

***** THIS TESTIMONY IS EMBARGOED UNTIL *****
***** October 6, 2011 at 9:00 A.M. *****

Testimony of Maren L. Daley
Executive Director, Job Service North Dakota

Before the
Subcommittee on Human Resources
Committee on Ways and Means
United States House of Representatives

Hearing on the President's Proposals to Help
the Long-term Unemployed
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Chairman Davis, Ranking Member Doggett, and members of the Subcommittee on Human Resources, thank you for the opportunity to testify on the President's proposals to help the long-term unemployed.

I am Maren Daley, Executive Director of Job Service North Dakota (JSND), the state workforce agency that administers the unemployment insurance, labor exchange and labor market information services for North Dakota. The Workforce Investment Act, Wagner-Peyser and Unemployment Insurance (UI) programs are fully integrated within Job Service's One-Stop Career Center system. This seamless service delivery system improves the transition of UI claimants to reemployment.

While I see value in many of the items targeting the reemployment of unemployed workers, and commend the additional flexibility found within the President's proposal, I see a need for even greater state flexibility in relation to reemployment activities. Each state is unique and has varying needs. I would also note that each state has great expertise in assisting individuals in gaining employment, but we are often confined to one-size fits all or one-size fits most approaches.

Principle

A basic principle embraced by all states is rapid, effective reemployment. Reemployment of unemployed workers is critical to the economic well being of individuals, families, and employers which in turn support the local and national economies.

I am encouraged to see a variety of options such as the Bridges to Employment, Self-Employment Assistance, and Wage Insurance included within the President's proposal, but I encourage even more flexibility in this realm. By allowing maximum flexibility, states are able to implement strategies specific to the needs of their state, ultimately providing for faster economic progress with a more efficient use of tight resources.

To provide an example of the need for flexibility in reemployment activities, I need only look out of my office window at home in North Dakota.

North Dakota's Current Employment Environment

North Dakota stands in direct contrast to the rest of the nation in relation to economic growth and the opportunities for employment. We are experiencing a period of growth and prosperity. To emphasize this fact, please consider the following:

- North Dakota's annual average unemployment rates continue to be significantly lower than the nation ranging from 3.1% in 2007 and 2008 to 4.3% in 2009.
- In August 2011, North Dakota's seasonally adjusted rate was the lowest in the nation at 3.5% compared to 9.1% nationally.

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- From 2005 to 2010:
 - North Dakota private sector employment expanded 9.6% from 269,700 to 295,700. The nation contracted 4.1% during this period.
 - In percentage terms, the gain in North Dakota was led by the Mining and Extraction industry at 158.5%. Nine industries had double digit increases.
 - Annual average covered wages rose 27.3% or \$8,172 from \$29,956 to \$38,128. North Dakota's annual average covered wage rose from 73.6% to 81.6% of national levels.
 - Median family income in ND rose from 95% of the national level in 2005 to now exceed national levels at 107.6%
- North Dakota's unemployment insurance trust fund and program is sound. The taxable wage base, employer tax rates and unemployment benefit levels are indexed within state law providing for needed economic adjustments. Average tax rates for North Dakota were .57%; lower than the national average of .67% in 2009 (the most recent year published). North Dakota ranks fourth in the nation in terms of the average weekly benefit amount as a percentage of the average weekly wage according to the most recently published 2011 data.
- North Dakota has jobs; in August there were 16,435 open and available positions posted on JSND's website - jobsnd.com. These job openings are across all occupational groups and career levels and across all geographic areas of the state. Oil and Gas producing counties account for approximately one-third of the job openings.

These factors, among many others, make North Dakota unique. However, they do not shield us completely from reemployment struggles. While we have thousands of good jobs available, the skill sets of the worker base and in many cases the location of these individuals does not always correspond with the available jobs.

We have attempted to address the unique situations we face by tailoring our services to the needs of the state. However, we don't have the resources to effectively roll out our extremely successful approaches to as wide a group as we would like.

Examples of our reemployment successes are readily available within North Dakota, and I would like to outline one of the more successful and cost effective approaches we have taken. I should note that this program could not have been undertaken without federal funding resources. The approach was North Dakota's idea, but was supported by federal dollars. This is the type of situation in which the President's proposal and each state's intimate knowledge of the workforce needs of their own state can converge.

Intensive Reemployment Workshops

There is strong competition for the jobs available in North Dakota, and one of our primary goals is to help UI claimants be competitive contenders for these good jobs. To this end, we have had excellent results in the past with our Reemployment Eligibility Assessment (REA) program. North Dakota has participated in this USDOL program since 2005, and we have gained great knowledge and experience in developing this program. REA focuses on individual case management services and creates an environment of coaching and support for discouraged unemployed workers. Another key item identified through our experience with REA was that by focusing on skills gaps, and more importantly, skills transferability, we have been able to assist individuals in becoming successfully reemployed. We are strong supporters of the REA program, and hope that the USDOL is provided the opportunity to continue funding this successful program.

Spring-boarding off of the success of the REA program, we developed a series of workshops focused on intensive reemployment activities and focused individual services. These workshops were provided across North Dakota and were funded via Wagner-Peyser RES dollars through the American Recovery and Reinvestment Act. The workshops were four days long and required a major time commitment from UI claimants.

The workshops consisted of one day devoted to basic computer skills training and three days addressing skills identification, exploration of jobs to which the claimant's skills would be transferable, effective job searches and applications, writing good resumes and cover letters, and interviewing. All participants completed the workshop with an updated resume, a new understanding of how their skills could be transferred to another position, and with confidence gained through a practice interview exercise.

Feedback and evaluations from claimants who participated in these workshops sent a strong message that this was time well spent. But even more important, we have solid statistics proving the success of the workshops. The statistics show a significant reduction in the time that workshop participants spent on unemployment compared to the overall UI claimant duration in ND.

During the same period, the average claimant duration was 11.28 weeks. While this number is good when compared to the rest of the country, the individuals that attended the workshops returned to full time work in 7.32 weeks on average. This is an improvement of almost four weeks. In terms of UI benefits, this is a savings of \$1,248 per claimant on average (4 weeks x the average weekly benefit amount of \$312). In a typical year, pre-2009, North Dakota, has about 18,000 individual UI claimants. If 30% of these individuals were not job attached, we would save on average \$6,739,200 per year. Prior to 2009, North Dakota's average yearly benefit payout was approximately \$50 million, meaning that we would be recognizing a UI Trust Fund

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savings of 13.5% per year, if we were able to implement this intensive reemployment workshop statewide and continue to operate it going forward.

Requiring UI claimants who are not subject to callback by their employer to do job searches is a given; but these workshops helped provide UI claimants an edge to become better job candidates, and that achieved faster reemployment.

The President's Proposals to Help the Long-Term Unemployed - Allowing State Flexibility to Develop a Plan Best Suited to Meet the State's Needs

It is clear in reviewing the President's proposal that there are several options available. Even so, the options provided can still serve to create a box from which a state must operate. I would strongly encourage the approach of allowing states to tailor their approaches to reemployment based upon the needs of the state, while adequately supporting the states via funding and resource allocations. The successes we have encountered in North Dakota would not have been possible without the flexibility to create and operate a program that maybe did not fit the normal confines of reemployment activities. Importantly, we would like to continue to provide these successful services, and to expand the program to include EUC claimants. In order to do this, further flexibility to focus resources in these areas would be ideal.

An underlying theme of my testimony today has been the need for flexibility, and the desire to be empowered to assist the unemployed of my state in the most effective way possible. Many things have been tried on a national basis, some of them have been successful, and some of them not. In North Dakota, our UI claimants have greatly appreciated the availability of EUC benefits, a program implemented nationwide, without differentiation between states. These benefits have been a game changer for some; however, it could be argued that a large portion of the EUC benefits paid in North Dakota could have been more effectively spent on focused reemployment efforts.

To qualify this statement, let me provide you with some detail on the EUC program. In North Dakota, because of our low unemployment rate, the maximum number of benefit weeks available under EUC is 60. Typically under federally funded programs, a minimum work search requirement exists, however, the EUC program implemented in 2008 does not require this, and instead provides that state law and policy regarding work search requirements be followed. In North Dakota, we have a large seasonal workforce that faces temporary layoffs over the winter, particularly in the construction industry. Because of this, our UI laws and policies are different than what would be seen in many states. What this has led to is that \$24.75 million, or 43% of the EUC benefits paid in North Dakota, have gone to eligible UI claimants who will be returning to employment after a temporary layoff. In essence, these individuals have not faced a change in their normal employment status.

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Although it cannot be said exactly what would have been done differently in North Dakota, if state flexibility had existed under the EUC program, a different approach may have been utilized to assist the unemployed. \$24.75 million would go a long way to providing intensive reemployment workshops, retraining programs or other activities.

One last example of the need for flexibility that I would like to raise is based upon the President's proposals to implement worksharing programs nationwide. I would agree that workshare programs can be an effective tool in preventing layoffs, but there are various approaches that can be taken in addressing this type of program. In North Dakota, we have a simplified version of worksharing that is easier to implement and manage, and I believe is ultimately very cost effective.

North Dakota legislators passed a bill to allow UI claimants to earn up to 60% of their weekly UI benefit amount from employment without any reduction in their weekly UI benefit payment; thereafter, additional earnings do reduce the UI benefit. While this is a higher earnings disregard than what is allowed in most states, it allows employers to reduce worker hours when necessary without permanent layoffs. This approach keeps UI claimants attached to the labor market, and enables them to keep their skills current. It also allows employers to reduce hours when necessary and still retain a qualified, trained workforce. For North Dakota, the higher earnings disregard is less expensive to administer than worksharing, because we did not have to reprogram our mainframe computer, which is an expensive process. Additionally, there is less administrative tracking of income earned and computations for benefits paid. This approach is also easier for the employers of our state. Although I understand that this approach may not work in every state, my point is that many of the proposals are meritorious, but states have to discern what works best for their circumstances.

My recurring theme today has been that the most effective solutions are not one size fits all. I greatly appreciate the message of flexibility we have heard in connection with the President's proposals along with the opportunities offered for states to participate in innovative and vigorous reemployment projects. Correspondingly, I would encourage the proposed funding not be on a program by program basis, but on the overall ability of a state's reemployment plan to address the needs of the state.