



**Testimony of Rebecca Oyler, NFIB PA Legislative Director
House Labor and Industry Committee
February 19, 2019**

WORKFORCE DEVELOPMENT

Chairman Cox, Chairman Harkins, and members of the committee, thank you for inviting us here today to discuss a critical issue for Pennsylvania small businesses. We would like to commend the committee and Governor Wolf for rightly focusing on finding solutions to the number one concern of small business owners – finding qualified workers.

The National Federation of Independent Business (NFIB) is a member-driven organization advocating for America's small and independent business owners in Washington, and in all 50 state capitals. NFIB members represent every industry and sector, all of whom are affected by workforce difficulties. In the most recent NFIB Small Business Economic Trends report, 56% of small business owners reported hiring or trying to hire, and 88% of these firms reported few or no qualified applicants for the positions they were trying to fill.

For small businesses, hiring plans and solid investment numbers continue to signal a strong economy, especially in manufacturing, agriculture, and transportation. This is important because small businesses hire almost half of the workforce and create two out of every three new jobs. As a result, the unavailability of qualified workers to fill open positions is truly a crisis that is holding the economy back. This is why we are pleased to discuss solutions to the workforce problem.

With the focus of today's hearing being on Pennsylvania's programs tied to the Workforce Development Act, NFIB PA surveyed its members on their interaction with PA's current workforce programs. We found that most small businesses are not generally aware of the workforce programs that may be available to them. Some that have used them to find candidates did not find these candidates to be qualified for the jobs they had. Many also noted that bringing trade skills back to high school would be helpful, as would emphasizing that trade schools are a good alternative to college. Others suggested that soft skills, like focus, conscientiousness, dedication, and a good attitude are just as important as "hard" skills for the employees they need. And these skills, they say, are particularly lacking today.

NFIB believes that workforce development is an area where government has a role to play in directing resources to programs that help match the skills of workers with the jobs employers have to offer. If done successfully, this will fuel economic opportunities for employees and employers alike.

That said, Pennsylvania's workforce development system is a complex myriad of programs run by at least seven state agencies administering funding streams with hundreds of millions of state and federal taxpayer dollars. These programs must adhere to federal government mandates regarding how the money is to be spent. These federal mandates may not reflect the situation in every state and may lead to funding duplicative or even ineffective programs year after year, leading to inefficiencies at best and the outright failure of program objectives at worst.

Governor Wolf is to be commended for proposing as part of his budget initiative the creation of a Keystone Economic Development and Workforce Command Center. This initiative seems to recognize

some of these issues because it brings agencies together to coordinate workforce programs more effectively, reduce duplication of efforts, provide more transparency, and track outcomes. We look forward to hearing more about this proposal.

We also look forward to reviewing Auditor General DePasquale's performance audit of the state's workforce development system, which is due for release this summer. This report may further determine how effective the current system is in addressing the needs of employers and workers and help set priorities for the future.

These initiatives may be good first steps toward designing an effective workforce development system that is tailored to the needs and priorities of Pennsylvania's workers and businesses, especially if they are able to discern the most effective workforce solutions by measuring specific outcomes.

Ultimately, we may find that effective workforce solutions tailored to Pennsylvania needs do not follow federal dictates. Other states have recognized this and have requested and received waivers of federal requirements so that funds could be used in carefully crafted state programs. Pennsylvania should consider that the best solution may require a federal waiver. A waiver would not require increased funding, but would instead direct existing state and federal taxpayer dollars to the programs that best address Pennsylvania's most pressing needs.

NFIB believes that the most effective workforce programs, especially those designed to target small businesses, must provide flexible and accessible solutions, not cookie-cutter mandates accompanied by mounds of paperwork and red tape. The most innovative solutions will likely not come from Washington, or even Harrisburg for that matter, but from local problem-solvers.

Workforce programs that address the needs of small businesses would emphasize early exposure to important trade skills and on-the-job training through targeted apprenticeships and mentorships. Successful programs would provide flexible ways for trade schools and high schools to partner with local small businesses to ensure they are teaching job-ready skills. They can also offer incentives for small businesses to hire and train nontraditional employees, like individuals reentering the workforce. But these programs must be flexible and cannot come with excessive application requirements or administrative burdens that small businesses, most of which do not have HR staff, would struggle to meet.

We would also suggest that workforce readiness not neglect the critical soft skills that employers seek and that help workers earn and keep jobs that lead to even greater opportunities and higher wages.

Lastly, we must emphasize that the Governor's proposal to increase the hourly minimum wage to \$12 this summer, and to \$15 over the next few years, undermines his stated commitment to workforce development. Many small businesses will simply not be able to offer apprenticeships or internships and will cut starting lower-wage jobs in favor of higher-skilled workers or automation if this proposal becomes law. The positions that will be eliminated are the exact jobs that allow workers to get their foot in the door and gain the critical soft skills they need to get ahead. This will ultimately exacerbate the workforce problem over the long-term because fewer workers will be able to gain critical starter skills.

Thank you again for the chance to speak to the committee on behalf of Pennsylvania's small businesses. I'd be happy to answer questions.