



**Written Testimony of Secretary Jennifer Berrier
Department of Labor & Industry
Before House Appropriations Committee
March 2, 2022**

Chairman Saylor, Chairman Bradford, members of the Appropriations Committee, and other invited legislators, thank you for the opportunity to speak with you today about Governor Tom Wolf's proposed budget for the Department of Labor & Industry (L&I) for fiscal year (FY) 2022-2023.

Throughout his tenure, Governor Wolf has worked tirelessly to protect the interests and well-being of hardworking Pennsylvanians and their families. This is especially true over the past several years, as the Governor has led this commonwealth through the COVID-19 pandemic and spearheaded the commonwealth's economic recovery. Governor Wolf'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 investment in the people of this commonwealth.

For the 2022-2023 budget, L&I's request represents an increase in state appropriations of about 5.35 percent, or an increase of \$4.223 million from the previous year, for a total state funding request of \$83,231,000. This request represents less than one-fifth of 1 percent of the overall state budget. State funds account for just over 6 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, and 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 citizens 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.

This budget request includes an increase of about \$4.215 million for General Government Operations (GGO), a 30.4 percent increase for this line item. Of that \$4.215 million, approximately \$3.2 million will be used to fund the project team and

initial startup costs for Pennsylvania's comprehensive state longitudinal data system (SLDS). This data system was one of the key recommendations from the Governor's Keystone Workforce and Economic Development Command Center. It will connect various points of data from multiple agencies so that we can better track outcomes – from early learning to K-12 education to postsecondary training to employment – for Pennsylvanians accessing public services and make better data-driven decisions around education and workforce development. About \$700,000 of the \$3.2 million will go towards SLDS personnel costs, and the remainder will be allocated for operational costs. As a broad workforce development initiative, funding for this initiative will come from L&I's GGO.

Beyond the SLDS initiative, the remaining increase to GGO is just over \$1 million, or around a 1.24% increase to the overall state funding request as compared to FY 2021-22. About \$178,000 (17.5%) is attributable to increased anticipated retirement health care costs and about \$837,000 is to fulfill contractual pay raise commitments and to fill currently vacant but authorized labor law investigator positions for our Bureau of Labor Law Compliance (BLLC). Additional funding for BLLC will improve the commonwealth's ability to ensure Pennsylvania's 13 labor laws are enforced and better protect Pennsylvania workers. As a point of comparison, neighboring state New Jersey has a population of 8.9 million, or about 70% the population of Pennsylvania, and has 65 labor law investigators. Pennsylvania has only 26 investigators.

Over the past 15 months as Secretary, I have been continually impressed by the dedicated and hard-working individuals at L&I. Their perseverance through the pandemic and the upheaval of the past several years showcases that they are true public servants, and that the citizens of this commonwealth – our friends and neighbors - are much better off for their service; whether that be retraining workers for the jobs of the future, inspecting ski lifts, or connecting students with disabilities with employment opportunities.

Over the past two years, COVID-19 forced this department to adapt quickly to serve Pennsylvania workers and businesses in their time of greatest need, and its continued effects have forced the department to rethink how we work and how to best serve our customers. We have automated manual processes and implemented new technologies to optimize our performance levels during the pandemic and continuing into the future. We transitioned to a telework environment with 70% of our staff working remotely part-time, and only 2% working permanently remote.

As we shifted to a partially remote environment, much of our service delivery shifted to a digital model as well. Some of these enhancements were realized through largescale IT improvements. Others were smaller but equally, if not more, important, like digitizing customer forms and allowing digital delivery of customer applications. The option for part-time telework has also bolstered L&I's attractiveness as an employer. We are not immune to the workforce challenges that you hear about in your communities. We have

heard from interview panel after interview panel that applicants, especially those coming from the private sector, desire the option to telework because they have those same benefits in their current workplaces. The option for telework is also crucial for employee retention, especially as we not only compete with the private sector but with other state, federal, and local agencies for the same talent pool.

Additionally, this telework environment has allowed us to rethink our real estate portfolio and identify cost-saving opportunities. We have already taken several steps to balance the current reduced need for physical space with the uncertain future of operations and the direction that a future administration might want to take regarding telework.

We are excited to announce discrete steps, including the consolidation of our physical footprint by relocating several program areas to the main L&I building. We have worked with program areas currently located in the building with a reduced need for space so that we could bring in other program areas from outside the building. We anticipate these moves in total will save taxpayers hundreds of thousands of dollars annually when they are fully completed, while still maintaining the office space needed to account for hybrid work and a still-evolving picture of the work environment and what will be desirable in the future.

While in many ways L&I staff are resilient and have adapted to the “new normal” created by COVID-19, its myriad impact still affects the agency and its operations in several ways.

The most evident challenges to many of you involve the unemployment compensation system. L&I continues to address the unprecedented number of unemployment claims that have been filed since March 2020. Despite the pandemic and its demands on this agency, L&I successfully launched a much needed, modernized unemployment system in June 2021. Since the launch, over 600,000 Pennsylvanians have received over \$3.5 billion in benefits. This new system has made the claims process more transparent for claimants and has improved business processes so that staff were freed up to address the outstanding backlog of non-monetary determinations. Staff are now able to process between 17,000 and 19,000 determinations per week – double the volume prior to the launch of the modernized unemployment system.

We hear the frustrations from both claimants and legislators about the customer service backlog in UC. We share these frustrations. Throughout the pandemic, additional staffing capacity helped L&I process claims in an expeditious manner, but in September 2021 the federal government ended the emergency staffing flexibility that allowed contract staff to be used to process unemployment claims. This severely reduced the number of personnel able to process claims. Most recently, we hired nearly 100 additional intake interviewers that began work at the end of February 2022. We also plan to promote up to 80 current interviewers to become examiners to help address the backlog of non-monetary determinations.

As this committee is aware, since the start of the COVID-19 pandemic and increasingly after the introduction of new federal pandemic programs like PUA, PA, like states across the nation, has continuously faced fraudulent attacks on the UC system. In more recent months these attacks have escalated in sophistication and have increasingly targeted traditional UC. To help address outstanding fraud reports, we are deploying our remaining contract staff to assist our Internal Audits Division (IAD). These additional resources will be critical to reducing pending fraud cases by bolstering the efforts of IAD's full-time staff. We will also be using close to 90 volunteers from our UC Tax Services bureau to help process fraud reports during overtime hours.

Beyond UC, the pandemic continues to affect service operations in our Workforce Development division and the Office of Vocational Rehabilitation. Last year, I testified that there were likely 500,000 jobs lost in the commonwealth. In February 2020, there were 6.2 million jobs in Pennsylvania. As of our latest data in November 2021, there are 5.9 million jobs in Pennsylvania. While still down 300,000 jobs from our pre-pandemic peak, the American Rescue Plan, enacted by Congress and signed by President Biden in March 2021, significantly helped retain many jobs that could have been lost to the Commonwealth forever. Still, much work remains to return Pennsylvania to its pre-pandemic employment peak and to ensure the workforce needs of both jobseekers and employers are met.

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.

The pandemic continues to take a toll on the operations of the Office of Vocational Rehabilitation (OVR). OVR was able to open its order of selection for individuals who are most significantly disabled on July 1, 2021, and all these individuals have been removed from the waiting list. Still, OVR has continued to see a reduced customer demand due to spillover effects from COVID-19. Many of OVR's partner service providers closed during the pandemic and demand continues to recover, albeit slowly, as OVR's customers feel more comfortable utilizing services.

The Governor's budget makes critical investments in education, workforce, and economic development initiatives. One of the most critical elements of this budget is proposing one fair wage for all Pennsylvania workers. His common-sense proposal

would raise the minimum wage to \$12 per hour by July 1, 2022, with a pathway to \$15 per hour by 2028.

In 2022, the minimum wage is increasing in a record number of states – at least 25. 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 nearly one million Pennsylvania workers and will indirectly benefit over 450,000 more. Raising the wage will generate nearly \$75 million in additional tax revenue in FY 2022-23 and over \$200 million more by FY 2028-29. Increasing the minimum wage puts more money in to the pockets of workers, which gives local businesses more customers. Most crucially, a higher minimum wage makes jobs more attractive for Pennsylvanians. In this time where workers have more bargaining power than ever before, 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.

Much has happened since I spoke to this committee one year ago, but our commitment to serving the people of this commonwealth remains resolute. As the dedicated staff of L&I have served the people of Pennsylvania through this crisis, we have adapted and have become more effective and more efficient in our service to the people of Pennsylvania. We continue to care deeply about and work tirelessly for the safety and economic security of Pennsylvanians.

We ensure Pennsylvania apartments, offices, elevators, boilers, and schools are safe. We inspect the stuffed toys your children and grandchildren play with. We make sure that the pay a worker is promised is the pay they receive and that they receive it on time and as scheduled, while being compensated according to the laws of this commonwealth. We work to understand and anticipate the changes in the economy and labor market with data so that we can equip Pennsylvania workers and businesses to be ready to seize the opportunities that lie just over the horizon. We help to ensure insurance coverage for employees who are injured in the workplace. We help people with disabilities find viable pathways to employment, including nearly 5,000 in fiscal year 2021-22. We encourage community service through over 1,000 AmeriCorps members who make active contributions in local communities across the commonwealth.

I am incredibly proud of the public servants who have kept these programs – and so much more – running through the past few years, including the many who have sacrificed their weekends, evenings, and holidays working hundreds of thousands of hours of overtime to make certain we meet our mandates and serve those Pennsylvanians most affected by this pandemic.

We know there is always room for improvement. This department welcomes feedback, takes it constructively, and does not shy away from hard work. People work here because we know, sometimes through personal experience, the vital services and protections provided by this agency. Our UC claims representatives work long hours because they know that if they can process one more claim before going home to their

families, it means one more family might be able to pay rent or put food on the table. Early in the pandemic, before we knew the scope, scale, and spread of the COVID-19 virus, we asked for volunteers to physically go into the UC Service Centers to answer the phones and process the claims of a rising tide of unemployed Pennsylvanians. We knew people depended on us to keep processing claims and continuing to answer as many calls as we could. Despite the uncertainty and unknown dangers, *more people volunteered than were needed*. That commitment to others is a testament to the public servants of this agency and their dedication to their fellow Pennsylvanians.

Many of the changes to our workforce and in the workplace brought on by this pandemic are here to stay. L&I is now well into its second century of existence and its second year in a telework environment. Many of the needs that led to the creation of this Department in 1913 persist today while other new needs have emerged throughout our history. We look forward to addressing the needs of our fellow Pennsylvanians both now and in the future.

Chairman Saylor, Chairman Bradford, 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 during this challenging period in our history. I am pleased to take your questions at this time.