DEPARTMENT OF LABOR

The President's Proposal:

- Strengthens and protects America's 21st Century workforce by:
  - reforming employment and job training programs;
  - involving employers more in identifying the training and skills needed in the workforce;
  - helping unemployed workers find jobs with flexible Re-employment Accounts; and
  - evaluating all employment and training programs with common measures;
- Reforms the Unemployment Insurance system to increase state control, improve customer service, and reduce employers' federal payroll taxes; and
- Reinforces critical worker protections, including retirement security and health and safety.

The Department's Major Challenges:

- Making job training and employment programs more efficient and results-oriented;
- Eliminating erroneous payments in the Unemployment Insurance program, which could annually save states hundreds of millions of dollars; and
- Improving the inefficient, labor-intensive foreign labor certification program.

Department of Labor

Elaine L. Chao, Secretary

www.dol.gov 1–866–4–USA–DOL

Number of Employees: 17,274

2003 Spending: $70.7 billion

Major Assets: 4,034 vehicles and 12 buildings containing 489,000 square feet.

The Department of Labor (DOL) promotes workers' safety and health; safeguards workers' wages, rights, benefits, and equal employment opportunities; administers employment and training grant and benefit programs; finances and oversees the states' unemployment insurance systems; and protects union members' rights under the law.

Pursuing Change, Protecting Workers

The President proposes ambitious reforms to make job training and benefit programs work better for their customers, while fortifying critical programs that protect workers' wages, benefits, and well-being in the workplace.

Performance-Based Reform of Federal Job Training and Employment Programs

In 2003, the Administration launched a multi-year review of federal job training and employment programs. In 2004, the Administration will use the opportunity presented by the reauthorization of the Workforce Investment Act (WIA) to make significant improvements in these programs. Many of these proposed reforms are designed to correct program weaknesses identified through the new Program Assessment Rating Tool (PART), described later in the chapter. For example, the PART identified significant overlap in job training programs, contributing to a patchwork of financial and program management structures at the state and local levels, inefficient administrative arrangements, and problems in tracking expenditures. The PART also indicated that WIA does not allow the Secretary to redirect unspent funds to states that have exhausted their available resources but face continuing needs.

The Administration's reforms will attack these problems by eliminating duplication through program consolidation; strengthening resource allocation; improving accountability; enhancing the role of employers in the national workforce system; and increasing state flexibility.

The Administration proposes to merge three adult training and employment programs—the WIA adult program, dislocated worker program, and Employment Service state grants—into a single $3.1 billion grant. This reform will give states and the Secretary of Labor the ability to target resources where needed, facilitate coordination, and eliminate duplication among current services for adults.

The Administration's reauthorization proposal for youth job training will minimize overlap between DOL and the Department of Education by targeting all of DOL's formula resources on out-of-school youth programs and national grant resources on non-school and out-of-school youth programs that have proven effective. DOL's youth investments will focus on providing young people with a strong, core academic foundation in conjunction with appropriate supplemental vocational skills and training leading to post-secondary degree and certification options.

The Administration also will propose reforms to improve the operation and effectiveness of the One-Stop system. One-Stop Career Centers provide a user-friendly way for employers to find workers and job seekers to get labor market information and employment and training services to help them find new or better jobs.

For the past few years, large amounts of WIA state formula grants funding have remained unspent and in the Treasury at the end of the year. In 2004, these programs will start the year with balances exceeding $1.5 billion. While total unexpended balances remain high, some states and local areas have exhausted the resources available to them. Accordingly, the 2004 Budget uses these unspent funds to maintain service levels while providing more flexibility to DOL and states to reallocate and target funding where it is most needed.

The 2003 Budget proposed to end programs identified as ineffective or duplicative, including the Migrant and Seasonal Farmworkers program, the Youth Opportunity Grants program, Responsible Reintegration of Youthful Offenders, and the National Skill Standards Board. In order to support programs with track records of returning people to work, the 2004 Budget continues to call for their elimination.

Common Measures for Job Training Programs

To strengthen accountability, the budget adopts a set of common performance measurements for the major federal job training programs. Six agencies running 31 programs have identified the following measures for adult and youth job training programs:

Adult Programs	Youth Programs
Entered Employment	Placement in Employment or Education
Retention in Employment	Attainment of a Degree or Certificate
Earnings Gains	Literacy and Numeracy Gains
Program Efficiency	Program Efficiency

With common terms and definitions across programs, states and local areas managing multiple programs will be able to use a simplified format and measurement system for reporting performance. In 2004, the six partner agencies will prepare guidelines for comparing the performance of similar programs. These performance comparisons will appear in the 2005 Budget.

Offering Re-employment Accounts to At-Risk Job Seekers

Currently, about 40 percent of all Unemployment Insurance (UI) beneficiaries use the standard 26 weeks of benefits without returning to work. Of the people who receive more weeks—temporary extended benefits—75 percent do not find new jobs before exhausting their benefits. These data suggest that the longer a person stays on UI, the less likely it is he or she will find re-employment.

The President's economic growth plan proposes to solve this problem with a new tool, Re-employment Accounts. These accounts will promote the re-employment of unemployed individuals who are identified as likely to exhaust their UI benefits. The Re-employment Accounts, which states will have considerable flexibility to design, will provide up to $3,000 to certain job seekers to allow them to purchase the training, re-employment, or supportive services they need to get back to work. In addition to whatever services they select, individuals will still be able to receive, free of charge, basic re-employment services (such as resume drafting) from states and One Stop Career Centers. If workers land a job within 13 weeks after starting UI benefits, they may keep the money remaining in their account as a re-employment bonus. Because they reward work, eliminate red tape, and promote individual choice, Re-employment Accounts will be included in the Administration's WIA reauthorization proposal.

Aside from the assistance noted above, the President's Budgets for 2003 and 2004 invest billions of dollars each year in employment, training, trade adjustment assistance, and student grants and loan programs.

The President's Budgets Invest Billions of Dollars in Training for America's Workers

(Budgetary resources in millions of dollars)

	2002 Actual	Estimate	
		2003	2004
Department of Labor:			
Training and Employment resources [1]	7,263	7,064	7,502
Economic Growth Package—Re-employment Accounts [2]	—	1,600	2,000
Department of Education:			
Estimated Pell Grant spending for technical and two-year postsecondary schools	5,652	5,440	6,390
Total	12,915	14,104	15,892
Addendum:			
Student Loans for technical and two-year postsecondary schools	4,527	5,235	5,793

[1] Includes new budget authority for WIA programs, Employment Service state grants, and Community Service Employment for Older Americans; and spending for Trade Adjustment Assistance training and benefits.

[2] Anticipated spending from $3,600 million in 2003 funding for Re-employment Accounts.

Reforming Unemployment Insurance Administration

On the administrative side, the UI system is an unwieldy relic that badly needs an overhaul. In the 2004 Budget, the Administration again proposes long-term reforms that will promote flexibility and strengthen the critical UI assistance that states provide to America's workers. Employers and states agree that the current system is flawed.

Employers complain that their federal unemployment taxes are too high and that too few of those funds go back to states to run the UI program. States express frustration because federal funding falls short of what they believe they need to run their UI programs. The Administration answers these concerns with a package designed to make the UI system more responsive to the needs of workers and employers by giving states flexibility and control. These changes would not affect workers' UI benefits, which are paid by state, not federal, funds. The President's reforms would:

- Reduce employers' federal payroll taxes.

  The Administration would cut the Federal Unemployment Tax Act (FUTA) payroll tax by 25 percent or $1 billion in 2005, with additional reductions over the following four years. By 2009, FUTA would be reduced to 0.2 percent of the first $7,000 in wages.

- Give states control over administrative funding.

  This would help states improve the timeliness and accuracy of benefit payments and prevent and detect overpayments. Currently, states pay for unemployment benefits, while the federal government gives states money to run their programs. Shifting control from the federal government to the states would let states control all the costs of operating their UI programs. The transfer of control would come with transitional aid to states. The Administration would give states $5.4 billion to phase in the new system over five years.

- Retain the federal safety net so that no worker is denied benefits.

  Federal loans to pay benefits would remain available for states that run short of funding. With the enactment of the Administration's reforms, states will be well positioned to respond immediately to changing economic conditions and have additional flexibility to serve jobless workers better through a strengthened UI system.

Fixing the Foreign Labor Certification Process

Currently, DOL's processing of employer applications for permanent certification of foreign workers is labor- and time-intensive. It can take up to six years for a foreign worker to be certified as eligible to work in the United States, which undermines the program's purpose and encourages employers and workers to break the rules. Federal and state reviews are duplicative, contributing to the problem. In 2003, the Department will make changes to the permanent program that will prevent future backlogs by expediting certification and eliminate altogether the state role in the processing of applications. The Department has already streamlined certification for H-1B high-tech workers. The 2004 Budget includes $72 million as the first part of a two-year drive to eliminate the 300,000-case backlog in the permanent foreign labor certification program.

Protecting Workers

The budget demonstrates the President's strong commitment to the more than 180 worker protection laws DOL oversees. DOL will continue to meet its responsibilities through a balance of vigorous and targeted enforcement and compliance assistance. In most cases, partnership and compliance assistance will be effective, since most employers want to fulfill their obligations under the law. When necessary, however, DOL will apply strong enforcement as a means of achieving compliance and safeguarding workers' benefits, wages, health, and safety. Moreover, the changing composition of the nation's workforce, including rapid growth in the number of non-English-speaking workers, demands new approaches to protecting workers. The 2004 Budget incorporates these new approaches, providing, for example, additional funds to the Occupational Safety and Health Administration (OSHA) for training and information directed to non-English-speaking workers, including materials translated into their own language.

> *Savings start as an individual responsibility, but government can help by expanding the rewards of saving and by strengthening protections for saving.*
>
> President George W. Bush
> February 28, 2002

Protecting workers' retirement savings. The 2004 Budget for the Employee Benefits Security Administration (EBSA, formerly the Pension and Welfare Benefits Administration) of $129 million is a 10-percent increase to provide: 1) additional enforcement to safeguard workers' retirement savings and other benefits in the wake of corporate fraud cases; and 2) expanded compliance assistance efforts to educate employers and pension plan administrators on their responsibilities, including under the new corporate accountability laws. With these additional resources, EBSA expects to dispose of 19 percent more civil and criminal cases in fiscal year 2004 than in 2003 and restore, protect, or recover $69 million more in pension plan assets.

In early 2002, the President proposed new retirement savings protections to provide workers with greater confidence in, and choice and control of, their retirement savings. The President has proposed to:

- strengthen workers' ability to manage their retirement funds by giving them more freedom to diversify their investments;
- provide better information to workers through improved 401(k) and pension plan statements; and
- encourage employers to provide their employees with access to professional investment advice.

> **Caught in a 401(k) Delay?**
>
> Workers have the right to have the 401(k) contributions that are withheld from their paychecks invested into their accounts as quickly as possible. DOL has moved to crack down on those employers that delay these investments and, instead, use workers' 401(k) contributions for their own purposes. (Currently, about one-third of 401(k) investigations involve such delays.) Even if the employer later repays this illegal and unwilling "loan," workers will have lost investment returns while their contributions were diverted. DOL is working to locate and punish wrongdoers on several fronts: 1) alerting workers to identify and report delinquent contributions; 2) communicating acceptable practices to employers; 3) deploying extra enforcement to pursue these abuses; and 4) encouraging delinquent employers to self-correct violations and make specified remedies, to avoid enforcement measures and fines.

Some of the President's plan has already been enacted in the Sarbanes-Oxley Act of 2002; he will continue to work with the Congress to enact the rest of his plan. DOL has begun implementing the new law, which allows workers to make more informed choices about their retirement savings (for example, by giving advance notice to workers of periods during which they will not be allowed to make changes in their retirement accounts), and applies the same restrictions on corporate executives as on workers. Under the new law, executives cannot make trades in their retirement accounts when workers cannot.

Ensuring safe and healthy workplaces. The budget strengthens protections for worker safety and health, providing an additional $25 million for OSHA and the Mine Safety and Health Administration (MSHA). Occupational injury and illness rates have reached historic lows: in 2001, there were less than six injury and illness cases per 100 full-time workers. Still, recent incidents—such as the July 2002 flooding of the Quecreek mine in Pennsylvania—provide grave reminders of the hazards workers still face. In addition, safety and health problems are more severe in certain parts of the workforce. For example, in 2001 the injury and illness rate of mines with fewer than five employees was almost twice that of larger mines. The budget addresses these problems and responds to changes in the workforce, providing specialized assistance to small businesses and non-English-speaking workers. For example, MSHA's new Office of Small Mines will develop and distribute educational materials to help small mines comply with federal regulations, offer training, and review regulations that impose undue burdens on small mines. OSHA will also target small businesses, helping small employers navigate workplace safety requirements and making them aware of services (such as free on-site consultation) that are available to help them.

MSHA Assistant Secretary David Lauriski helps pull a rescued miner to safety. Nine miners were trapped in the Quecreek mine when water from an adjacent mine flooded it. MSHA helped with the successful rescue of all nine men.

Standing up for the rights of union members. Just as it demands corporate accountability, the Administration will see that unions fulfill their statutory responsibilities to members under the Labor-Management Reporting and Disclosure Act. The 2004 Budget gives DOL the resources it needs to improve compliance assistance, help union members become more informed about their rights and their union's affairs, and promote financial transparency and integrity. Specifically, the budget includes an additional $5 million for the Office of Labor-Management Standards (OLMS), the only federal office charged with overseeing unions' financial affairs. To crack down on labor racketeering, $2.5 million has been set aside to increase the DOL Inspector General's efforts in that area.

Cracking Down on Labor Racketeering

Labor racketeering activities have real costs for workers, businesses, and the public, in the form of diminished wages and benefits, reduced business opportunities and revenue, and higher prices. The DOL Inspector General has focused on addressing corruption in internal union affairs, labor-management relations, and employee benefit plans. In 2002 alone, this work resulted in 218 indictments and 151 convictions of union officials, organized crime figures, and benefit plan service providers.

One DOL priority is to root out union corruption by organized crime. A recent investigation involving this type of activity on the New York and New Jersey waterfronts resulted in the indictment of 17 individuals on charges of racketeering, extortion, gambling, money laundering, and wire fraud.

Civil monetary penalty reforms. In some cases, employers' compliance with labor laws is linked to the threat of enforcement, backed by strong sanctions. In some areas, however, current civil monetary penalties are not high enough to deter repeated or egregious offenses. The budget proposes to increase civil monetary penalties for violations of laws administered by the Employment Standards

Administration (ESA) and MSHA. For example, ESA proposes to raise civil monetary penalties for violations causing the death or serious injury of youths in the workplace from $11,000 to $50,000, and to $100,000 for repeat and willful violations. MSHA proposes to raise the maximum penalty for egregious violations by a factor of four, from $55,000 to $220,000, to make its penalties more consistent with those levied by OSHA. The budget also proposes to authorize OLMS to impose civil monetary penalties on unions and others that fail to file their required financial reports on a timely basis. Authorizing civil monetary penalties is intended to improve compliance with the filing requirement, not to penalize inadvertent lapses.

Improving Federal Workers' Compensation Programs

The FECA and the Black Lung Benefits Act (Black Lung) programs play a critical role in protecting workers' economic security, providing cash and medical benefits and rehabilitation services to federal employees and coal miners whose ability to work has been diminished by an occupational injury or illness.

Last year the Administration proposed a package of FECA legislative reforms to correct program inequities, update benefits, improve customer service, and reduce disincentives to return to work. The Administration also proposed legislation to restructure the Black Lung Disability Trust Fund's mounting debt, the annual interest on which eclipses the program's combined benefit and administrative costs. The 2004 Budget renews those requests.

FECA improvements. The budget proposes reforms to:

- Put into place "full cost" budgeting for FECA.

  The budget allows DOL to bill federal agencies for their full workers' compensation costs, improving agencies' incentive to make workplace safety a priority.

- Adopt "best practices" of state workers' compensation programs.

  In line with state workers' compensation systems, the budget proposes to deter frivolous claims by requiring a waiting period before benefits are paid. The budget also proposes a slightly higher benefit level for all claimants, instead of compensating those with dependents at a higher level for the same injury and wage loss, as is done currently by FECA but rarely by state workers' compensation systems.

- Promote benefit equity.

  Because they are tax-free, FECA benefits are generally more generous than federal retirement benefits. Such situations offer an incentive for individuals to remain on FECA beyond when they would normally have retired. While holding harmless all current beneficiaries, the budget proposes to provide future FECA recipients over age 65 a level of benefits typically provided by federal retirement programs.

- Update benefits and improve customer service.

  The reform would modernize the way awards are paid to allow for uniform lump-sum payments, and eliminate reporting requirements and other archaic restrictions on some beneficiaries.

Retiring the Black Lung Disability Trust Fund debt. The Black Lung Disability Trust Fund, from which Black Lung benefits and administrative costs are paid, is funded through a tax on each ton of coal mined. In the Trust Fund's early years, excise tax revenue did not cover the program's costs, so DOL had to borrow from the Treasury. Although since 1990 excise tax revenues have generally been sufficient to finance beneficiaries' medical and income support costs, they have not been enough to cover ever-growing interest costs on the Trust Fund's debt. Consequently, DOL leaves the principal unpaid and continues to borrow more just to pay interest on a debt approaching $9 billion. DOL's Inspector General has repeatedly identified the Trust Fund debt as a threat to the program's financial stability and integrity. In 2003, the Administration offered a solution to refinance and eventually retire the Trust Fund's debt. It will be reproposed in 2004.

Performance Evaluation of Select Programs

The Administration is identifying needed improvements in a number of DOL's programs using the new PART. Used government-wide, the PART is a tool for evaluating a program's design and purpose, how well it is managed, and whether the program produces positive results for taxpayers. The accompanying table rates the performance of three DOL programs. For further details on these and other DOL programs, see the DOL chapter in the *Performance and Management Assessments* volume.

Program	Rating	Explanation	Recommendation
Community Service Employment for Older Americans (CSEOA)	Results Not Demonstrated	CSEOA's mission—to address short-term employment needs for low-income older Americans—is clear. CSEOA has limited data to show progress on performance measures and lacks rigorous, long-term goals. Competition and outcome evaluations could strengthen service delivery and program design.	Competitively award national grants. Add a cost-effectiveness measure. As part of the new job training common measures, adopt three long-term employment-outcome measures to allow comparisons across similar programs.
Occupational Safety and Health Administration (OSHA)	Adequate	OSHA has a clear mission and generally achieves its performance goals, but measurement of its performance is hindered by the lack of timely data. OSHA does not demonstrate efficiency gains or maximization of net benefits, or perform cost-benefit comparisons of proposed regulations.	Conduct more rigorous analyses of proposed standards and regulatory alternatives. Evaluate the effectiveness of regulatory and non-regulatory programs. Improve the timeliness of data collection and performance measurement.
Federal Employees' Compensation Act (FECA)	Moderately Effective	FECA has a rational program design, and generally meets its relatively ambitious performance goals. One goal is to reduce the number of days injured individuals are away from work, which is a key outcome but not completely within DOL's control. Independent outcome evaluations are limited. Claimant satisfaction, while improved, remains too low at 59 percent.	Propose changes to improve fairness and charge federal agencies for their full FECA costs. Launch an independent evaluation of program strategies and best practices in other workers' compensation systems. Consider adding a cost-effectiveness goal. Set ambitious goals for improving customer satisfaction.

Update on the President's Management Agenda

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status	●	●	● ↑	●	● ↑
Progress	●	●	●	●	●

Arrows indicate change in status since baseline evaluation on September 30, 2001.

DOL's four yellow status marks and four green progress scores reflect its long-term commitment to, and effective day-to-day implementation of, the President's Management Agenda. In the human capital area, five DOL agencies have identified core competencies to close skill gaps in mission-critical occupations, and additional agencies will be undergoing their analyses in early 2003. The Department exceeded its 2002 competitive sourcing goal by directly converting activities (including a portion of its information technology work) to the private sector. While DOL continues to identify functions that could be opened to competition, it has not yet completed a public-private competition. To improve financial management, DOL is developing a new core accounting system and performance measures to help states reduce erroneous payments of unemployment insurance benefits, which could save hundreds of millions of dollars annually. DOL's financial performance status was upgraded to yellow when the Secretary reported that all the Department's systems met federal standards. In E-Government, DOL has led the creation of *GovBenefits.gov*, a website that informs visitors about federal benefit programs for which they may qualify. DOL was among the first agencies to propose a viable format for linking program budgets to performance, which boosted its status from red to yellow.

In support of the President's Management Agenda, the 2004 Budget for DOL includes $24 million to address management issues such as workforce restructuring and recruiting, and $49 million for a central fund for Department-wide information technology improvements.

Initiative	Status	Progress
Faith-Based and Community Initiative	● ↑	●

Arrow indicates change in status since baseline evaluation on June 30, 2002.

DOL has demonstrated a sustained commitment to implementing the faith-based initiative. DOL is providing technical assistance and has initiated pilot projects totaling $17.5 million to link faith-based and grassroots community organizations to the nation's One-Stop Career system. DOL also took action to eliminate significant regulatory barriers to the participation of these organizations in DOL grant programs, which had been identified as a problem.

Department of Labor
(In millions of dollars)

	2002 Actual	Estimate	
		2003	2004
Spending:			
Discretionary Budget Authority:			
Training and Employment Services	5,484	5,036	5,749
Unemployment Administration [1]	2,729	2,739	2,651
Employment Service/One-Stop Career Centers	987	959	200
Community Service Employment for Older Americans	445	440	440
Bureau of Labor Statistics	474	498	512
Occupational Safety and Health Administration	444	437	450
Mine Safety and Health Administration	253	254	267
Employment Standards Administration	370	294	310
Employee Benefits Security Administration [2]	110	117	129
Pension Benefit Guaranty Corporation (PBGC) [3]	12	13	17
Veterans' Employment and Training [4]	213	211	220
Bureau of International Labor Affairs	147	55	12
Information Technology	50	74	49
Office of Disability Employment Policy	38	47	47
Office of the Inspector General	57	62	67
Management Crosscut	—	7	24
Working Capital Fund	—	—	20
All other programs	522	352	371
Total, Discretionary budget authority [5]	12,335	11,595	11,535
Mandatory Outlays:			
Unemployment Insurance	50,841	53,172	39,830
Re-employment Accounts	—	1,600	2,000
Trade Adjustment Assistance	391	802	1,312
Black Lung Benefits Program	1,484	1,475	3,293
Federal Employees' Compensation Act	171	171	206
PBGC [3]	−977	−219	−116
Energy Employees Occupational Illness Program	381	810	531
Welfare-to-work	500	187	114
H-1B Training and Administration	50	203	129
All other programs	390	267	357
Total, Mandatory outlays	52,451	57,934	46,942

[1] 2002 and 2003 entries include the use of workload contingency funds triggered on during economic slowdown.

[2] Formerly the Pension and Welfare Benefits Administration.

[3] The 2004 Budget proposes mandatory financing for all PBGC administrative expenses by dropping the past discretionary limitation on administrative expenditures. The 2004 discretionary figure reflects the scoring of this change. Net mandatory outlays are negative because offsetting collections (e.g., premiums) exceed gross outlays.

[4] The 2003 Budget proposed to transfer and consolidate three veterans' employment programs ($197 million) from DOL to the Department of Veterans Affairs. Because this proposal has not been adopted, and the Administration is not re-proposing it in 2004, for comparability the table shows this funding in DOL.

[5] 2002 includes rescissions and $0.2 billion in supplemental funding.