



Written Testimony of Secretary W. Gerard Oleksiak
Department of Labor & Industry
Before House Appropriations Committee

Chairman Saylor, Chairman Bradford, members of the Appropriations Committee, and other legislators, thank you for the opportunity to speak with you today about Governor Wolf's proposed budget for the Department of Labor & Industry for Fiscal Year 2020-2021.

Throughout his first term and now during the first year of his second term, Governor Wolf has worked tirelessly to advance the interests and well-being of hardworking Pennsylvanians and their families. The Governor's proposed budget reaffirms and deepens this commitment. His budget reflects an ambitious but essential goal: to build the strongest, most resilient workforce in the nation that bolsters Pennsylvania as a competitive leader. In collaboration with state agency partners, businesses, labor organizations, and advocates in Pennsylvania, the Department of Labor & Industry will continue in 2020 to further strengthen our workforce development system and build on the progress we have made through our strategic investments in PAsmart.

For the 2020-2021 budget, the Department's request represents a decrease in state appropriations of about 1.6 percent, or a decrease of \$1,338,000 from the previous year, for a total state funding request of \$79,897,000. This request represents less than 1 percent of the overall state budget. **State funds account for just under 6 percent of the Department of Labor & Industry's total funding. Federal dollars and other dedicated funds support most of the agency's work, but state funds are foundational to advancing this Department's work, including the enforcement of state laws.**

Labor & Industry is the critical catalyst that ensures federal workforce dollars reach Pennsylvania's most urgent workforce needs, both those in the immediate term and those anticipated in the future. Labor & Industry employs data-driven insights and decades of experience as the commonwealth's lead agency on workforce development to identify where in Pennsylvania those federal dollars can have the most impact for hardworking Pennsylvanians and their families. The Department considers both the current and future needs of the workforce and the business community that together drive Pennsylvania's economy.

The state dollars that Labor & Industry receives are absolutely vital to the programs and operations of this department. Without those state dollars, we would not be able to:

- Provide unemployed and underemployed Pennsylvanians with employment services;
- Ensure workplace safety;
- Enforce our labor laws that protect workers, businesses, and consumers and ensure that law-abiding businesses thrive in a fair economic system;
- Build an ecosystem of opportunity for hardworking Pennsylvanians and their families, and, in particular, our fellow citizens with disabilities; and
- Leverage the most federal dollars possible to benefit Pennsylvania's workers, businesses, and economy.

I will say it again: **Federal dollars make up the majority of Labor & Industry's budget, but state dollars are the foundation of our work and necessary to enforce state laws.**

The Department's budget request includes an increase of about \$588,000 for General Government Operations (GGO) to support various program areas, such as PennSERVE and the Bureau of Labor Law Compliance (BLLC), and an increase of \$189,000 to support the work of the Bureau of Occupational and Industrial Safety (BOIS). PennSERVE's request for \$300,000 in state funding will allow it to leverage at least \$12 million federal funds and \$12.5 million in private funds to bolster Pennsylvania communities and develop local solutions to local problems. Additional state money allows BLLC to hire additional investigators and administrative staff to better enforce state laws and respond to the 5,000 complaints it receives, on average, each year. Moreover, increased funding for BOIS supports its work in protecting all Pennsylvanians, including from lead and asbestos occupations, and administering and enforcing other safety standards.

Since the start of Governor Wolf's administration, Labor & Industry has worked diligently to embody the Governor's core vision for Pennsylvania's economic vitality: Jobs that Pay, Schools that Teach, and Government that Works. In 2019, the Department provided a range of key services to Pennsylvanians. The Department continued to work for the people of Pennsylvania under tight budgetary conditions and with 37 percent less staff complement than allotted to the Department a decade ago, from 6,108 filled positions then to 3,855 today.

Despite these budgetary realities and reduced staffing levels, Labor & Industry's strong record over the past year is testament to the significant progress we have made in maintaining a high quality of service with a reduced complement. We have maximized the potential of our people and stretched our resources so that this Department continues to work effectively and efficiently for the people of Pennsylvania.

Much of this work is no doubt familiar to you.

Of pressing importance is the issue of the minimum wage. The Department of Labor & Industry strongly supports the Governor's push for raising the minimum wage in Pennsylvania, which has been too low for too long. Working Pennsylvanians and their

families have seen the purchasing power of the minimum wage shrink over the ten years since the last increase; they can tell you firsthand that \$7.25 an hour is not a starting wage or a training wage, it is a poverty wage. A \$7.25 per hour wage does not begin to fairly compensate Pennsylvania workers on whose labor our commonwealth's economic success and prosperity is built. In fact, raising the minimum wage will improve the economic security of women and is a step toward closing the gender pay gap. Six in ten workers earning less than \$12 are women. Additionally, 30 percent of workers getting a boost in pay would be age 40 or older, which makes clear that hundreds of thousands of adults are stuck making poverty wages. All low-wage workers, no matter their age, would benefit from a minimum wage increase and deserve to be paid a living wage. The Department of Labor & Industry joins the Governor and over 70 percent of Pennsylvanians in supporting an increase to the minimum wage here in Pennsylvania. The time is now. Pennsylvania's lowest paid workers deserve a fair wage.

Additionally, for the first time since 1977—over four decades ago—Labor & Industry is updating Pennsylvania's overtime regulations under the authority granted in the Minimum Wage Act. Hardworking Pennsylvanians and their families will benefit greatly from this regulation. It is about ensuring that workers are fairly compensated for the extra hours they work. It aligns us more closely with federal exemptions from the overtime requirement and ensures that Pennsylvania's overtime salary threshold reflects the earnings of Pennsylvania workers. This is a Pennsylvania regulation firmly based in Pennsylvania-specific data that reflects the realities of Pennsylvania's economy.

The Department has also been hard at work understanding and addressing familiar and newly relevant challenges like the prevalence of misclassification of employees as independent contractors. Businesses that misclassify workers unfairly and illegally deny hardworking Pennsylvanians the rights and protections to which they are legally entitled. Law-abiding businesses suffer when their law-breaking competitors deny the inherent dignity of hard work and violate the social contract that is built upon the mutual respect between employee and employer. Businesses and individuals who willfully misclassify their employees take advantage of workplace power dynamics, often made more stark by language and education differentials, and abuse the good-faith efforts of their competitors. This has been a problem in the construction industry that the legislature endeavored to address with Act 72. It is a growing problem across other industries in the commonwealth—from trucking and healthcare and childcare to professional services to ridesharing and the so-called "gig economy." The Department shares the Governor's commitment to addressing misclassification comprehensively within the commonwealth.

Next, the Department is entering the final phases of a massive project to modernize our unemployment compensation system, a system that still relies in large part on 40-year-old technology. Unemployment compensation benefits help hardworking Pennsylvanians stave off disaster as they rebuild, retool, and reenter the workforce after

a layoff. Unemployment compensation is a major antipoverty program administered by the Department of Labor & Industry on which hundreds of thousands of Pennsylvania families rely each year. This modernization project will make it easier for individuals and businesses to file claims, pay taxes, and collect the benefits they have already earned, all while implementing digital tools that will enhance our already-robust mechanisms for guarding against fraud and abuse.

Finally, the Department continues to be a leader for strengthening Pennsylvania's workforce. There are many ways in which we carry out the important charge of workforce development for the commonwealth. For example, we have been engaging alongside other state agencies, business leaders, and labor partners as part of the Governor's Keystone Economic Development and Workforce Command Center. At the Command Center's regional sessions, your constituents—workers, business owners and operators, students, and job-seekers—have shared their stories about the obstacles to opportunity here in Pennsylvania. We have listened and are working towards sustainable and impactful solutions. Indeed, the Command Center has submitted recommendations to the Governor for how the commonwealth might eliminate barriers to employment and opportunity pertaining to transportation, professional licensure, child care, re-entry, and training. The Department of Labor & Industry is proud of our contributions to the Command Center, the final report released last month, and of the progress the Command Center has made towards removing the barriers and building better on-ramps for Pennsylvania workers to access opportunity and prosperity.

We are excited about the benefits of all this work—and more—that will be enjoyed by hardworking Pennsylvanians and their families. It underpins our work across the broad landscape of what Labor & Industry does, from the State Workforce Development Board and every PA CareerLink® office to Vocational Rehabilitation, Labor Law Compliance and Labor Relations, Unemployment Compensation, and Workers' Compensation and Insurance.

I would like to address each of these areas as they collectively reflect the essential and integrated work the Department does to advance the interests of, and promote fairness for Pennsylvania's workers, their families, and our businesses.

Developing the Workforce of the 21st Century

Labor & Industry has been the lead state agency for employment and training programs for businesses and job seekers, serving as the backbone of the commonwealth's workforce development system. The Department oversees federal formula funding and performance measures for the 22 local workforce development boards. It is a major partner in the PA CareerLink® system, through which 122,000 Pennsylvanians have found career counseling, résumé help, training resources, and jobs last year. It collects, analyzes, and publishes labor market information that helps state and local partners

allocate resources and refine programs. This information also helps Pennsylvania workers and businesses determine where tomorrow's opportunities will be.

Pennsylvania employers regularly tell us they cannot find enough workers to fill positions. However, Pennsylvania currently has approximately 292,700 unemployed individuals. Many of these people face severe challenges to participating in the workforce due to their unique barriers. These include displaced and dislocated workers, people on public assistance, and individuals with low skill levels. In 2019, our workforce programs engaged with over 122,000 such individuals—including single parents, older workers, individuals experiencing homelessness, out-of-school youth, re-entrants, and low-income workers, connecting them to career pathways with family-sustaining wages. We were able to reach that many people thanks to the initiatives and efforts of our local workforce development programs, and our partners in other state agencies.

Additionally, by working closely with the Pennsylvania State Workforce Development Board and our partner state agencies, such as the Departments of Human Services (DHS) and Corrections (DOC), we have been able to develop and implement effective strategies to assist these individuals in overcoming the significant barriers they face to entering or re-entering the workforce. We have done this in several ways. First, with DHS, we are developing a single Participant Plan for case managers who are separately providing services to a single customer. This will mean that customers won't have to answer the same questions to multiple case managers, thereby saving time and increasing efficiency, and providing a more comprehensive service. Additionally, through collaboration with DOC, we are offering career fairs at state prisons for returning citizens so that they can begin the process of rebuilding their careers before they re-enter the community.

Second, the Department is working to meet people where they are. That means retooling the PA CareerLink® system to make sure our digital and brick-and-mortar service interfaces are customer-friendly and accessible. It means redesigning the CareerLink website and PA CareerLink® services at other sites such as food banks, libraries, schools, hospitals, and local community establishments. In the Southern Alleghenies Workforce Development Area, two of the PA CareerLink® locations—in Altoona and Johnstown—have co-located with local libraries, saving money on facilities but also centering workforce services with other public resources in a community space. The savings gained have enabled the local board to open satellite offices in some of our larger, rural counties, so that people don't have to travel on multiple buses to reach the resources they need and deserve. We meet our customers where they are.

Labor & Industry's Rapid Response Team is another way that we meet people where they are, including those facing one of the most difficult moments in their life: being laid-off from their employer through no fault of their own. The Rapid Response team travels to the locations of large layoffs to ensure affected workers have access to benefits and resources as soon as they are eligible and as soon as they need them. In August 2019, the Rapid Response Team deployed to Snyder County after the sudden closure of the

Wood Mode plant left 1,000 workers without jobs. The Rapid Response Team worked with the local PA CareerLink® to hold seven events for those employees, including meeting with over 900 of those workers at Susquehanna University's campus to discuss next steps and available opportunities. The Rapid Response Team also filed a Trade Petition with the federal government to start the process of getting those workers additional benefits. As a result, more than 200 former Wood Mode workers are in federally funded trade training programs. That is a great example of how Labor & Industry leverages federal resources and directs them precisely where and when they are needed in Pennsylvania.

Finally, many of you are familiar with the innovative workforce grants this Department administers that are designed to meet the needs of employers and workers. Over the past fiscal year, the Department has awarded over \$16 million in funding to local areas to train individuals and work with employers to meet local business needs. Grants like Teacher-in-the-Workplace, Business-Education Partnership, the State-Local Internship Program, and PAsmart Registered Apprenticeship have served over 25,000 participants since being created. In 2020, we announced new grant recipients for all of the programs just mentioned—and have plans to release additional targeted workforce funding later in the year—which will support schools, students, workers, and businesses across the state.

Removing Barriers for Pennsylvanians with Disabilities

The needs of Pennsylvania workers are diverse and sometimes require specialized attention. The Department's Office of Vocational Rehabilitation (OVR) assists Pennsylvanians with disabilities to secure and maintain employment and live independently. In 2019, OVR served nearly 70,000 people with disabilities, including 28,000 students, and successfully closed 7,500 cases. Pennsylvanians who found employment through OVR in 2019 earned an average hourly wage of \$13.85.

OVR's work with students with disabilities through Pre-Employment Transition Services (PETS) is fundamental to assisting Pennsylvania students begin their transition into competitive integrated employment. By some estimates, there are 147,000 students between the ages of 14 and 21 in Pennsylvania schools that could benefit from transition services through OVR. PETS provided services for 27,000 total students in 2019, a 5.3% increase from the year prior. Additionally, 26,000 students or youth attended 3,686 total OVR Early Reach events, with nearly 36,000 total attendees participating from students, parents, advocates, and teachers. The Department has partnered with the Department of Education to collaborate on effectively reaching students, parents, and families with these critical workforce resources.

Our Department hears frequently from employers in the commonwealth who are having trouble finding qualified and committed employees. It is work that cannot be accomplished alone, and state agencies like OVR show how government can serve as a convener of key partners. Take, for example, OVR's Pittsburgh office, which through

the MY Work program (Municipalities and Youth) brought 32 employers—private businesses, municipalities, and community colleges—to the table to make sure 140 high school students with disabilities have the opportunity to gain paid work experience.

Another example is OVR's partnership with the Community College of Allegheny County and the Pennsylvania Bureau of Juvenile Justice at DHS. Collectively, they hosted a Launch Academy for high school students with disabilities—some of whom are connected to the juvenile justice system—which included mock interviews, workplace learning experiences, and guided tours of local universities and post-secondary trade schools.

Or, consider the Community Work Instruction Program in Clinton, Allegheny County, known as "Package for Success," which brings Goodwill Industries, FedEx, and OVR together to offer employability and job skills training through short-term paid work experiences for students with disabilities. Last year, the majority of students who went through Package for Success were hired by FedEx as permanent employees, and every student left with a tangible experience through which they gained translatable job skills.

Finally, after closing OVR's Order of Selection in June 2019, OVR on February 1, 2020 moved approximately 2,200 customers off the wait list on a rolling basis thanks to reallocated federal funds and the implementation of a range of cost containment measures, including fast tracking Lean training in OVR offices to improve the case management and approval processes. The Department is grateful for the ongoing cooperation it receives from the General Assembly and OVR stakeholders and will continuously reevaluate opportunities to move more cases off the wait list while the Order of Selection remains closed.

Protecting Workers and Businesses

The Bureau of Labor Law Compliance enforces Pennsylvania's wage and hour laws, particularly the Minimum Wage Act, the Wage Payment and Collection Law, the Equal Pay Law, the Prevailing Wage Act, the Prohibition of Overtime in Healthcare Act, and the Construction Workplace Misclassification Act (Act 72), Child Labor Act, and the newly passed Construction Industry Employee Verification Act.

Robust enforcement of these laws protects Pennsylvania workers from exploitation, abuse, and overwork. It helps ensure that Pennsylvania workers are paid fairly and fully for their time and labor. These laws also help guarantee that bad actor employers do not undercut law-abiding Pennsylvania employers, the majority, who are striving to offer their products and services at a competitive price while also treating their employees fairly. The bureau collected over \$530,000 in Act 72 fines last year, bringing the two-year total collected from construction workplace misclassification investigations to over \$1 million.

Relatedly, the Bureau of Occupational and Industrial Safety, tasked with enforcing laws related to everything from children's stuffed toys to bedding and upholstery to liquified

petroleum gas and flammable and combustible liquids to lead paint abatement projects to elevators and industrial boilers, reported a nearly 30% increase in fees collected from the year prior, rising to \$18.85 million. The Bureau also implemented a new electronic payment platform, which since going live in June 2019 has reduced the staff time required to process payments by 28%. This has allowed the Bureau to reallocate human resources towards more complex and hands-on work like inspections, customer service, and enforcement of the broad range of Pennsylvania workplace safety laws.

Helping Workers Get Back on Their Feet

It can be easy to overlook one of the largest antipoverty programs in the commonwealth: unemployment compensation. This Department strives every day to meet a clear objective: helping out-of-work Pennsylvanians access the benefits they already earned and contributed to so that they can stay on their feet and get back into the workforce. Unemployment benefits are benefits that out-of-work Pennsylvanians have earned by paying into the system, along with their employers.

These benefits can be, and often are, the difference between keeping a home or being foreclosed on by a bank, or between paying for medicine or taking one's chances. Unemployment benefits go directly into local economies across Pennsylvania, helping workers pay their bills and communities stave off deeper cuts and residual layoffs. In 2019, the Department helped 776,774 unemployed Pennsylvanians ward off poverty, get the benefits they earned from working, and get back on their feet.

From UC Tax Services working with employers to the 681 UC Service Center staff who provide one-on-one service to process the claims of laid-off workers in six UC Service Centers across the commonwealth, Labor & Industry is working for unemployed Pennsylvanians and employers. Over the course of 2019, the Office of UC Tax Services completed 3,730 employer audits on gross payroll of \$2.3 billion, found 19,405 misclassified or unreported workers, discovered nearly \$10 million in unreported taxes, and deposited approximately \$2.93 billion into the UC Fund. The office also responded to 105,620 customer telephone calls.

The Department is in the middle of modernizing the unemployment compensation system, phasing out forty-year-old technology and bringing the accessibility and reliability of modern digital tools to Pennsylvania workers and employers. In 2019, the Department began using online chat to interact with UC benefits customers and employers, which has allowed claims to be processed faster without customers having to wait on the phone.

The most significant upgrade is the modernization of the Unemployment Benefits system, also known as BenMod. The Department is happy to report that user acceptance testing (UAT) of the new system began on January 13 of this year. The Department is optimistic that the system will be of tremendous benefit to unemployed Pennsylvanians and employers when it goes live later this year.

Part of this modernization process will require regulatory and legislative changes, and we look forward to working with the General Assembly to implement those amendments to regulation and the unemployment compensation law to ensure that this critical system continues to work for the people and businesses of Pennsylvania.

One final note on unemployment compensation. In 2012, as part of our response to the Great Recession and the long recovery that followed, the Department incurred a bond debt to ensure the unemployment compensation system continued to serve the people of Pennsylvania and help them avoid disaster. On January 1, 2020, the Department completed repayment of Pennsylvania's unemployment compensation bond debt. This significant milestone in Pennsylvania's recovery from the Great Recession also means that the Department has eliminated the 1.1% UC tax rate interest factor, effective January 1, 2020. Today, as a result of paying off the bond debt, Pennsylvania has the lowest UC tax rate on record since 1979. Ensuring we have a well-funded Unemployment Compensation fund is vital to Pennsylvania's economic security during economic downturns, and now is the time in a good economic climate to ensure we can meet our obligations to future unemployed workers.

Supporting Workers Injured on the Job

Labor & Industry serves as the system of record for claims and adjudication for the workers' compensation system, which provides over \$3 billion in lost wages and medical benefits to injured workers, mostly through private insurance plans. This system represents a "grand bargain"—employees give up their right to sue in court in order to receive workers' compensation benefits.

No one ever goes to work with the intention of getting hurt that day, but by our estimation, nearly 170,000 Pennsylvanians were hurt on the job in 2019 and needed to access these benefits. With workers' compensation benefits, injured workers receive partial income replacement and coverage of their medical bills. Like unemployment compensation, this is a key antipoverty program that ensures that workers injured on the job are not left to fall into poverty and unemployment while they recover from their work-related injury.

For new businesses or businesses who have poor safety ratings, the State Workers' Insurance Fund (SWIF) serves to ensure that all Pennsylvania businesses have the workers' compensation coverage they need to operate. In 2019, SWIF reduced medical payments by 11.6% and saw investment fees decrease by \$891,000 (through November 2019) as a result of transitioning the SWIF investment portfolio to the Office of the State Treasurer.

The Department's work on the workers' compensation sector demonstrates again our commitment and ability to collaborate with partners within and outside government to best serve Pennsylvanians. Our workers' compensation leaders continued to provide a model for government-higher education partnerships. In collaboration with Carnegie Mellon University, we are building a trending and predictability software model to allow

the Department to predict where workplace injuries will take place so that training efforts can be focused in those geographic and industry areas to prevent injuries.

Additionally, following the Governor's executive actions aimed at reducing use of opioids and compound drugs in the workers' compensation system, we have enhanced interagency collaboration, increased training, and supported legislation to curb use. As a result, since the Governor's Executive Order in 2018, we have seen opioid scripts in workers' compensation decline from 60,273 (\$15.5 million) in 2018 to 34,458 (\$8.3 million) in 2019. Additionally, compound drug scripts continuously declined from 1,399 in the beginning of 2018 (\$899,831) to 375 in the latter half of 2019 (\$227,506).

In 2019, the Department continued to invest in workplace safety as required under the Workers Compensation Act. The workers' compensation Health & Safety Division reached 38,000 individuals by conducting 465 free health-and safety-related trainings and outreach events which included opioid awareness trainings. Health & Safety Division also certified just over 12,500 workplace safety committees, which cover more than 1.5 million employees. Since the Department initiated this program, it has saved over three quarters of a billion dollars (\$767,681,840) in premium costs.

Conclusion

In 2019, the Department of Labor & Industry worked hard and well for the people of Pennsylvania. We will continue to do so in 2020. That is a testament to our workforce and of the partnerships and collaborations we have forged and that we are part of—from the State Workforce Development Board to the Keystone Economic Development and Workforce Command Center to partnerships with centers of higher education and technology to the collaborations among business, labor, and government that occur each and every day across the commonwealth.

While most of our budget comes from federal sources, Labor & Industry ensures that every federal and state dollar we receive goes towards the unique needs of Pennsylvania's workforce and businesses. Labor & Industry is the catalyst that translates state and federal resources into effective and efficient impact in Pennsylvania. We do this through the partnerships and innovative programs I have described. We do this to ensure that workers can enjoy the rights, protections, and benefits they have earned. And we do this to guarantee that Pennsylvania businesses have every advantage, especially the smart, skilled, committed, and resilient workforce they need to succeed.

Labor & Industry is now well into its second century of existence. Many of the needs that led to the creation of this Department in 1913 persist today—that workplaces are safe; that workers are trained and have access to training; that workers are not only paid but paid fairly for the labor and services they provide; that the unemployed need not be required to sink into poverty before they can access the assistance they deserve and have earned. Others reflect the modern, digital economy in which we live and work.

We are modernizing the systems that enable us to do the work we are statutorily empowered to do, but we are also modernizing the way we do our work and the way we think about our work. We are always learning, and we are constantly employing those lessons into our systems and strategies for serving hardworking Pennsylvanians and their families.