



# **Moving toward recovery, planning for the future**



DEPARTMENT OF LABOR

Annual Report for CY 2009

May 2010



Greetings:

The Kansas Department of Labor faced its greatest challenges in recent memory in 2009. Continued economic challenges created a significant impact on service demands and our agency workload. While there were some signs of recovery later in the year, the impact on the labor market was slow to be felt and unemployment remained high.

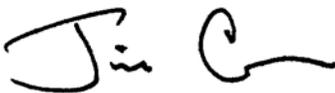
In calendar year 2009, Kansas paid out more than \$766 million in regular unemployment benefits. In addition, we paid nearly \$344 million in federal Emergency Unemployment Compensation (EUC) benefits and almost \$18 million in State Extended Benefits. Between all these programs, we processed more than 363,000 initial claims in 2009 and more than 3 million continued claims.

A sudden and rapid increase in the number of unemployed workers in our state brought on by large numbers of layoffs caused our Unemployment Insurance Trust Fund to deplete rapidly during the second quarter of the year, and it looked as though, for the first time in our state's history, the fund would be completely exhausted. Between regular state benefits and the various extensions made possible by the federal government, it was possible during 2009 for some individuals to be eligible to collect unemployment benefits for up to 86 weeks if they met the criteria.

This unprecedented demand for UI benefits created challenges in our unemployment Contact Center. We took several actions to meet the service demands in our Contact Center, and they are detailed elsewhere in this report. We continue to struggle to meet the demand for unemployment services, though our efforts have brought improvements.

Even as we grappled with the unemployment crisis, we continued to press forward on other fronts, including a multi-year project to improve and modernize the processes and technology that support the Kansas unemployment system. If anything, the unemployment crisis has underlined the necessity and importance of aggressively pursuing our Unemployment Insurance Modernization Program.

We continued to make progress in other areas of the agency, as well, including workplace safety, Workers Compensation, labor market statistics and recovering unpaid wages for employees. These, and other activities, are detailed in this report.



Jim Garner  
Kansas Secretary of Labor

# The role of the Kansas Department of Labor

The agency has many responsibilities, including:

- administering the unemployment insurance program, processing benefit claims and collecting unemployment taxes;
- operating the state's workers compensation system;
- offering free workplace safety consultations for private employers and overseeing job safety involving public employees through the Industrial Safety & Health division;
- enforcing Kansas employment laws, including child labor laws and the Wage Payment Act;
- compiling data and performing research on the workforce and industries in Kansas through the Labor Market Information Services division; and
- overseeing the Public Employers and Employees Relations Act and the Public Negotiations Act.

Our customers are the more than 72,000 employers and 1.4 million workers in Kansas.

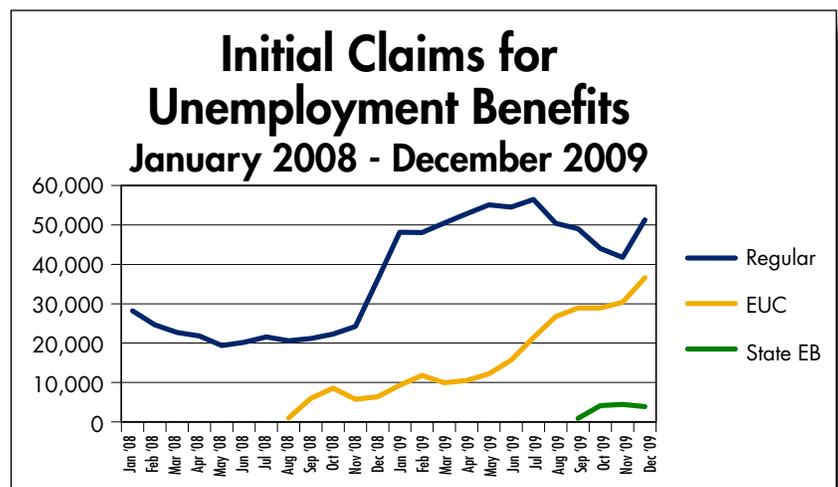


## Unemployment still the #1 issue

When the economy worsens, the workload in the Unemployment Insurance (UI) program increases. This was the continuing story of 2009.

At the start of 2009, the Kansas unemployment rate stood at 6.4 percent. The rate peaked in July 2009 at 7.8 percent, and by December was back down by 6.3 percent, which still represents a significant increase from December 2008 when the rate was 4.9 percent.

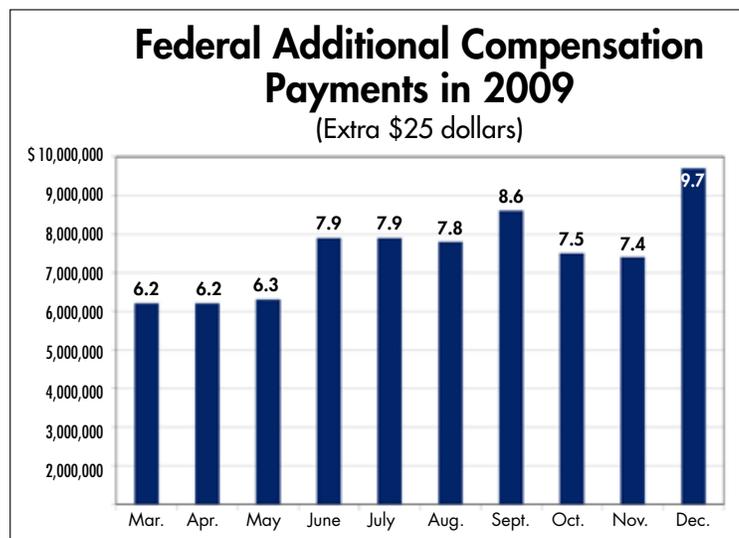
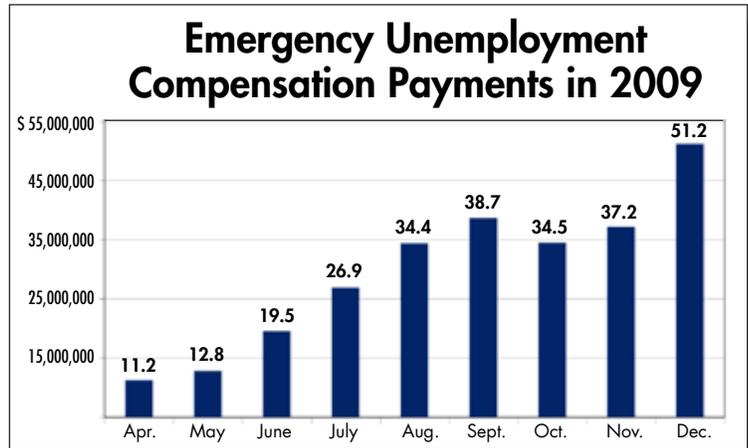
We are now administering four extended benefit programs – more than at any time in the history of the UI program. Our average monthly benefit payment in 2009 was more than \$63 million for regular benefits, and more than \$29 million in federal extended benefits. The UI program has certainly proven its worth during the current recession – providing a safety net for Kansas families, serving as an economic stabilizer by circulating millions of dollars in our economy, and keeping skilled workers attached to the Kansas labor market.



# Impact of the American Recovery and Reinvestment Act

The federal American Recovery and Reinvestment Act (ARRA) of 2009 is playing a key role in assisting out-of-work Kansans. Among the ARRA provisions that impact unemployment benefits are:

- The Federal Additional Compensation (FAC) provision provides an additional \$25 a week in unemployment benefits. In 2009, Kansas paid out more than \$75 million pursuant to this provision.
- The Recovery Act extended the deadline to apply and qualify for federal Emergency Unemployment Compensation (EUC) from March 31, 2009, through the week ending December 26, 2009. In December, the deadline was once again extended to February 28, 2010. Since April 1, 2009 through the end of the year, we provided



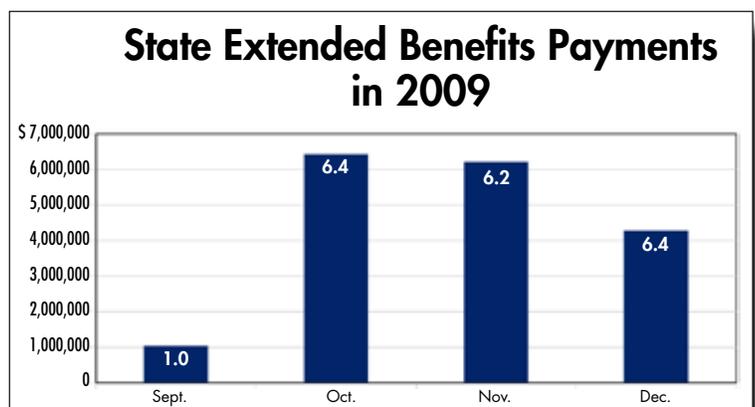
out-of-work Kansans with more than \$266 million in EUC benefits.

- The State Extended Benefits program was triggered in 2009 when the state's seasonally adjusted total unemployment rate reached 6.5 percent or more for three consecutive months. Typically these benefits are funded partially through the state's UI Trust Fund and partially from federal funds. Through a Recovery Act provision, state extended benefits will be funded wholly through federal funds through February 28, 2010. From September through December 2009, we paid out nearly \$18 million in state extended benefits.

administering the State's UI program. The total of those funds expended in 2009 for administration and benefit implementation was \$2,388,000.

To be responsive, transparent and accountable for these funds, a [section on the KDOL Web site](#) is updated monthly to show the expenditure of these funds.

- Kansas received federal funds to assist in



# Increased unemployment strains UI Trust Fund

The Unemployment Insurance Trust Fund is supported by employers' contributions through the unemployment insurance tax and the interest earned from that money. These funds are used to pay UI benefits to out-of-work Kansas employees who qualify for unemployment benefits.

KDOL started 2009 with a Trust Fund balance of \$566 million, and as the 19<sup>th</sup> healthiest trust fund in the nation, according to the U.S. Department of Labor. Early in 2009, it appeared the state's Trust Fund would weather the recession and retain solvency, however by the end of the second quarter of the year layoffs increased significantly, dramatically increasing payouts from the fund. In one month alone – June 2009 – we paid out \$78 million in benefits.

It appeared the Trust Fund might be completely depleted before the end of the year, requiring the state to seek advances from the federal government to ensure unemployed Kansans continued to receive the benefits to which they were entitled. However, we were able to forestall the need to borrow funds until late February 2010.

The issue of trust fund solvency is not unique to Kansas, but a national situation. By the time Kansas began borrowing in February 2010, it had become the 30<sup>th</sup> state to borrow funds from the federal government to cover unemployment claims. It is predicted that more than 35 states will be borrowing by the end of 2010.

## Rebuilding the UI Trust Fund

Depletion of the state's UI Trust Fund creates many issues – the primary one being how to ensure the continued payment of unemployment benefits to eligible Kansans. That is accomplished in the short-term through advances from the U.S. Treasury. In the long-term, a method to rebuild the Trust Fund, while simultaneously repaying the federal advances and interest accrued on those advances, must be determined.

While the Legislature will be responsible for enacting any changes that will help meet that goal, the Employment Security Advisory Council (ESAC) has stepped up to offer recommendations on how this might be accomplished. The 12-member Council, appointed by the Secretary of Labor, consists of an equal number of representatives from business, organized labor and the public. In 2009, a subcommittee of the Council was appointed to develop recommendations for the Legislature on how to rebuild the Trust Fund and pay off any federal advances that may be needed.

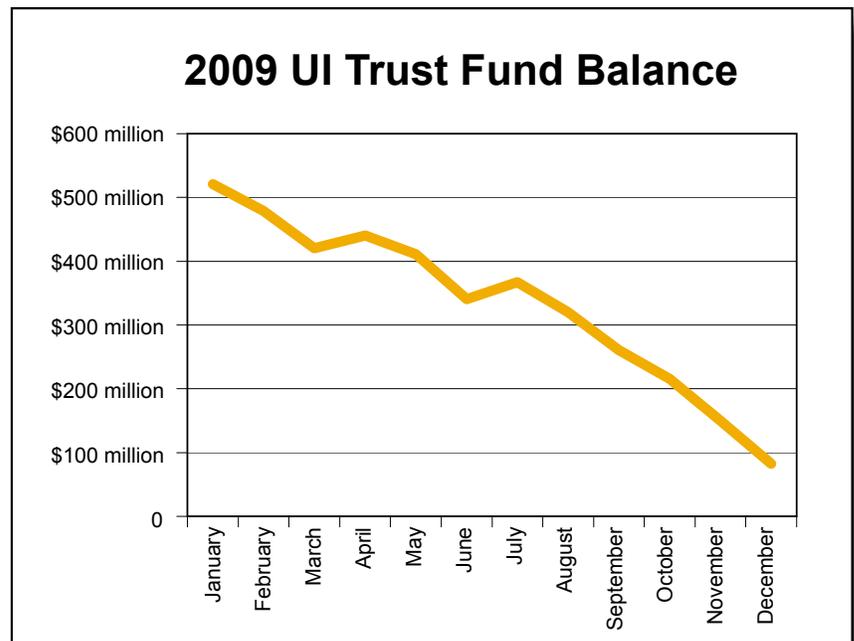
In February, the ESAC finalized those recommendations. Among the measures to address Trust Fund solvency and payment of the principal on federal advances were:

- Increasing the taxable wage base to \$9,000 in 2011, \$10,000 in 2012 and thereafter indexing it to changes in the annual average weekly wage.
- Placing a two-year moratorium on the maximum weekly benefit amount (currently at \$436).
- Adding nine additional negative balance rate groups to the existing 10 negative balance rate groups. This would increase the maximum tax rate that could be assessed to negative balance employers from 7.4 percent to 9.2 percent.
- Adopting the changes under this scenario, it is projected the UI Trust Fund would become solvent in 2016.

To repay interest on the federal advances, which by law cannot be through regular employer contributions, the ESAC has recommended a special assessment that will be paid into a separate fund solely for the purpose of interest payments. The assessment would be a flat percentage on an employer's current tax rate, to begin only after interest on federal loans had begun to accrue. A provision of the Recovery Act defers interest on advances through 2010.

The depletion of the Trust Fund had a direct impact on the contribution rates for Kansas employers. First, reduced contribution rates that had been in place since 2007 were discontinued after 2009. Under state law, the reduced tax rates only trigger on if the balance of the Trust Fund on July 31 meets a set level. Failure to meet that level on July 31, 2009, meant that in 2010 employers' contributions would return to the standard rates set out in statute.

In addition, with the balance of the Trust Fund so low, the statutorily required annual tax yield increased, which caused the standard contribution rates to increase. As legislators prepared for the 2010 legislative session, they were challenged to find ways both to relieve the tax burden for employers and rebuild the Trust Fund balance.



## Contact Center struggles to meet service demands

The impact of the current recession has been felt in many ways. In the Unemployment Contact Center, it has meant an unprecedented number of unemployment claims, record calls to the Contact Center and phone lines consistently overloaded. The result impacted unemployed Kansans' ability to file their claims in a timely manner or get answers to their questions.

KDOL took several steps in 2009 to address this problem, including:

- Tripling the number of customer service representatives in the call center, from 33 to 95
- Instituting mandatory overtime for call center representatives
- Expanding call center hours
- Increasing the functions claimants could complete online
- Launching a marketing campaign to encourage people to file their claims online
- Streamlining the online application to make it shorter and simpler
- Redesigning the Web site to make information easier to find
- Adding dedicated workstations at four workforce centers around the state and staffing them with unemployment personnel
- Improving call routing so callers with specific questions are directed to representatives best able to help them

All of these efforts helped, but continued layoffs and benefit extensions created an unremitting demand for service. As we moved into 2010, we continued to find ways to communicate with claimants so they could avoid unnecessary calls to the Contact Center. We implemented a podcast series to provide information on how to

navigate the unemployment insurance system, and we recently implemented a monthly e-newsletter to claimants to keep them apprised of program news and changes. In addition, we continued to make the online filing process easier, by adding a video tutorial to our Web site, as well as a printed desk guide.

We are committed to continuing to look for ways to make useful information available to claimants in a simple and timely manner.

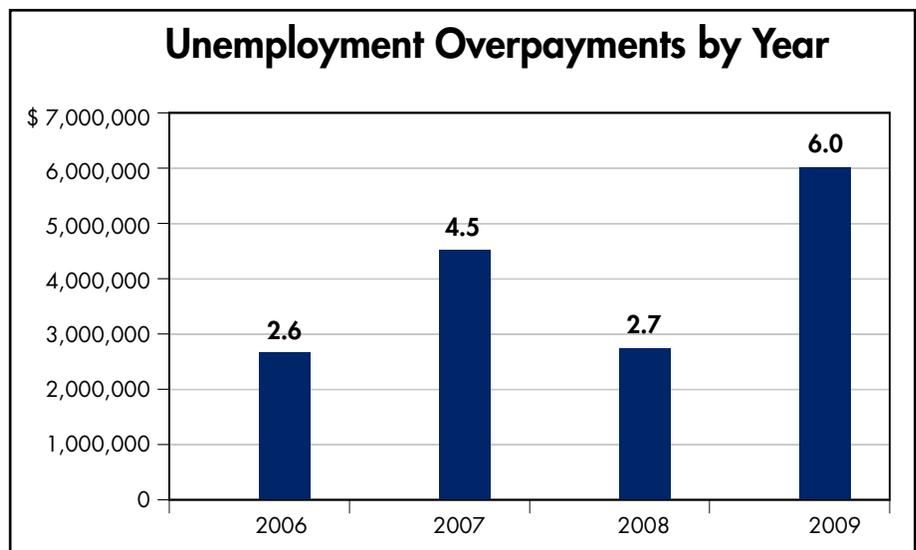
## Unemployment crisis increases focus on fraud identification

With the increase in unemployment claims brought on by the current recession has come a heightened focus on reducing instances of UI fraud. While unemployment benefits play a crucial role in supporting families through times of unemployment, we must be certain that benefits go to those who are entitled and that scarce Trust Fund dollars are not diverted to those who are ineligible.

In 2009, the agency detected a total of \$6,023,235 unemployment insurance overpayments. That includes \$4.8 million in fraudulent overpayments and \$1.2 million in non-fraud overpayments. By comparison, total overpayments detected in previous years were \$2.7 million in 2008, \$4.5 million in 2007 and \$2.6 million in 2006.

To improve our efforts to detect fraud, KDOL implemented in 2008 the federal new hire database and began cross-matching it to our claimant information. This allows us to detect possible fraud by identifying those who continue to collect unemployment in Kansas after starting a new job, even if it was in another state.

The agency also increased staffing in the Fraud unit in 2009, adding two additional investigators, bringing the total number of fraud investigators to six. Additional investigators will be added in 2010.



## Moving forward with UIM

The past year's challenges in the unemployment insurance program have highlighted the need for the Unemployment Insurance Modernization (UIM) project. Officially launched in February 2005, the project creates a new, modern, customer-focused operating system for our UI program. In 2009, we entered "Build and Deploy," the final phase of the project.

Moving into this phase of the project, a shift was made from attempting to build the complete new operating system and implementing it all at once, to breaking the project into more manageable implementations that can be done one at a time as they are completed.

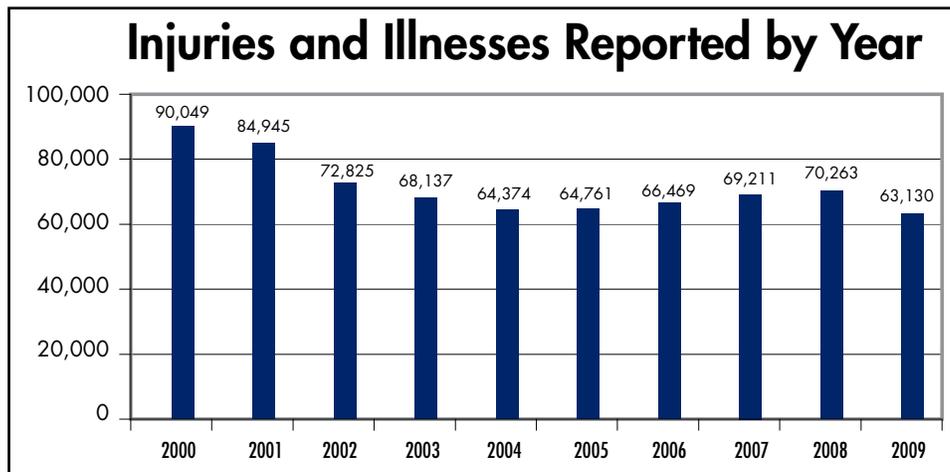
One of the projects completed in 2009 was automatic registration, which automatically registers anyone applying for unemployment benefits online or by they phone with KANSASWORKS.com, the state's official labor exchange job posting site. Claimants are provided a user name and password for a personal account at KANSASWORKS.com, where they can search job openings, post an online résumé, save job searches and receive e-mail updates. The new process is the result of collaboration between KDOL and the Kansas Department of Commerce, which maintains KANSASWORKS.com and KANSASWORKS statewide career services system for job seekers.

In December, several critical implementations were completed, laying the foundation for the new operating system. This included upgrading the Siebel customer relationship management system in our Contact Center to provide greater functionality and eliminate the need for custom coding when adding functions. A workflow system that uses optical character recognition (OCR) and bar coding to automate the processing of quarterly wage forms was also added, as was a new call management system to serve as the foundation of the interactive voice recognition and call routing functions in our call center.

Heading into 2010, the look and feel of the UI Benefits and UI Tax Web sites were being updated and forms associated with the UI process were being modernized so they can be completed online.

## Workers Compensation incident rate declines

During Fiscal Year 2009, the Division of Workers Compensation received reports of 63,130 occupational injuries and illnesses in the state. This represents a 10.2 percent decrease from the previous year's total. From another



perspective, 173 employees per day were either injured or killed on the job in Kansas last fiscal year. Workplace fatalities decreased 21 percent from the previous year (34 deaths in FY 2009), less than the 15-year average of 53.8 reported deaths per year.

In statistics available from the U.S. Department of Labor's Bureau of Labor Statistics, a near steady decline in the state's total injuries and illnesses

incidence rate continued in 2008, the last year for which these statistics are available. Since 1995, the frequency of occupational injuries and illnesses steadily declined, except for a slight jump in 2000. In 2008, the rate reached a 14-year low of 4.5 injuries and illnesses per 100 full-time workers.

Although Kansas continues to have a higher frequency of injuries than the national rate, the state's total injuries and illnesses rate has decreased more rapidly from 1995 to 2008 than the national rate. In Kansas, the total injuries and illnesses rate is down by 5.2 injuries per 100 workers over the 14-year time period, a relative change of 53.6 percent. Nationally, the rate is down by 4.2 injuries per 100 workers, or 51.9 percent, over the same time period.

## Kansas Workers Compensation premiums decreasing

The National Council on Compensation Insurance report shows Kansas Workers Compensation market is very stable. Workers compensation premium rates approved by the Kansas Insurance Department for 2010 will reflect an overall average rate reduction of 6.1 percent.

More information and statistics related to the Kansas Workers Compensation program is found in that division's [annual statistical report](#) on our agency's Web site.

## KDOL programs promote workplace safety and health

Workplace safety remains a top priority for the State of Kansas, which is why KDOL strives to offer employers a variety of services to prevent injuries and illnesses in the workplace. In 2009, the Industrial Safety and Health Division at KDOL conducted more than 673 free safety and health consultations with Kansas private sector employers.

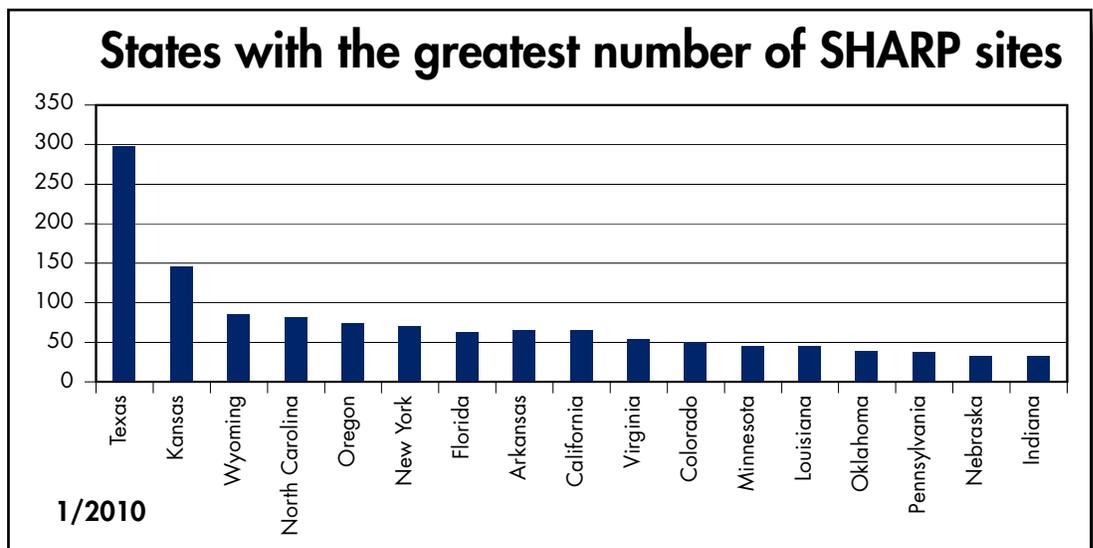
In addition to the free consultation program, the agency offers two safety awards programs to incent

employers to maintain effective safety programs. Thirty-one Kansas business locations were recognized as Safety and Health Achievement Recognition Program (SHARP) recipients in 2009. SHARP is a partnership with OSHA designed to recognize businesses that have worked with KDOL to develop exemplary safety programs. There are 148 SHARP sites in Kansas, placing the state second nationally behind Texas.

The Kansas State Safety Award Program (KSafe) recognized 14 private employers across the state that are dedicated to providing safe work environments for employees and have reached major milestones in safe operations (100,000 hours, 500,000 hours and one million work hours without a lost time injury).

There were 11,737 inspection certificates issued in 2009 for boilers and pressure vessels. The KDOL Boiler Safety units oversees all boilers and pressure vessels in the state, both public and private systems.

As part of efforts to ensure the public sector employees are protected from unsafe working conditions, there were 434 public sector inspections (school districts, county entities, etc.) during the year, along with 175 state workplace inspections. Additionally, an online training program was developed for these public sector employees.



# Recovery of unpaid wages at all time high

The Employment Standards section of the Kansas Department of Labor had a record year in 2009. The unit is charged with enforcing certain workplace laws, including the Kansas Wage Payment Law, Kansas Minimum Wage and Overtime Law, Kansas Child Labor Law and Kansas Private Employment Agency Law.

In 2009, the Employment Standards section received 1,204 new claims for unpaid wages, down slightly from 1,297 in 2008. However, the collection of unpaid wages increased to nearly \$2.3 million in 2009 from \$1 million in 2008. The previous high collected was \$1.9 million in 2006. A total of 340 Wage Payment Act administrative hearings were held over the past year, up from 222 hearings in 2008

During the 2009 Legislative session the Kansas minimum wage was increased to \$7.25 per hour, effective January 1, 2010. This rate is the same as the federal minimum wage. The Kansas rate had been at \$2.65 since 1988.

# Green Jobs Survey helps quantify Kansas' green economy

KDOL's Labor Market Information Services (LMIS) Division, charged with compiling statistics on the labor market in Kansas, undertook a new effort in 2009 to identify current and emerging green occupations in the state. The Green Jobs Survey is the first effort in the state to establish estimates of the extent and composition of the state's green economy based on information collected directly from Kansas businesses.

With the survey results, employers, workforce development professionals and state and local government officials will be better able to provide appropriate training and guidance to prepare the future workforce for needed jobs. More than 6,000 Kansas employers received surveys, and approximately 55 percent provided responses. Among the results of the survey:

- Kansas had 20,047 primary green jobs (jobs that produce a green product or provide a green service in one of five core green-related areas) and 26,380 support green jobs (jobs that assist the performance of a primary green job) in 2009. This is equivalent to 1.5 percent and 1.9 percent respectively of the state's total covered employment.
- Kansas is projected to have 30,236 primary green jobs by 2012, according to employers' expectations of the next two to three years. Employers projected the largest increase over that time to be in renewable energy (121.4 percent), with expected increases of 56.9 percent in increasing energy efficiency, 37.5 percent in clean transportation and fuels, 32.7 percent in agriculture and natural resource conservation, and 25.7 percent in pollution prevention and environmental cleanup.

More results from the Green Jobs Survey can be found in the survey report online at our agency's Web site.

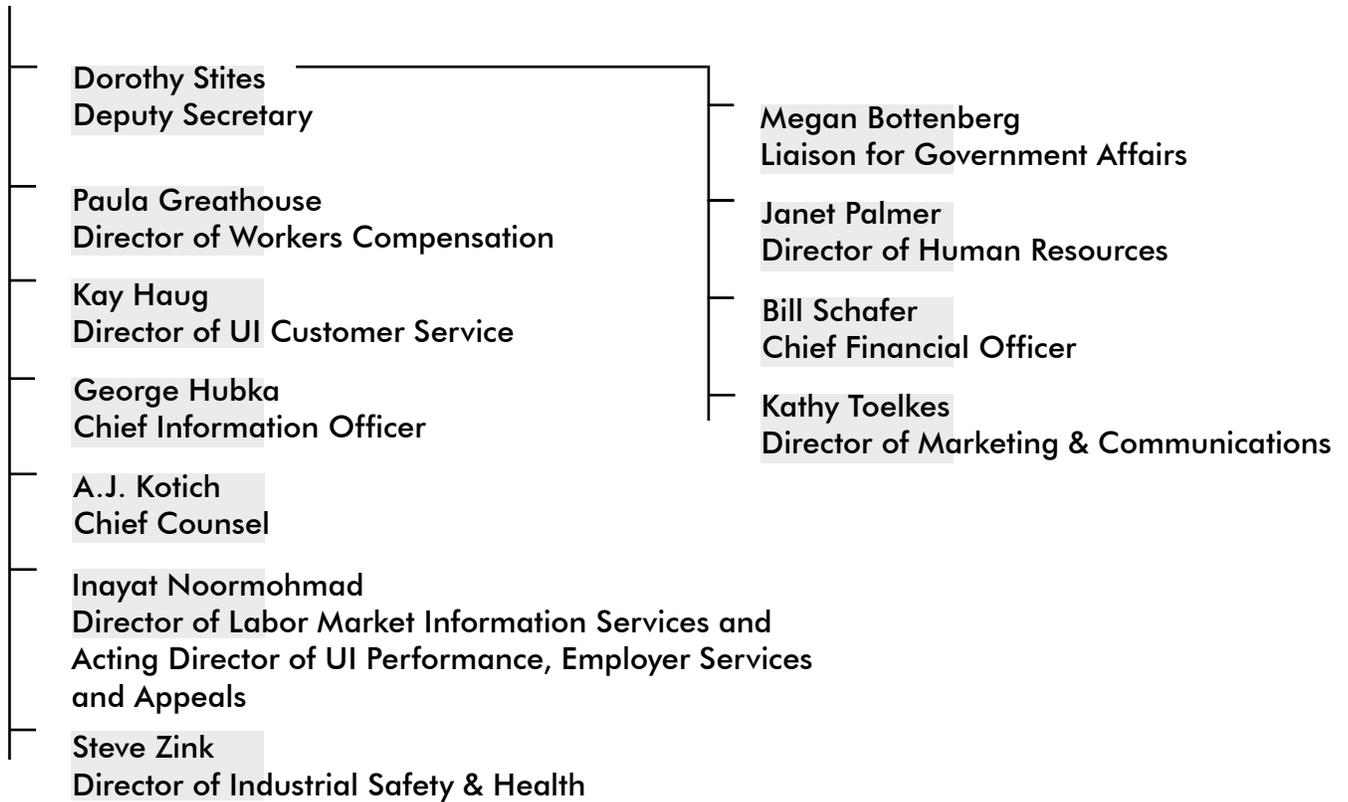
# KDOL Actual Expenditures FY 2009

KDOL's budget is primarily federal and fee funded. The State General Fund budget makes up less than one percent of the agency's operating budget. The following table details the actual expenditures of the agency for Fiscal Year 2009.

| <b>KDOL</b>  | <b>Actual Expenditures</b><br><b>\$777,477,897</b> | <b>Percent</b><br><b>100.00%</b> |
|--|--|----------------------------------|
| <b>State General Fund:</b>   |  |                                  |
| General Administration   | 1,288  |                                  |
| Legal Services   | 186,227  |                                  |
| Employment Standards   | 75,187   |                                  |
| Public Employees Relation Board  | 278,502  |                                  |
| KSIP – Operating Expenditures  | 2,253  |                                  |
| <b>Total SGF</b>   | <b>\$543,457</b>                                   | <b>0.07%</b>                     |
| <b>Fee Funded Programs:</b>  |  |                                  |
| Boiler Inspection  | <b>\$510,697</b>                                   | <b>0.07%</b>                     |
| Workers Compensation   | <b>\$11,376,917</b>                                | <b>1.46%</b>                     |
| <b>Federal Funded Programs:</b>  |  |                                  |
| Employment Security Administration                                       | 26,634,960   |                                  |
| OSHA   | 541,340  |                                  |
| <b>Total Federal</b>   | <b>\$27,176,300</b>                                | <b>3.50%</b>                     |
| <b>Unemployment Insurance Benefits</b><br>(Direct payments to claimants) | <b>\$736,433,519</b>                               | <b>94.71%</b>                    |
| <b>Other Funds:</b>  |  |                                  |
| Penalty and Interest Funds   | <b>\$769,428</b>                                   | <b>0.10%</b>                     |
| Federal Indirect Offset Fund   | <b>\$314,009</b>                                   | <b>0.04%</b>                     |
| Human Resources Special Projects<br>Fund-State                           | <b>\$274,270</b>                                   | <b>0.04%</b>                     |
| Special Wage Payment Clearing<br>Trust Fund                              | <b>\$79,300</b>                                    | <b>0.01%</b>                     |

# The Kansas Department of Labor Organization

**Jim Garner**  
Secretary of Labor



**[www.dol.ks.gov](http://www.dol.ks.gov)**

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