



**Written Testimony of Secretary Nancy A. Walker
Department of Labor & Industry
Before House Appropriations Committee
February 26, 2024**

Chairman Harris, Chairman Grove, members of the Appropriations Committee, 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) 2024-2025.

Throughout his first year, 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 and workforce development. Governor Shapiro's proposed budget reinforces his dedication to serving, supporting, and empowering the citizens of this Commonwealth. This budget promotes the Governor's goal of creating the strongest state workforce and the strongest state economy by investing in the good people of Pennsylvania.

For the 2024-2025 budget, L&I's request represents an increase in state appropriations of about 10.33 percent, or an increase of \$9.247 million from the previous year, for a total state funding request of \$98,795,000. This request represents one-fifth of one percent of the overall state General Fund budget. State funds account for less than six and a half 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 safeguard employees, consumers, businesses and children, and promote the growth of law-abiding businesses in an equitable 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 a resilient workforce, empower dynamic businesses, and build the industries that make up our Pennsylvania economy.

Much of my focus in 2023 was on improving the Unemployment Compensation (UC) system. When he took office, Governor Shapiro promised to make overhauling the UC system a priority and committed his Administration to enhancing the system's functionality; processing claims in

a more efficient, timely manner; optimizing and improving customer service at all levels; and bolstering the system's resilience during times of low or high unemployment. By leveraging the Service Improvement and Infrastructure Fund (SIIF), L&I has increased staffing levels to adequately address the needs of claimants and employers alike. The impact of that investment is clear: In January 2023, about 40,000 claims filed between March 2020 and November 2021 remained unresolved, and about 34,000 fraud reports remained outstanding. In just seven months, by August last year, we completely eliminated that pandemic backlog, and resolved all pandemic-era fraud reports.

Since January 2023, we have hired more than 380 additional UC interviewers to staff service centers and answer calls. We extended the UC Connect program offering in-person UC assistance at PA CareerLink® locations across the Commonwealth. This hiring has doubled the capacity of trained staff who can provide real-time status updates about individual claims and help claimants navigate their dashboard. We have diversified our customer-service options and made them more accessible to Pennsylvanians. Through the UC Connect program, claimants can schedule in-person appointments with UC staff at all PA CareerLink® locations. So far, L&I has served more than 64,000 individuals through this in-person service since its inception in May 2022. 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.

Claimants can now connect directly with UC staff without picking up the phone. In 2023, L&I served more than 74,000 individuals through UC Live Chat. UC staff have been and are still responding to emails in real time, and the wait times for phone assistance have been cut in half since March 2023. To put this into perspective, the day before Thanksgiving in 2022, claimants averaged 20 attempts to reach UC by phone. In 2023, on that same day, it took only one attempt for most claimants to reach a UC staffer by phone. Correspondingly, in November 2022, UC staff had the capacity to handle 37,532 phone calls. In November 2023, UC staff answered more than double that – 80,855 calls. To further diversify the means by which claimants can seek assistance, 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 overcome technology challenges such as uploading documents and resetting passwords.

The increase in UC's ability to answer calls and chats dramatically reduced claimants' need to seek out help from legislative offices. In November 2022, UC worked with legislative offices on 4,644 requests for assistance through LegWeb. Compare that to November 2023, where the number of such requests was down more than 2,000 – to 2,378.

To maintain the current customer service levels – and continue system improvements – L&I is dependent on reauthorization of SIIF. Without the requested SIIF funding, L&I's expenses will outpace revenues and L&I will be forced to realign UC programs with the minimum funding provided by the federal government. Such realignment would likely return UC's staffing

complement to pre-pandemic levels, immediately resulting in diminished customer service and leaving Pennsylvania unprepared to deal with the next unemployment crisis. Without SIF funding, L&I would have to discontinue programs such as UC Connect, UC Chat, and LegWeb. Correspondingly, the wait times on phone and email would increase dramatically, and constituents will resume contacting all of you, at your legislative offices, for assistance with UC claims, as they did in 2020 and 2021. SIF funding is an appropriate resource to maintain customer service improvements because employee contributions fund SIF. To that end, the budget request asks for \$139,105,000 in reauthorization of the SIF, which includes an increased authorization of \$68 million. This will allow L&I to maintain its complement and continue to reduce both the call wait time for claimants and the time it takes to issue determinations. We heard your frustrations over the last few years, so we took bold action to change the system and right its course. I urge this General Assembly to meet our funding requests, so we can continue the level of success we saw in the first year.

This budget also requests a \$2.2 million increase for General Government Operations (GGO). Approximately \$1.2 million of that increase will support the hiring of 12 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 improve the Commonwealth's ability to ensure that working Pennsylvanians receive the wages they have earned, that minors are not working in unsafe conditions, and to work proactively with employers by providing education about legal requirements to prevent violations before they occur. 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 70 labor law investigators, with plans to staff up to 80. If BLLC were staffed at the same population-to-investigator ratio as New Jersey, we would have over 100 investigators. The funding requested in this budget would bring us to fewer than 40.

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 Commonwealth agencies as appropriate in identifying leads and auditing businesses that are underreporting or misclassifying workers. To that end, in 2023 the Office of UC Tax Services conducted 3,235 audits, audited gross payroll of \$1,667,341,863, discovered 13,722 misclassified or unreported workers and calculated \$4.3 million in underreported UC taxes. Of the audits completed, 226 businesses with 1,462 worker misclassification violations were referred to the BLLC for subsequent Act 72 Worker Misclassification fine assessments. BLLC collected \$414,398 in fines from 141 construction employers that misclassified 712 employees in 2023. In 2024, the bureau has already collected \$37,500 in fines from 16 construction employers and \$485,000 in child labor violations from 19 employers.

Additionally, this budget requests a \$601,000 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 17 percent increase helps to fund the creation of an additional 11 positions to address boiler and elevator inspection backlogs, provide Personal Protective Equipment, 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 2022-23, BOIS generated over \$15 million in revenue of which almost \$5.12 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 and level playing fields for law-abiding employers, 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, right before the shutdown, 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.

To further strengthen our workforce and ensure our workers and employers are resilient and adaptable to the challenges and opportunities just over the horizon, this budget requests \$2,187,000 for the Industry Partnership Program which allows businesses to work collaboratively to address workforce and industry needs. We also request \$2,000,000 for a new skills-based hiring initiative to help employers transition to skills-based hiring practices, which will open career opportunities to workers who have experience and skills but lack a degree. Additionally, we request \$2,000,000 for another new initiative, a one-stop career exploration center for Pennsylvanians whether they are in middle school, high school, or mid-career.

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, Jobs Act (IIJA), and the Inflation Reduction Act (IRA) 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. Between September 2023 and January 1, 2024, the minimum wage in 23 states has increased, including states such as Florida, Ohio, Arkansas, and Missouri. Pennsylvania's has not. Every state around Pennsylvania will be increasing its minimum wage with the exception of West Virginia, where the \$8.75 minimum wage is already \$1.50 more than it is here. Raising the minimum wage to \$15 for non-tipped workers and \$9.00 for tipped workers will directly benefit approximately 911,200 Pennsylvania workers. Raising the minimum wage will generate nearly \$57 million in additional tax revenue in (FY) 2024-25 and over \$113 million more by (FY) 2025-26. Increasing the minimum wage not only puts more money into the pockets of workers, but it also means more local spending on the things families need—food, medicine, clothing, car repairs, rent. It also gives local businesses more customers and bolsters local economies. 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 has remained resilient over the past several years and continues 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) 2023-24. 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.

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.