Grant Thornton

Work-Sharing Program

Work-Sharing is a program designed to help eligible employers avoid layoffs when there is a temporary reduction in the normal level of business activity, that is beyond the control of the employer.

The program is an agreement between three parties: • **Employer** • **Employee and** • **Service Canada,** and it provides income support through the Employment Insurance (EI) program for employees eligible for EI.*

Example scenario

Employment Insurance

Susan makes $1,000 a week working for a website development firm that experiences a 40% work slowdown as the result of COVID-19.

She is eligible for an EI benefit of $573/week (55% of annual insurable earnings to a maximum of $54,200/year).

Work-Sharing Program

The firm enters into an agreement with Service Canada to offer work-sharing.

Susan voluntarily agrees to reduce her work schedule to three days a week to help her firm avoid layoffs.

Susan is now paid a total of $820/week:

- $600 from her employer (60% of her weekly wage)
- $220 from service Canada (55% of the reduction)

$820
Work-Sharing + EI benefits

$573
EI benefits only

There are significant requirements for employers to participate in this program, including detailed reports on sales and production levels for 24 months prior. For additional details on this program, visit the Work-Sharing website or read the guide at the links provided below.

* The Work-Sharing Program can be complex so you may want to speak to your accountant or lawyer, first, because not everyone may qualify.

Changes to Work-Sharing in response to COVID-19

Extented participation Employers who participate in the program due to COVID-19 can now do so for up to 76 weeks, which is an extension of the usual maximum period of 38 weeks.

The cooling-off period is being temporarily waived. There is a mandatory "cooling-off" period, where the employer cannot re-enter a Work-Sharing (WS) agreement with the same employees for a period of time. Due to the COVID-19 pandemic, this cooling-off period is being temporarily waived. Furthermore, any employers that participated in the program and whose participation period ended prior to March 13, 2020 may be able to waive the mandatory cooling-off period to participate in the program again.

Who is eligible?

Employers

To be eligible to participate, employers must be experiencing a downturn in business activity related to the global outbreak of COVID-19, and have:

- WS agreements signed between March 15, 2020 and March 14, 2021;

- WS agreements that began, or ended, between March 15, 2020 and March 14, 2021; and

- WS agreements that ended between June 23, 2019, and March 14, 2020, and are in their mandatory cooling-off period.

Additional requirements for employers (not specific to COVID-19). They must:

- have been in business in Canada year-round for at least two (2) years;

- be a private business, publicly-held company or a not-for-profit organization;

- demonstrate that the shortage of work is temporary and beyond their control;

- demonstrate a recent decrease in business activity of approximately 10%;

- submit and implement a recovery plan designed to return the work-sharing individuals to normal working hours by the end of the program; and

- have at least two employees in the WS unit*.

*A Work-Sharing Unit is a group of at least two employees with similar duties who agree to a work-sharing arrangement.

Employees

Employees who are eligible to participate in the WS program must meet the following criteria:

- year-round, permanent, full-time or part-time employees needed to carry out the day-to-day functions of the business ("core staff");

- eligible to receive EI benefits; and

- agree to reduce their normal working hours by the same percentage and to share the available work.
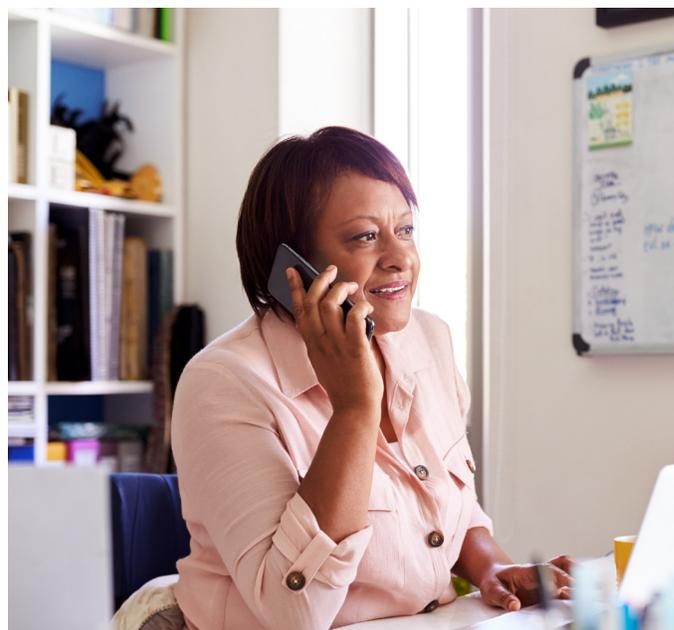
How it works

The employer and employee must agree to participate in a work share agreement. The application is then sent to Service Canada. Guidance on program duration and impact to employees work schedule is outlined below.

- Time is reduced between a minimum of 10% (one half day) and a maximum of 60% (three days).

- In any given week, the work reduction can vary depending on available work, as long as the work reduction on average is between 10%-60% for the duration of the program

- The program must have a minimum duration of six (6) weeks and as a result of COVID-19, may last up to 76 weeks. The mandatory waiting period has also been waived as the result of COVID-19.

- Once the application is approved, the agreement must be signed by all three parties (Employer, Employees, Service Canada) within 60 calendar days following the date of approval. If it is not signed within this time limit, the WS agreement will be terminated and the applicant must begin the application process again.

Tax implications to employees

EI benefits received through a WS program are taxable. Since EI benefits may be low, it is possible that no tax is withheld at source. Employees who wish to have more tax withheld can call: +1 800 206 7218, TTY: +1 800 529 3742.

If an employee's net income from all sources at the end of the year is greater than that year's income threshold, they are required to repay a portion of the EI benefits received.

The amount required to be repaid is equal to 30% of the lesser of:

- Net income in excess of an income threshold, or

- the total regular benefits, including regular fishing benefits, paid in the taxation year.

The income threshold for 2020 was $67,750.

How to apply

The application process can be quite complex as it involves several forms to be filled out and also requires the development of a recovery plan. Applications can be found at the following website:

If you wish to find out more about this program, please contact your Grant Thornton advisor for further details.

Additional resources

Work-Sharing site

COVID-19 Work-Sharing page

Work-Sharing guide

Visit our COVID-19 Hub for timely information and resources and connect with your Grant Thornton advisor to learn more.