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Contact: 785-296-0901
Communications@dol.ks.gov

2009 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 want to wish you a happy Labor Day weekend.

It's been my custom since I joined the Department of Labor in 2003 to mark the Labor Day holiday by reflecting upon the state of our labor market and offering a report on the Kansas economy. As I prepared to do that this year, I was reminded all over again that we are facing truly unprecedented conditions in our labor market.

For the third year, we are issuing the annual Kansas Economic Report, which shows information about our state's economic experience in 2008. In 2008, even as the nation began to experience declines in home prices and negative job growth, Kansas continued to show modest increases in both. Our experience in 2008 is like a totally different world, a distant place from the situation we have seen in the labor market over the past few months. Our labor market has changed quickly and dramatically.

Consider the job losses we've experienced in recent months. Nearly 30,000 job losses since April 2009. Almost 60 percent of the net job losses in our state since the start of the recession in December 2007 have occurred since April.

In July, our unemployment rate hit 7.7 percent, our highest percentage since January 1983. Unemployment claims are at their highest level since the start of the Unemployment Insurance Program. The first six months of the year saw initial unemployment claims in Kansas increase more than 120 percent from the same time a year ago. In June, the total number of weeks we paid out in unemployment compensation was more than 223 percent above June of 2008.

This recession has imposed the greatest burden on our Unemployment Insurance system since it was created more than 70 years ago.

With that demand has come unanticipated stresses on our state's Unemployment Insurance Trust Fund. For many years, our state has benefitted from a robust UI Trust Fund. In fact, the health of our Trust Fund has been so good, we've provided tax breaks for the past three years, saving employers about \$286 million. As late as the first quarter of this year, the U.S. Department of Labor rated our Trust Fund as the 19th healthiest fund of the 53 trust funds across the nation.

But the rapid and unprecedented downturn in the labor market has depleted our Trust Fund more quickly than anticipated. Last month, I shared the possibility that we could exhaust the Trust Fund before the end of the year, requiring us to seek advances from the U.S. Treasury to continue making unemployment benefit payments. Nineteen other states have already borrowed federal dollars to make benefit payments, and it is expected that more will be borrowing in the coming months.

Kansas is obviously not alone in this experience. The same thing is happening all across the nation. According to the National Association of State Workforce Agencies, total job losses for our nation are more than double those experienced during the 1981-82 recession. Unemployment Insurance claims and the average duration of unemployment have reached their highest levels in recorded history.

The current situation does not fit the pattern for recessions over the past 25 years, which shows recessions less severe overall in duration, frequency and magnitude. This may be why the Congressional Budget Office has revised its projections for unemployment three times since January 2009. The Blue Chip Index and the Council of Economic Advisors have also revised their projections more than once.

This recession has hit manufacturers particularly hard. As we all know, manufacturing accounts for a large segment of our state's economy – 15.2 percent of our nominal GDP, second only to the trade, transportation and utilities sector. As of July, nearly 12 percent of manufacturing jobs in the state had been lost since the same time one year ago – that's more than 22,000 jobs.

And while these conditions are putting a strain on our economy, the real strain is felt most by Kansas families. We're now paying unemployment benefits to more than 100,000 people, compared to just under 23,000 people a year ago.

While nobody wants to be on unemployment, that the times we find ourselves in really demonstrate the critical importance of the Unemployment Insurance Program. While the average benefit payment of approximately \$340 a week doesn't seem like a lot, it does help to keep the lights on, put food on the table and gas in the car, at least until new work can be found. It also helps to keep our economy from coming to a standstill.

In June alone, we paid out \$78 million in unemployment benefits. Since January, we have paid out \$521 million in regular unemployment benefits. That's \$521 million that would not have been circulating in our economy were it not for the Unemployment Insurance program. And in this particularly severe recession, we have been helped by the American Recovery and Reinvestment Act.

Because of the provisions of the Recovery Act, an additional \$42 million has been circulating in the Kansas economy since March – in the form of \$25 supplemental weekly benefits to the unemployed. We've paid more than \$112 million in Emergency Unemployment Compensation benefits since April 1, thanks to a program deadline extension in the Recovery Act. That's all money that's helping to support individual Kansans, but that's also money circulating in our state's economy.

It appears we may be starting to see some early signs of recovery in our nation's economy. Unfortunately, the labor market will be one of the last economic indicators to reflect recovery. Right now, we're seeing the serious impacts this recession has had on the labor market and we expect high unemployment rates to continue for many months. So yes, we will continue to face challenges, but perhaps our greatest challenge is to remain focused on how we move forward and prepare for the recovery we know will come.

We should begin by acknowledging the lessons of this recession, and one of them is that we must continue our on-going efforts to create greater diversity within our economy. A new and emerging market for environmentally conscious products and

services presents great opportunities for our state. As one of the top three states in terms of wind energy potential, Kansas is particularly well situated to capitalize on the demand for renewable energy sources.

The emerging green economy presents other opportunities for Kansas, as well, including biomass energy. Our Labor Market Information Services division is conducting a survey of Kansas employers that will estimate the number of Kansans employed in green-related areas and the potential for additional jobs in these areas in the future.

We have also taken a look forward to determine future demand and make-up of the labor market over the next few years. Preliminary results of the 2016 Kansas Occupational Outlook, which we will release this fall, indicate total employment growth of 12 percent from 2006, the base year of the report, to 2016. We'll continue to see high demand in the Health Care and Social Assistance industry, projected to add more than 36,000 jobs in Kansas. Three of the top five occupations projected to grow the most are in the health care field. In addition, we see strong growth in the office and administrative support positions, as well as education positions.

We must also ensure that our work force has the skills needed to capitalize on these future opportunities. Training our existing work force for the jobs of the future is critical.

I'm proud of the creative efforts our state has shown in the area of job training. In the last legislative session, we passed a bill that extends the time individuals can receive unemployment benefits if they're in approved training programs and demonstrating good progress. This is a sound investment, as it prepares those who are out of work to fill high-demand positions, and teaches them skills that are more likely to keep them off the unemployment rolls for the long term.

This same legislation opens the door for employers to maximize the time of their employees who are on reduced hours. By enrolling those workers in approved training programs during their work-reduction time, employers can keep their work force intact while also preparing them for new opportunities as the economy recovers.

Equally as important as preparing our workers for the jobs to come is preparing our state to attract the businesses that will bring the jobs. Kansas is on solid ground in this respect. Just recently, our state was named a top 10 state for business by three leading publications – Pollina Corporate Real Estate, Business Facilities magazine and CNBC's annual America's Top States for Business report. Our efforts are paying off, and will serve us well as we enter the recovery.

It is difficult to see beyond the current challenges in our labor market, but clearly we have opportunities ahead and we are taking steps to position our state and our workers to make the most of them. This Labor Day weekend, as you enjoy time with your family and friends, I ask you to remember the working men and women of Kansas who help to keep our state strong and vibrant.

Thank you and have a happy Labor Day.