

Secretary of Labor Thomas E. Perez

**Testimony of
Thomas E. Perez, Secretary
U.S. Department of Labor
Before the
Subcommittee on Labor, Health and Human Services,
Education and Related Agencies,
U.S. House of Representatives**

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Chairman Kingston, Ranking Member DeLauro and members of the Subcommittee, thank you for the invitation to testify today. I appreciate the opportunity to appear before you to discuss the Fiscal Year 2015 budget request for the Department of Labor.

President Obama's 2015 Budget builds on his vision of opportunity for all Americans of which he spoke in January in the State of the Union address. The President's budget sets forth concrete, practical investments and proposals to achieve his vision by growing the economy, strengthening the middle-class, and empowering all those hoping to join the ranks of the middle-class. It is an agenda of opportunity, action, and optimism. It is the agenda for our work at the Department of Labor over the next three years.

The core principle is as American as they come — if you work hard and play by the rules, you should have the opportunity to succeed. In America, your ability to get ahead should be determined by hard work and personal responsibility — not by the circumstances of your birth.

Making good on the promise of opportunity has always been central to the Labor Department's mission to help create jobs and build a stronger middle class, to invest in human capital to build a skills infrastructure that supports business growth, to give every American the chance to retire with dignity and a measure of economic security, to promote a fair wage and safe working conditions, to help our nation's veterans find a place in the civilian economy, and to help historically marginalized populations, like immigrant communities and people with disabilities, move into the economic mainstream. But now, more than ever, as the President's agenda is our agenda, working to fulfill the promise of opportunity is fundamental to what we do, and the budget proposal would provide the investments necessary to enable us to help fulfill the promise.

We have come a long way since the depths of the Great Recession. We have seen 48 consecutive months of private sector job growth, which has added 8.7 million jobs, and the unemployment rate has reached its lowest point in over five years. Moreover, our manufacturing sector is experiencing the largest and most consistent growth since the mid-1990s. Over 600,000 manufacturing jobs have been added since February 2010. We have cut our deficits by more than half to their lowest share of GDP since before President Obama took office.

By those measures, we are well on our way to a full recovery. But the statistics do not tell the whole story as economic growth is still hamstrung by stubbornly high unemployment. They are cold comfort to the underemployed construction worker who continues to be laid off in between sporadic jobs. They do not encourage the factory worker whose application never gets a second look after the human resources department sees she has been unemployed for six months; or the waitress or bank teller who works full-time but must depend on public assistance to feed her family. They do not help the country's youth for whom so much depends on that critical first job. So while we have come a long way, much work remains.

The President's budget outlines a comprehensive agenda to make America a magnet for middle class jobs and business investment. Equipping workers with the skills they need and for which employers are hiring is not just a workforce development issue, it is an economic development issue. No matter what your political party, we can all agree on one thing: good jobs and low unemployment are good for the country. As part of the effort to achieve this shared goal, the President is acting on a set of specific, concrete proposals that will make sure American workers have the skills they need for in-demand jobs of today and the jobs of tomorrow. These initiatives will allow industry to identify the skills and credentials required for jobs they are seeking to fill now and tomorrow; give workers and job seekers access to education and training that meets those needs; and provide employers with easy ways to find workers who have or can acquire those skills. Some of these proposals will require new legislation while others can be done within existing program authorities. I am eager to work with all who are willing to roll up their sleeves with me to enact these critical programs.

The President's budget also supports the extension of emergency unemployment benefits for the long-term unemployed. If not extended, 3.6 million additional people are estimated to lose access to extended UI benefits by the end of 2014, despite remaining unemployed and looking for work.

As I will explain, the President's budget request creates opportunity for all Americans while continuing long term deficit reduction through:

- Opportunity, Growth and Security Initiative.
- Investing in a Competitive Workforce.
- Protecting American Workers and their Income and Retirement Security.

OPPORTUNITY, GROWTH AND SECURITY INITIATIVE

While the 2015 Budget will adhere to the spending levels agreed to in the Bipartisan Budget Act of 2013 and reflect the tradeoffs that are required to maintain those levels of spending, the Budget also presents the President's vision for an economy that promotes opportunity for all Americans. As part of this vision, the Budget sets forth a fully paid for Opportunity, Growth, and Security Initiative (OGSI), which will include additional policies to grow the economy and create jobs without adding a dime to the deficit. The OGSI would increase the FY 2015 discretionary caps to make room for priority defense and non-defense investments, paying for \$56 billion in funding with a balanced package of spending reforms and closed tax loopholes. It will increase employment, while achieving important economic outcomes in education, research, manufacturing and public health and safety. Although not included in our budget totals before

the Committee, the OGSi envisions a significant role for the Department. At DOL, the OGSi includes:

- **Community College Job-Driven Training Fund.** The OGSi includes \$1.5 billion per year to support a four-year investment in a Community College Job-Driven Training Fund that will offer competitive grants to partnerships of community colleges and other entities to reform curricula and launch new training programs. Of this amount, \$500 million per year will go toward a dedicated apprenticeship training fund to provide grants to states and regional consortia to work with employers to create new apprenticeships and increase participation in existing apprenticeship programs. Apprenticeship is a strategy that we know works to provide good jobs and paths to the middle class. This four-year investment will support doubling the number of high quality, registered apprenticeships in America over the next five years.
- **Supporting and Improving Training and Employment Services.** The Initiative would provide \$750 million to fully restore prior cuts in job training and employment services, invest more intensively in innovation, and target resources to populations that face significant barriers to employment.
- **State Paid Leave.** The OGSi also proposes an additional \$100 million for the State Paid Leave Fund to support states that wish to establish paid leave programs. Currently, only California, New Jersey, and Rhode Island offer such programs, which they call family leave insurance. More States should have the chance to follow this example.

INVESTING IN A COMPETITIVE WORKFORCE

To continue the economic recovery, the 2015 Budget proposes a set of initiatives that would reduce long-term unemployment and hasten reemployment including the New Career Pathways program (formerly the Universal Displaced Workers initiative), reemployment services and eligibility assessments and services, and the three-pronged Job-Driven Training legislative proposal comprising the following programs: Bridge to Work; Back to Work Partnerships; and Summer Jobs Plus.

- **New Career Pathways.** The 2015 Budget proposes mandatory funding for a New Career Pathways (NCP) program that will provide workers with a set of core services by combining the best features of both the Trade Adjustment Assistance for Workers (TAA) and Workforce Investment Act (WIA) Dislocated Worker (DW) programs. Upon enactment, NCP will streamline administrative steps and integrate proven practices, service delivery platforms, and infrastructure of the TAA and WIA DW programs to offer a universal suite of training and reemployment services to a broader number of displaced workers.

To invest in the Nation's youth and the long-term unemployed, the 2015 Budget also includes a package of mandatory funding for job-driven training proposals. These proposals would be designed with employer needs in mind, putting an end to what I call the "train and pray" era of training workers for jobs with limited demand or with credentials employers do not value. This \$8.5 billion package of proposals includes:

- **Bridge to Work.** The \$2 billion Bridge to Work program is designed to provide states with flexible funding to implement Bridge to Work and other innovative reemployment initiatives targeted to the long-term unemployed and to design, develop, and implement their own path-breaking strategies to encourage reemployment.
- **Back to Work Partnerships.** The Back to Work Partnerships will support partnerships between education and training institutions and businesses to get the long-term unemployed back to work. Funded with \$4 billion over two years, the program would provide competitive grants that support promising and innovative local work-based job and training strategies to place low-income adults and youth in jobs quickly. Such strategies include on-the-job training; sector-based training; training in collaboration with an industry sector partnership; connections to immediate work opportunities; career academies; and/or adult basic education and integrated basic education and training models.
- **Summer Jobs Plus.** This is a \$2.5 billion one-time investment to support opportunities for hundreds of thousands of low-income youth. The first component is a \$1.5 billion formula grant program that will provide funds to states, available up to two years, to support summer and year-round jobs for 600,000 youth. The second component is a \$1.0 billion innovation fund to provide competitive grants to support promising and innovative employment and training strategies designed to improve outcomes for low-income youth.

I am working closely with the Vice President to continue other evidence-based efforts to replicate approaches that have been proven to work, move funds from those that have not, and continue to encourage and evaluate innovative and promising strategies. As that process unfolds, there are steps that we can take right away. The Budget proposes to maintain a strong foundation with funding for existing programs, while taking steps to foster innovation and improvement. The Budget includes:

- **Training and Employment Services.** The 2015 Budget includes more than \$3 billion in formula and other grants to states and localities to provide training and employment services to more than 20 million Americans at over 2,500 American Job Centers across the country. The Budget maintains the state-wide reserve at 8.75 percent, as enacted in FY 2014.
- **Workforce Innovation Fund.** The 2015 Budget proposes \$60 million to support innovative state and regional approaches to the design and delivery of employment and training services that generate long-term improvements in the performance of the public workforce system, both in terms of employment outcomes and cost-effectiveness.
- **Incentive Grants.** The 2015 Budget requests \$80 million for revamped Incentive Grants for states and tribal governments. These funds will be used to reward states and tribal governments that demonstrate the greatest success in their WIA programs serving subpopulations facing significant barriers to employment, such as the long-term unemployed, disconnected youth, individuals with disabilities, and veterans. A limited number of grants would be awarded based on the extent to which eligible entities improve their performance relating to employment outcomes. Combined with the Workforce Innovation Fund, the grants would invest an amount equal to 5 percent of WIA formula grants to drive innovation and better performance at the state and local level.

- **Reemployment and Eligibility Assessments/Reemployment Services (REA/RES).** For those who have lost their jobs, the budget request would reconnect unemployed workers to jobs more quickly through an investment of \$158 million in discretionary funds for reemployment and eligibility assessments and reemployment services (REA/RES), an evidence-based approach to speed the return to work of UI beneficiaries. Research has shown that when reemployment eligibility assessments are delivered seamlessly with reemployment services, they are significantly more effective, with claimants less likely to exhaust their UI benefits, shorter UI durations and lower benefits paid, and faster returns to work with higher wages and job retention. Savings attributable to the program were almost three times higher than the cost. Included in this proposal is dedicated funding to ensure that all recently separated military personnel receiving Unemployment Compensation for Ex-Servicemembers (UCX) get these services to help them successfully transition to the civilian workforce. The request is also sufficient to provide services to the top quarter of UI beneficiaries most likely to exhaust benefits.
- **Sector Strategy.** The Department requests \$15 million for grants to states, consortia of states, or regional partnerships to develop employment and training strategies targeted to particular in-demand industry sectors in regional economies. These grants will help ensure that the long-term unemployed and other targeted populations receive the training they need for careers for in-demand industry sectors.
- **Job Corps.** The 2015 Budget proposes \$1.7 billion for the Job Corps program to prepare disadvantaged young people for jobs in high-demand occupations with good wage potential and to further their education and training as well as their responsibilities of citizenship and adulthood. The 2015 Budget includes \$13.8 million to open and fully enroll students in two new Job Corps centers in New Hampshire and Wyoming, the last two states without centers, and continues the Administration's commitment to improving and reforming the Job Corps program. These reforms include closing a small number of under-performing Job Corps centers; focusing the program on the older youth for whom it has been demonstrated to be effective; improving procurement and financial oversight; modernizing operations with a revised Policy and Requirements Handbook; and ongoing cost-savings reforms.

PROTECTING AMERICA'S WORKERS AND THEIR INCOME AND RETIREMENT SECURITY

Worker protection programs are crucial to protecting the health, safety, wages and working conditions of America's workers. The American people rely on the Department to fulfill our responsibility to make these protections not just words in the statute books, but real safeguards against threats to their lives and livelihoods. The Budget includes nearly \$1.9 billion for the Department's worker protection agencies. Some highlights of our worker protection request include:

- **Wage and Hour.** The 2015 Budget proposes an increase of almost \$30 million for the Wage and Hour Division (WHD) to hire 300 new investigators to target the industries and employers most likely to break laws that ensure workers receive a fair day's pay for a fair day's work, including the minimum wage and overtime pay, as well as the right to take leave to care for their own or their families' medical needs. Included in this increase

are funds transferred from the Women's Bureau to enhance enforcement of the Fair Labor Standards Act and the Family and Medical Leave Act, two laws of critical importance to women. An additional \$0.8 million will be used to strengthen the agency's training and professional development program, ensuring that all new and existing investigators have the information and skills they need to be effective. The Budget also provides \$5.8 million for WHD to develop a new integrated enforcement and case management system that will allow investigators to better employ data analysis in identifying violations, targeting investigations and compliance assistance efforts, and evaluating the impact and quality of enforcement.

- **State Paid Leave Fund.** Too many American workers must make the painful choice between the care of their families and a paycheck they desperately need. While the Family and Medical Leave Act allows many workers to take job-protected unpaid time off, millions of families cannot afford this. A handful of states have enacted policies to offer paid leave, but more states should have the chance to follow their example. The Budget includes a \$5 million State Paid Leave Fund to provide technical assistance and support to states that are considering paid leave programs. In addition, as discussed above, the Administration's Opportunity, Growth, and Security Initiative includes \$100 million in additional funds for this Fund.
- **Employee Misclassification.** The 2015 Budget provides nearly \$14 million to help identify and combat the misclassification of workers as independent contractors, which deprives workers of the benefits and protections to which they are legally entitled, such as minimum wage, overtime pay, unemployment insurance, and anti-discrimination protections. This includes \$10 million in continued grants to states to recover unpaid unemployment taxes and \$3.8 million of the WHD increase for personnel to investigate violations.
- **Occupational Safety and Health Administration.** No worker should have his or her life on the line for a paycheck. Workers need the Occupational Safety and Health Administration (OSHA) to enforce their right to a safe and healthful workplace. The vast majority of employers want to keep their workers safe and they need OSHA to have the resources necessary to help them find the best way to do so. The 2015 Budget provides \$565 million for OSHA to inspect hazardous workplaces and foster employer compliance with safety and health regulations. The request includes an increase for state grants to ensure that State Plan States can do the same. In addition, the request includes an additional \$4 million to strengthen OSHA's enforcement of the 22 whistleblower laws that protect workers against retaliation for reporting unsafe and unscrupulous practices and to centralize the agency's audit function and improve the information technology used by investigators to collect case data.
- **Mine Safety and Health Administration.** The 2015 Budget requests \$377 million for the Mine Safety and Health Administration (MSHA), to build on the remarkable progress MSHA has made to bring the incidence of fatal injuries in the mining industry to an all-time low in FY 2013. The request includes funding increases to improve the timeliness of special assessments, support rulemaking activities, improve systems and data analytics that support enforcement functions, and reform federal training delivery to help protect workers in one of our nation's most dangerous industries.
- **Federal Contract Compliance.** The 2015 Budget proposes an additional \$1.1 million to strengthen efforts by the Office of Federal Contract Compliance Programs (OFCCP) to

combat pay discrimination. OFCCP works to eliminate employment discrimination on the basis of race, religion, color, national origin, and sex, to eliminate employment discrimination for our nation's veterans and workers with disabilities, and to secure equal employment opportunity for workers.

- **Defined Benefit Pension System.** The Budget proposes to give the Board of the Pension Benefit Guaranty Corporation (PBGC) the authority to adjust premiums to take into account the risks that different sponsors pose to their retirees and to PBGC. The Board would be able to adjust premiums in both the single employer and multiemployer programs. These premium increases are crucial to improving solvency but will not be sufficient to address the complex challenges facing these plans, and the Administration looks forward to working with Congress on a more comprehensive solution.
- **Employee Benefits Security Administration.** To protect the health and retirement benefits of America's workers, the Department is requesting \$188 million for the Employee Benefits Security Administration (EBSA). These funds will protect more than 141 million people covered by an estimated 684,000 private retirement plans, 2.4 million health plans and a similar number of other employee welfare plans, which all together hold \$7.8 trillion in assets.

In addition, the Budget request includes legislative proposals to modernize two worker benefit programs to improve the operation of both programs.

- **Federal Employees' Compensation Act (FECA).** The FY 2015 request for the Department of Labor proposes once again to act on longstanding recommendations from the Government Accountability Office, Congressional Budget Office, and DOL's Inspector General to improve the Federal Employees' Compensation Act (FECA), which has not been substantially updated since 1974. These reforms will help workers return to the dignity of work and will generate government-wide savings of more than \$340 million over 10 years.
- **Unemployment Insurance (UI) Reform.** The combination of chronically underfunded reserves and the economic downturn has placed a considerable financial strain on states' UI operations. It is important to enhance the UI system's solvency and financial integrity while maintaining benefits for job seekers. The Budget proposes to provide immediate relief to employers to encourage job creation now, improve state fiscal responsibility going forward, and work closely with states to eliminate improper payments.

ADDITIONAL PRIORITIES

The Department's budget request also includes other programmatic increases outside the training and employment services and worker protection areas that support the well-being of American workers.

- **Bureau of Labor Statistics (BLS).** BLS is the principal Federal statistical agency responsible for measuring labor market activity, working conditions, and price changes in the economy. Its mission is to collect, analyze, and disseminate essential economic information to support public and private decision-making. These policies and decisions affect virtually all Americans. The budget request of \$610 million includes an increase of

\$1.6 million to add one annual supplement to the Current Population Survey that would collect information relevant to labor force trends, including data on contingent work and alternative work arrangements, and workplace flexibility and work-family balance. The Budget also includes an increase of \$2.5 million for the Consumer Expenditure (CE) Survey to support the Census Bureau in its development of a supplemental statistical poverty measure using CE data.

- **Information Technology Modernization.** The goal of the Department's IT Modernization effort is to provide the foundation for the technology needed to transform the way the Department provides services to, and interacts with, the American public. It continues the integration of the Department's many infrastructures and consolidation of data centers to provide a more robust, reliable, cost-effective, and energy-efficient computing environment. Additional resources are being requested for a new Digital Government Integrated Platform, which will be used to provide a foundation of mobile computing and open data services that can be leveraged by agencies to enhance and deploy mission-specific applications and capabilities. These services will contribute to improved customer service and collaboration opportunities and maximize the return on investment in technology to support agency business operations.
- **Evidence and Evaluation.** The Department continues its evidence-based approach incorporating rigorous evaluation in all agencies and in every discretionary grant program, ensuring the best and most secure technology is used to make administrative data available for program management and evaluation. The 2015 Budget proposes to continue the provision for a setting aside funding for Departmental evaluations, preserves dedicated funding for Labor's Chief Evaluation Office, and also includes an additional \$2.4 million and 5 FTE to create a department-wide data analytics unit, to create the capacity for the Department to use its administrative data to assess performance, analyze trends, and better target its work.
- **Legal Services.** The 2015 Budget proposes an increase of \$6.6 million to support initiatives proposed for the Wage and Hour Division, OSHA's Whistleblower Protection Program, EBSA's Health Benefits Security project, and to enable SOL to continue to provide a full range of legal services to OWCP's Division of Coal Mine Workers' Compensation.
- **Adjudication.** The 2015 Budget proposes an increase of \$2.0 million for the Office of Administrative Law Judges to support productivity increases and alleviate the growing backlog of cases before the judges; an increase of \$1.3 million from the Black Lung Disability Trust Fund to fully fund adjudication of claims under the Black Lung Benefits Act; and \$0.2 million for the annual maintenance and support funding of the DOL Appeals Management initiative for the Adjudicatory Boards.

CONCLUSION

In FY 2015 the Department of Labor will strive to advance our mission of serving American workers and employers and to build the foundation for our next 100 years. Our request helps create opportunities for working Americans by investing in skills and our enforcement infrastructure. The Budget will help ensure that the Department has the resources to lead the job-driven workforce system to hone the job skills of American workers; bolster efforts that address long-term unemployment; maintain safe and healthy workplaces; strengthen worker voice in the

workplace; safeguard critical minimum wage and overtime protections for workers; and ensure secure retirements. The Department's budget request is really a request to invest in the opportunity and potential of the American people.

That's why I am so eager to tackle these challenges every single day. As it's been for all 101 years of our existence, I believe the work of the Labor Department is the work of America.

Mr. Chairman, thank you for inviting me today. I look forward to working with you during the coming year and I am happy to respond to any questions that you may have.