



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

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To: The Honorable Karl Rhoads, Chair
and Members of the House Committee on Labor & Public Employment

Date: Tuesday, January 24, 2012
Time: 9:00 a.m.
Place: Conference Room 309, State Capitol

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

Re: H.B. 1677 Relating to Work-Sharing

I. OVERVIEW OF PROPOSED LEGISLATION

HB 1677 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. Under work sharing, an employer elects to avoid 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 weekly benefit amount (WBA).

The Department appreciates the overall concept of this bill and 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 work week. 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 bill 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 would be considerable at this time.

Congress specified certain guidelines for this program as a means of assuring minimum uniformity throughout the states. To determine guidelines, make program modifications, promulgate rules, prepare written procedures, educate employers, train staff, and to accommodate implementation of ongoing projects in 2012, the Department recommends that the effective date of this measure be changed to September 2013.

2. A work sharing employer's tax rate may increase as workers who would otherwise be ineligible for UI benefits due to excessive earnings may

qualify for benefits under the work sharing conditions. Since the trust fund is currently at an extremely low level, allowing the highest rated negative reserve ratio employers to participate in work sharing would exacerbate fund insolvency. Therefore, the Department recommends that the following language be included to limit approval of work sharing program to positive-rated employers only:

“§383-K Benefits charging. No contributory employer with a negative reserve ratio or delinquent reimbursable shall be eligible to participate in the work sharing program.”