

DEPARTMENT OF LABOR

The President's 2016 Budget is designed to bring middle class economics into the 21st Century. This Budget shows what we can do if we invest in America's future and commit to an economy that rewards hard work, generates rising incomes, and allows everyone to share in the prosperity of a growing America. It lays out a strategy to strengthen our middle class and help America's hard-working families get ahead in a time of relentless economic and technological change. And it makes the critical investments needed to accelerate and sustain economic growth in the long run, including in research, education, training, and infrastructure.

These proposals will help working families feel more secure with paychecks that go further, help American workers upgrade their skills so they can compete for higher-paying jobs, and help create the conditions for our businesses to keep generating good new jobs for our workers to fill, while also fulfilling our most basic responsibility to keep Americans safe. We will make these investments, and end the harmful spending cuts known as sequestration, by cutting inefficient spending and reforming our broken tax code to make sure everyone pays their fair share. We can do all this while also putting our Nation on a more sustainable fiscal path. The Budget achieves about \$1.8 trillion in deficit reduction, primarily from reforms to health programs, our tax code, and immigration.

The Department of Labor (DOL) is charged with fostering the success of American workers, job seekers and retirees, a mission critical to America's continued economic recovery and long-term competitiveness. To support this mission, the Budget provides \$13.2 billion in discretionary funding for DOL. This funding level, coupled with new targeted mandatory investments, will help working families reach their full potential in our growing economy and protect their wages, safety, health and retirement security. The Budget also makes improvements in DOL's programs and infrastructure to ensure they are positioned to meet the needs of the modern workforce and economy.

Funding Highlights:

The Budget provides \$13.2 billion in discretionary funding for the Department of Labor (DOL), coupled with targeted mandatory investments, to meet the needs of working families and strengthen enforcement of laws that protect workers' wages, safety, and retirement security. The Budget:

- Supports working families by providing funding to States to help them establish paid leave programs
- Builds on the Workforce Innovation and Opportunity Act by increasing access to employment services and training opportunities
- Ensures that training is designed to lead to good jobs by expanding effective work-based models like Registered Apprenticeships and credentials that have real labor-market value
- Provides more assistance to populations like ex-offenders and disconnected youth who face greater barriers to reemployment
- Reduces barriers created by unnecessary occupational licensing requirements
- Reauthorizes the Trade Adjustment Assistance program
- Enhances enforcement to protect wages, worker safety, and protections for whistleblowers
- Strengthens retirement security by expanding retirement savings options
- Supports raising the minimum wage and modernizing overtime rules

Reforms:

The Budget also proposes steps to modernize and improve DOL's programs and services in the following areas:

- Unemployment Insurance
- Senior Community Service Employment Program
- Information Technology
- Federal Employees' Compensation Act
- Job Corps
- Pension Benefit Guaranty Corporation

Supporting Working Families

Encouraging State Paid Leave Initiatives. Too many American workers must make the painful choice between caring for the families they love and earning the paycheck they desperately need. While the Family and Medical Leave Act allows many workers to take job-protected unpaid time off to care for a new baby or sick child, or tend to their own health during a serious illness, millions of families cannot afford to use unpaid leave. A handful of States have enacted policies to offer paid leave, and the Federal government can encourage more to follow their lead. The Budget includes \$2 billion for the Paid Leave Partnership Initiative to assist as many as five States that wish to launch paid leave programs, following the example of California, New Jersey and Rhode Island. States that participate in the Paid Leave Partnership Initiative would be eligible to receive funds for the initial set up and half of benefits for three years. The Budget also includes a \$35 million State Paid Leave Fund to provide technical assistance and support to States that are still building the infrastructure they need to launch paid leave programs in the future.

Creating Pathways to High-Growth Jobs

Implementing the Workforce Innovation and Opportunity Act. Last year, Congress passed important improvements to the nation's job training system with the bipartisan Workforce Innovation and Opportunity Act (WIOA). To support WIOA's implementation, the Budget includes increases in the core formula programs; supports Federal staffing and resources to help States and localities meet the training and employment goals of the new law; and invests in data systems necessary to drive the measurement, evaluation, and continuous program improvement envisioned in the Act.

Providing Expanded Reemployment Services and Training Opportunities. The Budget provides a \$500 million increase in discretionary funding to support in-person employment services for unemployed workers to help them find a good job or the training or services to prepare for one. This investment would enable States to reach one-third of unemployment insurance beneficiaries who are most likely to run out of benefits before getting reemployed, plus all returning veterans who receive unemployment benefits and other displaced workers who come into American Job Centers for help getting back to work. Evidence suggests such services are a cost-effective intervention that get workers back into jobs faster, and help employers fill their in-demand jobs. For workers who need job training to get back on their feet, the Budget also provides \$16 billion in mandatory funding over 10 years to double the number of workers receiving training through the workforce development system (up from the 10 percent who receive training under WIOA now). This training would focus on industries that are expected to grow substantially in the coming decades, such as health care, energy, advanced manufacturing, transportation and logistics, cybersecurity, and information technology. Additional funding would also be available to provide training, subsidized employment and need-based stipends for the long-term unemployed, with more funds available during recessions.

Doubling the Number of Registered Apprenticeships. The Budget looks to replicate the successful "learn-and-earn" approaches of our European counterparts, investing over \$2 billion through flexible grants to states and regions to achieve the goal of doubling Registered Apprenticeships across the country over the next five years. The Budget also includes \$100 million in discretionary funding for apprenticeship grants to States, industry, and community based organizations to build capacity to develop or expand registered apprenticeship programs.

Apprenticeship is a cost-effective pathway into the middle class. According to the Department's data, those who complete registered apprenticeship programs earn median wages over \$50,000 and more than 90 percent are employed after completion.

Spreading the Development and Adoption of Industry-Validated Credentials. To help improve the quality of training programs, speed the development and adoption of credentials with real labor market value, and more effectively match job seekers to employment opportunities, the Budget provides \$500 million for competitive Industry Credentialing and Career Pathways Grants, including \$300 million specifically targeted at in-demand information technology jobs across multiple industries. These grants will be used to create employer-validated credentialing and assessment frameworks where they do not yet exist, drive additional employer uptake of existing high-quality credentials, and better align credentials with postsecondary institution curricula.

Reducing Unnecessary Occupational Licensing Requirements. The Budget seeks to reduce occupational licensing barriers that keep people from doing the jobs they have the skills to do by putting in place unnecessary training and high fees. The Budget proposes a \$15 million increase for grants to States and partnerships of States for the purpose of identifying, exploring, and addressing areas where occupational licensing requirements create an unnecessary barrier to labor market entry or labor mobility and where interstate portability of licenses can support economic growth and improve economic opportunity, particularly for dislocated workers, transitioning service members, veterans, and military spouses.

Reintegrating Ex-Offenders Into Society and High-Quality Jobs. The Budget includes \$95 million for the Reintegration of Ex-Offenders program, which helps adult and juvenile ex-offenders obtain training and high-quality employment. Ex-offenders who have meaningful employment and engagement with the community are much less likely to be re-incarcerated. This funding request includes an increase of \$8 million to increase the availability of employment services behind prison walls and expand work-release programs as well as \$5 million to help at-risk youth explore careers in law enforcement services.

Connecting Disconnected Youth with Opportunities. The Budget provides \$3 billion in mandatory funding to meet the needs of disconnected youth through the Connecting with Opportunity Initiative. The initiative includes \$1.5 billion in formula grants for localities to expand summer and year-round job opportunities, as well as \$1.5 billion to create educational and workforce pathways for disconnected youth through a competitive grant program to support them in earning high school diplomas, pursuing further educational attainment, and improving long-term job prospects. This initiative would be jointly administered with the Department of Education.

American Technical Training Fund. Building on the lessons learned through the Trade Adjustment Assistance Community College and Career Training Program, the FY 2016 Budget for the Department of Education includes \$200 million for a new American Technical Training Fund that would support the development, operation, and expansion of evidence-based job training programs for skilled jobs in high-demand fields that provide a path to the middle class for low-income individuals. The Fund would be jointly administered with the Department of Labor to help ensure that projects are well-integrated into the workforce system.

Reauthorizing Trade Adjustment Assistance. The Budget proposes reauthorization of the Trade Adjustment Assistance (TAA) program, which provides critical income support, training, job search allowances and relocation allowances, and employment and case management services to individuals who lose their jobs due to trade. The 2016 Budget assumes reauthorization of the TAA program with program provisions enacted by Congress in 2009 and 2011, and consistent with legislation introduced in the House and the Senate in 2014.

Monitoring Trade Agreements. The Budget also proposes funding for additional staff to monitor and enforce the labor commitments of countries under U.S. free trade agreements. The Administration is pursuing new trade agreements, including the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership, as critical components of the strategy to support additional jobs, increase economic growth, and strengthen the middle class. Greater enforcement resources will help ensure compliance with the heightened labor and environmental standards in these agreements.

Improving the Occupational Information Network. The Budget modernizes data collection for the Occupational Information Network (O*Net), the primary database on occupations and required job skills, which will improve its accuracy and promote better skill match between workers and the public and private sector employers who rely on the database.

Protecting Wages, Workplace Safety and Retirement Security

The Budget includes nearly \$1.9 billion for DOL's worker protection agencies, putting them on sound footing to meet their responsibilities to defend the health, safety, wages, working conditions and retirement security of American workers. The Administration is also pursuing a combination of executive and legislative actions to strengthen these laws and their enforcement.

Strengthening Penalties for Those who Disregard Their Responsibilities to Their Workers. While increased enforcement resources are vital to improving compliance with our nation's labor and employment laws, many of these laws lack strong civil penalties, which can help deter violations. The Budget proposes to strengthen several of the civil monetary penalties that the DOL collects. For example, the Budget calls for legislation to assess a \$5,000 penalty per violation against employers that intentionally keep fraudulent wage and hour records or no records at all – one of the ways irresponsible employers game the system to cheat their workers out of hard-earned wages.

Enhancing Worker Safety and Protections for Whistleblowers. The Budget provides almost \$990 million for the Occupational and Mine Safety and Health Administrations (OSHA and MSHA) to make sure workers are protected from health and safety hazards on the job. In particular, the Budget provides additional resources to enhance safety and security at chemical facilities and improve response procedures when major incidents at these sites occur. The Budget also bolsters OSHA's ability to enforce the more than 20 whistleblower laws that protect workers from discrimination and retaliation when they report unsafe and unscrupulous practices. The Budget gives MSHA the resources it needs to meet its statutory obligation to inspect every mine and address the risks to miners posed by the nation's most dangerous mines.

Strengthening Retirement Security. As many as 78 million working Americans—about half the workforce—do not have a retirement savings plan at work. Fewer than 10 percent of those

without plans at work save in a retirement account on their own. Social Security is and must remain a rock-solid, guaranteed progressive benefit that every American can rely on, but too many Americans reach their golden years without enough to supplement their Social Security and enjoy a secure retirement after a lifetime of hard work. Our nation needs to do more to help families save. The Budget includes the following proposals that would make saving easier for millions of Americans currently without employer-based retirement plans:

Expand retirement savings options for long-term, part-time workers. Under current law, just 37 percent of part-time workers have access to a retirement plan, in part because employers are permitted to exclude part-time workers from a retirement plan they otherwise provide. The Budget would ensure that employees who have worked for an employer at least 500 hours per year for at least three years eligible to participate in the employer's existing plan. Employers would not be required to offer matching contributions.

Encourage State retirement savings initiatives. A number of States have been exploring options for creating automatic retirement accounts for workers in the private sector without access to a workplace retirement plan. However, concerns about potential conflicts with the Federal law that governs employee benefit plans have slowed those efforts. To better support State efforts, the Budget sets aside \$6.5 million at DOL, along with waiver authority, to help States pilot and evaluate State-based 401(k)-type programs or automatic enrollment IRAs.

Automatically Enroll Americans without Access to a Workplace Retirement Plan in an IRA. Under the proposal, every employer with more than 10 employees that does not currently offer a retirement plan would be required to automatically enroll their workers in an IRA. Auto-IRAs would let workers opt out of saving if they choose but would also let them start saving without sorting through a host of complex options. Auto-IRA proposals have been endorsed by independent scholars across the ideological spectrum, including those affiliated with AARP, the Brookings Institution and the Heritage Foundation. The Budget also proposes to expand the tax credits available to small employers who set up automatic enrollment IRAs, set up 401(k)s or other employer plans, or start automatically enrolling workers in their existing retirement plans

Supporting a Higher Minimum Wage. In a nation as wealthy as the United States, too many workers live in poverty. The value of the minimum wage, which has not increased in more than five years, has not kept pace with the higher costs of basic necessities for working families. The Administration supports raising the minimum wage so hard-working Americans can earn enough to support their families and make ends meet. Many companies, from small businesses to large corporations, recognize that raising wages is good for their bottom lines because it boosts productivity, reduces turnover and increases profits. Raising the minimum wage is good for workers, their families and for the economy. The President took an important step by signing an Executive Order to increase the minimum wage to \$10.10 for those working on new and replacement Federal contracts, and the Administration recently issued regulations to implement the EO. The Administration is encouraged that 17 States and District of Columbia have passed increases in their minimum wage since the President called for a minimum wage increase during his State of the Union remarks in February 2013. Those increases will benefit an estimated 7 million workers. As the President continues to encourage States, cities and businesses to act, he

stands ready to work with the Congress to pass legislation to increase the minimum wage for the rest of the workforce as soon as possible.

Modernizing Overtime Rules. The impact of overtime rules that establish the 40-hour workweek, a linchpin of the middle class, has eroded over the years. As a result, millions of salaried workers have been left without the protections of overtime or sometimes even the minimum wage. For example, a convenience store manager or a fast-food shift supervisor or an office worker may be expected to work 50 or 60 hours a week or more, making barely enough to keep a family out of poverty, and not receive a dime of overtime pay. To address the issue, the Secretary of Labor will update regulations regarding who qualifies for overtime protections.

Reforms

Unemployment Insurance. The Budget proposes a suite of reforms to modernize the Unemployment Insurance (UI) program, which provides critical income support to those who are unemployed through no fault of their own. These reforms will improve the solvency of State programs, strengthen the program's connection to work, reach more workers who lose a job through no fault of their own, and make the UI program more targeted and responsive in unfolding economic downturns by implementing an Extended Benefits program that provides added benefits as soon as a State experiences a sharp rise in unemployment, even if a wider increase in unemployment has not yet occurred.

Senior Community Service Employment Program (SCSEP). The Budget proposes to improve the quality and employment orientation of SCSEP by targeting the program to seniors who are most in-need, allowing for a greater range of participant placements, including on-the-job training positions with private employers, and promoting a greater degree of competition to ensure a high-quality program.

Information Technology Modernization. The Budget includes critical resources to modernize and transform the Department's aging IT infrastructure. These investments are vital to the Department's efforts to improve data sharing and mobile computing for DOL employees, allowing the Department to provide better, faster, smarter service to the American public.

Federal Employees' Compensation Act. The Budget acts on longstanding recommendations from the Government Accountability Office, the Congressional Budget Office, and DOL's Inspector General to reform the Federal Employees' Compensation Act (FECA), which has not been substantially updated since 1974. The Budget proposes a series of FECA reforms that adopt best State practices and strengthen return-to-work incentives, generating Government-wide savings of more than \$360 million over 10 years.

Job Corps. The Budget supports ongoing efforts to reform and improve the Job Corps program. Job Corps is shifting to a risk-based management system to focus stronger monitoring and quality assurance on centers with a higher level of safety, financial, and performance risk. These efforts will be aided by a new Job Corps oversight team, for which the Budget provides \$3.5 million. The Budget also supports joint DOL and Department of Agriculture (USDA) work to improve the 27 USDA-run centers. The Budget also includes language that would facilitate compliance with WIOA's requirement to re-compete low-performing centers. Lastly, the Budget

includes \$5 million to allow for a pilot modifying the traditional Job Corps model to better serve younger youth.

Pension Benefit Guaranty Corporation. The Pension Benefit Guaranty Corporation (PBGC) acts as a backstop to insure pension payments for workers whose companies have failed. Although PBGC will be able to pay benefits for years to come, it is still projected to be unable to meet its long-term obligations under current law. To address these concerns, the Budget proposes to give the PBGC Board the authority to raise the premiums that plans pay to the PBGC, taking into account the risks that different sponsors pose. Premium increases would be carefully crafted to avoid worsening PBGC's financial condition and harming workers' retirement security by driving healthy plans that pose little risk of presenting a claim to PBGC out of the system. This proposal is estimated to save \$19 billion over the next decade, which would be split between PBGC's single-employer and multiemployer insurance programs in accordance with the size of each program's deficit.