



DEPARTMENT OF LABOR

Funding Highlights:

- Provides \$12.8 billion, a 5 percent reduction from the 2010 enacted level. This reflects a shift in investments to a new Workforce Innovation Fund and increases for worker protection and mine safety programs. The Budget achieves savings through a reduction in funding for the Senior Community Service Employment Program, and transfers it to the Department of Health and Human Services to improve coordination with other programs for seniors. The Budget also includes a 25 percent reduction in the Job Corps construction budget.
- Invests almost \$380 million in the Departments of Labor and Education for a competitive “Workforce Innovation Fund” that will allow States and regions to compete for funds by demonstrating their commitment to transforming their workforce systems, including breaking down program silos and paying programs for success.
- Supports reform of the Workforce Investment Act to match unemployed workers with jobs and to give workers a chance to upgrade their skills to compete in the global economy.
- Provides short-term relief for businesses in States with indebted Unemployment Insurance systems, coupled with opportunities for States to improve the long-term solvency of these systems so that they can pay back their debts and provide adequate benefits when they are needed.
- Expands the use of work-sharing, allowing firms to retain workers by reducing employees’ weekly hours instead of having to lay them off and giving workers a partial unemployment check to supplement their reduced paycheck.
- Safeguards workers’ pensions by encouraging companies to fully fund their employees’ promised pension benefits and assuring the long-term solvency of the Federal pension insurance system.
- Increases support for agencies that protect workers’ wages, benefits, and health and safety and reduces the inappropriate misclassification of employees as independent contractors.
- Assists families who need to take time off to care for a child or other loved one by helping States launch paid leave programs.
- Creates new opportunities to save for retirement by establishing a system of automatic workplace pensions and doubling the small employer pension plan start-up credit.

The Department of Labor is charged with promoting the welfare of workers, job seekers, and retirees, which are all key Administration priorities as our economy continues to recover and we work toward strengthening America's competitive edge globally. The Budget reflects the need to make sacrifices in many areas in order to invest in job creation and boost competitiveness for years to come. Accordingly, the President's Budget provides \$12.8 billion for the Department of Labor—a reduction of 5 percent from the 2010 enacted level. To support effective job training programs, the Budget shifts resources from an underutilized portion of formula grants for States to a new Workforce Innovation Fund. The Budget achieves savings through a reduction in funding for the Senior Community Service Employment Program, and transfers it to the Department of Health and Human Services. The Budget also proposes a 25 percent reduction in the Job Corps construction budget. The Budget increases funding for worker protection and mine safety programs that were underfunded in the previous administration and are critical to Americans' health and safety.

Invests in a Competitive Workforce

Creates a Competitive Workforce Innovation Fund to Encourage New Approaches to Job Training. To prompt States, regions, and localities to come forward with promising ideas and make sure the job training system continues to evolve, the President's Budget sets aside almost \$380 million to establish a Workforce Innovation Fund, paired with broader waiver authority, that will test new ideas and replicate proven strategies for delivering better employment and education results at a lower cost per outcome. The Departments of Labor and Education will jointly administer the Fund, in consultation with other agencies such as the Department of Health and Human Services. The initiative will fund a competition among States and regions to implement bold systemic reforms that break down barriers between programs and provide rewards based on outcomes, particularly in serving disadvan-

tagged populations. Like the new Trade Adjustment Assistance Community College and Career Training Grants, the Innovation Fund will create incentives for grantees to consider evidence in designing their programs, collect better data to know what is working well and what is not, and find ways to make program dollars stretch further. The Department is also providing Workforce Data Quality grants to States to improve systems for collecting data on education and employment outcomes.

Improves the Job Training System. To compete in the global economy, we need skilled workers who can access opportunities to upgrade and hone their skills as their career progresses and technology changes. The Budget provides nearly \$10 billion for Workforce Investment Act (WIA) programs at the Departments of Labor and Education to match unemployed people with jobs and give individuals with skill gaps the training they need to secure family-sustaining employment. The Administration is committed to improving the quality of the services WIA supports, and will work with the Congress on a reauthorization bill that streamlines service delivery and breaks down program silos, better meets the needs of employers and regional economies, holds the system accountable for serving all workers and job-seekers well, and promotes innovation and reform based on what works.

Achieves Efficiencies and Reduces Future Liabilities

Reduces Cost and Improves Outcomes in Senior Community Service Employment Program (SCSEP). Because difficult choices had to be made in order to invest in programs that would yield the highest returns, the Budget reduces funding for SCSEP by 45 percent and transfers the program to the Department of Health and Human Services to improve coordination with other senior-serving programs. This change will not only create savings in a fiscally-restrained time, but also improve program operations and eliminate redundancies.

Cuts Job Corps Construction Budget. Job Corps provides valuable education and career training for many disadvantaged young people, but as all agencies are working to identify savings, the Budget reduces the program's construction budget by 25 percent.

Strengthens the Unemployment Insurance Safety Net. Many States' unemployment insurance (UI) systems are chronically underfunded and the economic downturn has severely tested their adequacy, leaving 31 States in debt at the end of 2010. These debts are now being repaid through additional taxes on employers, which undermine much-needed job creation. To provide short-term relief to these States, the Budget provides a two-year suspension of State interest payments on their debt and automatic increases in Federal unemployment insurance taxes. At the same time, the Budget encourages States to put their UI systems on firmer financial footing so they can pay back their debts to the Federal government and better respond to future economic conditions. The Budget does so by increasing the minimum level of wages subject to unemployment taxes to \$15,000 starting in 2014, indexed after that. In 2014, the taxable wage base will be nearly the same in real terms as it was in 1982, when President Reagan signed into law the last legislation increasing the wage base. In addition, in 2014, the Federal tax rate will also be lowered to avoid a Federal tax increase.

Improves Program Integrity in Unemployment Insurance (UI). UI benefits should go to the right workers in the right amounts. When States have to finance high levels of improper payments, employers face higher taxes and workers may see cuts in their benefit levels. Despite the efforts of States to reduce improper payments, over \$15 billion in UI benefits were erroneously paid in 2010, and the overpayment rate reached 11 percent, an increase from the previous year. The Administration will tackle this problem by boosting funding for UI integrity efforts and proposing legislative changes that would reduce improper payments and employer tax evasion.

Shores up the Pension Benefit Guaranty Corporation to Protect Worker Pensions. The Pension Benefit Guaranty Corporation (PBGC) acts as a backstop to protect pension payments for workers whose companies have failed. When underfunded plans terminate, PBGC assumes responsibility for paying the insured benefits; more than 1.5 million workers and retirees already look to PBGC for their benefits and PBGC insures plans covering 40 million others. However, the PBGC's pension insurance system is itself underfunded, and the PBGC's liabilities exceed its assets. The PBGC receives no taxpayer funds and its premiums are currently much lower than what a private financial institution would charge for insuring the same risk. PBGC is unable to adjust its premiums to reflect a company's financial condition and the risks to its pensions. The Budget proposes to give the PBGC Board the authority to adjust premiums and directs PBGC to take into account the risks that different sponsors pose to their retirees and to PBGC. This will both encourage companies to fully fund their pension benefits and ensure the continued financial soundness of PBGC. In order to ensure that these reforms are undertaken responsibly during challenging economic times, the Budget would require two years of study and public comment before any implementation and the gradual phasing-in of any increases. This proposal is one component of the Administration's ongoing strategy to make the PBGC more accountable and efficient, while strengthening the defined benefit pension system for the millions of American workers who rely on it for retirement security. This proposal is estimated to save \$16 billion over the next decade.

Protects American Workers and Provides Relief During Economic Recession

Maintains Strong Support for Worker Protection. The Budget includes \$1.8 billion for the Department's worker protection agencies, putting them on sound footing to meet their responsibilities to protect the health, safety, wages, and working conditions, and retirement security of the Nation's workforce. The Budget preserves

previous funding increases to rebuild the Department of Labor agencies' enforcement capacity, and provides additional targeted increases to:

- *Protect the Safety and Health of Miners.* The Federal Mine Safety and Health Review Commission's large backlog creates an unacceptable delay in holding bad-actor operators accountable for risking miners' lives and puts the health and safety of America's miners at risk. The Budget provides funding to continue the backlog-reduction efforts and makes key improvements in the capacity of the Mine Safety and Health Administration (MSHA) to enforce safety and health laws, including important investments to improve dust sampling and prevent new cases of occupational black lung disease. The Administration also supports legislation that provides MSHA with stronger enforcement tools to ensure mine operators meet their responsibility to protect their workers.
- *Detect and Deter the Misclassification of Workers as Independent Contractors.* When employees are misclassified as independent contractors, they are deprived of benefits and protections to which they are legally entitled, such as overtime and unemployment benefits. Misclassification also costs taxpayers money in lost funds for the Treasury and in the Social Security, Medicare, and Unemployment Insurance Trust Funds. The Budget includes \$46 million to combat misclassification, including \$25 million for grants to States to identify misclassification and recover unpaid taxes and \$15 million for personnel at the Wage and Hour Division to investigate misclassification.
- *Enhance Protections for Whistleblowers.* The Budget includes an additional \$5 million to bolster the Occupational Health and Safety Administration's enforcement of 19 laws that protect workers and others who are retaliated against for reporting unsafe and unscrupulous practices. These resources will be paired with administrative efforts to improve the transparency and effectiveness of the program.

Encourages State Paid Family and Medical Leave Initiatives. Too many families must make the painful choice between the care of their families and a paycheck they desperately need. The Family and Medical Leave Act allows workers to take job-protected unpaid time off, but millions of families cannot afford to use unpaid leave. A handful of States have enacted policies to offer paid family leave, but more States should have the chance. The Budget supports a \$23 million State Paid Leave Fund within the Department of Labor that will provide competitive grants to help States cover their start-up costs that choose to launch paid-leave programs.

Expands Work-Sharing. To help employers keep workers on the job, the Budget will encourage States to expand use of short-time compensation. Also known as work-sharing, this voluntary employer program helps firms retain workers by reducing employees' weekly hours instead of laying them off. Workers with reduced hours receive a partial unemployment check to supplement their reduced paycheck. The Budget will provide temporary Federal financing of short-time compensation benefits and encourage States to adopt and expand use of the program.

Establishes Automatic Workplace Pensions. Currently, 78 million working Americans—roughly half the workforce—lack employer-based retirement plans. The Budget proposes a system of automatic workplace pensions that will expand access to tens of millions of workers who currently lack pensions. Under the proposal, employers who do not currently offer a retirement plan will be required to enroll their employees in a direct-deposit IRA account that is compatible with existing direct-deposit payroll systems. Employees may opt-out if they choose. To minimize costly burdens on small businesses, the smallest firms would be exempt.

Doubles the Small Employer Pension Plan Startup Credit. Under current law, small employers are eligible for a tax credit equal to 50 percent (up to a maximum of \$500 a year for three years) of the start-up expenses of establishing or administering a new retirement plan. To make

it easier for small employers to offer pensions to their workers in connection with the automatic IRA proposal, the Budget will increase the maximum credit from \$500 a year to \$1,000 per year.

Department of Labor
(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
Spending			
Discretionary Budget Authority:			
Training and Employment Services.....	3,829		3,627
Unemployment Insurance Administration	3,257		3,287
Employment Service/One-Stop Career Centers	788		849
Office of Job Corps	1,708		1,700
Community Service Employment for Older Americans ¹	825		—
Bureau of Labor Statistics.....	611		647
Occupational Safety and Health Administration.....	559		583
Mine Safety and Health Administration.....	365		384
Wage and Hour Division	225		241
Office of Federal Contract Compliance Programs	103		109
Office of Labor-Management Standards.....	41		41
Office of Workers' Compensation Programs	108		124
Employee Benefits Security Administration	155		198
Veterans Employment and Training.....	256		261
Bureau of International Labor Affairs	93		102
Office of the Solicitor.....	128		133
Foreign Labor Certification.....	68		66
Office of Disability Employment Policy.....	39		39
State Paid Leave Fund.....	—		23
Office of the Inspector General.....	84		84
All other.....	308		326
Total, Discretionary budget authority (including supplementals).....	13,550	13,992	12,824
<i>Memorandum: Budget authority from supplementals</i>	<i>18</i>	<i>—</i>	<i>—</i>
Total, Discretionary outlays	14,855	14,582	13,722
Mandatory Outlays:			
Unemployment Insurance Benefits:			
Existing law	146,142	130,007	93,191
Legislative proposal	—	—	-56

Department of Labor—Continued
(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
Trade Adjustment Assistance:			
Existing law	614	1,204	1,286
Legislative proposal	—	124	415
Pension Benefit Guaranty Corporation ²	-1,333	-619	-782
Black Lung Benefits Program.....	299	296	300
Federal Employees' Compensation Act:			
Existing law	216	183	350
Legislative proposal	—	—	-10
Energy Employees Occupational Illness Compensation Program Act.....	1,074	1,016	983
American Recovery and Reinvestment Act Weekly Unemployment Supplement	11,839	1,920	259
All other ³	-650	-693	-632
Total, Mandatory outlays	158,201	133,438	95,304
Total, Outlays	173,056	148,020	109,026

¹The Budget proposes to transfer the Community Service Employment for Older Americans to the Department of Health and Human Services.

²The Budget proposal that would increase PBGC premiums would have no outlay effects until 2014.

³Net mandatory outlays are negative when offsetting collections exceed outlays.