



Testimony for KS House Commerce, Labor & Economic Development Cmte
HB 2124: Employment Security Law.

February 6, 2013 – Topeka, Kansas

Submitted on behalf of The Kansas State Council of the
Society for Human Resource Management (KS SHRM)

By Phillip M. Hayes, SPHR – 2013 Director, KS SHRM
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Dear Members of the Committee:

My name is Phillip M. Hayes and I am here today on behalf of The Kansas State Council of the Society for Human Resource Management (KS SHRM) to share information regarding the impact of the UI system on Kansas businesses over the past several years. I am Vice President of HR Services and Operations for The Arnold Group, A Human Resource Company in Wichita, Kansas. As an HR professional with 15 years of experience, my focus is on people and employee development with extensive experience in recruiting, employee development and workforce planning. Additionally, I have been a local, state and national SHRM member for more than 15 years and currently serve as KS SHRM Director.

For those unfamiliar with KS SHRM, it is a professional organization comprised of 2,300+ HR professionals in Kansas. KS SHRM serves the needs of HR professionals and advances the interests of the HR profession throughout the state. As HR professionals, our members are responsible for developing and implementing workplace policies and practices that comply with federal, state, and local laws and provide guidance to line managers on fair and effective people management. Our members serve public and private sectors as well as large and small businesses. The focus of the HR professional is to serve as a facilitator between the employer and employee(s) so that a safe and productive work environment is achieved. On a daily basis our members are on the front lines when it comes to important employment issues such as:

- Workforce Planning and Employment
- Human Resource Development
- Compensation and Benefits
- Employee and Labor Relations
- Workers' Compensation
- Unemployment Insurance

Today, KS SHRM stands in support of HB 2124 because it proposes to address the following issues that have been concerning to the KS HR community for a number of years:

1. Currently, holiday pay is not treated as wages under the current statute definition. If an employer offers paid holidays and an employee receives such pay, why then are they allowed to receive partial unemployment benefits for said week(s)?
2. This bill provides modified language regarding the interpretation of severance pay. Current law allows for a terminated employee that is provided a lump sum severance amount (i.e. 2 weeks' pay, 6 months' pay, etc.) to collect unemployment benefits immediately following that last wage check. However, if a severance pay plan is established to pay the severance over the course of weeks or months, the employee cannot collect UI benefits until the last check is received. The new language would simply apply a simple formula to calculate the number of weeks the lump sum equals in relation to the employee's average earned weekly wage and establish a benefit date based on this calculation. Simply put, severance pay does not impact eligibility.
3. Next, the bill outlines provisions to adjust benefit durations based on the state's unemployment rate.
 - o If the state UI rate falls below 6%, KS UI claimant benefits would be capped at 20 weeks.
 - o If the state UI rate rises to or above 6%, KS UI claimant benefits would be extended/capped at 26 weeks.
4. Changes to clarify and enforce benefit disqualification based on misconduct and gross misconduct will provide clarity to Kansas employers and employees as to what constitutes misconduct in the workplace.
5. From a pure economic development standpoint, KS SHRM believes that our current UI rate for new KS employers are less than competitive when you compare KS to the Midwest states and specifically our neighboring states. In fact, Kansas has one of the highest rates for new employers in the nation. KS SHRM supports lowering the new employer rate to 2.7%, which is half of the 5.40% maximum rate for positive balanced employers in the state. KDOL has strongly advocated the construction industry remain at the 6.00% rate, which is in line with many of the states previously mentioned.
6. This bill also addresses the high cost multiple (HCM), which factors into the formula determining the amount of contributions the fund must receive to be considered "solvent." A 1.2 HCM essentially requires unnecessary reserves be contributed into the fund. KS SHRM supports decreasing the HCM to 1.0.
7. A change many employers have requested included in this bill is a statutory requirement for the KDOL Secretary to notify KS employers by November 15 (approximately 6 weeks' notice) which will allow employers more time to plan more effectively for the upcoming year.
 - o 2010 Experience Rating Notices were dated 12/16/09 – new rates were e
 - o 2011 Experience Rating Notices were dated 12/13/10 – new rates were e

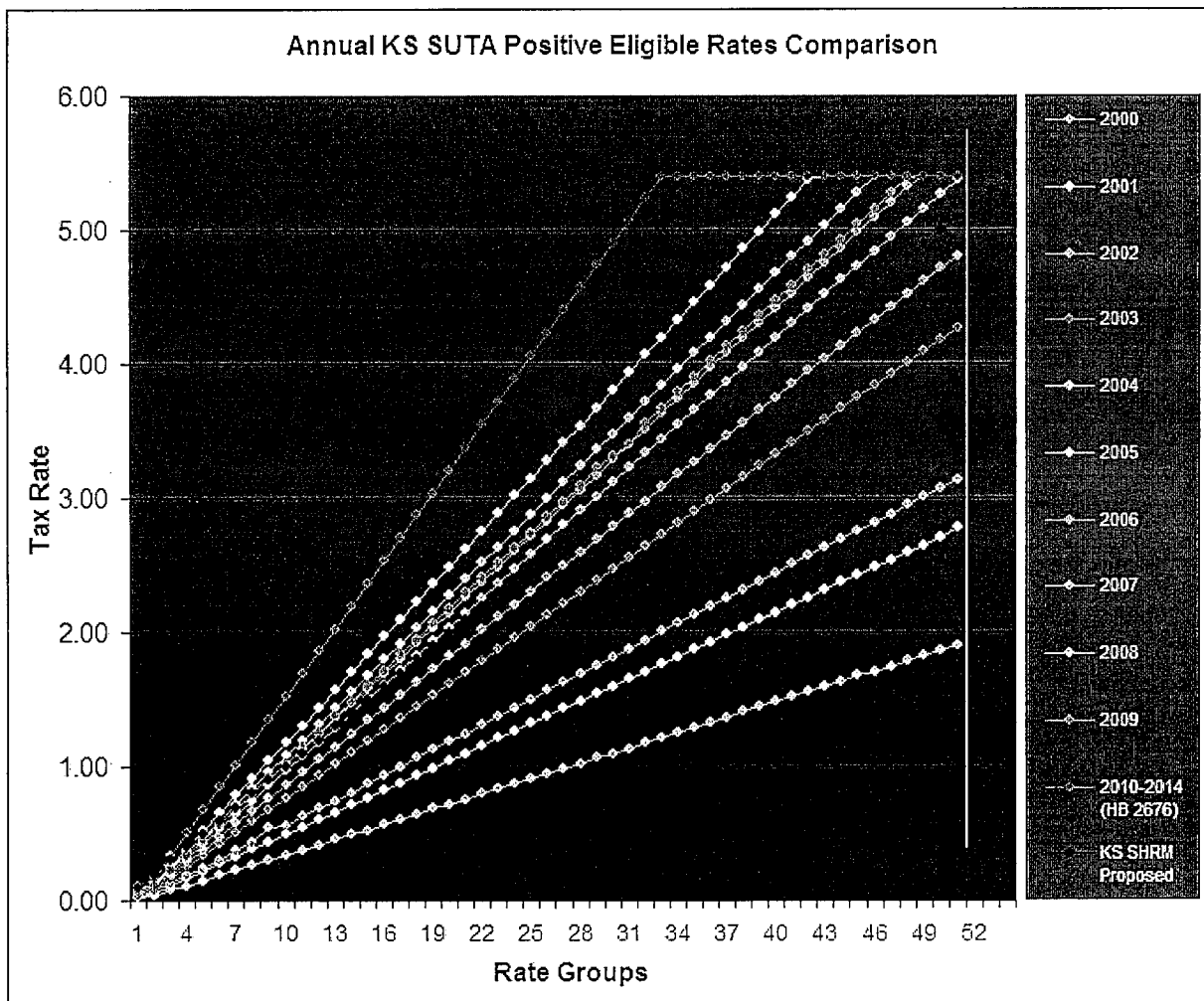
House Commerce & Economic
Development Committee
Date: 2.7.13
Attachment #: 4

- It seems the notices could be processed and mailed at a more appropriate time in the year based on the holidays that are celebrated in the United States. A mere two (2) weeks notice is provided to the business community to plan for any increase from the previous year can hardly be called notice.
8. A provision is included to require the KDOL Secretary to attend and report to the Legislative Coordinating Council (LCC) regarding the status and health of the KS Unemployment Security Trust Fund each year.
 9. The last item addressed in this bill eliminates the Employment Security Advisory Council (ESAC), which is comprised of equal number of representatives from business, labor and academia.
 - We believe ESAC was established initially to make recommendations and improvements to KS Employment Security Law.
 - Recommendations originating from this council over the past several years were narrow in scope and offered one sided solutions... simply increase SUTA taxes on KS employers.
 - Unfortunately, the solutions necessary to effectively manage our UI system has to be broader in scope.
 - No recommendations from this council have been implemented in many years and we feel the contributions of this council are limited and do not address the system as a whole.

Lastly, KS SHRM, the KS Chamber and KDOL are finalizing various simulations to analyze the effects of increasing the taxable wage base as well as transitioning from the "Arrayed Employer Ranking" method to a "Fixed Employer Ranking" method with a solvency surcharge to provide more emphasis on employer merit/experience when factoring employer contribution rates.

- A fixed employer ranking methodology would provide predictability to **ALL employers** and restore respectability to the experience/merit rating of **EACH employer**.
- A taxable wage base increase would effectively shift a larger portion of employer contributions to the negative balanced employers.

Chart 1: Annual KS SUTA Positive Eligible Rates Comparison



*Note: 42 U.S. states/territories use the *Fixed Methodology*, which offers predictability to employers.
 11 U.S. states/territories use the *Arrayed Methodology* (including KS), which offers NO predictability.

Chart 2: Solvency Surcharge Options (Relative)

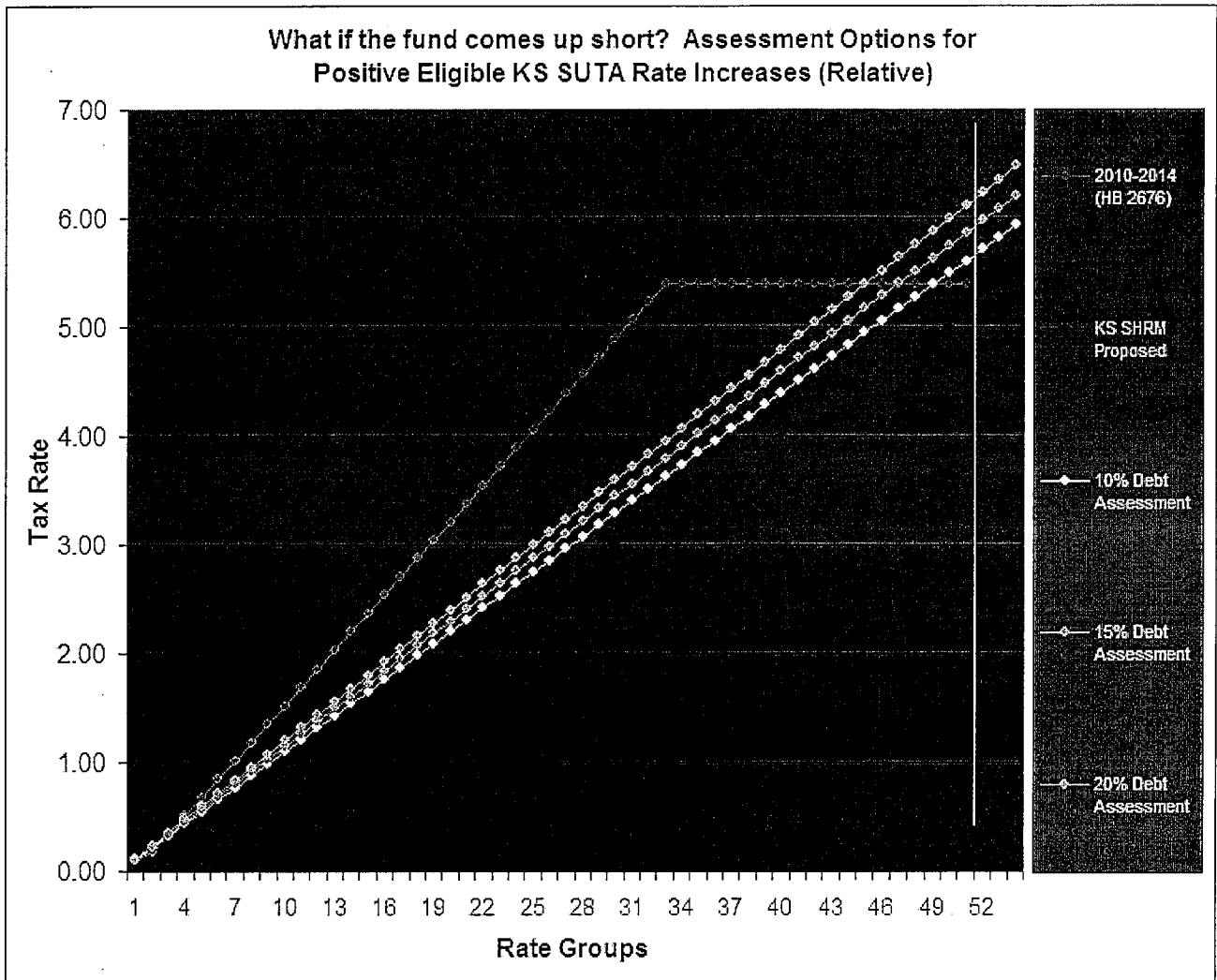
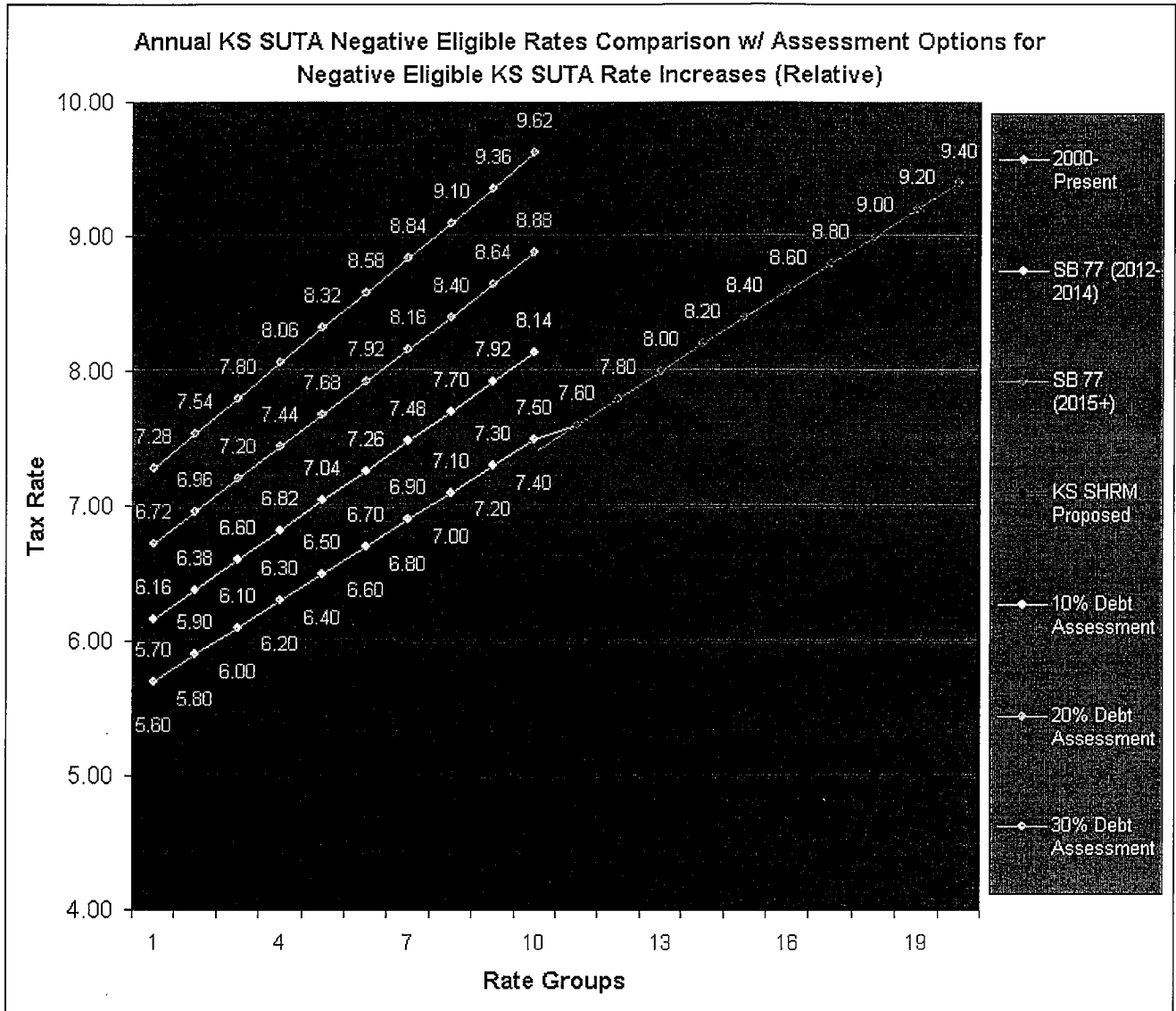


Chart 3: Negative Eligible Rates Comparison w/ Assessment Options for Negative Eligible KS SUTA Rate Increases (Relative)



In closing, KS SHRM strongly supports the changes outlined in HB 2124 to provide more integrity of the UI trust fund and respectfully requests your YES vote. Your support is very valuable and important to strengthening our competitiveness and making Kansas a great state to work, live and do business in.

Thank you for service to our great state and also for the opportunity to appear before you. I would be happy to stand for questions now or at the appropriate time. Additionally, I can be contacted at 316.619.7864 or by email at phayes@the-arnold-group.com for questions/concerns.

Respectfully,

Phillip M. Hayes, SPHR
2013 Director, KS SHRM