



Appropriations Committee  
Labor Department FY 2014-15 Biennial Budget Presentation  
February 20, 2013

Good afternoon Senator Harp, Representative Walker, Senator Kane, Representative Miner and members of the Appropriations Committee. My name is Sharon Palmer, Commissioner of Labor.

Thank you for the opportunity to discuss the Governor's proposed FY 2014-15 Biennial Budget today. I have some brief remarks, after which I and my staff will be available to answer any questions you may have concerning our budget.

Our mission at the Department of Labor is to protect and promote the interests of Connecticut's workers, while helping both employers and employees to be competitive in a global economy. We carry out that mission in a variety of ways.

With the downturn of the economy in past years, our Employment and Training Services side of the house has experienced an unprecedented increase in customers in need of jobs, education and employment training. The Department has dramatically increased its focus on the needs of these individuals.

We enforce the laws that protect the interests of workers on the job. The laws that protect the rights of workers and employers to work on a level playing field - free from fraud and misclassification. The laws which protect the minimum wage and the right to be paid time and a half for overtime. The laws that require employers to maintain safe working conditions, especially for our younger workers. And the laws that guarantee a worker that when he or she takes a leave to care for his or her seriously ill child or spouse, their job will be there upon their return.

The state budget funds enforcement of these laws and reflects the priorities of our government and its citizens for fairness and justice in the workplace.

Turning to the specifics of the Governor's FY 2014 Biennial Budget, the overall General Fund portion of our budget is 65 million dollars, which includes the state appropriation of 29 million dollars under the federal Workforce Investment Act. [The agency currently has 892 employees, 764 of whom are federally-funded and 128 are state General Fund positions.]

### **Eliminated Programs:**

Three programs of note have been **eliminated** in the proposed budget.

1. **STRIDE**: (*“Skills, Transitional support, Respect, Integrity, Direction and Employment”*)  
A state re-entry program which has provided incarcerated and paroled non-custodial parents with the employment services and resources needed to enter competitive employment.
2. **STRIVE**: (*“Support and Training Result in Valuable Employees*)  
A well respected national program for ex-offenders, non-custodial parents, veterans and people with disabilities which provided a “tough love” approach to employment training.
3. **Incumbent Worker Training**:  
This program targets the manufacturing and allied health fields. Funds are provided to the local Workforce Investment Boards to help local companies stay competitive. Funds can be used to provide training to currently-employed workers that will upgrade their skills, increase their wages and keep their skills competitive.

The program requires a dollar-for-dollar match contribution from the employer.

### **Consolidated Programs:**

Four programs have been **consolidated** in the agency's budget in the Employment Services line item.

1. **Apprenticeship and Training:**

We currently have approximately 1,400 active sponsors and 4,400 apprentices. As the economy and weather improve, we anticipate the numbers growing even more. We have also begun a significant initiative to expand our Apprenticeship program – most notably into the advanced manufacturing arena.

2. **Jobs Funnel Projects:**

The Jobs Funnel Initiative is comprised of public-private efforts to place unemployed and underemployed individuals in the construction trades as well as upgrade the skills of benched workers.

In 2012, the five (5) jobs funnels had 1,100 applicants, served 685 individuals, and 378 were immediately placed into employment with an average starting wage of \$19 per hour.

3. **Connecticut Career Resource Network (CCRN):**

Since the late 1970s, the Department of Labor and the Department of Education have worked closely together on CCRN activities. CCRN provides Connecticut-specific career and occupational information used by teachers, counselors, students, and their parents to help youth and adults make informed career choices. It projects career outlooks for a 10-year period with a 2 year rolling forecast update. CCRN produces and prints the popular *Connecticut Career Paths* publication – 135,000 are circulated of which 70,000 go to schools.

4. **21<sup>st</sup> Century Jobs:**

A unique program for new and expanding Connecticut businesses that need to enhance the skills of the current incumbent workforce in order to remain competitive. Skills ranged from workplace literacy to software testing. Forty seven companies have been served by 1,162 employees in training. Employers received 47 small grants to complete training objectives.

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## **Reductions in Current Services:**

1. Connecticut Employment and Training Commission (CETC):  
(\$186,303 reduced funding affecting the Office of Workforce Competitiveness (OWC))

CETC is Connecticut's statewide workforce investment board under the Workforce Investment Act ("WIA"). The CETC provides for workforce-related policy and planning guidance to the Governor and General Assembly. Its members represent the state's businesses, key state agencies, regional and local entities, organized labor and community based organizations.

In 2011, the legislature consolidated the Office of Workforce Competitiveness with the Labor Department. This change directs the Commissioner of the Department of Labor to be the Governor's principal workforce development policy advisor and enables the Labor Department to be at the forefront of workforce development.

OWC assists the Labor Commissioner as the Governor's workforce development policy advisor with the goal of ensuring Connecticut has sufficient talent to support its economic growth. OWC staffs and provides technical assistance to the Connecticut Employment and Training Commission and oversees special initiatives, including the Jobs Funnel Initiative, the Spanish American Merchant Association program, as well as the federally-funded CT Green Jobs Innovation grant (5.8 million dollars), and the State Energy Sector Partnership (3.3 million dollars).

2. Opportunity Industrial Centers

Opportunity Industrial Centers provide training to unemployed and underemployed individuals to help them secure meaningful employment.

Target audience: unemployed and underemployed low-income adults and youth, including ex-offenders, homeless and veterans.

Program funds are provided to the five Opportunity Industrialization Centers in Connecticut:

Greater Bridgeport OIC  
New Britain OIC  
New Haven OIC  
New London OIC  
Waterbury OIC

**Funding for New/Expanded Services for Jobs First Employment Services (JFES):**

Additional funding (\$747,500 for FY 2014) is provided to implement several alternative or innovative strategies designed to improve employment outcomes for participants of the Jobs First Employment Services (JFES) program. This will provide DOL with the opportunity to pilot new strategies to improve employment outcomes for the participants of the JFES program such as an I-Best model that provides remedial education concurrently with vocational skills education making it possible for more participants to achieve certification in higher paying jobs.

**Transfer of Services from DSS (former “Employment Success Program”)**

1. Intensive Support Services at CTDOL

By transferring the DSS funds (\$642,260) for the provision of special assessments, intensive case management and barrier resolution for participants of DOL’s Jobs First Employment Services program to DOL, these services can be consolidated with DOL’s Individual Performance Contracts (IPCs) services (\$304,000) which also provides for special assessments, intensive case management and barrier resolution for JFES participants. Consolidating the funds for these Intensive Support Services at DOL will reduce redundancy and streamline service delivery.

Although I am here to address budget issues with our state appropriated funds – which account for approximately 20% of our overall operating budget – I think it is important to inform the committee of major program activities relative to our federally-funded Employment Security Division. I won’t spend a lot of time on detail, but they are strongly linked and play a supportive role.

Allow me to share with you some of the *agency's most successful programs*:

**Employment Services:**

Connecticut's Job Bank

A total of 1,926 new account requests from businesses were processed by Job Bank staff in Program Year 2011. During this same period, employers posted 51,764 new Connecticut job openings. In addition, Job seekers entered 9,522 new résumés into the system.

Labor Exchange Employment Services Activities

Approximately 222,576 ES participants received services (staff-assisted or self-service). In total, approximately 303,685 staff-assisted services were provided.

Reemployment Services for Unemployment Insurance Claimants

Unemployment Insurance (UI) Claimants are required to fully register with Employment Services as a condition of eligibility for Unemployment Compensation benefits. The Enhanced Reemployment Services ("ERS") program identifies unemployment insurance claimants who are likely to exhaust their benefits, and will need job search assistance services to make a successful transition to new employment. Orientation sessions were conducted for 16,597 ERS participants.

As required by the *Middle Class Tax Relief and Job Creation Act of 2012*, CTDOL provided Reemployment Services and Reemployment and Eligibility Assessments (RES/REA) to nearly 29,000 claimants collecting Emergency Unemployment Compensation (EUC) to review the eligibility requirements associated with receiving EUC unemployment benefits.

Business Services

Helps Connecticut's employers to hire, train and retain workers by analyzing the needs of businesses and customizing solutions. Business Services staff

helped Connecticut businesses with more than 462 recruitments attended by approximately 9,125 jobseekers.

### **Step Up (“the Subsidized Training and Employment Program”)**

Step Up is an initiative of the CTDOL and the state’s five Workforce Investment Boards.

Step Up offers two programs to employers with not more than 100 employees: the **Wage Subsidy Program** and the **Small Manufacturer Training Grant Program**.

Each program offers employer incentives to hire new employees and create jobs. A wage subsidy for new hires (up to \$20 per hour and can be reimbursed up to \$12,000 – excluding benefits) is provided over a 180-day period to help defray the cost of training new employees.

In June 2012, the program was expanded to include veterans (Unemployed Armed Forces Member Subsidized Training and Employment Program). This program is available to eligible employers of any size that hire an unemployed veteran.

In total, STEP UP will provide 20 million dollars in training grants to small businesses and 10 million dollars for Armed Forces.

I am sure that you are curious about the *state of the unemployed* in CT.

#### UI benefits (and federal extensions):

The Unemployment Insurance Program continues to be a vital component in the state’s economy. Unemployment Insurance is the primary means of financial support for over 120,000 citizens who file benefit claims each week totaling about 30 million dollars a week.

In 2012, the Connecticut Labor Department paid out over 787 million dollars in state (regular) UI benefits and over 758 million dollars in federally-funded emergency UI benefits.

Our two Unemployment Call Centers handled nearly 1.3 million calls from the public – either filing claims or making inquiries about their benefits.

Fraud and Misclassification:

Commensurate with the dramatic increase in unemployment claim filing, there likewise has been a proportionate increase in fraudulent filings and the underreporting of wages in the unemployment arena. The agency is acutely aware of the increase in fraud – both on the employee and employer sides of the ledger – and has taken significant measures to restore the integrity of the UI system.

Significantly, the agency has undertaken integrity efforts consisting of wage garnishments, federal and state income tax intercepts, surveillance measures and referrals for criminal prosecution to recoup 15 million dollars in fraudulently filed UI benefits.

Simultaneously, the Labor Department has emphatically ramped up efforts to combat cheating in the bidding process via misclassifying employees as independent contractors. In partnership with other agencies like DRS, the Office of the Attorney General, the Chief State's Attorney's Office, and Worker's Compensation, the agency has participated in the creation of the Joint Employment Commission on Employment Misclassification ("JEC") to combat the pervasive problem of employee misclassification, which generates upwards of approximately 100 million dollars in under-reported payroll per year to the State of Connecticut.

UI Tax:

The UI Tax Division conducted nearly 1,500 compliance audits of companies conducting business in the state. The primary focus of those audits was to identify misclassified workers.

The Division also completed over 9,700 individual complaints from workers filing for unemployment insurance benefits where their wages were properly not reported to the agency.

As a result of all investigations conducted by the Division, 7,150 workers who were incorrectly treated as independent contractors were reclassified as employees. These reclassifications resulted in the discovery of more than 79 million dollars in previously unreported or under-reported payroll.

Wage and Hour:

The Wage and Workplace Standards Division issued over 200 Stop Work Orders to employers at construction sites that could not provide proof that they have the correct insurance coverage for their workers, such as Workers' Compensation and Unemployment Insurance.

In this past year, we inspected over 300 sites, and recovered \$758,000 in wages and fines. The goal is to stop the practice of employers misclassifying their employees as independent workers. The practice creates an unfair playing ground for employers that do play by the rules and provide the correct coverage for their workers.

In addition, the Wage and Workplace Standards Division processed approximately 4,000 claims from the public on topics ranging from unpaid wages to issues concerning the protection of minors.

The Division recovered approximately 5.6 million dollars in unpaid wages in 2012.

Shared Work Program:

The Shared Work program currently has 262 employers and over 5,000 employees enrolled. It continues to provide employers who are facing an economic downturn with an alternative to layoffs. The agency is seeking to expand the program to permit greater participation by employers and employees.

Under the Shared Work program, instead of laying off a worker permanently, an employer can reduce the hours of specific employees by 20 to 40 percent and the employees would then receive a percentage of their unemployment benefits to make up for their reduced hours. In this way, the employer can retain trained workers who – in turn – maintain their employment and fringe benefits.

Veterans' Workforce Development Program:

Speaking of the Armed Forces, our Veterans Unit is helping our military personnel successfully readjust to the civilian community and workforce.

2012 saw the successful **Heroes4Hire Career Fair** with nearly 100 employers and 2,300 veterans in attendance. There were 75 direct hires reported by employers. This year the Heroes4Hire Career Fair will be on April 16<sup>th</sup> at Rentschler Field, East Hartford.

Additionally, through the **Vets to Cops & Vets to Firefighters** program, we have expedited the hiring of four veterans into the fields of law enforcement and firefighting in this past year.

I hope this presentation has given you an adequate overview of the budget picture at the Department of Labor. I have a number of my staff available here today to help answer any questions you may have.