

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 who agree to reduce their normal working hours and share the available work while their employer recovers.*

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

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

Many of the previous requirements to participate in this program have been temporarily relaxed in response to COVID-19. For additional details on this program, visit the Work-Sharing [website](#).

Changes to Work-Sharing in response to COVID-19



Extended 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.



Recovery Plan requirements have been reduced from a separate form required as an attachment to the application to a single line of text.



Expanded eligibility to businesses that have been operating for a minimum of 1 year (instead of the previous minimum of 2 years) and elimination of the burden of providing sales and production figures at the same time.



Expanded eligibility to Government Business Enterprises (GBEs) and not-for-profit organization employers.



Extended participation to employees considered essential to the recovery and viability of the business, rather than the previous requirement that only “core” employees could participate.



Streamlining of the application process by requiring employers to submit applications 10 days prior to the requested start date rather than 30 days. The aim is that processing times will be reduced.

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. They must:

- have been in business in Canada year-round for at least one (1) year;
- be a private business, publicly-held company (including GBEs) or a not-for-profit organization;
- demonstrate that the shortage of work is temporary and beyond their control;

- demonstrate a recent decrease in sales or production levels of approximately 10% within the last six months; 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”) as well as employees considered essential to the recovery and viability of the business;
- eligible to receive EI benefits;
- agree to reduce their normal working hours by the same percentage and to share the available work; and
- hold less than 40% of the employer’s voting shares.

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.
- Before submitting the application, the employer is required to provide a copy of the WS employee annex, which contains instructions and information for employees, to each member of a WS unit.
- 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.
- Employers will be required to provide a Record of Employment to employees so that they can access the Employment Insurance benefit related to a Work-Sharing arrangement.

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.

Interaction with the Canada Emergency Wage Subsidy (CEWS)

For employers and employees that are participating in a Work-Sharing program, EI benefits received by employees through the Work-Sharing program will reduce the benefit that the employer is entitled to receive under the CEWS.

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.

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](#)

[Employment and Social Development Canada COVID-19 page](#)

Grant Thornton LLP wants to caution that these rules are still new and continue to evolve as the government continues to re-evaluate the economic impact caused by the COVID-19 pandemic. We may still see changes to these measures—as well as new measures—as the government attempts to address the issues that have been raised by us and the tax community. Therefore, any analysis included herein, reflects our knowledge as of the date and time of this email and may no longer be applicable if changes do occur and you should proceed with caution before making any decisions.

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

