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February 5, 2009

To: The Honorable Karl Rhoads, Chair
and Members of the House Committee on Labor and Public Employment

Date: Friday, February 6, 2009
Time: 8:30 A.M.
Place: Conference Room 309
State Capitol

From: Darwin L.D. Ching, Director
Department of Labor and Industrial Relations

Re: H.B. 987 - Relating to Unemployment

I. OVERVIEW OF PROPOSED LEGISLATION

H.B. 987 proposes to establish two programs to assist unemployed persons:

- a temporary public service jobs program with related training and employment services; and
- subsidies to private employers to help defray extra costs of employment, training, and supportive services when hiring new employees.

Both programs are intended to alleviate high unemployment and assist unemployed persons' movement into unsubsidized jobs. Effective date is later of July 1, 2009 or date when the state unemployment rate exceeds 7%. Proposed funding is from state general revenue.

II. CURRENT LAW

Currently, there is no law for this program.

III. HOUSE BILL

The Department opposes this bill because of the additional liability on general revenue.

About 30 years ago, a similar public service jobs program, entirely supported by federal funds, was implemented in Hawaii and across the nation. Later, the state established another program funded by state general revenue. Both programs were effective in raising participants' skill levels at work and increasing their morale and motivation to find unsubsidized work. Many talented individuals were hired as civil servants after the programs ended. However, the programs were very costly because subsidized wages were (and continue to be) generally much higher than costs of employment activities such as job referrals and training.

Based on information received during a national reemployment conference sponsored by the federal Department of Labor last week, it is unlikely that the federal economic stimulus legislation will include federally-funded public service jobs through the Department of Labor; however, temporary jobs may be created from stimulus funds being directed to other agencies such as federal Departments of Education, Health and Human Services, Transportation, Environmental Protection, and Health. Within the Department of Labor and Industrial Relations, we are planning to expand reemployment activities and retraining of laid-off workers, using federal economic stimulus funds that may be received.