

## FAQ: Federal Work-Sharing Program

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By Alessandro Perri

Due to COVID-19, many businesses are struggling to keep their workforce employed. The Canadian and Ontario Governments have been providing support to businesses to ensure the Canadian workforce remains active. We have developed a quick [reference guide](#) with all these initiatives.

To provide our clients and business partners with additional details about these programs, we are starting an article series that will expand on these programs.

In this article, we explore the Federal Government's changes to the Work-Sharing Program.

### What is work-sharing?

Work-sharing is a program designed to help eligible employers avoid layoffs during a temporary reduction in normal level of business activity, beyond the employer's control.

### Which employers are eligible to participate in work-sharing?

Currently, an employer is eligible to participate in work-sharing, if the employer:

- has been in business in Canada year-round for at least two years;
- is a private business, publicly held company or a not-for-profit organization;
- demonstrates that the shortage of work is temporary and beyond their control;
- demonstrates a recent decrease in business activity of approximately 10%; and
- submits and implements a recovery plan designed to return the Work-Sharing individuals to normal working hours by the end of the program.

## **Which employees are eligible to participate in work-sharing?**

Currently, employees are eligible to participate if they:

- are year-round, permanent full-time or part-time employees needed to carry out the day-to-day functions of the business;
- are eligible to receive EI benefits; and
- agree to reduce their normal working hours by the same percentage and to share the available work.

Employees are not eligible to participate if they:

- are seasonal, or students hired for the summer or co-op term;
- are hired on a casual or on-call basis; or
- are shareholders of the business, whose shares provide them with significant decision-making power as to the direction of the company.

## **How many hours of an employee's work schedule can be reduced and how long can it last?**

Employee's work schedules must be reduced by at least 10% (one half day) and up to 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. Prior to COVID-19, the maximum was 38 weeks.

## **What if an employee's annual salary already exceeds the maximum yearly insurable earnings, which is \$54,200.00?**

Employees who earn more than the maximum year insurable earnings are still eligible, if they meet the requirements discussed above.

## **How does the work-sharing program work?**

The work-sharing benefit is 55% of an employee's lost wages.

For example, if an employee makes \$52,000 per year or \$1,000 per week, and she agrees to enter into a work-sharing agreement with a 20% reduction in working hours (i.e. a reduction of 1 day of work), she will receive:

- \$800 per week from her employer, which is 80% of her weekly income (i.e. income for 4 working days); and
- \$110 per week from the work-sharing benefit, which is 55% of her lost weekly income of 1 working day.

If an employee's annual salary already exceeds the maximum yearly insurable earnings, which is \$54,200.00 (or \$573.00 per week), the work-sharing benefit will be capped at 55% of \$54,200.00.

For example, if an employee makes \$65,000 per year or \$1,250.00 per week and she agrees to enter into a work-sharing agreement with a 20% reduction in working hours (i.e. a reduction of 1 day of work), she will receive:

- \$1,000 per week from her employer, which is 80% of her weekly income (i.e. income for 4 working days); and
- \$114.60 per week from the work sharing benefit, which is 20% of \$573 per week.

### **Are there tax consequences to participating in the work-sharing program?**

Yes. You should consult with your tax advisor to understand the tax consequences associated with the work-sharing program.

### **How do I apply?**

Because of COVID-19, the federal government has made it easier for business and employees to apply to the work sharing program.

Businesses must file the application 10 calendar days before the requested start date.

For Ontario-based businesses, applications must be submitted by email to [QC-DPMTDS-LMSDPB-TP-WS-GD@servicecanada.gc.ca](mailto:QC-DPMTDS-LMSDPB-TP-WS-GD@servicecanada.gc.ca).

The application consists of two forms (Note: The Federal Government has removed one of the three forms to simplify the application process).

For [Form EMP5100 \(Application for a Work-Sharing Agreement\)](#), businesses must fill out all of the details. If the employees are not part of a union, the union-related details can be left blank. Please note that when the form refers to the "Work-Sharing Unit", it means the group of employees who are agreeing to participate in the work-sharing program.

For [Form EMP5101 \(Work-Sharing Unit Attachment\)](#), businesses must list all employees who are participating in the Work-Sharing agreement. If the workforce is not unionized, the participating employees must appoint an Employee Representative from among them. The Employee Representative will sign the Work-Sharing agreement and the Work-Sharing Unit Attachment on behalf of the participating employees. This person's signature will confirm that all employees agree to participate in Work-Sharing and to reduce their hours of work.

Before agreeing to the work-sharing program, all employees should receive and read the [Employee Annex](#). Some of the information refers to pre-COVID-19 requirements, but it is still a useful tool for employees to review and to consider.

Along with the two forms above, participating employees will also have to submit their own EI applications to participate in work-sharing.

If your business and your employees are considering participating in the Work-Sharing Program, please contact us for assistance.

For more details about how the work-sharing program, please contact:

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