



# The Florida Senate

*Interim Project Report Summary 98-10*

*October 1998*

Committee on Commerce and Economic Opportunities

Senator Katherine Harris, Chairman

## REVIEW OF THE ORGANIZATIONAL STRUCTURE OF THE DEPARTMENT OF LABOR AND EMPLOYMENT SECURITY

### SUMMARY

The Legislature focused considerable attention on the Department of Labor and Employment Security (department) in the 1998 legislative session, with bills filed relating to the elimination of department programs, reassignment of department functions, and reorganization of the entire department. During that time, questions surfaced about various functions within the department and whether those functions would be better performed by contract with private entities, eliminated, or would be better performed by other public entities. The purpose of this report is to examine the current organizational structure of the department, examine the organizational structure of other states' labor departments, and examine evaluative reviews of the department, and through such examinations, provide a foundation for the Legislature to assess functions of the department for appropriate administrative placement.

Research for this project has shown that traditional workforce development programs are administered by other states in a myriad of ways, with each approach supported by policy rationale.

The current organizational structure of the department is a reflection of past policy decisions which were based on the rationale that labor-related services should be provided by one department. Public policy considerations will determine whether it is appropriate for the department to continue to be the provider of these services.

reorganization of the entire department. During that time, questions surfaced about various functions within the department and whether those functions would be better performed by contract with private entities, eliminated, or would be better performed by other public entities. The purpose of this report is to examine the current organizational structure of the department, examine the organizational structure of other states' labor departments, and examine evaluative reviews of the department, and through such examinations, provide a foundation for the Legislature to assess functions of the department for appropriate administrative placement.

### Agency Consolidation Study and Reorganization

Agency review is not new. Chapter 94-232, Laws of Florida, required the Enterprise Florida Jobs and Education Partnership, now the Workforce Development Board, to consider whether restructuring the Department of Labor and Employment Security (department or FDLES) and the Department of Commerce (FDC) would better serve the state's labor force. In its report, the Partnership found that:

While there is a common purpose for the two agencies, there are also distinct differences in governance, service orientation, and funding. FDC is funded primarily from state general revenue and trust funds; thereby, relying almost exclusively on the state Legislature and the Governor for financial support and direction. FDLES, on the other hand, is largely funded from federal sources and is subject to the myriad of federal laws and regulations which govern its programs. Its challenge becomes operating numerous federal programs to the specific needs and priorities of the state. The service orientation is also very different for these two agencies. The FDLES focus is primarily support and services to employees (e.g., job service, unemployment benefits, vocational rehabilitation, job training),

### BACKGROUND

The Legislature focused considerable attention on the Department of Labor and Employment Security (department) in the 1998 legislative session, with bills filed relating to the elimination of department programs, reassignment of department functions, and

and of a regulatory nature towards business (unemployment tax, child labor, safety). FDC, on the other hand, views its role almost exclusively as one of the advocacy and support for businesses, whether industrial, tourism, or trade related. From 1969 through 1978 these two agencies operated under a single department, the Department of Commerce. The differences cited above were the motivating factor for the 1978 Legislature to separate that department into two entities.

*Review of the Florida Department of Commerce and Florida Department of Labor and Employment Security, Enterprise Florida Jobs and Education Partnership, Page 12.*

The Partnership further identified several multi-agency, multi-program initiatives and suggested that those types of initiatives hold the most potential benefit with little or no additional resources required. Consistent with this finding, *The Emerging Workforce Development System* by the Institute for Policy Studies at Johns Hopkins University (March 1997) “concluded that integrated state organizational structures are not critical for, or necessary to, the evolution of a coherent workforce development system. But institutional entities that provide the framework for interagency policy formation are critical to building a more coherent system.”

In the Spring of 1994, at the request of the Governor, a task force was formed composed of representatives of FDC and the department to examine the viability and advisability of merging the two departments. A potential merger structure was developed, and submitted to the agencies’ customers (i.e., the business community and organized labor) for reaction. Both stakeholders expressed resistance to a merger for fear that their own areas of interest would lose visibility, and further consideration of the merger was abandoned.

Although the merger of FDC and the department was abandoned, agency reorganization was eminent. The 1996 Legislature passed CS/CS/SB 958 (ch. 96-320, L.O.F.), which reorganized Florida’s economic development structure by providing for the dissolution of the FDC and the assumption of comparable economic development functions by Enterprise Florida, Inc., a public/private partnership. The bill recognized Enterprise Florida, Inc., as the principal economic development organization for the state and charged it with developing policies and implementing

strategies to support Florida’s existing businesses, recruit new businesses worldwide, seize international trade opportunities, develop a comprehensive approach to workforce development, and support the economic capacity of rural communities and small and minority businesses.

### **1998 Structural Modifications to the Department of Labor and Employment Security**

The 1998 legislative session saw a continuation in the trend to privatize various state functions. During the 1998 legislative session, two bills passed the Legislature, although one was ultimately vetoed, which privatized functions within the Department of Labor and Employment Security (department). First, the Division of Safety was limited to providing safety consultations to employers who were insured pursuant to the joint underwriting plan approved by the Department of Insurance. In Report No. 97-25, *Review of the Division of Safety, Department of Labor and Employment Security* (December 1997), the Office of Program Policy Analysis and Government Accountability (OPPAGA) found:

- The division has not carried out its statutory mandate to ensure that private sector employers implement safety programs and committees. However, this mandate appears to be unworkable and may not result in the best use of state funds; and
- As an alternative to enforcing this requirement, the division provides voluntary consultation services to private sector employers. However, this activity duplicates services provided by the federal Occupational Safety and Health Administration and workers’ compensation insurance carriers. Due to a lack of outcome measures, the division cannot show that its alternative provides a benefit in improving workplace safety.

Although Senate Bill 1626 was vetoed by the Governor, the fiscal year 1998-99 General Appropriations Act deleted positions within the division to reflect this legislative change.

Second, Senate Bill 1114, a bill relating to the Work and Gain Economic Self-sufficiency (WAGES) Program, required local WAGES coalitions to deliver, through one-stop career centers, the full continuum of services provided under the WAGES Program,

including services that are provided at the point of application. This bill essentially privatized the WAGES participant job search functions of the department. (See ch. 98-57, L.O.F.)

### **Emphasis on Accountability**

Florida has pursued agency accountability. Performance-based program budgeting (PB2) allows the Legislature to link funding to the agency products or services and results. This system not only identifies measures of these key agency outputs, but also specifies outcomes that describe the extent to which programs are accomplishing their goals. When identifying programs to be included in PB2, an agency must ensure that they combine programs or functions with common missions and that those programs or functions lend themselves to outcome measurement. Some agencies have taken this opportunity to structure their organizations around functions. Currently programs operating under PB2 in the Department of Labor and Employment Security (department) include Disability Determination, Rehabilitation, Safety and Workers' Compensation, and Employment Security. These programs operating under PB2 generally fall into the jurisdiction of a distinct division; however, some divisions are combined to form a single program.

In 1997, the Florida House of Representatives initiated a project to review and prioritize all state agency functions or activities. This project involved identifying all state functions and identifying corresponding statutory authority for such programs. For this project, the department identified top priority activities as job training services, employment services, welfare-to-work, administration of workers' compensation benefits, unemployment compensation, vocational rehabilitation, and data administration. A 1998 interim project of the House Economic Impact Council is the continuation of this project.

## **METHODOLOGY**

The Department of Labor and Employment Security (department) was asked to provide the Committee on Commerce and Economic Opportunities with charts depicting the organizational structure of the department. The charts provided were detailed, at the lowest level showing individual positions. The department was also asked to provide a function description of each corresponding organizational unit within the organization (i.e., division, bureau, section, office function). Individual position descriptions were

not requested. Finally, the department was asked to provide information on any major undertakings by the department to improve the efficiency or effectiveness of certain programs or processes.

Because most programs operated by the department are federal initiatives, and therefore also administered in other states, innovative workforce development practices of other states were researched for comparison purposes. States were targeted for research based on recommendations, given in interviews, by labor practitioners.

Additional research was conducted which identified evaluations of the department. These evaluations were reviewed, providing information on past efforts to reorganize the department as well as providing performance information and recommendations for improving department programs.

## **FINDINGS**

### **Organizational Structure**

The Department of Labor and Employment Security (department) was created in 1978 (ch. 78-201, L.O.F.), when the Divisions of Labor and Employment Security were separated from the Department of Commerce. Section 20.171, F.S., establishes the following divisions and commissions within the department: Division of Jobs and Benefits; Division of Unemployment Compensation; Division of Administrative Services; Division of Workers' Compensation; Division of Vocational Rehabilitation; Division of Safety; Division of Blind Services; Public Employee Relations Commission; and Unemployment Appeals Commission.

### **OPPAGA Evaluations**

The Department of Labor and Employment Security (department) has been a frequent subject of review by the Office of Program Policy Analysis and Government Accountability (OPPAGA), a Legislative research unit that conducts studies on Florida agencies and programs to identify opportunities to improve services to citizens and cut government costs. Department related reports released in the last two years include:

- ▶ Program Evaluation and Justification Review: Rehabilitation Program;

- ▶ Review of the Fiscal Year 1996-97 Performance of the Department of Labor and Employment Security's Rehabilitation Program Compared to General Appropriations Act Performance Standards;
- ▶ Program Evaluation and Justification Review: Disability Determination Program Administered by the Department of Labor and Employment Security;
- ▶ Follow-up Report on the Review of the Brain and Spinal Cord Injury Program Administered by the Department of Labor and Employment Security;
- ▶ Review of the Division of Safety, Department of Labor & Employment Security;
- ▶ Follow-up Report on the Division of Blind Services (Previously in the Department of Education);
- ▶ Follow-up Report on the Unemployment Compensation Program;
- ▶ Follow-up Report on the Asbestos Management Program Administered by the Department of Labor and Employment Security;
- ▶ Appraisal of Performance-Based Budget Proposal for the Department of Labor and Employment Security;
- ▶ Follow-up Report on the Review of the Job Training Partnership Act;
- ▶ Follow-up Report on the Review of the Special Disability Trust Fund Administered by the Department of Labor & Employment Security;
- ▶ Supplemental Analyses of the Job Service Program Department of Labor & Employment Security; and
- ▶ Review of the Job Service Program Department of Labor & Employment Security.

OPPAGA is currently in the process of preparing publications relating to WAGES Privatization, Program Evaluation and Justification Review of the Safety and Workers' Compensation Program, 18-month follow-up of Employment Training Programs: Varied Purposes and Varied Performances, and 18-month follow up of the Review of the Job Service Program.

### **Innovative Workforce Development Systems**

To provide a basis for comparison with Florida's workforce development system, research was conducted of other states' workforce development systems. Literature reviews, Internet research, and practitioner interviews identified Michigan, Utah,

Texas and Massachusetts, as states with innovative workforce development initiatives.

Research showed that states have very different approaches to workforce development, from centralized administration to locally controlled systems, from "super agencies" delivering all workforce services to separate agencies delivering like services. Thus far, Florida has taken the "local control" approach to workforce development, with varied agencies administering workforce programs and the Workforce Development Board of Enterprise Florida, Inc., providing system policy guidance.

### **Federal Legislation**

In August of 1998, the President signed the Workforce Investment Partnership Act of 1998 (H.R. 1385). The act is an effort designed to improve coordination between federal job training, adult education and literacy, vocational rehabilitation programs, and the workforce development system. Of particular interest, this act:

- ▶ Requires states to establish State Workforce Investment Boards to develop state plans and carry out other activities;
- ▶ Requires states to establish Local Workforce Investment Boards which, in partnership with local elected officials, are responsible for planning and overseeing the local program. The board is responsible for developing the local plan to be submitted to the Governor for approval, designating local one-stop operators, designating eligible providers of training services, negotiating local performance measures, and assisting in developing an employment statistics system;
- ▶ Establishes the one-stop delivery system as the access point for employment-related and training services. Local boards established in this act are responsible for the selection of one-stop center operators through a competitive process or may designate a consortia of not less than three partners to operate a one-stop center. One-stop operators may be a public or private entity, or a consortium of such entities, including postsecondary educational institutions, the Employment Service authorized under the Wagner-Peyser Act, private for-profit or nonprofit entities, government agencies, one-stop partners, or other organizations. One-stop partners must provide core services through the one-stop, including programs

authorized under the Wagner-Peyser Act; the Adult Education and Literacy title of this act; the Vocational Rehabilitation Act; the Welfare-to-Work grants; title V of the Older Americans Act; postsecondary vocational education under the Perkins Act; Trade Adjustment Assistance; veterans employment services under chapter 41 of title 38, U.S.C.; unemployment compensation laws; Community Service Block Grants; and employment and training activities carried out by the Department of Housing and Urban Development;

- ▶ Consolidates summer and year-round youth programs now operated under the Job Training Partnership Act; and
- ▶ Expands eligibility for “Work-Flex” (currently authorized in Florida) to all states.

States must implement the new workforce investment programs by July 1, 2000. Florida’s and other states’ responsibilities with respect to this act should be further clarified after the U.S. Department of Labor issues interim final regulations in February.

## RECOMMENDATIONS

The Department of Labor and Employment Security (department) has a purposeful role providing assistance to Florida workers. Research for this project has shown that traditional workforce development programs are administered by other states in a myriad of ways, with each approach supported by policy rationale.

The current organizational structure of the department is a reflection of past policy decisions which were based on the rationale that labor-related services should be provided by one department. Public policy considerations will determine whether it is appropriate for the department to continue to be the provider of these services.

Because the department is a major component of Florida’s workforce development system, any decision to reorganize the department should be strategic, focusing on the larger picture, that being enhancement of Florida’s workforce development system. Furthermore, while Florida has operated similarly to the system envisioned in the federal Workforce Investment Partnership Act of 1998 (H.R. 1385), this legislation may dictate future changes in Florida’s workforce development system.

### COMMITTEE(S) INVOLVED IN REPORT *(Contact first committee for more information.)*

Committee on Commerce and Economic Opportunities, 404 South Monroe Street, Tallahassee, FL 32399-1100, (850) 487-5815  
SunCom 277-5815

Committee on Banking and Insurance

Committee on Governmental Reform and Oversight

Committee on Ways and Means, Subcommittee C

Office of Program Policy Analysis and Government Accountability

### MEMBER OVERSIGHT

Senators Locke Burt and Daryl L. Jones