



DEPARTMENT OF LABOR

Funding Highlights:

- Provides \$12.1 billion in discretionary funding for the Department of Labor, an increase of more than \$20 million from the comparable 2012 level. The Budget continues critical investments in training and resources for job seekers. It also includes savings from projected reductions in workload for the Unemployment Insurance program and administrative efficiencies.
- Improves services for workers and job seekers by modernizing the Federal job training system, including through the creation of a Universal Displaced Worker program. Invests \$150 million in a competitive Workforce Innovation Fund to engage States and localities in identifying effective models and establishes a Community College to Career Fund to invest in successful job training partnerships between community colleges and business.
- Ensures that Americans who have lost their jobs have the help they need to develop their skills and return to work and creates employment opportunities for the long-term unemployed and low-income adults and youth.
- Strengthens Job Corps by improving its outcomes and cost-effectiveness and creating stronger oversight.
- Provides improved re-employment services to newly-separated veterans and focuses resources on veterans with disabilities or other significant barriers to employment.
- Maintains support for agencies that protect workers' wages, benefits, health and safety, and invests in preventing and detecting the misclassification of employees as independent contractors.
- Assists workers who need to take time off to care for a child or other family member by helping States launch paid leave programs.
- Safeguards workers' pensions by encouraging companies to fully fund their employees' promised benefits and assuring the long-term solvency of the Federal pension insurance system.
- Improves the solvency of the Unemployment Insurance system by encouraging States to fully fund their programs and works to reduce improper payments in the Unemployment Insurance program to improve program integrity and cost-effectiveness.

- Protects workers who suffer injuries and fatalities while on the job and their families by modernizing and improving the operation of Federal workers' compensation systems.
- Builds knowledge about which programs work, including through new approaches to reducing recidivism and increasing employment for young ex-offenders.

The Department of Labor (DOL) is charged with promoting the welfare of American workers, job seekers, and retirees, a mission that is critical to the Nation's continued economic recovery and long-term competitiveness. To support this mission, the Budget provides more than \$12.1 billion in discretionary funding for DOL. This funding level allows substantial investments to support workers and is coupled with significant reforms to better help people gain skills, regain their footing after a job loss, and find new employment opportunities. The Budget also makes investments to bolster the enforcement of critical wage and hour, whistleblower, and worker safety laws.

Invests in a Competitive Workforce

Promotes New Approaches to Job Training and Employment Services. As the economy changes, training and employment programs must continually innovate and adapt to effectively help American workers gain the skills they need to find new jobs and careers.

- *Modernizes, Streamlines, and Strengthens the Delivery of Training and Employment Services.* Today more than 40 programs at 11 Federal agencies deliver job training and employment services. The Administration believes we should be doing everything we can to make it easier for people who need help to find a job or build their skills for a better one, and for employers who need to find well-qualified workers. The Administration is exploring opportunities to revisit how the Federal Government funds job training and employment services, including the possibility of reorganizing some of the existing

training programs that serve overlapping populations. For example, the Budget proposes a Universal Displaced Worker program that will reach up to a million workers a year with a set of core services, combining the best elements of two more narrowly-targeted programs. Any reform must ensure that the needs of particularly vulnerable job-seekers and workers continue to be met and ensure greater accountability and transparency about the performance of federally supported job training providers and programs. The Administration looks forward to working with the Congress and other stakeholders on job training reform in the coming year.

- *Drives Innovation.* To spur innovation, the Budget provides \$150 million for the Workforce Innovation Fund. The Fund tests new ideas that States and regions bring forward to implement systemic reforms and replicate evidence-based strategies for training and helping workers find jobs. DOL will continue to administer the Fund, working closely with agencies that support educational, employment, and related services. Within the Fund, \$10 million is dedicated to building knowledge about which interventions are most effective for disconnected youth. The Budget also provides \$80 million to increase the set-aside for governors in the Workforce Investment Act formula grants from 5 percent to 7.5 percent in order to boost States' capacity to engage in program improvements and reform. In addition, the Budget provides \$25 million to support new, evidence-informed efforts to improve employment outcomes for older Americans.

- *Strengthens Community Colleges to Train Workers for Available Jobs.* Too often, employers struggle to find workers with the skills they need, even as millions of Americans look for work. The Budget funds an \$8 billion Community College to Career Fund jointly administered by DOL and the Department of Education to support State and community college partnerships with businesses to build the skills of American workers. The Fund will build on the Trade Adjustment Assistance Community College and Career Training Grants, for which 2014 is the final year of funding.

Helps the Unemployed and Low-Income Adults and Youth. 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. Unemployment Insurance (UI) benefits have helped American families stay afloat, keeping 2.3 million individuals—including 600,000 children—from falling into poverty in 2011 alone. With Emergency Unemployment Compensation extended through the end of 2013, the Administration is focused on helping the long-term unemployed get back to work. The Budget proposes a \$4 billion Reemployment NOW program, which incorporates a number of reforms to help UI claimants and other long-term unemployed individuals get back to work more quickly. The Budget also includes a \$12.5 billion Pathways Back to Work Fund to make it easier for workers to remain connected to the workforce and gain new skills for long-term employment. This initiative will support summer and year-round jobs for low-income youth, subsidized employment opportunities for unemployed and low-income adults, and other promising strategies designed to lead to employment. In addition, the Budget builds upon the demonstration authority that was included in the Middle Class Tax Relief and Job Creation Act of 2012, providing \$25 million to encourage innovative States to come forward with new and better strategies for getting UI beneficiaries back to work.

Reforms Job Corps. The Budget continues the Administration’s commitment to improving and reforming the Job Corps program, which provides comprehensive services and support to some of the Nation’s most disadvantaged youth. These reforms include closing 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 proposes 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.

Improves Career Transitions for Newly-Separated Veterans. 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 servicemembers seeking to transition to civilian education and employment. Although the number of unemployed veterans remains too high, especially for post-9/11 veterans, over the past year there has been an encouraging downward trend in the overall veterans’ unemployment rate, consistent with the decline in the national unemployment rate. DOL, in partnership with the Departments of Defense and Veterans Affairs, is implementing the first major redesign of transition assistance services in over 20 years. This new program, Transition Goals, Plans, Success (Transition GPS), will help servicemembers more effectively transition to civilian life and find employment that capitalizes on the skills they have developed through their service. DOL is also providing increased access to intensive reemployment services for post-9/11 veterans, helping employers take advantage of tax credits for hiring veterans, and continuing its work to connect veterans with available jobs. The Budget builds on these efforts and will fully fund the cost to DOL of meeting the expected level of military separations and refocus its grants to serve veterans with disabilities or other significant barriers to employment. In addition, the Workforce Innovation Fund includes \$50

million for projects to address the employment needs of veterans—including recently separated veterans—and to improve employment services for military families and members of the Guard and Reserves who face unique challenges in the civilian workforce because of their military commitments.

Maintains Strong Support for Worker Protection.

The Budget includes nearly \$1.8 billion for DOL's worker protection agencies, putting them on sound footing to meet their responsibilities to protect the health, safety, wages, working conditions, and retirement security of American workers. The Budget preserves recent investments in rebuilding DOL's enforcement capacity and makes strategic choices to ensure funding is used for the highest priority activities.

- *Strengthens Enforcement of Wage and Hour and Family Leave Laws.* The Budget provides an increase of \$3.4 million for the Wage and Hour Division (WHD) for increased enforcement of the Fair Labor Standards Act and the Family and Medical Leave Act, which ensure that workers receive appropriate wages, overtime pay, and the right to take job-protected leave for family and medical purposes. The Budget also provides \$5.8 million for WHD to develop a new integrated enforcement and case management system to allow investigators to capture higher quality and more timely data to analyze trends in labor law violations, target investigations and compliance assistance efforts, and evaluate the impact and quality of enforcement.
- *Promotes Worker Health and Safety.* The Budget provides \$571 million for the Occupational Safety and Health Administration (OSHA), allowing OSHA to inspect hazardous workplaces and work with employers to help them understand and comply with safety and health regulations. The Budget includes an additional \$5.9 million to bolster OSHA's enforcement of the 21 whistleblower laws that protect workers and others who are retaliated against for reporting unsafe and unscrupulous practices.

- *Protects the Health and Safety of the Nation's Miners.* The Budget provides \$381 million for the Mine Safety and Health Administration (MSHA), including additional funding for MSHA's enforcement programs to enforce and promote mine safety and health laws and to implement recommendations from the Internal Review conducted in the wake of the Upper Big Branch mine disaster.

- *Detects and Deters 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 minimum wage, overtime, unemployment insurance, and anti-discrimination protections. Misclassification, together with the underreporting of cash income for those paid as independent contractors, also costs taxpayers money in lost funds for the Treasury and in Social Security, Medicare, the Unemployment Trust Fund, and State programs. The Budget includes approximately \$14 million to combat misclassification, including \$10 million for grants to States to identify misclassification and recover unpaid taxes and \$4 million for personnel at WHD to investigate misclassification.

Provides Greater Security for American Workers and Retirees

Encourages State Establishment of Family Leave Initiatives.

Too many American workers must make the painful choice between the care of their families and a paycheck they desperately need. While the Family and Medical Leave Act allows many workers to take job-protected unpaid time off, 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 to follow their example. The Budget includes a \$5 million State Paid Leave Fund to provide technical assistance and support to States that are considering paid leave programs.

Promotes Equal Pay for Equal Work.

According to the latest Census statistics, full-time working women earn 77 cents to every dollar earned by men, and the gap is significantly more for women of color. The Budget makes important investments to help ensure that women receive equal pay for equal work. It provides additional resources to strengthen the pay discrimination enforcement efforts of DOL's Office of Federal Contract Compliance Programs and the Equal Employment Opportunity Commission, agencies that work to secure equal employment opportunities for all workers.

Strengthens the Pension Benefit Guaranty Corporation to Protect Worker Pensions.

The Pension Benefit Guaranty Corporation (PBGC) acts as a backstop to insure pension payments for workers whose companies have failed. Currently, PBGC's pension insurance system is itself underfunded, and PBGC's liabilities exceed its assets. PBGC receives no taxpayer funds and its premiums are currently much lower than those a private financial institution would charge for insuring the same risk. 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 reform 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 a year of study and public comment before any implementation and the gradual phasing in of any premium increases. This proposal is estimated to save \$25 billion over the next decade.

Establishes Automatic Workplace Pensions and Expands the Small Employer Pension Plan Startup Credit.

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 Individual Retirement Account (IRA) that is compatible with existing direct-deposit payroll systems. Employees may opt out if they choose. To minimize burdens on small businesses, those with 10 or fewer employees would be exempt. Employers would also be entitled to a tax credit of \$25 per participating employee—up to a total of \$250 per year—for six years. 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 tax credit available for small employers establishing or administering a new retirement plan from \$500 to \$1,000 per year. This credit would be available for four years.

Strengthens the UI Safety Net and Improves Program Integrity.

The combination of chronically underfunded reserves and the economic downturn has placed a considerable financial strain on States' UI operations. Currently, 23 States owe more than \$28 billion to the Federal UI trust fund. As a result, employers in those States are now facing automatic Federal tax increases, and many States have little prospect of paying these loans back in the foreseeable future. At the same time, State UI programs have large improper payment rates. It is important to put the UI system back on the path to solvency and financial integrity while maintaining benefits for job seekers. The Budget provides immediate relief to employers to encourage job creation now, reestablishing State fiscal responsibility going forward, and working closely with States to eliminate improper payments. Under this proposal, employers in indebted States would receive tax relief for two years. To encourage State solvency, the proposal would also raise the minimum level of wages subject to unemployment taxes in 2016 to a level slightly less in real terms than it was in 1983, after President Reagan signed into law the last wage base increase. The higher wage base would be offset by lower tax rates to avoid a Federal tax increase.

The Administration has also taken a number of steps to address program integrity in States that have consistently failed to place enough emphasis

on combating improper payments in their UI programs. The Administration's aggressive actions have given States a number of tools to prevent improper payments, and reducing State UI error rates remains an Administration priority. The Budget includes several additional proposals to help States combat improper payments in their UI programs, including providing funds for the recently established UI Integrity Center of Excellence and mandating State participation in the Treasury Offset Program, State Information Data Exchange System, and the Prisoner Update Processing System.

Modernizes Workers' Compensation Systems. The Budget includes legislative proposals to reform two workers' compensation programs, authorized by the Federal Employees' Compensation Act (FECA) and the Defense Base Act (DBA). FECA covers Federal civilian employees and DBA covers Federal contract employees working overseas on military bases and public works projects. 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.

- **FECA Reform.** FECA has not been substantially updated since 1974. FECA benefits typically exceed Federal retirement benefits, which creates an incentive for beneficiaries to remain on FECA beyond their normal retirement age. In addition, while State workers' compensation systems have waiting periods for benefits to discourage less serious claims, FECA has a three-day waiting period for non-Postal employees that is imposed too late in the claims process to be effective. The Budget acts on longstanding recommendations from the Government Accountability Office, the Congressional Budget Office, and DOL's Inspector General, as well as numerous Securing Americans Value and Efficiency (SAVE) Award nominations, to amend FECA to convert future retirement-age beneficiaries to a retirement annuity-level benefit, impose an up-front waiting period for benefits for all beneficiaries, permit DOL to

recapture compensation costs from responsible third parties, give DOL additional tools to reduce improper payments, and make other changes to improve the program. These reforms would generate Government-wide savings of more than \$500 million over 10 years.

- **Defense Base Act Reform.** The growth in Federal contractors working overseas has brought into sharp focus the need for a more efficient approach to the DBA. 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. DOL has experienced a number of administrative challenges in the wake of the increased workload, including difficulties in obtaining necessary documentation from foreign workers and delays in processing cases originating from war zones. In addition, under the program's current structure, the costs of DBA insurance—which agencies pay through individual contracts—exceed actual benefits by a significant margin. Over the past several years, DOL, the Department of Defense, the Department of State, and the U.S. Agency for International Development have been working closely together to reform and improve the operation of the program, and the Budget reflects the culmination of those collaborative efforts. The proposal would replace the current DBA program with a new Government-wide benefit program—modeled on FECA—under which benefits would be paid directly from a Federal fund administered by DOL, and agencies would be billed only for their share of benefits and administrative costs.

Supports Evidence-Based Decision-Making and Achieves Efficiencies

Boosts Funding for Program Evaluation. During this Administration, DOL has made a significant commitment to the evaluation of its

programs, which over time will allow it to drive more investments toward practices that achieve better outcomes at lower costs. The Budget builds on this commitment by increasing to one percent the amount of program dollars that can be set aside for evaluation, complementing funds provided to the Chief Evaluation Office and helping to support rigorous evaluations.

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. For example, the Budget seeks to test if non-violent youth will reap the same benefits from the National Guard's 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.