



**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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February 13, 2012

To: The Honorable Angus L.K. McKelvey, Chair, Isaac Choy, Vice Chair, and
Members of the House Committee on Economic Revitalization &
Business

Date: Tuesday, February 14, 2012
Time: 8:30am
Place: Conference Room 312, State Capitol

From: Dwight Takamine, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. 2025 H.D. 1 Relating to Employment Security

I. OVERVIEW OF PROPOSED LEGISLATION

HB 2025 HD 1 establishes a voluntary work-sharing program within the Department of Labor and Industrial Relations (DLIR) that would allow a worker who is employed for a portion of the week to collect unemployment benefits to compensate for lost wages. Under work sharing, an employer elects to avoid temporary layoffs by reducing the number of regularly scheduled hours of work for all, or a group of employees. Upon approval by the state UI agency of a work sharing plan agreed upon by the employer and union (if unionized), UI payments are based on the percentage of hours of work reduced as a proportion of the individual's weekly benefit amount (WBA).

The department appreciates the overall concept of this bill but offers comments below.

II. CURRENT LAW

There is no work sharing provision in current law, although 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 workweek. 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).

III. HOUSE BILL

The department appreciates the overall concept of this measure but has the following concerns:

1. To accommodate the provisions in this bill, the automated 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. Although current estimates of the time and cost to implement a computer change by ICSD are not available at this time, the administrative burden to create this new program, such as determining guidelines, making program modifications, promulgating rules, preparing written procedures and forms, educating employers, and training staff, would be considerable at this time. As such, the department appreciates the effective date of September 1, 2013.
2. On page 9 under §383- Work-sharing benefits, delete "including any dependent's allowances," as the Hawaii Employment Security Law does not contain a provision to pay such allowances.

Also, the department recommends that if the work-sharing weekly benefit is not an exact multiple of \$1, then the weekly benefit amount should be rounded up to the next higher multiple of \$1 rather than rounded down. This change would parallel section 383-22.

3. On page 11 under §383- Work-sharing benefits, an individual who performs no services during a week for the work-sharing employer would void the work-sharing plan and would file a claim for regular UI benefits.