

**STATEMENT OF SETH D. HARRIS  
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BEFORE THE  
SUBCOMMITTEE ON LABOR,  
HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES  
COMMITTEE ON APPROPRIATIONS  
UNITED STATES HOUSE OF REPRESENTATIVES**

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Chairman Kingston, Ranking Member DeLauro and members of the Subcommittee, thank you for the invitation to testify today. I appreciate the opportunity to appear before you to discuss the Fiscal Year (FY) 2014 budget request for the Department of Labor.

The President's FY 2014 budget proposal invests in the things we need to grow our economy, create jobs and strengthen the middle class while further reducing the deficit in a balanced way. The Labor Department budget request ensures ladders of opportunity for Americans striving to enter and stay in the middle class. For those willing to work hard and play by the rules, it provides support to develop the skills they need to find good jobs with income security in fair, safe workplaces. It is possible – and, in fact, imperative – that we make these investments at the same time that we allocate resources responsibly and make tough choices to live within our means.

The economic situation has improved substantially, but we have a great deal more to do if our economy is to reach its full potential, particularly in relation to jobs. While the worst may be behind us, we are not out of the woods yet. The federal government, and the Labor Department in particular, has a critical role to play in catalyzing further growth and job creation by equipping workers and job seekers with the skills they need to succeed in a 21<sup>st</sup> century economy. The budget request protects key priorities, enhances our capacity in key areas, and streamlines existing programs while recognizing that we must govern more efficiently.

As outlined in the testimony, this budget invests in the future by working to make good jobs available for all American workers in a fiscally responsible manner through:

- Turning our Unemployment System into a Reemployment System,
- Building the Skills of American Workers
- Helping Veterans Find Civilian Jobs to, and
- Protecting American Workers and Their Benefits

**TURNING OUR UNEMPLOYMENT SYSTEM INTO A REEMPLOYMENT SYSTEM**

As we work to strengthen and rebuild our economy from the worst economic downturn since the Great Depression, it is critical to provide a helping hand and a viable path back to work for those who have had their lives disrupted by unemployment. The FY 2014 Budget proposes a set of aggressive strategies to reduce long-term unemployment and speed reemployment:

- **Universal Displaced Worker program.** The FY 2014 budget proposes a new Universal Displaced Worker program that will reach more than a million workers a year with a set of core services, replacing two more narrowly-targeted programs (Trade Adjustment Assistance and WIA Dislocated Workers) and ensuring that all dislocated workers receive high-quality job search assistance.
- **Reemployment Services.** To help workers receiving Unemployment Insurance (UI) get the assistance they need to find work, the budget proposes an additional \$30 million for the Employment Service Grants to States to fund reemployment services for UI claimants who are likely to exhaust their benefits. Employment services create a more efficient labor exchange that connects workers supply and job demand within local and regional economies.
- **Reemployment and Eligibility Assessments.** The Department will invest in research-proven methods by devoting \$80 million for Reemployment and Eligibility Assessments that review beneficiaries' efforts to find new employment, refer them to reemployment services or training, and provide labor market information in their job search. These services are projected to save the state accounts in the Federal Unemployment Trust Fund an estimated \$315 million by helping beneficiaries find jobs more quickly and eliminating payments to ineligible individuals.
- **Reemployment NOW.** Continuing efforts focused on helping the long-term unemployed get back to work, the Budget includes a legislative proposal for a \$4 billion Reemployment NOW program. States will receive flexible funding to implement a menu of innovative reemployment initiatives and design, develop, and implement their own strategies to help UI claimants and other long-term unemployed individuals get back to work more quickly.
- **Pathways Back to Work Fund.** Many Americans of all ages need further education and training and better access to job opportunities in order to succeed in today's economy. Building on successful Recovery Act programs that provided employment opportunities for the long-term unemployed and low-income adults and youths, the Budget includes a legislative proposal for a \$12.5 billion Pathways Back to Work Fund to make it easier for workers to gain new skills for long-term employment. This initiative will support various promising strategies designed to lead to employment for low-income youth and adults.
- **Unemployment Insurance.** The combination of chronically underfunded reserves and the economic downturn has placed a considerable financial strain on States' UI operations. The Department's FY 2014 budget request continues our commitment to strengthening the UI safety net by helping unemployed workers return to work as swiftly as possible while putting the UI system back on the path to solvency and financial integrity. The request continues the Administration's aggressive actions to help States combat improper payments in their UI programs with several additional proposals. Specifically, we provide funds for the recently established UI Integrity Center of Excellence and mandate State participation in the Treasury Offset Program, State

Information Data Exchange System, and the Prisoner Update Processing System. In addition, the Budget proposes legislative reforms to put state UI systems on the path to solvency.

## **BUILDING THE SKILLS OF AMERICAN WORKERS**

As job requirements change, training and employment programs must innovate and adapt to help American workers acquire needed skills for the increasingly knowledge-based economy. The following proposals will help strengthen American economic security by investing in innovation and skills for the American workforce:

- **Training and Employment Services.** The Budget continues the Department's commitment to those who are most vulnerable to economic distress. In 2014, it will be critical to continue to provide unemployed job seekers and underemployed workers the services they need to find new jobs. The recession was especially tough on disadvantaged and low-skilled adults, whose immediate employment and training needs must be addressed to prevent them from slipping further out of the middle class. An increase in the Workforce Investment Act set-aside for statewide activities to 7.5 percent from 5 percent will allow governors to increase oversight and accountability activities and help improve performance in targeted local areas. The Budget fully funds this in order to protect funding for locally provided services.
- **Disability Employment.** There are significant disparities between the labor market outcomes of people with and without disabilities. The FY 2014 Budget proposes \$42 million for the Office of Disability Employment Policy (ODEP). This includes \$5 million for a new Pathway to Careers Demonstration Project to evaluate the use of coordinated service delivery strategies that increase the number of youth and young adults with disabilities who enter community colleges and complete career and technical programs that provide industry recognized credentials. Also included is an increase of \$1 million to implement the Integrated Employment Policy Change Initiative, which will increase the capacity of federal staff, service providers, and states to implement integrated employment practices. These increases are fully offset by reallocating funds from the Disability Employment Initiative, which will have a minimal impact on the program.
- **Workforce Innovation Fund.** The workforce system is more important now than ever, but we need to make it more efficient, streamlined, and targeted to serve our growing customer base. To ensure that our investments in employment and training are focused on reform, the budget request provides \$150 million for a competitive Workforce Innovation Fund (WIF). The WIF helps States, regions, and localities to test and implement new and evidence-based strategies, with an emphasis on ideas that entail cross-program collaboration and bold systemic reforms. Of this funding, the Budget sets aside \$50 million to test approaches to help veterans and their families, as discussed further below; and \$10 million on strategies targeting disconnected youth.
- **American Job Centers.** The system of American Job Centers is the core delivery system for employment and training services. To strengthen this system, the Budget includes additional funds to promote co-location of services and programs, create better

online tools that offer convenient, personalized services, and increase public awareness and use of the American Job Center network.

- **Community College to Career Fund.** Community colleges play a unique role in creating a flexible, highly-skilled 21st-century workforce to help businesses meet the specific emerging needs in their regions. The Budget includes a legislative proposal for an \$8 billion fund administered by the Departments of Labor and Education to provide funding for community colleges, states, and the public workforce system to partner with businesses to train workers in a range of high-growth and in-demand areas, such as health care, transportation, and advanced manufacturing.
- **Builds Knowledge About What Works to Increase Employment for Ex-Offenders.** The Budget devotes \$50 million to test and replicate innovative and evidence-based strategies for young ex-offenders. In particular, the Budget seeks to test if non-violent youth will reap the same benefits from the Youth ChalleNGe program that other at-risk youth do – such as higher rates of employment, high school or GED completion, and earning college credit. To further spur innovation and direct funding to effective programs, the Budget also dedicates \$10 million to Pay for Success programs designed to improve employment and reduce recidivism among ex-offenders.

### **PUTTING VETERANS BACK TO WORK**

Each year, the U.S. military discharges approximately 160,000 active duty service members and 110,000 Reserve and National Guard service members. The unemployment rate for these recently discharged veterans is much too high – we must ensure that they have access to the job opportunities that they have earned. Through the Veterans’ Employment and Training Service (VETS), the Department of Labor helps service members and their spouses make the initial transition from military service to the civilian labor force by providing resources and expertise to assist and prepare them to obtain meaningful careers, maximize their employment opportunities and protect their employment rights. Our FY 2014 request provides improved reemployment services to newly separated veterans and focuses resources on veterans with disabilities or other significant barriers to employment. Some key investments in this area are:

- **Veterans’ Employment and Training.** The Budget contains significant expansion of services to veterans totaling nearly \$351 million across two DOL agencies. Over the past 18 months, the President has announced a series of actions to combat the high levels of veterans’ unemployment and to provide greater support for service members seeking to transition to civilian education and employment. Our request addresses the employment needs of veterans, improves employment services for their families, focuses resources on veterans with disabilities or other significant barriers to employment, and provides improved re-employment services that enable individuals newly separated from the military to successfully transition into civilian careers. The Budget includes \$14 million to ensure that our Transition Assistance Program (TAP) meets the estimated demand of our Nation’s transitioning service members. We are also requesting an increase of \$38 million for additional Disabled Veterans’ Outreach Program specialists to enhance

services to transitioning service members, wounded warriors and the spouses and family caregivers of the wounded warriors.

**Workforce Innovation Fund.** As mentioned earlier, \$50 million of WIF funding will be devoted to strategies targeting veterans, family members of active duty personnel, and members of the National Guard and Reserves. Examples of the type of innovative practices that might be supported by these grants include: closely assessing the gap between military training and experience and state licensure and other certification requirements and developing programs to provide early intervention to meet the employment needs of claimants in the Unemployment Compensation for Ex-Service members programs.

## **PROTECTING AMERICAN WORKERS AND THEIR BENEFITS**

Worker protection programs are crucial to protecting the health, safety, wages, working conditions, and retirement security of American workers, and it is essential that we take steps to bolster these protections to ensure that our workers are not permanently affected by economic distress. The Budget includes nearly \$1.8 billion for the Department's worker protection agencies, preserving recent investments in rebuilding our enforcement capacity and making strategic choices to ensure funding is used for the highest priority activities. Some of the highlights of our worker protection request include:

- **Employee Benefits Security.** To protect Americans' health and retirement benefits, the Department is requesting \$179 million for the Employee Benefits Security Administration. This money will protect more than 141 million workers, retirees, and their families who are covered by nearly 2.3 million health plans, a similar number of other welfare benefit plans, and nearly 701,000 private retirement plans, which all together hold combined estimated assets of \$7.1 trillion.
- **Mine Safety and Health.** The Mine Safety and Health Administration (MSHA) protects our miners from death, disease, and injuries. The \$381 million budget request for MSHA includes an increase of \$5.8 million for MSHA's Enforcement programs to enforce and promote mine safety and health laws. The request also includes an additional \$2.5 million to implement recommendations from the Internal Review conducted in the wake of the Upper Big Branch mine disaster.
- **Occupational Safety and Health.** The Occupational Safety and Health Administration (OSHA) must ensure safe and healthful working conditions for working men and women by setting and enforcing standards and by providing training, outreach, education and assistance. The Budget provides \$571 million for OSHA, allowing the agency to inspect hazardous workplaces and work with employers to help them understand and comply with safety and health standards. This includes an increase of \$5.9 million to bolster OSHA's enforcement of the many whistleblower laws that protect workers and others who face retaliation for reporting unsafe or unscrupulous practices.

- **Wage and Hour.** It is imperative that we maintain investments in the enforcement of key laws that protect our workers' wages and benefits. In FY 2014, the Department is requesting \$243 million for the Wage and Hour Division (WHD), including an increase of \$3.4 million for increased enforcement of the Fair Labor Standards Act (FLSA) and the Family and Medical Leave Act (FMLA), two laws that provide important protections to workers, including women, who are struggling to balance work and family. Of this increase, \$2.5 million will be reallocated from the Department's Women's Bureau. The WHD request also provides an additional \$5.8 million to develop a new integrated enforcement and case management system. This would allow investigators to capture and use higher quality data, conduct more efficient and effective investigations, target compliance assistance and investigations, evaluate the effectiveness and impact of enforcement, and more easily share information and data with the public.
- **Employee Misclassification.** When workers are misclassified as independent contractors, they are deprived of minimum wage, overtime, unemployment insurance, and anti-discrimination protections to which they are legally entitled. Misclassification, together with the underreporting of cash income for those paid as independent contractors, also costs taxpayers money in lost funds for the Treasury, Social Security, Medicare, the state accounts in the Federal Unemployment Trust Funds, and State programs. The FY 2014 Budget proposes nearly \$14 million to combat misclassification, including \$10 million for grants to states to identify misclassification and recover unpaid taxes within the unemployment insurance system and \$3.8 million for the WHD to investigate misclassification.
- **Federal Contract Compliance.** Pay discrimination is a historically under-investigated personnel practice but a critical issue for women and minority workers – according to the latest Census statistics, fulltime working women earn 77 cents for every dollar earned by men, and the gap is significantly more for women of color. The FY 2014 Budget requests \$108 million for the Office of Federal Contract Compliance Programs (OFCCP) and makes important investments -- including an increase of \$1.1 million to strengthen discrimination enforcement efforts -- to help ensure that women receive equal pay for equal work.
- **Defined Benefit Pension System.** The Budget proposes to strengthen the defined benefit pension system for the millions of Americans who rely on it by giving the board of the Pension Benefit Guaranty Corporation (PBGC) authority to adjust premiums to take into account the risks that different sponsors pose to their retirees and to the PBGC itself. This action will both encourage companies to fully fund their pension benefits and ensure the continued financial soundness of the PBGC. In order to ensure that these reforms are undertaken responsibly during challenging economic times, this proposal, estimated to save \$25 billion over the next decade, will require a year of study and public comment before any implementation and the gradual phasing-in of any premium increases.
- **State Paid Leave.** Too many American workers must make the painful choice between caring for their families and earning a paycheck they desperately need. While the FMLA allows many workers to take job-protected, unpaid time off, millions of families cannot

afford to take advantage of this unpaid leave. The Department's budget request includes a \$5 million proposal for a State Paid Leave Fund to provide technical assistance and support to states that are considering paid-leave programs.

In addition, the budget request includes legislative proposals to modernize two workers' compensation programs. Both reforms would produce Government-wide savings, and improve the operation of these programs for workers and families who suffer injuries and fatalities in the line of duty:

- **Federal Employees' Compensation Act (FECA)**. The 2014 Budget proposal incorporates longstanding Government Accountability Office, Congressional Budget Office, and Labor Inspector General recommendations to reform FECA. The proposal would amend FECA to establish a single benefit level, convert prospectively retirement-age beneficiaries to a retirement annuity-level benefit, establish an up-front waiting period for benefits for all beneficiaries, permit concurrent receipt of schedule awards and wage-loss compensation and expand assisted reemployment authority. It would also permit the Department of Labor to recapture the entire amount of compensation costs from responsible third parties, authorize the Department to cross-match FECA records with Social Security records to reduce improper payments, and make other changes to improve and update FECA. The reform legislation will also include a provision to allow the Department to add an administrative surcharge to the amount billed to Federal agencies for their FECA compensation costs, thereby shifting FECA administrative costs from the Department to Federal agencies in proportion to their usage. If enacted, the surcharge would not be applied until FY 2015 to give agencies an opportunity to plan for the change. This legislation is projected to save the Department more than \$460 million (and the entire government more than \$500 million) over 10-years.
- **Defense Base Act (DBA)**: The growth in Federal contractors working overseas has brought into sharp focus the need for a more efficient approach to the Defense Base Act. The budget proposes a new Government-wide fund to replace the patchwork of contract coverage now in effect under the DBA. Since 2002, the DBA caseload has increased by almost 2,600 percent, from 430 in 2002 to over 11,600 in 2011. The Department has experienced a number of administrative challenges in the wake of the increased workload. Over the past several years, we have been working closely with the Department of Defense, the Department of State, and the U.S Agency for International Development to reform and improve the operation of the program, and the proposal reflects the culmination of those collaborative efforts. The reform would replace the current DBA program with a new Government-wide self-insurance program that we're calling the Overseas Contractor Compensation program. The financing structure would be somewhat similar to FECA, with benefits paid directly from a Federal fund administered by the Department and agencies billed only for their share of benefits and administrative costs. This proposal would improve service to claimants and reduce the overall costs of the program.

## **ADDITIONAL PRIORITIES**

The Bureau of Labor Statistics (BLS) produces some of the Nation's most sensitive and important economic data. The budget request of \$614 million includes \$1.6 million to add an annual supplement to the Current Population Survey that would collect information relevant to labor force trends, including data on contingent work and alternative work arrangements, workplace flexibility, and work-family balance. The BLS request also includes \$2.5 million to modify the Consumer Expenditure (CE) Surveys to support the Census Bureau in its development of a supplemental statistical poverty measure using CE data.

## **FINDING BETTER AND MORE EFFICIENT APPROACHES**

The budget balances some of these investments with responsible and reasonable cuts and a continued focus on increased efficiency and effectiveness. In some cases, that means making difficult choices on funding reductions and realignments that will put America on a more sustainable fiscal course. Consistent with Administration-wide efforts to improve efficiency and find savings, the Department's budget proposes to streamline operations by:

- **Modernizing the delivery of training and employment services.** The Administration continues to explore opportunities to modernize the delivery of training and employment services, including the possibility of reorganizing some of the existing training programs that serve overlapping populations. The FY 2014 budget requests funding to support co-location of workforce investment partner programs and to increase access for services, and also consolidate two more narrowly-targeted programs to create a Universal Displaced Worker program.
- **Eliminating certain overlapping programs.** We appreciate the support in the final Continuing Resolution to implement our FY 2013 request to eliminate the Veterans' Workforce Investment Program (VWIP) and reallocate those funds to veteran employment programs with stronger accountability measures and better outcomes, including Transition Assistance Program (TAP) employment workshops and the implementation of new veteran activities mandated in the VOW to Hire Heroes Act.
- **Reforming Job Corps.** In support of the Administration's continued commitment to improving and reforming the Job Corps program, the budget continues the plan to close a small number of Job Corps centers that are chronically low-performing; identifying and seeking to replicate the practices of high-performing centers; and adopting cost-saving reforms. In addition, the Budget puts forward steps to strengthen financial and contract oversight, so the program can continue to provide valuable services to disadvantaged youth while maintaining strong internal controls and ensuring that its contracts are procured at the lowest risk and the best value to the Federal Government.
- **Boosting funding for rigorous program evaluation.** During this Administration, the Department has made a significant commitment to the evaluation of our programs, which over time will allow us to drive more investments toward practices that achieve better outcomes at lower costs. The FY 2014 budget builds on this commitment by increasing to



up to one percent the amount of program dollars that can be set aside for evaluation, complementing funds provided to the Chief Evaluation Office.

- **Modernizing technology infrastructure.** The Department's IT Modernization program works across agencies to provide new capabilities to help employees work more effectively and efficiently. We are creating a modernized, standardized IT infrastructure that streamlines operations, improves customer service and collaboration opportunities, and maximizes technology return on investment to support agency business missions. In FY 2014, the program will reduce costs and increase efficiency through several initiatives and improvements including as cloud email, web conferencing, mobility, and IT integration.

## SEQUESTRATION

Before I conclude my testimony today, I want to briefly address the impact – the significant and very negative impact – of the 2013 sequester on funding job training and worker protection. Arbitrary, across-the-board cuts are not the best economic growth or deficit reduction strategy. We ought to be strengthening investments in those initiatives that create jobs and grow the middle class, while eliminating what we don't need. And this should be achieved in a common-sense, balanced way, so that low-income and middle-class families do not bear the entire burden and the most fortunate Americans pay their fair share.

Sequestration has serious implications for my Department and the people we serve. These reductions will impact our most vulnerable workers just as we are emerging from economic recession. They will jeopardize our Nation's ability to develop and support a skilled workforce that can compete in the global economy, while also jeopardizing the conditions under which they work. While we are making choices that protect our most mission-critical activities, it is impossible for the Department of Labor to manage cuts of this magnitude without severe impact on our ability to prepare and protect American workers. This is going to have an immediate and significant impact on our efforts to ensure safe and healthful workplaces, and to ensure that workers get the wages and benefits to which they are entitled.

It's also important to note that even before the sequester, discretionary spending had already been cut in nominal terms over the past few years. Under the Budget Control Act targets, non-security discretionary spending is on a path to reach its lowest level as a share of GDP since the Eisenhower Administration. So the impact of these significant cuts in Federal support for employment and training are magnified, coming on top of already lower levels of Federal workforce funding, as well as reduced State and local efforts as a result of the recent financial crisis and economic recession. At a time when we are just starting to see strong signs of renewed economic growth, this sequester of Federal discretionary spending undermines our progress.

We all agree on the need for significant deficit reduction, but we want to work with Congress on a balanced approach toward this goal, combining fiscal responsibility with investments in American workers that will create jobs and strengthen the economy.

## CONCLUSION

Promoting the welfare of American workers, job-seekers and retirees is the fundamental mission of the Labor Department, and is critical to the Nation's continued economic recovery and long-term competitiveness. The Labor Department budget calls for targeted investments and significant reforms to help workers gain new skills so they can advance in their current occupations or move into new and growing industries; the proposal would ensure the Department can maintain safe and healthy workplaces; it would strengthen worker voice in the workplace; and it will safeguard critical minimum wage and overtime protections for workers.

The 2014 Budget includes smart, evidence-based investments to support workers, and it continues critical funding for training and other resources for job seekers. Our efforts will help to get Americans into good jobs; foster safe workplaces that respect workers' rights; provide a level-playing field for all businesses; and help American workers provide for their families by keeping the pay and benefits they earn. I am committed to pursuing these goals, and I believe strongly that we can do so even as we take steps to reduce the Federal deficit. We at the Department of Labor are ready to work with you in the weeks and months ahead on a responsible path forward.

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