

**Testimony of  
Larry Temple,  
Executive Director  
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**Senate Finance Committee  
United States Senate**

**“Unemployment Insurance: The Path Back to Work”**

**November 10, 2011**

Good Morning Chairman Baucus, Ranking Member Hatch and distinguished members of the Committee. For the record, my name is Larry Temple and I am the Executive Director of the Texas Workforce Commission. I appreciate the opportunity to share with you the exciting things we are doing in Texas to help assist those who are unemployed and especially those who are receiving unemployment compensation or exhausted all their benefits. Our unemployment is certainly higher than we wish it were and our economy has felt the impact of the national economic downturn. However, Texas has experienced job growth during this time and has added 248,500 jobs over the year. Caterpillar and Toyota to name a few have selected Texas for new plant locations as well as expansion of existing operations. Texas was also rated Top Business Climate in the Nation by Site Selection Magazine in 2011.

I am proud to say that the Texas Workforce Commission and its network of local workforce development boards have all been a part of this economic development team. Through our system, job seekers and employers are connected, and by being a part of this team effort we are able to assist the unemployed to take advantage of these hiring opportunities. Over the past year alone, our local workforce boards have conducted over 500 job fairs to help connect employers and job seekers.

Through our integrated service delivery model and our commitment to unemployment insurance (UI) claimants, we have been able to reconnect over 800,000 unemployed Texans to the workforce in the past year. Texas has a demand-driven system, and the model is built around private employers, as they are key Texas to creating jobs.

Let me give you a little background on how the Texas Workforce Commission and our service delivery model works in Texas. The Texas Legislature, in 1995, enacted comprehensive workforce and welfare reforms that envisioned a workforce system that was locally controlled – like local school boards – to respond to local needs. The law established a new agency, the Texas Workforce Commission (TWC), merging 28 workforce development programs from 10 agencies. In response to the legislation, TWC created an integrated service delivery system in place includes 28 local workforce boards and 240 one-stop centers covering 254 counties. The 28 Boards build strong bonds between business, education, and job training resulting in a strengthened economy to benefit everyone. The Boards partner with community colleges, community based organizations, economic development and education providers, as well as the local chambers of commerce. Local flexibility with state oversight is the Texas model, and it continues to serve Texans best.

Second only to Veterans, the unemployment insurance claimant is the #1 priority population in our system. This priority was formally designated by our Commission in 2003. To reinforce and support this priority, the Commission implemented a self-imposed employment measure for the reemployment of UI claimants.

We have established a 10-week reemployment measure as our gold standard. This is not a federally mandated target or even a state mandated target. In 2011, for this initiative, we received the US DOL innovation best practices award for 2011. One important thing to recognize is that while the goal is reemployment within 10 weeks, we recognize that going to work in 11, 12, or 13 weeks, this is still better than reemployment in 16, 20, or 26 weeks.

If we reemploy a claimant just one week sooner the return pays enormous dividends to employers, claimants, and local communities. For instance, 330K claimants returning to work 1 week quicker is the equivalent of adding 6600 workers to the economy.

- The UI Trust Fund saves about \$105M (assuming 330K claimants, which is a more typical number than what we have right now)
- Claimants get an average of \$274 more than they would have had they gotten UI for another week (Median Weekly Wage – Average Weekly Benefit Amount). Assuming roughly 330K claimants, that represents \$90M to claimants and their families.
- This then has an indirect impact of \$140M in local economies (based on a conservative 1.55 multiplier).

In the first 5 years of the program, we estimate a savings of approximately \$1 Billion to the Texas UI Trust Fund. This is essentially economic development that does not cost a dime. We are very proud of this effort and to our knowledge; Texas is the only state that has a self-imposed employment measure of UI claimants.

Prior to TWC's implementation of the 10 Week target and corresponding introduction of new tools and policies to help claimants return to work, performance was roughly 27%. Before the recession hit, claimant reemployment climbed to a high of 64% then dropped during the recession to 40%. While our unemployment rate has been over 8%, we have seen the 10-week performance exceed 50% in the past year because we are making connecting UI claimants to work our priority.

When unemployed workers are slow to return to the workforce, this drives up UI taxes, creates economic hardship for claimants and hurts local communities. Texas realized that UI claimants were an important untapped resource that had employment experience and skills with recent attachment to the workplace. We recognize that improving claimant reemployment promotes employer, employee, and community prosperity. By making UI claimants a priority and getting them back to work, it puts money in their household and ultimately into the economy.

Building on the commitment of our local workforce boards, the state provides support tools such as our comprehensive on-line job search resource, WorkInTexas.com. WorkInTexas.com allows unemployed Texans to search for work based on a variety of options and search criteria and is also an excellent tool for employers to find skilled workers.

Another creative solution to assist job seekers and employers is our Texas Back to Work hiring initiative. The Texas Back to Work Program offers a \$2000 hiring incentive over 4 months to private sector employers who hire UI claimants that were making \$15/hour or less in their previous job. It is the largest experiment with hiring incentives for unemployment insurance claimants in the US and the program has made nearly 21,000 placements since its creation, less than two years ago and with over 4000 employers participating. These new jobs represent a 99.4% wage replacement rate for those who successfully complete the program. This innovative program earned Texas the US DOL's best practices award in 2010.

Through the Texas Back to Work program, Jim Dyal, Human Resource Director at Priefert Manufacturing has hired several welders and entry-level assembly workers, at average hourly wages of \$12-13 per hour in support of the company's advanced manufacturing operation.

“We have had tremendous success with the candidates we've hired through Texas Back to Work,” said Dyal. “Receiving hiring incentives through Texas Back to Work allow us to take a little more of a risk in hiring individuals that we can train to do welding, because it offsets the cost of training. We are able to expand employees' skill sets in a high demand field and provide an opportunity to candidates with good potential. The payback for that goes a lot further than the initial incentive.”

Although successful, the Texas Back to Work program is not the panacea for all job seekers or employers but a good example of innovation at the state level. This innovation can only be accomplished where there is flexibility in funding. Just as the economies in Dallas are not necessarily the same as in El Paso, the solutions to these challenges can also be unique. Nor does the same cookie cutter approach work from state to state. With flexibility in the UI and workforce systems, our State can best meet the needs unemployed Texans.

To further support job seekers, we offer a multi-media career information system designed to help address education and career exploration questions called *Texas CARES Online* (Career Alternatives Resource Evaluation System). Another solution is Texas's Shared Work Program, known as “Short-Time Compensation.” This program gives Texas employers an alternative to temporary layoffs. The Shared Work program was enacted into law by the 69th Texas Legislature in 1985. Through the Shared Work Program, employers supplement their employees' wages that are lost as a result of reduced work hours, with partial unemployment benefits. Under the Shared Work Program, employees who qualify and participate receive both wages and shared work unemployment benefits. The State has seen an increase in shared work activity as layoffs have increased over the last several years. In calendar year 2010, TWC approved 477 plans involving 24,665 affected workers.

As you have heard from Don Piertersen, states are truly the laboratories of innovation in their approach to helping people find work. But the opportunities are far greater than what you have heard today and quite frankly do not necessarily require Congress to give states more funding. Instead, states need more flexibility. Flexibility across all funding streams whether it be UI administrative dollars or funds associated with workforce funds. We are well aware of the budget situation at the federal level. We have the same issues at the state level but we have found that enhanced flexibility can go a long way to address funding shortfalls.

Thank you for allowing me the opportunity to discuss this important topic and I am happy to answer any questions you may have.