STATEMENT OF THOMAS E. PEREZ
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Chairman Cole, Ranking Member DeLauro and members of the Subcommittee, thank you for the invitation to testify today. I appear before you with a great sense of optimism and pride – not just about what has been achieved in these past seven years, but about the direction we are headed in the future. I am especially proud of the Department's role in helping shape this future – a future of opportunity and shared prosperity, a future of robust job growth and a thriving middle class, a future where workers nationwide get the skills and training they need to receive a fair wage without risking their health or safety.

The 2017 President's Budget reflects this sense of optimism and provides the resources necessary to address the unfinished business of this recovery. It builds on seven years of investments that have helped us climb out of the worst economic crisis in generations. The Budget supports the President's vision of an economy that works for everyone – one where your zip code doesn't determine your destiny; one where a full-time job pays a living wage; one where a lifetime of work leads to a dignified retirement; one where America's businesses are on a level playing field with their international counterparts; and one where job security also means that the workers are safe from unlawful discrimination, retaliation, and workplace hazards.

We've come a long way since the darkest days of the Great Recession. We've now experienced 72 months of private sector job growth, with the unemployment rate down to 4.9 percent, the lowest level since February 2008. Yet this recovery is not reaching every community and every household. Too many people are finding opportunity beyond their reach. Too many people, no matter how hard they work, can't get by, let alone get ahead. Some people have given up hope, leaving the job market completely. Others have settled for part-time employment when they want and need a full-time job. Many youth – especially those who grew up in poverty – do not see hope for the future. We have accomplished a lot together, but there is still more work ahead. The Department's FY 2017 Budget will allow us to do that work, supporting bipartisan investments made to date and proposing new investments that meet important needs.

Training Americans for Jobs of the Future

In my two and a half years as Secretary of Labor, we have made significant progress in building a training system that invests in the workforce of today and tomorrow. The Department worked in 2014 with the Vice President and other agencies to conduct a thorough review of America's training programs, to make them more job-driven and more responsive to employers' needs. I'm grateful for the bipartisan leadership in Congress that led to passage of the Workforce Innovation and Opportunity Act (WIOA), which we are hard at work implementing. We have lifted up apprenticeship as never before, making the largest-ever federal investment in this learn-while-you-earn model and appreciate Congress appropriating resources that will allow us to continue expanding apprenticeships. We know more now than ever about what works in job training – we need to foster partnerships between the workforce system, employers, workers, intermediaries and others so that we are preparing workers for in-demand jobs. We need to be data driven and meet the diverse needs of our workforce. The Department of Labor, with our partners throughout the Administration and the states, is leading the process of making these important strategic changes.

Our employment and training programs served over fifteen million people in the Program Year ending June 30, 2015. The reforms supported by WIOA – like accountability for business engagement and new requirements to measure and report additional program outcomes – are tools that help us identify what is working, fix or end programs that aren't effective, and provide good information to workers so they can select training programs that are effective. The Department's staff has been working tirelessly, and in strong partnership with colleagues at Education, HHS, and elsewhere, to support and implement WIOA's alignment of employment and training programs, so we can provide more effective services with maximum impact. In FY 2016, Congress appropriated additional resources for a number of WIOA programs. The FY 2017 Budget builds on this foundation by bringing the WIOA formula programs to their fully authorized amount while continuing the 15 percent Governor's set aside for statewide activities. The Budget also includes resources for additional staff to help all states and localities implement WIOA, as well as technical assistance to states to improve the quality of services provided to participants. An investment of $40 million will help states track longitudinal educational and employment outcomes of WIOA participants, so we can know what services are most effective. In FY 2017, we are also proposing modest increases specifically to assist dislocated coal industry workers and to pilot ways to better serve Native American youth who do not live on reservations.

Apprenticeship is one model where we have evidence of substantial success. Apprenticeships offer a path to the middle class, as well as the opportunity for trainees to earn while they learn. Much of apprenticeship's success is attributable to the strong connection between the trainee and the employer and, in many cases, the strong partnership between management and labor. Those who finish their program secure an average starting salary of $50,000, and over the course of their careers they earn $300,000 more than their peers who did not participate in an apprenticeship program. Since the President launched the American Apprenticeship Initiative in 2014, we have 75,000 more apprentices in training, a step towards the President's goal of doubling the number of apprentices. Over 165 employers and other organizations have joined the Department's LEADERs program to be champions of the apprenticeship model. The Department's Registered Apprenticeship College Consortium, now 239 colleges and 976 training programs strong, make it easier for apprentices to earn college credit. I am appreciative of Congress appropriating $90 million in FY 2016 for apprenticeship grants, and the FY 2017 Budget continues this investment. The Budget also proposes $2 billion in mandatory funds for an Apprenticeship Training Fund that will provide grants to states and regions to bring more employers to the table in providing high-quality apprenticeships.

Apprenticeship, like most successful workforce programs, depends on partnerships. To scale successful partnerships, we are requesting $3.0 billion in mandatory funding to create an American Talent Compact. This mandatory competitive funding would create regional partnerships between workforce boards, economic development organizations, employers, and educational institutions to train workers for in-demand jobs. It would give employers better forums to communicate their skill needs and help educators better understand the job market, so they can tailor their courses, certificates, and degrees accordingly. We anticipate being able to train and place 90,000 people per year through this program.

The Job Corps program has trained nearly 2.7 million people since its inception more than half a century ago. The program was created to open doors of opportunity for at-risk young people from diverse backgrounds, giving them the tools to change course and reach higher rungs on the ladder of opportunity. We now have Job Corps centers in every state, the District of Columbia and Puerto Rico. In recent years, the centers have been collaborating more closely with businesses and community colleges. The credentials students earn are industry-recognized, increasing the value to both the students and employers. Nearly 80 percent of Job Corps graduates successfully start careers, including in the armed forces, or enroll in higher education or advanced skills training. But we are also looking to improve the program in the coming years. The Department is committed to producing innovation and continuous improvement within the Job Corps program. We recently released a solicitation to pilot an innovative approach to the Job Corps model at the Cascades center in Washington, and we are preparing for additional pilots in the future. The Department will also launch a major external review of the program beginning in 2016, with the goal of positioning the program for continued success.

Strengthening student safety and security is a top priority. We have initiated a National Safety Campaign – *Standup for Safety* – that includes increased staff training, more intensive center oversight and a requirement that all centers review and strengthen their security procedures. Job Corps has also worked with our students and contractor community to support a student-led *Youth 2 Youth: Partners for Peace* initiative, designed to address youth-on-youth violence, aggression and bullying. We also know we need to make additional investments in mental health counselors and other personnel, as well as structural upgrades to better provide safer, more secure and stable learning environments at Job Corps centers nationwide—the Budget invests in both of these areas.

Since around one in seven Americans between the ages of 16 and 24 are out of both school and work, the Administration is proposing a comprehensive approach to put these individuals on the path to getting a diploma and connecting to postsecondary education and jobs. WIOA also takes an important step forward in addressing this problem by directing that at least 75 percent of Youth formula funds be used for out-of-school youth, while also calling for additional investments for this disconnected and vulnerable population. The Budget proposes $5.5 billion in mandatory funding to help engage young people in the workforce and set them on a path to a better future. Of this, $3.5 billion will be used to provide paid work opportunities – bolstering young people's resumes and giving them the opportunity to gain useful work experience. These youth will also be given the means and support necessary to complete a high school degree or its equivalent, as well as assistance with financial literacy. In addition, $2 billion will go to local governments in communities struggling with high rates of youth disengagement, high school dropouts and youth unemployment. These resources will help communities locate and reengage youth, providing them with counseling, support services, education and employment opportunities.

As we build a more integrated, demand-driven job training system, we must use data to understand the labor market. 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. These data are invaluable to decision-makers. To better understand what is happening in the workplace, the Budget includes, among other resources, funding for the first year of activities for a Survey of Employer-Provided Training, which will fill a key gap in knowledge about the workforce system. The Budget also covers inflationary costs to ensure no diminution in the quality of the Bureau's core surveys.

Data on training, careers and jobs should also be more easily accessible. Every year, millions of people begin a post-secondary education. While we know that this can be a crucial investment in one's future, many people choose a school or education track with little information about job placement rates, sometimes leading to thousands of dollars of debt without meaningful job opportunities. We want to empower workers to make smart time and money investments. Thus, we propose $500 million in mandatory funds for a Workforce Data Science and Innovation Fund that will invest in state data systems so they are able to create easy-to-understand scorecards about outcomes, like job placement, earnings, job tenure and other indicators of success. That way, workers can better compare one program to another and make informed choices about which program is best for them. The Department will also work with the Departments of Commerce and Education to develop new standards, analytical data sets, and open source data products on jobs and skills, so that researchers can do deeper analysis. This type of information will give consumers of education and training the best chance to build a successful career.

Supporting Our Veterans and Long-Term Unemployed

Despite giving years of their lives to our country, far too many veterans struggle with unemployment and even homelessness. The Veterans' Employment and Training Service (VETS) helps veterans and separating servicemembers transition to a good civilian career, starting with a robust and revitalized three-day Employment Workshop that is required for every separating servicemember. These workshops are part of a comprehensive veterans' employment support program, which is anchored in our American Job Centers across the country.

The Homeless Veterans Reintegration Program (HVRP) helps transition homeless veterans into meaningful employment. The Department's FY 2017 request includes an increase of $12 million to fully fund this program at the authorized level, allowing us to serve more veterans who have struggled mightily in making the transition to post-military life. Our most recent data show that over 68 percent of HVRP participants who completed the program obtained jobs making an average of nearly $12 an hour. We are eager to expand on this success.

We know the number of long-term unemployed – among both veterans and civilians – remains too high. We can and should be doing more to reach those left on the sidelines during the economic recovery. The data show that people who are out of work for longer periods of time have more trouble finding jobs. The Department seeks to reduce long-term unemployment by continuing to invest in the evidence-based Reemployment Services and Eligibility Assessments

(RESEA) program. In FY 2017, the Budget builds on the increased investments made by Congress last year, including an additional $70.9 million for a total of $185.9 million. These dollars will expand services to all veterans receiving benefits through the Unemployment Compensation for Ex-Servicemembers, as well as the one-third of Unemployment Insurance (UI) claimants who are most likely to exhaust their benefits and become long-term unemployed. Research shows that each dollar invested in these services yields approximately $2.60 in benefits savings, thanks to shorter unemployment duration.

Unemployment is sometimes caused by unnecessary barriers that a worker faces when he or she has to move. The Department's efforts at developing industry-recognized and portable credentials have helped increase labor mobility, but different states often have a wide variety of licensing rules for the same occupation. By simply moving across a state border, trained professionals with years of experience sometimes have to pay high licensing fees or spend months redoing coursework to obtain a job for which they already have the skills. The Budget proposes to build on the resources provided by Congress in FY 2016, investing $10 million in FY 2017 to identify and address areas where occupational licensing requirements are creating an unnecessary barrier to labor market entry or labor mobility. This investment will be particularly useful to transitioning service members, military spouses, formerly incarcerated individuals and dislocated workers.

Supporting Working Families

As some people struggle with retraining or recertification, others working full-time, minimum wage jobs are still unable to make ends meet. No matter how hard they work, they fall further behind. Many of these people need public assistance and visit food banks just to sustain their families. Often, they are one setback away from financial devastation. The current federal minimum wage of $7.25 per hour is insufficient to support a family.

The value of the minimum wage, which has not increased in almost seven years, has failed to keep pace with increasing costs of basic necessities. Raising the minimum wage is good for workers, their families and the economy. When minimum wage workers have more money in their pockets, it spurs consumer demand, with that money pumped back into the economy. Congress hasn't taken action, but 18 states and the District of Columbia have raised their minimum wage since President Obama called for an increase in his 2013 State of the Union address. Workers on many federal contracts also now receive higher wages, thanks to an Executive Order signed by the President. Yet there are millions more who continue to struggle. In one of the richest countries in the world, no one working full time should live in poverty.

American workers also struggle with the difficult choice between caring for a new baby or sick family member and a paycheck that the family desperately needs. While the Family and Medical Leave Act allows workers to take unpaid leave without losing their jobs, many families simply cannot afford to take the time off. The United States is the only industrialized nation that fails to offer workers paid maternity leave. Paid parental leave empowers families and produces better outcomes for children. The Department has given out grants to states to research the feasibility of paid leave, and the FY 2017 Budget proposes a $1 million increase to expand these efforts. But we can do more. To encourage more states to enact paid leave legislation, the Budget includes $2 billion in mandatory funding for a Paid Leave Partnership Initiative. Under this initiative, the Department would provide funding for up to five states to launch paid leave programs. States that choose to participate in the Initiative would be eligible to receive funds for the initial set up and three years of benefits. The Budget also proposes legislation that would allow federal employees six weeks of paid administrative leave for the birth, adoption, or foster placement of a child. An investment in healthy families is an investment in our nation’s future.

Protecting Workers, Wages, and Retirement Security

At the Labor Department, we reject the false choice between economic growth on the one hand and worker protections on the other. While most employers play by the rules, there are too many cases where workers are cheated out of their hard-earned wages or forced to endure an unsafe workplace. At the Labor Department, we are more strategic than ever before about cracking down on wage violations, enforcing workplace safety, and protecting the retirement savings of your constituents who have worked their whole lives to build a nest egg. In doing so, we both protect workers and create a level playing field for law-abiding employers.

Our worker protection agencies have helped recover $1.6 billion in back wages owed to over 1.7 million workers since 2009. We have prevented catastrophic falls (which lead to days of lost productivity and large workers’ compensation payments), reduced workers’ exposure to harmful and cancer-causing agents, and awarded over $150 million to whistleblower complainants. We have made progress in addressing unequal pay for equal work; helped workers with disabilities receive reasonable accommodations; and helped applicants who were denied jobs because of racial discrimination. We have trained small businesses and thousands of workers on mitigating high-risk safety and health hazards. In 2015, we helped mine operators achieve the lowest number of fatalities ever, with underground respirable dust levels in coal mines falling to an all-time low. We have recovered more than $1.7 billion affecting nearly 700,000 benefit plans and 190 million plan participants.

I am proud of this work. The Budget includes $1.9 billion so we can continue meeting our responsibilities to safeguard the health, safety, wages, working conditions and retirement security of American workers.

To protect America’s workers, we need to make sure their employers compete on a level playing field in the global economy. As part of the Administration’s trade agenda, the Bureau of International Labor Affairs (ILAB) is on the front lines helping to ensure that our global trading partners adhere to agreed-upon labor standards, preventing foreign businesses from gaining an unfair advantage on the backs of workers. The Budget includes a $15 million funding increase for ILAB to promote consistent, effective enforcement of the labor provisions of free trade agreements. And we also seek the restoration of $5 million in grants, which were reduced in FY 2016 appropriations, to continue (among other activities) preventing the worst forms of child labor.

Protecting workers’ retirement plans is a cornerstone of our work, especially given an aging population and the decline of defined benefit pensions. Planning for retirement used to be simple, but today one out of three workers do not have access to a retirement savings plan through their employers. Contractors and temporary employees are ineligible to participate in employer-based plans. And many workers who move to a new job are forced to manage a number of retirement accounts from previous jobs. Careers may be mobile, but some retirement accounts and savings plans are not.

The Budget includes $100 million for a mandatory funding proposal to provide grants to states and nonprofits to test innovative, more portable approaches to providing retirement and other employment-based benefits. The goal is to encourage the development of a new model that workers can take from job to job and that can accommodate contributions from multiple employers for an individual worker. The Budget proposes legislation that will allow multiple unrelated employers to come together and form pooled retirement plans, lowering the cost and burden for each employer. In addition, small employers who auto-enroll employees in a retirement plan would receive a tax credit to offset administrative expenses. Until legislation is enacted, we have also taken administrative steps to promote savings. The Department has proposed regulations and issued guidance to facilitate states' efforts to create their own retirement plans for private sector employees. The budget request for the Employee Benefits Security Administration (EBSA) also includes an increase of $6.5 million to pilot different approaches to increasing retirement plan coverage in states.

The Pension Benefit Guaranty Corporation (PBGC) acts as a backstop to insure pension payments for workers whose companies or plans have failed. Both PBGC's single-employer program and multiemployer program are underfunded, with combined liabilities exceeding assets by $76 billion at the end of 2015. Premium rates remain much lower than what a private financial institution would charge for insuring the same risk and are well below what is needed to ensure the solvency of PBGC. To address these concerns, the Budget proposes giving the PBGC Board the authority to adjust premiums and directs the Board to raise $15 billion in premiums in the budget window only from the multiemployer program, given the single-employer program's improving financial projections. This level of premium revenue would nearly eliminate the risk of the multiemployer program becoming insolvent over the next 20 years.

The budget request for the Wage and Hour Division provides resources to enforce laws that establish the minimum standards for wages and working conditions in workplaces across the United States, particularly in industries where workers are most at risk and are least likely to assert their rights. The Budget also expands funding for efforts aimed at ensuring that workers receive back wages they are owed, as well as funding to crack down on the illegal misclassification of some employees as independent contractors. Misclassification deprives workers of basic protections like unemployment insurance, workers' compensation, and overtime pay, and it undercuts employers who play by the rules while their competitors skirt their obligation to provide wages, benefits, and social insurance.

The Occupational Safety and Health and Mine Safety and Health Administrations (OSHA and MSHA) enforce safe and healthful working conditions for America's workers. Across the two agencies, the Budget provides more than $992 million for these activities. That includes funds for OSHA to bolster the agency's ability to enforce safety and health standards; provide compliance assistance to employers and vulnerable workers; and administer 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 it will provide MSHA with the resources it needs to conduct statutorily required mine inspections and enforce laws that protect miners who report safety or health problems.

Finally, the Office of Federal Contract Compliance Programs (OFCCP) enforces equal opportunity and affirmative action requirements covering federal contractors and subcontractors. OFCCP ensures that their job applicants and workers do not face discrimination because of their race, color, religion, sex, sexual orientation, gender identity, national origin, disability, or veteran status; or because they inquire about, discuss, or disclose their compensation or the compensation of other employees or applicants. The FY 2017 Budget request for OFCCP would allow the agency to continue its current work, while also creating two Skilled Resource Centers and continuing modernization of the core Case Management System. The implementation of the targeted Skilled Resource Centers will allow OFCCP to better align its investigative skills trainings for existing and new compliance officers with geographically concentrated business sector industries. The dedicated funding for the Case Management System would support the continued improvement of OFCCP's enforcement efforts. It will assist in the standardization of the Department's Digital Government Integrated Platform, which is designed to modernize legacy systems within the Department; to support enterprise data analytics and mobile data applications; and to enhance staff productivity and efficiency.

Improving Data-Driven Decision-Making, Creating Efficiencies, and Program Reform

In recent years, the Department has been striving to increase the productivity and efficiency of its own workforce. We believe our mission-driven focus and data-driven performance work have borne fruit. The Department's staff is becoming more effective at their jobs, and this has led to significant improvements in the Department's rankings of best places to work. The Budget includes a number of investments to continue improving the Department's ability to serve the public, increase DOL employee effectiveness, streamline processes and enhance agencies' ability to target enforcement efforts.

The Department continues to work to improve its IT management. Over the past few years, we have consolidated nine separate IT infrastructure components into one consolidated system. Within this system, the Department is implementing a consolidated platform, which will support information-sharing and improve the efficiency and effectiveness of the Department's workforce. The Department's IT Modernization budget includes an increase of $33 million to further these efforts and to address the security of our systems.

Also, several agencies' budgets -- including the Office of Labor-Management Standards (OLMS), the Office of Federal Contract Compliance Programs (OFCCP), and the Office of Workers' Compensation Programs (OWCP) -- include proposals to upgrade case management or claims processing systems. The goal is to improve the agencies' enforcement targeting, enabling them to better identify those employers who are violating the law. OWCP's 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, while also yielding savings in future years. The OWCP Interactive Voice Response proposal will bolster these efforts by providing a more seamless experience for callers, including improved response from a mobile workforce, leading to shortened processing times. Similarly, OLMS' 15-year-old, obsolete IT system jeopardizes mission critical functions. Modernization would ensure continuity of operations; enable sharing of enforcement data; expand online reporting; improve transparency of union, employer, and labor consultant finances and activities; and dramatically enhance web search and navigation.

Thanks in large measure to the work of our Chief Evaluation Office, the Department has been held up as a leader in data-driven decision-making. The Budget includes an increase for the office, while also continuing to allow for the transfer of resources from agencies for evaluations of their programs.

The Budget also proposes several program reforms. Unemployment Insurance provides critical income support to unemployed workers. After cutbacks in coverage by states and due to broader changes in the economy, about one out of every three unemployed workers receives UI benefits. The Budget includes cost-neutral reforms to both strengthen and modernize the UI program. These reforms will provide additional benefit access to part-time workers, low-wage workers and workers who must leave a job for a compelling family reason. The Budget also helps unemployed workers return to work more quickly; reforms UI to help prevent layoffs; makes the UI program more responsive to economic downturns; and shores up the solvency of state UI programs. Lastly, it proposes to establish a wage insurance program to help workers make ends meet if a new job pays less than the old one.

We are also once again proposing changes to the permanent labor certification program. This is the process we use to certify that an employer seeking to obtain employment-based permanent residency for a foreign worker -- also called a Green Card -- has adequately tested the U.S. labor market, demonstrating that there are insufficient U.S. workers available and qualified for the job, and that no adverse effect on wages and working conditions of U.S. workers will occur. These conditions must be met under the Immigration and Nationality Act before a Green Card is issued. One of our most critical budget proposals would authorize legislation allowing the Department of Labor to establish and retain fees to cover the costs of operating the foreign labor certification programs, helping us improve the speed and quality of certification processing. The Department has heard from businesses across the country that support a filing fee to expedite the process. There is precedent for such authority: under the H-1B visa program for temporary employment in specialty occupations, we use a portion of the proceeds from employer fees to process labor certifications. There are no backlogs in processing applications under that program, despite a 76 percent increase in applications over the last 5 years. The inability to charge a fee to support more efficient application processing and program administration hurts businesses, workers and our economy.

Conclusion

During the time that I have served as Secretary, and throughout the seven years of this Administration, the Labor Department has done important work to expand opportunity to more workers, families and communities. Our efforts have played an indispensable role in the nation's economic recovery. Continuing and strengthening those efforts requires a strong but responsible budget, which makes smart investments in our nation's workers, job-seekers and retirees. America has no greater economic asset than our people, our human capital. This President's Budget empowers our people, giving them the tools they need to thrive in 2017, and for years and decades to come.

Mr. Chairman, thank you again for this opportunity. I look forward to discussing our budget request with you and all members of the committee, and I'm happy to respond to any questions you may have.