

Spurring Job Creation and Supporting America's Workers

Having steered the economy back from the brink of a depression, the Administration is committed to moving the Nation from recession to recovery by sparking job creation to get millions of Americans back to work and building a new foundation for the long-term prosperity for all American families. To do this, the 2011 Budget makes critical investments in the key areas that will help to reverse the decline in economic security that American families have experienced over the past decade with investments in education, clean energy, infrastructure, and innovation.

But even as we meet the challenge of the recession and work to build an economy that works for all American families, we must also change the way Washington does business – ending programs that don't work, streamlining those that do, cracking down on special interest access, and bringing a new responsibility to how tax dollars are spent. The President's Budget takes the steps to help jumpstart job creation, works to strengthen the economic security of American families, and makes the tough choices to put our Nation back on the path to fiscal responsibility.

To create jobs and support America's workers, the Budget will:

Spur Job Creation. The economy is back from the brink and is showing signs of health, but this positive news has barely been felt in the labor markets. While we are no longer hemorrhaging jobs at the rate we were last year, unemployment is still unacceptably high. Looking to the future, the investments made in the Budget in education, clean energy, infrastructure, and in several other areas will lay a new foundation for economic growth and job creation. But in the short-term, it is clear that the some targeted measures are required to spur private sector job creation. The Administration will work with Congress to implement a jobs creation package along the lines the President announced in December of 2009. It will include immediate steps to help small businesses grow and hire, to upgrade and build infrastructure, and create jobs through energy efficiency and clean energy investments. In addition, to help those most affected by the recession, the Budget will extend emergency assistance to seniors and families with children, Unemployment Insurance benefits, COBRA tax credits, and relief to states and localities to prevent layoffs.

Reform the Job-Training System to Encourage Innovation and Empower Workers. Our job training system is critical to giving all workers the opportunity to succeed in a changing economy, yet too often workers looking for good training cannot find it. As a complement to supporting reauthorization of the Workforce Investment Act (WIA), the Budget provides \$261 million in the Department of Labor and \$60 million in the Department of Education for new innovation funds. They will support competitive grants for the most promising, research-based strategies, including regional approaches and sectoral partnerships for adults and the combination of summer or year-round employment with education for youths. The Departments will cooperate in the administration of the innovation grants as a part of a Partnership for Workforce Innovation that will create new incentives for states to break down silos, streamline service delivery, and eliminate duplication. The Partnership will be supported by new cross-program waivers, which will be accompanied by new tools for measuring program performance and sharing information with both policymakers and customers. Finally, the Budget targets high-growth sectors of the economy and workers often left behind through \$85 million for green job training and \$40 million for transitional jobs programs.

Help States Provide Paid Family Leave to Workers. Too many families must make the painful choice between the care of their families and a paycheck they desperately need. The Family and Medical Leave Act allows workers to take job-protected time off unpaid, but millions of families can't afford to use

unpaid leave. A handful of States have enacted policies to offer paid family leave, but more States should have the chance. The Budget establishes a \$50 million State Paid Leave Fund within the Department of Labor that will provide competitive grants to help States that choose to launch paid-leave programs cover their start-up costs. The Budget also provides resources to allow the Department of Labor to explore ways to improve the collection of data related to intersection of work and family responsibilities.

Boost Funding for Workplace Safety. The Budget includes a \$67 million (4 percent) increase for the Department of Labor's worker protection agencies to make sure they have the resources to meet their responsibilities under the more than 180 laws they enforce.

Strengthen Anti-Discrimination Enforcement. To strengthen civil rights enforcement against racial, ethnic, sexual orientation, religious, and gender discrimination, the Budget includes an 11 percent increase in funding to the Department of Justice's Civil Rights Division. This investment will help the Division handle implementation of a historic new hate crimes law. The Budget also provides a \$18 million or 5 percent increase for the Equal Opportunity Employment Commission (EEOC), which is responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability or genetic information. This increased investment will allow for more staff to reduce the backlog of private sector charges.

Protect Benefits for Employees by Ensuring Proper Classification. When employees are misclassified as independent contractors, they are deprived of benefits and protections to which they are legally entitled – such as overtime and unemployment benefits. Misclassification also has a budgetary impact, reducing receipts in Treasury and the Social Security, Medicare and Unemployment Insurance Trust Funds. As part of the 2011 Budget, the Departments of Labor and Treasury are pursuing a joint proposal that eliminates incentives in law for employers to misclassify their employees; enhances the ability of both agencies to penalize employers who misclassify; and restores protections to employees who have been denied them because of their improper classification. This proposal would increase Treasury receipts by more than \$7 billion over 10 years. The 2011 Budget also includes an additional \$25 million for the Department of Labor to hire 100 additional enforcement personnel and for competitive grants to boost States' incentives and capacity to address this problem.

Strengthen Access to, and Accuracy of, Unemployment Benefits. Working with Congress, the Administration has already extended and expanded unemployment insurance (UI) benefits to historic levels and offered powerful incentives for States to make permanent changes to modernize their UI programs. In response to these incentives, 26 States have changed their laws so that up to 20 weeks of additional benefits are available to workers who have exhausted their regular and Emergency Unemployment Compensation benefits; and 32 States now offer benefits to recent entrants to the workforce who lose their jobs. States have also granted benefits to part-time workers, those who must leave their jobs because of domestic violence or other compelling family reasons, and those seeking to retool for another career. At the same time, the Administration believes UI benefits should go to the right workers in the right amounts. When States have to finance high levels of UI improper payments, employers face higher taxes and workers may see cuts in their benefit levels. Despite the efforts of States to reduce improper payments, over \$11.4 billion in UI benefits were erroneously paid in 2009 -- an overpayment rate of almost 10 percent. The Administration will tackle this problem by boosting funding for UI integrity efforts and proposing legislative changes that would reduce improper payments by over \$4 billion and employer tax evasion by \$300 million over 10 years.

Improve Retirement Security. After a lifetime of employment, American workers deserve to know that their efforts have resulted in a secure retirement. The Administration is committed to giving Americans more and better choices to save for retirement while also strengthening the existing private pension system. The Budget proposes to expand and improve employment-based retirement security by:

- **Establishing Automatic Workplace Pensions.** Currently, 78 million working Americans—roughly half the workforce—lack employer-based retirement plans. The 2011 Budget proposes a system of automatic workplace pensions in which employers who do not currently offer a retirement plan will be required to enroll their employees in a direct-deposit IRA account that is compatible with existing direct-deposit payroll systems. Employees may opt-out if they choose. The smallest firms would be exempt.
- **Doubling the Small Employer Pension Plan Startup Credit.** Under current law, small employers are eligible for a tax credit equal to 50 percent (up to a maximum of \$500 a year for three years) of the start-up expenses of establishing or administering a new retirement plan. To encourage small employers to offer pensions to their workers in connection with the automatic IRA proposal, the Budget will increase the maximum credit from \$500 a year to \$1,000 per year.
- **Reforming and Expanding the Saver’s Credit.** The Budget proposes to expand retirement savings incentives for working families by modifying the existing Saver’s Credit to provide a 50-percent match on the retirement savings of families that earn less than \$85,000 (up to \$1000 of savings would be matched). The credit would be fully refundable to ensure that savings incentives are fair to all workers.
- **Improving the Defined-Contribution Savings System.** The Budget proposes a number of initiatives to improve the transparency and adequacy of 401(k) retirement savings plans, through a majority of American workers save for retirement. Specifically, the Department of Labor will undertake regulatory efforts to reduce barriers to annuitization of 401(k) plan assets; increase the transparency of pension fees; improve transparency of target date and other default retirement investments; and reduce conflicts of interest between pension advisers and fiduciaries. In addition, the Budget will support efforts to bring automatic enrollment to these plans in order to boost participation.