INCOMPLETE EMPLOYER WEEKLY REPORTS (Form B-145)

If the report is unsigned, it will be returned for signature.

FINAL NOTICE

If an STC participant's benefits are exhausted, the participant and the employer will be notified by the STC Unit and the participant's name will be deleted from the Employer Plan. The employer will be expected to file a modified plan that reflects the deleted participant(s) and any resulting percentage changes, or added participant(s). In all cases of a modified plan, the end date of the plan remains the same as the original application.

SEPARATIONS AND LAYOFFS

If an STC participant is permanently separated or placed on an indefinite layoff, he/she will need to call the STC Unit. The employer will be expected to file a modified plan that reflects the deleted participant(s) and any resulting percentage changes, or added participant(s). In all cases of a modified plan, the end date of the plan remains the same as the original application.

If an employee, who is a participant in the STC plan, decides to quit working for the STC employer, or any employer, it is grounds for denial of any further benefits to that participant. In that event, the STC employer will be expected to file a modified plan that reflects the deleted participant(s) and any resulting percentage changes, or added participant(s). In all cases of a modified plan, the end date of the plan remains the same as the original application. If the modification is due to an employee separating from your employment for reasons other than lack of work, please provide details of that separation.

FORMS

All forms related to the STC Program can be obtained by contacting us directly or on our website at www.labor.vermont.gov under the "Unemployment Insurance & Wages", "Short-Time Compensation (STC) Program" links.

CONTACT INFORMATION

If you have any questions or require assistance, please email us at Labor-UIAndWagesDivision@state.vt.us or call the Employer Assistance Line toll-free at 1-877-214-3331 during normal business hours and ask to speak to an STC Representative.

Equal Opportunity is the Law

The State of Vermont is an Equal Opportunity/Affirmative Action Employer. Applications from women, individuals with disabilities, and people from diverse cultural backgrounds are encouraged. Auxiliary aids and services are available upon request to individuals with disabilities. 711 (TTY/Relay Service) or 802-828-4203 TDD (Vermont Department of Labor). Interpretative services are available for limited English proficiency customers. For more information please visit: <http://www.dol.gov/oasam/programs/crc/ISpeakCards.pdf>