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February 25, 2015

To: The Honorable Sylvia Luke, Chair,
The Honorable Scott Y. Nishimoto, Vice Chair, and
Members of the House Committee on Finance

Date: Thursday, February 26, 2015
Time: 3:00 p.m.
Place: Conference Room 308, State Capitol

From: Elaine N. Young, Acting Director
Department of Labor and Industrial Relations (DLIR)

RE: HB1497HD1 RELATING TO LABOR, PROFESSIONAL EMPLOYER ORGANIZATIONS, EMPLOYERS, RECORDS

I. OVERVIEW OF PROPOSED LEGISLATION

HB1497 proposes to amend section 371-11, Hawaii Revised Statutes (HRS) to allow the DLIR to require employers to make, keep, and preserve records of the business name, physical location address, North American Industry Classification System (NAICS) business activity code, and number of employees employed by the employer.

The bill also proposes to require Professional Employer Organizations (PEOs) to provide their client company information including physical location addresses, NAICS codes, and the number of employees of each client company to the DLIR by amending section 373L-2, HRS.

The department's federal funding levels are in jeopardy of being lowered because the funding levels are tied to the number of employing units and some employers, especially national chains, are not responding to surveys unless they are required.

This legislation will also allow DLIR to gather information necessary for preparing accurate industrial and geographical summaries of economic conditions within Hawaii. These data are important input to funding formulas for many of our State's programs and agencies which rely on federal funding, including Unemployment Insurance which needs an accounting of employers and employees in Hawaii, and the Department of Transportation Statewide Transportation Planning Office for updating travel demand forecasting models to develop land transportation plans for all islands in the State. The plans utilize the employer and employment data to quantify land use activity and trip purposes correlated to the amount of employment in specific areas. The Bureau of Labor Statistics (BLS) bases the DLIR's Research and Statistics Office's (R&S) funding on the number of employer reporting units.

II. CURRENT LAW

Section 371-11, HRS currently allows the DLIR's Research and Statistics Office (R&S) to investigate and gather data regarding wages, hours, and other related employment information. However, the current law is limited in that it does not provide for the collection of the employer's physical location, NAICS classification code, and the number of employees. Similarly, section 373L-2 also does not require PEOs to report who their client companies are, their location, NAICS codes, and the number of employees employed at these individual client companies.

III. COMMENTS ON THE HOUSE BILL

This legislation will greatly improve the Quarterly Census of Employment and Wages (QCEW) program conducted by DLIR's Research and Statistics Office which is a near census of monthly employment and quarterly wage information by industry at the State and county levels. It provides information on major shifts in employment or wage levels as a result of various economic activities. In addition to the federally-funded state agencies listed above, the data is needed by other state agencies and consumers including the Legislature, the Council on Revenues, the Department of Business, Economic Development and Tourism (DBEDT), the Economic Research Organization at the University of Hawaii (UHERO), and the Hawaii Tourism Authority (HTA) for economic studies and workforce development and planning.

The DLIR strongly supports this proposal because it would provide much needed information to track growth and decline in employment for the State, employment distribution by County, employment by industry, and assess major shifts in employment and wage levels as a result of various economic activities. Currently 25 other states mandate collection of this type of information from employers and businesses in their states.

Furthermore, the growth of PEOs in the State affects the quality of the data compiled and reported by R&S. Without the detailed company data from PEOs, all client companies and their employees are coded and reported under the PEO, not by company and not under their company's major business activity and location.