



UTAH BACK TO WORK INITIATIVE

April 5, 2010

Utah is experiencing historically high unemployment

- First Qtr. 2010 – averaged 4,400 new unemployment claims weekly and 68,000 total weekly claims
- While unemployment rates have plateaued, the weekly average is about 3,400 new claims per week
- Approximately 55% of UI claimants are now exhausting their regular UI benefits; around 1,250 claimants per week exhaust regular claims.

Utah's Unemployment Insurance Trust is solvent—for now

- 32 other states have insolvent trust accounts
- Utah currently pays out around \$9.5 m per week
- Utah collects around \$100m per year
- At current rates, the Trust could be actuarially unsound by next January
- Trust needs a significant change by July or the Trust could be insolvent by the end of FY2011
- If the Trust level continues to decrease, it will increase taxes for employers

Time to jolt unemployment rates and identify employer-driven solutions

- Proposal is consistent with DWS' mission
- Proposal focuses on employers
- DWS considered multiple state models and has crafted a pilot proposal to meet Utah's unique needs
- Proposal includes short-term and long-term components

Short-term plan

- Objective: get UI claimants back to work, stop the drain on the Trust
- Funding source: TANF ARRA funds, Reed Act funds
- Solution: PILOT Utah Back to Work – motivates employers to initiate hiring, targeted re-employment of 2,500 Utahns, wage subsidy, stops depletion of Trust (could save up to \$ 3.6m annually), claimants are re-employed sooner, decreases drain on other state resources and support services, stimulates state revenues and job growth (true job growth depends on employers), approx. 30% of current UI claimants would be eligible

Long-term plan

- Objective: insure employment infrastructure is responsive to and consistent with industry needs
- Funding source: Penalty and Interest/UI Special Admin Funds
- Solution A: Cluster Acceleration Project and local industry-driven grants – partnership with higher ed and GOED to accelerate expansion of industry clusters with greatest potential for growth and wages, becomes engine for job creation, leverages state resources, strengthens emerging and sustainable occupations
- Solution B: Local Economic Service Area grants, Workforce Employment Advisory Council's recommendation
 - Council comprises representation from the private and public sectors and labor organizations
 - Clear statutory intent: funds be used to foster re-employment, labor exchange and workforce development activities
 - Examples
 - Apprenticeship training programs
 - Worker Training (including green jobs)
 - Seed Money for Sector Initiatives
 - IT Automation or upgrade project
 - Curriculum Development for Higher Ed and ATCs



Utah Back to Work Pilot

DWS proposes a pilot initiative to provide qualified Utah employers an opportunity to re-employ approximately 2,500 unemployed workers who made less than \$15 per hour in their last job and who are currently receiving unemployment insurance (UI) benefits. The objective is to provide an employer incentive to hire targeted UI claimants and allow the claimant to become re-employed earlier.

Pilot Details

- Only UI claimants with ten or more weeks of benefits remaining may participate
- Participating employers may not displace regular workers
- The DWS Re-Employment Staff (RES) in Employment Centers statewide will facilitate placements
- Wage subsidy will be paid out of a current DWS system
- Employer and claimant participation will be monitored to ensure performance outcomes are positive.
- DWS will identify employer participants in industry sectors with best potential for job growth or recovery
- Private and nonprofit businesses will be targeted for participation
- A marketing process will be developed to inform UI claimants and employers
- Can be combined with new federal new hire program that waives 6.2% SSA & \$1,000 retention bonus

Benefits to Claimants

- Opportunity to learn a new job skill
- Introduction to a potentially new career path
- Opportunity to demonstrate current skills to an employer
- Enhanced income to become self-sufficient
- Preserve remaining balance of UI benefits available
- Employment Child Care subsidy may be available

Benefits to Employers

- The wages of the qualified new hire will be subsidized
- Opportunity for business expansion
- Opportunity to observe potential permanent employees
- Minimizes UI tax rates for all Utah employers

Benefits to DWS and the State of Utah

- Protects solvency of UI trust fund
- Stimulates job growth and local economies
- Provides Employment Center staff with a new tool to help UI job seekers
- Reduces the need for other social and supportive services

Funding detail

- Utilize DWS re-employment staff
- Number of participating claimants will drive the cost of the program
- DWS will control the number of participants to ensure the costs do not exceed the available funding
- Wage match and DWS staffing costs will be funded with ARRA TANF funds and Reed Act Funds
- Department of Labor Wagner-Peyser funds may also be utilized to pay for staffing costs
- Current computer systems of UI (CUBS) and Employment Services (UWORKS) will be utilized to register, track, and pay the stipends

Summer Youth Subsidized Employment Program

DWS proposes a pilot initiative to provide qualified Utah employers an opportunity to employ approximately 700 unemployed youth workers between the ages of 18 – 24. The objective is to provide an employer incentive to hire unemployed youth who will have the opportunity to gain experience. Also serve an additional 125 – 150 youth with remaining WIA ARRA Summer Internship funding.



Utah's Cluster Acceleration Project

In 2009, DWS took advantage of one-time federal funding to fund Utah's Cluster Acceleration Project (UCAP). The project is a partnership between the DWS, higher education, and the Governor's Office of Economic Development with the goal of accelerating the expansion of industry clusters that have the potential for high growth and high wages in Utah. The department proposes to continue this initiative in 2010 by funding CAP projects in additional economic cluster areas.

The purpose of the project is to disseminate a series of demonstration grants designed to support cutting-edge, innovative projects that will help to accelerate the growth and capacity of key industry clusters by addressing the need for talent and innovation support. Key industry clusters will serve as the engine for job creation and economic growth in Utah. The projects within the CAP program require industry leadership and involvement of key partners, leveraging all available resources, identification of emerging occupations and required skills, a sustainability plan, and performance outcomes. To date, the UCAP has funded projects in aerospace, life sciences, digital media and energy.

Local Economic Service Area Grants

The Employment Advisory Council comprises representation from the private and public sectors and labor organizations. During the summer of 2009, the group identified several potential uses for the special administrative fund. The clear intent is that funds be used to foster re-employment, labor exchange and workforce development activities. To this end, the group reinforced the need for these funds to be directed to the activities listed below in order to stimulate economic growth and to ensure the funds are used for activities aligned with industry and business needs.

- Apprenticeship training programs
- Worker Training (including green jobs)
- Seed Money for Sector Initiatives
- UI Trust Fund (if un-obligated in any year)
- Reduce Penalties
- Employment Center Staffing needs
- Scholarships for DWS Customers
- Creative Pilots (for example GED initiative focused on dropouts)
- Twenty First Century Workforce Initiative
- IT Automation or upgrade project
- Equipment and Hardware/software
- Curriculum Development for Higher Ed and ATCs

These recommended activities would form the basis for disbursement of a series of competitive grants to local economic service areas.

Following the recommendations of the Employment Advisory Council and with the re-design of our workforce development efforts, one of our main focus areas will be to develop local partnerships with industry, education, and other key stakeholders. These partnerships will allow us to move projects forward in order to train and employ citizens across the state in our nine economic service areas. Correspondingly, the partnerships will be built around key industries, which have good wages and career growth potential, based upon labor and job market data. In an effort to support the development of strategies, which are key to successfully moving the job initiatives forward, DWS will allocate a portion of our funding to the nine economic service areas to be used specifically for this purpose.

Reemployment and Eligibility Assessment (REA) Grant: The Department has applied for a \$1.3 million federal grant that will be focused on unattached UI claimants most likely to exhaust their UI benefits. The primary objective is to get UI claimants re-employed sooner and reduce the draw on the UI Trust Fund.

- The department envisioned it to be similar to the current Worker Profiling Re-employment Services (WPRS) system, with the addition of a mandatory staff assisted component, to provide counseling, more in-depth assessments, and development of a work plan.
- The department feels that it would compliment the other re-employment initiatives and provides the necessary resources to cover most of the additional costs associated with the 10,000 UI customers that are required to participate during the first year.
- Twelve dedicated staff and a Supervisor will be hired for 2-4 Employment Centers in Wasatch South to run the program.
- Mandatory components include performance outcome reports for participants and a similar group of non-participants.

RES Technology Upgrade Project: About \$500,000 of the ARRA Stimulus funds has been devoted to upgrading our current job match system with our UI benefits system. The primary objective with this initiative was to provide lasting technology upgrades that will enhance the re-employment of UI claimants for years to come.

- The systems will gather more accurate and complete data from job seekers (UI claimants) and better match them with the improved job order requests.
- New AutoCoder software will assign the ONET codes to job seekers and employer job orders and will be transferred to LMI.
- LMI will provide relevant job market information to claimants in the Contribution Unemployment Benefits System (CUBS) and UWORKS web site as “My UI Account” with a common log-in,
- The UI claimant will automatically be provided appropriate job openings, which closely match their skills level, as part of their on-line weekly UI certification process.