



2

STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
KA 'OIHANA PONO LIMAHANA

February 14, 2023

To: The Honorable Scot Z Matayoshi, Chair,
The Honorable Andrew Takuya Garrett, Vice Chair, and
Members of the House Committee on Labor & Government Operations

Date: Tuesday, February 14, 2023

Time: 9:30 a.m.

Place: Via VideoConference Room 309, State Capitol

From: Jade T. Butay, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. 1352 RELATING TO THE SHORT TIME COMPENSATION PROGRAM

I. OVERVIEW OF PROPOSED LEGISLATION

DLIR appreciates the intent of this measure and offers comments. Under some circumstances, claimants would earn less under a Short-Time Compensation (STC) program than under the pre-existing benefits available through partial unemployment. In addition, and due to the current Hawaii Unemployment Insurance Modernization project (HUI Mod), the department would not be able to meet the criteria to qualify for a federal grant at this time to implement the program. HUI Mod development includes a component to include an STC program.

HB 1352 proposes to amend Chapter 383, HRS (Hawaii Revised Statutes) by adding a new section to establish a voluntary work sharing program within the DLIR that would allow a worker who is unemployed for portion of the week to collect unemployment benefits. Under work sharing, an employer elects to avoid layoffs by reducing the number of regularly scheduled hours of work for all, or a group of employees.

Upon approval by the state Unemployment Insurance (UI) agency of a work sharing plan agreed upon by the employer and union (if unionized), UI payments are based on percentage of hours of work reduced as a proportion of the weekly benefit amount (WBA). There is no work sharing provision in current law, although partial benefits (§383-29.6) are payable under a formula that deducts earnings from an individual's weekly benefit amount (WBA). While claimant may be ineligible for UI benefits under existing law if earnings exceed the WBA, under approved working sharing plans, individuals will always qualify for a percentage of their WBA.

II. CURRENT LAW

§383-29.6 provides for partial unemployment for claimants under the following conditions:

1. Is a full-time worker,
2. Is attached to an employer,
3. Worked less than or did not work the individual's normal, customary full-time hours,
4. Had no earnings or earned less than the individual's weekly benefit amount for that week, and
5. Was unemployed due to a lack of full-time work.

III. COMMENTS ON THE HOUSE BILL

There is no work sharing provision in current law, although under current law partial unemployment benefits are payable under a formula that deducts earnings from an individual's WBA. While claimants may be ineligible for UI benefits under existing law if earnings exceed the WBA, under approved work sharing plans, individuals will always qualify for a percentage of their WBA. The amount of UI payable will differ when the provisions of work sharing, or partial unemployment are applied to each situation.

Example A: Claimant earns \$500 per week, works 40 hours per week. Under work sharing, hours reduced by 20%, or a 32-hour work week. If UI WBA is \$310, claimant will receive $\$310 \times 20\% = \62 in UI benefits for each work share week. Total earnings for the week = \$462 (\$400 in wages + \$62 in UI payment). Alternatively, if claimant filed for partial benefits for that week, no UI benefits would be payable because the weekly earnings from employment (\$400) exceeds the UI WBA of \$310.

Example B: Same as example A but claimant's reduction in hours under work sharing is 40%, or 24 hours per week. Claimant will receive $\$310 \times 40\% = \124 in UI benefits for each work share week. Total earnings for the week = \$424 (\$300 in wages + \$124 in UI payment). Alternatively, if claimant filed for partial benefits for that week, would receive \$450 (\$300 - \$150 earnings disregard = \$150 plus \$300 in wages).

To accommodate the provisions in this bill, the current mainframe-based UI benefit system must be modified to create a special work sharing program that calculates a UI benefit payment based on the percentage of reduced hours in a workweek and will permit payment of UI benefits even if wages exceed the UI WBA. The UI benefits system which is mainframe based is at the end of its cycle and an expansion of the current system could cause the system to crash, resulting in UI benefit payments to claimants coming to a halt. The effort to restore the system would be tremendous and place an administrative burden on

both the department, ETS and the departments' mainframe and up front web application contractors.

The department is currently in the midst of the Request for Proposal (RFP) process to modernize its Unemployment Insurance system and the requirements include a provision for the programming of an STC program. The current federal grant for states applying for STC funding requires states to implement within twelve (12) months of the date of the Secretary's certification of the U.S. Department of Treasury to permit a transfer of funds for the STC grant award. Thus, the department would not be able to meet the criteria to qualify for the grant at this time.