

**STATEMENT OF THOMAS E. PEREZ
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BEFORE THE
SUBCOMMITTEE ON LABOR,
HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
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Chairman Blunt, Ranking Member Murray, and members of the Subcommittee, thank you for the invitation to testify today. I appear before you today with a great sense of optimism – about the direction of our economy and the role that the Labor Department can play in sustaining and further accelerating this recovery. I'm confident we can construct a stairway to shared prosperity in which everyone has the chance to live their highest and best dreams, and that's what I want to discuss with you today.

The President's FY 2016 Budget proposes investments in programs that build on what works and support an economy that works for everyone. The request for the Labor Department creates opportunities for workers to strengthen their skills, support their families, and protect their hard-earned retirement savings. The United States has experienced 60 consecutive months of net private sector job growth, extending the longest streak on record. There are now more than 5 million job openings, the most since January 2001. At the end of the Great Recession, there were nearly 7 jobseekers for every available position; today the ratio is less than 2-to-1.

Under President Obama, the deficit has fallen by about two thirds, measured as a share of the economy. The last time the deficit fell this quickly was at the end of World War II. Consumer confidence is near a seven-year high. Workers on manufacturing assembly lines are now averaging 42 hours per week, and auto sales are at prerecession levels.

Yet in this recovery, there are many families who are not yet experiencing the benefits of this strengthening economy. Their jobs are not paying a living wage, forcing parents to work two or three jobs to make ends meet or choosing between staying home with a sick child and earning a paycheck. If enacted, the President's Budget for the Department of Labor would help change this reality by supporting working families, creating pathways to high-growth jobs, and protecting workers' health and safety, wages, and retirement security. This Budget is an investment in the future of our country and an affirmation of an economy we all want – an economy where hard work is rewarded, where workers get a fair shake and fair treatment at work, where workers have a chance to develop skills that lead them to family-sustaining jobs, and where workers have security to return home from work safely to their families and build for their future.

SEQUESTRATION

These investments, and continued economic growth, will only be possible if we reverse sequestration, as the President's Budget would do. At the end of 2013, policymakers came together on a bipartisan basis to partially reverse sequestration and to pay for higher

discretionary funding levels with long-term reforms. We have seen the positive consequences of that bipartisan agreement for our ability to invest in areas ranging from research and manufacturing to strengthening our military. The Budget builds on this progress by reversing sequestration, paid for with a balanced mix of common-sense spending cuts and closing tax loopholes, while also proposing additional deficit reduction that would put debt on a downward path as a share of the economy.

Meanwhile, the President has made clear that he will not accept a budget that reverses our progress by locking in sequestration going forward. Locking in sequestration would bring real defense and non-defense funding to the lowest levels in a decade. As the Joint Chiefs and others have outlined, that would damage our national security, ultimately resulting in a military that is too small and equipment that is too old to fully implement the defense strategy. It would also damage our economy, preventing us from making pro-growth investments in areas ranging from basic research to early childhood education to severely reducing the number of people who can receive training through our workforce training programs. As the President has stated, he will not accept a budget that severs the vital link between our national and economic security, both of which are important to the Nation's safety, international standing, and long-term prosperity.

CREATING PATHWAYS TO HIGH GROWTH JOBS

Last year both parties came together to pass the bipartisan Workforce Innovation and Opportunity Act (WIOA), which provides a vital opportunity for reform of our nation's job training system so workers are prepared for 21st Century jobs and employers have the skilled workers they need. The Budget request supports robust implementation of that law and its reforms.

Successful WIOA implementation means enabling and assisting states to develop comprehensive and cross-program state plans to best serve individuals and businesses, and to have the infrastructure in place to measure outcomes and report on performance as required under the law. The Employment and Training Administration (ETA) plans to employ flexibilities to allow states to use existing funds to transition to the new law. The Budget also requests additional staff and technical assistance funding, which will allow ETA to be responsive to the needs of the workforce system and assist states and localities in the second year of WIOA implementation. These staff would be located throughout the regions and in the national office, providing guidance and support to states in their efforts to fully implement the changes required by the law.

A key goal of the statute is to provide stronger accountability for, and transparency of, the outcomes of federal investments. For that reason, the Budget includes a significant increase for the Workforce Data Quality Initiative, from \$4.0 million appropriated for FY 2015 to \$37.0 million requested for FY 2016, to help states expand and enhance their information technology infrastructures to connect state workforce and education databases and to build the public-facing performance reports required by WIOA. \$30.0 million of this request will help states build integrated or bridged data systems to facilitate WIOA implementation. These grants also will support building state-based wage data matching infrastructure to enable and/or streamline WIOA performance reporting, including eligible training provider performance reporting.

The Budget builds on WIOA with investments to expand the capacity of the core programs to reach more individuals who need help finding or training for a new or better job. The Budget includes a \$2.7 billion discretionary investment (an \$85.7 million increase above the 2015 enacted level) in the Adult, Youth, and Dislocated Worker State grants. The WIOA formula programs provide job placement, career counseling, skills training, credential attainment, and access to state job boards for disadvantaged, low-skilled, and underemployed adult workers; low-income and out-of-school youth; and dislocated workers. The Budget maintains the 2015 funding level for the Governors' set aside while providing increased funding for direct services at the local level. The Budget also provides additional dedicated funding for those who need training to find a new job. Current resource limitations mean that only a small portion of the people who walk through the doors of American Job Centers are able to receive training through the workforce system. The Budget includes \$16.0 billion for a 10-year mandatory High-Growth Sector Training legislative proposal that would double the number of workers who receive training through the workforce development system. This training will equip workers with the skills and credentials to get jobs in high-growth industries, such as health care, energy, advanced manufacturing, cybersecurity, and information technology.

DOL continues to work to meet the President's goal of doubling the number of Registered Apprenticeships over the next five years and to work with bipartisan supporters to promote expanding apprenticeship--a proven strategy that allows people to earn while they learn. DOL data indicate that people who complete registered apprenticeships have median salaries exceeding \$50,000, and over 90 percent of people are employed within three months after completion of the program. The Budget will invest \$2.0 billion in grants to states and regions to bring more employers to the table in providing high-quality apprenticeship and equip states and regions with the expertise to assist employers in creating or expanding the apprenticeship model. In addition, we propose an annual discretionary request before this committee of \$100.0 million within the ETA for apprenticeship grants for states, industry, and community based organizations to support sustainability and build capacity across the national apprenticeship system and to meet additional demand by employers and others beyond what can be funded under the American Apprenticeship grants we will award later this year.

Industry-recognized credentials help employers, jobseekers, and educators by communicating the skills and training that are needed for a particular occupation. The Budget includes a proposal for mandatory funding of \$500.0 million for competitive Industry Credentialing and Assessment Grants to speed the development and adoption of credentials and assessments with real labor market value and more effectively match job seekers to employment opportunities. Of this proposal, \$300.0 million would be targeted toward in-demand information technology jobs. While industry recognized, portable credentials improve labor mobility, a patchwork of State licensing laws can sometimes hinder that mobility. Different states often have a wide variety of licensing rules for the same occupation, requiring people to participate in unnecessary training or pay high licensing fees to obtain work for which they already have the skills. Our Budget requests \$15.0 million for grants to States to identify and address areas where occupational licensing requirements are creating an unnecessary barrier to labor market entry or labor mobility. This will be particularly useful to transitioning service members, military spouses, and dislocated workers.

Despite the progress that has been made in recent years, there are still many young people lacking economic opportunities. The Department's Budget expands programs to reach more of those youth and help them find meaningful employment. Now in its 50th year, Job Corps has provided education and career technical training for 3 million disadvantaged youth in a residential setting, and the Department is committed to taking all necessary steps—including closure, as appropriate—to reform the program to ensure Job Corps continues to effectively serve millions more young people in the future. The Budget request for Job Corps includes an increase of \$17.0 million to implement WIOA-related changes, upgrade equipment to meet industry standards, and refine training to provide skills that are in high demand by employers. A portion of the increase will be used to pilot ways to better serve younger students, for whom the traditional Job Corps model has been less effective. Our Budget also seeks increases to strengthen oversight of the Job Corps program, as the Department moves toward a more risk-based approach for program oversight.

In addition to Job Corps enhancements, the Departments of Justice and Labor are proposing to pilot a program with \$5 million in grants to community partnerships that provide youth with the opportunity to explore in-demand careers in law enforcement services, which will provide at-risk youth with tangible work experience and positive law enforcement exposure. Our Budget also includes a Connecting for Opportunity legislative proposal to create job opportunities for disadvantaged youth, which seeks \$3.0 billion of mandatory funding over four years. This includes \$1.5 billion in formula grants to expand year-round and summer job opportunities and \$1.5 billion to create educational and workforce pathways to help youth earn high school diplomas, pursue further education, and make connections with the job market.

The Trade Adjustment Assistance Community College and Career Training (TAACCCT) grants provided nearly \$2.0 billion in mandatory funding over four years, with the last round of grants awarded in FY 2014. This investment brought together education, labor, business, and community leaders, ensuring that community colleges were offering curricula aligned with industry's needs. To build on the infrastructure and lessons learned from the TAACCCT grants and to continue expanding the role of community colleges in job training, the Administration is proposing a \$200.0 million increase for an American Technical Training Fund that will be housed in the Career and Technical Education office at the Department of Education and jointly administered by the Departments of Education and Labor. These grants will support the development of new job training programs within current community colleges or other innovative, non-traditional training providers and will help scale existing models with evidence of effectiveness which could include past performance on graduation rates, job placement rates, and wages earned by graduates.

The Veterans' Employment and Training Service (VETS) helps veterans and separating servicemembers transition from the service to a meaningful career, starting with a robust and revitalized three day workshop that is required for every separating servicemember. These workshops are part of a comprehensive veteran employment support program anchored in our American Job Centers across the country. The Administration has been focused on improving the effectiveness of VETS, including in terms of ensuring that it is integrated with other employment and training programs, and its funding has increased 13 percent since FY 2009. The FY 2016 request maintains the funding increase for the largest VETS program – the Jobs for

Veterans State Grants – which funds specialists who provide veterans with the employment services needed to overcome significant barriers to work. The FY 2016 Budget also maintains funding for the Homeless Veterans’ Reintegration program. I remain troubled that men and women who risk their lives for us struggle when they return to the United States, with far too many experiencing homelessness. I share the President’s commitment to end homelessness among veterans; we will continue to work with other Federal agencies to achieve this goal.

I also urge Congress to reauthorize the Trade Adjustment Assistance (TAA) program, as it provides critical training, income support, wage subsidies, employment and case management services, and job search and relocation allowances to workers whose employment has been adversely affected by foreign trade. Last year, TAA provided benefits and services to over 62,700 workers seeking new jobs and opportunities. And 83 percent of those who completed training received a degree or industry recognized credential. Nearly 77 percent of those TAA participants who exited the program found employment within six months, and, of those, 90 percent were still employed six months later.

The process known as PERM is ten years old. This is what we use to certify that an employer seeking to obtain a Green Card for an immigrant worker meets the statutory test requiring that there be an insufficient supply of United States workers and no adverse effect on wage and working conditions of United States workers. We are considering options to modernize the PERM program to be more responsive to changes in the national workforce. One of our most critical Budget proposals would authorize legislation to allow the Department of Labor to charge fees for new applications filed under the PERM program to improve the speed and quality of certification processing. The Department has heard from businesses across the country that are in favor of a filing fee. Not being able to charge a fee to support more efficient application processing and program administration is hurting businesses, workers, and our economy. The Budget also includes a one-time increase of \$13 million and 17 temporary staff to reduce the escalating backlog of PERM cases.

SUPPORTING WORKING FAMILIES

Despite the improvement in the economy, the number of individuals who have been unemployed for six months or longer – the long-term unemployed – is unacceptably high. People who are out of work for a longer period of time have more trouble finding a job. To address and prevent long-term unemployment, the Budget includes a total of \$180.9 million, an increase of \$100.9 million, for the combined Reemployment and Eligibility Assessment and Reemployment Services program, a cost effective strategy with proven success. The combined services will be offered to all veterans who receive unemployment compensation through the Unemployment Compensation for Ex-Servicemembers UCX program, as well as the top third of unemployment insurance (UI) claimants who are most likely to become long-term unemployed. People who receive these combined services are less likely to exhaust their UI benefits, have shorter UI durations, and return to work more quickly with higher wages and job retention rates. This \$180.9 million investment will yield an estimated \$287.0 million in benefits savings in FY 2016. In addition, the Budget includes a \$400.0 million discretionary increase in the Employment Service, enabling states to provide cost-effective in-person reemployment services to an additional 2 million displaced workers, including the long-term unemployed and our veterans, to

connect them with jobs or the training or services they need to prepare for meaningful employment.

There are also people with full-time jobs who cannot make ends meet. They are diligent and resilient. They take responsibility for themselves and their families. But no matter how hard they work, they fall further and further behind. Many of them need SNAP or other forms of public assistance to sustain their families. Often, they are one setback away from complete desperation. For you or me, car trouble and a trip to the repair shop are inconvenient; for many others, it's a financial catastrophe.

Current public opinion is clearly and convincingly in favor of increasing the minimum wage. Grass roots energy and momentum nationwide have moved states, counties and local governments to take action where Congress so far has not. Over the last two years, 17 states plus the District of Columbia have raised their own minimum wages. On Election Day last November, Nebraska, South Dakota, Alaska and Arkansas passed ballot measures, by landslide margins, to increase their state's minimum wage. The legislatures in [Connecticut](#), [Delaware](#), [Hawaii](#), [Maryland](#), [Massachusetts](#), [Michigan](#), [Minnesota](#), [Rhode Island](#), [West Virginia](#) and the District of Columbia enacted increases during the 2014 session. While we applaud progress at the State, local, and employer level, we must raise the Federal minimum wage so workers across the country can benefit.

The United States is also the only developed country that does not guarantee paid maternity leave to our workers. Because of this, people are forced to choose between caring for their families and earning a paycheck that they desperately need. To respond to this, the Department's Budget includes two paid leave proposals. The first is a mandatory legislative proposal for \$2.2 billion to assist up to five states that wish to launch paid leave programs, following the example of California, New Jersey and Rhode Island. If enacted, grants would help states with administrative costs and half of benefits for three years. The second is a discretionary proposal for \$35.0 million that would provide technical assistance and support to states that are still building the infrastructure they need to launch paid leave programs in the future.

PROTECTING WORKERS, WAGES, AND RETIREMENT SECURITY

The notion that we can either rebuild our economy or we can pay workers fairly and be vigilant about worker safety is a false choice. At the Labor Department, we're being more strategic about cracking down on wage violations, working to ensure workplace safety, and protecting the retirement savings of your constituents who have worked their whole lives to save. Worker protection programs are crucial to protecting of American workers. The Budget includes \$1.9 billion for the Department's worker protection agencies, enabling them to meet their responsibilities of safeguarding the health, safety, wages, working conditions, and retirement security of American workers.

The Wage and Hour Division (WHD) is responsible for the administration and enforcement of a wide range of laws, which collectively cover 135 million workers in more than 7.3 million establishments through the United States and territories. The request for WHD includes an increase of nearly \$31.7 million to focus on industries that employ vulnerable workers and are

most likely to break worker protection laws enforced by WHD, including the laws that provide for a minimum wage, overtime, and the right of workers to take leave to care for their own or their families' medical needs.

The Occupational Safety and Health and Mine Safety and Health Administrations (OSHA and MSHA) work to ensure safe and healthful working conditions for working men and women. Across the two agencies, the Budget includes nearly \$990.0 million to bolster OSHA's ability to enforce safety and health standards as well as more than 20 whistleblower laws that protect workers from discrimination and retaliation when reporting unsafe and unscrupulous practices. The Budget will also allow OSHA to enhance safety and security at chemical facilities, and provide MSHA with the resources it needs to enforce and promote mine safety and health laws while conducting statutorily required mine inspections.

Although the vast majority of employers treat their employees well, there are still those who disregard their responsibility to their workers. Many of the laws that are enforced by the worker protection agencies lack strong civil penalties. The Budget proposes to strengthen several of the civil monetary penalties collected by the Department. This is not intended as an additional penalty against employers who are striving to follow the laws and protect their workers. This is intended to strengthen the deterrent against those few who flout the law to save a few pennies while risking their employees' lives and health.

About half of the workforce has no retirement plan through their work. About 15 percent without work-based plans have a personal retirement account. Social Security is an important benefit, but too many Americans have nothing else to supplement their Social Security benefits. Our nation needs to help more people save for their golden years. The Budget includes several proposals to help Americans with their retirement planning and savings. The request for the Employee Benefits Security Administration (EBSA) includes an increase of \$6.5 million to pilot different approaches to increasing retirement plan coverage in states. The Budget request for EBSA also includes an increase of \$7.6 million to advance the agency's investigative tools to enhance health and retirement benefits analysis and targeting.

PROGRAM REFORM, IMPROVING DATA-DRIVEN DECISION-MAKING, AND INCREASING FEDERAL PRODUCTIVITY

In recent years, the Department has been striving to increase the productivity and efficiency of its workforce. The Budget includes a number of investments to improve the Department's ability to serve the public, increase workers' effectiveness, streamline processes, and enhance agencies' ability to target enforcement to those areas where violations are most likely to occur.

The Department's Budget includes a large investment in the IT infrastructure. Over the past six years, the Department has been working to streamline the nine separate IT infrastructure components into one consolidated system. Within this consolidated system, the Department is proposing to implement a Digital Government Integrated Platform, which will be used by agencies to support information sharing and improve the efficiency and effectiveness of the Department's workforce, thereby transforming the way the Department provides services to the

American public. This will improve compliance with the laws the Department administers by focusing strategies and resources through in-depth data analysis made possible by managing digital information. It will also allow for agencies to better train employers and workers on how to be safe in the workplace by enabling the Department to share videos that demonstrate safe workplace practices and tailor this information for non-English speaking employees. Several of the agency budgets, including the Office of Labor-Management Standards (OLMS), the Office of Federal Contract Compliance Programs (OFCCP), and the Wage and Hour Division (WHD), include proposals to upgrade their case management systems. These systems will improve the agencies' ability to target enforcement efforts, enabling them to change the types of behaviors that drive non-compliance. Within the Office of Workers' Compensation Programs (OWCP), there is a proposal to improve the claims processing systems. The 20-year old Longshore and Black Lung claims processing systems are out of date, and the FECA claims system is approaching the end of its life. OWCP is looking to move toward a unified claims-based system that would facilitate more effective delivery of benefits to claimants across the four programs OWCP administers and also yield savings in future years.

The FY 2015 Omnibus provided additional resources for the Adjudicatory Boards to address the backlog of Black Lung cases. The Budget continues this funding and the Department remains committed to eliminating the case backlog.

The Bureau of Labor Statistics (BLS) is the principal Federal statistical agency responsible for measuring labor market activity, working conditions, and price changes in the economy. The request for BLS is \$632.7 million and includes an increase of \$6.5 million to expand the Job Openings and Labor Turnover Survey (JOLTS). JOLTS provides critical information about the health of the labor market by tracking the number of job openings, hires, layoffs and quits in the economy. This is useful because weaknesses in some of these underlying sources, such as openings, are leading indicators of recessions. Earlier warning about recessions allows policymakers more time to respond. Similarly, increases in some of these underlying sources, such as quits, provide important signals as to the growing strength of the labor market. The expansion would allow JOLTS data to be released at the same time as the monthly unemployment numbers, thereby improving the analysis of both pieces of information, and also would add greater industry detail and State level information. In addition, the request includes an increase of \$4.7 million for the International Price Program (IPP) export price indexes, which are used in the calculation of real Gross Domestic Product. These indexes are used to help understand trends in U.S. real trade balances, competitiveness, and issues such as the impact of exchange rate movements. In the past few years, BLS has taken a series of temporary measures to maintain this and other key economic programs, but these measures cannot be sustained permanently and the levels in the Budget are necessary if programs are to be maintained.

The Department has long been a leader in using data to make decisions. I am proposing to increase the Chief Evaluation Office's funding while also continuing to transfer resources from the agencies to the CEO for evaluation of those programs.

The Budget proposes several reforms for ETA and OWCP programs, and the Pension Benefit Guaranty Corporation (PBGC). The reforms to the UI program will improve the solvency of State programs, strengthen the program's connection to work, and make the UI program more

targeted and responsive to economic downturns. The Budget again proposes reforms to the Federal Employees' Compensation Act (FECA) to act on longstanding recommendations from the Government Accountability Office, the Congressional Budget Office, and the Department's Inspector General to update and improve the program. If enacted, these changes will yield government-wide savings of more than \$360.0 million over 10 years. Within PBGC, the Budget includes a proposal to raise the premiums that plans pay to PBGC, taking into account the risks that different sponsors pose. This proposal will save about \$19.0 billion over the next 10 years.

CONCLUSION

Promoting the welfare of American workers, job-seekers, and retirees is the fundamental mission of the Labor Department, and it is critical to the Nation's continued economic recovery and long-term competitiveness. The Budget calls for investments and significant reforms to help workers gain new skills in growing sectors, supports a middle class economy, and builds upon our previous success.

These proposals are evidence-based, and our efforts will help get Americans onto career pathways that promote opportunity and a hopeful future, helps workers support their families, and improves the effectiveness of the federal employees at the Department.

Mr. Chairman, thank you for inviting me today. I am happy to respond to any questions that you may have.