



WISCONSIN LEGISLATURE

P.O. Box 7882 • Madison, WI 53707-7882

Date: April 12, 2023

To: Members of the Assembly Labor and Integrated Employment Committee

From: Representative Warren Petryk & Senator Romaine Quinn

Re: Testimony regarding Assembly Bill 150

Thank you Chairman Penterman and fellow members of the committee. We are here today regarding our reemployment assistance legislation.

Following the overwhelming support at the polls on Tuesday April 4th from the voters of Wisconsin to make sure that the state continues to focus on helping people work, we are reintroducing legislation to reform the Unemployment Insurance (UI) program in WI.

As we travel through our districts and speak with business owners, restaurant workers, local manufacturers, and farmers, one thing becomes clear: the labor shortage is real and alarming. Assembly Bill 150 makes a number of common-sense changes to help people transition back into the economy and into their next career as soon as possible.

For example, despite Federal Law requiring that someone receiving benefits be able to work, available for work, and actively seeking work (a provision signed into law by President Obama), the need to get people back to work is not mentioned in the original statement that created the unemployment insurance program. This needs to change, and the program's name should be changed from Unemployment Insurance to Reemployment Assistance to help people understand the program's expectations.

Second, we need to make job searches more meaningful for people. According to the US Department of Labor, having less stringent job searches increases the likelihood of someone not finding work at all. DWD would be required to make suitable job referrals to claimants each week based on the skills listed on their resume in order to assist them with their job searches. Furthermore, two of their four weekly job searches should be with employers that are actively hiring.

Once they are beginning to look for work, DWD needs to support Reemployment Assistance claimants by providing them access to additional reemployment services. Wisconsin currently participates in limited Federal Reemployment Services and Eligibility Assessments (RESEA). These assessments need to include all individuals. By having universal RESEA, the department will be able to assess someone's likelihood of employability and match them with customized services.

This concept has been successful in other states, including Nebraska, where universal assessment began in 2015. They discovered that by assisting people while they were claiming unemployment benefits, the state was able to reduce duration rates and increase the likelihood that someone would remain employed after two years. We know that this program has produced positive results, and there is no reason why it should not be made available to everyone.

Wisconsin residents who have lost their jobs through no fault of their own require assistance in transitioning to their next job opportunity. This bill updates Wisconsin's outdated unemployment insurance program into an innovative, dynamic model of reemployment by assisting in connecting people to the numerous jobs that employers are desperately seeking to fill.

Thank you again for your time and consideration of our legislation.



**THE LEADING VOICE
FOR WISCONSIN SMALL
AND INDEPENDENT BUSINESSES**

April 12, 2023

**TO: Members
Assembly Committee on Labor and Integrated Employment**

**FR: Brian Dake
President
Wisconsin Independent Businesses**

RE: 2023 Assembly Bill (AB) 150 relating to: various changes to the unemployment insurance law, federal Reemployment Services and Eligibility Assessment grants, and granting rule-making authority.

Chairman Penterman and committee members my name is Brian Dake, President of Wisconsin Independent Businesses. Thank you for the opportunity to testify in support of 2023 Assembly Bill (AB) 150.

By way of background, Wisconsin Independent Businesses (WIB) was formed in 1977 to provide small, independent business owners with an effective voice in the legislative and regulatory activities of state government. Today, we proudly represent more than 2,000 small business owners throughout Wisconsin. Most of our members (approximately 85%) own and operate businesses that fit within the legal definition of a small business – fewer than 25 employees and/or annual gross revenues of less than \$5 million.

WIB supports AB 150 because we believe this legislation would:

- reduce the state unemployment insurance (UI) tax burden on small employers;
- transition UI claimants to gainful employment quickly; and
- create safer workplaces for employers and employees.

My testimony provides further detail on each of these objectives.

WIB...Helping you where you need it.

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Wisconsin employers are assessed state UI taxes on the first \$14,000 in wages paid to each employee. The state UI tax rate an employer pays is determined by two factors. They are:

- UI tax schedule in effect for a given rate year which is determined by the state UI Trust Fund (Fund) balance. The higher the Fund balance, the lower the UI tax schedule that is in effect.
- Employer's experience with the UI system. The more current or former employees of an employer collect in UI benefits, the higher the tax rate that employer pays.

UI claimants who quickly transition back to gainful employment have a limited impact on an employer's UI tax rate. Conversely, an employer's UI tax rate increases significantly when a UI claimant draws months of weekly UI benefits.

AB 150 includes several provisions which should result in more UI claimants transitioning to gainful employment quickly which in turn would lessen the UI tax burden on Wisconsin small businesses. Of note, the bill:

- requires for the third and subsequent weeks of a claimant's benefit year, at least two of the required weekly work search actions be direct contacts with potential employers; and
- requires the Wisconsin Department of Workforce Development (DWD) to provide each UI claimant with at least four potential employment opportunities each week. To fulfill their weekly work search requirement, a UI claimant would be required to apply for the specific positions provided by DWD.

According to the National Safety Council (NSC) – a non-profit, non-partisan organization which advocates for workplace safety – almost 9% of working adults in the United States have a substance use disorder. As you would expect, substance abuse adversely impacts workplace safety. According to the NSC, 65% of workplace accidents happen because employees are under the influence of alcohol and drugs and between 38% and 50% of worker's compensation claims stem for alcohol or drug-related accidents.

To improve and enhance workplace safety, WIB lobbied in support of a provision within 2015 Wisconsin Act 55 which required DWD to create an occupational drug testing program for certain UI claimants. The basic parameters of this program are as follows:

- When a UI claimant applies for UI benefits, DWD would determine whether the claimant is an individual for whom suitable work is only available in an occupation that regularly conducts drug testing;

- If the claimant's only suitable work is in an occupation that regularly conducts drug testing, DWD must screen the claimant to determine whether the claimant should be required to submit to a drug test; and
- If the claimant refuses to submit to a drug test or tests positive for a controlled substance for which the claimant does not have a valid prescription, the claimant is ineligible for UI benefits. A claimant who tests positive may maintain eligibility for UI benefits for each week in which they are in full compliance with a state-sponsored substance abuse treatment program and a state-sponsored job skills assessment.

The implementation of the occupational drug testing program was contingent on the promulgation of rules by DWD. On January 16, 2020, the Wisconsin Unemployment Insurance Advisory Council (UIAC) approved a draft scope statement for the administrative rule related to the occupational drug testing program. However, DWD has not yet promulgated rules to implement the occupational drug testing program.

AB 150 would require DWD to immediately promulgate the administrative rule to implement the occupational drug testing program.

We respectfully ask for your support of AB 150.

Thank you in advance for your consideration.



TO: Members, Assembly Committee on Labor and Integrated Employment

FROM: Rachel Ver Velde, Senior Director of Workforce, Education and Employment Policy

DATE: April 12, 2023

RE: Support for Assembly Bills 150 and 151, changes to the unemployment insurance law and workforce metrics

Wisconsin Manufacturers & Commerce (WMC) appreciates the opportunity to testify in support of Assembly Bills 150 and 151. Thank you, Chairman Penterman, for holding this hearing and highlighting a key concern of employers throughout Wisconsin.

WMC is the largest general business association in Wisconsin, representing approximately 3,800 member companies of all sizes, and from every sector of the economy. Since 1911, our mission has been to make Wisconsin the most competitive state in the nation to do business. That mission includes making sure Wisconsin's employers have a capable and willing workforce.

Unfortunately, employers in Wisconsin have severe worker shortages and an inability to fill key positions. According to WMC's most recent *Wisconsin Employer Survey* conducted in January 2023, the biggest challenge facing Wisconsin employers is the workforce shortage, with 85% of employers indicating that they are struggling to hire workers. Moreover, 66% of these employers responded that the workforce shortage is the top public policy issue facing Wisconsin.

The problem is only made worse because too many people have simply dropped out of the workforce and are no longer looking for work. Wisconsin's labor force participation rate is currently 64.5%, which is better than the national average. But, it is significantly lower than our state's peak of 74.5% in 1997. And, even more concerning, it is a full point lower than at the beginning of the pandemic in April 2020.

This labor participation rate is unsustainable for employers in Wisconsin, especially when coupled with low birth rates and stagnant in-migration. If we want to continue to be a leader in manufacturing, agriculture and other industries, we must have a strong workforce. That is why it is important that government policies do not keep or place individuals on the sidelines.

Assembly Bill 150:

WMC is glad to see this bill rightly change the focus of unemployment insurance to reemployment. It is important that individuals have access to career coaching and an individualized employment plan in order to set them up for future success. It is particularly important for employers that individuals receive soft skills training, as is proposed in this legislation. Too many employers say

their applicants lack the soft skills that will allow them to be productive workers. WMC is also very supportive of requiring the Department of Workforce Development to immediately implement state law regarding unemployment insurance drug testing.

Assembly Bill 151:

It is important to have a standard set of metrics for all of Wisconsin's workforce development programs. With multiple agencies overseeing a multitude of programs, it is important that the legislature, business community and public can evaluate the effectiveness of each program. This legislation's commonsense requirement to report this data will allow evaluation of the quality of each program and which programs are the best to utilize.

WMC urges the members of the Assembly Committee on Labor and Integrated Employment to vote in favor of Assembly Bills 150 and 151. These bills rightly encourage more individuals to return to the workforce and allow more accurate data to be available to the public.

04/12/2023

Assembly Committee on Labor and Integrated Employment

Testimony of Marie Herm, Director of Human Resources, Belmark

RE: Assembly Bills 150 and 151

Thank you for the opportunity to speak with you today about a growing concern for many employers in the state regarding labor. The workforce shortage has become a huge constraint on growing businesses in Wisconsin.

I work for a privately held packaging/converting company in De Pere, WI. Our history in WI dates back to our beginning in 1977. Our growth over the years has primarily been focused in Wisconsin at our De Pere campus, as well as a campus in Shawano that opened in 2018. We attribute our growth to our Trident philosophy – People, Process, and Technology. However, it's that first component that is the most critical – the People. It's possible for others to purchase the technology and put a process in place, but it takes the right people, leveraging their talents and strengths, to innovate and continually improve the technology and processes being utilized so we can best service our customers and communities. That philosophy has led to substantial growth for us.

Belmark's growth past 3 years:

- 2020 – 16%
- 2021 – 17%
- 2022 – 23%

What has become clear during, and post-pandemic, is that we are struggling to sustain our growth due to constraints with availability of labor. In 2022, we **averaged 85 job openings at any given time** – with the highest point exceeding 100. With an **average headcount of 1,200 in 2022, that meant we were short 8% of our workforce**. This slowed our growth, reduced innovation, and ultimately limited our ability to provide product in a timely fashion to our customers. As we are a part of the food supply chain, that means less (or in some cases, no) product on the shelves for consumers.

This left leadership questioning what our future looks like, particularly in the state of Wisconsin. Our projected growth continues to be vibrant and healthy, but the question came down to people. Could we find enough people to fill our roles to sustain our growth and keep customers

satisfied? The answer for WI was no. Part of our 2023 business plan is site selection for a future plant/campus. Wisconsin was never in the running, and a primary driver for that was availability of labor.

The legislation in front of the committee today helps employers like Belmark by helping people off the sidelines and back into work. I am particularly glad to see the authors of Assembly Bill 150 require individuals apply to jobs that actually could result in a hire as a part of their weekly work search actions. I also would like to thank the authors of Assembly Bill 151 for requiring reporting of the effectiveness of workforce development programs. The state cannot improve outcomes if they are not aware of problems.

Thank you for your time today, and for considering changes in legislation that would help get more people back into the workforce, supporting economic growth for Wisconsin.



Testimony in Support of Assembly Bills 150 and 151
Assembly Committee on Labor and Integrated Employment
April 12, 2023

Chairman Penterman, Vice Chair Sapik and Members of the Committees on Labor and Integrated Employment:

Thank you for providing me with the opportunity to submit testimony in favor of Assembly Bill 150 and Assembly Bill 151.

Wisconsin finds itself in a time where jobs are plentiful and voters just recently backed a work requirement for “taxpayer-funded benefits” by a wide margin. The state unemployment rate currently stands at 2.7%,ⁱ well below the national average of 3.5%.ⁱⁱ This has resulted in a labor market where employers are in a tough competition for employees, exemplified in the fact that year-over-year wages in the state have increased by 8.7% according to a September 2022 analysis.ⁱⁱⁱ In such a time, the number of viable excuses for remaining on unemployment long-term dwindle.

Yet despite the tight labor market and high wages, there are those who continually struggle to find employment. According to data from the Bureau of Labor Statistics, about 18.8% of those currently unemployed have been unemployed for more than 27 weeks nationally.^{iv} Though slightly dated, 2021 data^v from Wisconsin had this number at about 32.7%. The two bills we are testifying on today seek to help those who find themselves in that position.

In this hot market for employees, simply submitting an application can lead to decent odds of getting a job. However, one cannot get a job without actually filling out an application. Somewhat absurdly, under current law, those on unemployment can satisfy job search requirements without formally applying for jobs. But those receiving unemployment benefits should not be allowed to exercise excessive discernment when job opportunities present themselves. AB 150 addresses this with a commonsense provision that applications must be submitted.

The number of Americans who are not hired because of a failed drug test has also increased in recent years. A 2021 analysis from Quest Diagnostics--one of the largest employment drug screening companies in the nation—found a 30% increase in the number of employees failing drug tests between 2010 and 2021.^{vi} It is vital that individuals on unemployment be ready for an opportunity by being able to pass a drug screening, and AB 150 would go a long way to accomplishing that.



Under current law, the Department of Workforce Development (DWD) was required to set up rules to remove those who test positive for drugs from the unemployment rolls for those interested in positions where drug testing is often required. But DWD has dragged its feet in creating these rules, and this bill would force them into action.

As an organization that regularly evaluates state policy initiatives, we think it is vital that policymakers and the public have solid data about how effective DWD and other agencies are in carrying out their goal of getting people back to work. AB 151 would require that annual reports be produced that would help interested parties make honest and objective assessments of that effectiveness.

As a state with low population growth, it is even more important in Wisconsin than in other states that we make full use of the capabilities of every single Wisconsinite when it comes to meeting our state's labor force needs. These bills represent an important step in ensuring that happens.

Please feel free to reach out should you have any questions.

Kyle Koenen
Policy Director
Wisconsin Institute for Law & Liberty

ⁱ <https://fred.stlouisfed.org/series/WIUR>

ⁱⁱ <https://tradingeconomics.com/united-states/unemployment-rate>

ⁱⁱⁱ <https://www.bls.gov/charts/county-employment-and-wages/percent-change-aww-by-state.htm#:~:text=Percent%20change%20in%20average%20weekly%20wages%20by%20state%2C,%241%2C309%3A%20%241%2C466%3A%20%24157%3A%20Colorado.%205.6%25%3A%20%241%2C170%3A%20%241%2C235%3A%20%2465>

^{iv} <https://www.bls.gov/charts/employment-situation/duration-of-unemployment.htm>

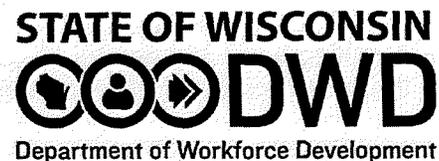


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^v <https://www.bls.gov/opub/geographic-profile/>

^{vi} <https://www.prnewswire.com/news-releases/workforce-drug-test-positivity-climbs-to-highest-level-in-two-decades-finds-quest-diagnostics-drug-testing-index-analysis-301513730.html>

Department of Workforce Development
Secretary's Office
201 E. Washington Avenue
P.O. Box 7946
Madison, WI 53707
Telephone: (608) 266-3131
Fax: (608) 266-1784
Email: sec@dwd.wisconsin.gov



Tony Evers, Governor
Amy Pechacek, Secretary-designee

Date: Wednesday, April 12, 2023

To: Chair Penterman, Vice-Chair Sapik, and Members of the Assembly Committee on Labor and Integrated Employment

From: Department of Workforce Development Secretary-designee Amy Pechacek

Written Testimony Regarding AB 150 and AB 151

Chair Penterman, Vice-Chair Sapik, and Committee Members, thank you for the opportunity to provide written testimony for information only on AB 150 and AB 151, which propose significant changes to Wisconsin's unemployment insurance program and workforce development programs broadly. With more than 130 years of experience analyzing labor market data for employers, policymakers, educational institutions, and job seekers, the Wisconsin Department of Workforce Development is focused on creating and sustaining a thriving economy.

DWD had a record-breaking year in 2022: Wisconsin reached record low unemployment in January through April and reached a new record of only 2.7% in February of this year. Initial and existing weekly unemployment insurance claims are continuing at seasonal, historic lows. Of the \$344.5 million unemployment insurance payments made in 2022, only 0.4% were found to be fraud overpayments. We've also seen a record number of apprentices and youth apprentices. To say that Wisconsinites are not working and are sitting on the sidelines is simply not true.

Wisconsin, like the rest of the Midwest, the nation, and much of the world, is facing a worker quantity shortage. The workforce quantity shortage is a global issue due to demographic trends decades in the making. Baby boomers are retiring, which was exacerbated by the pandemic, birth rates have never been lower, and in the last decade, there has been net zero to negative migration to Wisconsin. DWD has taken a proactive rather than punitive approach to these challenges, working to remove employment barriers and connecting employers with underutilized talent pools.

The Governor's budget supports proactive approaches to workforce needs. He announced a \$200 million investment to continue the successful Workforce Innovation Grant Program to provide long-term solutions for businesses and, in particular, the healthcare industry to find workers and individuals to obtain family-supporting jobs. Other initiatives include a paid Family Medical Leave Program, investing in child care statewide, continued expansion of the apprenticeship program to retain our emerging workforce, further investment in job centers at correctional institutions, among many others that will build the 21st-century workforce and infrastructure Wisconsin needs.

The long-standing process for new legislation regarding both unemployment insurance programs is to circulate drafts of proposed policy changes through the Unemployment Insurance Advisory Council. Additionally, regarding UI law, the Department generally sends all proposed changes to the U.S. Department of Labor for conformity review moving forward. Please note that to DWD's knowledge, the proposed bills did not undergo these processes, nor was DWD staff consulted on the need for the policy change.

While DWD appreciates efforts to bolster Wisconsin's workforce, the proposed bills are not in touch with DWD's current operations or labor trends. To the Department, bolstering Wisconsin's workforce means

breaking down barriers for Wisconsinites so they can obtain family-sustaining jobs, unlike the proposed bill that would create additional burdens for folks during a time of need.

AB 150

DWD has significant concerns about this proposal due to the anticipated reporting burden for employers, potential costs, bureaucratic requirements, and lack of sustainable funding. While DWD already is performing several key functions noted in the proposal, other requirements in the bill appear to be based on an inaccurate read of Wisconsin's real labor market challenges.

DWD is already effectively serving job seekers, employers, and employees as DWD's primary responsibilities include providing job services, training, and employment assistance to people looking for jobs while working with employers to find the necessary workers to fill current job openings. DWD's six divisions, Employment and Training Vocational Rehabilitation, Unemployment Insurance, Worker's Compensation, Equal Rights, and Administrative Services, coordinate closely to connect job seekers with employment opportunities; ensure that Wisconsin's diverse workforce is equipped with in-demand skills; and administer funds, including the over \$1.1 billion Unemployment Insurance Trust Fund.

Wisconsin's proactive approach to workforce development already delivers results. Wisconsin's innovative responses and recent investments in workforce development are effectively connecting job seekers with employers and engaging previously underrepresented and underemployment populations with jobs. The Division of Employment and Training's Bureau of Job Service currently functions as a "Reemployment Division," working in the community, connecting online, supporting Department of Corrections job labs, providing services in hard-to-reach locations through the mobile career lab, and working in schools and libraries to help people get their next job. The Job Center of Wisconsin website currently hosts approximately 35,000 resumes and functions to connect job seekers and employers.

Other ways DWD is already performing the functions proposed in the bill include:

- DWD works to prevent layoffs at Wisconsin companies. Through the Work-Share program, instead of laying off workers, a qualified employer can plan to reduce work hours for at least 20 employees, thus aiding the employer to retain its valued, skilled and/or trained employees.
- DWD's Job Service administers the Re-employment Services and Eligibility Assessment (RESEA) program. The program serves 25,000 to 35,000 UI claimants a year with an employment plan, job search assistance, work search review, employment counseling with Job Service licensed career counselors, referrals to training programs, and career exploration.
- Work Registration is already a requirement. UI claimants are required to register for work (including the completion of a resume) with the Wisconsin Job Service online within 14 days of their initial application for UI benefits.
- Re-employment Services are also already a requirement. Again, claimants that are registered with Wisconsin Job Service are required to seek work as well as complete an online orientation and assessment.
- DWD's Job Service is currently undertaking a comprehensive program evaluation of the RESEA program to identify the interventions that provide the best possible employment outcomes and reduce the duration of benefits. The evaluation will continue through 2024.

Creating new and burdensome reporting requirements for employers, erecting more barriers for job seekers, diminishing access to funds invested for people experiencing job loss, and creating more challenges for those suffering from substance abuse disorder as proposed would hinder the state's economic progress, not help. At the same time, establishing complex programs with unsustainable funding, creating additional bureaucratic mandates, shuffling existing division responsibilities, and changing the name of a DWD division would only increase costs with no clear benefits.

AB 151

The Workforce Innovation and Opportunity Act, as amended during the Obama Administration, is marquee federal legislation to improve workforce services for job seekers, including youth and those with historical barriers to unemployment, into high-quality job and careers, as well as helping employers hire and retain

workers. WIOA also requires States and local areas to enhance coordination and partnerships with local entities and supportive service agencies for strengthened service delivery. DWD's WIOA programs are successfully administered in conjunction with its partners, the Workforce Development Boards, the Wisconsin Technical College System, the Department of Public Instruction, the Department of Children and Families, the Wisconsin Economic Development Corporation, employers, employees, job seekers, students, among other partners.

Building off its WIOA programs' successes, DWD already uses the approaches learned through WIOA in other training programs when applicable. For example, DWD has used its WIOA-trained staff to administer the Workforce Innovation Grants under Governor Evers's Workforce Solutions Initiatives. However, not all programs fit into WIOA's structure, and, in fact, some of DWD's state programs have their own statutory requirements that do not necessarily align with the WIOA requirements. For example, the Wisconsin Fast Forward grant program, a long-standing state-funded workforce training program, is designed to award funds to businesses from all Wisconsin industry sectors that reimburse the costs of customized occupational training for unemployed, underemployed, and incumbent workers. The customized, business-driven training will qualify workers for full-time employment, higher level employment, or increased wages. It is available to all industry sectors and companies of any size. The Wisconsin Fast Forward program has its own reporting structure, performance metrics, and compliance requirements set under state law and regulations that would need to be modified under the proposed bill. DWD would like to continue to operate Wisconsin Fast Forward, and other non-WIOA workforce training programs, with flexibility and innovation to best meet local workforce needs.

Thank you for the opportunity to provide this information.