



**DEPARTMENT OF HUMAN RESOURCE MANAGEMENT**

**POLICY 1.65 TEMPORARY WORKFORCE REDUCTION**

**APPLICATION:** Full-time, quasi full-time, and part-time classified employees.

**PURPOSE:**

It is the policy of the Commonwealth to permit agencies to temporarily reduce employees' work hours and pay or to place employees in a non-working status and to protect certain employee benefits during the period of reduced-hours or non-working status.

**POLICY SUMMARY:**

This policy provides guidelines for implementing and administering a temporary workforce reduction.

**AUTHORITY & INTERPRETATION:**

Title 2.2 of the Code of Virginia

The Director of the Department of Human Resource Management is responsible for official interpretation of this policy, in accordance with §2.2-1201 of the Code of Virginia. The Department of Human Resource Management reserves the right to revise or eliminate this policy.

**RELATED POLICIES:**

- Policy 1.15, Employee Recognition and Engagement
- Policy 1.30, Layoff
- Policy 2.05, Equal Employment Opportunity
- Policy 3.10, Compensatory Leave
- Policy 3.15, Overtime Leave
- Policy 4.10, Annual Leave
- Policy 4.25, Holidays
- Policy 4.55, Sick Leave
- Policy 4.57, Virginia Sickness and Disability Program
- Policy 4.60, Workers' Compensation

**POLICY HISTORY:**

EFFECTIVE DATE	DESCRIPTION
06-16-93	Policy established.
05-16-06	Policy revised.
04-09-20	Policy re-formatted. Recognition leave and quasi full-time status added.
06-01-20	Policy revised to reflect change in Va. Retirement System policy to base contributions/benefits on the reduced salary rate during an employee's TWFR status.



DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

POLICY 1.65 TEMPORARY WORKFORCE REDUCTION

ADMINISTRATIVE PROCEDURES

PROCEDURES

*Implementing a Temporary Workforce Reduction*

General Provisions	Application
Identification of Employees for a Temporary Workforce Reduction (TWFR)	<ul style="list-style-type: none"><li>• Agency management shall identify employees to be affected by a TWFR based on agency business needs.</li><li>• Employees may request to be considered for TWFR; however, the agency has final authority for identifying employees for TWFR.</li><li>• The decision must be non-discriminatory and must comply with provisions of <a href="#">Policy 2.05, Equal Employment Opportunity</a>.</li><li>• Agencies should consider reducing or eliminating the hours of wage employees as an alternative or addition to TWFR of classified employees. Contracted and Temporary services should also be assessed in making these determinations.</li></ul>
Duration of TWFR period	<ul style="list-style-type: none"><li>• The period during which an employee's work hours are reduced or eliminated may be continuous or intermittent but may not extend for more than 365 days from the date of the first schedule change due to TWFR.</li><li>• Additionally, TWFR cannot be imposed on an employee in successive years. That is, an employee who has been placed on TWFR is not subject to another TWFR for 365 days from the date of his/her last scheduled TWFR change. EXAMPLE: The schedule of an employee on TWFR is reduced for the period January 10 through May 29. This employee is not subject to another TWFR until May 30 of the next calendar year.</li></ul>
Maximum Amount of Reduction	<ul style="list-style-type: none"><li>• A full-time, 40-hours per week employee's work schedule may be reduced by no more than 690 hours per 365-day period.</li><li>• The limit for quasi full-time or part-time classified employees must be pro-rated according to their percentage of a 40-hour per week schedule.</li></ul>
FLSA Impact of TWFR	<ul style="list-style-type: none"><li>• Agencies may reduce the work hours and salary of an FLSA-exempt employee for some or all hours in a workweek due to budgetary requirements.</li></ul>

General Provisions	Application
	<ul style="list-style-type: none"> <li>• The employee’s exemption is lost only for the workweek(s) when the hours and salary are reduced.</li> <li>• If an agency uses TWFR for business reasons unrelated to budgetary requirements, the hours and salaries of FLSA-exempt employees may only be reduced in full workweek increments.</li> </ul>
Prior to Implementing TWFR	<p>Before implementing a TWFR, agencies must:</p> <ul style="list-style-type: none"> <li>• designate business functions to be suspended or reassigned;</li> <li>• determine whether the entire agency or only certain designated work unit(s) are to be affected;</li> <li>• determine if TWFR will be imposed as non-working status, reduced schedule, or a combination; and</li> <li>• determine if voluntary requests for TWFR will be considered.</li> </ul> <p>NOTE: While relying on business necessity in planning a TWFR, agencies should also be aware of the impact of such decisions on employees. Therefore, if possible, agencies should consider the impact on employee morale when establishing TWFR schedules.</p>
Notification Process	<p>Agencies must provide a minimum of two weeks notice to employees before placing them in TWFR.</p> <p>The following information must be included in the notice to employees (See <a href="#">Notice of Temporary Workforce Reduction - Attachment A</a>):</p> <ul style="list-style-type: none"> <li>• extent of the TWFR (reduced hours, non-working status, or a combination) and total reduced hours anticipated;</li> <li>• schedule for the entire period of the TWFR as far as possible; and</li> <li>• status of employee’s benefits during the TWFR including leave accrual rates for employees working reduced hours.</li> </ul> <p>Management reserves the right to alter the TWFR schedule as business needs require. Agencies must notify employees if further reductions are to be made. Such changes must fall within the original 365-day period and may not exceed the policy maximum (690 hours for full-time employees).</p> <p>NOTE: A modified schedule does not create or imply an employment contract.</p>
Conclusion of TWFR	<ul style="list-style-type: none"> <li>• At the end of the TWFR, the employee must be returned to his/her original position and schedule.</li> </ul>

General Provisions	Application
	<ul style="list-style-type: none"> <li>If the agency determines that staff reductions must be made on a permanent basis, the provisions and procedures of <a href="#">Policy 1.30, Layoff</a>, must be applied.</li> </ul>

***Temporary Workforce Reductions for Employees on Leave with Pay and VSDP***

General Provisions	Application
VSDP Short Term Disability (STD) Benefits	<ul style="list-style-type: none"> <li>An employee on STD under the Virginia Sickness and Disability Program (see <a href="#">Policy 4.57, Virginia Sickness and Disability Program</a>) may receive notice that his/her position will be subject to a TWFR.</li> <li>STD benefits will not be reduced because of the TWFR status except that the employee may not use annual, compensatory, recognition, or overtime leave to restore his/her salary to 100% income replacement.</li> <li>Disability credits may be used in 8-hour increments during TWFR to restore the employee's salary to 100% income replacement.</li> <li>If the employee is released to work full-time/full-duty within the time period of the announced TWFR, he/she will be placed on the TWFR schedule (reduced hours, non-working, or combination status at that time).</li> <li>Time when the employee is on TWFR status, reduced hours, non-working, or combination status, counts toward the 180-calendar day period for Long Term Disability (LTD) eligibility.</li> <li>If an employee moves from STD into LTD non-working status after receiving notification of TWFR or beginning TWFR the employee then is on LTD status only and the position is considered vacant.</li> </ul>
VSDP Long-Term Working Disability Benefits	<ul style="list-style-type: none"> <li>An employee on LTD-Working status under the Virginia Sickness and Disability Program may receive notice that his/her position will be subject to a TWFR.</li> <li>Benefits provided to employees will not be reduced because of TWFR status.</li> <li>The employee may not use annual, compensatory, recognition, or overtime leave to restore his/her salary to 100% income replacement but may use disability credits to receive 100% income replacement.</li> <li>The agency will be responsible for payment for disability credits used.</li> <li>While in TWFR, employees in LTD-Working status will receive disability benefits from the Third Party Administrator at 60% of pre-disability salary.</li> <li>The employee will continue to be considered in LTD-Working status and will receive the employer-paid portion of health care and life insurance premiums.</li> </ul>

General Provisions	Application
Workers' Compensation	<ul style="list-style-type: none"> <li>• Employees will not be eligible for the health insurance credit while in this status.</li> <li>• Employees placed on TWFR non-working status who are receiving Workers' Compensation benefits will continue to receive these benefits while authorized.</li> <li>• Employees not under VSDP who normally would receive an agency supplement will not receive this supplement during non-working TWFR.</li> <li>• Annual, compensatory, recognition, overtime leave, and family and personal leave may not be used to supplement salary to receive 100% income replacement for non-VSDP or VSDP employees receiving benefits.</li> <li>• Employees receiving VSDP benefits may use Disability Credits in 8-hour increments to restore their salary to 100%.</li> <li>• Employees placed on TWFR reduced hours who are receiving Workers' Compensation benefits or who have been returned to modified duty through Workers' Compensation may be eligible to receive the Workers' Compensation benefit.</li> </ul> <p>NOTE: Each case must be evaluated individually to determine whether employees will be entitled to receive these benefits. Agencies must contact the <a href="#">Department of Human Resources' Workers' Compensation Office</a> at least two weeks prior to placing on TWFR an employee who is receiving Workers' Compensation benefits to ensure that benefits are coordinated accurately.</p>
Filing VSDP Claims During TWFR	<p style="text-align: center;"><u>Reduced Hours</u></p> <ul style="list-style-type: none"> <li>• The disability benefit for employees who file VSDP claims while in TWFR reduced hours will be based on the employee's salary while working reduced hours.</li> <li>• When an employee reverts to a non-reduced schedule, his/her disability benefit will be calculated on their pre-TWFR salary.</li> <li>• If the employee continues to be disabled during the remaining scheduled TWFR, the disability benefit will be based on the pre-TWFR salary.</li> </ul> <p>EXAMPLE: The employee's hours are reduced to 20 hours per week for two weeks each month for 12 months. During the 2nd two-week reduction the employee files a VSDP claim, serves the 7-calendar-day waiting period, and begins receiving STD benefits on the 8th day at 100%. The benefit is based on reduced schedule salary, but will revert to pre-TWFR salary when the end of the two week reduction expires. If the employee remains disabled for the remainder of the scheduled TWFR, the employee's STD benefit will be based on pre-TWFR salary.</p>

General Provisions	Application
	<p style="text-align: center;"><u>Non-Working Status</u></p> <ul style="list-style-type: none"> <li>Employees who file VSDP claims while on TWFR non-working status will not be able to receive STD income replacement benefits until their schedule reverts to working status. At that time employees must serve a 7-calendar-day waiting period before receiving STD benefits. The 180- calendar-day period begins on the first day of the 7-calendar-day waiting period.</li> </ul>
Leaves of Absence With Pay	<ul style="list-style-type: none"> <li>Employees who are on Family and Medical Leave or other Leaves of Absence With Pay, including absences for illness or disability, are considered active employees.</li> <li>If their positions are identified for TWFR, they will be notified and provided appropriate benefits.</li> </ul>
Use of Previously Approved Leave During TWFR	<p>The agency must retract approval for any part of previously requested leave no longer scheduled as work time because of a TWFR.</p> <p>EXAMPLE: A full-time employee has asked to use annual leave for Monday through Friday of the second week of July. After the request is approved, a TWFR involving that employee's position is imposed. Under TWFR, the employee's schedule has been reduced and she does not work on Wednesdays. Therefore, the employee cannot use leave to cover Wednesday of the week that had been approved for annual leave. If the TWFR had eliminated all work hours for July, the entire week would have to be taken without pay.</p>

***Impact of Temporary Workforce Reduction on Benefits***

***Refer to Chart of Benefits***

General Provisions	Application
Annual Leave Accrual	<p>Reduced Hours: Employees will accrue annual leave on a pro-rated basis, according to the percentage of full-time hours they are scheduled to work during a pay period.</p> <p>EXAMPLE: A full-time employee whose work hours are reduced during a TWFR to 40% of 40 hours per week (16 hours per week) per pay period will earn annual leave at 40% of the full accrual rate.</p> <p>Non-Working Status: Employees will not accrue annual leave during pay periods when they are not scheduled to work.</p>
Traditional Sick Leave Accrual	<p>Reduced Hours: Employees will accrue traditional sick leave on a pro-rated basis, according to the percentage of full-time hours they are scheduled to work during a pay period. See example above.</p>

General Provisions	Application
	<p>Non-Working Status: Employees will not accrue traditional sick leave during pay periods when they are not scheduled to work.</p>
<p>VSDP Sick and Family and Personal Leave</p>	<p>Reduced Hours: Employees in TWFR status who are working reduced hours on January 10 will receive the allotment of VSDP leave on January 10 for current part-time employees based on their months of state service. When they return to a full-time work schedule, their allotment will be increased to the appropriate full-time amount. (Used leave will not be replaced.)</p> <p>Non-Working Status: Employees in TWFR non-working status on January 10 will not receive the VSDP leave credits until they return from TWFR.</p>
<p>Disability Credits</p>	<p>Non-Working or Reduced Hours: Employees receiving STD or LTD-working disability benefits may use disability credits during periods of TWFR to restore salary to 100% income replacement. Disability credits must be used in increments of 8 hours.</p>
<p>Leave Balances</p>	<ul style="list-style-type: none"> <li>• Annual, Traditional Sick, Compensatory, Recognition, and Overtime Leave Balances are retained.</li> <li>• Leave may be used as appropriate to cover absences from scheduled work time for employees working reduced hours.</li> <li>• Agencies may extend the compensatory and recognition leave expiration dates to account for periods of non-working TWFR.</li> </ul>
<p>Holidays</p>	<p>An employee working reduced hours under TWFR will be entitled to receive holiday pay or compensatory time for a holiday only for the number of hours that he/she is scheduled to work that day.</p> <p>EXAMPLE: if an employee whose work hours are reduced is not scheduled to work on Mondays, he/she is ineligible for holiday pay for any holidays that fall on Monday. However, if the employee is scheduled to work 8 hours on Mondays, he/she will receive pay for the holiday.</p> <p>An employee on TWFR non-working status does not receive pay or compensatory time for any holidays that occur during the TWFR period.</p> <p>NOTE: In assigning holidays to a TWFR schedule, agencies should consider potential inequities and employee morale issues.</p>
<p>Service Credit for Leave</p>	<p>Employees whose hours are reduced or who are placed in a non-working status will receive full service credit during the period of TWFR for the purpose of determining their years of service as they affect the following:</p>

General Provisions	Application
	<ul style="list-style-type: none"> <li>• annual leave accrual rate;</li> <li>• eligibility to receive payment for accrued traditional sick leave upon leaving state service; and</li> <li>• VSDP months of service.</li> </ul>
Service Credit for Retirement	<ul style="list-style-type: none"> <li>• If an employee on TWFR earns any pay during a month, his/her agency will make its retirement contribution based on the employee's reduced salary rate due to TWFR, and the employee will receive service credit towards retirement for the entire month at the reduced salary rate.</li> <li>• If an employee on TWFR has no earnings during a month, the agency will not make a retirement contribution and the employee will not receive retirement service credit for that month.</li> </ul> <p><u>Service Credit for Employees Receiving VSDP Benefits</u></p> <ul style="list-style-type: none"> <li>• A VSDP-participating employee on TWFR, whether in reduced hours or non-working status, who is receiving STD benefits will continue to receive the full retirement contribution and service credit.</li> <li>• Employees receiving LTD benefits will receive service credit only.</li> </ul>
Healthcare Insurance	<ul style="list-style-type: none"> <li>• Agencies will continue to pay the state portion of the health insurance premiums for employees on TWFR, whether reduced hours, non-working, or a combination status.</li> <li>• Agencies should inform employees of alternatives for paying the employee share of their premiums if payroll deduction is no longer suitable.</li> </ul>
Life Insurance	<ul style="list-style-type: none"> <li>• Agencies will continue to pay the life insurance premiums for employees during TWFR based on the employees' reduced salary rate.</li> <li>• If an employee should die during a TWFR, his/her beneficiaries would be entitled to benefits based on the employee's reduced salary rate.</li> </ul>
Optional Life Insurance	Employees who want to continue optional life insurance must coordinate monthly payment arrangements with their agency.
Impact on Probationary Period	<p>Reduced Hours: Reduced hours under TWFR do not affect the duration of an employee's probationary period.</p> <p>Non-Working Status: An employee's probationary period is extended by the amount of time the employee is in a non-working status under TWFR if the non-working status includes a period of more than 14 consecutive days.</p>
Unemployment Compensation	<ul style="list-style-type: none"> <li>• Employees on TWFR may be eligible to receive Unemployment Compensation.</li> <li>• Decisions are made by the Virginia Employment Commission.</li> </ul>



## GLOSSARY

Long Term Disability (LTD)	Please refer to Policy 4.57, Virginia Sickness and Disability Program for the most current definition.
Long Term Disability-Working (LTD-Working)	Please refer to Policy 4.57, Virginia Sickness and Disability Program for the most current definition.
Short Term Disability (STD)	Please refer to Policy 4.57, Virginia Sickness and Disability Program for the most current definition.
Temporary Work Force Reduction (TWFR)	<ul style="list-style-type: none"><li>• A temporary schedule modification that results in fewer hours worked than the employee's regular schedule; commensurately reduced pay; and protection for the employee's status and benefits.</li><li>• All reductions must be made within a period not to exceed 365 days.</li><li>• An employee may not be subject to TWFR in a successive 365-day period calculated from the final day of his/her TWFR-altered schedule.</li><li>• Reductions may be continuous or intermittent.</li><li>• Work hours may be reduced or eliminated completely for one or more pay periods.</li><li>• Quasi Full-time and Part-time classified employees are subject to TWFR, with proportionate limits. EXAMPLE: an employee who works 24 hours per week (60% of full time) may have his/her work hours reduced by up to 414 hours (60% of 690) within a 365-day period.</li></ul>
Temporary Work Force Reduction – Combination	<ul style="list-style-type: none"><li>• A temporary change in an employee's work schedule that places the employee in a non-working, non-pay status for one or more complete pay periods and reduces scheduled work hours and pay during one or multiple pay periods. EXAMPLE: The employee's schedule may be changed to reflect no work hours from November 25 through January 9, and 32 hours per week from January 10 through March 10. The maximum total reduction of work time for a full-time employee is 690 hours in a 365-day period.</li></ul>
Temporary Work Force Reduction – Non-working Status	<ul style="list-style-type: none"><li>• A temporary change in an employee's work schedule that places the employee in a non-working, non-pay status for one or more complete pay periods.</li><li>• The employee's work schedule is changed so that the (full-time) employee does not work for up to 690 work hours within a 365-day period.</li></ul>

Temporary Work Force  
Reduction – Reduced Hours

- Such non-working status may be scheduled continuously or intermittently within the 365-day period.
- A temporary change in an employee's work schedule so that the employee works fewer than his/her regularly scheduled work hours per pay period.
- The employee's salary is reduced commensurately for the affected pay periods during the specified duration of the schedule reduction.
- A reduction in hours may be scheduled continuously or intermittently.
- The maximum reduction is 690 hours in a 365-day period (for full-time employees).
- The employee's benefits will be protected although the employee may work less than 20 hours per week during a temporary work force reduction (TWFR).

VRS Retirement Service  
Credit

Earned VRS service credit, including any prior service credit that is used in the calculation of a retirement benefit.