SB 1088
SD 1

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

Testimony to the Senate Committee on Ways and Means
Tuesday, March 1, 2011 at 9:20 a.m.
Conference Room 211, State Capitol

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

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("Chamber") **opposes** SB 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:

1. 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?

2. 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.

3. 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?

4. 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.

The Twenty-Sixth Legislature
Regular Session of 2011

THE SENATE
Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle Kidani, Vice Chair

State Capitol, Conference Room 211
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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: (1) repeals the 6/30/12 sunset date of provisions related to partial unemployment benefits; (2) removes the 8-week limitation on partial unemployment benefit status; (3) makes mandatory, rather than discretionary, the waiver of registration and work search requirements for individuals who are partially employed; and (4) authorizes an individual who is attached to a regular employer that is not offering work to continue to be eligible to receive unemployment insurance benefits even if that individual voluntarily or involuntarily separates, with or without good cause, from a secondary employer.

S.B. 1088, SD1 recognizes that partial unemployment claims provide benefits to both the temporarily laid-off employee as well as his regular employer. In many cases, partial unemployment occurs when an employer requires a temporary shutdown of all or part of his operations and provides some benefits (usually medical coverage) as an incentive for employees to return to their jobs when work becomes available. The arrangement is a "win-win" for both sides. Employees have income support during the temporary layoff while the employer is assured that experienced employees will return to their jobs and the cost of recruitment and training of new employees can be avoided. Unemployment claims are charged to the regular employer, who, in all likelihood, will pay more into the UI Trust Fund in the future.

It is for this reason that the provision in S.B. 1088, SD1 to exempt the employee from disqualification if he becomes separated from a secondary job for any reason makes sense. If the employee is receiving UI benefits due to a layoff from the regular employer to whom he remains "attached" and that employer is being charged for the UI claim, then separation from another job should be of no consequence. However, if the employee subsequently claims for UI benefits against the second employer, the reason for separation may be considered a factor at that time.

Repeal of the sunset with regard to partial unemployment also makes sense. As the economy improves and businesses are able to consider renovations to their properties to remain competitive, this feature of the unemployment insurance law may become useful to employers.

The ILWU urges passage of S.B. 1088, SD1. Thank you for the opportunity to provide testimony on this matter.