



**Written Testimony of Acting Secretary Nancy A. Walker
Department of Labor & Industry
Before House Appropriations Committee
April 12, 2023**

Chairman Harris, Chairman Grove, members of the Appropriations Committee, and other invited legislators, thank you for the opportunity to speak with you today about Governor Josh Shapiro's proposed budget for the Department of Labor & Industry (L&I) for fiscal year (FY) 2023-2024.

Throughout his brief tenure, Governor Shapiro has worked hard to develop policies that will protect the interests and well-being of hardworking Pennsylvanians and their families. This is highlighted through several executive orders the Governor signed focused on economic development. Governor Shapiro's proposed budget confirms and strengthens his commitment to serve, support, and empower the people of Pennsylvania by building the most resilient workforce and the most dynamic state economy in the nation through investments in the people of this Commonwealth.

For the 2023-2024 budget, L&I's request represents an increase in state appropriations of about 11.42 percent, or an increase of \$9.208 million from the previous year, for a total state funding request of \$89,823,000. This request represents less than one-fifth of one percent of the overall state General Fund budget. State funds account for just over six percent of L&I's total funding. Federal dollars and other dedicated funds support most of the agency's work, but state funds are foundational to L&I's work to enforce state laws and spur job creation. Without those state dollars, we would not be able to:

- Provide, expand, or improve unemployment services;
- Ensure workplace safety;
- Enforce Pennsylvania labor laws that protect workers, businesses, and consumers and ensure that law-abiding businesses thrive in a fair economic system;
- Construct pathways to economic mobility for hardworking Pennsylvanians and their families, and, in particular, our fellow Pennsylvanians with disabilities; and
- Leverage the maximum amount of federal dollars possible to train resilient workers, empower dynamic businesses, and build the industries that make up our Pennsylvania economy.

Much of my focus since I started has been on improving the Unemployment Compensation system. The last few years have created an unparalleled strain on the UC system, but the department continues to make progress in reducing our backlogs in processing non-monetary determinations and claims, as well as fraud reports.

Since the launch of the modernized system in June 2021, L&I has paid \$4.9 billion in traditional UC benefits to 817,196 Pennsylvanians. Our small but mighty Internal Audits Division (IAD) of 25 staff members continues to address the outstanding fraud reports, with approximately 47 volunteers from the Office of UC Tax Services continuing to bolster the efforts of IAD's full-time staff. IAD launched a new fraud case management tool in November 2022. It allows the investigators to keep all fraud reports in one repository to track them efficiently and effectively. The addition of this tool has enabled IAD to capture their

productivity more precisely. Since November 5, 2022, IAD has investigated and completed 16,205 cases. Currently, there are approximately 34,000 fraud reports for traditional UC and a little over 48,000 for the temporary federal program, Pandemic Unemployment Assistance, or PUA. IAD prioritizes cases of individuals who are currently seeking unemployment benefits and cannot proceed with their own application until their fraud case is complete.

Because the volume of unemployment claims is now lower than pre-pandemic levels, we are focused on completing this backlogged work, while also making enhancements to our operations. Helping Pennsylvania claimants would not be possible without our L&I staff. Last year, we were able to work with the Office of Administration to increase pay for our two main customer service positions and provide previously unavailable benefits for our front-line workers. Since this position upgrade in August 2022, we have finished five rounds of hiring and have been able to increase the number of our entry-level staff from 316 to currently 514. The effects are evident. Phone wait times were reduced 40%, our email turnaround time is 75% shorter, and we have been able to reinstate online chat for customers to have an additional convenient way to reach us. Indeed, since the inception of online chat in December 2022, staff have answered 14,256 chats.

However, this is not enough. In order to eliminate our backlog of over 34,591, as well as prepare for possible economic downturns, we will need to hire more employees and update technology to ensure Pennsylvanians get the help they need when they need it. To achieve this goal, the budget request asks for \$113,063,000 in reauthorization of the Service Infrastructure Improvement Fund (SIIF), which includes 50 additional intake interviewer positions. With the assistance of the Office of Administration, we have been able to surpass that goal and will continue hiring additional staff throughout April, May, and June. This will allow my department to have a sufficient complement to reduce the call wait time for claimants, and promote current interviewers to examiners to clear the backlog. To further assist with this plan, our Office of Vocational Rehabilitation is developing a help desk that will hire 50-60 individuals with disabilities (30 full time equivalent positions) – including veterans -- to help people with technology issues such as uploading documents and resetting passwords.

While phone, email, and chat are essential to good customer service, the value of in-person assistance cannot be overstated for those individuals who struggle with technology, do not have technology, have limited English proficiency, or simply want to sit across from someone – face-to-face – to get help. Beginning in May 2022, L&I began working on what is commonly known as the “Equity Grant,” a one-time \$6.8 million grant offered by the United States Department of Labor (USDOL). A small portion of this grant was earmarked for processing PUA appeals. The rest paid for the staff time, travel, equipment, and PA CareerLink® space to meet with claimants in one-on-one, face-to-face appointments to help them with UC claim issues. While the federal money has been expended, after careful consideration, L&I thoughtfully reallocated resources to continue this important, in-person customer service to Pennsylvanians seeking assistance with their UC claims.

We are choosing to continue this program, newly dubbed UC Connect, in our 58 PA CareerLink® locations with 87 dedicated staff members. This SIIF request will allow us to add 35 additional staff in our Southeastern locations to meet the high demand for in-person assistance. Those additional staff will allow us to hire workers from Southeast Pennsylvania, including individuals with language skills needed to better serve vulnerable communities. Since the program’s launch, L&I has served nearly 34,000 UC claimants with in-person appointments at PA CareerLink® locations throughout Pennsylvania. This

program has facilitated more equitable access among Pennsylvanians – especially in historically underserved communities – to the UC system. For L&I, it has empowered our staff to engage on a deeper level with our constituents and provide the effective customer service that Pennsylvanians deserve and expect.

Many of our non-governmental stakeholders deeply appreciate this in-person assistance, and they, too, stepped up to work with L&I to help their neighbors. L&I applied for and received the USDOL Navigator Grant, which awarded more than \$2.5 million to seven Pennsylvania organizations that answered the call for collaboration on grassroots efforts to eliminate barriers to Pennsylvania’s UC system. UC Navigator Grant recipients are community-based organizations that are facilitating L&I’s goal of helping Pennsylvania workers learn about, apply for, and -- if eligible -- receive UC benefits. This first-of-its-kind project is designed to improve UC access for all Pennsylvania workers, but especially immigrants and refugees in Pennsylvania’s biggest urban centers – Philadelphia and Pittsburgh; individuals in low-income communities with limited access to or familiarity with technology; and individuals with disabilities. Once trained by L&I staff, these organizations will be able to assist claimants on various aspects of the UC system, including initial applications, weekly certifications, and identity verification. Building a more accessible and equitable UC system necessitates such a partnership with community organizations because they serve groups that are historically underserved, marginalized, and adversely affected by persistent poverty and inequity. They are integral to helping us meet claimants where they are.

This budget requests a \$1,974,000 increase for General Government Operations (GGO), a 13.9 percent increase for this line item from state fiscal year 2022-23. Approximately \$1.507 million of that increase will support the hiring of eight additional labor law compliance investigators and the increase in operational costs associated with those hirings. Currently, the Bureau of Labor Law Compliance (BLLC) has 27 investigators to enforce 13 labor laws across the entire Commonwealth. Additional funding for BLLC will increase the investigator complement by one-third and will improve the Commonwealth’s ability to ensure that working Pennsylvanians’ wages are protected and that minors are not working in unsafe conditions, and to educate employers about legal requirements. As a point of comparison, neighboring state New Jersey has a population of 8.9 million, or about 70 percent the population of Pennsylvania, and has 65 labor law investigators.

With regard to the ongoing national problem of worker misclassification, our Office of UC Tax Services continues to work with the BLLC, Workers Compensation and other agencies as appropriate, in identifying leads and auditing businesses that are underreporting or misclassifying workers. To that end, during 2022 the Office of UC Tax Services conducted 3,124 audits, audited gross payroll of \$2,216,058,276.55, discovered 10,542 misclassified or unreported workers and calculated \$3.9 million in underreported UC taxes. Of the audits completed, 220 businesses with 1,658 worker misclassification violations were referred to the BLLC for subsequent Act 72 Worker Misclassification fine assessments. BLLC collected \$263,000 in fines from 93 construction employers in 2022 and has already collected \$107,715 in fines from 35 construction employers.

Additionally, this budget requests a \$474,000 increase to the Bureau of Occupational and Industrial Safety (BOIS) line item. BOIS is responsible for the safety of Pennsylvanians in buildings and around building components by ensuring buildings comply with the Uniform Construction Code and that elevators and boilers are installed and inspected in accordance with their respective laws. This 16 percent increase helps to fund the creation of an additional 11 positions to address boiler and elevator inspection backlogs and

speed up the processing time for the approval of new elevator and boiler equipment to be installed in buildings. BOIS generates revenue for the general fund by charging for the plan review and inspection services it provides. In fact, in state fiscal year 2021-22, BOIS generated over \$14 million in revenue of which over \$4 million was deposited into the General Fund. Funding additional positions will not only provide greater safety, but it will generate more revenue for the Commonwealth.

I am grateful for the hard-working people at L&I who put in great effort every day to serve Pennsylvanians. These public servants faced some of the Commonwealth's toughest challenges over the last few years with resilience, providing services and continuing our important work in creating jobs, ensuring fair wages, keeping workplaces safe, providing a financial safety net to thousands of Pennsylvanians, and protecting workers' rights.

The last several years have been tough for the Pennsylvania workforce, but Pennsylvania workers collectively showed they are dedicated to working hard and finding meaningful jobs. In February 2020, there were 6,087,900 jobs in Pennsylvania. As of our latest data in January 2023, there were 6,085,800 jobs in Pennsylvania. The American Rescue Plan, enacted by Congress and signed by President Biden in March 2021, significantly helped Pennsylvania recover 99.8 percent of its jobs lost during the pandemic.

We are investing more in apprenticeship programs and expanding Career and Technical Education (CTE), or vo-tech, opportunities. The Governor believes that our schools should prepare students for the future and give them the tools and the freedom to chart their own course. This budget includes an investment of \$23.8 million for apprenticeship and pre-apprenticeship programs that will prepare students for skilled careers and help fill openings in high-demand fields like health care; STEM, or science, technology, engineering, and math; energy; and infrastructure trades. To further this goal, we are asking for an additional \$3.5 million to continue our Schools-To-Work program, which supports the establishment or enhancement of workforce development partnerships between schools and employers, organizations, or associations to create employment and training pathways for students.

This budget also focuses on job retention and recruitment to attract individuals to the Commonwealth by investing \$24.7 million in those areas by providing a tax credit of up to \$2,500 a year for three years for Pennsylvanians who earn a certification or license in fields such as teaching, nursing, or law enforcement. This will also support those who move to Pennsylvania with the approved certification.

The Bureau of Workforce Development has a crucial role to play in bringing the Commonwealth workforce back to its February 2020 levels. As we look forward, an exciting opportunity lies in utilizing additional federal dollars from the Infrastructure, Investment, and Jobs Act (IIJA) in creative ways. To take full advantage of these federal funds, Pennsylvania needs a trained and resilient workforce. We will, among other strategies, continue to use a proven apprenticeship model that is the envy of peer states to prepare Pennsylvania workers for jobs of the future – whether that be repairing our aging bridges and roads or providing broadband availability to connect our most hard-to-reach Pennsylvanians.

Governor Shapiro wants to invest in workers and Pennsylvania's ability to compete by raising the minimum wage. In 2023, the minimum wage is increasing already has or soon will increase in 27 states – but not here in Pennsylvania. The minimum wage will be increasing in every state surrounding Pennsylvania with the exception of West Virginia, where the \$8.75 minimum wage is already \$1.50 more than Pennsylvania's. Raising the minimum wage to \$15 will directly benefit up to 982,172 Pennsylvania workers. Raising the wage will generate nearly \$60 million in additional tax revenue in (FY) 2023-24 and over \$117 million more by (FY) by 2024-25. Increasing the minimum wage not only puts more money into

the pockets of workers, but it also means more spending, which gives local businesses more customers. Simply put, a higher minimum wage makes jobs more attractive for Pennsylvanians. In this time where workers have more bargaining power than ever before – and can be more selective in choosing where they work, raising the minimum wage is the right thing to do not only for our workers and businesses, but it is the smart thing to do for our economy.

L&I remains committed to serving the people of Pennsylvania. Our staff have remained resilient over the past several years and continue to adapt and overcome challenges to provide outstanding services. These public servants work hard every day and care deeply about Pennsylvanians and their economic security.

We keep Pennsylvanians safe by inspecting offices, elevators, boilers, schools, and even stuffed toys. Our team ensures that workers are paid fairly and on time. We use data and technology to help predict the state of the economy and prepare for any economic downturns. We also make sure there is insurance coverage for employees who may be injured on the job. We help people with disabilities find viable pathways to employment, including nearly 5,300 in (FY) 2022-23. We encourage community service through over 1,900 AmeriCorps members who fill important roles in local communities across the Commonwealth by providing support and time.

We are always aiming to improve how we provide services and welcome any constructive feedback. Pennsylvanians depend on us, and this budget request will help us to provide programs and services that will effectively serve them.

Chairman Harris, Chairman Grove, and members of the General Assembly, I thank you for the opportunity to testify on behalf of this agency. I have no doubt that working together, Pennsylvania can achieve a budget that will support workers and businesses as we recover from one of the most challenging times in our history. I am pleased to take your questions at this time.