



STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.labor.hawaii.gov
Phone: (808) 586-8844 / Fax: (808) 586-9099
Email: dliir.director@hawaii.gov

February 5, 2015

To: The Honorable Mark M. Nakashima, Chair,
The Honorable Jarrett Keohokalole, Vice Chair, and
Members of the House Committee on Labor & Public Employment

Date: Friday, February 6, 2015
Time: 9:00 a.m.
Place: Conference Room 309, State Capitol

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

**RE: HB1497 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 Department of Labor and Industrial Relations 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 strongly supports the measure as it will provide the department the ability to provide more accurate information to consumers of its data, 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), the Hawaii Tourism Authority (HTA), among others.

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

The DLIR strongly supports this proposal because it would provide much needed information to track growth and decline in employment for the State and distribution by County and to track employment by industry. These data are important factors for assessing the current state of the economy and for use by legislators, economic forecasters and planners for estimating revenue projections, planning, and targeting economic development activities and workforce planning.

Furthermore, the growth of PEOs in the State has also affected 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.

For example if a client company is in the Construction Industry and utilizes a PEO, their employees are reported as employees of the PEO and these employees are coded under the Professional and Business Services industry. In addition, the geographic location is reported as the location of the PEO and not the client company.

Both of these data deficits greatly reduce the quality of the information generated by R&S and consumed by the Federal government, the Legislature, and economists, and especially for those undertaking economic forecasting like the Council on Revenues, UHERO, DBEDT and HTA, amongst others.

The department suggests the following revision to paragraph 371-11(3) in the proposal. The suggested amendments below revise the current statute in Ramseyer Format.

(3) Every employer subject to this chapter or any rule or regulation of the department issued under this chapter shall make, keep, and preserve such records of the persons employed by the employer and of the wages, hours, and other conditions and practices of employment maintained by the employer, and preserve

such records for such periods of time, as the department may by rule prescribe. In addition, every employer shall keep a record of the physical addresses of the employer and the North American Industry Classification System code applicable to employer.

The director or the director's authorized representative shall for the purpose of examination have access to and the right to copy from such records any matter or thing pertinent to this section, and every employer shall furnish to the director or the director's authorized representative on demand a copy under oath of such material portion of such records as the director or the director's authorized representative requires, and if the director so requires, upon forms prescribed or approved by the director;