

A Growing Labor Market

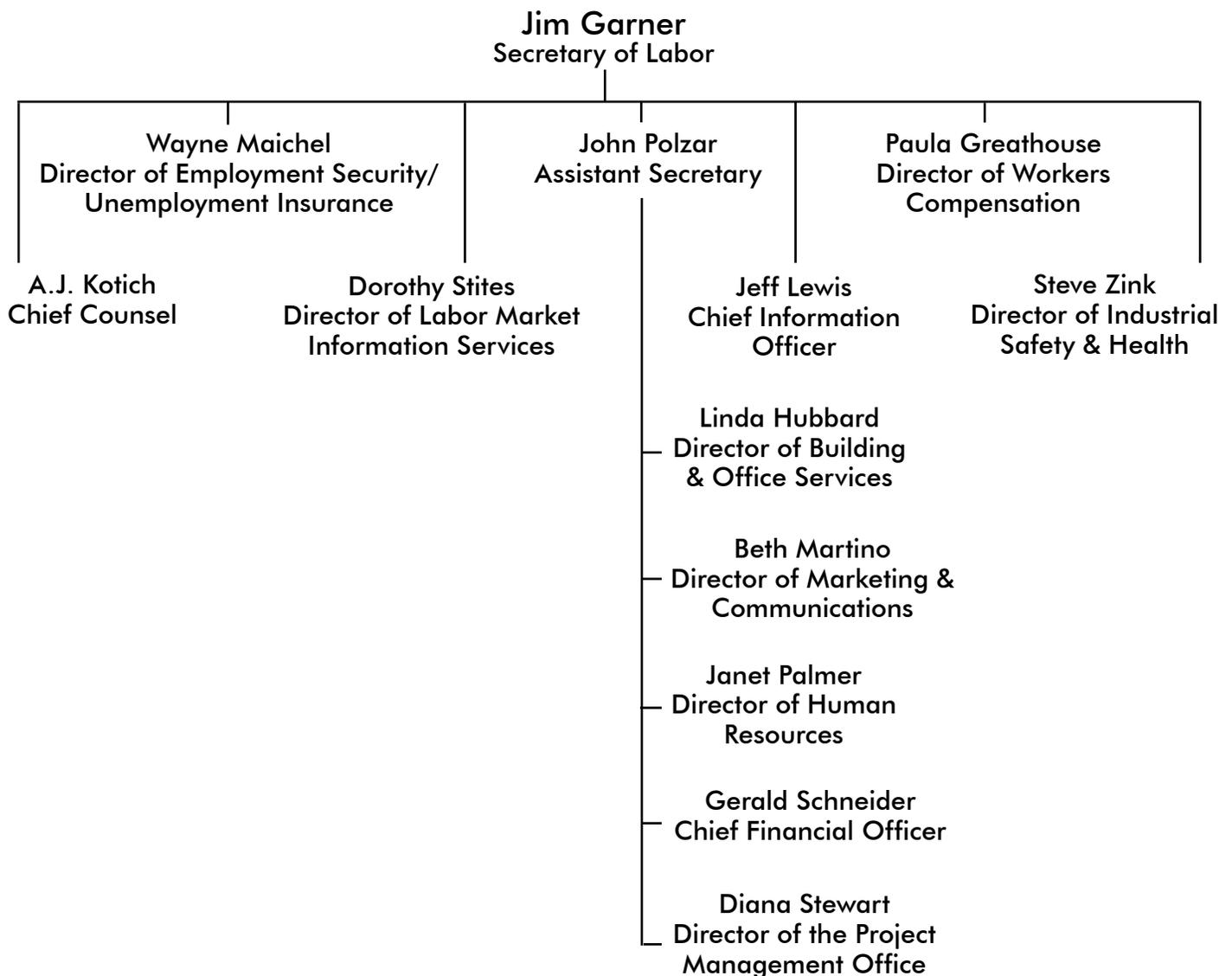


Annual Report 2005



The Kansas Department of Labor:

- administers Kansas' unemployment insurance program, processing claims for unemployment benefits and collecting taxes to fund the system
- operates the state's workers compensation system
- enforces Kansas employment standards including wage payment and child labor laws
- houses a research unit that compiles critical data on the labor market in Kansas
- offers workplace safety consultations for private employers and provides investigations into job-related accidents involving public employees





Job growth is an important component of a healthy economy. In 2005, steady growth in virtually all areas characterized the state's labor market. Not only is Kansas adding jobs, but the state has had consistent growth in key sectors that create good paying, highly skilled jobs. In particular, the state has begun to see the steady addition of manufacturing jobs.

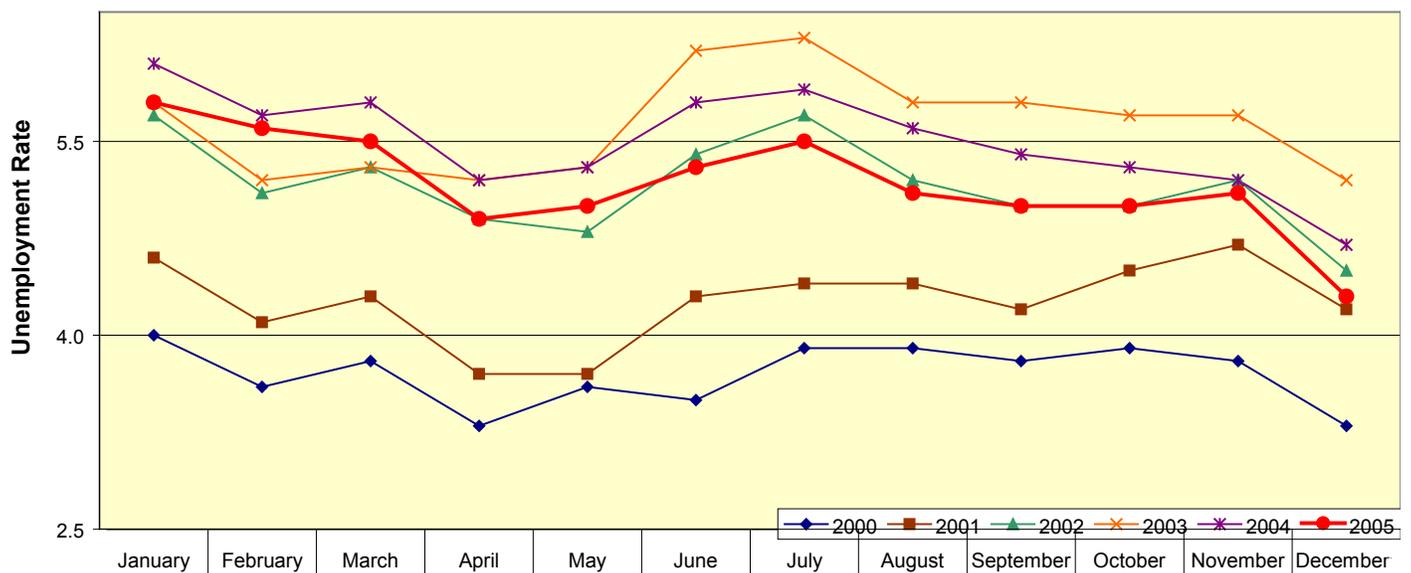
Employers continue to add jobs, the unemployment rate is declining and unemployment claims are dropping. These are all positive signs as the Kansas economy continues its strong upward trend.

The following pages describe some of the major activities of the Kansas Department of Labor during 2005. We also invite you to visit the KDOL Web site – www.dol.ks.gov – for additional information.



Jim C.

Monthly Unemployment Rates 2000 through 2005*



* Data is preliminary



Commitment to Continuous Improvement

During the past year, the Department of Labor continued its commitment to serving Kansans more efficiently. KDOL strives to improve services to the agency's customers – the 70,000 employers and the 1.4 million workers in Kansas.

Strategic Planning

In 2005, the Kansas Department of Labor developed a strategic plan that defines a new vision and direction for the agency. KDOL has many responsibilities important to businesses and citizens of the state. To carry out KDOL's mission while working within funding and staffing resources, we must rethink how the agency delivers services to all its customers – workers, businesses and other government agencies.

The KDOL Strategic Plan reflects a sharper focus on providing quality customer service and efficiently delivering services to all citizens of Kansas. At KDOL, we know that the public expects more of government. Citizens expect to have an active say about how and what goods and services are provided and taxpayers want to know their dollars are being used wisely. In general, people want more information, easier access to services and the assurance that resources are being used responsibly.

To meet these demands, KDOL has a vision for the future focused on two key concepts: customer-focused assisted self-service and integrated operations. Self-service options can improve the quality of information provided to customers. All customers get the same information and they can get as much or as little as they need. Additionally, self-service options can decrease the cost of operations for a business or government agency. The long-term benefits of assisted self-service include improved customer satisfaction levels, reduction in paper processing and errors and increased overall staff productivity.

Another key element in the KDOL Strategic Plan is dissolving the “silos” that exist within the agency. Through more integrated operations, the agency can remove inefficient and duplicative operational practices between programs. In the end, Kansas citizens and employers should feel they are working with KDOL, rather than individual divisions or programs.

Unemployment Insurance Modernization Project

In 2005 KDOL began work on the multi-year Unemployment Insurance Modernization project. The 2004 Legislature approved the Governor's Budget Amendment to begin this major project for KDOL. The rewrite of Kansas' unemployment insurance system is an opportunity to make operations simpler and more competitive, a key part of the strategic plan. At nearly 30 years old, the current UI computer system, which maintains information about collections from employers and payments to unemployed workers, has reached the limit of its ability to be modified to meet changing requirements. As part of this project, KDOL will redefine how we serve our customers and begin using new tools that will allow the agency to respond to customers changing needs quickly and efficiently. Staff will be empowered to make more accurate, timely decisions using the latest information technology tools. The project must meet customer's needs today, while anticipating future growth and change.

CY 2005 Unemployment at a Glance

Initial Claims	127,056
Continued Claims	1,021,082
Benefit Payments	\$255,720,632
Average weekly benefit amount	\$274.17
Contributions Received	\$343,900,000
UI Trust Fund Balance	\$448,400,000



This project will result in major improvements in the unemployment insurance system and will allow the agency to better respond to the demands of customers using state-of-the-art technologies.

UI Tax Filings

More than 70,000 employers in Kansas are subject to unemployment tax law. The agency has been aggressive in pursuing improvements to make it easier for businesses to file their quarterly reports electronically. Late in 2004, the online unemployment tax system expanded to 24-hours a day, seven-days a week rather than just during the regular business day. Allowing these transactions to take place at any time and providing for electronic payments makes the service more valuable to employers and their accountants. In 2005 the agency obtained a major grant from the U.S. Department of Labor to make needed improvements in the online reporting system, which will make the reporting process easier and more efficient for employers.

In addition, KDOL had been charging employers a fee to pay their taxes online. This fee created a huge disincentive to filing and paying taxes online. KDOL now is using fines collected from employers who are delinquent in their taxes to offset the agency's costs associated with providing online filings for all employers.

This year the Kansas Legislature passed legislation to prevent tax avoidance in the unemployment insurance system. The Kansas "SUTA Dumping" bill meets new federal requirements and allows for enhanced efforts for the detection of fraudulent attempts by unscrupulous operations seeking to avoid payment of UI taxes. Some businesses had found ways to circumvent state unemployment tax laws, harming both employees and other businesses in the state. Changes incorporated into the law in 2005 help ensure an equitable distribution of costs of the unemployment compensation program among employers. The new provisions will benefit the overwhelming majority of Kansas employers who play by the rules.

Unemployment tax rates for many Kansas employers will decline in 2006 as the Kansas economy continues to improve. Kansas tax rates are down more than three-tenths of a percentage point, on average. This is expected to save Kansas employers \$61 million. Initial claims for unemployment have declined by more than 24 percent between state fiscal year 2004 and 2005.

Workers Compensation Online Coverage Verification

During the summer, KDOL launched a new online service that allows workers, contractors, employers, lawyers and medical providers to verify electronically whether a business operating in Kansas has workers compensation coverage. This new service is part of continuing efforts to provide more customer self-service options. Anyone can visit the KDOL Web site (www.dol.ks.gov) and determine whether a business has workers compensation coverage in the state.

Electronic Data Interchange

Launched in 2003, Electronic Data Interchange (EDI) allows transmission of workers compensation claims and coverage information from insurers to the state. Insurance carriers, self-insured employers and group-funded insurance pools now have the option of reporting their claims data to KDOL electronically instead of on paper forms.

Before EDI, all accident reports on work-related injuries and illnesses were made on paper and stored on microfilm. EDI provides faster reporting of data, is more cost-effective for all participants and assures more accurate data by eliminating data re-entry errors. EDI is a major step toward adopting a more efficient, paperless business environment.

About one-third of all accident reports are now filed electronically.

Workers Compensation by the Numbers

FY 2005:

Occupational Injuries & Illness Reports	66,456
Applications for Hearings	17,480
Ombudsman Information Contacts	29,258
Requests to Research Section	39,843



Labor Market Information

In 2005, the second statewide *Job Vacancy Survey* was published. This survey provides a better understanding of the current labor demands in Kansas. The data in the survey is collected from a survey of employers that assesses the types of job openings in Kansas, wage levels for those positions and educational and training requirements for job seekers. It can assist area businesses in developing their recruiting strategies as well as various educational entities in providing necessary training for higher demand jobs. This survey, and other labor market information, is available on the KDOL Web site.

The 2005 Kansas Job Vacancy Survey revealed an estimated 36,378 job vacancies in Kansas during the second quarter of 2005. The average job vacancy rate across all occupations statewide for the period was 2.8 percent, or almost three job vacancies for every 100 filled positions.

KDOL acquired three surveys from the Department of Health and Environment this year. The *Occupational Safety and Health (OSH)* Program survey, implemented in 1971 in Kansas, annually compiles the number, type and frequency of nonfatal injuries and illnesses in the workplace. The *Census of Fatal Occupational Injuries (CFOI) Program*, implemented in Kansas in 1991, provides information on Fatal Occupational injuries and illnesses in the workplace. Kansas also collects data for seven states for the *Occupational Safety and Health Administration (OSHA)* Program. This program provides data on work-related injuries and illnesses within specific industry and employment size specifications including hours worked and total employment.

Governor Sebelius has emphasized the importance of aligning programs and agency expertise. KDOL staff is well-versed in administering and collecting survey data from employers, so these programs fit well within the agency.

Employee commitment

The commitment of KDOL's employees remains the agency's strongest resource. All work to assure responsive services to customers – internal and external. This dedication is exemplified by those recognized during the year for their outstanding service through the KDOL Recognition and Rewards program. Recognized in 2005 for their enthusiasm, diligence, innovation, teamwork, attitude and customer focus were Sandy Branda, Workers Compensation in Salina; Terri Novak, Unemployment Tax in Overland Park; and Pam Thurman, Information Technology in Topeka.

A Focus on Workplace Safety

Workplace safety programs can help make safe jobs a reality for all Kansas workers. KDOL is committed to making workplace safety a priority for the State of Kansas.

Workers Comp Rates to Decline

Workers compensation premiums for employers insured in the voluntary market in Kansas will decline on average two percent overall in 2006. The new premium rates will save Kansas businesses more than \$3.5 million. Kansas employers continue to enjoy some of the lowest premiums in the region. Kansas premiums have dropped to the eighth least expensive in the nation.

Although Kansas' workplace injury and illness rate has declined over the past decade, there is room for improvement. Work-related fatalities in Kansas rose to 57 in FY 2005, up from 44 in 2004. In addition, Kansas businesses reported 66,277 work-related illnesses and injuries in 2005.

Kansas enjoys some of the lowest Workers Compensation premium rates in the nation. For Kansas to continue to maintain this advantage, we should focus on improving workplace safety.

To more effectively administer the safety programs within the Department of Labor, all of the workplace safety programs have been reorganized under a new stand alone division. A director with more than 20 years of experience in the safety and health fields providing safety and health consultative services to a wide range of companies and industries across the U.S. was hired.

A focus on safer workplaces offers a true win-win-win scenario. Safer workplaces result in fewer injuries to workers. Safer workplaces reduce the number of claims paid by insurance companies. And safer workplaces result in lower workers compensation premiums charged to employers.

Businesses in the private sector can use KDOL's free programs to help identify and abate potential safety hazards and improve conditions at their work sites. These services are delivered by well-trained safety and health professionals who can help establish or strengthen a company's safety and health program. Last year, more than 1,000 consultations were conducted. KDOL also sponsors an annual conference each fall, bringing together professionals from across the state to learn more about the issues that are important to workplace safety.

Under the Safety and Health Achievement Recognition Program (SHARP), more small Kansas businesses have joined a very elite group of companies recognized by OSHA for their commitment to safety. There are 38 businesses in Kansas that have received this special designation. There are only about 800 work sites in the entire nation with SHARP designations.

SHARP participants note that a strong safety and health program in their workplace did much more than lower the number of accidents on the job site. In their own words:

Industrial Safety and Health FY 2005	
Private Employers	
Consultations Performed	1,033
Hazards Identified	2,952
Public Sector	
Inspections Performed	116
Boiler Safety	
Inspections Processed	12,040

Flame Engineering, Inc of La Crosse – *“A safety program doesn’t cost you money, it saves – we are more productive, there is better morale and our workers comp payments are less.”*

American Maplan Corporation of McPherson – *“We now have an absolutely fabulous safety record. Our workers compensation rates have reduced by 50 percent and profit margins have improved.”*

Lowen Corporation of Hutchinson – *“Production and quality ultimately reap the rewards when employee morale is improved by a company which gives precedence to employee safety.”*

A safety program doesn’t cost money, it saves. These businesses and other Kansas businesses have established a partnership with their employees that works to everyone’s benefit. Joining the SHARP program in 2005, and taking advantage of KDOL services and safety expertise, were:

- Meadowlark Hills Retirement Community, Manhattan
- Asbury Park, a nursing care facility in Newton
- Full Vision, Inc., a contract metal fabricator in Newton
- LakePoint Nursing and Rehabilitation Center, El Dorado
- Lee Aerospace, Inc., which designs, manufactures, repairs and installs aircraft windshields in Wichita



KDOL Actual Expenditures FY 2005

	Actual Expenditures	Percent
KDOL	\$318,333,623	100.00%
State General Fund:		
General Administration	607	
Legal Services	71,962	
Support Services	1,999	
Data Processing	1,812	
Labor Market Information Services	30,561	
Unemployment Insurance	62,728	
Employment Standards	48,744	
PERB	215,949	
Welfare to Work State Match*	27,935	
KSIP – Operating Expenditures	52,693	
Total SGF	\$514,990	0.16%
Fee Funded Programs:		
Boiler Inspection	499,830	0.16%
Workers Compensation	10,202,523	3.20%
Federal Funded Programs:		
Employment Security Administration		
Unemployment Insurance	17,642,624	
Job Service (Wagner Peyser)*	50,633	
Labor Mrkt Info Coop Agreement	1,067,458	
One-Stop LMI	454,612	
TRADE Act	62,363	
Kansas JobLink*	987,804	
Other	985,320	
HRSPF-Federal	401,777	
Workforce Investment Act	402,588	
OSHA	577,620	
Total Federal	\$22,632,799	7.11%
Unemployment Insurance Benefits (Direct payments to claimants)	\$280,653,096	88.16%
Other Funds:		
America's Job Link Alliance*	2,343,531	0.74%
Penalty and Interest Funds	580,561	0.18%
Federal Indirect Offset Fund	344,147	0.11%
Miscellaneous Funds	562,146	0.18%

* In FY 2006, these programs will not be part of the KDOL budget.
The programs have been transferred to other agencies or have ended.

