DEPARTMENT OF EMPLOYMENT SERVICES

Testimony of Lisa María Mallory
Director
Department of Employment Services

Vincent C. Gray
Mayor

Public Hearing

before the

COMMITTEE ON HOUSING & WORKFORCE DEVELOPMENT
Honorable Councilmember Michael Brown, Chairman

on

Fiscal Year 2011-2012
Department of Employment Services Performance Oversight

Wednesday, February 29, 2012

3:00 p.m.

Room 500
John A. Wilson Building
1350 Pennsylvania Avenue, NW
Washington, DC 20004-3003

Committee on Housing & Workforce Development
Wednesday, February 29, 2012, 3:00 p.m., Room 500

Good afternoon Chairman Brown and members of the Committee on Housing & Workforce Development. I am Lisa María Mallory, Director of the Department of Employment Services. I am honored to be before you today on behalf of the employees at DOES to provide an overview of the challenges faced this past year as well as our accomplishments and efforts underway to achieve our mission – to put people to work.

At the outset, I want to thank Mayor Vincent C. Gray for being a true courageous leader. I also want to deeply thank you, Committee Chair Michael Brown and your team, for working with us as we reform the agency. The true camaraderie and partnership – while holding us accountable – has already shown results around First Source reform and the Workforce Intermediary – to name just a few. To the public witnesses and organizations who have testified today, I am grateful for your feedback which helps to strengthen the agency every day. Finally, I want to thank all of our employees at DOES for their continued service to our city's residents. I am honored to be part of the DOES team because of their dedication and commitment.

DOES Challenges

I would like to start with a brief overview of the significant challenges the agency continues to face. When Mayor Gray appointed me as Acting Director in April 2011 to transform the agency, I immediately initiated a full

review of all programs and operational aspects of DOES to eliminate fraud, waste, and abuse. The challenges the agency faces are well-documented by this Committee, the U.S. Department of Labor, and many of the public witnesses and organizations we have heard from today. However, some challenges continue to come to light as we apply a more strategic and investigative approach to leadership.

Our review showed that the agency lacks organizational and operational procedures; the use of technology has not been maximized; there is poor visibility into the agency's budget and finances; the agency has been unable to spend all of its federal funds; its One-Stop Career Centers are un-even and poor-performing; there was former mismanagement of the Summer Youth Employment Program; and the agency has run an ineffective First Source program. These programs are essential to delivering key workforce development services at a time when people need them the most. Yet these programs are plagued with decade-long systemic neglect - many of the problems have gone undetected and without full investigation.

Sometimes inefficiency allows us to propel into modernization and best practices. We have a great sense of urgency and must immediately correct inefficiencies while continuing to provide vital services to our public. Reform must focus on how we address the internal agency challenges while positively impacting the economy and improving the lives of District residents through greater employment opportunities.

These big challenges need both short-term and long-term solutions. For example, the challenge we faced with duplicate checks and fraud in the unemployment insurance division allowed us to quickly put in place a debit card program. In the past, each check we mailed out cost us $2.50 for each check, and by converting to debit cards, we have already saved $114,000 and can expect to save about $690,000 this year. Debit cards also allow us to more quickly respond to our customers' needs, as debit card payments can be made virtually instantly and are a secure method to make benefit payments.

Efforts Underway: Impact the Economy Now

Mayor Gray and I regularly discuss the challenges of the agency and we also challenge ourselves to come up with solutions to advance one of his top priorities – jobs and economic development. We ask ourselves and others in the Economic Development cluster questions like, "How can we provide immediate support to adults who have been unemployed for the first time in their adult lives during a time when the economy is so stagnant? How do we serve those with higher levels of educational attainment that may not need the type of interventions and support programming that we currently have in place? How do we provide opportunity for the returning citizen who struggles as he searches for a second or even third chance into the workforce – particularly at a time when more and more employers are using background checks as a mandatory screening? How do we ensure that young people embarking on their first exposure to the workplace have a real work experience? How do we train and support the person so

discouraged, she has never been to a One-Stop Career Center? How do we widely offer computer skills training to the person who has never used a computer in a time when the majority of job applications are submitted on-line?"

Mayor Gray and I have had the honor of meeting with advocates and leaders in the transgender community. The challenges being faced in obtaining employment, coupled with the violence they have suffered, moved the Gray Administration to put in place transgender cohorts in our Transitional Employment Program. We are told by the media that this may be the first government program in the nation tailored to members of the transgender community. In October, this class graduated 17, 3 of which have already secured full time, unsubsidized employment. This is just one of the reforms that Mayor Gray has put in place to support members of the transgender community.

While there is some evidence that we are at the beginning of an economic recovery, we know that the unemployment rate is still unacceptably high. In fact, the average duration of unemployment is 44 weeks, nearly one year. And there are parts of the city where unemployment is disproportionately affected, with rates over 20%.

At one of our recent Summer Youth Employment Program registration events, I came across a young man, 21 years of age, with his daughter on his lap struggling to complete the application. This young man should not

wait until June for a six-week summer job; he needs to be connected to opportunities that are immediately available. Unfortunately, this young man is not the exception. We received more than 2,200 applications from young adults who are 18 or older, not currently working, and not in an educational program. Our goal is to implement more intense efforts to connect these young adults to opportunities as they become available. Since the SYEP application launch on January 27, we have been successful in connecting nearly 50 young people to year-round opportunities and we intend to do more through *One City · One Hire,* in addition to the SYEP efforts.

Responding to the questions we ask ourselves, interacting with our customers, and the research we've done led Mayor Gray to launch the *One City • One Hire* initiative in September 2011. The initiative simply asks employers in the region to hire one qualified unemployed DC residents for their openings as a way to immediately boost employment in the District. The initiative first focused on creating partnerships with local employers by offering them a number of DOES support services and District incentives to help reduce the District's high unemployment rate. We had to work hard, and we continue to do so, to build trust in DOES. To put it bluntly, many employers had ceased coming to us for support with their hiring needs.

And while the programs and incentives we offer in *One City • One Hire* are not new, most employers were not even aware that DOES could offer services like organized pre-screenings, drug testing, free specialized

training, and wage subsidies. DOES can also provide the unemployed with resume writing, interview skills training, pre-testing, and many other services at no cost. DOES now approaches all these services in a uniform and strategic way to screen for the best candidates for employers, and this is a key component to the success of *One City • One Hire.*

In December 2011, the Mayor launched the second phase of this initiative, designed to reach out to thousands of disconnected, unemployed District residents to better match them with *One City • One Hire* employer partners who have job openings to fill. We looked in our database and realized that many District residents were not captured in the data. In fact, in mid-April, we plan to hold *Path2Work*: *A One City • One Hire Job Seeker's Symposium* that will bring together over a thousand unemployed District residents for motivational discussions, on-the-spot hiring, professional coaching, training, and referrals to other trainings and District services.

To date, the initiative has partnered with 502 employers who have hired 2,081 unemployed District residents since its launch. Most of those that have been placed were not in our database and hail from Wards 5, 7 and 8. We are proud of this accomplishment and we look forward to increasing these matches. We do hear criticism that we are not moving fast enough, but we did not design this initiative as a numbers game to count matches. The Mayor's goal is to carefully place District residents in a career path to ensure success in the workplace. We have accomplished more in the past five months by reaching chronically unemployed District residents in

Wards 5, 7 and 8 than DOES has done in recent memory. And we are by no means patient or indifferent to the struggles that people in our city face. We know that much more work needs to be done to help return people to work while we continue building a strong public workforce system.

Our vision is that all of our city residents have access to a multitude of careers and choices. Yet thousands cannot even get in the door for myriad reasons such as low-literacy, child-care obstacles, and poverty. This is unacceptable. Mayor Gray works tirelessly, seven days a week, talking to residents of this great city, personally providing them with suggestions and referrals. And so we too – all of us – must be a part of addressing and solving this challenge.

DOES Internal Capacity

Parallel to this *One City • One Hire* effort, the agency is also strengthening its internal capacity to address the decade-long challenges I described earlier. The agency is undergoing an ambitious effort to not only develop and archive Standard Operating Procedures (SOPs) and policies and procedures but also make them easily and widely available to all DOES employees and the public as appropriate. Although the agency has had informal guidance in the past, SOPs did not exist or needed to be updated in many program areas to ensure that all of our employees are consistent in their approach and implementation but also because it is a basic requirement from the U.S. Department of Labor. These documents are being created now.

DOES has implemented at least thirty (30) new policy and operations guidance since April 2011 on subjects ranging from time and labor distribution to employee orientation to incident reports to fleet sharing to training provider reimbursements to contracting and procurement. These SOPs, policies, and procedures are designed to support all employees to help them do their jobs better, promote transparency, and allow for a centralized, archiving process to ensure predictable end results are sustained and repeated, even if employees depart or leadership changes.

We also recently made the decision to relocate over one-hundred (100) DOES employees from 64 New York Avenue, NE, to our headquarters on Minnesota Avenue. We did this in response to increasing costs for leasing the New York Avenue space - $47.50 per square foot versus $11 per square foot at our headquarters – so that we are not unduly taxing the Workers' Compensation Trust Fund. These operational enhancements allow us to save upwards of $47 million dollars over ten years from this fund and will benefit contributing employers. And, importantly, by co-locating these programs at our new, LEED certified, accessible headquarters, we believe that we will provide more organizational synergies, better customer service, enhanced technology, and better working conditions for our employees.

Budget and Finance

As this Committee and the Mayor knows, the agency has considerable challenges with the transparency of the agency's budget. The Office of the Chief Financial Officer (OCFO) runs on a cumbersome financial system which does not provide the agency real-time information on spending rates of its grants which causes a multitude of problems, including, but not limited to, lack of accurate information, late payments to vendors, and late and inaccurate reporting to the U.S. Department of Labor resulting in returning federal funds.

DOES continues to work with this Mayor's office, this Committee, the U.S. Department of Labor, and the Office of the Chief Financial Officer to address these longstanding concerns. Recently, the U.S. Department of Labor placed DOES on high-risk grantee status because of the poor budget and financing and due to the fraud and lack of integrity discovered by this Administration in the Office of Unemployment Compensation. We are confident that by working with the OCFO, putting in place partnerships with organizations like the National Association of State Workforce Agencies, and filling critical vacancies in the program, we will gain the confidence of the U.S. Department of Labor.

Let me be clear, the systemic operational and fiscal challenges, as well as fraud and abuse, are not new. This Administration not only uncovered these challenges but immediately alerted the appropriate authorities and engaged in securing forensic audits and reviews. We welcome the scrutiny

and investigative bodies currently engaged in working with us to hold those that defrauded the government accountable, and also to put in place systemic reforms to ensure the integrity and modernization of the unemployment program. We know that the anticipated reports further highlight and legitimize our concerns, and we look forward to receiving this additional feedback as we continuously strive to improve our operations.

DC Works! Career Centers and Training

A key component to ensuring a strong workforce development delivery system is having a well-run, high performing public Career Center system. Improvements in service delivery have begun and more are planned with the ultimate goal to ensure even and quality service in all Centers. We are in no way done with the transformation of our One-Stops, and there is much more to come.

The Workforce Investment Council (WIC), led by Chairman Mike Herreld, President of PNC Bank and Executive Director Allison Gerber, is currently working to develop performance benchmarks for the One-Stops, as mandated by the Workforce Investment Act. While the WIC develops these benchmarks, DOES has begun to support and bolster the agency's process for individuals receiving services at the Career Centers.

Upon preparing and launching *One City • One Hire,* it was discovered that while many DOES employees had individual ways to interact and screen candidates, the agency did not have a uniform system to reach and then

learn about job seekers seeking DOES services in order to help DOES send the best matches to hiring employers. And most distressing, we learned that we were not serving District residents as we should. This is why *One City • One Hire* is focused on our District residents only.

This lack of a uniform process resulted in high attendance at DOES-sponsored job fairs, but very low rates of job placement. For example, in FY10, DOES held three job fairs over the course of the year inviting over 4,000 DC residents to job fairs coordinated with a large DC employer. Of those 4,000 DC residents who came to the job fairs, only 90 of these District residents were matched with available jobs. This disconnect occurred because the large majority of those invited to these DOES job fairs did not have the proper credentialing for the available positions to begin with; many came to the job fair not fully understanding that particular licenses were necessary or they were not prepared to complete an assessment. This is not fair and is a waste of time. It also decreases employer confidence in our ability to provide viable candidates.

In April of last year, DOES reduced the cap for individuals in training from $8,000 to $4,000 per individual, which aligns us with our neighboring jurisdictions. We also recently initiated a refund policy requiring training providers to reimburse funds to DOES if people do not show up to training. That is, if someone drops out of training in the first two weeks of a nine-month training, DOES will no longer pay for the entire period.

Summer Youth Employment and First Source

By many accounts, the 2011 Mayor Gray's Summer Youth Employment Program was a huge success – it served 14, 128 youth, came in under budget, and provided quality work experiences. This year's program promises to deliver the same level of quality or better, and we have begun efforts to measure the quality of the program longitudinally. The program will again require youth to maintain their spots in the program by meeting program requirements such as attending an orientation. We also eliminated DOES's heavy reliance on a contractor to support payroll processing in SYEP. By creating efficiency between several programs with payroll functions, including the Transitional Employment Program and the Senior Community Service Employment Program (SCSEP), we have immediately witnessed a savings of over $1 million per year. We also used our relationship with the debit card provider to also support these programs with the same debit card used in the unemployment insurance program.

As you know, the city's First Source program ensures that District residents are given priority for new jobs created by municipal financing and development projects. The program has been heavily criticized over the years for not meeting its objectives. Last year the "Workforce Intermediary Establishment and Reform of First Source Amendment Act of 2011" was signed which increases employer reporting requirements, provides incentives for employers to hire District residents with barriers to employment and establishes a workforce intermediary. This new law

signals the beginning of reform of this program and, as the Mayor says, it is another way the District is addressing the unemployment problem. We look forward to continuing to work with this Committee to implement this law and appreciate the Council's leadership and support of this legislation.

In conclusion – True Reform Requires Urgency and Time

I want to end this testimony with a reminder and some more messages of thanks. The work to reform the Department of Employment Services is not easy, and it takes time. We receive hundreds of calls monthly, some criticizing and some praising our work. I want everyone to know that we are trying to address and fix years of challenges – and I know many of you listening already know them. But as we are witnessing immediate results and improvements, true reform of this agency will take time. Most in the agency are reform-minded, but there are a few that continue to think that things were just fine. This is simply not the case – we have a broken system in need of great repair. In order to ensure that the change is institutionalized, we need to continue to work with all the stakeholders in this room and those listening. And I look forward to working with **all** of you.

I also want to take a moment to thank my boss Deputy Mayor Victor Hoskins for his leadership and to our Mayor, Vincent C. Gray. Without his tireless commitment to jobs and economic development as a top priority, the hard work of reforming the agency during this troubled economy simply would not get done.

I also want to thank the residents of the District of Columbia and the neighborhood ANC Commissioners for their feedback and support. I have heard from many of you as I travel around the city. We strive to stay connected to our residents and listen to their concerns.

And then of course, the final plug - I want to take this final moment to encourage all of those who are watching to register at OneCityOneHire.org. We want to meet you, support your efforts to receive training, and prepare to connect you to a hiring employer. If you are an employer and you want to increase your bottom line by selecting new employees from the best talent pool in the country, please visit OneCityOneHire.org for details.

Thank you again for this opportunity to testify. I look forward to your questions.