



DEPARTMENT OF LABOR

Elevated to cabinet-level status in 1913, the U.S. Department of Labor (DOL) exists to improve working conditions and expand employment opportunities for Americans. For fiscal year (FY) 2012, the President requests nearly \$110 billion (\$12.8 billion in discretionary) to support the efforts of the agency, which currently employs more than 17,200 workers. To better serve the American workforce and taxpayers, the Labor Department must limit and focus existing programs, as well as eliminate wasteful practices and programs.

Improving Management to Control Costs and Identify and Prevent Waste and Fraud.

Taxpayers must have absolute confidence that federal agencies are not wasting their hard-earned dollars. The Labor Department, however, disagrees and recently failed to comply in an audit of its finances. For the first time in over a dozen years, the agency could not issue an “unqualified audit report” – meaning it failed to produce sufficient information for independent auditors to make an informed judgment on its finances.¹

The inability of the Department to submit the requisite information stemmed from problems associated with its New Core Financial Management System, as well as ignoring warnings from its auditor. While KPMG, the auditor, warned the Department in late 2009 of a number of risks associated with implementation, the agency failed to address identified risks. As a result, KPMG found this “contributed to DOL subsequently facing many significant challenges related to its financial reporting process.”²

While DOL re-submitted the necessary information to receive a qualified audit in March 2011, the final audit still found four material weaknesses and two significant deficiencies in the Labor Department’s financial management system – making it the only executive agency to have multiple new material weaknesses last year.

According to the independent audit conducted by KPMG, and certified by the Office of Inspector General, DOL does not have sufficient controls over financial reporting and budgetary accounting, lacks adequate controls over access to key financial systems, and needs to improve how it prepares and reviews journal entries. In addition, the audit found the agency lacked sufficient control over its payroll and failed to prevent untimely and inaccurate processing of certain transactions. At the same time, DOL was also in violation of two federal laws intended to promote the integrity of financial management in the federal government.

This type of mismanagement must be rectified, immediately. Congress should continue vigorous oversight of DOL’s financial management system until all material weaknesses and deficiencies are fully resolved.

¹ FY 2010 Agency Financial Report, November 15, 2010, <http://www.dol.gov/sec/media/reports/annual2010/2010annualreport.pdf>.

² FY 2010 Agency Financial Report, November 15, 2010, <http://www.dol.gov/sec/media/reports/annual2010/2010annualreport.pdf>.

Reforming Unemployment Compensation.

The Unemployment Compensation (“UC”) program (commonly known as “Unemployment Insurance” or “UI”) is a State-Federal partnership that pays benefits to laid-off workers who become unemployed through no fault of their own and meet certain other eligibility requirements. UC is the most expensive program at DOL, making total payments of \$156 billion in 2010.³ Program costs have significantly increased during the economic downturn, and Congress must take steps to reign in these escalated costs. At the same time, program mismanagement and beneficiary fraud must be addressed.

Return to Pre-Stimulus Benefit System.

Despite numerous studies showing the provision of unemployment benefits increases unemployment, since 2008 Congress has enriched the framework of unemployment benefits available to the jobless. Not surprisingly, this has resulted in dramatically increased federal program costs. Under the standard unemployment framework, when eligible workers lose their jobs, UC may provide up to 26 weeks of income support.⁴ In recent years, however, a maximum of 99 weeks of unemployment support has become possible.

The provision and federal financing of additional weeks of unemployment expires at the end of calendar year 2011. It must not be extended. In addition, the full federal financing of the Extended Benefits should also be allowed to expire.

Table 3. Revenue and Expenditures Associated with Unemployment Compensation, FY2001-FY2011

(in billions of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ^a
UC revenue, total	27.8	27.5	33.2	39.3	41.8	43.0	41.2	39.4	37.8	44.7	51.4
FUTA tax	6.9	6.6	6.5	6.6	6.7	7.1	7.3	7.2	6.7	6.4	6.7
State UC taxes	20.8	20.9	26.7	32.7	35.1	35.9	33.7	32.2	31.1	38.3	44.7
UC outlays, total	28.1	50.9	54.3	42.5	32.6	31.7	32.7	43.0	119.7	156.1	129.5
Regular benefits	27.3	42.0	42.0	36.9	31.2	30.2	31.4	38.1	75.3	63.0	61.0
Extended benefits	^b 0.16	0.32	0.16	0.00	0.20	0.00	0.02	4.1	7.8	9.5	
Emergency UC	—	7.9	11	4.1	—	—	—	3.6	32.7	72.1	55.4
Federal Additional Compensation	—	—	—	—	—	—	—	—	6.5	11.7	1.9
UCFE/UCFX ^c	0.5	0.5	0.6	0.8	0.8	0.8	0.7	0.7	1.0	1.3	1.5
Trade Benefits	0.3	0.3	0.4	0.5	0.6	0.5	0.6	0.6	0.1	0.2	0.2
Administrative costs	3.6	3.7	4.1	3.9	3.8	3.9	3.7	3.9	4.3	5.5	5.5

Source: U.S. Department of Labor, *UI Outlook*, January 2001-February 2011, and updates.

a. Estimated for 2011.

b. Less than \$5 million.

c. UC benefits for federal employees (UCFE) and former military servicemembers (UCFX).

³ Total payments in recent years are higher than typical due to increased federal unemployment benefits made available in 2009-2009 and 2010.

⁴ The duration of standard benefits varies on a state-by-state basis. For example, until recently, all states paid at least up to 26 weeks of UC benefits. In 2011, five states passed legislation to decrease their maximum UC benefit durations (Arkansas, Missouri, Michigan, Florida and Illinois). Two states exceed 26 weeks: Montana up to 28 weeks and Massachusetts up to 30 weeks. Congressional Research Service, “Unemployment Insurance: Consequences of Changes in State Unemployment Compensation Laws,” Katelin P. Isaacs, June 10, 2011.

Reduce Administrative Costs.

Administrative costs have also increased dramatically in recent years. In FY2011, it is estimated the government will provide \$5.5 billion to states to administer unemployment benefits. The American Recovery and Reinvestment Act of 2009 (Public Law 111-5, the federal stimulus program) provided a total of \$500 million in additional funds to states to help with administrative costs of unemployment benefits.⁵ As the government returns to the pre-99 week system of benefits, funding for administrative costs should also return to prior-year levels, saving roughly \$1.6 billion annually.

In addition, while states have some discretion to spend federal UI dollars to pay for office furnishings, reasonable limitations should be placed on the use of these funds. While basic office needs may be a reasonable expenditure, other expenditures are highly questionable. For example, Maine recently spent \$60,000 of federal UI funds on a 36-foot mural containing images of labor union strikes.⁶ Clearly, restrictions on these funds are needed.

Rescind Unspent Stimulus Dollars for UI Modernization

Under the federal stimulus law, Congress provided \$7 billion to be used for UI benefit payments for states whose UI laws meet (or were changed) to expand unemployment benefits permanently.⁷ To receive this money, states must apply. According to a September 2010 IG report, however, approximately \$4 billion of the \$7 billion in funds had not yet been applied for, and at least \$1.3 billion of the \$4 billion is unlikely to be applied for by states, at all. States cited increased costs for benefit payments and the political difficulty of making the required changes, as the primary reasons they would not apply. Of the \$3 billion that *has been* received, states “were not able to provide data regarding claimants’ payments under the new provisions enacted in state laws.”⁸ Any outstanding funds not applied for by states should be rescinded and put toward deficit reduction.

Ending Unemployment Subsidies for the Wealthy.

Unemployment benefits should only go to people who need them. Yet, thousands of individuals with adjusted gross incomes exceeding \$1 million are routinely receiving unemployment benefits.

- ✓ As many as 2,840 households who reported an income of \$1 million or more on their tax returns were paid a total of \$18.6 million in UI benefits in 2008, according to the Internal Revenue Service.
- ✓ This included more than 800 earning over \$2 million and 17 with incomes exceeding \$10 million.
- ✓ In all, multi-millionaires were paid \$5.2 million in jobless benefits in 2008.⁹

⁵ Katelin P. Isaacs and Julie M. Whittaker, “Unemployment Insurance: Programs and Benefits (RL33362),” Congressional Research Service, March 1, 2011.

⁶ “Uncle Sam Tells Maine Governor to Repay Cost of Removed Mural of Labor History,” FOX News, April 5, 2011; <http://www.foxnews.com/politics/2011/04/05/uncle-sam-tells-maine-governor-repay-cost-removed-mural-labor-history/>.

⁷ U.S. Department of Labor Inspector General, “Recovery Act: More Than \$1.3 Billion in Unemployment Insurance Modernization Incentive Payments Are Unlikely to Be Claimed by States,” September 30, 2010, <http://www.oig.dol.gov/public/reports/oa/2010/18-10-012-03-315b.pdf>.

⁸ U.S. Department of Labor Inspector General, “Recovery Act: More Than \$1.3 Billion in Unemployment Insurance Modernization Incentive Payments Are Unlikely to Be Claimed by States,” September 30, 2010, <http://www.oig.dol.gov/public/reports/oa/2010/18-10-012-03-315b.pdf>.

⁹ “SOI Tax Stats - Individual Statistical Tables by Size of Adjusted Gross Income,” Internal Revenue Service website, accessed April 13, 2011; <http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html>.

When the median income of working Americans is less than \$50,000,¹⁰ it is illogical for the government to consider an individual earning millions of dollars eligible for UI. Why should someone struggling to make ends meet working full time, or two jobs, pay into a system that provides benefits to someone not working, yet earning millions of dollars a year?

The U.S. Senate voted *unanimously* in April 2011 to end UI for millionaires and billionaires, a reform that would save \$20 million annually. Congress should complete the work begun by the Senate and enact this legislation.

Congress should also carefully consider ending federal unemployment subsidies below that level. For example, one estimate shows that ending subsidies for individuals with taxable incomes over \$120,000 would save \$3.3 billion over the next decade.¹¹

U.S. Senate Roll Call Votes 112 th Congress - 1 st Session		XML
as compiled through Senate LIS by the Senate Bill Clerk under the direction of the Secretary of the Senate		
Vote Summary		
Question: On the Amendment (Coburn Amdt. No. 281)		
Vote Number:	55	Vote Date: April 6, 2011, 05:26 PM
Required For Majority:	3/5	Vote Result: Amendment Agreed to
Amendment Number:	S.Amdt. 281 to S. 493 (SBIR/STTR Reauthorization Act of 2011)	
Statement of Purpose:	To save at least \$20 million annually by ending federal unemployment payments to jobless millionaires and billionaires.	
Vote Counts:	YEAs	100
	NAYs	0

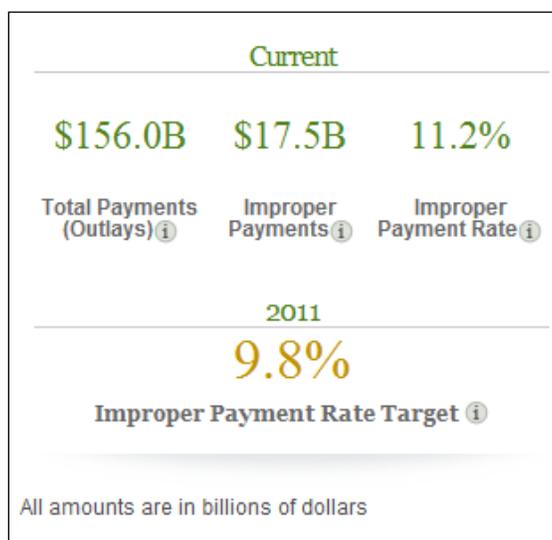
Curb Improper Payments.

As more Americans rely on unemployment benefits during the economic downturn, program mismanagement and fraud have increased. According to the Office of Management and Budget (OMB), the UI program recorded \$17.5 billion in improper payments in 2010, with an improper payment rate of 11.2 percent.¹² The vast majority of these erroneous payments were to individuals who did not meet the active work search requirements.

¹⁰ "Income, Poverty and Health Insurance Coverage in the United States: 2009," U.S. Census Bureau, September 16, 2010; http://www.census.gov/newsroom/releases/archives/income_wealth/cb10-144.html.

¹¹ Citizens Against Government Waste, "Prime Cuts" webpage, <http://www.cagw.org/reports/prime-cuts/prime-cuts-database.html>, accessed June 14, 2011.

¹² OMB, <http://www.paymentaccuracy.gov/programs/unemployment-insurance>.



An estimated 2.4 percent of UI benefits were overpaid due to fraud – up from 2.0 percent in 2009.¹³ The IG also noted it continues to uncover UI fraud committed by individuals, as well as identify theft schemes designed to illegally obtain UI benefits.¹⁴

Examples of fraud and questionable spending include:

- UI payments made to prison inmates, including more than \$690,000 paid to prisoners in Wisconsin,¹⁵ New York,¹⁶ Washington state,¹⁷ and Maine.¹⁸ The prevalence of inmates receiving UI was surprising, according to New York Labor Department Commissioner Colleen Gardner.¹⁹
- California wrongly paid \$1.3 million in UI to 186 state employees who were fired for misconduct, including a correctional officer who was arrested after a hit-and-run incident while driving drunk, a prison guard who was involved in drug dealing and a prison gang, and an employee who did not show up for work for six months.²⁰
- Thousands of non-citizens, including illegal immigrants, are receiving millions of dollars of UI payments. The Michigan Unemployment Insurance Agency (UIA) “did not ensure that

¹³ U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011*.

¹⁴ U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011*.

¹⁵ Scott Bauer, “Audit finds Wis. prisoners got federal benefits,” Associated Press, April 1, 2011; <http://www.chicagotribune.com/news/chi-ap-wi-wisconsin-aidaudi.0.6735503.story>.

¹⁶ “Labor Department and County Sheriffs Crack Down on Inmates who Attempt to Collect Unemployment Insurance Behind Bars,” New York State Department of Labor, November 16, 2010; <http://www.labor.ny.gov/pressreleases/2010/november-16-2010.shtm>.

¹⁷ “Investigators finding more benefits fraud,” Washington State Employment Security Department, April 12, 2011; <http://www.esd.wa.gov/newsandinformation/releases/investigators-finding-more-benefits-fraud.php>.

¹⁸ Betty Adams, “Portland man faces charges in jail time unemployment; Accused of collecting \$3,000,” Kennebec Journal (Maine), April 6, 2011; http://www.kjonline.com/news/portland-man-lands-in-hot-water-for-jailtime-unemployment_2011-04-05.html.

¹⁹ Dave Canfield, “Inmates in New York's county jails collecting unemployment benefits illegally,” The Record (New York), November 17, 2010; <http://www.troyrecord.com/articles/2010/11/17/news/doc4ce3748d5af97158939452.txt>.

²⁰ Michael Rothfeld, “California corrections agency wrongly paid \$1.3 million to fired workers,” The Los Angeles Times (California), March 31, 2009; <http://articles.latimes.com/2009/mar/31/local/me-prisons31>.

alien claimants met federal and State eligibility requirements for receiving UI benefits. As a result, from October 1, 2007 through June 30, 2010, UIA potentially made improper UI benefits payments totaling up to \$7.9 million to 1,201 alien claimants,” according to the Michigan Auditor General.²¹ “The Colorado Department of Labor and Employment (CDLE) regularly makes unemployment insurance payments to illegal aliens and other citizens who don’t qualify for the taxpayer-funded benefit,” according to the *Fort Collins Republican Examiner*. Two years ago, the department “shut down the system responsible for identifying unqualified residents” and “stopped questioning immigration status of applicants.”²²

- UI payments continue to be made to dead people. Michigan paid \$350,000 in UI to 115 deceased claimants between October 1, 2007 and June 30, 2010. One deceased recipient was paid \$32,594 and other dead beneficiaries received payments for as many as 87 weeks.²³ In New York, “14 UI claims totaling \$12,268 were paid after the claimant’s date of death.”²⁴ “People collected jobless benefits under the names of family members who were dead” in Washington state.²⁵

These examples represent millions of dollars misspent every year for questionable, erroneous, and often illegal purposes. While it is appropriate that states retain maximum flexibility in running their programs, it is also appropriate for the federal government to proactively deter abuse and inappropriate reliance on its programs.

Congress must:

- Prohibit eligibility for individuals while incarcerated;
- Prohibit eligibility for individuals while vacationing internationally;
- Actively pursue recovery of benefits provided to dead people; and
- Prohibit simultaneous receipt of *both* UI and benefits under Social Security Disability Insurance (“SSDI”) or Supplemental Security Income (“SSI”). These programs serve contradictory purposes: unemployment provides temporary support to those *able* to work but unemployed, whereas SSDI and SSI are intended to provide support to disabled individual who are *physically or mentally unable* to work.

²¹ “Performance Audit of Unemployment Insurance Benefit Overpayments and Nonmonetary Eligibility Determinations,” Michigan Office of the Auditor General, March 2011, page 38; <http://audgen.michigan.gov/comprpt/docs/r641031510.pdf>.

²² Michelle Hurni, “Illegal Immigrants in Colorado Receive Unemployment Insurance,” *Fort Collins Republican Examiner* (Colorado), November 9, 2010; <http://www.examiner.com/republican-in-fort-collins/illegal-immigrants-colorado-receive-unemployment-insurance>.

²³ “Performance Audit of Unemployment Insurance Benefit Overpayments and Nonmonetary Eligibility Determinations,” Michigan Office of the Auditor General, March 2011, pages 33- 34; <http://audgen.michigan.gov/comprpt/docs/r641031510.pdf>.

²⁴ Correspondence from Bernard J. McHugh, New York Director of State Expenditures, to Colleen C. Gardner, New York Commissioner of the Department of Labor, July 29, 2010, page 3; <http://www.osc.state.ny.us/audits/allaudits/093010/2009bse3a004.pdf>.

²⁵ Derek Wang, “Unemployment Fraud Statistics Don’t Tell The Whole Story,” KUOW Puget Sound Public Radio; April 13, 2011; <http://www.kuow.org/program.php?id=23123>.

In general, most UI *overpayments* are lost to individuals who claim UI despite returning to work. Overpayments also occur as a result of insufficient or late information regarding the worker status or the inability to validate the individual has met work search requirements.²⁶

For example, nine U.S. Postal Service employees in South Carolina were recently indicted for claiming unemployment benefits.²⁷ A Texas man collected \$30,000 while working for the Postal Service.²⁸ A Texas Workforce Commission (TWC) employee who left the agency “stole multiple identities, and then used her inside knowledge of the UI process to file false claims,” collecting \$14,534.²⁹ In New York, one man certified nine times that he was jobless and collected \$4,398 in benefits despite being employed.³⁰

It is also known that individuals intentionally game the system to get around the time limits and collect thousands of dollars of UI payments every year. For example, one man received UI benefits for 14 consecutive years, from 1995 to 2009, defrauding the program of more than \$300,000.³¹

To strengthen the shortcomings of the current system, Congress should:

- ✓ Strengthen verifications that ensure beneficiaries are in fact legal citizens.
- ✓ Implement recommendations of the Department of Labor’s Inspector General (IG) to reduce improper payments by granting the Department and the IG legislative authority to access state UI wage records, SSA wage records, and employment information from the National Directory of New Hires (NDNH). The IG contends that by cross-matching UI claims against NDNH data, states can better detect overpayments, however, statutory authority is needed.³²
- ✓ Require, as proposed by the Administration in its *Unemployment Compensation Program Integrity Act of 2011*, all *re-hires* be reported by all employers to the state and national directories of new hires. Employers would be required to report on rehired workers if they have been separated from the company for at least 60 days.
- ✓ Require states to assess a penalty of the full amount overpaid on any claim for benefits as a result of fraud.

²⁶ “Unemployment Insurance Benefit Payment Integrity,” Employment and Training Administration website, accessed April 14, 2011; http://www.ows.doleta.gov/unemploy/improp_pay.asp.

²⁷ “Area USPS employees face fraud indictments,” The Times and Democrat (South Carolina), April 12, 2011; http://www.thetandd.com/news/local/crime-and-courts/article_e5a9c016-64b7-11e0-a793-001cc4c002e0.html.

²⁸ Walt Nett, “Surprisingly little prison time given for unemployment fraud,” Lubbock Avalanche-Journal (Texas), March 7, 2010; http://lubbockonline.com/stories/030710/col_571809288.shtml.

²⁹ “Criminal Prosecutions of Unemployment Insurance Fraud - Recent Dispositions,” The Texas Workforce Commission, February 7, 2011; <http://www.twc.state.tx.us/ui/bnfts/prosecutiondispo.html>.

³⁰ Correspondence from Bernard J. McHugh, New York Director of State Expenditures, to Colleen C. Gardner, New York Commissioner of the Department of Labor, July 29, 2010, page 4; <http://www.osc.state.ny.us/audits/allaudits/093010/2009bse3a004.pdf>.

³¹ “Father and Daughter Charged with Illegally Receiving More Than \$300,000 in Unemployment Benefits,” United States Attorney’s Office District of Connecticut, U.S. Department of Justice, April 8, 2010; <http://www.justice.gov/usao/ct/Press2010/20100408.html>.

³² Testimony of the U.S. Department of Labor Inspector General before the House Appropriations Subcommittee on Labor, Health and Human Services and Education, March 17, 2011, <http://appropriations.house.gov/files/031711ElliotPLewisDOLOIGTestimonyonUIImproperPayments.pdf>, accessed June 27, 2011.

- ✓ As proposed by the Administration in its *Unemployment Compensation Program Integrity Act of 2011*, prohibit states from relieving an employer of benefit charges due to a benefit overpayment if the employer has caused the overpayment by failing to provide timely or adequate information in response to a request from the pertinent state agency, and if the employer has established a pattern of failing to respond timely or adequately to such requests.
- ✓ Require offset of benefits in the case where individuals receive an overpayment and later re-enter the program. Under current law, UI benefits “may” be reduced to recover prior overpayments; statutory language should be changed to read “shall.”

State UI Loan Reform

During the economic downturn, available taxes and reserve balances have failed to cover state UI costs. In turn, some states borrowed funds from the federal government to meet UI obligations. In addition, the stimulus temporarily waived the interest payments and accrual of interest payments on such loans. As a result, 32 of 53 state and U.S. territories currently owe the U.S. Treasury in excess of \$44 billion in loans because their UI trust funds were insolvent. As the federal government works with states to repay these loans, Congress should also determine what reforms are necessary and appropriate to prevent this from happening again.

Re-focus Occupational Safety and Health Administration (OSHA)

The Occupational Safety and Health Administration (OSHA) division of the U.S. Department of Labor ensures the safety and health of America’s working men and women. While OSHA’s work is important, it could and should be carried out more efficiently to save taxpayer dollars while simultaneously enhancing worker safety.

In recent years, OSHA’s appropriations have increased significantly. OSHA received \$558.6 million in FY 2011 – \$72.6 million more than the \$486 million provided in FY 2008. Additional increases are also requested in the President’s budget FY 2012, bringing total appropriations to \$583 million.³³ Over the past three years, OSHA has attempted to intensify its commitment on regulatory enforcement. OSHA, however, has failed.

Despite additional resources for direct compliance enforcements, inspection levels have decreased when compared to FY 2008. After an increase of \$40.76 million, federal enforcement program inspections dropped by 84, from 38,591 in FY2008 to 38,507 in FY2010. Further, state program funding increased by \$14.9 million over the same time period, yet despite additional funds, state inspections decreased by 256.

³³ Office of Management and Budget, FY 2012 Budget Request, U.S. Department of Labor, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/lab.pdf>, accessed June 12, 2011.

	Federal Enforcement Funding	Federal Inspections	State Program Funding	State Inspections
FY2008 ³⁴	\$182,631,000	38,591	\$89,502,000	57380
FY2010 ³⁵	\$223,399,000	38,507	\$104,393,000	57124
Difference	\$40,760,000	-84	\$14,891,000	-256

Additionally, a September 2010 IG audit also calls into question whether OSHA is effectively managing certain aspects of its enforcement activities.³⁶ According to the IG:

- During the two-year audit period, nearly all citations OSHA issued were reduced – 98 percent of citations received reductions, making reduced penalties a virtual entitlement.
- Penalties of \$523.5 million were reduced by \$351.2 million, or 67 percent.
- Reductions were granted without always considering an employer’s overall safety and health performance.
- 24 percent of the violations were issued to 4,791 employers (227 with fatalities) that had a history of serious violations in two or more inspections and received reductions of \$86.6 million.
- Half of these offenders violated a similar standard on subsequent inspections.

While employers are able to contest citations believed to be unwarranted, the IG found OSHA failed to evaluate the impact of penalty reductions on incentives for employers to improve workplace safety and health. As a result, OSHA cannot determine if the \$351.2 million of reduced penalties still resulted in effectively deterring future workplace hazards and improving safety and health.³⁷ The IG also found that 36 percent (or \$127 million of the \$351.2 million) of penalty reductions were potentially inappropriate, including \$94.1 million in monetary reductions, \$31.8 million in unjustified settlements, and \$1.1 million based on erroneous facts.³⁸

Clearly, OSHA must do a better job of effectively carrying out its enforcement activities while efficiently using taxpayer resources.

³⁴ U.S. Department of Labor website, “FY 2010 Budget Justification, OSHA,” <http://www.dol.gov/dol/budget/2010/PDF/CBJ-2010-V2-08.pdf>, accessed June 26, 2011.

³⁵ U.S. Department of Labor website, “FY 2011 Budget Justification, OSHA,” <http://www.dol.gov/dol/budget/2012/PDF/CBJ-2012-V2-11.pdf>, accessed June 26, 2011.

³⁶ U.S. Department of Labor, Office of Inspector General, “OSHA Needs to Evaluate the Impact and Use of Hundreds of Millions of Dollars in Penalty Reductions as Incentives for Employers to Improve Workplace Safety and Health,” Report No. 02-10-201-10-105, September 30, 2010, <http://www.oig.dol.gov/public/reports/oa/2010/02-10-201-10-105.pdf>, accessed June 11, 2011.

³⁷ U.S. Department of Labor, Office of Inspector General, “OSHA Needs to Evaluate the Impact and Use of Hundreds of Millions of Dollars in Penalty Reductions as Incentives for Employers to Improve Workplace Safety and Health,” Report No. 02-10-201-10-105, September 30, 2010, <http://www.oig.dol.gov/public/reports/oa/2010/02-10-201-10-105.pdf>, accessed June 11, 2011.

³⁸ U.S. Department of Labor, Office of Inspector General, “OSHA Needs to Evaluate the Impact and Use of Hundreds of Millions of Dollars in Penalty Reductions as Incentives for Employers to Improve Workplace Safety and Health,” Report No. 02-10-201-10-105, September 30, 2010, <http://www.oig.dol.gov/public/reports/oa/2010/02-10-201-10-105.pdf>, accessed June 11, 2011.

In addition to reforming its enforcement activities, OSHA should place a greater emphasis on voluntary compliance programs, which have a proven track record of success, are cost efficient, and cover more places of employment.

While great value exists in protecting our workforce from hazards, it is impossible for OSHA to inspect all 7.5 million workplaces in the United States.³⁹ For perspective, in FY2010 OSHA performed 38,507 federal health and safety inspections – or 1 in every 195 workplaces.⁴⁰ If OSHA reaches their goal of 41,000 federal health and safety inspections in FY2012, that would still only be 1 in every 183 workplaces.⁴¹ With goals of increased federal inspections yielding minimal returns, OSHA should instead look to leverage funds to get the greatest utility out of limited resources through voluntary compliance programs.

Voluntary compliance programs, such as the Voluntary Protection Program (“VPP”), have a track record of efficient and effective outcomes in ensuring worker safety:

- Under VPP, worksites that pass the rigorous evaluation process have an average Days Away Restricted or Transferred (DART) case rate of 52 percent below the average for its industry.
- In recent years, smaller worksites have made significant strides in VPP participation, increasing from 28 percent of total VPP sites in 2003 to 39 percent in 2008, thanks to innovations such as the mentoring and SHARP programs.⁴²
- VPP keeps employees safer; it also saves companies and the taxpayers’ money.⁴³
- In 2007, Federal Agency VPP participants saved the government more than \$59 million by avoiding injuries and private sector VPP participants saved more than \$300 million.⁴⁴

Given their success and cost efficiency, OSHA should emphasize voluntary compliance programs, while ensuring its limited enforcement tools are effectively targeted and carried out. Such reforms, while also returning OSHA to its FY2008 levels of \$486 million, would save at least \$72.6 million annually (FY2011 level is \$558.6 million).⁴⁵

Terminate OSHA Susan Harwood Grants – Savings \$11 million annually

Susan Harwood Grants fund training and education programs that duplicate other efforts within OSHA. For example, one function of the Susan Harwood Grant program is to develop training programs in foreign languages for migrant workers. This initiative is duplicative of several other government funded sources:

³⁹ <http://www.dol.gov/dol/budget/2012/bib.htm#osha>

⁴⁰ Staff analysis, based on data contained in the FY 2012 Budget Justification, OSHA, <http://www.dol.gov/dol/budget/2012/PDF/CBJ-2012-V2-11.pdf>.

⁴¹ Staff analysis, based on data contained in the FY 2012 Budget Justification, OSHA, <http://www.dol.gov/dol/budget/2012/PDF/CBJ-2012-V2-11.pdf>.

⁴² U.S. Department of Labor website, “OSHA Voluntary Protection Program” webpage, http://www.osha.gov/dcsp/vpp/all_about_vpp.html, accessed June 24, 2011.

⁴³ Government Accountability Office, “OSHA’s Voluntary Protection Programs: Improved Oversight and Controls Would Better Ensure Program Quality,” GAO-09-395, May 20, 2009, pg. 10, <http://www.gao.gov/products/GAO-09-395>, accessed June 24, 2011.

⁴⁴ U.S. Department of Labor website, “OSHA’s Voluntary Protection Program: A Model of Safety and Health Excellence That Works!,” Danielle Gibbs and Eric Lahaie, http://www.osha.gov/dcsp/vpp/articles/modelthatworks_2009.html, accessed June 24, 2011.

⁴⁵ The President requests \$583 million in FY 2012.

- The Electronic Library of Construction Occupational Safety and Health is funded by the National Institute for Occupational Safety and Health (FY 2011: \$316 million) within the Center for Disease Control (CDC) and contains a plethora of workplace safety training programs in a variety of languages, including a dedicated webpage for Spanish users.⁴⁶
- The OSHA training institute, which offers training and education in occupational safety and health, offers 14 different Spanish job training courses in three different training centers.⁴⁷
- There are about 40 Spanish workplace safety documents available through the OSHA Resource Center Loan Program, which offers occupational safety and health training videos for loan.⁴⁸

Overall, there have been about 397 grants that awarded \$75.25 million since 2003.⁴⁹ Out of these 397 grants, only 29 grantees published information on their use of funds on the OSHA website.⁵⁰ This calls into question whether the program successfully disseminates information to other employers on best practices cultivated by grant funds. Rather than awarding \$200,000 grants to reproduce existing material, OSHA would better serve the American taxpayer by simply sending a web-link to the material that is already developed and available.

Beyond duplication, a number of grants are awarded to develop products of questionable merit. For example, the University of Alabama received \$191,000 to teach employees how not to fall. This was one of five fall protection grants awarded in FY2010.⁵¹ Further, in FY 2004, the Boat People SOS received \$199,760 to “develop and translate five training modules for residential construction covering falls, electrical, struck-by, trenching and excavation, and hazardous materials. Audio and videotapes will be developed in Vietnamese with Chinese and Korean subtitles.”⁵² *Four years later*, American taxpayers received a 21-page PowerPoint presentation on “slips, trips, and falls,” at a cost of \$9,512 per slide.⁵³

⁴⁶ Elcosh webpage, <http://www.elcosh.org/es/>, accessed June 25, 2011.

⁴⁷ U.S. Department of Labor website, “OSHA Training Institute: Education Centers” webpage, http://www.osha.gov/dte/edcenters/spanish_online_courses.html, accessed June 25, 2011.

⁴⁸ U.S. Department of Labor website, http://www.osha.gov/dte/resource_center/subject.html, accessed June 25, 2011.

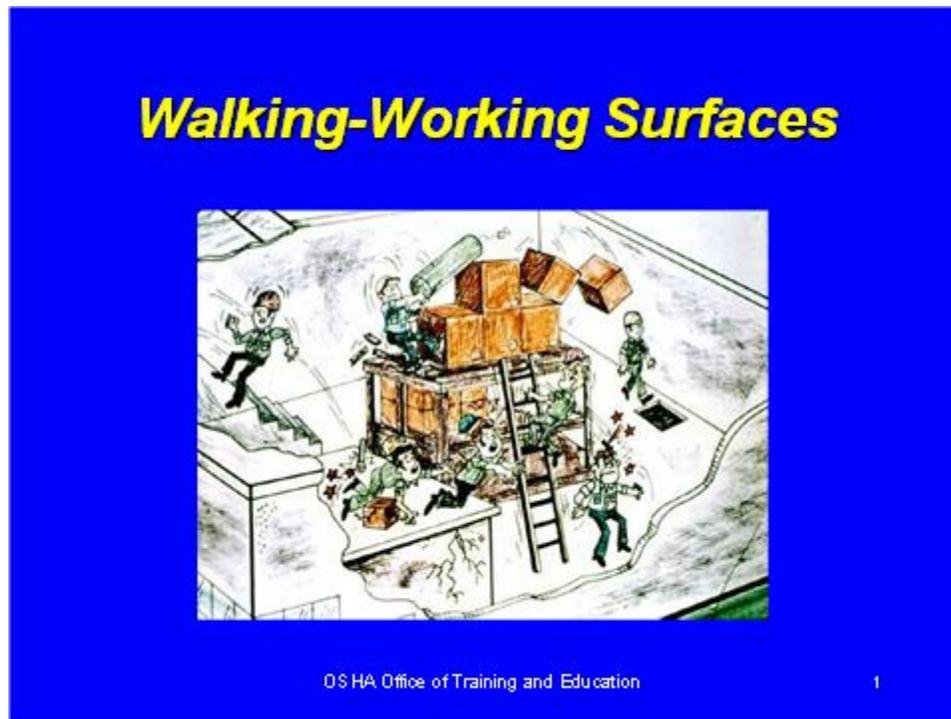
⁴⁹ U.S. Department of Labor website, OSHA Susan Harwood Training Grant Award Announcements, http://www.osha.gov/dte/sharwood/grant_awards.html, accessed June 25, 2011.

⁵⁰ U.S. Department of Labor website, OSHA Grantee Material webpage, http://www.osha.gov/dte/grant_materials/material_listing_topic.html, accessed June 25, 2011.

⁵¹ http://www.osha.gov/pls/oshaweb/owadisp.show_document?p_table=NEWS_RELEASES&p_id=18387

⁵² http://www.osha.gov/pls/oshaweb/owadisp.show_document?p_table=NEWS_RELEASES&p_id=11027

⁵³ http://www.osha.gov/dte/grant_materials/fy08/sh-17036-08.html



Part of a 21 page PowerPoint presentation on “slips, trips, and falls” that cost taxpayers \$9,512 per slide as a result of a Susan Harwood Training Grant that took four years to complete.⁵⁴

Consolidate Federal Job Training

Federal job training and employment programs serve a noble cause. Many times, however, they duplicate private sector efforts, where there is an inherent incentive to invest in human capital. In fact, the American Society for Training and Development estimates that private U.S. organizations spent a staggering \$125.9 billion on employee learning and development in 2009.⁵⁵

Despite private sector support of job training, the federal government funds dozens of duplicative and wasteful job training and employment programs. In FY2009, nine federal agencies spent approximately \$18 billion to administer 47 separate and duplicative employment and job training programs, according to the Government Accountability Office (“GAO”). The Department of Labor alone will spend \$8.6 billion in FY2011 on employment and training activities.⁵⁶

The true number of government-funded job training programs, however, is likely much larger and costlier. In addition to the 47 job training programs GAO identified, GAO pointed to an additional 51 federal programs that *could be* categorized as federal job training programs, but ultimately did not make the cut because the programs did not meet GAO’s strict definition of a “job training and

⁵⁴ http://www.osha.gov/dte/grant_materials/fy08/sh-17036-08.html

⁵⁵ American Society for Training and Development, “2010 State of the Industry Report,” <http://store.astd.org/Default.aspx?tabid=167&ProductId=21822>, accessed June 24, 2011.

⁵⁶ Budget of the U.S. Government, Fiscal Year 2012, Analytical Perspectives (Washington: Government Printing Office), Table 33-1.

employment” program.⁵⁷ Nor did GAO include federal assistance to unemployed workers – such as the Social Security Administration’s Ticket-to-Work program.⁵⁸

What’s more, GAO found all but three of the 47 programs *overlap with at least one other program* and provide similar services to similar populations – yet maintain separate administrative structures.⁵⁹

For example, three federal programs – Temporary Assistance for Needy Families (TANF), Employment Services/Wagner-Peyser Funded Activities, and Workforce Investment Act (WIA) Adult Programs – were found to provide some of the same employment and training services to low-income individuals, but maintained separate administrative infrastructure resulting in taxpayer money lost to unnecessary overhead costs.⁶⁰

More disturbing is inadequate meaningful program evaluations, leading GAO to find that “little is known about the effectiveness of most [federal job training and employment] programs.”⁶¹

GAO’s findings are a stunning indictment of Congress’ inability to effectively manage taxpayer funded programs. *Over a decade earlier*, GAO warned Congress *of the same problem*. In 1996, GAO made clear that:

[a]lthough the federal government spends billions of dollars annually to support employment and training programs, little is known about their long-term effects on participants’ earnings and employment rates. Few training programs have been rigorously evaluated to assess their net impact, and, for those that have, the research results have been inconclusive.⁶²

Another problem of federal job training programs is the significant infrastructure cost. For example, under the Workforce Investment Act, DOL funds nearly 3,000 “One-Stop Career Centers,” intended to serve as a hub for individuals to access various employment and training services. Yet, the government reports that only 2.5 million of the 150 million people that comprise the American workforce are served annually by these centers –meaning just over three people are served on average per work day.⁶³

Also of concern is that many of these programs waste taxpayer money by training individuals for jobs that do not exist in large numbers. For example, according to recent data from the BlueGreen

⁵⁷ Government Accountability Office (GAO-11-92), “Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies,” January 2011, See Appendix I.

⁵⁸ For a list of the forty-seven programs identified by GAO as job training and employment programs, see appendix A of “Help Wanted” report. The GAO identified another 51 federal programs that had the potential to be categorized as a federal job training program, but ultimately excluded from its final list. Government Accountability Office (GAO-11-92), “Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies,” January 2011, See Appendix I.

⁵⁹ Government Accountability Office (GAO-11-92), “Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies,” January 2011, pg. 13.

⁶⁰ Government Accountability Office (GAO-11-92), “Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies,” January 2011, pg. 18.

⁶¹ Government Accountability Office (GAO-11-92), “Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies,” January 2011.

⁶² Government Accountability Office, “Job Partnership Training Act,” GAO/HEHS-96-40, March 1996, p. 1.

⁶³ Cato Institute, “Employment and Training Programs; Ineffective and Unneeded,” Chris Edwards and Daniel J. Murphy, June 2011, <http://www.downsizinggovernment.org/labor>, accessed June 24, 2011.

Alliance and the Economic Policy Institute, there were 3,586 graduates of Department of Labor-funded green job training programs as of September 30, 2010, but only 466 entered new jobs upon completion of the program.⁶⁴

Recommendations

Job training programs within the Labor Department should be consolidated and the overall funding level reduced by two-thirds. Job training should be consolidated into one streamlined funding source that is directed to states for two distinct purposes: (1) to support states' efforts to provide job training to the unemployed and (2) to support enhanced training for those individuals trying to advance their career opportunities. State systems could use the funding in effective ways, through strengthened partnerships between community colleges and industry, investments in public libraries, or by strengthening job training provided through the Temporary Assistance for Needy Family Programs (TANF).

In addition to consolidating the DOL's job training programs, the \$1.8 billion Job Corps program (and associated properties) should be turned over to the states, which can more effectively cater to the unemployed in local job markets. Job Corps alone constitutes 99 percent of the DOL's building inventory costing over \$30 million annually in maintenance.⁶⁵ Indeed, the federal government has also failed to properly oversee the Job Corps program. Consider the following:

- Plagued with problems, the IG has "consistently identified challenges to the effectiveness of the Job Corps program."⁶⁶
- Nor does Job Corps effectively place participants in job, with the IG determining "Job Corps has been challenged to meet its placement and recruitment goals over the past several years."⁶⁷
- Lack of oversight is also an issue due to "weak controls at centers [] result[ing] in the overstatement of performance results and unallowable costs charged to Job Corps."⁶⁸
- Wasteful management practices also prevent efficient targeting of taxpayer money to actual job training. For example, the federal Job Corps program wasted \$31 million in stimulus dollars in securing an \$82 million multi-year lease with one Los Angeles entity.⁶⁹
- The IG has identified unsafe and unhealthy conditions due to the lack of required safety inspections at some centers.⁷⁰ For example, federal investigators found loose garbage

⁶⁴ Amy Rigby, ABC News, "Work is Scarce for Obama's Green Job Training Grants," May 4, 2011, <http://abcnews.go.com/Business/work-scarce-obamas-green-job-training-grads/story?id=13420977>, accessed June 24, 2011.

⁶⁵ FY 2012 Congressional Budget Justification, ETA, Job Corps. <http://www.dol.gov/dol/budget/2012/PDF/CBJ-2012-V1-05.pdf>.

⁶⁶ U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011*.

⁶⁷ U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011*.

⁶⁸ U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011*.

⁶⁹ U.S. Department of Labor, Office of Inspector General, "Recovery Act: Job Corps Could Not Demonstrate that the Acquisition of the New Facility at the Los Angeles Job Corps Center Using a Multi-Year Lease was the Least Expensive Option," Report Number 18-10-009-03-370, September 30, 2010, <http://www.oig.dol.gov/public/reports/oa/2010/18-10-009-03-370.pdf>, accessed February 8, 2011.

attracting flies, dead cockroaches and other unsafe conditions at the Gainesville, Florida Job Corps site operated by DEL-JEN Incorporated. Other dangerous incidents occurring at the Job Corp site were never reported by program officials, including physical assaults and possession of weapons and narcotics.⁷¹

Terminating Other Outdated, Wasteful, Duplicative, and Failed Projects

Statistical Agency Consolidation

Today, at least 70 different federal agencies engage in statistical activities, and the division of labor between them often makes little sense. Experts have concluded that consolidation of the major economic statistical agencies would produce better data at a lower cost. Consolidating the Bureau of Labor Statistics with the Bureau of the Census would help reduce redundancy. This consolidation has been estimated to save \$50 million over ten years.⁷²

BLS International Labor Comparison Program

The Bureau of Labor Statistics' ("BLS") International Labor Comparison Program serves an unnecessary function and as such, was slated for elimination in the Presidential FY2012 budget. The President's budget justification argues, "[t]he data series is used to produce articles, technical papers, or special reports *that are not widely used* (emphasis added)."⁷³ Eliminating this Bureau would save \$2 million annually.

Transitional Jobs Demonstration

Nor would the President's FY2012 budget fund another round of Transitional Job Demonstrations. In 2011, the Administration is launching a \$45 million demonstration, including a random-assignment evaluation, to test the effectiveness of enhanced transitional jobs programs focused on non-custodial parents and ex-offenders. The Administration contends that "[r]esults from this evaluation can be used to improve existing transitional jobs programs and inform decisions about the models that should be supported in the future."⁷⁴ Eliminating this program will save \$45 million annually.

Bureau of International Labor Affairs

While the Bureau of International Labor Affairs ("ILAB") admirably seeks to ensure workers in other countries are treated fairly, its efforts are duplicative.

For example, the United States Agency for International Development ("USAID") seeks to enhance economic growth and trade through enabling a better business environment by "leveling the playing field for all by addressing issues such as legal empowerment of the poor, empowering business

⁷⁰ U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011*.

⁷¹ U.S. Department of Labor Inspector General, "Performance Audit of DEL-JEN, Incorporated Job Corps Centers to the National Director, Office of Job Corps," Report Number 26-10-001-01-370, November 2009, <http://www.oig.dol.gov/public/reports/oa/2010/26-10-001-01-370.pdf>, accessed February 7, 2011. The IG's audit work was conducted at DEL-JEN corporate administrative office in Gardena, California; Gainesville Job Corps Center (Gainesville) in Gainesville, Florida; and the Albuquerque Job Corps Center (Albuquerque) in Albuquerque, New Mexico. Its audit work at Albuquerque was limited to validating the hotline complaint allegations directed at Albuquerque.

⁷² http://www.dlc.org/documents/Fiscal_Responsibility_04302007.pdf.

⁷³ OMB, FY 2012 Terminations, Reductions and Savings, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf>.

⁷⁴ President's FY 2012 Budget Request, "Terminations, Reductions and Eliminations," Office of Management and Budget, pg. 79, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf>, accessed June 25, 2011.

women leaders, and the distortionary impact of vested interests.” Examples of overlapping initiatives of USAID with the efforts of ILAB in fiscal year FY2010 include: USAID spent \$698 million on Social and Economic Services & protection for vulnerable populations, \$383.5 million on Civil Society initiatives, \$271.9 million on Rule of Law and Human Rights, and \$248 million on economic opportunity in foreign nations.⁷⁵

Also, ILAB’s Office of Child Labor, Forced Labor, and Human Trafficking (OCFT) duplicates efforts elsewhere in the government – such as the work of the U.S. Department of Justice’s Office of Overseas Prosecutorial Development, Assistance and Training⁷⁶ and the State Department’s Office To Monitor and Combat Trafficking in Persons.⁷⁷ What’s more, at a time when the domestic debt tops \$14 trillion and unemployment continues to surpass 9 percent, resources directed to ILAB are best retained to improve the U.S. economy. Eliminating this program saves \$92 million annually.

Repeal Davis Bacon

The Davis-Bacon Act requires government contractors to pay wages averaging 22 percent above market rates. As such, wages are not cost efficient and inflate the cost of federal construction projects by 9.9 percent.⁷⁸ Repealing the Davis-Bacon Act and paying market wages would save taxpayers \$11.4 billion in 2010.⁷⁹ In addition, millions spent to enforce the Act by the Department’s Wage and Hour Division would also be saved.

Women’s Bureau

The Women’s Bureau at the U.S. Department of Labor is tasked with the development of policies and standards that safeguard the interests of working women. A woman’s ability to advance in the American labor force has changed significantly since the creation of the Bureau in 1920. Its functions are outdated and far removed from the *de facto* spending priorities of the nation.

The policies and standards that safeguard the interests of women have been U.S. law for over half a century. Title XII of the Civil Rights Act of 1964 prohibits employment discrimination based on race, color, religion, sex and national origin. In FY2010, the Equal Employment Opportunity Commission (“EEOC”) spent approximately \$106.7 million dollars enforcing alleged instances of title XII gender discrimination.^[1]

⁷⁵ USAID website, “Where does USAID’s Money Go?” webpage, <http://www.usaid.gov/policy/budget/money/>, accessed June 25, 2011.

⁷⁶ U.S. Department of Justice webpage, “DOJ/OPDAT Trafficking in Persons,” webpage, <http://www.justice.gov/criminal/opdat/acheive/traffic-n-persons.html>, accessed June 25, 2011.

⁷⁷ U.S. Department of State website, “Office To Monitor and Combat Trafficking in Persons,” webpage, <http://www.state.gov/g/tip/>, accessed June 25, 2011.

⁷⁸ Heritage Foundation, “Davis-Bacon Suspension Would Fund 160,000 New Construction Jobs,” January 27, 2011, <http://www.heritage.org/research/reports/2010/01/davis-bacon-suspension-would-fund-160000-new-construction-jobs>, accessed June 26, 2011.

⁷⁹ Heritage Foundation, “Davis-Bacon Suspension Would Fund 160,000 New Construction Jobs,” January 27, 2011, <http://www.heritage.org/research/reports/2010/01/davis-bacon-suspension-would-fund-160000-new-construction-jobs>, accessed June 26, 2011.

^[1] Staff analysis based on data from: Equal Employment Opportunity Commission, “Charge Statistics: FY 1997-FY 2010,” <http://www.eeoc.gov/eeoc/statistics/enforcement/charges.cfm> and Equal Employment Opportunity Commission, FY 2012 Budget Justification to Congress: <http://www.eeoc.gov/eeoc/plan/2012budget.cfm>, both sources accessed July 1, 2011.

A number of private sector organizations also aim to achieve goals similar to the Women’s Bureau. With 216 separate organizations enrolled in the National Council of Women’s Organizations alone,^[iii] there is a strong coalition to establish and pursue goals that promote female interests.

Moreover, the stated goals of the Women’s Bureau are duplicative of other federal programs and laws already in place. While these goals^[iii] include the promotion of equal pay, workplace flexibility, STEM training for higher paying jobs, and homeless women veterans, they are duplicated by:

- The Equal Pay Act of 1963 amended the Fair Labor Standards Act to abolish wage disparity based on sex. The defining principle of the law is that equal work garners equal pay, regardless of gender.
- The Family Medical Leave Act of 1993 is a federal law that already accomplishes the goal of workplace flexibility through the requirement of businesses to allow for employees to take job-protected leave due to a serious health condition, to take care of a sick family member, or take care for a new born.
- In 2010 there were approximately 99 federal STEM programs totaling \$4.8 billion dollars in funding. A STEM initiative through the Women’s Bureau is highly duplicative of efforts made by eleven separate federal agencies.
- The Women’s Bureau initiative of finding homeless women’s veterans a path to good jobs and financial security is duplicative of the Department of Veterans Affairs Homeless Veterans program, the National Council on Homelessness, and several other Veterans employment programs administered by the Department of Labor, the Department of Defense, Department of Veterans Affairs, Department of Homeland Security, and the Office of Personnel Management.

Eliminating the Women’s Bureau would save \$12 million annually.



NATIONAL LABOR RELATIONS BOARD

Reset NLRB Appropriations to Align with the Changed Dynamics of the American Labor Force. The National Labor Relations Board (“NLRB”) resolves charges and petitions filed by individuals, employers, or unions regarding secret ballot elections, the composition of bargaining units, and unfair labor practices.

^[iii] National Council of Women’s Organizations, “Our Members” web page, http://www.womensorganizations.org/index.php?option=com_content&task=blogcategory&id=73&Itemid=82, accessed July 1, 2011.

^{[iii][iii]} U.S. Department of Labor, “Women’s Bureau Priority Issues” web page, http://www.dol.gov/wb/programs/four_priorities_2010.htm, accessed July 1, 2011.

The amount of casework the NLRB oversees has declined significantly over the past thirty years. Nevertheless, the NLRB has continued to maintain steady appropriation increases without accounting for the changes in the American labor force or the amount of work the agency actually performs.

For example, over the past 30 years, inflation-adjusted appropriations to the NLRB has decreased by **1 percent**, while during the same time period the amount of casework performed by the agency decreased by **54 percent**. The American taxpayers are owed an explanation as to how the same amount of money appropriated 30 years ago, now only buys half the work.

Year	Total Appropriations	2010 CPI Inflation Adjusted	Caseload ⁸⁰	Private Sector Union Membership ⁸¹
1980	\$108,192,951	\$286,312,000	57,381	20.1%
1990	\$140,713,516	\$234,763,000	41,507	11.9%
2000	\$205,600,314	\$260,350,000	35,249	9%
2010	\$283,400,000	\$283,400,000	26,553	6.9%

A modern government should adapt to national needs. Unfortunately, Congress continues to waste taxpayer dollars by rubberstamping appropriation increases without accounting for the changes occurring in America's private sector labor force.

NLRB appropriation levels should be indexed based on fiscal year 2000 NLRB caseload amounts, resetting the NLRB appropriation's levels to \$196,121,125 – for a savings of \$87,278,875.⁸²

Implement Cost Savings Recommended by NLRB Inspector General.

Congress should also implement recent recommendations by the NLRB IG as a means of further modernizing the NLRB. The IG recently found that:

[d]espite the loss of union activity in certain geographic areas, the NLRB maintains a Regional Office presence in those areas. In addressing the recommendations, managers should question the basic assumptions upon which the NLRB Regional operations have been based for decades and ensure that the Regional Office structure is designed to meet future case processing needs.⁸³

As a result, the IG recommended the following measures to reduce cost and increase efficiency:

⁸⁰ FY 2011 projected total case intake is 27,900 and projected total case intake for FY 2012 is 29,300. Historical information on the NLRB's workloads is available through the NLRB annual reports, <http://www.nlr.gov/annual-reports>, and the National Labor Relations Board, FY 2012 Budget Justification, <http://www.nlr.gov/sites/default/files/documents/188/just2012full.pdf>.

⁸¹ Bureau of Labor Statistics, <http://www.bls.gov/news.release/union2.nr0.htm>

⁸² For FY2010, Congress appropriated \$283.4 million for the NLRB. The Administration requested \$287.1 million for FY2011 and \$287.7 million for FY2012.

⁸³ National Labor Relations Board, Office of Inspector General, "Case Processing Costs: Report No. OIG-AMR-64-11-02," April 7, 2011.

- NLRB regions with less than 800 cases be considered for consolidation into another region, or with one office being a regional office and another being a resident office;
- NLRB regions that are located in or near the same metropolitan area be considered for consolidation into either a single office or a regional office with resident office;
- Relocating offices in high rent urban office districts to locations that offer lower leases costs when the relocation will result in cost savings; and
- Eliminate, by attrition, positions in overstaffed regions as represented by the ratio of cases to case processing employees.⁸⁴

The IG adds that it does not consider any single recommendation to be an alternative for another, and asserts that data supports implementation of each recommendation to achieve maximum cost savings.⁸⁵



PENSION BENEFIT GUARANTY CORPORATION AND OTHER PENSION REFORMS

Reform PBGC Board and Pension Premiums.

The Pension Benefit Guaranty Corporation (“PBGC”) is a self-supporting federal agency created to insure participants and beneficiaries covered by private-sector pension plans.

PBGC is financed mainly through premiums assessed on employers offering pension plans and the assumed pension fund investments of failed companies. According to the PBGC’s 2010 Annual Report,⁸⁶ premiums are lower than what a private financial institution would charge for insuring comparable risk because, unlike private insurers, the PBGC is unable to adjust levels to adequately account for risk. Congress alone has the authority to set pension premiums and has failed to timely and adequately adjust premium levels. The inability of Congress to properly manage pension premiums has led, in part, to the chronic and severe underfunding of the agency. At the end of FY2010, the PBGC’s estimated liabilities exceeded its assets by \$23 billion.

Suggested reforms would give the PBGC Board sole authority to set premium levels. For example, the President’s FY 2012 budget⁸⁷ and also the President’s National Commission on Fiscal

⁸⁴ National Labor Relations Board, Office of Inspector General, “Case Processing Costs: Report No. OIG-AMR-64-11-02,” April 7, 2011.

⁸⁵ National Labor Relations Board, Office of Inspector General, “Case Processing Costs: Report No. OIG-AMR-64-11-02,” April 7, 2011.

⁸⁶ Pension Benefit Guaranty Corporation 2010 Annual Report, http://www.pbgc.gov/Documents/2010_annual_report.pdf, accessed June 9, 2011.

⁸⁷ Office of Management and Budget, FY 2012 Budget Request, U.S. Department of Labor, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/lab.pdf>.

Responsibility and Reform⁸⁸ both include proposals that allow the PBGC board to increase both flat- and variable-rate premiums. Doing so is estimated to increase revenue by approximately \$16 billion over ten years.⁸⁹

The PBGC board, however, seems indifferent to its duties. The Board, comprised of the secretaries of Labor, Commerce and Treasury, has only met twenty-three times since 1980 according to GAO.⁹⁰ GAO also reports that historically these secretaries did not have the time or resources to direct and oversee PBGC. For example, during a critical and economically challenging two-year period between February 2008 and February 2010, the board did not meet at all.⁹¹

Given the inability of Congress to set premiums appropriately and the troubling indifference of the Board, confidence cannot be placed in either Congress or the Board to set premiums that properly account for risk and that will keep the program solvent in the future. Consequently, this proposal would require the PBGC's Board to annually *recommend* to Congress appropriate changes to both flat- and variable-rate premiums. If Congress fails to act within 90 days on such recommendations, the changes recommended by the Board would automatically take effect within 90 days.

Such a reform would help to ensure that PBGC is able to properly manage its insurance program, while avoiding a taxpayer bailout, but ensuring appropriate checks and balances between the PBGC and Congress.

Other Pension Reforms

Improved Disclosure of Public Pension Plans.

By any measure, nearly all state and local pension plans are underfunded. According to the Public Fund Survey of 126 state and local pension plans, which account for about 85 percent of pension assets in the United States, the unfunded liabilities of such plans equal \$700 billion. Alternative measures of liability, which better account for pension obligations, reveal significantly higher levels of unfunded liabilities in public pension plans – between \$2 and \$3 trillion.⁹²

This reform would help shore-up public pension plans by implementing provisions of the Public Employee Pension Transparency Act. This legislation provides incentives to state and local public pension plans to accurately disclose their liabilities. More specifically, state and local governments who *choose* not to report their pension liabilities using more realistic discount rates *choose* to forgo the federal benefit of tax exempt financing. State and local governments would not be compelled to comply with the law. In addition, no funding standards would be set, nor would benefits be affected.

⁸⁸ National Commission on Fiscal Responsibility and Reform, “The Moment of Truth,” December 1, 2010, <http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform>.

⁸⁹ National Commission on Fiscal Responsibility and Reform, “The Moment of Truth,” December 1, 2010, <http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform>.

⁹⁰ Government Accountability Office, Testimony Before the Committee on Health, Education, Labor, and Pensions, U.S. Senate, “Pension Benefit Guaranty Corporation: Improvements Needed to Strengthen Governance Structure and Strategic Management Statement of Barbara D. Bovbjerg, Managing Director Education, Workforce, and Income Security, December 1, 2010.

⁹¹ Government Accountability Office, Testimony Before the Committee on Health, Education, Labor, and Pensions, U.S. Senate, “Pension Benefit Guaranty Corporation: Improvements Needed to Strengthen Governance Structure and Strategic Management Statement of Barbara D. Bovbjerg, Managing Director Education, Workforce, and Income Security, December 1, 2010.

⁹² Congressional Budget Office, “The Underfunding of State and Local Pension Plans,” May 2011.

Close Off FERS to New Entrants

Currently, the Federal Employee Retirement System (“FERS”) system is underfunded by nearly a billion dollars. In the coming years, as more of the retirement burden falls on the FERS system, the required federal government contributions to FERS will skyrocket. This reform would close off the FERS defined benefit plan to *new entrants only* starting in 2012. The Thrift Savings Plan with the current match (up to 5%) would remain in place for current and future federal workers. Overall, the savings realized by Treasury from enacting this change total over \$75 billion over ten years.

Equalize FERS Contributions

As the required federal government contributions to FERS skyrocket, federal worker contributions are not expected to keep pace. This reform equalizes FERS contributions between the employee and employer. OPM estimates the cost of the FERS basic annuity at an amount equal to 12.5 percent of pay (CRS). The federal government contributes 11.7 percent of this amount and the other 0.8 percent is paid by employees. This reform would also put federal employees on par with state and local employees. Overall, the savings realized by Treasury resulting from this change total \$121 billion over ten years.

Eliminate FERS Special Supplement for New Annuitants

Because Social Security retirement benefits cannot begin before the age of 62 (at the early retirement age), Congress included in FERS a temporary supplemental benefit for workers who retire before age 62. This “FERS supplement” is paid to workers who retire at the age of 55 or older with at least 30 years of service or at the age of 60 with at least 20 years of service. It is also paid to law enforcement officers, firefighters, and air traffic controllers who retire at the age of 50 or later with 20 or more years of service. The supplement is equal to the estimated Social Security benefit that the individual earned while employed by the federal government. It is paid only until the age of 62, regardless of whether the retiree chooses to apply for Social Security retired worker benefits at 62 years old. Eliminating this option would save \$1.342 billion over ten years.

CSRS COLA Reform

This reform would defer the Cost of Living Adjustment (“COLA”) for retirees in the current system until age 62, including for civilian and military retirees who retire well before a conventional retirement age. In place of annual increases, this proposal suggests providing a one-time catch-up adjustment at age 62 to increase the benefit to the amount payable had full COLAs been in effect. This reform saves \$3.37 billion over ten if applied to current and future annuitants.

DEPARTMENT OF LABOR TEN YEAR SAVINGS

Discretionary: \$67.87 billion

Mandatory: \$200.71 billion

Total: \$268.58 billion