



**Written Testimony of Acting Secretary Kathy Manderino  
Department of Labor & Industry**

**before the House Appropriations Committee  
regarding the Department of Labor & Industry Budget Proposal for Fiscal Year 2015-16**

**Harrisburg, Pennsylvania  
March 17, 2015**

Chairman Adolph, Chairman Markosek and members of the House Appropriations Committee, Thank you for the opportunity to testify regarding the department's 2015-16 budget proposal.

As Gov. Wolf detailed in his budget address, he and his administration are committed to jobs that pay, schools that teach and government that works. With a focus on jobs and education, and mindful of our shared role in ensuring government works, Labor & Industry plays a pivotal role in ensuring the governor's goals are met or exceeded.

For Labor & Industry, that means working as a partner with education, labor and business to clearly define and match employer needs with worker skills and available training. We see it as our job to help all Pennsylvanians looking for work to find it. And, not just any job, but the right job with a fair wage that helps to support a family.

Labor & Industry serves all workers, including people with disabilities. Research shows that people with disabilities are excellent employees – loyal and with attendance records often far better than their co-workers without disabilities. Gov. Wolf's budget allows for a \$5 million increase in funding for our Office of Vocational Rehabilitation. The successes of OVR are many, but there is much more to be done to help people with disabilities find employment and along with it, independence. Serving nearly 75,000 people with disabilities in the state, our OVR offices across the commonwealth have many successes to share.

A \$5 million budget increase means strengthening existing programs, including Single Point of Contact, Early Reach and Project SEARCH. The increase allows OVR to serve more people with disabilities, especially young people, seeking employment. It will encourage the hiring of more people with disabilities – a population with a high unemployment rate and low labor force participation rate compared to the general population.

With increased state funding to OVR, the commonwealth can match federal funds that in previous years have been left in Washington. These dollars can now be used to train OVR talent and help employers offset their initial expense of on-boarding new workforce members. We do not want to leave money on the table when it's available to fund these successful programs vital to the wellbeing and independence of people with disabilities.

The Office of Vocational Rehabilitation, as part of its Single Point of Contact program, established a successful partnership with The Hershey Company to bring people with disabilities into the company's production workforce at the Y&S Candies plant in Lancaster County.

The apprenticeship project offered an opportunity for OVR customers to access family-sustaining wage jobs with full benefits starting the first day of their employment. Upon the successful completion of a 90-day apprenticeship probationary work period, an initial group of five successful individuals started earning \$15.25 an hour with benefits and access to career opportunities. Earnings quickly rose to more than \$16 an hour.

The program's success was replicated at the Reese's plant in Hershey and The Hershey Company plant in Hazelton. More than 25 people with disabilities have been successfully hired by The Hershey Company and are pursuing careers and realizing greater financial self-sufficiency and independence.

This type of success results in a gain of \$7 for every \$1 of federal and state taxpayer dollar provided to OVR. It is a win-win for the person with a disability, the employer and every taxpayer.

OVR programs such as EARLY Reach and Project SEARCH help youth with disabilities. Some of the program highlights of OVR that would benefit from this additional funding are:

Jobs for All: An on-the-job-training reimbursement program to promote the hiring of young people with disabilities.

EARLY Reach: Preparing youth with disabilities for their transition into the world of work and independence, EARLY Reach coordinators are assigned to each of the 15 Bureau of Vocational Rehabilitation Services (BVRS) district offices to connect earlier with youth with disabilities, their parents, schools and other community agencies. Earlier connection means more knowledge about OVR services that will help with decisions, expectations and success.

Single Point of Contact (SPOC): A partnership of OVR, non-profit disability organizations and the departments of Education and Human Services, SPOC simplifies the process of hiring people with disabilities. To accompany this model, OVR introduced an official "How-To Guide" for employers in fall 2013.

Project SEARCH: A national model that connects students with significant disabilities with large employers, surrounding them with supports, allows the student to experience several rotations within the company and exit high school with real experience. All federal funding ran out last year, but OVR is continuing Project SEARCH sites by using traditional OVR funding.

Dream Partnership: OVR has also awarded a contract to the Dream Partnership to develop Educational Certificate Programs for Individuals with intellectual disabilities on college campuses throughout the commonwealth. The contract for \$1.3 million allows for the development of two sites per year over a three-year period and will include financial aid for eligible young adults with intellectual disabilities to participate in the program. Such programs

are intended to prepare participants for gainful, community-integrated employment and independent living.

### **Workforce Development: Industry Partnerships**

Labor & Industry administers the Industry Partnership program. Industry partnerships are a key institutional innovation for meeting the skills needs of businesses, the career goals of workers, and the economic development goals of the commonwealth.

Industry partnerships are a particular kind of "workforce intermediary," a dual-customer institution that helps connect and meet the needs of both workers and businesses. Industry partnerships bring together *multiple* employers, and workers or worker representatives, when appropriate, in the same industry cluster to address common or overlapping human talent needs.

The goal of the Industry Partnership program is to encourage highly strategic partnership initiatives that develop cost-effective and financially sustainable means of meeting the needs of an industry cluster and its regional workforce.

In plain English, it's putting people to work where there is work.

The industry partnership program has the ability to spur job advancement, growth, and creation by prioritizing funds to occupational areas of critical need. While the importance of continuing education within the workplace cannot be understated and is certainly critical to business development and growth, the IP program must become more proactive in supporting job creation, career advancement, and movement into and up a career ladder, while continuing to support the retention of incumbent workers.

Competitive industry partnership grant proposals are reviewed yearly with funding allocations made for each project based on the state budget.

Since fiscal year 2011-2012, the Industry partnerships program received approximately \$1.6 million annually. Governor Wolf's fiscal year 2015-2016 budget provides a \$10 million increase in funding for this program, bringing the state's total investment in Industry Partnerships to about \$11.6 million. With the \$10 million influx of additional funding for industry partnerships, Labor & Industry can expand the program in several possible ways. Among others, these may include:

- Doubling the number of grant awards, increasing the maximum amount of the grants, and adding to the industry clusters we target. We currently fund 20.
- Extending the grant timeline from its current nine months to two years (as was previous practice).
- Convening the partnerships on a statewide basis, which we have not had the funds to do. Partnerships currently only convene locally. Statewide or regional conferences with multiple partnerships would be beneficial to all IPs.
- Adding a career pathways component of each partnership, which ties very well to the goals in WIOA (see more on WIOA below in the WIOA Summary). While some partnerships do pipeline development currently, the additional funds would support the new requirement and not place local WIBs at a funding disadvantage.

- Exploring the possibility of a more needs-based system, where we have the ability to be more responsive to employer needs in a local area. For instance, if a new employer comes into a local area, we could fund its needs as more of a rolling proposal rather than as a static proposal that we consider just once a cycle. An example might be that Pennsylvania attracts a large employer that's moving some of its workforce to the commonwealth. It needs to upgrade the skills of its current workers in an effort to move them into higher-level positions, which in turn opens the lower positions to new Pennsylvania workers. More jobs – and jobs that pay!

The Federal Workforce Investment Act (WIA) of 1998 was the guiding workforce legislation. It was enacted to improve the delivery of job training and employment services and consolidated funding into three basic grants under Title I-B: Adult Employment and Training, Dislocated Worker Employment and Training, and Youth Employment and Training.

On July 22, 2014 President Obama signed the Workforce Innovation and Opportunity Act (WIOA) into law. WIOA, the first legislative reform of the public workforce system in more than 15 years, passed both houses of Congress by a wide bipartisan majority. WIOA supersedes WIA and retains and amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973. WIOA requires that the state and local workforce partners must align measures and reporting, and collectively submit a state unified or combined plan. Another issue of importance to the local areas is the emphasis being put on regional planning. Regional collaboration is already happening, and WIOA requires it to be expanded. In implementing the new law, we will need to realign our state Workforce Investment Board, and confirm or realign our local investment areas and our PA CareerLinks®.

Labor & Industry has established relationships with our state partners and has begun to have the planning conversations around WIOA compliance, but we have a long way to go. Significantly, Pennsylvania's was the first State plan submitted and approved by USDOL on our last go around. We had a solid process in place that we can apply as we work on the combined or unified plan with a new strategy at play.

WIOA opens the door to changing the way services are delivered in the PA CareerLinks®. It expands the role of the local board somewhat, particularly when it comes to how Business Services are conducted.

While the local board sets the vision and strategy of the local area in alignment with the state plan, the day-to-day operations in PA CareerLinks® are overseen by consortiums in each local area. Currently the consortium or group of partners (including the state) has the responsibility of deciding how to execute the day-to-day operational needs. WIOA allows for an Operator to take on that role instead of a consortium if the local area chooses. Either the consortium model or the Operator model must be competitively bid.

## Unemployment Compensation

Pennsylvania's Unemployment Compensation system is very different from the one of the past few years. We are in a good place with unemployment compensation; we are meeting or exceeding our federal standards for getting people their benefits on time and we have no issue with our phone system.

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~~Pennsylvania's Unemployment Compensation system is not the same one that plagued the department the past few years. We are in a good place with unemployment compensation and as our unemployment rate continues to drop, we expect fewer people to claim benefits.~~

However, with fewer claims come fewer federal dollars to administer the program. That's why the \$50 million included in this year's budget and which the legislature graciously allocated via legislation in July 2013 is particularly imperative to retain.

The significant loss of federal dollars means we have less money to do the important work of providing unemployment compensation benefits to those who deserve them. Efficiencies in place are helping us work smarter, but we cannot emphasize enough the need to retain state dollars to keep this program solvent and successful.

## Minimum Wage

Pennsylvania's minimum wage was last raised on July 24, 2009 by the federal Fair Labor Standards Act. The last time the rate was raised by Pennsylvania legislation was 2006.

Currently, 29 states have minimum wages higher than \$7.25 and all of Pennsylvania's neighboring states have minimum wages higher than ours.

An increase in the minimum wage to \$10.10 per hour in 2016 would benefit 1.265 million residents' wages and as well as local businesses who sell goods and services.

For a single mother with two children who works 40 hours per week, a \$10.10 minimum wage would get her family above the poverty line, which is \$19,790 for a household of three.

Currently, someone earning minimum wage who works 40 hours per week year-round only makes \$15,080 per year, which is more than \$4,700 below the poverty line. Such a low wage requires many people to use government assistance programs just to get by.

**Comment [G01]:** This number differs from the one I have seen but there are two different versions of the federal poverty levels and if you're absolutely certain that this is correct for the version you're using then it's OK.

**Comment [G02]:** Is it household or family? The version I used is for families. Please double-check.

Businesses will benefit from the minimum wage increase because workers receiving higher wages have more disposable income. ~~and business that pay higher wages attract employees.~~ When they spend that income, businesses' sales and the total number of jobs statewide also increase.

**Comment [S1G3]:** These were provided by the governor's press office.

Six hundred economists, seven of them Nobel Prize winners in economics, have signed a letter of support for raising the minimum wage to \$10.10 by 2016.

It's time for Pennsylvania to step up to support our workers whose wages haven't kept pace with inflation.

**Conclusion**

Mr. Chairman and members of the committee, the department continues to make progress in all program areas to benefit the businesses and workers in our commonwealth. Gov. Wolf's proposed budget is aimed at jobs that pay, schools that teach and government that works – three areas where Labor & Industry is committed and well-equipped to aid in the growth of our state and the prosperity of our citizens and businesses.

Thank you for the opportunity to discuss the department's budget proposal. I would be happy to answer questions at this time.