

APPENDIX B: AGENCY'S RESPONSE TO THE REPORT

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



August 19, 2024

MEMORANDUM FOR:

CAROLYN R. HANTZ
Assistant Inspector General for Audit

FROM:

JOSÉ JAVIER RODRÍGUEZ *JJR*

SUBJECT:

Response to Draft Report – *ETA Did Not Ensure States Sufficiently Implemented the Mixed Earners Unemployment Compensation Program*, Report No. 19-24-XXX-03-315

The U.S. Department of Labor's (Department) Employment and Training Administration (ETA) appreciates the opportunity to respond to the above-referenced draft report from the Office of the Inspector General (OIG). Below are ETA's observations on the draft report, followed by ETA's responses to the draft report's recommendations.

The Department takes its oversight of federally funded programs very seriously. The draft report highlights multiple issues that hindered the success of the Mixed Earners Unemployment Compensation (MEUC) program. First, the draft report correctly identifies lead time as a major issue. Specifically, it "takes [two] to [four] years to implement a new government benefit program." Instead of having sufficient time to prepare, MEUC program implementation and, in fact, the entire eligibility period for the program, occurred within less than one year. The draft report identifies the target population of the MEUC program as another issue. Prior to the pandemic, there was little information about mixed earners in the United States and ETA and state workforce agencies (SWA) did not have prior experience in administering a mixed earners program.

Further, it is also relevant to note that years of low funding for state administration of the regular unemployment insurance (UI) program left the UI system ill-prepared to implement new programs and to adequately respond to the increased demands facing the UI system during the midst of a national disaster with mass layoffs, like the COVID-19 pandemic. It is important that Congress understand these experiences and ensure adequate funding for state UI administration so that the UI system is better positioned to respond to future mass layoff events. As noted in the draft report, "ETA and SWAs may again struggle to provide timely and useful assistance" during future economic crises.

Responses to the Recommendations

Please find below each of the recommendations contained in the draft report, followed by ETA's proposed corrective actions to address the recommendations.

Recommendation 1: Perform an assessment on mixed earners, including a cost-benefit analysis of the Mixed Earners Unemployment Compensation program, to aid future decision-making regarding this segment of the work population and advise Congress based on lessons learned.

Response: ETA partially agrees with this recommendation. ETA questions the value of using its limited research resources to assess a temporary program that has expired and had a low level of usage. In light of this concern, ETA offers an alternative approach to address the intent of this recommendation.

Specifically, ETA proposes that the intent of this recommendation can be satisfied by pursuing a very similar study recommended by the Government Accountability Office (GAO). Specifically, in June 2022, GAO recommended that “the Secretary of Labor should study and advise the Congress and other policymakers on the costs, benefits, and risks of various options to systematically support self-employed and contingent workers during periods of involuntary unemployment outside of declared disasters, including considering feasibility and effective approaches to fraud prevention.” ETA believes that this evaluation would be a more effective way to address the value of a potential support for covered workers with significant supplemental self-employment and/or contingent employment earnings. ETA has set aside funds to pursue a study in this area. ETA will explore leveraging the currently planned study of self-employed and contingent workers to address the intent of this recommendation. The Administrator for the Office of Unemployment Insurance is responsible for this recommendation.

Recommendation 2: Collaborate with the Bureau of Labor Statistics to track and report data specific to mixed earners in the U.S. economy.

Response: ETA disagrees with this recommendation, as a lack of funding impacts ETA’s ability to address this recommendation. ETA has previously explored the possibility of UI-related analyses on other areas with the Bureau of Labor Statistics (BLS) but given resource constraints BLS would need ETA to provide its own funding for these activities. With the recent reduction in funding through enacted appropriations in funding used to support research and evaluations in the UI program, ETA is not positioned to commit to this recommendation in the near term.

Recommendation 3: Monitor the state workforce agencies’ levels of benefit payment activity and establish timeframes to reduce the remaining allotment to the sufficiently minimal amount required to meet future benefit payment needs and ensure the remaining Mixed Earners Unemployment Compensation funds are expended appropriately or returned to Treasury.

Response: ETA agrees with this recommendation. In fact, ETA is already performing this activity. On a monthly basis, ETA reviews state MEUC drawdown activity by reviewing account records in the U.S. Treasury Department’s Automated Standard Application for Payments (ASAP) system. An assessment of state funding requirements is completed based on continuing activity and additional insight through state coordination, as appropriate. Based on this assessment, a revised allotment is authorized via email to the U.S. Treasury Department’s Unemployment Trust Fund team which either increases or decreases the state allotments as

necessary. The Administrator for the Office of Unemployment Insurance is responsible for implementation of this recommendation. At this time, ETA anticipates a continuing need to conduct the action set out in this recommendation for many years to come.

Recommendation 4: Perform an assessment of previous emergency unemployment insurance (UI) programs and the pandemic-related UI programs to determine a statute of limitation for states' acceptance of emergency program benefit claims after the expiration of the UI programs eligibility periods and advise Congress to use the determined statute of limitation on future emergency programs.

Response: ETA partially agrees with this recommendation and offers an alternative approach to address the intent of this recommendation. Based on the text of the draft report, and ETA's understanding of the intent and purpose of this recommendation, the use of the phrase "statute of limitation" appears out of context. The draft report seems to advocate for a finite limitation on the life of funds for any similar future program. This recommendation is more appropriate for Congress, whose members are the policymakers responsible for setting any such time limits. As an alternative, ETA could address the intent of this recommendation by developing a lessons learned from the pandemic experience to have available to share for future legislative technical assistance to Congress. The Administrator for the Office of Unemployment Insurance would be responsible for the alternative approach to this recommendation.