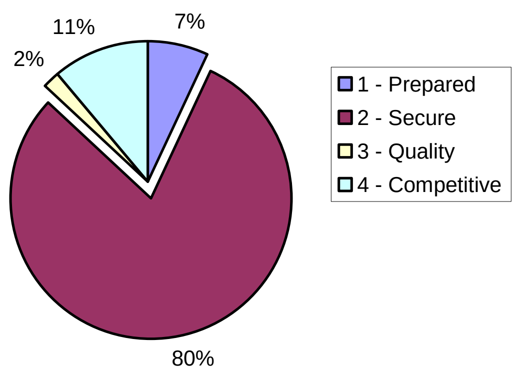
Strategic Goal 2: A Secure Workforce

Promote the Economic Security of Workers and Families

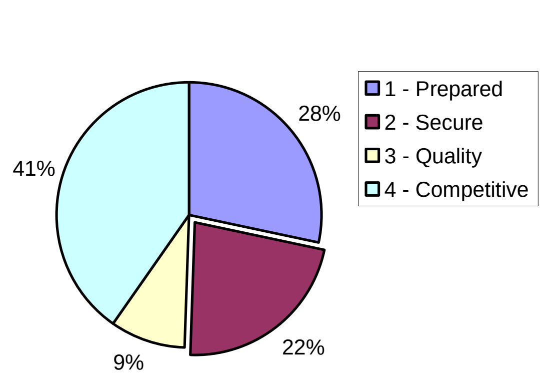
Enforcing legal standards for workers' wages and working conditions, providing unemployment compensation and other benefits when workers are unable to work, and protecting retirement and health benefit security are central to the DOL mission. Agencies supporting this strategic goal are the Employment and Training Administration (ETA), the Employment Standards Administration (ESA), the Employee Benefits Security Administration (EBSA), and the Pension Benefit Guaranty Corporation (PBGC).

The net cost dedicated to Strategic Goal 2 in FY 2006 was $35.920 billion. The first chart below is based on total Departmental costs of $45.328 billion; the second is based on an adjusted net cost of $12.101 billion that excludes the major non-discretionary program costs associated with this goal.[19] The adjusted net cost dedicated to Strategic Goal 2 for FY 2006 was $2.693 billion; the corresponding net cost in FY 2005 was $3.387 billion.

Strategic Goal 2 - Percent of Net Cost



Percent of Net Cost Excluding Income Maintenance



The programs and associated performance goals that support *A Secure Workforce* are organized into two outcome goals – *Increase Compliance With Worker Protection Laws* (2.1) and *Protect Worker Benefits* (2.2). Their results, costs, and future challenges are discussed below.

Outcome Goal 2.1 – Increase Compliance with Worker Protection Laws

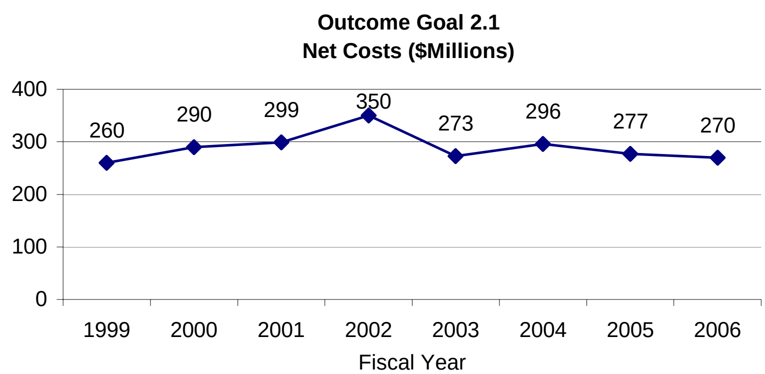
The Employment Standards Administration's (ESA) primary challenge is to ensure that protections for workers keep pace with the changes occurring in the American workforce, such as flexible and virtual workplaces, demographic shifts, immigration, increasingly complex labor organizations, the growth of small businesses, and the shift from manufacturing to services. Under the Fair Labor Standards Act (FLSA), the Migrant and Seasonal Agricultural Worker Protection Act, the Family and Medical Leave Act, the Davis-Bacon Act (DBA) and the Service Contract Act, ESA's Wage and Hour Division (WHD) administers standards for wages and working conditions such as the minimum wage and overtime; child labor protections; field sanitation standards in the agriculture industry; and prevailing wage requirements for government contracts. The key to ensuring worker protections is to focus on industries and employers with the most persistent and serious violations, to quickly resolve employee complaints, and to ensure accuracy in established wage rates. ESA's Office of Labor-Management Standards (OLMS) ensures union transparency, financial integrity, and democracy by administering and enforcing the Labor-Management Reporting and Disclosure Act (LMRDA). OLMS responsibilities under LMRDA include compliance assistance; civil and criminal investigations and enforcement; union compliance audits; and reports/public disclosure administration. OLMS strategies are aimed at improving timeliness and quality of union reports filed for public disclosure and strengthening LMRDA compliance through union audits and outreach efforts.

[19] The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment ($31.322 billion) plus disability benefit payments to individuals who suffered injury or illness on the job ($1.905 billion).

Goal (Agency) and Statement	Performance Summary	Cost (millions)	
		FY 2005	FY 2006
06-2.1A (ESA) American workplaces legally employ and compensate workers.	Goal achieved. All five targets reached.	$214	$214
06-2.1B (ESA) Ensure union financial integrity, democracy and transparency.	Goal not achieved. Two targets reached and one not reached.	63	56
Total for Outcome Goal 2.1	**One performance goal achieved and one not achieved**	**$277**	**$270**

Results Summary
WHD found 76 percent of a representative sample of prior violators in compliance, representing an increase of four percentage points over the FY 2005 result. Baselines were established for compliant investigations and low-wage industry compliance. Wage determination processing efficiency and timeliness significantly exceeded targets. OLMS reached its target of reducing the percentage of unions with fraud (to 8 percent) and set a baseline for unions complying with standards for democratic union officer elections (92 percent), but saw union transparency slip by one percentage point from FY 2005 – to 93 percent – missing the target of 96 percent.

Net Cost of Programs
FY 2006 program costs of $270 million supported ESA's WHD and OLMS programs. As indicated by the chart, net costs for these programs have been stable for the last few years. The drop from FY 2002 to FY 2003 occurred because the Employee Benefits Security Administration’s performance goal was moved to Outcome Goal 2.2.



Future Challenges
The Department’s efforts to further improve compliance with wage and hour laws will include outreach and education to increase awareness of employment laws among employers, employees, and other stakeholders. Other strategies include using quantitative and qualitative performance indicators and targets to increase performance, conducting independent reviews of the program to identify opportunities for improvements, and improving data collection processes, especially those related to wage determinations in the administration of the Davis-Bacon and Service Contract Acts.

Enforcement of the LMRDA to ensure union democracy, financial integrity, and transparency will continue to be complemented by compliance assistance. Union audits will monitor and promote compliance with the Act; follow-up action will attempt to correct statutory violations. The Department will expand its Internet public disclosure service to improve public access to information reported by unions and others under the Act.

Outcome Goal 2.2 – Protect Worker Benefits

DOL increases the economic security of America's working families by protecting the benefits earned and promised to workers. Three DOL agencies and one government corporation chaired by the Secretary of Labor – the Employment and Training Administration (ETA), the Employment Standards Administration (ESA), the Employee Benefits Security Administration (EBSA), and the Pension Benefit Guaranty Corporation (PBGC) – administer payment of temporary benefits for the unemployed; protect Federal workers from the economic effects of work-related injuries and illness; protect employee benefits plans against fraud and abuse; and insure defined benefit pension plan payments.

ETA temporarily replaces the wages of the unemployed through the Unemployment Insurance (UI) program, which is a Federal-State partnership. ETA provides grants to States to administer their programs and assists the Treasury Department in administering the Unemployment Trust Fund. ETA ensures that States' programs are administered efficiently according to Federal standards and requirements. The trust fund provides States a buffer to enable them to continue to pay benefits during volatile cycles in tax revenues and benefit claims.

ESA protects Federal and certain other workers from the economic effects of work-related injuries and illnesses and death through the Office of Workers' Compensation Programs' (OWCP) four disability compensation programs. OWCP provides wage replacement and cash benefits, medical treatment, vocational rehabilitation, and other benefits to covered workers, their dependents and survivors.

EBSA protects private employee pension plans, health plans and other benefit plans against fraud and abuse by enforcing Title I of the Employee Retirement Income Security Act of 1974 (ERISA) through compliance assistance, vigorous enforcement, and education. Where there has been malfeasance, EBSA restores benefits and assets by bringing civil and criminal cases.

PBGC protects the pension benefits of participants in defined benefit plans that have been terminated, usually due to the sponsoring employer's bankruptcy, by serving as both insurer and administrator. As an insurer, PBGC collects insurance premiums from employers that sponsor insured pension plans. As an administrator, PBGC pays monthly retirement benefits to the participants in terminated plans.

Goal (Agency) and Statement	Performance Summary	Cost (millions)	
		FY 2005	FY 2006
06-2.2A (ETA) Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up Unemployment tax accounts promptly for new employers.	Goal not achieved. Three targets reached and one not reached.	$34,243	$33,340
06-2.2B (ESA) Minimize the impact of work-related injuries.	Goal achieved. All ten targets reached.	6131	2130
06-2.2C (EBSA) Secure pension, health and welfare benefits.	Goal achieved. All four targets reached.	160	179
06-2.2D (PBGC)[20] Improve pension insurance program.	Goal not achieved. One target reached and one not reached.	–	–
Total for Outcome Goal 2.2	**Two performance goals achieved and two not achieved**	**$40,534**	**$35,650**

Results Summary
The Unemployment Insurance system reached the overpayments detection target and the new employer status determinations timeliness target, and established a reemployment baseline of 62.4 percent. However, States' first payment timeliness declined, in large part due to effects of Hurricanes Katrina and Rita on Gulf State workloads. The program demonstrated improved efficiency by exceeding its claims processing target.

The goal of improving outcomes for injured workers covered by DOL's OWCP was achieved; all ten indicator targets were reached. Results are organized into three categories:

- Return to Work – Outcomes are expressed as reductions in average Lost Production Days (LPD). In FY 2006, LPD declined again. Quality Case Management, one of FECA's principal strategies to improve outcomes for injured workers, reduced compensation costs by approximately $50,000,000 annually since the first measurement of LPD 10 years ago.

[20] PBGC is not included in the Consolidated Statements of Net Cost, hence the costs of its programs are not reflected here.

- Managing Program Expenses – Measured in financial terms, DOL workers' compensation outcomes reflect the efficiency and quality of benefit payment activities, the impact of case management and benefit services, and the utilization of administrative resources to produce those outcomes. Review of cases to determine if continued disability status is warranted and to determine the reemployment potential of those receiving compensation resulted in $15.8 million in savings. OWCP also kept the inflation rate of FECA medical costs below the national rate of health care inflation.
- Customer Service – FECA communications efforts increased the use of electronic services, reducing average caller wait times, and meeting call handling quality standards. Longshore and Harbor Workers' Program dispute resolution and Black Lung benefit eligibility decision processing efficiency targets were reached, as well. For the Energy Part B program, initial claims and final decisions were processed within standard time frames. Finally, the new Energy Part E Program exceeded its target of completing initial decisions on 75 percent of the total available backlog.

DOL achieved its goal to Enhance Pension and Health Benefit Security. In addition to meeting its criminal case, civil case, customer service and voluntary compliance targets, DOL obtained $1.4 billion in monetary results. Monetary results are a product of EBSA's investigative and participant assistance activities. DOL investigated a number of high profile, resource intensive cases with far reaching effects on the participant benefits community.

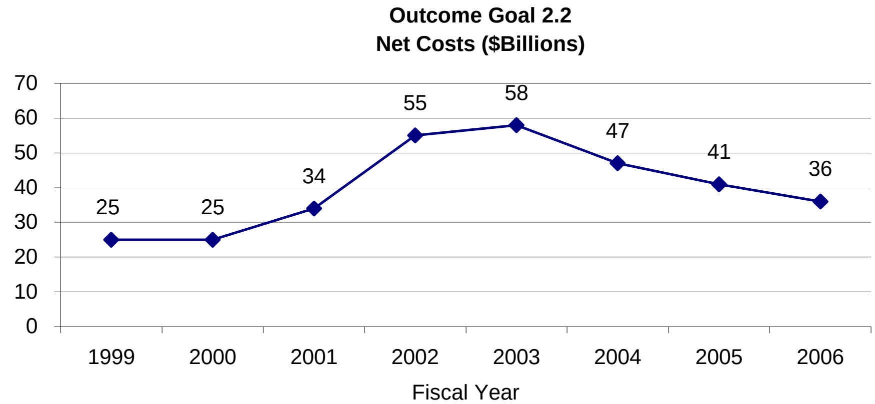
PBGC's American Customer Satisfaction Index for practitioner callers was 68, falling short of the targeted 69. For trusteed plan participants who call the toll-free Customer Contact center, the score was 75, down from FY 2005 and below the target of 80.

Hurricane Katrina threw thousands of people in south Louisiana into the jobless line. Five weeks after the hurricane, more than 224,200 victims of the hurricane were receiving Unemployment Insurance or Disaster Unemployment Assistance, a five-week total that surpassed all of the initial claims for 2004. The Baton Rouge Job Center on Wooddale Boulevard alone saw an average of 300 people a day for weeks compared with about 50 per day pre-Katrina. This unprecedented evacuation of Louisiana residents sent evacuees to virtually every other state, causing massive problems with UI payments, a problem only compounded when Hurricane Rita hit the southwest corner of the state resulting in about 30,000 new disaster relief claims. Several states, however, partnered with Louisiana to process the staggering number of claims and by early May, Louisiana had paid about $750 million in UI benefits to hurricane victims.
Photo Credit: Ed Pratt

Net Cost of Programs
FY 2006 program costs of $35.652 billion supported ETA's Unemployment Insurance (UI) programs, ESA programs to reduce the consequences of work-related injuries and EBSA efforts to ensure that individuals receive promised benefits. PBGC is not included in the Consolidated Statements of Net Cost, hence the cost of its programs is not reflected here. Costs are driven almost entirely by UI and ESA's OWCP; the $5 billion decrease from FY 2005 is explained by changes in these two programs' costs for reasons discussed below.

UI program costs, which account for $33.340 billion (94 percent) of FY 2006 cost for this outcome goal, were $900 million lower than the $34.243 billion cost reported for FY 2005. Benefit payments were slightly lower – $31.322 in FY 2006 compared to $31.761 billion in FY 2005 – accounting for half of the decrease. This is consistent with the small decrease in claims, as measured by the comprehensive average weekly insured unemployment (AWIU) − the average number of people filing claims for continuing UI benefits each week. AWIU decreased from 2.770 million in FY 2005 to an estimated 2.623 million in FY 2006. The balance of the difference resulted from an adjustment in cost allocation methodology among ETA grant programs.

Net costs for this outcome goal in FY 2005 included a one-time increase in actuarial liability of $3.5 billion due to assumption of workers' compensation costs associated with Part E of the Energy Employees Occupational Illness Compensation program, which Congress transferred to DOL from the Department of Energy. The remaining $500 million reduction in costs resulted from changes to actuarial assumptions related to Part E payouts.



Future Challenges

Strategies to pay UI claims accurately and promptly include providing oversight and assistance to States. DOL will continue to monitor State performance and ensure that States falling below minimum criteria establish corrective actions. Accuracy and integrity of UI payments will be improved by fostering States' use of and access to tools such as the National Directory of New Hires; by conducting and sharing analyses of approaches to identify and prevent or recover overpayments; and by sharing information on States' best practices. DOL provides States an incentive to prevent and detect overpayments through the use of a State-level detection of overpayments core measure with a performance criterion. In addition, the Department will support identity theft prevention activities and promote payment accuracy and swift reemployment of UI beneficiaries through reemployment and continued eligibility assessments.

The Department will take a number of steps to improve coordination of benefits and service for workers who suffer work-related injuries or illnesses, which include:

- Increase employer partnerships in administration of laws and service to injured workers.
- Improve accuracy of benefits payments and liability forecasts and reduce risk to benefit funds.
- Assist employers' compliance with Federal workers' compensation laws, including providing timely and accurate reports and compliance with insurance requirements.
- Maintain fair and balanced adjudication, and reduce time delays and administrative costs in disputed claims
- Improve case management quality for workers covered by the Federal Employees' Compensation Act.
- Better identification of potential Energy program claimants to guide them through the claims process.

Starting in FY 2007, EBSA's modified enforcement performance indicators will include the ratio of closed civil cases with corrected fiduciary violations to all closed civil cases. This ratio represents a more challenging measure than the previous one which included lower priority non-fiduciary cases. With respect to criminal case work, EBSA's new performance targets will report cases accepted for prosecution rather than the less ambitious cases referred for litigation. EBSA will also establish a baseline measurement for a customer service index of compliance assistance programs.

The Department will safeguard the pension insurance system for the benefit of participants, plan sponsors, and other stakeholders, provide exceptional service to customers and stakeholders, and exercise effective and efficient stewardship of its resources. More specifically, PBGC will increase its effectiveness in minimizing loss to the program and increase technical assistance to plan sponsors to encourage their voluntary compliance with pension laws and regulations. To fulfill its commitment to providing the highest level of service to its customers and stakeholders, PBGC will encourage customers to interact electronically and improve the quality and consistency of customer information.

Protect Workers' Wages

Performance Goal 06-2.1A (ESA) – FY 2006

American workplaces legally employ and compensate workers.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Number of workers for whom there is an agreement to pay or an agreement to remedy per 1,000 enforcement hours	–	Base	**293**	**Y**
Percent of prior violators who achieved and maintained FLSA compliance following a full FLSA investigation.	72%	73%	**76%**	**Y**
Percent of low-wage workers across identified low-wage industries paid and employed in compliance with FLSA	–	Base	**92%**	**Y**
Number of wage determination data submission forms processed per 1000 hours	1667	1684	**1834**	**Y**
Percent of survey-based DBA wage determinations issued within 60 days of receipt of the underlying survey data.	84%	82%	**100%**	**Y**
Cost (millions)	$214	**–**	**$214**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
ESA's Wage and Hour Division (WHD)'s mission is to promote and achieve compliance with labor standards to protect and enhance the welfare of the Nation's workforce. WHD enforces laws establishing minimum standards for wages and working conditions. These include the minimum wage, overtime, and youth employment provisions of the Fair Labor Standards Act (FLSA); the Migrant and Seasonal Agricultural Worker Protection Act; and the Family and Medical Leave Act. WHD also enforces field sanitation standards in agriculture and the government contracts prevailing wage statutes, and administers the wage determination provisions of the Davis-Bacon and Service Contract Acts (SCA).

The agency's performance objectives are to maximize benefits for the greatest number of workers through efficient complaint resolution; to promote long-term sustained compliance among employers that the agency investigates; to increase compliance on behalf of low-wage workers in industries with the most persistent and serious violations; and to ensure that wage rates are established in an accurate and timely manner.

To ensure efficiency in WHD complaint investigations and to achieve compliance on behalf of all potentially affected workers, WHD tracks the number of workers helped for every 1000 enforcement hours expended in complaint investigations. The agency's low-wage indicator, i.e., percent of low-wage workers employed in compliance, enables WHD to track the effectiveness of its various compliance strategies in low-wage industries over the long term, while the annual recidivism survey measures the impact of prior WHD interventions on employer behavior. Wage determination indicators track key components of the wage determination survey process. Improvements in this process contribute to the timeliness of Davis-Bacon Act wage rates.

The statutory protections administered by WHD, and the agency's success in ensuring that workers are legally employed and compensated, are guaranteed by balancing resources among key strategies – compliance assistance; partnerships and collaborative efforts; and complaint-driven and directed enforcement. Compliance assistance activities promote voluntary compliance among employers and within industries. Partnerships leverage resources and broaden the impact of other strategies. WHD's directed enforcement in low-wage industries serve to detect, remedy, and deter violations of the law in industries where workers are reluctant to complain. WHD's complaint investigations serve individual complainants and provide opportunities for detecting and remedying violations on behalf of other employees.

WHD's allocation of resources and performance indicators reflect enforcement priorities in three core areas. The strategic use of complaint investigations, which represent approximately 70 to 75 percent of enforcement resources, will increase labor standards outcomes for the greatest number of workers. Reinvestigations measure and reinforce WHD's impact on employer recidivism; and directed investigations are a key component in ensuring greater compliance for workers in low-wage industries, including immigrant and young workers. WHD's compliance assistance, including partnership activities, also contributes to the agency's ability to promote compliance on behalf of all workers. The hours spent by WHD staff in these key activities are used to track the resources allocated for each indicator. Another priority seeks to guarantee appropriate worker compensation levels by issuing timely and accurate prevailing wage determinations. Wage determinations issued and wage surveys conducted provide output measures by which the agency measures progress.

Two key factors influence WHD's ability to meet and exceed its performance objectives – the increased reliance on foreign-born labor and the growth in the number of illegal or undocumented immigrants. The tension between the supply and demand for low-wage service sector workers constantly challenges WHD's ability to target low-wage industries and maintain its effectiveness in resolving complaints.

The costs for this performance goal were unchanged between FY 2005 and FY 2006.

Analysis and Future Plans

WHD achieved its targets in FY 2006. This fiscal year, WHD established a baseline to measure its efficiency in resolving complaint investigations. WHD expects only modest improvements in this indicator over the next several years, in large part because productivity has declined with the attrition of senior investigative staff. However, some efficiency gains are expected as investigators focus on producing quality investigations that ensure that full compliance reviews are completed in a timely manner. WHD also expects complaints to increase as its outreach and partnership activities in immigrant communities increase workers' awareness and comfort in seeking remedies through the agency.

In FY 2006, WHD completed its fourth statistically valid investigation-based compliance survey of prior FLSA violators. The agency found 76 percent of prior violators in compliance, representing an increase of four percentage points over the FY 2005 result. This significant increase in compliance – 71 percent as recent as FY 2004 – suggests that the newly implemented strategies of follow-up telephone calls and letters, documentation of employers' stated commitments for future compliance, commitments for corporate-wide compliance, and the use of civil monetary penalties and other sanctions, are promoting employer compliance. In FY 2007, WHD will add a measure to track the percentage of prior violators who achieve and maintain "substantial" compliance to improve upon the existing measure, which only tracks those who have achieved "full" compliance.

WHD has traditionally measured low-wage industry compliance by conducting surveys among previously investigated establishments within low-wage industries. In FY 2006, WHD conducted a nationwide survey of establishments across a broad spectrum of low-wage industries. This compliance survey will provide the baseline from which changes in industry behavior can be assessed over the long-term, and will inform the agency of the nature and patterns of non-compliant behavior. WHD will use this information to design and implement strategies for improving compliance during the intervening years between surveys. WHD will analyze low-wage industries to refine its targeting strategies. In the years between the FY 2006 baseline and a subsequent national survey, WHD will measure its performance and efficiency by reporting on the number of workers in low-wage industries that WHD helps for every 1000 enforcement hours expended. WHD also continues to implement upgrades in information technology to drive success in the wage determination program.

PART, Program Evaluations and Audits

A 2003 PART assessment of WHD's prevailing wage determination program rated it Results Not Demonstrated. Despite recent process changes in the program, the review found the program lacked ambitious, outcome-oriented performance measures and procedures to measure and achieve efficiencies and cost effectiveness. In response, WHD developed performance indicators and targets and conducted an external review of the program. WHD continues to examine changes to the wage survey and outreach to improve data collection processes.

WHD completed two program evaluations in FY 2006. The first study, *Evaluating the Wage and Hour Division Web Site* (see Study 10 in Appendix 2)*,* reported that 56 percent of respondents rated the Web site very good or excellent at providing information. Sixty-four percent said that the information they were looking for was easy to find. In response, WHD is redesigning and upgrading the information on its Web site. The second evaluation, *Low Wage Industry Operational Models for Compliance,* assessed the agency's performance and efficiency in targeting low-wage industries (see Study 9 in Appendix 2). The evaluation helped WHD establish measures of incidence and severity of violations across industry sectors, provided a methodology for determining low-wage industries with the highest potential for violations, and analyzed the relationship between violation and complaint rates in order to strengthen targeted enforcement activities. The next phase will focus on efficiency measures, more effective and strategic use of enforcement tools, and an analysis of compliance within the eating and drinking industry.

In October 2005, the Office of Inspector General (OIG) released the results of its audit, *Agreement with Wal-Mart Indicates Need for Stronger Guidance and Procedures Regarding Settlement Agreements*, which recommended developing written guidance and coordinating with the DOL Solicitor (see Study 11 in Appendix 2). The OIG acknowledged in its report that a new settlement agreement policy initiated by WHD in June 2005 resolved both OIG recommendations. WHD also started implementing recommendations from Government Accountability Office (GAO) reports. The SCA directory of occupations was updated, enforcement data was integrated into the FY 2007 planning process, and WHD is revising the SCA poster to include agency contact information based on recommendations from the GAO report *Service Contract Act: Wage Determination Process Could Benefit from Greater Transparency and Better Use of Violation Data Could Improve Enforcement* (Study 13 in Appendix 2). WHD is also adding contact information to the FLSA poster and has started to evaluate how FLSA misclassification cases are referred to other agencies based on recommendations from the GAO report *Employment Arrangements: Improved Outreach Could Help Ensure Proper Worker Classification* (Study 12 in Appendix 2).

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Good. Strengths of the data include relevance, completeness and the quality controls in place to verify the data. With the exception of the wage determination measures, performance information is extracted from the Wage Hour Investigator Support and Reporting Database, the agency's record of its investigative case findings and investigator enforcement time. Investigative case records are reviewed by WHD management staff and are the subject of WHD internal accountability reviews. Although data are reported quarterly, year-end statistics are not available when the agency begins its planning cycle in April. As the agency gains experience with new measures and receives better trend information for recent indicators, these concerns will ease and the impact of year-end data on future planning will be minimal.

For wage determination programs, almost all data submission forms come from two sources, paper forms and electronic forms submitted via the Internet. In both cases, the contents of the data submission forms are electronically entered into the Automated Survey Data System. The current IT infrastructure does not permit survey results from ASDS to be electronically transferred into the Wage Determination Generation System. A bridge between these two systems is in the final stages of development and is scheduled to be deployed in the first quarter of FY 2007.

Union Financial Integrity and Transparency

Performance Goal 06-2.1B (ESA) – FY 2006

Ensure union financial integrity, democracy, and transparency.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Percent of unions with fraud	–	8%	**8%**	**Y**
Percent of unions complying with standards for democratic union officer elections	–	Base	**92%**	**Y**
Percent of union reports meeting OLMS standards of acceptability for public disclosure	94%	96%	**93%**	**N**
Cost (millions)	$63	–	**$56**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)			**Goal Not Achieved**	

Program Perspective and Logic
OLMS ensures union transparency, financial integrity, and democracy by administering and enforcing the Labor-Management Reporting and Disclosure Act (LMRDA). The Act requires public disclosure reporting by unions and others; establishes standards for union officer elections; and imposes criminal sanctions for embezzlement of union funds. To implement the LMRDA protections, OLMS conducts criminal and civil investigations, audits unions, and administers the Act's reporting and public disclosure program.

Union transparency underpins the union democracy and financial integrity objectives of the LMRDA and is a critical component of the OLMS program. Therefore, a primary performance objective is to secure complete and accurate union financial reports for public disclosure. Approximately 25 percent of OLMS resources support the agency's Internet public disclosure system and a wide range of compliance assistance, liaison, enforcement, and regulatory activities to increase union transparency and LMRDA reporting compliance.

Enforcement of LMRDA union financial integrity protections is another critical OLMS responsibility. A primary performance objective is to reduce union fraud. Union audits and embezzlement investigations are key strategies aligned with that effort. Timely and complete filing of LMRDA public disclosure reports and the resulting increased union transparency are also factors that support union financial integrity. OLMS dedicates more than 50 percent of appropriated resources annually to support a program of audits and criminal investigations to protect the millions of dollars in dues paid by labor union members.

Another critical responsibility for OLMS is to ensure union democracy. A primary goal is to ensure that union elections are run fairly and that union members have access to the rights guaranteed them under the LMRDA. In FY 2006 OLMS conducted a study to determine the rate of union compliance with standards for democratic union officer elections. OLMS will seek to increase compliance through liaison and compliance assistance as well as through LMRDA enforcement. OLMS dedicates about 20 percent of its budget to investigating complaints of election misconduct and supervising union officer election reruns to enforce LMRDA union democracy provisions.

The costs for this performance goal decreased by 11 percent between FY 2005 and FY 2006.

Analysis and Future Plans
OLMS did not achieve this performance goal. OLMS met its target, 8 percent, for the percentage of unions with fraud. OLMS also met its target to set a baseline for its new union democracy compliance rate measure, which was found to be 92 percent. However, not reached was OLMS' target of 96 percent of unions filing timely and complete financial reports. Although performance fell short at 93 percent, OLMS has made considerable progress since its FY 2003 baseline of 73 percent for this measure.

Acting on a complaint filed by a member of American Postal Workers Union (APWU) Local 199 in Richmond, Virginia concerning a union election held using mail-in ballots, an OLMS investigation determined that requirements of the LMRDA had been violated. On May 9, 2006, representatives from the Washington District Office of OLMS supervised a rerun of the contested election to ensure its compliance with the LMRDA. The violation in the original election involved 80 disputed ballots for which voter eligibility could not be confirmed. The presence of OLMS at the election rerun sends a message that the agency will not hesitate in taking corrective action to ensure conformity with federal law. In this photo, APWU member Junious (standing) assists OLMS representative Meng (sitting at left) and APWU Election Committee Chairman Kevin in reviewing returned ballots.
Photo credit: DOL/ESA/OLMS

PART, Program Evaluations and Audits
The PART review conducted in 2005 resulted in a rating of Adequate. It found the program well defined but lacking sufficient tools to effectively enforce the Act's public disclosure reporting provisions and a performance measure for mission critical union democracy goals. As a result, OLMS conducted a study in FY 2006 to determine compliance with standards for democratic union officer elections so that goals for improvement can be established and measured. In FY 2006, OLMS completed this study and established a baseline for a new indicator measuring the rate of compliance with union officer election standards. The PART also found that no recent independent review of OLMS' programs had been conducted, noting that such a review "could help to identify and address weaknesses in procedures, compliance and enforcements strategies, or program design, as well as establish a clean performance baseline against which the program could manage." OLMS has contracted with an independent research firm to conduct such an external review with the aim of identifying possible areas for improvement in the LMRDA reporting and public disclosure program.

An FY 2005 evaluation of the OLMS Web site found a fairly low customer satisfaction rating, with the lowest scores going to the navigation and search functionality areas. In response, OLMS has redesigned their Web site, which was launched in January 2006 (see Study 14 in Appendix 2).

Data Quality and Major Management Challenges
Data for this performance goal was rated as Good. Strengths of the data include its relevance to program performance and accuracy. OLMS will continue refining data collection protocols to ensure the development of meaningful long-term trends for each of its performance indicators. In addition, OLMS will continue to examine sampling and data collection protocols, particularly for the recently implemented union democracy performance indicator. OLMS will continue to promote the use of electronic filing for union financial reports which will enable additional error checking for data accuracy.

Pay Unemployment Insurance Claims Accurately and Promptly

Performance Goal 06-2.2A (ETA) – FY 2006

Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance (UI) claimants, and set up unemployment tax accounts promptly for new employers.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Percent of all intrastate first payments made within 21 days	89.3%	89.9%	**87.4%****	**N**
Establish for recovery a percent of the amount of estimated overpayments that the States can detect and recover	58.7%	59.5%	**61.4%****	**Y**
Percent of UI claimants who were reemployed by the end of the first quarter after the quarter in which they received their first payment	–	Baseline	**62.4%**	**Y**
Percent of new employer liability determinations made within 90 days of the end of the first quarter in which they became liable	82.4%	82.5%	**82.8%****	**Y**
Cost (millions)	$34,243	–	**$33,340**	
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated (actual data for year ending August 2006)			**Goal Not Achieved**	

Program Perspective and Logic

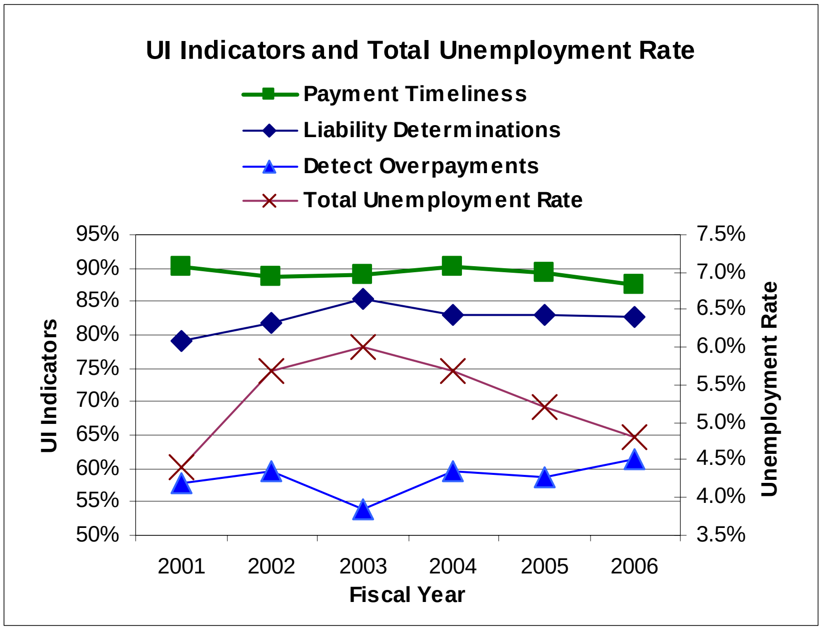
By temporarily replacing part of lost wages, the Federal-State Unemployment Insurance (UI) system minimizes individual financial hardship due to unemployment and stabilizes the economy during economic downturns. For both workers and employers, the program's success depends upon timely payment of benefits, prevention or prompt detection of erroneous payments, timely establishment of new employers' tax accounts to ensure the reporting of workers' wages and payment of taxes to fund benefits, and promoting and facilitating workers' return to suitable work. States operate their own programs under their own laws, which must conform to Federal law. As the Federal partner, DOL provides program leadership, allocates administrative funds, provides technical assistance, exercises performance oversight, and ensures that States meet requirements of Federal UI laws and regulations. Measuring efficiency and effectiveness of States' administrative operations is an important aspect of program management.

Economic conditions and the resulting program workloads affect many aspects of UI performance. For example, when unemployment rises, more claims are filed and UI payment timeliness generally declines; on the other hand, new business creation slows, reducing the number of new employer tax accounts, and the timeliness of tax liability determinations generally goes up. In addition, external factors such as natural disasters can be extensive enough to affect aggregate UI system performance negatively – e.g., the series of hurricanes that hit the Gulf during 2005. Performance targets are based on the Administration's current economic assumptions.

The costs for this performance goal fell by three percent from FY 2005 and FY 2006. As indicated in the preceding discussion of net costs for Outcome Goal 2.2, this is consistent with the small decline in the average weekly insured unemployment between reporting periods. This statistic, which represents the average number of people filing claims for continuing UI benefits each week, generally exhibits a positive correlation to benefit payments.

Analysis and Future Plans

The UI system performed well in FY 2006, aided by improving economic conditions; the total unemployment rate declined from 5.2 percent in FY 2005 to 4.8 percent in FY 2006, and the number of beneficiaries was virtually unchanged at 8.1 million. States exceeded the Detection of Overpayments target and the new employer status determinations timeliness target. States began reporting reemployment data in March 2006, establishing a baseline of 62.4 percent. However, States' first payment timeliness declined sharply, from 89.3 to 87.7 percent. Analysts estimate that two thirds of the decline was due to the effects of Hurricanes Katrina and Rita on timeliness in the Gulf



States, especially Louisiana, Mississippi, and Texas. Some of the remaining decline may be attributed to impacts on States that assisted them.

The Department continues to improve UI payment integrity by providing funds for States to implement access to the National Directory of New Hires (NDNH), an additional tool for swiftly detecting and preventing payments to claimants who have returned to work; and conduct Reemployment and Eligibility Assistance (REA) reviews to enforce UI eligibility requirements and speed beneficiaries' return to suitable work. Thirty-seven states were funded to implement a NDNH cross match and twenty states have been conducting REAs since 2005. DOL's FY 2007 budget request included funding to raise the number of States conducting REAs to 40.

The UI program demonstrated improved efficiency by processing 8.9 quality-weighted initial claims per $1,000 of inflation-adjusted base grant funds, versus a target of 8.7. The Department promoted efficiency through competitive grants for automation and remote systems (e.g., telephone and Internet claims-taking).

PART, Program Evaluations and Audits

The Program Assessment Rating Tool review of the UI program in 2003 rated it Moderately Effective. The improvement plan includes emphasizing use of the NDNH to quickly detect and prevent overpayments to claimants who have returned to work (37 States funded in FY 2005 to use the NDNH); funding States for REAs to enforce continuing eligibility for UI benefits and connect claimants with reemployment services (20 States funded in 2005; funds have been requested to raise the number to 40 in 2007); and simplification of the performance measurement system (announced in 2005 and 2006).

A GAO report issued in May 2006, *Unemployment Insurance: Enhancing Program Performance by Focusing on Improper Payments and Reemployment Services* (Study 19 in Appendix 2), drew upon results of recent GAO and OIG reports and DOL sources to provide a useful overview of UI overpayments and what steps the Department has taken or planned to address them, as well as how the system promotes the reemployment of UI claimants. Although the report makes no formal recommendations, the GAO approves the steps taken so far to reduce overpayments, but believes that more needs to be known about the extent claimants receive reemployment services and the outcomes they achieve than what the new reemployment measure will yield.

In March 2006, GAO issued *Unemployment Insurance: Factors Associated with Benefit Receipt* that examined the extent to which an individual worker's characteristics are associated with the likelihood of UI benefit receipt and with unemployment duration (Study 18 in Appendix 2*).* The report revealed that workers who are younger, who have more years of education, and who have higher earnings are more likely to get benefits, as are workers with a history of UI receipt. Workers who do get UI benefits tend to be unemployed longer than others with similar characteristics, as do older workers and those with lower earnings before unemployment.

In March 2006, the Government Accountability Office issued *Offshoring in Six Human Services Programs: Offshoring Occurs in Most States, Primarily in Customer Service and Software Development* (Study 15 in Appendix 2) that examined the occurrence and nature of offshoring in six federally funded human services programs that included UI. Offshore contracting for software development was found in only 8 of 46 responding UI state programs in 2004. These contracts amounted to about $1.3 million, out of only $194 million in total outsourcing and $3 billion in total administration.

Recent OIG studies addressed two UI integrity issues: overpayments and misclassified workers. *Claimants with Unemployment Claims in both Mississippi and Louisiana Related to Hurricane Katrina* (Study 16 in Appendix 2) reported on a crossmatch of 251,589 UI claims and 101,546 DUA claims that identified 213 overpaid claimants (0.06 percent). The State agencies are taking steps to recover the $239,648 still outstanding. In December 2004, the OIG found that only nine States were using IRS 1099-MISC information to find employees misclassified as self-employed (see *State Workforce Agencies Use of IRS Form 1099 Data to Identify Misclassified Workers* – Study 17 in Appendix 2). The Department sent the OIG report to all State UI agencies urging them to do so. By April 2006, 28 SWAs were using 1099 data, and more were expected to enroll in August.

Data Quality and Major Management Challenges

Data for this performance goal was rated Very Good. Strengths of the data include timeliness and reliability, which result from the use of consistent data collection and reporting methods. Quality controls and procedures for verifying program data could be strengthened in order to continue to reduce instances of overpayment and worker misclassification, for example, by assuring that definitions are uniformly applied among the States and that performance data are correctly reported. ETA continues to address these challenges by enhancing UI data validation efforts; in 2005 ETA provided funding to 25 states to have independent verifications of reported data conducted and expects to have an updated automated validation system in place by spring 2007. On August 31, 2006, the Department received OMB approval to collect additional data that will enhance the overpayment detection measure. Full implementation is expected in January 2008.

The OIG expressed concern that the UI overpayment estimates reflected little improvement in the UI overpayment rates over the past several years, and in a 2004 report, the OIG listed reducing improper payments and improving the integrity and solvency of the UI program among the Department's top management challenges (see item II, *Safeguarding Unemployment Insurance*, in the Major Management Challenges section of the Executive Summary). In addition to funding for identity theft detection and prevention and New Hires crossmatches, the Department has promulgated a State-level detection of overpayments Core measure with a performance criterion, giving States incentives to prevent and detect overpayments. Effectiveness of these tools is limited by State agency expertise. In April 2006, the Department held an Integrity Conference for State staff involved in overpayment prevention, detection and recovery activities, at which best practices and information about new tools to reduce overpayments were shared.

To reduce overpayments and facilitate reemployment, REA grants were implemented in 21 States in FY 2005 and have been continued in 20 states in FY 2006. The REA grants have been used to conduct in-person claimant interviews in One-Stop Career Centers to assess UI beneficiaries' need for reemployment services and their continued eligibility for benefits, and to assure that beneficiaries understand that they must stop claiming benefits upon their return to work. The program plans expansion to about 40 States during the FY 2007 budget cycle. A report on the FY 2005 REA activity is due in March 2007.

UI trust fund solvency has improved over the last two years. Borrowing from the UI trust fund by States has declined, and significant portions of previously borrowed amounts have been repaid. As of August 2006, only one State had an outstanding loan from the Federal UI trust fund. As the result of an expanding economy and the counter cyclical financing mechanisms characteristic of UI tax systems, most States' trust fund accounts had a positive cash flow over the last 12 months, and overall fund solvency is higher than last year.

Reduce the Consequences of Work-Related Injuries

Performance Goal 06-2.2B (ESA) – FY 2006

Minimize impact of work-related injuries

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Lost production days rate (LPD per 100 employees) for Federal Employees' Compensation Act (FECA) cases of the United States Postal Service	134.4	146	**139.9**	**Y**
Lost production days rate (LPD per 100 employees) for FECA cases of All Other Government Agencies	56.1	60	**52.6**	**Y**
Cost savings through staff-initiated evaluation of cases under Periodic Roll Management for changes in medical condition and fitness for duty	$23.2 million	$13 million	**$16 million**	**Y**
Trend in the indexed cost per case of FECA cases receiving medical treatment (compared to nationwide health care costs)	+2.8%	**+8.6%**	**+6.3%**	**Y**
Targets for five communications performance areas	3 targets	4 targets	**4 targets**	**Y**
Average days required to resolve disputed issues in Longshore and Harbor Worker's Compensation Program contested cases	254	250	**235**	**Y**
Percent of eligible Black Lung benefit claims for which there are no requests for further action pending one year after the date the claim is filed	80.6%	79.5%	**81.9%**	**Y**
Percent of Initial Claims for benefits in the Part B and Part E Energy Programs processed within standard timeframes	–	50%	**72%**	**Y**
Percent of Final Decisions in the Part B Energy Program processed within standard timeframes	94.7%	80%	**89%**	**Y**
Percent of Energy Program Part E claims backlog receiving initial decisions	–	75%	**85%**	**Y**
Cost (millions)	$6131	**–**	**$2130**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
DOL protects workers, their dependents and survivors from the economic effects of work-related injuries and illnesses by providing wage replacement and cash benefits, medical treatment, vocational rehabilitation and other benefits through four disability compensation programs:

- Federal Employees' Compensation Act (FECA) program for civilian Federal workers;
- Longshore and Harbor Workers' Compensation for private-sector maritime workers;
- Black Lung Benefits program for coal miners;
- Energy Employees Occupational Illness Compensation (EEOIC) for nuclear weapons employees of the Department of Energy or its contractors.

Activities of the Office of Workers' Compensation Programs (OWCP) include adjudicating claims; mediating disputed claims; processing payments; assisting with injury recovery and return to work; controlling costs; and providing technical assistance and other customer services. Effective deployment of resources among these activities ensures that OWCP is able to effectively deliver benefits, properly manage its benefit funds, and ensure that employers comply with regulatory requirements and support delivery of services and program administration.

Ten performance indicators measure the outcomes of key OWCP strategies and program priorities. Quality Case Management success in FECA is measured as reductions in Lost Production Days (LPD) rates. Financial integrity of the FECA Compensation Fund is the objective of beneficiary roll reviews and medical benefit cost control. Communications goals seek to improve customer service by increasing the accessibility, quality, and responsiveness of program information and services. The Black Lung and Longshore programs measure the effective mediation of disputes and improved decision quality. Ensuring efficient and accurate claims processing is a vital objective of the EEOIC program.

This performance goal has been achieved or substantially achieved every year since FY 2002. Lost production days for both the Postal Service and for the rest of the Federal Government had been trending upward during the beginning of this decade, but both targets were met last year and this year. FECA has met its customer service and medical cost containment targets consistently. The Longshore program has met its ambitious targets to timely resolve disputed issues in contested cases three of the last five years, reducing the number of days to resolution by over 15 percent during that time. The Black Lung program has met its targets in each of the last five years, and EEOIC has met most of its timely and accurate claims processing targets since the program began in 2001.

Several external factors influence the achievement of OWCP program goals. Economic and workplace trends change the nature of new injuries and job availability for workers ready to return to duty. Medical costs continue to rise with the expanded use of new technology, medicines and treatment procedures. For the Longshore program, the potential for greater security threats to U.S. contractor employees overseas results in a growing number of Defense Base Act and War Hazards Compensation claims, which require additional planning and resource investment. Customer demands for sophisticated information and assistance grow more rapidly than OWCP's resources available to address these demands.

FY 2006 cost for this performance goal was less than half the level reported in FY 2005. The majority of this decrease is explained by an event unique to FY 2005 – an actuarial liability charge of $3.5 billion due to assumption of workers' compensation costs associated with Part E of the Energy Employees Occupational Illness Compensation program, which Congress transferred to DOL from the Department of Energy. The remaining $500 million reduction in costs resulted from changes to actuarial assumptions related to Part E payouts.

Analysis and Future Plans

Fulfilling DOL's commitment to injured workers is measured by the ten indicators. In FY 2006, DOL achieved this goal, meeting or exceeding each of the targets. The results discussion is organized into three categories: Return to Work, Reducing Program Expenses and Customer Service.

Returning Injured Employees to Work

Return-to-work outcomes are expressed as reductions in average LPD. In FY 2006, the USPS and All Other Government LPD goals were exceeded. Total paid disability days declined overall, reflecting a better than 18% reduction in continuation-of-pay being reported, few new cases overall, and continuation of FECA's principal strategy to reduce lost production days: Quality Case Management (QCM). QCM has reduced compensation costs by $50 million annually since the first measurement of LPD 11 years ago.

DOL also continued its leadership role in the OWCP/OSHA Safety, Health and Return-to-Employment (SHARE) initiative. Under SHARE, Federal agencies set goals to reduce on-the-job injury rates, expedite notification of injuries to DOL, and reduce lost production day rates. To capitalize on the program's momentum, the President has extended SHARE to FY 2009, with more ambitious SHARE performance targets. The Administration also has proposed legislation to reform and update the FECA program, which would build return-to-work incentives into the Federal Employees' Compensation Act.

Reducing Program Expenses

Measured in financial terms, DOL workers' compensation outcomes reflect the efficiency and quality of benefit payment activities, the impact of case management and benefit services, and the utilization of administrative resources to produce those outcomes. Periodic Roll Management (PRM) generates benefit cost savings through the careful review of cases to determine if continued disability status is warranted and to determine the reemployment potential of those currently receiving compensation. Through PRM, DOL has saved over $1 billion since FY 1999. In FY 2006, OWCP exceeded its target with $15.8 million in savings.

OWCP also reached its target of keeping the inflation rate of FECA medical costs below the national rate of health care inflation, as measured by the Milliman USA Health Cost Index. In the past year, the rate of increase in average FECA medical treatment costs rose by only 6.3 percent compared to a projected 8.6 percent for the nation's average. DOL attributes this success to several recently implemented administrative procedures that include centralized bill processing, strengthened review of treatment authorization requests, fee schedules, and stronger automated edits and other controls. Since FY 2000, the growth rate for FECA medical costs has remained below the nationwide rate, resulting in savings of nearly $40 million annually.

Customer Service

OWCP met its FECA communications goal by increasing the use of electronic services, reducing average caller wait times, resolving more inquiries at the time of the call, and meeting call handling quality standards. OWCP exceeded its target to reduce the time required to resolve disputed issues in Longshore and Harbor Workers' Program contested cases by 14 days. The Longshore program attributes this success to its district offices' commitment to ensuring timely and amicable dispute resolutions in contested cases. Mediation will continue to play an important role in helping parties reach agreements. Longshore will continue conducting outreach and working closely with parties to contested cases in order to reach a timely resolution.

OWCP exceeded its target to reduce requests for further action following Black Lung benefit eligibility decisions. The revised regulations for Black Lung benefit claims have produced faster and fairer final benefit determinations without changing eligibility requirements. The result has been an increase in the number of stakeholders who accept the district director's initial decision and who decide not to pursue the claim further.

DOL reached its targets for processing timeliness in the Energy Part B program. The program processed 72 percent of initial claims and 89 percent of final decisions within standard time frames, against targets of 50 percent and 80 percent, respectively. In FY 2006, DOL established a new goal for the Energy Program of completing Initial Decisions on 75 percent of the Part E backlog inherited from the Department of Energy by returning decisions on 85 percent of those cases. That goal was achieved, and DOL is committed to making initial decisions on the remainder of these backlogged cases by the close of calendar year 2006. The Energy program also established a new GPRA goal to reduce the average number of days to process initial claims. DOL will report against this measure in FY 2007.

In October 2004, Congress amended EEOICPA and transferred benefit coverage (Part E) for DOE contract employees who became ill from exposure to toxic substances to DOL from DOE. DOL hired staff to process the more than 25,000 claims transferred from DOE. Adjudicating the Part E cases will continue to be a major priority for the Energy program, which faces performance challenges resulting from the complexity of the additional covered exposures, illnesses, and benefit provisions. In addition, all new claims have to be reviewed for eligibility under both Part B and Part E.

PART, Program Evaluations and Audits

The Federal Employees' Compensation Program received the PART rating Moderately Effective with recommendations to update the benefit structure, implement program evaluation findings, and to track customer satisfaction. In FY 2006, FECA sought sponsorship for legislation to update the benefit structure and convert benefits for retirement-age individuals to a typical retirement level. Following recommendations from a program evaluation completed in FY 2004, FECA adopted industry best practices for improving injury case management and strengthened technical assistance to Federal employers.

The Black Lung Program's PART, which resulted in a rating of Moderately Effective, recommended establishing efficiency measures and ambitious performance goals to encourage the efficient adjudication of claims. Black Lung has established efficiency measures tracking different aspects of the claims process, such as claims managed and claims adjudicated per FTE, and initiated a program evaluation of its performance systems, which will compare its efficiency and effectiveness with similar programs.

The Longshore Program rating of Adequate on the PART was largely attributed to the program's inability to measure the effectiveness of the services or outcomes of self-insured employers and insurance carriers and the lack of a comprehensive evaluation to gauge the program's cost-effectiveness or efficiency. Their improvement plan recommends identifying needed reforms to strengthen the Longshore and Harbor Workers' Compensation Act; evaluating the automated claims system to identify more effective alternatives for tracking the benefit delivery services of employers and carriers and to allow comparisons with similar programs; and eliminating shortcomings identified in a 2004 audit by strengthening the processes and controls in the program's disbursement system. An evaluation, *Measuring the Comparability of the Longshore Program*, completed in FY 2006, outlined IT solutions to improve the Longshore Case Management System in order to track meaningful data for monitoring performance and benchmarking (see Study 24 in Appendix 2).

OIG and GAO completed several audits of financial, security, and data systems: *GPRA Data Validation Review – Federal Employees' Compensation Act* (Study 20 in Appendix 2)*; Compliance with Federal and Departmental Security Standards in Selected Control Areas for Three Employment Standards Administration Systems* (Study 21 in Appendix 2)*; Federal Compensation Programs: Perspectives on Four Programs* (Study 22 in Appendix 2); *Disability Benefits – Benefit Amounts for Military Personnel and Civilian Public Safety Officers Vary by Program Provisions and Individual Circumstances* (Study 24 in Appendix 2); and *Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund – FY 2005* (Study 25 in Appendix 2).

Data Quality and Major Management Challenges

Data for this performance goal was rated Very Good. This rating is reflective of OWCP's long history of managing workers' compensation case record and benefit payment history data and its extensive experience with performance measurement. Performance measurement in OWCP relies primarily upon data extracted from internal automated case management and benefit payment systems. Performance data is also obtained from outside sources that include other Federal agencies and Milliman USA, a nationally known research institute.

OWCP maintains strict oversight of data entry into its internal systems, with regular on-site review by local managers and formal periodic reviews that check the quality of the data record. Other tools used to ensure data quality include extensive checks and edits built into Automated Data Processing system programming, second-tier certifications of claims and payment decisions, telephone call monitoring, and ongoing performance reviews by district management. Multiple OWCP analytical staff collaborate in the report production, data collection and results measurement processes. Performance results are reviewed frequently in formal sessions by OWCP management.

The OIG considers the effective design and operation of the FECA program to be both a Departmental and government-wide major management challenge. DOL is spearheading efforts to improve injury case outcomes and reduce FECA costs throughout the government through the Safety Health and Return to Employment (SHARE) initiative and is making administrative improvements to that end. Actions are underway to better identify, report, and reduce fraud and overpayments, improve accounting and financial reporting, and reform the Federal Employees' Compensation Act to provide more incentives for return to work, address benefit equity issues, and make other benefit and administrative improvements.

Provide for Secure Pension and Health Plans

Performance Goal 06-2.2C (EBSA) – FY 2006

Secure pension, health and welfare benefits.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Ratio of closed civil cases with corrected violations to civil cases closed	76%	69%	**74**	**Y**
Ratio of criminal cases referred for prosecution to total criminal cases	45%	40.2%	**53**	**Y**
Customer Satisfaction Index for participants and beneficiaries who have contacted EBSA for assistance	67	65	**69**	**Y**
Applications to Voluntary Compliance programs	14,082	13,500	**17,214**	**Y**
Cost (millions)	$160	–	**$179**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
EBSA is responsible for enforcing the Employee Retirement Income Security Act (ERISA). EBSA's activities are essential to maintaining the public's trust and confidence in the employee benefits system. By achieving successful civil and criminal case closure and referral rates, DOL shows its success in identifying and pursuing wrongdoers. By providing outreach and education and directly assisting plan participants, beneficiaries, employers and plan officials in understanding their rights and responsibilities under the law, we help ensure workers' and retirees' benefits are protected.

President Bush Signs the Pension Protection Act of 2006
Photo Credit: White House

EBSA oversees benefit security for nearly seven million plans, 150 million participants and beneficiaries, and in excess of $4.5 trillion in assets with a relatively modest budget to achieve its performance goal of enhancing pension and health benefit security. Externalities such as the economy and tax policy have a significant impact on whether employers opt to offer benefits, whether employees choose to participate and to what extent.

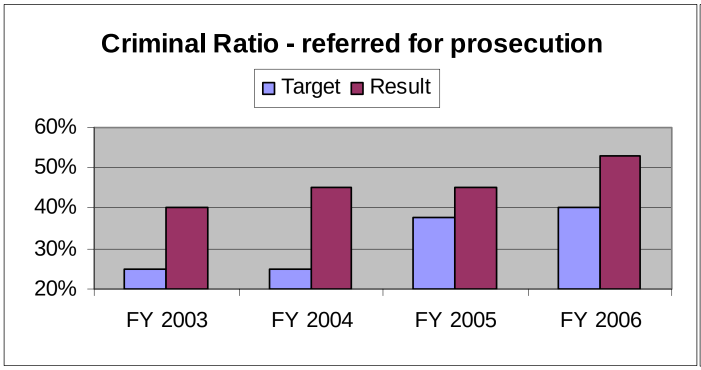
The 12 percent increase in net costs between FY 2005 and FY 2006 reflects increases in compensation and benefits, increases in DOL support agency and overhead expenses, and increases in accrued IT expenses.

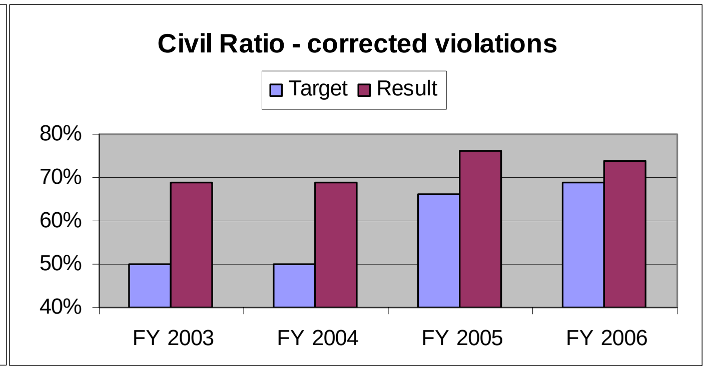
While investigating a company located in Sugar Land, Texas, the Department learned that the employer, as plan administrator, failed to follow the plan's rules to locate missing participants who were entitled to retirement benefits. As a result of the Department's involvement, the employer hired a locator service to find the lost participants. Ultimately, $1,602,953 in lump sum payments were distributed to 145 previously missing participants and 64 other participants began to receive approximately $23,000 in monthly benefits.

Analysis and Future Plans

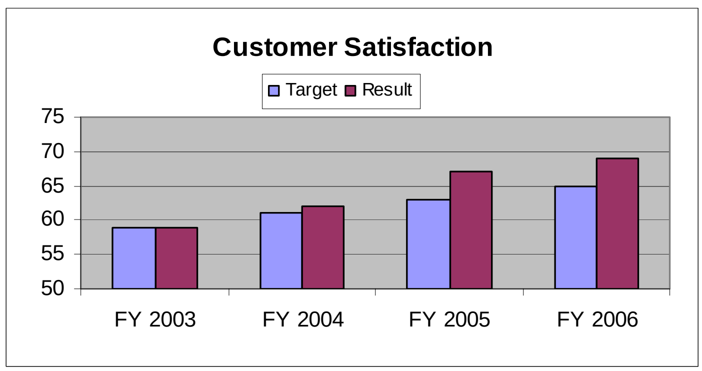
DOL achieved its goal to enhance pension and health benefit security. In addition to meeting its criminal case, civil case, customer service and voluntary compliance targets, DOL obtained monetary results of over $1.4 billion. Monetary results are a product of EBSA's investigative, compliance and participant assistance activities. DOL investigated a number of high profile, resource-intensive cases with far reaching effects on the participant benefits community. Benefit Advisors responded to 98 percent of all written inquiries within 30 days of receipt and responded to over 99 percent of telephone inquiries by the close of the next business day.

In addition to long-term targets for civil and criminal ratios, EBSA monitored annual targets to evaluate success with respect to national enforcement initiatives, which may change from year-to-year based on strategic priorities. EBSA completed work with The Gallup Organization (Gallup) to refine the long-term target for their customer service satisfaction index consistent with other industry standards and experience. EBSA achieved its performance target for customer service in its participant assistance program two years early and will now begin developing a customer service performance target for its compliance assistance programs. EBSA continued to monitor its compliance assistance measure that demonstrates success in voluntary compliance programs such as the Voluntary Fiduciary Correction Program and their Delinquent Filer Voluntary Compliance Program.





Starting in FY 2007, EBSA will modify its enforcement performance indicators and will report the ratio of closed civil cases with corrected fiduciary violations to closed civil cases, a more challenging measure than the previous one which included lower priority non-fiduciary cases. With respect to criminal case work, EBSA will modify its performance targets to report cases accepted for prosecution rather than the less ambitious cases referred for litigation. In addition, EBSA's publication in FY 2006 of final regulations for abandoned plans established an efficient framework for the winding up of abandoned plans and distribution of benefits to workers. Therefore, EBSA will eliminate its Orphan (abandoned) plan project from its national priority projects and replace it with the new Consultant Advisor Project.



After receiving a participant complaint, the Department investigated a Green Brook, New Jersey heating and air conditioning business. The investigation revealed that, over a period of two and a half years, the business owner deducted approximately $75,000 from 13 employees' paychecks for deposit into the company's 401(k) plan. However, the money was never deposited into the plan, but instead used to operate the business. As a result of the Department's investigation, the owner was arrested by New Jersey law enforcement officials and charged with theft of the employee contributions. The owner pled guilty and was sentenced to probation, community service, and restitution of the missing money to the plan, which was paid.

PART, Program Evaluations and Audits

In EBSA's original PART assessment, 2002, it was rated Results Not Demonstrated. After implementing recommendations from the first assessment, in 2004 EBSA was assessed again through the PART, earning a rating of Moderately Effective. EBSA has acted on recommendations from its more recent PART, by conducting evaluations and regulatory reviews. DOL contracted with Gallup to evaluate EBSA's participant assistance program (see *Office of Participant Assistance Program Evaluation Studies* – Study 26 in Appendix 2). EBSA was provided detailed performance information that helped improve the customer satisfaction score. In addition, with Gallup's assistance, EBSA conducted targeted training to address employee weaknesses and share best practices. Finally, field offices followed previously developed plans to continue improving their customer satisfaction scores. In FY 2006, Gallup conducted a follow-up study of EBSA's participant assistance program. Results will be reported in the FY 2007 Performance and Accountability Report. With respect to the regulatory review program, EBSA will commence, in FY 2007 with the assistance of outside contractor ICF, the cost benefit analysis of selected regulations. We anticipate reporting on the results in the FY 2007 report.

The GAO began conducting a review of EBSA’s enforcement program during FY 2006. GAO visited six regional cities, and EBSA continues to respond to requests for information. The last enforcement review was conducted in FY 2002, when EBSA was deemed to be a well-managed organization. GAO contemplates completing the review by the end of CY 2006. The results will be reported in the DOL FY 2007 Performance and Accountability Report.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Excellent. Strengths of the data include its timeliness and reliability. EBSA's Enforcement Management System (EMS) provides the data for the enforcement ratios. EBSA's quality assurance processes require that individuals not directly involved with the investigation at hand approve all case openings. Cases with monetary results receive several levels of scrutiny including national office oversight and review. Additionally, EBSA uses a peer review method to conduct quality assurance on randomly selected closed cases. In the participant assistance area, Gallup provided the customer satisfaction score. The voluntary correction program data is maintained in the EMS and the Delinquent Filer Voluntary Compliance Program tracking system.

EBSA has one Major Management Challenge (MMC): Security of Employee Benefit Plan Assets (see item V in the MMC section of the Executive Summary). The specific areas of concern include benefit plan audits, benefit plan fraud, and corrupt multiple employer welfare arrangements. Because the risks associated with this challenge go to the heart of EBSA’s goal to secure pension and health plans, EBSA has taken specific actions to address this challenge, including strengthening benefit plan audits through increased oversight of accounting firms, meeting ambitious targets for civil and criminal cases, and vigorously pursuing fraudulent Multiple Employer Welfare Arrangements.

Improving Pension Insurance

Performance Goal 06-2.2D (PBGC) – FY 2006

Improve the pension insurance program.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Customer Satisfaction score for Premium Filers	68	74	**68**	**N**
Customer Satisfaction score for responding to trusteed plan Participants' inquiries	79	80	**75**	**N**
Costs are not provided because PBGC is not included in the Consolidated Statement of Net Costs.				
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Not Achieved**

Program Perspective and Logic
The Secretary of Labor chairs the Pension Benefit Guaranty Corporation's Board of Directors. PBGC protects the retirement incomes of 44.1 million American workers in over 30,000 defined benefit pension plans. PBGC is committed to safeguarding the pension insurance program, providing exceptional service to its customers, and exercising effective stewardship over its resources.

As insurer, PBGC monitors the financial health of defined benefit plans, minimizing risk of loss to the insurance program, to pension plans and to participants. When underfunded plans terminate, PBGC must trustee them and assume responsibility for paying benefits. PBGC is actively monitoring some 3712 plans with underfunding of over $397 billion.

PBGC provides timely and uninterrupted payment of pension benefits to about 700,000 retirees in over 3600 pension plans that have failed since PBGC was established in 1974, providing benefit payments of about $4 billion annually. In FY 2006, PBGC assumed responsibility for an additional 50,000 plan participants, far less than in recent years. PBGC is now responsible for current and future pension benefits to over 1.3 million people. Providing exceptional service is an important part of PBGC's mission.

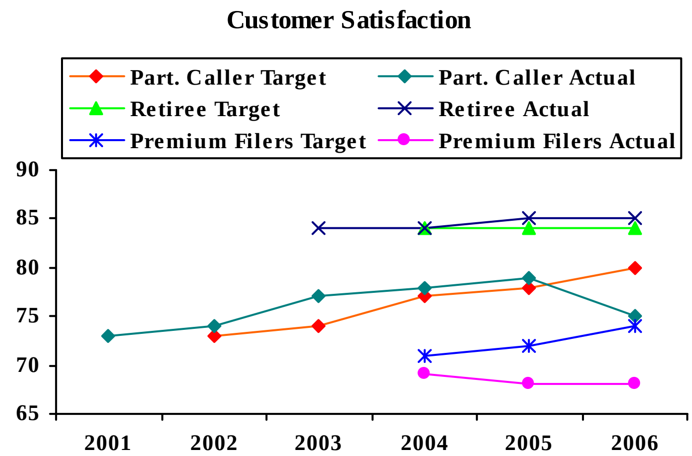
PBGC actively supported the Administration in promoting the Deficit Reduction Act (DRA), which passed in February 2006 and the Pension Protection Act (PPA), which passed in August 2006. These amendments to the Employee Retirement Income Security Act (ERISA) included new plan funding rules, new provisions for pension plan transparency, and reforms to the premium structure for defined benefit plans. PBGC is developing plans to implement the new law.

PBGC monitors its progress in meeting participant, premium filer, and stakeholder needs and expectations using the American Customer Satisfaction Index (ACSI) survey methodology, which provides comparisons to both private businesses and the federal government. PBGC uses the customer feedback to make specific improvements to processes and services directly impacting its customers. As a customer-focused agency, PBGC allocates resources to provide exceptional service to customers and stakeholders. Approximately 75 percent of funds are allocated to participant activity, while 25 percent are used for plan sponsor and pension practitioner activity. PBGC's FY 2005 operating budget was $347 million, and its FY 2006 operating budget was $386 million

Analysis and Future Plans
Practitioner Performance Indicators
Premium Filers gave PBGC a satisfaction index of 68, falling short of the targeted 74. Modest targets have been set in the short term as PBGC begins developing plans to implement the premium related provisions of the new law. PBGC's Web-based My Premium Administration Account (MyPAA) supports mandatory premium e-filing that is now in effect. In FY 2007, PBGC will streamline the premium process and continue development of a new premium system. The new system will support improvements in timeliness and accuracy, in both responding to customers,

and premium notices and billings. In FY 2006, PBGC established a Web page for policymakers with links to regulations, white papers, and discussion papers to enable customers and stakeholders to quickly find information and guidance. PBGC has established new performance measures relating to its responsibilities implementing the DRA and PPA.

Participant Performance Indicators
PBGC did not reach the performance target in FY 2006 for satisfaction of participants who call PBGC's toll-free Customer Contact center. Using the ACSI, PBGC scored a 75, compared to its target of 80. The decrease was unanticipated after five years of steady increase in satisfaction scores. In FY 2006, PBGC continued its efforts to enhance self service transactions which include the ability to request a benefit estimate on line. PBGC also implemented a customer relationship management system to create a unified desk top for tracking customer interactions from the telephone, e-mail, fax, incoming and outgoing correspondence, and Web-based transactions. In FY 2007, PBGC will continue to explore ways to meet and exceed customer expectations.



While not included as a DOL-level measure, PBGC sustained remarkably high customer satisfaction levels for retirees. The score of 85 exceeded the PART target for this measure and was one of the highest ACSI scores in government. Retirees remain highly satisfied with the reliability and efficiency of monthly payments from PBGC and the respect shown by PBGC staff. PBGC continues to expand the self service transactions customers can perform online with My Pension Benefit Account (My PBA).

Improving Efficiency
In the last few years, an increased workload has developed from the benefit determinations that must be issued to participants associated with newly terminated plans. Although the workload increased, PBGC's administrative cost to support this workload has decreased. In FY 2004, the cost was $219 per participant, and in FY 2006 the cost has dropped to $198. Continuous technological upgrades enable PBGC to provide better and faster service to participants.

PART, Program Evaluations and Audits
In its 2004 PART review, PBGC was rated Moderately Effective. Following the review and according to its PART Improvement Plan, PBGC increased efforts to support the Administration in amending ERISA. On August 17, 2006, the President signed into law the Pension Protection Act of 2006. PBGC is drafting an implementation plan that encompasses the various reforms. The new law is expected to improve the PBGC's financial condition for the near term. In FY 2006, PBGC continued to improve the ability to manage risk of loss to the pension insurance program. A GAO report, *Private Pensions: Opportunities Exist to Further Improve the Transparency of PBGC's Financial Disclosures*, highlights the challenges PBGC faces and actions it has taken in making and publishing single-employer probable claims forecasts (see Study 27 in Appendix 2).

Data Quality and Major Management Challenges
Data quality for this performance goal is rated Not Determined due to the relevance criterion. Measures of customer satisfaction for premium filers and participant inquiries are not representative of PBGC's overall performance in *Improving the Pension Insurance Program*. Under PPA employers will provide PBGC and other ERISA agencies with more relevant pension plan underfunding information. This is made possible because PPA provides more specific guidance on the valuation of single employer and multiemployer liabilities and assets. PBGC has one Major Management Challenge (MMC): Security of Employee Benefit Plan Assets (see item V in the MMC section of the Executive Summary). PBGC experienced an increased workload in recent years as more companies dropped their plans, increasing the burden on the private pension insurance system. The PPA will place PBGC on sturdier financial footing and should reduce the number of pension plans in default.