



Idaho Department of Labor Agency History

The Great Depression

Widespread unemployment on an unprecedented scale following the economic collapse in 1929 led the federal government to create a nationwide system of public employment offices in each state. These offices, created under the Wagner-Peyser Act of 1933, were designed to manage labor exchange functions at the local level and reduce huge federal expenditures for public works and civilian relief. In 1933 the National Re-employment Service was established as a temporary measure until each state could establish its own employment service. The Idaho Legislature accepted the provisions of the Wagner-Peyser Act and in May 1935, the Idaho State Employment Service was opened in Boise.

Unemployment Insurance System Created

In 1935, Congress enacted the Social Security Act, which established a system of employer taxation to support the unemployment insurance program. To secure administrative funding and tap the federally established trust fund, the Idaho Legislature enacted the State Unemployment Compensation Law in August 1936. It provided for payment to Idaho claimants beginning in September 1938. Claims for unemployment benefits had to be made through Idaho's employment offices, which by then numbered 21 throughout the state. Idaho law placed both the Employment Service and the Unemployment Compensation divisions under the Industrial Accident Board.

World War II Federalizes Employment Service

To meet war production needs, Idaho's Employment Service Division was federalized during World War II and focused on placing unemployed workers in public service jobs. After the war, labor exchange functions were returned to the states and efforts were aimed at finding jobs for returning veterans. While these functions reverted back to the states, financing the Employment Service Division was assumed by the federal government. Both the labor exchange and the unemployment insurance programs remained under the control of the Industrial Accident Board until 1951 when the Legislature revised the State Employment Security Law to consolidate these functions in the independent Employment Security Agency of the state of Idaho, reporting to the governor.

Great Society Expands Role

In the 1950s and 1960s the department's role expanded to include increased services to employers and special client groups. The "Great Society" efforts of the late 1960s directed efforts at outreach, eligibility determination and placement for low-income workers. The Manpower Development Act of 1962 and the Economic Opportunity Act of 1964 ushered in a new era for the department, which was to become a training organization. During this period the Work Incentive Program designed to provide training and employment opportunities to welfare recipients, became another program delivered by the department. On July 1, 1965, the agency was re-designated the Department of Employment.

New Initiative Expands Training Programs

To provide local control of employment and training programs, Congress replaced the Manpower Development Training Act with the Comprehensive Employment and Training Act of 1973. Initially, this new federal funding structure was administered by the Human Resource Development Council in the Executive Office of the Governor. But the Idaho Department of Employment was a major contractor of services, providing financial management and information services as well as service delivery to the economically disadvantaged

-more-

Labor Agency History - Page Two

and unemployed populations. In June 1975, Gov. Cecil D. Andrus moved responsibility for the administration of the Comprehensive Employment and Training Act and Economic Opportunity programs to the Idaho Department of Employment as part of a government-wide reorganization designed to streamline government services. With this shift, the department was firmly established as the state's center for employment and training programs.

Downsizing in the Eighties

From 1975 to 1980, the agency grew to 27 local offices and increased staff to a high of 859. However, growing disillusionment on the national level with the Comprehensive Employment and Training Act, particularly with the high levels of public service employment, signaled a downward trend in agency funding and staffing levels. By the time the Job Training Partnership Act was passed in 1982, the department was facing severely reduced funding levels. The Job Training Partnership Act proved to be a mixed blessing. While it transferred control of the Wagner-Peyser labor exchange functions, Labor Market Information and employment and training programs from the federal government to the governor, the state saw funding for training of the unemployed and economically disadvantaged fall \$30 million to \$11 million. In addition there was reduced support for unemployment insurance, Wagner-Peyser labor exchange functions, Labor Market Information and the Work Incentive Program and elimination or reduction of a multitude of smaller grants.

As a result, the department embarked on a major reorganization, eliminating some bureaus and downsizing others and closing or consolidating five local offices. Staff levels declined from 859 positions in 1980 to 568 positions at the end of the decade, a 35 percent reduction in 10 years.

State Funding Slows Staffing Reductions

Rather than watch the further erosion of the basic employment services Idaho business had come to rely on, the Legislature revised the Employment Security Law in 1991 to create the Special Administration Fund to help offset the persisting decline in federal funding levels. Instead of sending all of Idaho's unemployment insurance tax dollars to the federally administered unemployment insurance trust fund, a state administered trust fund was established. The investment earnings from the state administered trust, rather than going to back to the federal government, remained with the state. While the principal in this Unemployment Insurance Reserve Fund administered by the state can only be used for unemployment insurance benefits, the interest earned provides administrative funding for the department.

Department of Employment Renamed Department of Labor

In 1996, the Wage and Hour Section of the Department of Labor and Industrial Services was combined with the Idaho Department of Employment. The combined entity was named the Idaho Department of Labor. The department trained its local office staff on Idaho's wage and hour laws, re-engineered the information system used by wage and hour personnel to improve efficiency, and explored possibilities for streamlining Idaho's wage and hour statutes.

Department Funding Problems Addressed

A 1993 proposal to increase state employee pay to market levels created an additional challenge for the Idaho Department of Employment. Had the proposal been implemented in its original form, the department's projected deficits would range from just under \$2 million in Fiscal Year 1997 to almost \$6 million in Fiscal Year 1999. As a result, the Andrus administration proposed an appropriation from the State General Fund to address these deficits. Shortly afterwards, the new Batt administration withdrew the general fund appropriation request and instituted a series of measures to reduce costs and enhance revenues. In 1995 and 1996, the department made great strides in reducing staff, salaries and benefit costs. In 1997, the department worked with the state treasurer to greatly improve interest earnings on the Unemployment Insurance Reserve Fund, eliminating the projected deficits and enabling the department to invest in the technological infrastructure and staff training that represent its future.

-more-

Labor Agency History - Page Three

Disability Determinations Service

The Idaho Disability Determinations Service was created in 1965 when Congress passed Title II of the Social Security Act authorizing disability insurance. The Supplemental Security Income program was added in 1972 under Title XVI of the act. The Idaho Disability Determinations Service was incorporated into the Executive Office of the Governor by an April 12, 1979, executive order. Under that order, the governor appointed a director to manage day-to-day operations.

On June 2, 2003, Gov. Dirk Kempthorne transferred the Disability Determinations Service to the Idaho Department of Labor by executive order. The service is now a division within the Idaho Department of Labor. As in every state, the federally funded Idaho agency determines the medical eligibility for Social Security disability or supplemental benefits, which are provided to the disabled who have worked and paid Social Security payroll taxes or to the blind, aged or disabled with limited resources. The service processes 16,000 disability applications each year, making determinations in over 300 cases a week. In the past 15 years, the agency has received 12 national Social Security Administration Commissioner's Citations for outstanding performance. In 2004, the Social Security Administration launched its transition to all-electronic processing to improve service through technology. Idaho began the transition in September 2004 and became officially certified as all electronic on Feb. 15, 2006.