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2010 State of Labor Address Secretary Jim Garner

Good morning. I'm Jim Garner, Secretary of the Kansas Department of Labor, and on behalf of Governor Mark Parkinson and myself, I wish you a happy Labor Day weekend.

Each year, I have taken this time just before the Labor Day holiday to report on the state of our labor market and the Kansas economy.

This year marks the fourth time we have released the Kansas Economic Report. This report, prepared by our Labor Market Information Services division, provides a valuable analysis and collection of data regarding our state's economic condition over the past year. I wish I could stand here and tell you that the 2009 report is filled with good news. But, we all know it isn't. Our economy suffered greatly in 2009, due to the Great Recession experienced in our nation and the significant job losses that resulted.

The conditions we faced in 2009 were in many ways unprecedented. Our state's unemployment rate hit an annual rate of 6.7 percent. While the Kansas rate was considerably lower than the national unemployment rate of 9.3 percent, it surpassed our experience during the major recession of the early 1980s.

The high unemployment rate was, of course, spurred by significant layoffs in key industries. Manufacturing was by far the hardest hit industry, with more than 19,600 jobs lost.

But the report also offers us a look down the road, and there the economic news is definitely more encouraging. After a very tough 2009, we are seeing improvements in the Kansas economy in 2010, with private sector job growth and a reduction in the number of layoffs. Comparing July 2010 to one year ago, we've experienced actual job growth for the first time since October 2008. We have also seen over-the-year increases in construction jobs four months in a row. The number of initial claims for unemployment benefits has decreased by nearly one third of where things stood this time a year ago. And the state's unemployment rate appears to have reached a plateau, after peaking in July 2009. We find ourselves today coming out of the recession and on the road to recovery.

The labor market is generally the last segment of the economy to recover from a downturn. So while the stock market has rebounded, corporate profits are up and the nation's GDP is growing, nationally there remain four and a half unemployed people for every job opening. In Kansas there are about three unemployed people for every vacant job.

So we still have major work ahead of us to see a full recovery in the labor market, but there are certainly encouraging signs.

As our economy recovers, it is important to reflect on some of the lessons learned during the Great Recession. Allow me to offer three key observations.
First, the Unemployment Insurance program proved its value many times over.

The experience of this Recession should remind us all of the critical importance of the Unemployment Insurance Program, which recently marked its 75th anniversary.

Most Kansans know it provides a safety net to workers who become unemployed through no fault of their own. And it helps keep our trained and skilled work force ready and available for jobs that emerge as we continue our economic recovery.

But equally important, the program helps to stabilize our economy in times of recession by providing funds that are immediately cycled through the economy at a time when other spending has dropped.

That was certainly the case in Kansas. The recession challenged the Unemployment Insurance Program like nothing else in its 75-year history. In Kansas, over 179,000 people received unemployment insurance benefits in 2009—a 76 percent increase from the previous year. We paid out \$766 million in state unemployment benefits, more than \$304 million in federal Emergency Unemployment Compensation and nearly \$18 million in State Extended Benefits. All told, more than \$1 billion cycled through the Kansas economy – supporting families, putting food on the table and enabling workers to continue to look for employment.

Of course payouts of that magnitude come with a cost. We are now one of 35 states to obtain advances from the U.S. treasury to pay unemployment benefits.

So far, we've borrowed about \$88 million dollars. We currently have a positive balance in the Trust Fund of \$116 million. However, because most employment taxes are paid in the first half of the year, we may need to borrow again before the year is out. We will do what is necessary to make sure we do not fail the Kansans who rely on these benefits.

We also saw that employers found the shared work benefit program to be a popular alternative to lay offs. The program allows qualifying employers to operate at reduced work hours, provide employees with unemployment benefits for the reduced hours and prevent lay offs. The number of employers using this program increased significantly from 136 employers in 2008 to 509 in 2009.

All in all, the unemployment insurance program has been vital to surviving this recession. In the past year, it has provided help to over 179,000 Kansans; it has helped stimulate our state's economy by placing more than \$1 billion into circulation; and it has helped keep trained workers attached to the Kansas labor market.

My second observation is that we need to continue to pursue efforts that put Kansas in the best position to make the most of the recovery.

While the impacts of the recession hit us quickly and dramatically, our recovery is likely to take longer. But Kansans don't sit around and wait for things to happen. Instead, we look for ways to position ourselves to make the most of the job growth that will come and accelerate its progress wherever we can. One big step in that direction was the release of the Kansas Green Jobs Report earlier this year.

The report chronicled the results of the first-ever survey designed to determine the extent of the state's green economy based on information collected directly from Kansas employers. The results are encouraging, showing that Kansas has an emerging green economy with more than 20,000 existing primary green jobs and the potential to add more than 10,000 additional jobs by 2012.

We're also focused on other areas of the economy that will generate demand for workers into the future. Preliminary results of the 2008-2018 Kansas Occupational Outlook, which will be released this fall, indicate a total employment growth of almost 10 percent by 2018, even with the job losses of the recent downturn. The health care and social assistance industry expects to lead the way by adding more than 37,000 jobs over this period. Health care support positions are projected to grow the fastest, with an average annual growth rate of 2.3 percent over the time period.

And Kansas continues to be an attractive state for business development and investment. Our state was ranked as the 7th most "pro-business" state by Pollina Corporate and No. 11 in CNBC's "Top States for Business" report. Kansas also recently shined in Business Facilities magazine's 2010 Rankings Report. Kansas was named a Top 10 state in eight of 20 categories, including economic growth potential, bioscience and technology, renewable energy and best education climate.

In the past year, the Department of Commerce has been involved in 110 successful economic development projects resulting in the creation of over 19,000 jobs and the retention of over 3,100 jobs. And we recently heard the good news about Governor Parkinson securing a deal with Bombardier Aerospace to select Wichita as the site for its Learjet 85 production to keep and create hundreds of jobs.

Lastly, this past session, the legislature passed a budget that confirms our commitment to strengthening the workforce and furthering our economic recovery. With this responsible balanced budget, Kansas has prevented thousands of layoffs to our teachers, law enforcement officers, transportation workers and many more. Moreover, our commitment to education and public infrastructure help Kansas attract more companies and jobs to the state.

My third observation is that we must continue to be responsive.

There are key parts of government that are critical to respond to crisis. Unfortunately, for the five years leading up to the recession, federal funding for the operations of the unemployment insurance program was declining. With fewer resources, we had reduced staff, which put us in a poor position to react to the economic crisis when it hit.

But I have been encouraged by the men and women of the Kansas Department of Labor, who continue to work hard under very trying circumstances. These folks have toiled long and hard on the front lines of this recession. They get blamed when unemployment claims stack up and our system slows down, as it sometimes has. But each and every day they work to help thousands of people.

Continued strategic investments in key staff, technology and support systems, in economic good times and bad, are fundamental to a customer-focused, efficient and responsive government.

Let me conclude by remembering the purpose of this holiday. On this Labor Day weekend, I encourage everyone to take time to recognize and honor the hard-working men and women all across Kansas who do their part each day to make our state a better place to live, work and raise a family. We know that by working together – businesses, workers and government – we can position our state to make the most of our economic recovery and to bring good jobs and opportunities to all.