The Chamber of Commerce of Hawaii
The Voice of Business in Hawaii

**Testimony to the House Committees on Labor & Public Employment and Economic Revitalization and Business**
**Tuesday, March 15, 2011**
**10:00 a.m.**
**State Capitol - Conference Room 309**

**RE: SENATE BILL NO. 1088 SD1 RELATING TO UNEMPLOYMENT INSURANCE BENEFITS**

Chairs Rhoads and McKelvey, Vice Chairs Yamashita and Choy, and members of the committees:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). I am here to state The Chamber's opposition to Senate Bill No. 1088 SD1, relating to Unemployment Insurance Benefits.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber opposes the bill for the following reasons:

- The bill amends the definition of "attached to a regular employer" eliminating the 8-wk limitation. Currently, a person is attached to a regular employer (and thus eligible for partial UI) if s/he is not being offered work but there is a definite return to work date with the same employer within ***8 weeks***. If the claimant ("CL") is not have a definite return to work date within 8 weeks, and s/he doesn't meet any other definition of "attached to a regular employer," s/he would be deemed totally unemployed unless the DLIR extends the partial UI because (A) The individual is retained in an employer-employee relationship; and (B) The individual is under obligation to reserve services for the employer; and (C) The individual has a definite or reasonably imminent return to work date. The benefit to a claimant of being partially unemployed is that s/he gets UI benefits and doesn't need to look for work, unlike the totally employed counterparts.

- At some point, the CL's right to partial UI benefits without having to look for work should end to give the unemployed an incentive to look for gainful employment. Before, this threshold was set at 4 weeks, in 2009 it was extended to 8 weeks, and now it is proposed to go on until there is a "definite or reasonably imminent return to work date with the same employer." Does this mean that if the individual has a return to work date 26 weeks from now – a definite return to work date with the same employer - that the CL

gets to collect partial UI without any incentive for looking for employment in the meantime?

- We also should remember that this 8-week threshold wasn't always the law. Originally, this limitation was ***4 weeks*** under the admin. Rules. In 2009, Act 170 codified the admin rules on partial UI benefits, but extended the benefits to 8 weeks (instead of just 4 weeks as provided in the admin. rules). Act 170 is currently scheduled to sunset in 2012. In the House Finance Committee's 2009 Committee report (http://www.capitol.hawaii.gov/session2009/CommReports/SB1664_HD2_HSCR1733_.HTM), it was clear that this was supposed to be a *temporary* amendment "to help individuals survive difficult economic times." Based on such rationale, if the Legislature wants to extend such policy during these arguably ongoing difficult economic times, perhaps they could consider extending the repeal date instead of eliminating it entirely.

- The "with or without good cause" language is also a problem. Under the current language, a CL could be involuntarily terminated from the second employer for good cause – let's say punching another employee – and that CL would still be entitled to partial UI benefits from the first ER. Is that really the policy that the Legislature wants to promote? Do they really want to reward a CL who engages in such extreme misconduct with continued UI benefits?

- The legislation would also impact the UI Fund, which already is running at a deficit. With our current high UI taxes and even higher UI taxes next year (higher tax schedule and higher taxable base), employers are not in a position to afford any additional financial burdens, which the more generous grants of UI would surely cause. We are in a far different situation now than we were in 2009 when the legislation (Act 170) was passed. At the end of the 2008 year, the number that the Legislature likely relied on when looking at the 2009 legislation, the fund balance was $431M. Now, we are running at a deficit. Back in '09, the taxable wage base was $13,000 and we were on schedule A. See Annual Evaluation of the Hawaii Unemployment Compensation Fund, p. 1. In 2012, employers are already set to contribute a higher amount to the UI trust fund with a taxable wage base of $40,100 while on schedule H.

For these reasons, the Chamber respectfully asks that the Committee holds this measure. Thank you for the opportunity to provide comments.

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# GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

**Quality People. Quality Projects.**

March 15, 2011

TO: THE HONORABLE REPRESENTATIVE KARL RHOADS, CHAIR AND MEMBERS OF THE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

THE HONORABLE REPRESENTATIVE ANGUS L.K. McKELVEY, CHAIR AND MEMBERS OF THE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

SUBJECT: S.B. 1088, SD1 PROPOSED 1 RELATING TO UNEMPLOYMENT INSURANCE BENEFITS.

NOTICE OF HEARING

DATE: Tuesday, March 15, 2011
TIME: 10:00 a.m.
PLACE: Conference Room 309

Dear Chairs Rhoads and McKelvey and Members of the Joint Committees:

The General Contractors Association (GCA), an organization comprised of over five hundred and eighty (580) general contractors, subcontractors, and construction related firms, is **opposed** to the passage of S.B. 1088, SD1 Proposed 1 Relating To Unemployment Insurance Benefits.

This bill would allow benefits to an individual who, while on partial claim status, voluntarily or involuntarily separates from a secondary employment. We are particularly opposed to language that indicates that benefits will be paid regardless of whether the employee was separated for good cause or not. This provision would not permit employer to challenge the payment of unemployment benefits.

The GCA believes that the existing policies enforced by the Department of Labor and Industrial Relations are fair and should be maintained. If this bill is passed and enacted, the result would be a greater demand on the unemployment insurance reserve fund which is already underfunded and will already require a substantial increased payment by the employer.

The GCA is **opposed** to the passage of S.B. 1088, SD1 Proposed 1 and recommends that the bill be held.

Thank you for the opportunity to provide our views on this issue.

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

AFSCME
LOCAL 152, AFL-CIO

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The Twenty-Sixth Legislature, State of Hawaii
House of Representatives
Committee on Labor & Public Employment

Testimony by
Hawaii Government Employees Association
March 15, 2011

S.B. 1088, S.D.1 - RELATING TO UNEMPLOYMENT INSURANCE BENEFITS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the intent and purpose of S.B. 1088, S.D. 1 which repeals the June 30, 2012, sunset date of provisions related to partial unemployment benefits; removes the eight-week limitation on partial unemployment benefit status; makes mandatory, rather than discretionary, the waiver of registration and work search requirements for individuals who are partially employed; and authorizes an individual that is attached to a regular employer who is not offering work to still receive unemployment insurance benefits even if that individual voluntarily or involuntarily separates from part-time employment.

The measure fairly seeks to preserve unemployment insurance benefits for individuals still attached to their regular employer who is not offering work, under very specific and reasonable circumstances.

Thank you for the opportunity to testify in support of S.B. 1088, S.D. 1.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director

## yamashita2 ----Tannya

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Friday, March 11, 2011 9:23 PM
**To:** LABtestimony
**Cc:** babyjean@hotmail.com
**Subject:** Testimony for SB1088 on 3/15/2011 10:00:00 AM

Testimony for LAB/ERB 3/15/2011 10:00:00 AM SB1088

Conference room: 309
Testifier position: support
Testifier will be present: No
Submitted by: Ronnie Perry
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Submitted on: 3/11/2011

Comments:

The Twenty-Sixth Legislature
Regular Session of 2011

LATE

HOUSE OF REPRESENTATIVES
Committee on Labor and Public Employment
Rep. Karl Rhoads, Chair
Rep. Kyle T. Yamashita, Vice Chair
Committee on Economic Revitalization and Business
Rep. Angus L.K. McKelvey, Chair
Rep. Isaac W. Choy, Vice Chair

State Capitol, Conference Room 309
Tuesday, March 15, 2011; 10:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 1088, SD1**
**RELATING TO UNEMPLOYMENT INSURANCE BENEFITS**

The ILWU Local 142 strongly supports S.B. 1088, SD1, which repeals the June 30, 2012 sunset of provisions related to partial unemployment benefits and makes various amendments to the existing statutes pertaining to partial unemployment.

The ILWU is keenly interested in these partial unemployment amendments as they would affect unemployment insurance for employees, many of them ILWU members, whose employers do not or inconsistently offer work but provide other benefits like medical coverage and vacation and sick leave benefits during a temporary layoff. This "attached" status has been used to provide UI benefits to employees who were laid off due to a temporary closure of a business for renovations.

No reason has been identified to justify the sunset of the provisions for partial unemployment benefits. Therefore, we believe a repeal of the sunset is appropriate.

The ILWU has also discussed this matter extensively with the UI Division of the Department of Labor and agree on several additional amendments that we hope will be included in an HD1. These amendments include: (1) amending the clarification that "no work is being offered" by an attached employer if the employer maintains medical coverage or sick leave or vacation credits OR there is a definite and imminent return to work date with the same employer; (2) guidelines for "good cause for separation from part-time employment" if UI eligibility is based on full-time employment and part-time employment is defined as "incidental" employment of less than 20 hours per week or on-call, casual or intermittent; and (3) deletion of Section 4 in SD1.

For the first amendment, language in SD1 provides that "no work is being offered" if either the employer provides medical coverage or sick leave and vacation credits or there is a definite and imminent return to work date. Thus, if the employer provides medical coverage, for example, the employer can be considered "attached" to the employee, who will be eligible for partial unemployment benefits and other provisions for partial UI. We think this is a fair compromise.

For an employer to provide medical coverage or sick and vacation credits demonstrates a strong commitment to reinstate the employee once work becomes available. If the employer can provide a "definite and imminent" return to work date, this will provide the UI Division with greater assurance of the duration that UI benefits will be needed.

For the second amendment, the Department has agreed to apply the "good cause" guidelines for any part-time employment, with partial or total UI claims, as long as UI eligibility was established based on full-time employment and part-time employment is "incidental" and less than 20 hours per week or on-call, casual or intermittent. The "good cause" language will codify standards that claims examiners use to determine eligibility and will minimize discretionary decisions.

For the third amendment, the statutes already provide that disqualification for UI benefits due to discharge of suspension must be for misconduct only. The ILWU agrees that UI claimants who are discharged or suspended for misconduct should not be accorded the same consideration as those who voluntarily separate for "good cause." Furthermore, if the partial unemployment sections will no longer be repealed, Section 4 of SD1 is not required and may be deleted.

Partial unemployment claims benefit both the employee receiving benefits as well as the regular employer to whom the employee is "attached." In a temporary layoff for an extended period, the employer wants assurance that his employees will return to work at the end of the layoff period. Absent that assurance, the employer will be required to expend time and money for recruitment and training of new employees. S.B. 1088 will enable a layoff to become a win-win situation for both employer and employee and provide for some stability in the economy.

The ILWU urges passage of S.B. 1088 with the amendments to SD1 as proposed. Thank you for the opportunity to share our testimony on this matter.