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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Speechwriting, White House Office of
Series: Speech File Backup Files
Subseries: Chron File, 1989-1993

OA/ID Number: 13668
Folder ID Number: 13668-009

Folder Title:
American Retail Federation 5/17/89 [OA 6265]

Stack:	Row:	Section:	Shelf:	Position:
G	26	19	1	2

-6397 -MESS

- New Hampshire -(603)
- Hanover - Lebenon -
298-9845

American Cafe
-

$5.50 after 30 days .10c
Kodak @ $0 3Qc after every 3mos.
[5 to 10 out of 500 - diffrent schools. 6.50

- Wyndham, N.H. - Central Office
- (603) 893-5311

Mass.
Westwood - Regional Office
617 329-1480
Personnel

- Rick McCoy - Franchise owner in N.H.
(603) 893-5311

Burger King
W. Lebenon
(603) 298-8999
- 5.00 - 5.75 6 mos - reviews
5.65 - 5.75 Ave hourly rate

Gym. Bus. Admin.
Manchester - (603) 666-7561

Cathy

Kathy Smith

- With no delay about what they wanted to do - w/ brainstorming - it has become a very successful.

-Overall Enthusiasm - knowledgeable.

-

Clyde

Brainstorming.

Designed T-Shirts
- thought they were great
Students hated them.
Students Redesigned.
It was white - changed to Black.

- Different perceptions.

- Must be Flexible

Personal & ratification
- Immediate Feedback
- Watching the expressions.

Nancy Marsh

Community Partnership. Prog.

Career Day - Described their career to students.
- Communications - Data Transfer
- Do you like Kodak?
Benefits + Salary?

Very interested.

Computer Science Club.

Tours of Kodak Computer center Elmgrove

- Bowling Party - when you got a strike - had to shake another person's foot with your hand.

Faculty is very devoted - interested
- Encouragement.
- Provide whatever is needed.

Electronic Bulletin Board - Messaging system + Public bulletin Board.

Aaron ~~Allison~~ Gold - Very good at what has
- Spent time + Effort.

Retakes

J.F. Kennedy Library

J.F. Kennedy - Boston
Library
(617) 929-4500

Research - Capitol Gains -
- 929-4539 - Maura
Jan 24, 1963 - Sp message to Congress.

Census -
B.L.S - 523-6666
1944

James Fallows - More like U.S. ✓
National Defense

Increased Minimum Wage - Inflation.
5042 - Lackin
5046 Dr. John Taylor
Jim Brown

- Talking points
- Relate to size of increase of m.w.

- Negative effects on Employment
hurts workers w/ low skills

- Prepare - Veto message -
- O.M.B.
- 3060 - Staffing
- 5192 - Leg. affairs - OMB - Arlene Holen
- 2230 - WH L.A. - Peter Brightbill

Fairhall
Lisa [redacted] 3923

OPD Steve Farron 2315

- Anecdote - Maggie Jedusco

Ken Kaufman Mr. Hackler

Joe Neild - Joe O'neil

4K
6C 1111

8

Retail Federation - 5/17/89 - Maggie Tedesco
783-7971

- ✓ Where? Room 450
- ✓ When? 10:00
- ✓ How Long? 15 mins

Who will be there?

- ✓ Project Officer - Vogt.

Room 450

Jim Brown - CEA - 4597
Steve Landefeld - 5084

Pete Taylor 4666

- Shortages don't occur
  - wages go up

- Vacancy rates - how many positions are open

"VACANCY RATES"

Nexis #13 #14 Rochester

WSJ. - P1 Rt. side

6403 Gene Larry Lindsay
214

(Lange/Wallace)
May 12, 1989
9:30 a.m.
[ARF.DOC]

PRESIDENTIAL REMARKS: AMERICAN RETAIL FEDERATION
OEOB -- Room 450
WEDNESDAY, MAY 17, 1989
10:00 A.M.

[Thank you. Welcome to Washington! You know, I noticed that the briefing book for your 1989 Strategy Meeting says I entered the White House "without the overwhelming popularity" enjoyed by my predecessor. And I understood. But listen, Joe, you can lighten up now... you got the right result, just the wrong race.

Still, after seeing Barbara's standings in the polls, I knew I had work to do. So I called up a local men's store. Ordered a royal blue suit. A triple strand of pearls. The wig is on its way.

Oh, I can take the competition. But it does bother me, at the end of a press conference, when Helen Thomas stands up and says, "Thank you, Barbara's husband."]

In fact, another kind of competition has been on my mind lately -- and I know it's been on yours. American companies, and America's standard of living, are being challenged like never before.

We are moving toward a vastly different business climate -- demanding a new kind of flexibility. Our view of what it takes to compete must change.

We have heard enough about the traditional agenda -- more government mandates, new attempts to run your business for you, and to legislate competitiveness. It is time to move on to the real issue: building a better, more competitive America, unfettered by excessive regulation.

We know the kind of damage government intervention can do. Not long ago, a businessman went out into the streets of Lima, Peru, and started asking questions. He talked to street vendors, and workers in the "informal" economy. He discovered that people there work illegally because government over-regulation makes it virtually impossible for them to run legitimate businesses.

As an experiment, he decided to set up a small garment factory, to document the costs of entering the system legally. After running the bureaucratic gauntlet, filling out countless forms, he calculated that one person would have to spend 289 days, six hours a day to become certified to open a garment factory. He tried to set up the same kind of business in New York. It took two hours.

What's the message here? Free markets work. Government intervention too often means intrusion that kills innovation, cripples economies, costs jobs, and creates barriers for business -- whether entrepreneurial start-ups, or established enterprises.

Less government intervention means avoiding excessive taxation. When John F. Kennedy proposed cutting the income subject to capital gains tax by nearly half in 1963, he said his goal was "to provide a freer and fuller flow of capital funds and

to achieve a greater equity." He knew that lower capital gains taxation spurs investment, builds businesses, and creates jobs.

We know that our taxation of capital gains now puts us at a competitive disadvantage with most of our trading partners. That this tax cut will increase revenues to the Treasury. And that, far from being a "tax break for the rich," 80 percent of capital gains beneficiaries earn less than $50,000 a year.

Let's think about what the future ought to look like -- what kind of companies we ought to see thriving in America, in the year 2000.

We are at the edge of a fundamental change in the way work is done in this country, and who's doing it. Over the next decade the labor pool will grow more slowly than at any time since World War II. Just half the rate of the 1970s. Employment is already at a level that most economists consider "full" employment. Enterprises of every kind -- public and private -- will now have to compete to attract and retain the best talent.

Time was, when people had to scramble to get jobs. With labor markets getting tighter, the tables are turning. Now jobs lack the people to fill them. Before this century ends, tighter labor markets will change the face of business, forever.

Affirmative action, once purely a matter of legal compulsion, will be driven by economic necessity. Child care and parental leave, now believed to be matters for government mandates, will become the currency companies use to attract the talent they need.

Health benefits, flexible benefit plans, progressive pension policies -- all will gain momentum in the market for talent, because the market will do what the law never could.

You know, when the American Retail Federation was formed back in 1935, it was responding to the federal government's first attempts to assume expanded powers over business. Back then, you might say, ARF was the industry watch dog.

It is time we understood the changes before us, and let the market do its work. It is time we put legislative intervention out of business.

By the end of this century fully a third of the workforce will be new. Of that third, most will be women, blacks, Hispanics, Asians, and immigrants. And as jobs are becoming more demanding, a skills gap is expanding.

Shortages of people are already driving up wages -- in many regions, the minimum wage is already irrelevant. Here again, the market alone is doing more than government, law, and new legislation ever could. The skills gap has eclipsed the wage gap. If we don't close that skills gap, we won't compete. It's that simple.

Caught up in the politics of the minimum wage rage, it's too easy to forget who it is we're trying to help, and how. The issue is not the minimum wage. It's minimum skills.

This is a case where government intervention can be most harmful. My difference with the majority in Congress is not about 30 cents an hour. It's about half a million jobs. 500,000

people -- largely young and unskilled -- who wouldn't have a job to go to, if H.R. 2 passes.

The way the labor market is working now, an artificial wage increase will simply mean that entry-level jobs are cut back. And the first to go would be the young and disadvantaged, reaching for the first rung on the ladder of economic opportunity. We must not deny them that opportunity. We should be helping them develop workplace skills.

I continue to be haunted by the fact that thousands of young Americans in inner cities believe they have no stake in our system -- no future, no hope. Believing they have nothing to lose, they act as if they have nothing to gain. We cannot allow this to continue. Work gives them something to gain.

There are other, better strategies to help the working poor, that won't cost them their jobs.

I have already proposed reforms in my Child Tax Credit proposal which, like the Earned Income Tax Credit, will enhance the incomes of poorer working families with young children. I've proposed a package of educational reforms, and new vocational and retraining initiatives. And I will soon send up a package of youth initiatives, targeting resources to those most at risk.

Earlier [Later] today I [will] sign[ed] legislation to fund the Martin Luther King Holiday Commission. It is right that we honor this man, and his vision for the future. He understood that nobody wants a hand out, as much as they want a hand up.

For that reason, we must continue to work for a minimum wage increase that won't cost so many jobs; that is not as inflationary; and that has an effective training wage -- to preserve opportunity for those who most need it.

Once the majority in Congress rejected my offer of compromise, a veto became inevitable.

One thing I <u>will not compromise</u> is the future of the working poor. For that reason, with great conviction, I will now sign a veto of this legislation.

O'neil - Chief of Staff for Bentsen

AA in the Senate

from selection to election

- oppose any increase in minimum wage.

M.W.
Trade -
Mandated Health.

Don Seibert - Chairman
J.C. Penny

Joe. O'neil
President + CEO

THE WHITE HOUSE
WASHINGTON

4/10/89
KBK

MEMORANDUM

REVISED 4-20-89

TO: DAVID DEMAREST

FROM: JOSEPH W. HAGIN

SUBJECT: APPROVED PRESIDENTIAL ACTIVITY

REVISED 4-26-89

EVENT: Address to the American Retail Federation

DATE: May 17, 1989

TIME: ~~TBD~~ ~~3:30pm~~ 10:00a.m.

REVISED 4-27-89

DURATION: ~~TBD~~ 15 min

LOCATION: ~~OEOB, Room 450~~ ~~East Room~~ EOB - Room 450

ATTIRE: Business Suit

REMARKS REQUIRED: Yes

MEDIA COVERAGE: Open

FIRST LADY PARTICIPATION: TBD

ADDITIONAL INFORMATION:

CONTACT: _____, _____

TELEPHONE: OFFICE _____ HOME _____

NOTE: **PROJECT OFFICER, SEE ATTACHED CHECKLIST**

Ed Rogers	Marlin Fitzwater	David Bates
James Cicconi	David Demarest	David Valdez
Fred McClure	Jean Lamb	USSS - PPD
Susan Porter Rose	Steve Studdert	Gary Walters
Patty Presock	John Keller	WHCA Audio/Visual
Speechwriting Office	Tim McBride	WHCA Operations
Laurie Firestone	J. Bonnie Newman	Mary Jane Smith
Robert Guttman	Tony Lopez	C. Boyden Gray

WSJ 5/8 • 50 CENTS

Company School

As Pool of Skilled Help Tightens, Firms Move To Broaden Their Role

In Future, Many May Provide Day Care, Education, Aid With Sundry Social Issues

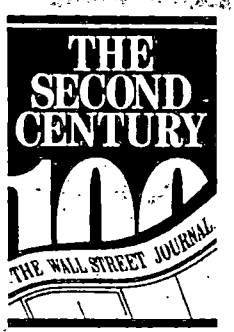
Is Attitude Adjustment Next?

By AMANDA BENNETT
Staff Reporter of THE WALL STREET JOURNAL

For most of the 20th century, the company picnic was about as closely as most companies wanted to involve themselves in employees' private lives.

Education was a job for the schools, discipline one for parents. Corporations got involved in affirmative action (when pushed), but how the diverse employees they hired got along with one another was their own affair. The only place for family at work was in a frame, on a desk.

But step up beyond the year 2000 and see the 21st-century company town. Future Corp. runs its own day-care center to serve mommies and daddies who struggle to work clutching not just their briefcases but their babies. The Future Corp. school, run jointly with other area companies, gives a high-quality elementary education.



PART OF A SERIES ON FUTURE ISSUES AND TRENDS PUBLISHED IN THE JOURNAL'S CENTENNIAL YEAR

Many Future Corp. employees are recruited not out of college but high school; they go to college on Future Corp. scholarships, with a promise of a job afterward. For adults, there's a daytime program in remedial reading and math; a course in English as a second language serves the company's immigrant population. Each month, there's a mandatory course in working with an interracial staff.

Sound far-fetched? Maybe. Yet a good deal of this is beginning to happen right now in corporate America.

Demographic Imperative

The reason: The supply of America's once-plentiful workers is tightening. U.S.-born white male workers, once the bulwark of American business, are getting scarcer. Women, blacks, Hispanics and immigrants are becoming, perforce, its mainstay. As the 21st century approaches, their sheer numbers will reshape much of American corporate life.

Work-force shortages of the 1990s may accomplish what the activism of the 1960s couldn't: getting corporations deeply involved in broad social issues. As they are more and more forced to look for workers among groups they once could afford to ignore, companies are starting to find themselves caught up in such issues as education, child care, illiteracy, care for the elderly, broken homes and teen pregnancies. A few companies are even thinking of overseeing how their employees behave not just on the job but at home.

"Activities that used to be the responsibility of people in their private lives are being taken into the workplace," says Kathleen Christensen, a professor at City University of New York. "The employer is seen to have more responsibility in those areas."

Big Brother?

Many worry about such corporate incursions into home and family. They cite early-20th-century excesses like Henry Ford's use of a private security force and paid informers to keep social and moral order among his largely immigrant work force.

But plenty of executives think the problem isn't that companies will do too much, but too little. Smaller companies may not be able to afford programs to remedy shortages of workers or skills. Larger concerns may resist the cost of taking on added burdens in the face of foreign competition. Some may simply choose to ignore the social conditions now keeping women, minorities and immigrants from participating fully in the work force.

If they do, warns Samuel Ehrenhalt, a commissioner with the Bureau of Labor Statistics, they risk being left without enough capable employees in the not-too-distant future. "You can't wait for it to hit you," he says. "The year 2000 in work-force terms began last fall. That's when the graduating class of 2000 entered first grade."

At the heart of the issue is demographic change. The baby boom that swelled the labor force for the past two decades is being abruptly replaced by a baby bust. Work-force growth will slump to 1% a year in the 1990s, far below the explosive 2.9% growth in the 1970s, predicts the Hudson Institute in a study called Workforce 2000. Nearly two-thirds of the new entrants will be women; an additional 20% will be non-white or immigrant men. White, native-born males will make up only 15% of the new entries to the labor force from now through the next century, according to the study.

Thus, some companies that once simply sifted through piles of applications will be scouring unfamiliar territory. Already, "we are making our recruiting more focused" on women and minority groups, such as by strengthening ties to their professional societies, says Russell Johnson, group manager of strategic employment for Digital Equipment Corp. DEC expects women and minorities, now 30% of its

Please Turn to Page A4, Column 4

Firms Broaden Role As Labor Force Shifts

Continued From First Page

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Companies that once rejected applicants without necessary skills now may go out of their way to find out what employees can do. "We don't want to screen anyone out," says Sharon Canter, a spokeswoman for Manpower Inc. "There's always something they can do. We are looking to uncover skills and abilities that workers don't even know they have."

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The fear is that, increasingly, the workers available to do a given job won't be able to handle it. The Hudson Institute predicts that 41% of jobs created through the end of the century will be "high-skill" ones, versus just 24% of existing jobs. Yet many new workers lack even basic skills. The Department of Education recently asked a group of 21- to 24-year-olds to decipher a bus schedule; only a quarter of whites who were asked could do so, and just 7% of Hispanics and 3% of blacks.

So more and more companies are deciding they have to get involved in education. "If we can't expand the pool of qualified people, we won't get the people we need," says Eastman Kodak president Kay Whitmore.

Kodak executives are helping restructure the Rochester, N.Y., school system. General Electric is working on programs to get more minority teachers into colleges and universities. Sears, Roebuck & Co. and 14 other companies have funded a model school that works with center-city students. The hope, says Paula Banks, president of the Sears Roebuck Foundation, is that "it will be a learning laboratory, improvements will find their way into the school system, and that will affect the work force that we see."

Some companies are venturing into areas they've never before trod. Digital Equipment, which has long supported university education, recently began looking at funding programs aimed at kindergarten through grade eight.

Such companies clearly hope for a payoff. In the past, Honeywell Inc. gave with no strings attached, notes Barbara Jerich, whose title is director of work force diversity. Now it offers scholarships to minority students along with an encouragement to come work at Honeywell. At Kodak, 150 students, half of them minority, work a summer for the company in exchange for scholarships.

Some companies are even moving directly into providing the kind of basic education once done exclusively in schools or communities. Aetna Life & Casualty in Hartford, Conn., is working with local organizations to teach reading and writing to 19- to 24-year olds. "We work with them until they can read the materials we use, and then we give them basic jobs," says Badi Foster, head of the firm's Institute for Corporate Education. It has hired about 1,000 people this way so far. "We are looking for a payoff from five to eight years from now," Mr. Foster says.

As for women, some companies see the recent brouhaha over the "mommy track," allowing for women to accept a limited career or leave the labor force temporarily, as a sign institutions are beginning to grapple seriously for the first time with issues of women and work. Here the issue isn't training the workers but keeping them, says B. Joseph White, associate dean of University of Michigan's business school. "The challenge is getting women who choose to have children through their childbearing years without driving them out of the corporation."

And that evidently means getting companies more involved in family life. "In the past, you left your children and family at the front door. That's not going to be possible any more," contends Honeywell's Ms. Jerich.

With child care in such short supply, companies are coming to believe they'll have to fill the gap. Campbell Soup Co., which has an on-site day-care center that wins high marks, hears from five or six major companies a week wanting to know how the program works.

Yet some companies fear going too far in such matters. "We don't want to become day-care specialists," says Kodak's Mr. Whitmore. Nor does he want Kodak to replace schools. "It's not that we don't want to run schools," he says. "We don't know how."

Some companies wonder what effect the new work-force diversity will have on them. "Before, we made people fit into a corporate mold filled with majority white male incumbents; now the corporations are going to have to change," contends Honeywell's Ms. Jerich.

Aetna has made selecting and managing a diverse work force a key measure on which middle managers are judged. It holds workshops to deal with "unstated assumptions" about different groups of workers, and has produced a television show dramatizing the issues involved.

At first, recalls the firm's Mr. Foster, some people resisted. "They thought it was fuzzy-headed, soft-hearted . . . types who were thinking about these kinds of things," he says. But "if you don't get the managers to see this as a business problem, no matter what you do for the entry level" it won't be enough, he believes.

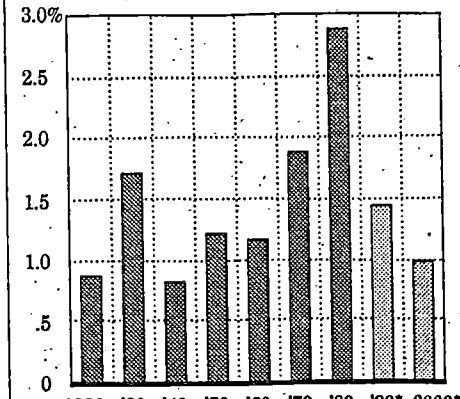
Some companies are considering going even further in influencing their employees' attitudes. "We used to say we don't care if you wear white sheets at night; when you come to Xerox you leave your sheets at the door and chauvinistic badges in the closet," says Theodore Payne, manager of corporate affirmative action at Xerox. "We are now going to go a step beyond to say we want to affect not only your behaviors but your attitudes, and that may spill back into your personal life. It's the future, but it's the very near future."

Many foresee the same shift in other areas. "We are going to have to get more and more involved in the issues of drug abuse, productivity, accidents, managing health care costs and the education system," Gannett's Ms. Jennings believes. "These are social issues, but they are very much at the heart of a company doing well."

The prospect is daunting to some. "We get no help from any other institution in America," says Mr. Payne at Xerox. The country, he says, "is deficient in education and deficient in social and moral values. We have to do it ourselves. Sometimes I am disheartened, but we have to do it—we have no choice."

Its growth will slow . . .

Average annual growth in the labor force over previous 10 years; in percent



*Projection

Source: Hudson Institute

. . . And diversity will increase

Representation in 1985 total labor force and in net new workers 1985-2000; in percent

WORKFORCE	1985 LABOR FORCE	1985-2000 NEW WORKERS
Native white men	47%	15%
Native white women	36%	42%
Native non-white men	5%	7%
Native non-white women	5%	13%
Immigrant men	4%	13%
Immigrant women	3%	9%
TOTAL (In millions)	115.5	25.0

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Company School

As Pool of Skilled Help Tightens, Firms Move To Broaden Their Role

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Such companies clearly hope for a payoff. In the past, Honeywell Inc. gave with no strings attached, notes Barbara Jerich, whose title is director of work force diversity. Now it offers scholarships to minority students along with an encouragement to come work at Honeywell. At Kodak, 150 students, half of them minority, work a summer for the company in exchange for scholarships.

Some companies are even moving directly into providing the kind of basic education once done exclusively in schools or communities. Aetna Life & Casualty in Hartford, Conn., is working with local organizations to teach reading and writing to 19- to 24-year olds. "We work with them until they can read the materials we use, and then we give them basic jobs," says Badi Foster, head of the firm's Institute for Corporate Education. It has hired about 1,000 people this way so far. "We are looking for a payoff from five to eight years from now," Mr. Foster says.

As for women, some companies see the recent brouhaha over the "mommy track," allowing for women to accept a limited career or leave the labor force temporarily, as a sign institutions are beginning to grapple seriously for the first time with issues of women and work. Here the issue isn't training the workers but keeping them, says B. Joseph White, associate dean of University of Michigan's business school. "The challenge is getting women who choose to have children through their childbearing years without driving them out of the corporation."

And that evidently means getting companies more involved in family life. "In the past, you left your children and family at the front door. That's not going to be possible any more," contends Honeywell's Ms. Jerich.

With child care in such short supply, companies are coming to believe they'll have to fill the gap. Campbell Soup Co., which has an on-site day-care center that wins high marks, hears from five or six major companies a week wanting to know how the program works.

Yet some companies fear going too far in such matters. "We don't want to become day-care specialists," says Kodak's Mr. Whitmore. Nor does he want Kodak to replace schools. "It's not that we don't want to run schools," he says. "We don't know how."

Some companies wonder what effect the new work-force diversity will have on them. "Before, we made people fit into a corporate mold filled with majority white male incumbents; now the corporations are going to have to change," contends Honeywell's Ms. Jerich.

Aetna has made selecting and managing a diverse work force a key measure on which middle managers are judged. It holds workshops to deal with "unstated assumptions" about different groups of workers, and has produced a television show dramatizing the issues involved.

At first, recalls the firm's Mr. Foster, some people resisted. "They thought it was fuzzy-headed, soft-hearted . . . types who were thinking about these kinds of things," he says. But "if you don't get the managers to see this as a business problem, no matter what you do for the entry level" it won't be enough, he believes.

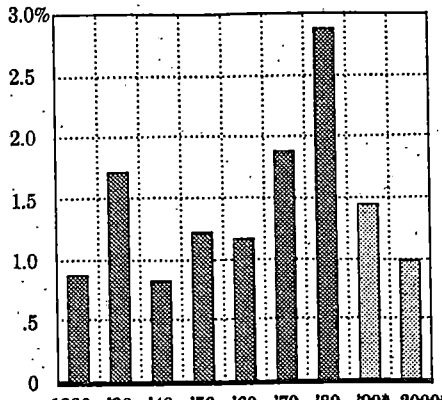
Some companies are considering going even further in influencing their employees' attitudes. "We used to say we don't care if you wear white sheets at night; when you come to Xerox you leave your sheets at the door and chauvinistic badges in the closet," says Theodore Payne, manager of corporate affirmative action at Xerox. "We are now going to go a step beyond to say we want to affect not only your behaviors but your attitudes, and that may spill back into your personal life. It's the future, but it's the very near future."

Many foresee the same shift in other areas. "We are going to have to get more and more involved in the issues of drug abuse, productivity, accidents, managing health care costs and the education system," Gannett's Ms. Jennings believes. "These are social issues, but they are very much at the heart of a company doing well."

The prospect is daunting to some. "We get no help from any other institution in America," says Mr. Payne at Xerox. The country, he says, "is deficient in education and deficient in social and moral values. We have to do it ourselves. Sometimes I am disheartened, but we have to do it—we have no choice."

Its growth will slow . . .

Average annual growth in the labor force over previous 10 years; in percent



*Projection

Source: Hudson Institute

. . . And diversity will increase

Representation in 1985 total labor force and in net new workers 1985-2000; in percent

WORKFORCE	1985 LABOR FORCE	1985-2000 NEW WORKERS
Native white men	47%	15%
Native white women	36%	42%
Native non-white men	5%	7%
Native non-white women	5%	13%
Immigrant men	4%	13%
Immigrant women	3%	9%
TOTAL (In millions)	115.5	25.0

(Lange/Wallace)
May 14, 1989
7:50 p.m.
[ARF.DOC]

PRESIDENTIAL REMARKS: AMERICAN RETAIL FEDERATION
OEOB -- Room 450
WEDNESDAY, MAY 17, 1989
10:00 A.M.

[Thank you. Welcome to the White House! Home of Millie, the puppies, and Barbara Bush. Oh, I'm happy to stay in the wings. Really -- I can take the competition. But it does bother me, at the end of a press conference, when Helen Thomas stands up and says, "Thank you, Barbara's husband."]

You know, I think we've heard enough about the shopworn agenda of more government mandates, broad attempts to run your business for you, and intrusive campaigns to legislate competitiveness.

That agenda doesn't work anymore. The notion that the government should control business decisions might have made sense forty years ago. It doesn't work today.

It is time to move on to the real issue: building a better, more competitive America -- not through the intrusions of government, but through the energy and will of the American people.

Free markets work. What the world has learned, over the last forty years, is that government intervention cripples

economies, creates barriers for business, kills innovation, and costs jobs.

And yet, there are those who are still trying to keep the agenda of intervention alive. Many are well-intentioned. But you know what they say about good intentions. Let me assure you: we are not going down that road.

Thanks to American enterprise, and government that got out of the way, we hit a milestone this month: 20 million new jobs have been created since the recovery began in 1982. Employment is already at record levels.

But this brings its own challenges. People used to hustle to get jobs. With labor markets getting tighter, the tables are turning. Now businesses are scrambling for people. In many regions, the minimum wage is already irrelevant.

Labor shortages are now what drive wages. In New Hampshire, fast food workers make $6.25 an hour. This is a case where the market alone is doing more than government ever could. But across America, the skills gap has eclipsed the wage gap. And that's the real issue.

Caught up in the politics of the minimum wage, it's too easy to forget who it is we're trying to help, and how. The issue is **not** the minimum wage. It's minimum skills.

My difference with the majority in Congress is not about 30 cents an hour. It's about half a million jobs. Five hundred thousand people -- largely young and unskilled -- who wouldn't have a job to go to, if H.R. 2 becomes law.

The way the labor market works now, artificial wage hikes mean that entry-level jobs are cut back. The first to go are the young and disadvantaged -- who are just beginning to develop workplace skills.

It is haunting, how thousands of young Americans in inner cities believe they have no stake in our system -- no future, no hope. Believing they have nothing to lose, they act as if they have nothing to gain. We cannot allow this to continue. And it won't, if we make sure that more of them can find jobs.

Some argue that the current minimum isn't enough to support a family of four above the poverty line. The fact is, only [2.3] percent of minimum wage earners support families of four. Even so, in the legislation before me, the proposed increase still wouldn't put them over the poverty line. To do that, we'd have to raise the minimum wage to [$7.35]. So I ask Congress -- what are you trying to do?

The vast majority of minimum wage workers are young, secondary earners from families with incomes well above the poverty line. Raising the minimum wage may help some of them. But the cost will be measured in lost jobs. Losses that will weigh hardest on the minimum wage earners who are young and disadvantaged, and most need the experience that those jobs can provide. So I ask Congress -- who are you trying to help?

There are other, better strategies to help the working poor, that won't cost them their jobs. I've proposed an effective training wage that would preserve jobs, and give more young

Americans access to work experience. We've proposed reforms in the Child Tax Credit proposal which, like the Earned Income Tax Credit, will enhance the incomes of poorer working families with young children.

We've sent up a package of educational reforms -- and new reforms in vocational education -- to promote choice, encourage excellence, and make both systems more accountable.

And we will soon be suggesting significant improvements in the Job Training Partnership Act -- already so effective and linking public and private efforts -- to better target resources to those most at risk.

But the best way to make disadvantaged youth and the working poor part of a competitive, opportunity-based economy, is to continue to create jobs. And the cut in the capital gains tax rate I've proposed will do just that.

When John F. Kennedy proposed a cut in the income subject to capital gains tax by nearly half in 1963, he said his goal was "to provide a freer and fuller flow of capital funds and to achieve a greater equity." He knew that lower capital gains taxation spurs investment, builds businesses, and creates jobs. And John Kennedy was right -- by 19xx, yy million jobs had been created.

Earlier [Later] today I [will] sign[ed] legislation to fund the Martin Luther King Holiday Commission. It is right that we honor this man, and his vision for the future. He understood that nobody wants a hand out. They want a hand up.

For that reason, we must continue to create jobs, and prepare young people to fill them. We must work for a minimum wage increase that won't extract its cost in jobs; that is not as inflationary; and that has an effective training wage -- to preserve opportunity for those who most need it.

Today, I have a choice. I can sign this legislation, and go back to the tired agenda of government intervention that so often hurts the very people it attempts to help. Or, I can step forward, regardless of political cost, to keep America on the path to a competitive future -- a future bright with opportunity. This choice is clear.

Once the majority in Congress rejected my offer of compromise, a veto became inevitable. One thing I will not compromise is the future of the working poor. For that reason, with great conviction, I now sign a veto of this legislation.

AMERICAN RETAIL FEDERATION
BOARD OF DIRECTORS
1988 - 1989

Chairman of the Board	Vice Chairman of the Board	Chairman of the Executive Cte.	Secretary	Treasurer
Donald V. Seibert	Philip M. Hawley	Prentis C. Hale	Joseph F. Carroll	Leonard O. Gay

Representing Central Council of National Retail Associations		Representing National Conference of State Retail Associations		At Large	
Bernard F. Brennan President & CEO Montgomery Ward & Co.	1991	Julian I. Edison Chairman of the Exec. Cte. Edison Brothers Stores, Inc.	1990	Michael Bozic Chmn. & CEO Sears Merch. Grp Sears, Roebuck and Co.	1990
Fred Canning President & COO Walgreen Company	1989	Donald G. Fisher Chairman and CEO The Gap, Inc.	1990	S. Lester Block Consultant R.H. Macy & Co., Inc.	1991
Joseph F. Carroll Vice President, Public Affairs F. W. Woolworth Company	1989	W. Thomas Gould President Younkers, Inc.	1991	Thomas Hays President The May Department Stores Co.	1990
Leonard O. Gay EVP, Treasurer & CFO Haverty Furniture Companies	1990	Philip M. Hawley Chairman & CEO Carter Hawley Hale Stores, Inc.	1990	Al Rubin President Al Rubin Appliances	1989
William R. Howell Chairman of the Board J.C. Penney Company, Inc.	1989	Edwin K. Hoffman Chairman of the Board & CEO Woodward & Lothrop, Inc.	1989	Donald V. Seibert Director & Former Chairman J.C. Penney Company, Inc.	1989
David B. Meltzer Chairman and President Evans, Inc.	1991	John J. Shea President & CEO Spiegel, Inc.	1991	Boake A. Sells Chairman & CEO REVCO D.S., Inc.	1991
William B. Thalhimer, Jr. Chairman of the Board Thalhimer Brothers, Inc.	1990	James Kittle, Jr Chairman Kittles, Inc.	1990	Ikard Smith President McClurkans, Inc.	1989
Stewart Turley Chairman & President Jack Eckerd Corporation	1989	Arthur Martinez Senior Vice President BATUS, Inc.	1990	A. Robert Stevenson Vice President K mart Corporation	1991
Margaret S. Wilson Chairman & CEO Scarbroughs	1990	Francis R. Strawbridge, III Chairman of the Board Strawbridge & Clothier	1990	Peter S. Willmott President & CEO Carson Pirie Scott & Company	1990
Robert J. Tarr, Jr. President and COO The Neiman-Marcus Group, Inc.	1991	Bruce G. Allbright President Dayton Hudson Corporation	1991		

Immediate Past Chairman - **Prentis C. Hale**, Former Chairman of the Board, Carter Hawley Hale Stores, Inc.
Ex Officio - **Spencer Heine**, General Counsel, Montgomery Ward & Co..
Ex Officio - **John G. Cashman**, National Manager, Corporate Field Government Affairs, Sears, Roebuck and Co.

The following association executives are designated by the Central Council for a one-year term:

Neil Offen, President - Direct Selling Association (1989)
Michael D. Roman, Chairman and Executive Director - Jewelers of America, Inc. (1989)
Ronald L. Ziegler, President - National Assn. of Chain Drug Stores (1989)
Richard Hersh, President - International Mass Retailing Association (1989)
David Schmitt, Executive Vice President - National Home Furnishings Association (1989)
Robert Aders, President - Food Marketing Institute (1989)

The following association executives are designated by the National Conference for a one-year term:

Michael R. Moore, Executive Vice President - Texas Retailers Association (1989)
William C. Rustin, Jr., President - North Carolina Merchants Association (1989)
David Vite, President - Illinois Retail Merchants Association (1989)
W. "Bill" Kundrat, Jr., President and General Manager - Florida Retail Federation (1989)
James Quaremba, President and CEO - Retail Council of New York State (1989)
John Mahaney, Jr., President - Ohio Council of Retail Merchants (1989)

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01a. Letter	Elizabeth Dole to Richard Darman, re: Draft veto message. (1 pp.)	04/20/89	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Speechwriting, White House Office of
Series: Speech File, Backup
Subseries:
WHORM Cat.:
File Location: American Retail Federation 5/17/89

Open on Expiration of PRA
(Document Follows)
By SN (NLGB) on 9/5/2005

Date Closed: 9/27/2004	**OA/ID Number:** 06265
FOIA/SYS Case #:	
Re-review Case #: 2004-2265-S	
P-2/P-5 Review Case #:	
MR Case #:	**Appeal Case #:**
MR Disposition:	**Appeal Disposition:**
Disposition Date:	**Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
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(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

Secretary Dole
4/20/89

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

APR 20 1989

The Honorable Richard Darman
Director
Office of Management and Budget
Room 252, Old Executive Office Building
Washington, D.C.

Dear Dick:

Attached for your consideration is a draft veto message and some thoughts I've put together on a post-veto strategy for the President on the subject of minimum wage.

I've had an expanded veto message crafted because, given the possibililty we could face a veto challenge soon, it's my belief the President's message will need to play to our strengths and give reason to our supporters to stick with us. Addressing the "skills gap," as opposed to the "wage gap" through education and training is our strong suit. And support for a closer look at EITC reform would certainly keep a number of our allies in our corner should a vote to override occur.

Your thoughts would be appreciated.

Sincerely,

Elizabeth

Elizabeth Dole

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01b. Paper	"Some Thoughts On a Post-Veto Strategy." (2 pp.)	n.d.	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Speechwriting, White House Office of
Series: Speech File, Backup
Subseries:
WHORM Cat.:
File Location: American Retail Federation 5/17/89

Open on Expiration of PRA
(Document Follows)
By SN (NLGB) on 4/5/2005

Date Closed: 9/27/2004	**OA/ID Number:** 06265
FOIA/SYS Case #:	
Re-review Case #: 2004-2265-S	
P-2/P-5 Review Case #:	
MR Case #:	**Appeal Case #:**
MR Disposition:	**Appeal Disposition:**
Disposition Date:	**Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
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(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

SOME THOUGHTS ON A POST-VETO STRATEGY

Background:

A key question (the answer is beyond our control) is how the Democrats will respond to a sustained veto by the President.

- Some feel strongly that they will try again, very soon after, sending another bill to the President's desk. Opinions divide as to whether they would pass the Bush compromise (for the sake of getting some increase enacted) or pass another version inconsistent with the President's criteria (daring him to veto a second time and confident he can't sustain a second time).

- Others are more skeptical and believe that neither Senator Mitchell nor Speaker Wright (with mounting troubles of his own) will have any enthusiasm for trying again, when both started this session assured that, of the labor agenda, a minimum wage increase would be easiest to enact (with 80% poll popularity). These people predict the majority Democrats will be more likely to put off another try, at least until next year, an election year.

Strategic Options:

Essentially, there are three:

1. Simply hang tough, restate (identical) conditions for signing a bill, and reassert willingness to veto again.

   Pro: Consistency, toughness, unwillingness to bend on principle of preserving jobs.

   Con: Will be more difficult to replicate 198 for Bush in House if Dems try again; sustaining 2nd veto will be tough.

2. Try to "change the subject" with veto message; express regret the debate ended with veto but sense of urgency to move from "wage gap" debate to real issues of "skills gap" on which bi-partisan effort genuinely needed.

   Pro: Continues to keep President in front, attempting to define real labor agenda in own terms, not just responding to Democrats' agenda.

   Con: Concrete proposals may not be final at time of veto.

3. "Sweeten the pot" for EITC advocates by scheduling Administration study (to be completed by date certain) and committing to propose EITC reform to meet real needs of working poor (as Minimum Wage increase does not).

Pro: Might shore up support from House Republicans for 2nd veto, if needed (and on future tough votes). They stuck with President on tough vote, would see him willing to stick with them on this idea.

Con: Would require early policy decision to consider serious EITC reform (at 1st EPC, some suggested Administration might move this way, but not this soon -- child care a step, but not as comprehensive as this one).

A possible 4th alternative might combine 2 and 3 above.

I am returning today, without my approval, H.R. 2, the Fair Labor Standards Act Amendments of 1989.

For most Americans, jobs and opportunity are the same thing. Increasing the minimum wage, simply, destroys opportunity by destroying jobs. That is why I sought to make it clear that I could accept an increase only if it were a modest one and only if it were accompanied by provision for a meaningful training wage. Liberalization of current small business exemptions and the tip credit were also necessary to maximize the preservation of jobs that would be lost by any more expansive approach.

Very early in this Administration, we specified that an increase to no more than $4.25 and a new-hire training wage at essentially the level of the current minimum, that could be paid for as long as six months, were essential pre-conditions of my support.

The bill before me meets neither criterion. The "training wage" included in this legislation is ineffective. Its 60 day limitation is too short; its applicability only to first jobs is too restrictive. The principal justification for a training wage is preservation of opportunity -- for jobs and for training. This can be accomplished only through a permanent trainee differential. The bill before me provides only temporary training wage authority, which would expire three years after taking effect. Under H.R. 2, the minimum wage for trainees would rise to $4.55 just as the regular minimum wage would -- but would do so in four years instead of three. That fact alone defeats the purpose of a training wage. This provision of H.R. 2 would save not a single job. I cannot support it.

In addition, I have said I could accept a 27 percent increase to the minimum wage itself -- totalling 90 cents an hour in three equal annual increments of 30 cents. The increase in this bill exceeds that amount by a full one-third. The larger the increase, the larger the job loss. In the interest of job preservation, therefore, I cannot approve this legislation.

I wish to be clear on this: My difference with the majority in Congress is not about 30 cents an hour; it's about half a million jobs, approximately the number that would be preserved by this Administration's approach, as compared to an excessive increase.

It is regrettable that this debate must end with a veto; once the majority in Congress determined to reject my offer of compromise on minimum wage legislation, however, it also became inevitable.

If this debate about raising wages is over, however, the debate about helping the working poor must go on.

The debate about alternative strategies to enhance their income through tax change is maturing. I have proposed already, in my Child Tax Credit proposal, reforms which, like the Earned Income Tax Credit, will enhance the incomes of low-income working families with young children -- and which will do so in a way that acknowledges the importance of family size to family economic status.

The speed with which Congress determined to move on minimum wage legislation at the start of this Congress precluded any more comprehensive review of Earned Income Tax Credit revision, or other approaches, which hold the promise of income enhancement for low-income working families. While the revenue cost of such a policy might be considerable (and needs very careful review), the other costs which accompany a minimum wage increase -- job loss and inflationary pressures -- are absent from this approach. Further, my Child Tax Credit or other reform of EITC have the virtue of much more precise targeting -- they can help the working poor and only the working poor. In contrast, most minimum wage earners are not poor; they are young, single, and live in households with other workers where total household income is well above poverty.

The Congress is holding hearings on EITC reform, including my Child Tax Credit proposal. My Administration will conduct a thorough review of the issue as well. I have asked my Economic Policy Council to report to me no later than (..... a date certain .....) on both the implications for the working poor and on the fiscal impact of any such change.

We should, before the end of this year, be ready to engage a debate about such alternative strategies to assist working families in poverty.

Real help for the working poor, however, must involve more than federal policy change to enhance their income. It must also and more importantly involve federal policy change to enhance their skills, so they can enhance their own income. And, indeed, the debate about raising their level of skills is just beginning. As it starts, I renew my invitation to the Congress to work together with this Administration, in a cooperative and bipartisan way -- and with all possible speed -- on what I believe is the more urgent and compelling workforce challenge. We need to improve American education so young Americans of today can prepare for the more demanding jobs of tomorrow. We need to refine our training and re-training programs so that working Americans of whatever age, can acquire the skills they need, and as necessary upgrade them, to take full advantage of the opportunity that job-creating economic growth is providing.

Growth offers opportunity for those prepared to seize it. For those not now prepared and lacking the basic skills of language and literacy, computational skills and the like, we need to debate quickly so we can act quickly to provide or refine our training mechanisms.

I am anxious, indeed impatient, for us to start on this.

I have proposed a package of educational reforms to restructure our federal approach to elementary and secondary education. We can offer a better quality of education to our children than we do, and a wider degree of educational choice to them and their parents. We need to do this; let's begin.

I have proposed as well, a package of reforms in vocational education that can improve this system, so vital to training and retraining our nation's workforce. We should move quickly to improve the quality of vocational education, to simplify it, to expand choice, to make the system more accountable and, importantly, to integrate it better with other job training efforts.

I will soon propose a package of youth initiatives. These will be intended to target critical training resources on those most in need of help. These initiatives will also offer improvements in the quality of training made available to "at-risk" youth, incorporate higher standards for achievement and competency after training and provide for intensified, tailored training for those most in need.

The Congress this year has a rare opportunity to move these legislative proposals, to improve education, to refine our cornerstone training program, the Job Training Partnership Act, to improve and re-authorize the Vocational Education Act, to see to the implementation of the JOBS training program called for in last year's reform of welfare laws -- and to do all of these in a concerted way. We need to approach these separate statutes and programs not separately, but as parts of a whole, as components of an integrated federal policy on workplace skills provision.

As I said in my inaugural address, I wish to proceed together with both parties in both Houses of the Congress. For those of us whose legislative priorities include the real needs of America's workforce, there can be no more important item on that agenda than education and skills preparation.

Since the beginning of this economic expansion at the end of 1982, our economy has created nearly 20 million new jobs. During that same period, the number of jobs paying less than $5.00 an hour has decreased by 8 million. In the contemporary American market, wages are rising -- less because tamer inflationary pressures are dragging them up than because the changing nature of America's workplace is demanding higher skills and offering better pay to the workers who possess them.

DRAFT

VETO MESSAGE MAY 9 1989

I am returning today, without my approval, H.R. 2, the "Fair Labor Standards Amendments of 1989."

I appreciate the thought behind this bill that now is the time to help our lowest paid workers. But I cannot agree that H.R. 2 is the right way to achieve this end. This bill would increase the minimum wage by an excessive amount and thus stifle the creation of new job opportunities. It would damage irrevocably the employment prospects of our least advantaged citizens. It would accelerate inflation. And it would not help those in poverty.

Increasing the minimum wage destroys jobs and job opportunities, especially for younger and disadvantaged workers. The larger the increase, the larger the job loss. That is why I made it clear that I could accept an increase only if it was a modest one, and only if it was accompanied by a meaningful training wage for new employees of a firm, to help offset the job loss. As I have said many times, I could sign into law an increase in the hourly minimum wage to $4.25, phased in over three years, which preserves job opportunities through a six-month training wage for all new hires. The bill Congress has sent to me fails to meet these standards.

H.R. 2 would increase the minimum wage to $4.55 an hour, and would provide a training wage only for 60 days and only for a temporary period. Economists universally agree that an increase in the minimum wage will result in the loss of job

opportunities. This is because, as the minimum wage rises, employers in today's highly competitive market place must respond. Some close their doors. Some automate. Others reduce their workforce, or cut the services they provide to their customers.

The increase in the minimum wage I said I could accept amounts to 27 percent -- totalling 90 cents an hour in three equal annual increments of 30 cents. The increase in H.R. 2 exceeds that amount by a full one-third. The larger the increase, the larger the job loss. In the interest of preserving job opportunity, I cannot approve this legislation.

I wish to be clear about this. My difference with the Congress is not just about 30 cents an hour. It's about hundreds of thousands of jobs that would be preserved by my Administration's approach, as opposed to those that would be sacrificed under the excessive increase included in this legislation.

INSERT - We did offer a [redacted] compromise Congress rejected - veto inevitable.

If I were to sign H.R. 2, the result would be that instead of being paid more, our minimum wage workers might find themselves without a job. We must have a bill that does as much as possible to be sure that doesn't happen.

The "training wage" included in H.R. 2 is ineffective. Its 60 day limitation is too short and restrictive. The principal justification for a training wage is preservation of opportunity -- for jobs and for training. This can be accomplished only through a permanent trainee differential. H.R. 2 provides only

temporary training wage authority which would expire in three years. This means that within four years the minimum wage for trainees would rise to the regular minimum wage. That defeats the job saving purpose of the training wage. This provision of H.R. 2 would do little to save jobs. I cannot support it.

Minimum wage jobs are for the most part entry level jobs -- those first jobs that give our workers the valuable work experience and basic training they will need for advancement to future opportunities. When those jobs are lost, the losers are the young and disadvantaged, grasping for the first rung on the ladder of economic opportunity. Proponents of a higher minimum wage must recognize that mandating excessive increases in wages for workers without skills destroys jobs. As a Nation, we should be helping those who lack workplace skills, not denying them the opportunity to obtain needed skills.

I am also deeply concerned that an excessive increase in the minimum wage will increase inflation, which has rightly been called the cruelest tax. All of us would be adversely affected, but it is the poor who would suffer most. Inflation is hardest on those living on fixed incomes, many of whom are poor and elderly. As the minimum wage increases, employers' costs rise and they must charge the consumer more for goods and services just to break even.

The Federal budget deficit also would increase. The jobs lost due to a large minimum wage increase would have generated tax revenues for the Federal Government. Certain Government programs are tied directly to the minimum wage; other Government

expenditures are indexed to inflation. As the minimum wage and inflation increase, those expenditures will increase, and so will the budget deficit.

Contrary to what proponents of H.R. 2 have been saying, increasing the minimum wage is not an effective way to help the poor. The poverty population and the minimum wage earners are, by and large, different people. Most minimum wage earners are young, they are single, they live in households with other workers, and most importantly, they are not poor. Conversely, the problem for most in the poverty population isn't wages. It's finding a job and getting work experience. Any large increase in the minimum wage will hurt job prospects for this group. But a meaningful training wage, to encourage employers to hire the low-skilled to get them started on the economic ladder, would help mitigate the negative effects.

We must never forget that the real remedy to poverty is a healthy and growing private economy. We are now in the 78th month of an unprecedented economic expansion. Over the last few months, the unemployment rate has been lower than at any time since 1974. Since the beginning of this economic expansion at the end of 1982, our economy has created nearly 20 million new jobs. Since 1981 the number of workers earning no more than the Federal minimum has been cut in half -- from 7.8 million to 3.9 million last year. Now is not the time to turn back or halt the progress we've made.

In the contemporary American market, wages rise -- not because of mandated increases, but because of market forces and

the changing nature of America's workplace, which demand higher skills and offer better pay to the workers who possess them. With or without a legislated increase in the minimum wage, these trends will continue. An excessive increase in the minimum wage would artificially accelerate these wage changes. This would reduce any chance for hundreds of thousands of less skilled workers to get entry-level employment and experience the on-the-job-training and advancement opportunities that go with it.

Most, though not all, of those denied the opportunity would be young people. I remain, as I have said before, haunted by the fact that by the thousands, young Americans in inner cities believe themselves to have no stake in our system, no future, no hope. Believing they have nothing to lose, they act as if they have nothing to gain. We cannot let this continue. Work can give them something to gain -- and we can't sit by, destroying opportunity with well-intentioned but misguided policies -- jinxing another generation -- and live easily with ourselves.

Although we have not reached agreement on a minimum wage increase, the debate about helping the working poor must go on. Real help for the working poor must involve more than Federal policy aimed at enhancing their income. It must also involve Federal policy change to enhance their skills, so they can enhance their own income. I renew my invitation to Congress to work with the Administration, in a cooperative and bipartisan way on what I believe is a compelling workforce challenge.

We need to improve American education so young Americans of

today can prepare for the more demanding jobs of tomorrow. We need to refine our training and re-training programs so that working Americans of whatever age can acquire and improve the skills they need to take full advantage of job-creating economic growth.

Growth offers opportunity for those prepared to seize it. For those not now prepared and lacking the basic skills of language and literacy, computation skills, and the like, we need to provide or refine our training programs.

I have proposed a package of educational reforms to enhance our Federal approach to elementary and secondary education. We can offer a better quality of education to our children than we do, and a wider degree of educational choice to them and their parents. We need to do this; let's begin.

My Administration has proposed, as well, a package of reforms in vocational education that can improve this system, so vital to training and retraining our Nation's workforce. We should move quickly to improve the quality of vocational education, to simplify it, to expand choice, to make the system more accountable and, importantly, to integrate it better with other job training efforts.

We will be proposing significant improvements in the Job Training Partnership Act. These will include a package of youth initiatives to increase the targeting of critical training resources on those most in need of help. These initiatives will also offer improvements in the quality of training made available to "at-risk" youth and incorporate higher standards for

achievement and competency after training.

INSERT B – Child Care

The Congress this year has the opportunity to move these legislative proposals, to improve education, to refine our cornerstone training program, the Job Training Partnership Act, to improve and reauthorize the Vocational Education Act, to see to the implementation of the JOBS training program called for in last year's reform of welfare laws -- and to do all of these in a concerted way. We need to approach these separate statutes and programs not separately, but as parts of a whole, as components of an integrated Federal policy on workplace skills provision.

As I said in my inaugural address, I wish to proceed together with both parties in both Houses of the Congress. For those of us whose legislative priorities include the real needs of America's workforce, there can be no more important items on that agenda than education and skills preparation.

During this year, and this Congress, even with limited budget resources -- we can make a difference. Let's get started.

OMB's first Version - 4/17/ 002

VETO MESSAGE

I am returning today, without my approval, H.R. 2, the "Fair Labor Standards Amendments of 1989."

I appreciate the thought behind this bill that now is the time to help our poorest paid workers. But I cannot agree that H.R. 2 is the right way to achieve this end. This bill would increase the minimum wage by an excessive amount and thus stifle the creation of new job opportunities. It would damage irrevocably the employment prospects of our least advantaged citizens. It would accelerate inflation, after Americans have sacrificed so much to bring it under control. And it would not help those in poverty.

Increasing the minimum wage destroys jobs and job opportunities, especially for younger and disadvantaged workers. The larger the increase, the larger the job loss. Therefore, any increase in the minimum wage must be modest, and it must be accompanied by a meaningful training wage for new employees of a firm, to help offset the job loss. As I have said many times, I could sign into law an increase in the hourly minimum wage to $4.25, phased in over three years, which preserves job opportunities through a six-month training wage for all new hires. The bill Congress has sent to me fails to meet these standards.

H.R. 2 would increase the minimum wage to $4.55 an hour, and would provide a training wage only for 60 days and only for persons starting on their first jobs. Economists are

universally agreed that an increase in the minimum wage will result in the loss of job opportunities. This is because, as the minimum wage rises, employers in today's highly competitive market place must respond. Some close their doors. Some automate. Others reduce their workforce, or cut the services they provide to their customers.

The result would be that instead of being paid more, under this bill our minimum wage workers might find themselves without a job. We must have a bill that does as much as possible to be sure that doesn't happen.

Minimum wage jobs are entry level jobs -- those first jobs that give our workers the valuable work experience and training they will need for advancement to future opportunities. When those jobs are lost, the losers are the young and disadvantaged, grasping for the first rung on the ladder of economic opportunity. Proponents of a higher minimum wage must recognize that mandating excessive increases in wages for workers without skills destroys jobs. As a Nation, we should be helping those who lack workplace skills, not denying them the opportunity to obtain needed skills.

I am also deeply concerned that an excessive increase in the minimum wage will increase inflation, which has rightly been called the cruelest tax. All of us would be adversely affected, but it is the poor who would suffer most. Inflation is hardest on those living on fixed incomes, many of whom are poor and elderly. As the minimum wage increases, employers' costs rise

and they must charge the consumer more for their goods and services just to break even.

The Federal budget deficit also would increase. The jobs lost due to a large minimum wage increase would have generated tax revenues for the Federal Government. Certain Government programs are tied directly to the minimum wage; other Government expenditures are indexed to inflation. As the minimum wage and inflation increases, those expenditures will increase, and so will the budget deficit.

Contrary to what proponents of H.R. 2 have been saying, increasing the minimum wage will not help the poor. The poverty population and the minimum wage earners are, by and large, different people. Most minimum wage earners are young, they are single, and they live in households with other workers, and most importantly, they are not poor. Conversely, the problem for most in the poverty population isn't wages. It's finding a job and getting work experience. Any large increase in the minimum wage will hurt job prospects for this group. But a meaningful training wage, to encourage employers to hire the low-skilled to get them started on the economic ladder, would help mitigate the negative effects.

We are now in the 76th month of an unprecedented economic expansion, with the unemployment rate now below 5 percent for the first time since 1973. The last ~~seven~~ >7½ years of economic growth have produced ~~more than 19~~ almost 20 million new jobs in this country. Since 1981 the number of workers earning no more than the Federal minimum wage has been cut in half -- from 7.8 million in 1981 to

3.9 million last year. Now is not the time to turn back or halt the progress we've made.

We must never forget that the real remedy to poverty is a healthy and growing private economy. I believe my position on increasing the minimum wage and establishing a training wage is reasonable and best designed to minimize adverse consequences to our economy. I hope that the Congress, upon further reflection, will agree.

With or without a legislated increase in the minimum wage, these trends will continue. There will be relatively fewer new jobs in the future for those without basic skills; relatively more new jobs -- that are as much more rewarding as they are more demanding -- for those with the skills to fill them. An excessive increase in the minimum wage would have artificially accelerated that trend, eliminating any chance for hundreds of thousands of less skilled workers to get entry-level employment, and the experience, on-the-job-training and opportunities for advancement that go with it.

Most, though not all, of these would be young people. I remain, as I have said before, haunted by the fact that by the thousands, young Americans in inner cities believe themselves to have no stake in our system, no future, no hope. Believing they have nothing to lose, they act as if they have nothing to gain.

We cannot let this continue. Job training, improved education, these will not by themselves give hope to these young men and women. But work can give them something to gain -- and training, a way to get it. We can't sit by, destroying opportunity with well-intentioned but misguided policies -- jinxing another generation -- and live easily with ourselves.

During this year, however, and this Congress, even with limited budget resources -- we needn't do so. We can make a difference. Let's get started.

Department of Labor proposed inserts to 5/8/89 draft

A

Insert as first paragraph on p. 4

H.R. 2 contains provision for a Minimum Wage Review Board which threatens to compound the bill's inflationary effect. The Board would be permanent; it would be required to make annual recommendations to Congress for increasing the minimum wage in light of increases in wages and prices since any previous minimum wage adjustment. This has been termed, accurately, a "back-door" indexing provision. It is unacceptable.

B

Insert as third paragraph on p. 5

We continue to believe that proposals such as our child tax credit are preferable and more effective measures for assisting low-income working families. Unlike a minimum wage increase, they can be much more precisely targeted to help only those who need the help, with none of the job-loss or inflationary effects of raising the minimum wage.



AMERICAN RETAIL FEDERATION

WASHINGTON, D.C.

MARK LANGE

KG - give
to speechwriter when
assigned



AMERICAN RETAIL FEDERATION

WASHINGTON, D.C.

1989
ISSUES STRATEGY — 101st CONGRESS
FIRST SESSION BRIEFING BOOK

CEO Strategy Meeting
January 17, 1989
New York, NY

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1989 INTRODUCTION

Ronald Reagan captured the White House in 1980 as an outsider with a mandate to get government off the backs of business. Thanks to his coattails, President Reagan had plenty of help from a Senate that changed hands to a Republican majority for the first time in 26 years.

George Bush succeeds to the presidency eight years later in a far different environment. Despite his convincing electoral college victory, George Bush enters the White House without a clear mandate for action and without the overwhelming popularity that shepherded so many of his predecessor's ideas and programs through Congress in the early '80s. Furthermore, President Bush faces a Democratic-controlled Congress that is eager to once again share center stage with the presidency.

In short, there is likely to be more give and take in the relationship between the White House and Congress than the business community has been accustomed to in the last eight years. The presidential veto, which President Reagan exercised with great success, is expected to give way to compromise and conciliation. And, debates framed by ideological differences in the past will be replaced by more pragmatic, legislative compromises in the future.

The Executive Branch promises to be a proactive arm of government under President Bush. In contrast to Ronald Reagan, the 41st president is a Washington insider. From his years of government service, Bush leans more toward using the various agencies at his disposal to shape and manage the economic playing field than did his predecessor. Whether it's from the Justice Department's antitrust division, the Federal Trade Commission, or the Customs Service, the retail industry can expect more regulatory and administrative activity under a Bush Administration.

Thus, as President Bush and the 101st Congress begin to stake out a working relationship, the retail industry must deal with the realities of possible compromises between the two branches on legislative initiatives that have stalled in Congress over the past eight years. During the campaign, President-elect Bush alluded to some of the compromises the business community might expect when he signalled his support for an increase in the minimum wage. His pledge for a "kinder, gentler" nation is expected to take shape with child and health care proposals which may very well carry a price tag for the business community too. From a retailing perspective the most costly compromise of all could come on the federal budget deficit. If the financial markets continue to register uneasiness over the handling of the federal deficit, the new president may at some point be forced to retreat from his no-tax campaign pledge. If so, retailing's vigilance in opposition to such counterproductive revenue proposals as a Value Added Tax must be maintain and strengthened.

The following executive summaries and issues analyses review such potentially critical issues to retailing and examine how a unified industry effort can help shape a successful outcome.

EXECUTIVE SUMMARY - TAXES

PROBLEMS AND OBJECTIVES:

- The Gramm-Rudman-Hollings budget law mandates a deficit target of $100 billion in fiscal year 1990, but the Congressional Budget Office recently announced that the actual deficit more than likely will exceed that target by $41 billion. Since many members of Congress believe that the bulk of federal programs that can be cut to shrink the deficit already have been, the threat of more tax increases is very real. While the new 101st Congress may follow the band-aid approach of the 100th Congress by extracting revenue from a hodgepodge of tax gimmicks, the adoption of a more comprehensive tax proposal, such as base-broadening measures, is more likely. —— *Retailing must not let down its guard concerning the threat of broad-based consumption taxes such as a national sales tax, a value added tax, a business transfer tax, and an electronic funds transfer tax or other such schemes devised as a solution to the deficit crunch.*

- While it remains to be seen what impact, if any, the National Economic Commission will have on the federal deficit crisis, there are enough political heavyweights on the panel that their mission is being taken seriously. —— *Retailing has stressed to the NEC that the solution to the long-term deficit lies in continued economic expansion coupled with restraint in the level of federal spending as a percentage of GNP rather than increasing taxes.*

- Retailers, long high effective rate taxpayers, benefited in the long run by the Tax Reform Act of 1986 (TRA 86) and were successful in protecting the corporate and individual rate structures in the 100th Congress. —— *Retailers must continue to monitor the status of other provisions in the tax code, such as the targeted jobs tax credit, installment sales, and the tax treatment of debt vs. equity financing, all of which can have a major impact on the industry.*

RECOMMENDATIONS AND STRATEGY:

- Retailing should prepare a nationwide grassroots lobbying campaign in opposition to tax schemes that are regressive in nature and unfairly burdensome to the American consumer. This campaign should include traditional lobbying tools such as consumer letters and Congressional visits, as well as maintaining a close working relationship with the National Economic Commission. In addition, retailing should consider working with allies from other industries to broaden the opposition to consumption taxes.

- The Federation should continue meeting with the newly appointed Treasury officials as well as the chairmen and other key members of the Finance and Ways and Means Committees to reiterate opposition to broad-based consumption taxes. The Federation must establish relations with the 10 new Senators and 36 new House Members to familiarize them with these and other retail issues, as well as establishing an on-going working relationship with each of them.

- Retailers must maintain active participation in the Retail Tax Committee of Common Interest as well as an association with broader-based business groups such as the Tax Reform Action Coalition which has become a "no rate change" coalition.

EXECUTIVE SUMMARY -- TAXES

ADDENDUM

RECOMMENDATIONS AND STRATEGY:

- Retailing should favor a program of spending growth control as a means to reduce the budget deficit.
- Under a spending growth control program, the emphasis would be on reducing the federal deficit by holding the rate of growth in spending to below the rate of inflation and the rate of economic growth.
- Retailing should favor a budget package in which spending growth control is combined with:

  - Increased revenues from a growing economy, and

  - Reduced interest costs which result from reduced borrowing needs to achieve deficit reduction.

- Retailers should oppose programs for reducing the deficit by increasing taxes and should insist that the Congress and the president focus on the "real" deficit—excluding surpluses in the social insurance trust funds from their calculations.

EXECUTIVE SUMMARY - EMPLOYMENT

PROBLEMS AND OBJECTIVES:

- Although the business community scored a surprising victory in stalling a 39% increase in the minimum wage during the 100th Congress, the victory may be short-lived. Remarks by President-elect Bush in support of a modest increase make chances of passing some increase in the 101st Congress highly likely. —— *Working through the Retail Industry Task Force on the Minimum Wage, the industry must ensure that any wage hike does not trade a higher rate for amendments which have little or no benefit to the industry.*

- Proposals which mandate standardized health care coverage for full and part-time employees threaten the ability of retailers to offer flexible employee benefit packages. —— *Retailing must make its case before the Senate and House labor committees that these proposals lessen the flexibility of retailers to meet the needs of employees while significantly increasing the cost of doing business.*

- Efforts to create state risk pools to provide coverage for uninsurable or non-working Americans will be funded by direct levies on employers and create a double burden for those employers already providing employee health insurance. —— *Working through the state retail associations, the Federation must coordinate industry efforts in the state capitals to resist such initiatives.*

- Increased attention to work/family issues, worker rights and safety in the workplace promises a full agenda of employee benefit proposals in the 101st Congress and in the state legislatures. It is increasingly unlikely that the business community will be able to completely prevent the shift in cost of some of these programs from the public to the private sector, given the pressures to hold federal spending in check to deal with the budget deficit. — *Retailing must realistically identify those proposals, if any, that would have the least costly impact on the industry, while continuing to emphasize to Congress that the total cost of mandated benefits would fall disproportionately on the labor-intensive retail industry.*

RECOMMENDATIONS AND STRATEGY:

- The American Retail Federation will continue to coordinate industry-wide efforts to ensure that any increase in the minimum wage which is negotiated is delayed or amended to minimize its impact on retailing.

- The American Retail Federation should undertake an industry-wide survey of current employee health insurance coverage to gather data necessary for determining the potential impact of various mandated employee health care proposals.

- The American Retail Federation should increase the coordination of state retail association lobbying to react to state health care initiatives which impact retailing. Efforts will include sharing information, studies and expertise as well as reaching out to non-retail allies in a broad-based coalition effort.

- The ability of state retail associations to respond to increasingly frequent industry requests for grassroots campaigns should be enhanced. Providing the necessary personnel, material and funding to strengthen this highly effective lobbying tool must be an industry priority in light of the numerous labor initiatives expected in the 101st Congress.

- Highest-level retail involvement in the national public health-care policy debate is critical to assure that the industry is not unfairly burdened as proposals to deal with health care issues are developed.

EXECUTIVE SUMMARY - TRADE

PROBLEMS AND OBJECTIVES:

- U.S. textile and apparel negotiating policy is moving step-by-step toward more protectionism through what is called a "comprehensive negotiation position." —— *Retailers must reverse the process of comprehensive negotiations and develop a new policy and framework for both bilateral textile negotiations and the Multifiber Arrangement (MFA).*

- The continued use of quotas as the means for controlling textiles and apparel and other consumer goods is causing distortions in merchandise mixes and is beginning to seriously limit supply. —— *Quotas as an international means of protection must be challenged in both the Uruguay Round and the Textile Committee of the GATT which has responsibility for the Multifiber Arrangement.*

- The textile lobby has already announced its intent to reintroduce some form of quota legislation in the 101st Congress because of changes in the composition of the Senate and the House in the fall elections. —— *Retailing must institute an aggressive lobbying program to prevent a groundswell of support for textile quotas and to ensure that the Bush administration adopts a position consistent with that of the Reagan White House.*

- Retailers and importers are being subjected by the U.S. Customs Service to a succession of protectionist and harassing procedures which can only amount to multiple jeopardy. —— *The administration of the Customs Service must be put back on a business administration basis and not used as a protectionist weapon.*

RECOMMENDATIONS AND STRATEGY:

- The Federation and RITAC will aim a series of communications at the Administration and members of Congress setting forth the specific costs and market disruption that U.S. textile and apparel policy has had on the consumer market, other industries and on our relations with foreign countries.

- The RITAC program which began in 1988 to develop closer communication and coordination with exporting nations regarding their positions on the MFA will be continued and amplified through a series of meetings and informational brochures.

- Through the system of State Department cleared advisors, RITAC will continue its role as the coordinator for retailing's participation in the textile and apparel bilateral negotiations.

- A multi-industry study about the affects of quota on markets will be promoted to respond to congressional and International Trade Commission investigations on the economic effects of U.S. import restraints, and as the basis for further action in multilateral negotiations.

- Early in the 101st Congress the Federation and RITAC are commencing a major legislative effort to block enactment of protectionist textile and apparel legislation, and intensifying lobbying activities within the new administration to ensure that the White House veto policy remains consistent with the position of the last eight years.

- The Federation is preparing papers and charts which demonstrate the market disruption that the current textile negotiating posture and proposed quota legislation have not only on retailers and importers, but on domestic apparel manufacturers too.

EXECUTIVE SUMMARY - OTHER ISSUES

PROBLEMS AND OBJECTIVES:

- Although consumer credit legislation has lost some of its urgency in Washington, federal legislation which affects consumer credit could appear at any time with new chairmen at the helm of the Senate and House banking committees in the 101st Congress. Increasing pressure on Congress to deal with unresolved issues in financial services could spill over into consumer credit too. Action on credit legislation is anticipated in 15-20 states during the upcoming legislative sessions. Serious takedown efforts are expected in at least 6 states, with less serious attempts anticipated in 5 other states. Retailing and other credit grantors are considering legislative attempts to deregulate credit rates in at least 5 states. —— *Both the Federation and state retail associations must monitor all legislation dealing with credit and financial services to determine its impact upon retail consumer credit.*

- Declining service standards in the United States Postal Service (USPS) is beginning to impact businesses' mail flow and cash flow, due to slower receipt of payments by mail. Coupled with higher costs and losses in productivity, the deterioration in postal service threatens to bottleneck business communications. —— *The Federation is working with the USPS Mailers Technical Advisory Committee and other mailers to achieve greater productivity in the Postal Service to preserve mail services in this electronic message era.*

- The way consumer goods are produced, packaged and shelved is now critically examined by state and federal legislators who are concerned about the volume of hazardous waste generated by these products. —— *Retailing has commenced a pilot study and program to identify problems and solutions unique to retailing for dealing effectively with the packaging, labeling and recycling of materials.*

- The Federal Trade Commission has begun, and is likely to increase, its revision of trade regulation rules dealing with marketing of consumer products and services. —— *Retailing will continue to monitor and work with Federal Trade Commission and Justice Department officials to limit non-productive and non-competitive regulation of the consumer marketplace.*

- The cost efficiencies which were achieved through federal deregulation of motor carrier transportation continue to be eroded through state regulation of intrastate transportation. —— *Retailers must continue to work for federal preemption of state economic regulation of motor carriers and to limit state regulatory action which add additional transportation costs to the retailer's bottom line.*

RECOMMENDATIONS AND STRATEGY:

- Under the direction of the ARF Government Affairs Committee, the Federation will monitor and respond to important retail issues such as those mentioned above as they develop.

ANALYSIS OF TAX ISSUES

REVIEW OF 1988

When it came to major tax legislation, the status quo prevailed in 1988. For the first time in nearly seven years, Congress did not attempt to re-write the tax code nor find new sources of revenue for a federal government that continues to spend far more than it collects. Since 1988 was an election year, the leaders of Congress merely avoided the subject of tax increases out of political necessity. With the exception of the often maligned but eventually salvaged technical corrections bill, Congress simply had no stomach for a tax bill.

For retailing, 1988 meant that years of lobbying for more equitable tax treatment finally began to bear fruit as the rate reductions of the Tax Reform of 1986 took effect. For too long retailers occupied the unenviable position of high effective rate taxpayers; however, through unity and concentrated lobbying efforts, the industry has made great gains toward more equitable tax treatment with the enactment of the '86 Tax Act.

The retailing industry was in the forefront of the decade-long battle for tax reform and rate reduction. The Tax Reform Act of 1986 broadened the tax base, eliminated many tax preferences of no advantage to retailing, reduced the number of individual tax brackets from 14 to two, and reduced individual rates from a low of 11% and a high of 50% to two rates of 15% and 28%. It reduced the top corporate tax rate from 46% to 34%, and removed over six million low-income taxpayers from the tax rolls.

PROBLEMS AND OBJECTIVES

In contrast to 1988, many insiders expect 1989 to be a year of reckoning on the revenue side of the budget ledger. Despite President Bush's no tax pledge, conventional wisdom holds that the president's honeymoon period with the 101st Congress will be brief and that, when serious negotiations begin on the budget deficit, taxes will be on the agenda.

Adding to the pressure for a tax hike is the Gramm-Rudman-Hollings Budget Act. The new administration and Congress are up against a deficit reduction law which calls for a deficit target of $136 billion in Fiscal Year 89, $100 billion in FY 90, $64 billion in FY 91, $28 billion in FY 92, and a balanced budget in FY 93 — a two year slippage from the original target date of 1991. While the deficit may exceed the targets by $10 billion before sequestration is required under Gramm-Rudman-Hollings, most predictions show the deficits coming in at far above the $10 billion cushion. In fact, in early January the Congressional Budget Office (CBO) announced new estimates that put the FY 89 deficit at $155 billion and the FY 90 deficit at $141 billion.

Few on Capitol Hill believe these mandated deficits can be met by spending cuts alone. In addition, many tax specialists both inside and outside Congress doubt that enough revenues can be squeezed from tinkering with the current tax code, particularly if changes in the rates are off limits. The critical question facing new national leadership in 1989 will be whether those deficit targets can be met without new taxes. Key Congressional tax-writers and other insiders are already laying the foundation for this debate. Some of the discussion has focused on areas outside the traditional concept of taxation on capital and more in the direction of base-broadening concepts, such as consumption taxes.

Consumption taxes are a part of all such discussions not only in Congress but at the National Economic Commission, which was established by Congress to address the budget deficit crisis. While the role of the NEC in the deficit process remains to be seen, there are enough political heavyweights on the panel that its ability to shape the budget debate should not be underestimated.

For retailing the emerging debate poses at least two problems. First, retailing has much to lose if the lower rates of the 1986 Tax Act are revised upward. That tax bill not only put retailing's effective tax rate more on a par with other industries who were historically taxed less, but it placed more disposable income in the hands of the average American consumer. While the '86 rates were "off limits" in the 100th Congress, the 101st Congress may not find itself as devoted to those income tax rates.

ANALYSIS OF TAX ISSUES

Secondly, retailing must steer the growing discussion of alternative revenue sources away from consumption taxes. During the past two decades, retailing has fought a long and constant battle against the emergence of a Value Added Tax (VAT), a National Sales Tax, or other consumption taxes which have been proposed and debated as attractive sources of additional federal revenues.

In 1970, for example, the Cambridge Research Institute conducted a study for the ARF on the effects of a VAT. The study found that "the introduction of a VAT in this country would have two immediate effects: (1) a rise in consumer prices as retailers pass the tax forward to the consumers; and (2) a decline in total unit sales to the extent that consumers did not use savings to maintain their pre-VAT levels of consumption." In 1980, then-Chairman Al Ulman of the House Ways and Means Committee proposed a Value Added Tax as part of a tax restructuring act. The Federation sponsored a second study by the Cambridge Research Institute which found among other things that a VAT would create sharp price increases and disrupt the marketplace by stimulating a surge of anticipatory buying coupled with a post-enactment lull in consumer purchasing.

As the Reagan Administration moved toward tax reform, retailing commissioned two additional studies. The first study compared conventional tax increases to a modified flat tax, a Value Added Tax, and a consumption tax. The second study, which was conducted for ARF by the Institute for Research on Economics of Taxation, examined the economic effects of a consumption tax on retailing.

These broad-ranging studies of our nation's tax policy over a period of sixteen years have established a strong foundation from which the retailing industry can project the problems and issues which will confront the industry and the consumer as a result of the inevitable direction of the debate regarding new tax initiatives in the near future.

At the outset of the 101st Congress, it appears that several options for increasing revenues are being reviewed at the staff level. Those options and their revenue potential are summarized below.

Income taxes:
The CBO estimates that increasing the individual income tax rates from their current rates of 15 and 25 percent to 16 and 30 percent (and increasing the rate for "phase out" income from 33 percent to 35 percent) would yield annual revenues ranging from $19 billion to $36 billion from 1989 to 1993 for an average of $29 billion annually. The CBO further estimates that increasing the top corporate income tax rate from its current 34 percent to 35 percent would affect only 10 percent of corporate taxpayers, but 90 percent of all corporate taxable income, and raise about $2.7 billion in annual revenues.

Excise taxes:
The Federal Government currently levies excise taxes on several products, including liquor, wine and beer, cigarettes, telephone service, gasoline, gasohol, diesel fuels, coal, automobiles that are "gas guzzlers," tires, fishing equipment, certain firearms, air transportation, and chemical feedstocks. The so-called "sin taxes," liquor, wine and beer, have been increased frequently in recent years and are always on the short list of possible tax increases. However, formidable lobbying coalitions have reacted against these "Joe six-pack" taxes and are beginning to hold their own on Capitol Hill. Excise taxes generated a total revenue in Fiscal Year 1987 of $32.5 billion.

Energy taxes:
These include proposals for an oil import fee or a levy on both imported as well as domestic oil. There is a direct inflationary impact according to the CBO which estimates that a $5 per barrel excise tax would increase the price of a barrel of oil by 28 percent and the price of a gallon of gas by about 12 cents. An import fee would also raise production costs in petrochemicals and paint. The revenue estimate for a tax on both domestic and imported oil is $21 billion a year over a four-year period from 1989 to 1993.

Another energy-related tax that has received consideration is an increase in gasoline taxes. The federal motor fuels tax is currently 9.1 cents per gallon of gasoline and 15.1 cents per gallon of diesel fuel. The CBO estimates that increasing the federal motor fuels tax by 12 cents per gallon would yield an average of $11 billion a year, about $1 billion per

ANALYSIS OF TAX ISSUES

year for each cent per gallon of tax. The gas tax is frequently mentioned because an increase would be easy to administer, although the revenue estimate is relatively low compared to the other options. In addition, the funds from this tax are currently earmarked for the Federal Highway Trust Fund and any attempt to divert the revenues to the general fund would face strong political resistance.

Value Added Tax:
The Treasury Department estimates that 20,000 additional IRS employees and an annual expenditure of $700 million would be needed to administer a VAT. The compliance costs for taxpayers would increase considerably too. The CBO estimates a 5 percent VAT imposed on total personal consumption expenditures would raise $77 billion to $139 billion annually from 1990 to 1993 (an average of $23 billion per percentage point); a 5 percent VAT with exemptions for food, housing and medical care would raise $44 billion to $80 billion annually over the same period ($13 billion per percentage point). The large revenue potential of a VAT raises concerns that its proceeds might be used to fuel additional government spending, rather than be used solely to reduce the deficit.

Retail Sales Tax:
A retail sales tax would yield relatively large tax revenues to the U.S. Government. The CBO estimates that a retail sales tax would generate the same revenues as a VAT. A 5 percent sales tax levied broadly on total consumption expenditures would yield revenues totaling $77 billion to $137 billion annually from 1990 to 1993 (an average of $23 billion per percentage point); a 5 percent retail sales tax with exemptions for food, housing and medical care would raise $44 billion to $80 billion annually over the same period ($13 billion per percentage point). The American Council for Capital Formation estimates that a 10 percent retail sales tax would yield about $260 billion at 1984 income levels.

STRATEGY AND RECOMMENDATIONS

The retailing industry has done an excellent job over the past ten years in counteracting VAT proposals by highlighting the regressive nature of consumption taxes and their impact on consumer spending. However, with an ever-changing cast of policymakers in Washington and with the budget deficit problem continuing to grow, the industry must position itself to play a more aggressive role in the ensuing debate on consumption taxes. The Retail Tax Committee of Common Interest and other retail groups have laid the foundation for coordinating the industry's participation in this debate.

Further complicating the picture is the possibility of a taxpayer bailout of the crippled thrift industry in the near future which could add anywhere from $50 billion to $125 billion to the current budget deficit. Thus, it's clear that the need for major revenues will remain with us through the early nineties and beyond. The retailing industry will be particularly vulnerable to the threat of major tax increases in the years ahead because of the large revenue estimates associated with consumption taxes.

ANALYSIS OF EMPLOYMENT ISSUES

REVIEW OF 1988

The extensive legislative agenda proposed by Democratic members of Congress at the behest of organized labor in the 100th Congress went largely unrealized. The only major bill which saw enactment was mandatory advance notice of business closings or mass layoffs, and that effort required substantial modification and political maneuvering before it could garner the support necessary for passage.

Additionally, sponsors of long-time legislative efforts to ban the use of polygraph testing in the private sector judged it politically wise to modify the original bill. The compromise bill prohibits pre-hire and random testing, but permits the limited use of testing by employers when a workplace abuse occurs. Many in the business community, including a substantial portion of the retailing industry, chose to support this approach and the compromise measure became law in December of 1988.

The retail industry, working with other allies from the business community, prevented passage of its highest priority labor bills: an increase in the minimum wage; parental leave; and mandated employee health insurance. Consistent pressure from large and small businesses made members of Congress facing re-election uncomfortable with voting on these bills. In the House, pressure was brought to bear on Speaker Jim Wright not to schedule these proposals for floor consideration.

The Senate debated both the minimum wage and parental leave bills at length but Senators used procedural votes to defeat cloture, thereby continuing debate indefinitely to avoid voting on final passage. Although the House passed the high risk occupational disease notification bill, the Senate once again defeated four cloture motions and forced proponents to withdraw the bill without voting on final passage.

PROBLEMS AND OBJECTIVES

Congressional sponsors of unsuccessful bills have clearly stated their intention to reintroduce and pass such measures as an increase in the minimum wage, a national parental leave policy, child care legislation, high risk occupational disease notification, standards for employee drug testing programs and the highly controversial mandated employee health care legislation. In addition, new attention will be given to retiree health benefits and employee pension programs and the expansion of anti-discrimination legislation regarding employment of the handicapped.

Efforts to assure adequate health care to Americans currently uninsured will squarely impact the retailing industry as methods of funding long-term health care for the elderly are debated. This debate is expected to include the possibility of removing the cap on the Social Security payroll tax. And efforts to shift funding of critical care and unreimbursed hospital care from federal to private dollars will once again lead to discussions of an employer-paid payroll tax to fund risk pools for uninsured and uninsurable Americans.

In the debate and possible action in the employee relations area for the remainder of the decade and perhaps beyond, three factors seem clear. First, organized labor will continue to put forth its program for the decade, with each item on that agenda having substantial and clear implications for a labor-intensive industry such as retailing. The industry must continue to participate actively and diligently in the discussion of these legislative initiatives, educating members of Congress and the Administration on the impact of such bills on employment, wages, as well as the broader impact on consumers and the economy.

Second, attempts by moderates in both political parties to develop compromise approaches to such policies as child care, parental leave, high risk notification and a minimum wage increase portend a more difficult task in keeping many of these politically charged bills from becoming law in the next several years. Republicans, including the President- and Vice President-elect, have given support publicly to a modest wage increase and national parental leave and child care policies. It

will be increasingly difficult for members to oppose these measures without falling into the politically dangerous "compassion gap syndrome." Retailers must ensure that compromises or alternatives are developed only with a clear and full understanding of their impact on our industry.

Third, the state legislatures will take on even greater importance to retailing in the next several years. Organized labor is redoubling its efforts to increase minimum wages under state law, to pass parental leave bills at the state level, to effect mandated employee health insurance bills and to urge formation of state risk pools funded by employers. While the Congressional agenda in these areas will require close monitoring, activity in the state legislatures will very likely have a direct impact on the federal agenda. The state retail associations will assume an even greater importance to the industry as these initiatives develop. Consequently, the industry's ability to share resources, information and data through the coordination of ARF and the state retail associations will be critical to successfully fighting these proposals simultaneously at the federal and state levels.

STRATEGY AND RECOMMENDATIONS

As in the past the retailing industry must continue to work with other business groups, where possible, to present a broad and united response to employee benefits legislation. However, as potential compromises are introduced, retailing must ensure that its leaders are active and visible participants in the debate so the risk of these proposals on labor intensive industries is properly identified and considered before those compromises move forward. A complete and detailed understanding of the effect of various proposals on retailing, particularly in the employee health care area, is critical to the formulation and shaping of policy. Therefore, the industry should undertake a thorough analysis of the current status of employee health care in the industry to determine which of the anticipated mandatory legislative initiatives would be least deleterious to retailing. The data should be collected and the findings presented in a manner which can be used to impact the outcome of mandated employee benefit proposals before state legislatures or those expected to be introduced in the 101st Congress.

Once the analysis is complete a program should be developed to communicate its results to members of Congress, the Administration, state government officials and the media. The analysis should reflect not only the impact of initiatives on the retail industry, but the more subtle effects on employment, other employee benefits, inflation and the general impact of health care initiatives on the American economy and the consumer. Every effort should be made to develop public awareness campaigns, coordinated through ARF, in the states where initiatives are being debated or are expected. To the extent possible, industry leaders should take part in the public awareness effort, meeting with Congressional members and state legislators as well as Administration officials to increase the level of understanding of the costs associated with mandating many of these programs in private employment.

Finally, the state retail associations should be incorporated even more closely into the industry effort, coordinating public awareness programs at the state level in cooperation with ARF and organizing grassroots efforts among large and small retailers to bring about the desired legislative results.

ANALYSIS OF TRADE ISSUES

REVIEW OF 1988

During 1988 the American Retail Federation and the Retail Industry Trade Action Coalition had four major trade objectives: (1) defeat the Textile and Apparel Quota bill; (2) amend the Omnibus Trade bill so that it ceased to be protectionist, anti-consumer legislation; (3) establish a framework for eliminating quotas from textile and apparel trade and have an impact on bilateral negotiations; and (4) establish within the new Uruguay round of multilateral trade negotiations an alliance on principal issues which will generate greater market access and promote two-way trade throughout the world.

Early in the 100th Congress retailing succeeded in preventing the textile lobby from attaching the quota bill to the Omnibus Trade bill. RITAC launched a major weekly effort to educate Congress and the administration on the profitability and success of the U.S. textile and apparel industry. This effort was highly successful and the supporters of the quota bill subsequently attempted to broaden their base by amending the bill to bring in support from the agricultural sector. While the amended bill did pick up marginal support, in the end the textile quota bill was defeated by a very narrow margin. Through the leadership of Senator Dan Evans in the Senate and Congressman Dan Rostenkowski in the House of Representatives, those opposed to the bill remained adamant in their stand against it and the President's veto was sustained.

It was decided early in the 100th Congress that it would be necessary for retailing to help pass an Omnibus Trade bill to reduce the "urgency" of the Textile Quota bill. As introduced, the Omnibus Trade bill was filled with protectionist and anti-consumer provisions including: a private right of action to deny repeated offenders of Customs violations the right to import (scofflaw); a provision which reduced presidential discretion in temporary import relief (Section 201); a provision which imposed mandatory quota auctioning in Section 201 cases; a provision which changed procedures for allowing temporary relief which would reduce the authority of both the International Trade Commission and the President; a provision which required mandatory trade retaliation based upon trade surpluses (Gephardt Amendment); a provision which reduced presidential authority in initiating unfair trade practice actions and in imposing sanctions at the conclusion of such investigations; a private right of action for anti-dumping cases; a new valuation in anti-dumping cases based upon the "export sales price;" a notification requirement for business closings; a provision which required disclosure for foreign investors and restrictions on foreign investments.

Retailing organized and administered the Pro-Trade Group, a coalition of virtually all U.S. organizations representing importers and exporters, as well as farming and consumer groups, to present a united front against protectionist elements in the Omnibus Trade bill. The coalition numbered nearly 300 organizations by the end of the lobbying effort. Eleven of the fourteen identified major problems were removed from the bill and it became law late in 1988 prior to the Textile and Apparel Quota bill fight.

In bilateral textile negotiations, retailers and importers obtained a provision within agreements with non-market economies stating that contracts are only completed when valid quota accompanies the goods shipped on an export visa. Many categories were merged in order to give buyers more flexibility. Visa verification systems were strengthened in China, Dominican Republic, Turkey, Sri Lanka, Mexico, and Brazil. The Thailand agreement expired at the end of 1988 creating great uncertainty in that market.

Retailers led a major attack against continuing the comprehensive negotiation strategy of the United States and continuing the Multifiber Arrangement. Retailing has established a working relationship with the countries of the International Textile and Clothing Bureau in Geneva, which represents 19 of the lesser developed countries (LDCs) that export textiles and apparel to the United States. Working in conjunction with these countries, ministers of the General Agreement on Trade and Tariffs (GATT) agreed in Montreal to begin serious negotiations on the future of textiles and clothing in international trade so that during the next two years specific negotiation positions will be advanced and replied to by the GATT participants. In addition, working with other countries, a proposal was presented to the GATT ministers in Montreal to require that the commitment to "standstill and roll back," agreed to at Punta del Este two years ago, apply to textiles and clothing as it does to other sectors of trade. Enforcing this commitment is the key to stopping the step-by-step protectionism that is occurring in the Multifiber Arrangement and the bilateral textile and apparel agreements.

ANALYSIS OF TRADE ISSUES

PROBLEMS AND OBJECTIVES

The U. S. textile policy as administered by the Reagan Administration has been one continuous policy of providing more protection step-by-step through what is termed a "comprehensive negotiating position." This will eventually result in global quotas. Negotiators have accomplished this goal by building into each bilateral agreement aggregate and group quota levels which effectively cap the exports from a given nation. Virtually all quotas in bilateral agreements are based on the historic quota allocated to a nation with a percentage growth allowed each year. However, this bears no relationship to the country's capacity to produce, the price range or quality of the goods produced.

Consequently, as countries become more advanced and their labor supply diminishes, the price point on their goods steadily rises. And, other countries which are capable of producing within the price points and quality that the United States retailers and importers are seeking do not have the quota with which to trade. The negotiating policy of the United States is now causing serious distortions in the merchandise mix and in the availability of goods. It is necessary to change the framework regarding the amount of quotas allowed and the future existence of quota as a means of protection.

During the past four years the textile and apparel coalitions have used the textile and apparel and footwear quota bill to give them leverage in extracting greater concessions from the Administration during negotiations. The textile coalition will continue to use legislation as a threat. The textile quota bill has been passed and vetoed with the veto sustained in both the 99th and 100th Congress. The bill will again be introduced in the 101st Congress even though trade legislation will not be the primary objective of the first session of the 101st Congress. Furthermore, both the House Ways and Means Committee and the Senate Finance Committee, which have jurisdiction over trade matters, will be tied up with other issues, including budget, fiscal and tax issues. Nonetheless, the textile lobby is expected to introduce a bill almost immediately and pressure will mount for congressional action once again. Retailers and importers have lost several of their staunch supporters in both the Senate and House and it is necessary to find new leadership to oppose quotas and protectionist legislation.

STRATEGY AND RECOMMENDATIONS

In 1989 the new Bush administration will offer an opportunity for a major review of the United States textile and apparel administration program. The first of the opportunities is in the appointment of trade officials. The second opportunity is a study by the U.S. International Trade Commission on the effect of import restraints on the U.S. economy. In addition, the United States will have to prepare additional position papers for the spring meeting of the GATT ministers in the Uruguay round of multilateral trade negotiations.

The retail industry must place before the ITC commissioners and before the GATT strong position papers and studies showing the devastating effect quota restraints have on markets. A study is being organized which would look at quota administration in many sectors, including textile and apparel, automobiles, steel, as well as other restraints on the flow of goods to show the effect which these restraints have on products and prices in the consumer market. In addition, retailing will continue its strategy of working with the exporting countries to develop a different framework for allocating current quota and for building a mechanism for eventually phasing out the Multifiber Arrangement.

In the legislative area retailing must take an affirmative position to block the progress of new textile, apparel and footwear legislation. The industry should continue to use RITAC to voice its opposition to textile quotas and to keep the pressure on Congress to stall any consideration of textile legislation. First, the industry must try to prevent a groundswell of support for the issue by dissuading members of Congress from cosponsoring a textile bill. Second, the industry must lobby the Bush administration to assure that it adopts as strong a veto posture as that followed by the Reagan White House.

In recent years apparel manufacturers have begun to feel the effect of the severe quota restraints already in place. In 1986 and 1987 when U.S. textile plant capacity utilization was nearly 96%, many apparel manufacturers experienced severe

ANALYSIS OF TRADE ISSUES

delays and lost flexibility in obtaining cloth for their production. Apparel manufacturers were increasingly skeptical toward the textile, apparel and footwear quota bill in the 100th Congress, but there was no major split in the alliance. With the beginning of a new Congress, efforts are underway to convince the apparel manufacturers that they have much to lose with the continuation of a rigid quota system that limits the availability of their supply as well as the supply for retailers and importers. Any split in the textile, apparel and footwear alliance would work to benefit retailers in our fight against quota legislation.

One final area of action by the retail and import communities will be in the area of Customs. The regulations, rulings, delays and investigations of the U.S. Customs Service now appear to be protectionist moves to harass those persons importing into the United States. By a technical application of the rules, the U. S. Customs Service is able to create non-tariff barriers to the flow of goods. Although a legal attack through rulemaking and negotiations with the U.S. Customs Service will be required, there must be political pressure to reverse the factors which caused the Customs Service to take these onerous positions. Retailers and importers must unite in building the political pressure necessary to reverse rulings such as the dutiability of Customs quota costs now under consideration.

ANALYSIS OF OTHER ISSUES

REVIEW OF 1988

The Federation's legislative priorities in 1988 included trade, taxes, employment issues and consumer credit. Those issues encompassed the great majority of the Federation's activities. However, during 1988, more than 50 legislative and regulatory issues covering hundreds of bills were handled by the Federation under the direction of the ARF Government Affairs Committee.

In state legislatures in 1988, the Federation, state retail associations and retailing allies defeated or bottled up in committee 162 consumer credit bills in 33 states. In addition, legislatures in Kansas and California reversed their previous decisions so that sunset losses in those states have been reversed; giving the credit-granting industries victories in all five 1987-1988 sunset states.

In the fall of 1987, the House of Representatives passed the Credit and Charge Card Disclosure Act of 1987 after defeating a rate cap amendment sponsored by Rep. Frank Annunzio (D-Ill.) by a vote of 356-56. The Senate, at the close of the first session of the 100th Congress, passed a companion bill. During the entire 2nd session of the 100th Congress, House and Senate committees carried on an informal conference discussing ways to settle the differences between the two bills. Midway through 1988, the Federation's Government Affairs Committee decided that it would push for enactment of a disclosure bill in 1988. The industry decided that the existing bills contained the key elements which retailing sought in a disclosure bill and that the likelihood of obtaining these same key elements in future legislation was remote. With a push from retailing and other business interests, the House and Senate resolved their differences and the Credit Charge Card Disclosure Act of 1987 was signed into law at the close of the 100th Congress.

The Federation, as a full intervenor in the postal rate and fee cases (R87-1), presented the principal case on First Class mail costs. The Postal Rate Commission issued a decision on March 4, 1988, recommending across-the-board increases in postal rates. The Federation had two major objectives in the proceedings. The first was to maintain or increase the 4 cent discount for 5-digit presorted mail and discount of carrier sorted First Class mail. The second objective was to establish that the cost of avoidance measures used by business mailers should be included in the federal government's determination of presort savings. The Commission recommended that the 4 cent discount be retained and that the discount for carrier sort mail be increased to 5.5 cents. In addition, the methodology for determining presort savings, which was advanced by the Federation, was adopted by the Postal Rate Commission and later by the Postal Board of Governors. This will result in additional discounts in future postal rate and fee cases. As the U.S. Postal Service increases mechanization of postal sorting, the discount will be retained and the cost avoidance measures will be included in the computation of the discount.

In 1988, two major legislative campaigns were carried out in the transportation area. During both the 99th and 100th Congresses there were attempts to substantially amend the Staggers' Act to re-regulate rail transportation. That effort was defeated in the 100th Congress through a broad coalition of railway shippers. The second major campaign has been to obtain hearings and new legislation to further deregulate motor carrier transportation and to finally sunset the Interstate Commerce Commission. Although there has been continual legislative attention to this issue, the 100th Congress adjourned without any significant action.

At both the state and local level there is increased focus on the handling and storage of hazardous consumer products. In addition, new federal regulations have been promulgated requiring employers to inform employees on a "right-to-know" basis of hazardous products in the work environment. The federal government is also promulgating new regulations on the disposal of hazardous products. The American Retail Education Foundation provided additional information on the administration of these local state and federal laws to the 1988 National Conference of State Retail Associations. In preparation for what promises to be an extremely busy year in the states in the hazardous waste area, the Foundation is currently reviewing a proposal to expand its publications on the disposal of hazardous products to an educational program on identifying, handling, transporting and disposing of hazardous consumer products.

ANALYSIS OF OTHER ISSUES

PROBLEMS AND OBJECTIVES

In consumer credit and financial services, legislative activity has been sporadic over the past decade as a result of differences between the respective chairmen of the House Banking Committee and the Senate Banking Committee. With new chairmen at the helm of these committees, the 101st Congress promises to be different. Although in the 100th Congress a proposed rate cap on consumer credit cards was soundly defeated, the proponents of that measure are still active in the banking committees and may at any time try to insert an amendment dealing with rates or further regulation of consumer credit. With the change in committee chairmen comes changes in the subcommittees as well. Legislators trying to achieve some notoriety with consumer groups will be looking for issues in the credit area.

With the escalating costs of U.S. mail, the ARF Transportation and Postal Committee has been working in conjunction with the Mailers Technical Advisory Committee of the U.S. Postal Service to develop new efficiencies in mail service. Budget restraints in 1988 were used as an excuse by the U.S. Postal Service to stop certain functions, including mail pick-up on weekends. This resulted in a slow down in cash flow through the mails. In addition, service standards are generally declining. Furthermore, the advent of the FAX machine is starting a new era in the transmission of messages. The whole idea of privatization has been discussed within the retail community and it has been decided that retailing should seek to address the issues of more liberalized or privatized service on an issue-by-issue basis within the Postal Service rather than as a full move toward privatization. This approach would result in deregulation in areas where there is effective competition.

The focus on solid waste has moved from the handling of solid waste or hazardous products to the beginning of the production cycle, thus controlling by regulation or taxation the packaging and production of goods that result in increased volumes of waste. It is estimated that only nine percent of residential waste is recycled, but that fifty percent of it could be. It is further estimated that thirty percent of today's solid waste stream is composed of packaging (paper-15.6%, plastics-5.0%, glass-8.9%) much of which could be recycled or controlled. State legislatures are now looking at special taxes for packages, as well as labeling and other regulatory requirements. This issue will intensify as landfills become more difficult to manage in urban areas.

In the closing months of the 100th Congress, there was new regulatory activity at the Federal Trade Commission and new legislation dealing with the FTC. The legislation and regulations addressed a wide-range of issues including resale price maintenance, advertising guides, telemarketing fraud and mail order merchandise. Underlying some of this activity was a move to increase the authority of state Attorneys General to act on issues within the FTC's jurisdiction and to create broader class-action rights. In the past, these issues have been advanced with some intensity and retailing has always opposed them. The Federation will be watching these issues on a regular basis to see if there is any new activity which would warrant Federation involvement.

Transportation has always been of fundamental interest to retailing. There is a continuous flow of legislation and regulation that requires constant monitoring as well as regulatory and legislative action. In the 101st Congress there will again be an attempt to amend the Staggers Act to reopen more regulation over the rail industry. In addition, there will be another attempt to sunset the Interstate Commerce Commission. These legislative campaigns have been carried on for several Congresses. It does not appear that they will be successful in the 101st, but they will require continuous monitoring.

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TO: Joe Hagin, Special Assistant to the President
FROM: Joe O'Neill
DATE: March 29, 1989

RE: Annual Meeting appointment with President Bush

Following up on our conversation yesterday, below is an outline of key issues retailing has worked with the White House on in the last several years:

TAXES

The American Retail Federation was an early and active supporter of the Reagan administration's tax initiatives, including the 1981 tax cut legislation, as well as the '86 Tax Reform measure. As you may recall, retailing was in the forefront of the administration's efforts to lower the personal and corporate tax rates even though several specific provisions of the bill actually penalized our industry. ARF and its members were founding members of the Tax Reform Action Coalition (TRAC) which played a key role in keeping the business community hitched to President Reagan's tax proposal. The retail industry remains strongly committed to the President's no tax pledge and his "flexible freeze" approach to eliminating the budget deficit.

TRADE

Trade is another area where the retail industry has provided the administration with strong private sector support. On the textile quota issue, retail companies have been one of the few domestic industries to work publicly and actively in support of the previous administration's veto position on this legislation. Working through the Retail Industry Trade Action Coalition (RITAC), the retail industry coordinated a successful lobbying effort with the White House and the USTR to oppose this legislation during the last two Congresses. Retailing also worked closely with the administration on the omnibus trade bill which passed the 100th Congress. ARF organized the Pro Trade Group which brought together a diverse group of U.S. industries with both exporting and importing interests. The Pro Trade Group worked closely with Trade Ambassador Clayton Yeutter to tighten the legislation and remove its most onerous protectionist provisions.

MANDATED BENEFITS

The current minimum wage and mandated employee benefit debates are areas where the retail industry is working closely with this administration. On the minimum wage issue, for example, ARF has organized a task force that is actively lobbying members of the Senate to support a presidential veto of Sen. Kennedy's wage hike proposal. On other benefit issues, retailing strongly supports the approach recommended by the president to target these benefits more effectively through initiatives such as tax credits rather than creating new bureaucracies to handle these issues.

Joe, I'm indebted to you for arranging a meeting with the President during the ARF annual meeting May 17. I know there are a number of factors you must consider and Room 450 may be the only feasible option. But, let me say if the President's schedule does not permit a morning meeting with a larger group of 100+ retailers, I know a smaller group of CEOs (20-25) for a more intimate and informal meeting with the President would be a major hit. As a final note, per your suggestion, some major administration players who would be particularly well received are: Nicholas Brady, Dick Darman, Elizabeth Dole and John Sununu.

speaking ?

ARF Annual Meeting 5/17/89

ATTENDEES LIST

100-120

Robert O. Aders
Food Marketing Institute

Tabitha S. Aders
Food Marketing Institute

Jenny Aires
Sears, Roebuck & Company

Randolf H. Aires
Sears, Roebuck & Company

Karen Anisfeld
The Limited, Inc.

Robert E. Baker, Jr.
BATUS, Inc.

Reba Blackburn
American Retail Federation

S. Lester Block
R.H. Macy Company

John Carlson
Pennsylvania Retailers Association

Joseph F. Carroll
F.W. Woolworth Company

John G. Cashman
Sears, Roebuck and Company

Garry R. Curtis
The Greater Washington Board of Trade

Mitzi Daines
American Retail Federation

William Kay Daines
American Retail Federation

Elaine Daniels
Mudge, Rose, Guthrie

Michael P. Daniels
Mudge, Rose, Guthrie

Richard C. Darling
J.C. Penney Company

Shirley E. Dave
American Retail Federation

Paul DeRoche
Gr. Providence Chamber of Comm.

Kerry H. DeSantis
American Retail Federation

Steve DeSantis
American Retail Federation

Hans E. Diekmann
Mondial International

Patrick B. Donoho
Revco D.S., Inc.

William B. Downer
Williams-Colonnade Shop

Talis Dzenitis
Sears, Roebuck & Company

Deborah G. Erickson
American Retail Federation

Ken Erickson
American Retail Federation

Joel Feldman
National Assn. of Chain Drug Stores

Michael B. Fisher
Fingerhut Corporation

Susan Flack
Flack, Inc.

Leonard O. Gay
Haverty Furniture Companies, Inc.

Martha A. Gay
Haverty Furniture Companies, Inc.

Loyd Hackler
American Retail Federation

Norma J. Hackler
American Retail Federation

Joseph A. Hoehlein
Virginia Retail Merchants Association

Chris Hoey
F.W. Woolworth Company

Peter C. Hutchinson
Dayton Hudson Corporation

Carolyn Jennings
Direct Selling Association

Edward H. King
Walgreen Company

Noble Kizer
Sears, Roebuck & Company

Chuck H. Knittle
Montgomery Ward

Mariana Knittle
Food Marketing Institute

W. "Bill" Kundrat, Jr.
Florida Retail Federation

Robert J. Levering
Direct Marketing Association

Donald G. Livingston
The Livingston Group

Lola F. Long
American Retail Federation

Robert Michael Long
American Retail Federation

Ann S. Lown
American Retail Federation

John Luchsinger
Swezey's Dept. Stores

Katherine T. Mance
American Retail Federation

Constance Martin
Pennsylvania Jewelers Assn.

Arthur C. Martinez
BATUS, Inc.

Liz Martinez
BATUS, Inc.

Obie L. Moore
J.C. Penney Company

Michael R. Moran
Spiegel, Inc.

June M. Nylin
Fingerhut Corporation

Joseph P. O'Neill
American Retail Federation

Linda A. O'Neill
American Retail Federation

Neil H. Offen
Direct Selling Association

Carl Parks
Sears, Roebuck & Company

Esme Pearson
J.C. Penney Company

Russ H. Pearson
J.C. Penney Company

Cheryl Perrin
Fred Meyer, Inc.

Fran E. Preston
N. Carolina Retail Merchants Assn.

Sumpter T. Priddy, Jr.
Virginia Retail Merchants Association

Harwell Proffitt
Proffitt's, Inc.

James A. Quaremba
Retail Council of New York State

G. Joseph Reddington
Sears, Roebuck & Company

Dwayne Richard
Retail Merchants Assn. of Nebraska

Irwin Robinson
Gr. Providence Chamber of Comm.

Franklin D. Rozak
Cole Vision Corporation

Al Rubin
Al Rubin Appliances

Bill C. Rustin
N. Carolina Retail Merchants Assn.

Ashie Santangelo
Pennsylvania Retailers Assn.

John S. Satagaj
London and Satagaj

David Schmitt
National Home Furnishings Assn.

Donald V. Seibert
J.C. Penney Company

John J. Shea
Spiegel, Inc.

Barsha Shepherd
Safeway Stores, Inc.

John Shepherd
Safeway Stores Inc.

Jean H. Sisco
Sisco Associates

John Skorburg
Sears, Roebuck & Company

Ann M. Smith
McClurkans, Inc.

Ikard Smith
McClurkans, Inc.

A. Robert Stevenson
K mart Corporation

Francis R. Strawbridge
Strawbridge & Clothier

Mary J. Strawbridge
Strawbridge & Clothier

Jack Strayer
National Assn. of Convenience Stores

George Tedesco
American Retail Federation

Maggie Tedesco
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Robert F. Temple
J.C. Penney Company

Barbara J. Thalhimer
Thalhimers Brothers, Inc.

William B. Thalhimer, Jr.
Thalhimers Brothers, Inc.

Marcy Trovalli
Pennsylvania Jewelers Association

Stewart Turley
Jack Eckerd Corporation

Jerry G. Udell
American Retail Federation

Marilyn Udell
American Retail Federation

Joseph F. Vella
Federated/Allied Stores Corp.

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American Retail Federation

Steve Watson
Dayton Hudson Dept. Stores

Tom Weyant
Pennsylvania Retailers Assn.

Lee Williams
American Retail Federation

Vicki Williams
American Retail Federation

Frank J. Williams, Jr.
The May Department Stores Co.

Peter S. Willmott
Carson Pirie Scott & Company

Margaret S. Wilson
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December 26, 1988

SECTION: Vol 4; No 35; Sec 1; pg 1

LENGTH: 1469 words

HEADLINE: Year of Business Surprises, Turmoil Draws to Close, but Questions Remain

BYLINE: Dolores Whiskeyman

DATELINE: Rochester; NY; US

BODY:

Nineteen eighty-eight was a year of shattered assumptions.

The idea that some companies were just too big to be bought out became a quaint notion as RJR Nabisco Inc., the Pillsbury Co. and Sterling Drug Inc. found themselves under new ownership.

For Sterling, the new owner was Eastman Kodak Co., which acquired the pharmaceutical firm in a $ 5.1 billion deal that astonished analysts. Many remain skeptical of the wisdom of the purchase, despite the record profits that Kodak posted in the third quarter.

Kodak's image as the benevolent Great Yellow Father was tarnished in March, when the state Department of Environmental Conservation charged that toxic chemicals from Kodak Park had leaked into the sewer and ground water close to homes on Rand Street. The announcement triggered outrage among residents of the area.

The company's reputation received another blow when reports claimed that Kodak had failed to report toxic leaks at other sites. Nor did subpoenas from the U.S. Environmental Protection Agency -- which the company at first ignored -- do much to reassure Rand Street residents.

Kodak offered a financial bailout to area homeowners and agreed to pay for a cleanup of both Kodak Park and the Rand Street neighborhood, if necessary, but those moves did not forestall a class-action suit nor a grand jury probe.

The Rand Street controversy led neighborhood groups to protest a proposed $ 40 million expansion to Kodak's film fabrication plant. But a deal worked out last week pleased all parties. Kodak will expand, and it has until 1991 to figure out how to cut emissions.

The DEC, meanwhile, will monitor emissions from the plan with a specialist whose salary will be paid by Kodak.

As public health came to the forefront early in the year, so too did the issue of health-care costs. The health insurance burden on area businesses increased dramatically with announcements in April of a 20 percent rate hike

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for Blue Cross and Blue Shield of the Rochester Area. Preferred Care announced a smaller rate hike in April, but came back in the fall with a proposed 17 percent hike for Jan. 1.

Blue Cross blamed the state Department of Insurance for forcing it to wait three years to raise rates, rather than allowing manageable increases year by year. But the company later acknowledged that health costs were rising at an unexpected rate, forcing it to request another rate hike exceeding 20 percent for this year -- about twice the increase it had expected to request.

In an ironic twist, both Blue Cross arid Preferred Care have blamed rising costs on the very system adopted by the state to control them. That new hospital reimbursement system has created no friends for state officials among hospital administrators, who also reported a year of red ink at the operating line.

The hospitals, however, blamed much of their losses on rising labor costs, associated with a shortage of nurses.

The labor shortage in general emerged as a pressing concern. From fast food to fine dining, from department store to supermarket, the tight labor supply has proved an impediment to doing business.

Tops Friendly Markets Inc. delayed by several days the opening of a store in Henrietta for lack of enough workers to staff it, and some retailers were expecting the shortage of workers to make the holiday rush all the more brutal.

Industry reported difficulty in finding skilled labor for a variety of jobs.

The labor shortage also provided fuel for the fight against an increase in the minimum wage. Opponents argued that raising the minimum was irrelevant because employers already had raised wages beyond the mandated floor.

Acquisition fever, not the labor shortage, was the most pressing issue in some sectors of the economy.

Broadcasting was one such industry. In Rochester, the frenzy began early with the announcement that once-dominant WEZO-FM was on the block.

The station sold fairly quickly at a cutrate price -- $ 2 million less than owner Joseph Dorton paid for it in 1986. The station has since shifted call letters to WRMM and changed to a soft-rock format.

WKLX-FM shifted its format in the spring from classic hits to classic oldies, and WBBF-AM dropped its oldies format in favor of country.

In television, WROC-TV 8 went up for sale in April, but as of last week there still were no takers. The station's owners say they aren't in a hurry to sell and won't settle for a price they deem too low.

WOKR-TV 13 also remains on the block, as owner George Gillett awaits the bid that matches his visions of the property's worth.

The surprise transaction this fall was the sale of WUHF-TV Channel 31, the city's independent station, in a $ 12 million deal to an Atlanta Group headed by producer Norman Lear.

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The uproar in radio and television paled, however, against the merger-and-acquisition activity raging in the manufacturing sector.

Rochester Products Division of General Motors Corp. in August announced plans to merge with AC Spark Plug Division of Flint, Mich. Headquarters for the newly formed AC Rochester Division is in Flint, and the Rochester operation launched reorganization along product lines in six business units.

Meanwhile, Schlegel Corp. began a search for a buyer, and Voplex Corp. announced the relocation of its headquarters to Michigan.

ACC Corp. this month agreed to be sold to Rochester Tel, but last week the deal fell through.

Rospatch Corp. announced plans to sell its technical products unit, which includes its Electronic Systems Division in Fishers.

IEC Electronics Corp. management bought out the company in a leveraged buyout, and General Circuits Inc. managers made a similar move.

Photographic Sciences Corp. announced plans to sell its Metrology Division to the division president. Pennwalt Pharmaceuticals Division was sold to British-based Fisons PLC for $ 443 million, and Computer Consoles Inc. was sold to another British concern, STC PLC.

One of the longest-running battles for control of a company was the fight between Bank of New York and Irving Bank Corp. Central Trust Co. finally went on the block in October, a casualty of that battle, as parent Irving capitulated to the BNY.

Central Trust will be sold to help finance the takeover of Irving. Management of Central Trust expressed interest in buying the bank, a move that depends largely on the ability of President Carlos Carballada to raise equity.

Not a hostile takeover but a struggle for power consumed the energies of Praxis Biologics management this spring. Founder and chairman Dr. David Smith, who resigned in December 1987 as president and CEO, in March demanded that the board reinstate him.

The board refused. Five days later, Smith, who controlled 49.7 percent of the stock, demanded a special shareholders' meeting so that he could fire all the directors but himself. Five of the six board members resigned.

The dispute centered on differing goals for the biotech company. In a letter to shareholders, Smith stated that scientific staffers at Praxis were worried about budgetary priorities that would deemphasize developing and marketing new products.

The dispute was settled in July, when Praxis named former Sterling Drug president Bernard Ouellette as president and chief operating officer. Smith remained chairman and chief executive.

On other fronts, 1988 was a year of some accomplishment. Expansion plans at Greater Rochester International Airport moved forward. Though the county has not yet worked out a deal with the airlines for renovation of the main terminal,

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the county Legislature approved an $ 8.9 million second concourse. Construction is to begin in 1989.

Rochester exporters hoped for a record year, far exceeding the $ 6 billion in trade reported in 1987. A weakening U.S. dollar and greater political emphasis on exporting to cut the U.S. trade deficit contributed to the increase.

In November, victory for Canada's ruling Progressive Conservatives spelled certain passage of the proposed U.S.-Canada free trade agreement. The accord will eliminate tariff and non-tariff barriers to trade between the countries, opening the Canadian market to area manufacturers who do not now pursue business there.

Also in November, 21 months after construction began on the Main Street project, the four-lane, tree-lined avenue opened officially, to the relief of retailers and shoppers alike.

More than $ 8 million over budget, the project involved the rebuilding of aging infrastructure -- including filling in massive vaults under the street and replacing century-old sewer lines -- reducing traffic lanes from six to four, widening sidewalks and planting 154 trees.

The only blot on Main Street is the unfinished Hyatt Regency Rochester hotel, a $ 47 million shell untouched since April 1987 and without a developer since August.

GRAPHIC: Photo

SUBJECT: Business conditions; Acquisitions & mergers; Hostile takeovers; Proxy solicitation; Labor market; Community development; Pollution control; Middle Atlantic

NAME: David Smith

GEOGRAPHIC: Middle Atlantic Region; Rochester; NY; US

COMPANY: Eastman Kodak Co; DUNS: 00-220-6183; SIC: 3861;2821; TICKER: EK
Sterling Drug Inc; DUNS: 00-131-7247; SIC: 2834;2844;2833
Blue Cross & Blue Shield; SIC: 6322
Praxis Biologics Inc; DUNS: 10-739-4702; SIC: 2831; TICKER: PRXS

LOAD-DATE-MDC: February 7, 1989

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Fortune

February 13, 1989, Domestic Edition

SECTION: MANAGING/COVER STORIES; Pg. 62

LENGTH: 2363 words

HEADLINE: WHAT FLEXIBLE WORKERS CAN DO

BYLINE: by Norm Alster, REPORTER ASSOCIATE Rosalind Klein Berlin

HIGHLIGHT:
Training employees in several jobs can help companies respond to the market faster. It also increases efficiency, quality, productivity, and job satisfaction.

BODY:

BY LATE 1987 the unemployment rate in Sarasota, Florida, had shriveled to 4%. That fact was of more than passing interest to executives of Lechmere Inc., a 27-store retail chain owned by Dayton Hudson. Lechmere was about to open an outlet in Sarasota and able workers were in short supply. Like other retailers, the company customarily hires hordes of entry-level part-timers, typically teenagers and housewives, plugging them into time slots as needed. That gives Lechmere the requisite flexibility in a business where store traffic ebbs and flows unpredictably across departments. But with unemployment low, there were no hordes to be had in Sarasota.

So Lechmere picked the new store to test a way of dealing with the shortages of labor it faces around the country. The company offers the Sarasota workers raises based on the number of jobs they learn to perform. Cashiers are encouraged to sell records and tapes. Sporting goods salesmen get tutoring in forklifts. That way Lechmere can quickly adjust to shifts in staffing needs simply by redeploying existing workers. The pay incentives, along with the prospect of a more varied and interesting workday, proved valuable lures in recruiting. The Sarasota store now has a work force that's 60% full-timers, vs. an average of 30% for the rest of the chain. What's more, says Paul Chaddock, senior vice president for personnel, the Sarasota store is substantially more productive than the others. Lechmere has extended the idea to several stores in the Carolinas and New Hampshire, and two others in Alabama will adopt it this year.

In Lechmere's case it was mainly a labor shortage that drove managers to try training workers in more than one skill. But a flexible work force is an all-purpose Mr. Fixit for companies that want to increase speed, efficiency, quality, productivity, and job satisfaction -- as many besides Lechmere have discovered. Recent examples:

-- Unionized companies like General Motors and National Steel improved speed and efficiency by loosening up long-ossified job categories.

-- Workers trained in several jobs helped Motorola solve critical quality problems with cellular telephones.

-- USAA, a San Antonio insurance and financial services company with many military customers, made the most of a costly investment in office automation by consolidating departments and training salespeople to handle every step of

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processing a policy.

The cost of training can be substantial, and workers sometimes resist doing things differently. But in a quicksilver environment where technological change, global competition, and shrunken product cycles require a fast, fluid response, "multiskilling" -- as academics insist on calling it -- could be the human side of the answer. Says John Stepp, U.S. deputy undersecretary of labor: "Today's technology has telescoped product and process life cycles so much that skills are becoming obsolete at a breathtaking pace. Instead of paying for a job, employers are now paying for a variety of skills that workers acquire." Adds Robert Gilbreath, head of a group at Andersen Consulting that helps companies adapt to change: "Human beings are the corporation's most flexible form of capital. When change is the surest constant, it makes sense to develop a work force that can quickly adapt to unpredictable developments."

Manufacturers have led the way in multiskilling. In unionized industries, many companies reasoned that productivity would benefit by opening up rigid work classifications that restrict workers to precisely defined tasks. "The old system produced a lot of dead time," says Richard Coffee, vice president for human resources at National Steel. "You had a task that was 20% welding and 80% pipefitting, for example," he recalls. When either a welder or a pipefitter was unavailable, the work just sat there. "It was obviously a lot more efficient to have a pipefitter who could weld or a welder who could pipefit."

In 1985 and 1986, National posted net losses totaling $148 million. A landmark agreement with the United Steelworkers in 1986 allowed the company's major plant to consolidate 78 job classifications into 16 and generally broadened worker responsibilities and participation in operations and planning. These and other changes meant greater speed: National can now produce a ton of steel in 4.53 man-hours, vs. 5.5 in 1984. Quality has also been fine-tuned. The amount of steel that fails to meet customer specifications has been reduced 33% since the contract was signed. National earned $47.8 million in 1987 and $55 million through the first three quarters of 1988.

MANY manufacturers have found that teams of cross-trained workers are vital to quality improvement. They can detect flaws in each other's work, apply problem-solving techniques more effectively, and fill in for each other as needed -- critical in just-in-time systems that function without mountainous buffers of inventory and work-in-process. Says John F. Krafcik, consultant to MIT's International Motor Vehicle Program: "Around the world, there's a very strong correlation in durable-goods manufacturing between quality and productivity and the use of multiskilling, worker teams, and just-in-time." At General Motors' Detroit Gear & Axle plant, a team of 30 cross-trained workers building parts for rear-wheel-drive suspension systems cut warranty costs related to the suspensions by 400% in just two years.

In Motorola's case, too, groups of workers trained in several skills were the key to improving quality. The company won an antidumping suit in 1985 against Japanese manufacturers of cellular telephones. But cutthroat pricing was only half of Motorola's problem; even a member of the International Trade Commission remarked on "the relatively high failure rates reported by some purchasers." The company shifted responsibility for detecting defects from inspectors at the end of the assembly line to individual production workers. Then, because workers who understand the entire production process are the most adept at defect diagnosis, Motorola overhauled its compensation system to reward those who learn a

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variety of skills. The defect rate fell 77%, from 1,000 per million parts in 1985 to today's 233. Last year the company was one of three winners of a federal Malcolm Baldrige National Quality Award.

At the Arlington Heights, Illinois, cellular phone factory, Motorola abolished its system of half a dozen pay categories, each with its own maximum. Now all production workers are in the same category and each can qualify for the highest wage -- 27.5% more than some of the old caps. Adding a new skill means a pay increase, but a worker who has qualified does not get a raise until he has maintained zero-defect performance at his station for five consecutive days. All but three of the 400 workers have learned at least two skills. "Everybody's opportunity is enlarged," says Susan Hooker, director of planning, evaluation, and retraining. "The program has been so successful that the rest of the corporation has been learning from the example."

On one occasion, a worker saved the company from having to replace 20 printed circuitboards, which are the brains of a cellular phone. While machines add most of the electronic components to the board, some are oddly shaped and must be inserted by hand. A worker who was manually adding another part noticed that a capacitor, a device that stores an electrical charge, didn't look right. Workers checked an entire batch of 25,000 capacitors and found 19 others that were defective. Because the worker had previously run the machine that loads capacitors, she knew enough to spot the problem.

Alfred S. Warren, vice president of industrial relations at General Motors, says the increasing complexity of factory equipment has put a premium on workers who can do more than one thing. "We need a broader kind of tradesman, both skilled and unskilled, than we have in the past," he says. Adds Motorola's Hooker: "We used to hire people because they could manipulate parts, they could put things together with their hands . . . Now we really need the whole worker. You have to have somebody to do simple programming, read, write commands, interpret information on terminals, and do preventive maintenance."

IN SERVICE industries, multiskilling is an efficient response to office automation, which makes vast quantities of information available, say, to a customer-service representative who can then assume much broader responsibilities. At USAA new computer software allows a single operator equipped with telephone and terminal to combine what had been the work of several departments. In the old days, explains Bill Bowen, vice president for training and development, one person would take down insurance application information. Another would enter the data in a computer. A third would retrieve relevant data from files. A fourth would assess the applicant's risk. A fifth would actually write up the policy. Now a single service representative working one of USAA's 1,008 incoming WATS lines is trained to process the application from start to finish.

Apart from its salutary influence on efficiency and quality, multiskilling can make work more satisfying -- and unlock hidden talent and energy within the organization. Says Bob Bowers, who was in charge of worker training at IBM's Tucson site before the company reeducated him as a software programmer: "I think people have to be flexible. For your own personal happiness, you need to be able to shift gears and change careers and explore new interests."

Kathleen Horan, hired to do customer service at Lechmere, studied on her own time to learn how to sell home health products, work the cash register, and

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fill in at the switchboard. She's now learning how to sell in the sporting goods, housewares, and photo departments. "I feel like I'm in charge of my own destiny," she says. Her co-worker Brad Davis, wearing three of his hats in the opening photographs, has learned seven jobs, qualifying him for $2.50 an hour above base pay. "I love it," he says. "It's a chance to work with everybody."

For all its potential, the creation of a flexible work force is no walk through the parking lot. Land mines lurk all over. In the auto industry, while carmakers have had the cooperation of United Auto Workers leaders, they have met pockets of bitter resistance, especially from senior and skilled workers (see box). Unions may insist on job guarantees in return for their cooperation. Even non-unionized workers often demand flexibility on management's part. Most frequently they want the brass to share more information, relax controls, and broaden employee participation in planning and operations. They also want incentives to learn new skills, so the cost of training plus incentive pay can be prohibitive.

At the same time, giving workers more skills and autonomy can confuse middle managers stripped of traditional responsibilities and thrust into roles that emphasize counseling and coaching over directing and enforcing. With workers doing their own sourcing, scheduling, and inspection, the middle-level managers who used to handle all that are often left in the lurch. One company that has been grappling with the issue is Eastman Kodak. Switching to flexible work teams at many plants has allowed the company to eliminate two or three layers of middle management, says Phil Leyendecker, director of human resource planning at the Kodak Park division. Those who remained had more people to supervise "but felt a little bit at a loss," Leyendecker says. With workers more autonomous, Kodak has tried to define a new role for foremen -- now called team advisers -- as well as department and division managers. Workers make up "core" teams. They are counseled and assisted, but not directed, by managers organized into "improving" teams.

In the end, the most powerful push toward flexible work forces may come as the whole U.S. begins to confront Lechmere's problem -- a shortage of qualified labor. The decline of the nation's schools, the emergence of an uneducated underclass, and increasing dependence on immigrant workers mean that more people will need extensive remedial work in basic skills even before they can be trained to do several jobs. Motorola estimates that half its factory work force already requires such help -- anything from a 32-hour math refresher to several years of English as a second language.

EVEN WITH qualified workers, businesses should be prepared for substantial investments in training and incentives. At USAA new service representatives require an initial 16 weeks of full-time training. And yet, laments Bowen, at that point they are only "minimally trained." National Steel calculates that it takes 320 hours of classroom instruction and costs about $21,000 to train an electronics technician, not counting the wages of a replacement worker while the technician is in class.

Corporations that can skim the cream of labor markets have an advantage in developing a flexible work force. USAA, one of the largest employers in San Antonio, has no trouble getting well-qualified workers, since it receives 22 applications for the average job opening. Without that luxury, other companies must confront the cold facts of more forbidding labor demographics. "We're probably going to have to pay a lot more in the early 1990s for labor," says

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Ana Hullinger, personnel manager for Lechmere in Sarasota.

To help attract workers in an increasingly competitive market, Marriott Corp. recently established a new corporate goal: recognition as the "preferred employer" in its industry and in any community where it does business. In workplaces plagued by lack of skills, flexible workers "get to be preferred workers," says Anthony Carnevale, chief economist at the American Society for Training and Development, a professional association of workplace trainers. Scarcity is certain to make all kinds of skills more valuable. Could one consequence be that the "social contract" between employers and employees -- so recently tattered, dishonored, and pronounced dead -- will come back to life?

GRAPHIC: Picture 1, ONE MAN, THREE JOBS: FORKLIFT OPERATOR, CASHIER, SALESMAN, ANDY FREEBERG; Picture 2, ONE MAN, THREE JOBS: MILLWRIGHT, WELDER, PIPEFITTER, , JAMES SCHNEPF; Picture 3, This multiskilled Chevy team in Louisiana finishes body metal. JAY DICKMAN -- MATRIX

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February 13, 1989

SECTION: TAKEOUT/NEW JERSEY MARKET FOCUS; Pg. 24

LENGTH: 937 words

HEADLINE: More malls mushroom, but retail growth ebbs

BYLINE: By LES SUSSMAN

BODY:

When Jersey City's Newport Centre Mall opened for business little more than a year ago, developers of the 1.2 million-square-foot regional shopping mall were certain that northern New Jersey's booming economy could support yet another shopping center.

They seem to be right.

Since its opening, the mall has seen more than 2.5 million customers pass through its doors. And elsewhere in northern New Jersey, retailing is booming.

Recipe for success

The Garden State has all the ingredients for retailing success. It is densely populated with high-earning professionals, enriched by a booming state economy. Its proximity to New York makes it a natural hub for commerce, convenient to suppliers as well as consumers. Taxes are low, especially compared with its neighbor's; many consumer goods, including clothing, aren't taxed at all. The extensive highway network provides easy access from every direction.

Not that there aren't troubles in this shoppers' paradise. Many voices argue that so many malls have been built, the market is saturated. And the No. 1 problem for retailers is one shared with many other Garden State businesses -- the lack of good help.

But retailers are undismayed. Barbara Res, executive vice president of Trump Organization, which wants to be the latest entry at the hottest retailing address -- the intersection of Routes 4 and 17 in Paramus -- says, "I think it's a fascinating market and that it can support another mall. Everyone here is looking at expansion. There are a lot of other retailers who are also talking about coming in."

There is, indeed, much speculation about who will be next to announce plans for a new shopping center, despite the fact that the Bergen-Paramus area already boasts six major regional malls and a smattering of smaller ones.

Major players converge

There is Trump, which is struggling to obtain the required variances that would allow it to open a 1.4 million-square-foot mall, hotel and office building complex on property now owned by Alexander's department store. And there is

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Hartz Mountain Industries -- operators of three regional malls in the Secaucus area -- which has acquired properties in North Bergen and Linden that will include shopping centers as part of their development.

"There seems to be no end to it," says Art Jones, mall manager at the Newport Centre Mall.

Adds Debra Gilson, director of marketing for Garden State Plaza in Paramus, "The cost of labor, the shortage of help -- none of this is going to stop expansion."

Independent analysts seem to agree. Says Bill Campbell, business editor of the Jersey Journal: "Retailing -- especially in Hudson County -- is better than ever.

"There's a lot of upscale and midscale development along with the new malls," he explains. "More and more people are moving into northern New Jersey from Manhattan and the suburbs. They're bringing in much more money to the counties and are creating a need for more malls."

If the past Christmas shopping season is any barometer of things to come, retailers in the region can rent easy. Most of them reported substantially higher sales volumes than in previous years. Some at Newport Centre say their volume is half again as great as the national average.

Says Victor LaPrad, manager of the Sears store at Newport Centre, "We're very much enjoying the success of the mall. I think the next 10 years are going to be nothing but pluses."

But New Jersey retailers also acknowledge a major minus in their operations -- an acute shortage of good sales clerks. With unemployment running at about 4%, retailers are forced to pay wages well above the federal minimum, and still can't fill the jobs with qualified people.

"The baby-boomer generation has grown up and left the retail industry for better paying jobs," says Rosemary Scanlon, chief economist of the Port Authority of New YOrk and New Jersey. "This means that retailers can't provide adequate service, and that limits their expansion."

Retailers are addressing the problem, however. Many offer flexible hours for working mothers, and a few even reimburse costs for baby sitters. At malls operated by Hartz Mountain Industries, a private transit system -- "Hartz Direct" -- buses workers between their jobs and homes as far away as the Bronx and Queens.

Tenants at Newport Centre Mall recently staged a job fair at Jersey State College. The two-day fair attracted more than 2,000 job applicants.

Looking at the economy

Employers would find their task easier if the state's buoyant economy began to flag, and observers say that possibility is increasing.

"There are signs that the retail industry in northern New Jersey is tiring," says Samuel M. Ehrenhalt, regional commissioner in Manhattan of the U.S.

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Department of Labor's Bureau of Labor Statistics. "The job growth figures for 1988 are not complete, but they seem to be less than half of what they've been running in previous years."

He notes that in the 12 months ended October 1988, retailers in the Bergen-Passaic and Newark areas added 3,000 workers to the base of 253,000, an increase of just 1.1%.

'From boom to standoff'

"Last year was the year of the shift from boom to standoff," Mr. Ehrenhalt says. "Northern New Jersey still has strong economy, but it's not growing as rapidly. Expansion is still there -- it hasn't been entirely spent -- but there's a sense that it's not part of the great avalanche that was true in the 1980s."

Ms. Scanlon says, "There's room for some building somewhere, but nothing like the Sixties and Seventies. Big-mall building is done."

GRAPHIC: Picture, In Secaucus, Hartz Mountain Industries' Harmon Meadow Plaza serves the burgeoning Meadowlands area, site of extensive development. The mall is among a dozen that have sprung up in northern New Jersey in recent years

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Business Week

January 9, 1989

SECTION: 1989 INDUSTRY OUTLOOK; Number 3086; Pg. 64

LENGTH: 1752 words

HEADLINE: THE EXPANSION: STEADY AS SHE GOES

BYLINE: Kathleen Madigan in New York, with Gregory L. Miles in Pittsburgh, Joan O'C. Hamilton and Jonathan B. Levine in San Francisco, and bureau reports

HIGHLIGHT:
SINCE THE LATTER STAGES OF A GROWTH CYCLE ARE OFTEN THE MOST TREACHEROUS, MANAGERS WILL HAVE TO KEEP A CLOSE WATCH FOR HAZARDS

BODY:

It's enough to make the captains of industry breathe a sigh of relief. Economist after economist is saying that there's little chance of recession in 1989, and most forecasters see precious few signs of the excesses that usually precipitate a downturn.

But wait a minute. With this expansion heading toward the ripe old age of seven, it's hardly the time for managers to let down their guard. Indeed, the late stages of an expansion typically are the most treacherous for business -- one misstep, one bad forecast, and suddenly the outlook darkens. For the past couple of years, either by luck or by skill, executives have managed the business cycle well. In 1989, continuing to do so is going to be their biggest challenge.

Most expansions are dead and gone by this point. Usually, late in the cycle, a shortage of workers and production capacity pushes wages and prices higher. Rising inflation prompts the financial markets or the Federal Reserve Board to jack up interest rates. As borrowing costs rise, demand slows and businesses find inventories piling up. Then they slash production, lay off workers, and the recession begins.

STANDING PAT. So far, despite widespread concerns about labor shortages and tight capacity, the dominoes haven't fallen. The unemployment rate is close to a 14-year low, and industry is operating at its peak rate of capacity for this expansion. But no wage-price spiral has ensued. Inflation, though higher than in 1987, was still only about 4.3% in 1988. Consumer prices may creep up 5% in 1989. Interest rates have drifted upward, but not enough to cause any drop in spending.

One reason for the lack of excesses: Many sectors of the economy have already experienced minirecessions. ''We've had significant adjustments in oil, farming, and real estate,'' points out Norma Pace, head of ECAP, a New York economic consulting firm. ''And the industrial sector went through realignment when our trade balance deteriorated.'' The exception is service industries. Insulated from foreign competition, they weren't forced to boost productivity. But this year they may be. Wage gains have been higher in services than in manufacturing, so service companies will have to be especially attentive

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during the late stages of the cycle -- especially since 1989 could bring new strains.

A big challenge for all businesses will be controlling inventories. Service industries such as wholesalers and retailers must watch out for unnecessary stockpiling in their warehouses and backrooms. Right now trade inventories equal just 1.4 months of sales. And factories have an equally lean 1.6 months of goods on hand. Analysts expect both ratios to stay low through this year. But that can change very quickly. In the fourth quarter of 1987, for example, the October stock market crash caused consumer spending to slip. Goods started piling up at retailers, then at wholesalers, and finally at factories. Nonfarm inventories ballooned to an inflation-adjusted annual rate of $ 68.2 billion. As a result, industrial production slowed early last year as businesses worked off these stockpiles.

STRONG PERFORMER. If demand falls this year, companies are better prepared. Wheeling-Pittsburgh Steel Corp., for instance, has shrunk its capacity and now keeps on hand less than a week's worth of product for processing, barely half as much as a few years ago. WP Chief Operating Officer Richard E. Stoll says his inventories are ''almost perfect'' -- not too high but enough to boost output. Steelmakers are banking on forecasts that show consumer spending growing about 2% vs. last year's 2.5% increase. Capital spending, also a strong performer over the past few years, will grow more slowly than it did last year.

That leaves exports as the key to overall growth. The drop in the dollar since early 1985 has made U. S. products more price-competitive on world markets. Last year, U. S. exports grew about 18%, after price adjustments, to $ 502.8 billion. Even for companies that don't ship abroad, this trend has boosted sales. Manufacturers have bought more machinery from Harnischfeger Industries Inc., says President Jeffery T. Grade, as their exports have boomed.

But exports won't rise at such a torrid pace forever: Economists expect only a 10% gain this year (chart), reflecting, in part, the stabilization of the dollar in 1988. Thus, U. S. companies will rely on better marketing to make further inroads abroad. USX Corp., the No. 1 steel producer, has set up an export organization to sell its products. This year the company hopes to send up to 1.2 million tons of steel to Europe, the Middle East, and Japan, up from nothing in 1987, says USX Chairman David M. Roderick.

That will depend on keeping prices down, mostly by raising productivity and, in many cases, adding capacity. In some industries, factories are running at more than 90% of rated capacity. For all industry, the figure is 84.2%. That's near the point where shortages appear and prices shoot up. Many businesses want to avoid that. In 1988 real capital spending surged 11.6%, a four-year high, though this year it may increase a mere 1%, according to Data Resources Inc.Still, large investments are planned in such industries as paper and paperboard, where operating rates in 1988 topped 96%. Many paper industry analysts expect 1989 to be the first year in several in which capacity growth outpaces the increase in demand -- up to 3.5% for the former, no more than 2.5% for the latter. Westvaco Corp.'s capital budget, for example, will climb to $ 500 million from $ 393 million last year.

Most of the spending will go to streamline and automate assembly lines or to computerize clerical tasks. But manufacturers, in particular, may have to drop their aversion to breaking ground for new factories. ''We're at the stage

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where physical plants need to expand,'' says Lloyd T. O'Carroll, chief economist at Reynolds Metals Co.

'REACHING THE LIMITS.' The trick is to expand while keeping a lid on labor costs. Many labor markets are tight, and economists believe workers will demand, and get, bigger wage gains. That's already starting in health care, where labor costs in medical facilities rose about 7% last year and could do so again in 1989. Last year overall employment costs, including wages and benefits, rose about 4% -- their biggest jump since 1985. This year the increase could be 5%.

The key may be whether unions make large wage demands. ''We can't afford to increase unit labor costs,'' says USX's Roderick. ''This industry has to stay extremely labor-competitive.'' Even after years of union givebacks, U. S. steelmakers still pay five times the labor rates in South Korea -- and even more than the Europeans and Japanese.

To offset the expected push on labor costs, businesses will try for bigger productivity gains. That's not easy at this stage of the business cycle. Early in an expansion, output per work hour rises easily as sales go up faster than hiring. In the first four years of the current upturn, for example, productivity in the nonfarm business sector increased by more than 2% a year. Now, with capacity short and labor tight, gains are much harder to make. Indeed, in the last two years nonfarm productivity has risen just 1% annually. And many economists expect almost no growth this year.

The productivity predicament falls most heavily on services. Manufacturers, for the most part, have weeded out nonessential workers and tasks that bloated many production lines. Since the end of the last recession, output per man-hour in manufacturing has grown 4.4% annually. But for all nonfarm businesses, it has risen just 1.8%.

Now -- at last -- service companies are meeting the challenge. At Noland Co., a wholesaler based in Virginia, laser scanners that read bar codes and feed information into a central computer enable the company to deliver some products less than 24 hours after they have been ordered.

GREEN CARROT. American Express Co., meanwhile, has added productivity incentives for keypunch operators. Workers can earn an extra $ 7,000 or more a year if their efficiency rises by 13%. Even after doling out the incentive pay, Amex is able to save half a cent for each one thousand of the millions of charge slips it processes. The company has also installed ''expert systems'' software in its Fort Lauderdale processing center. This cuts the time needed to approve charges on Amex gold and platinum cards.

Companies are looking more to technology for productivity gains, if only because workers are getting scarce. In many regions, managers are hard-pressed to fill vacant spots. ''We're operating in areas where unemployment is 2.5%,'' says Robert Van Tuyle, chairman of Beverly Enterprises Inc., a nursing-home chain based in California. ''It may be sadistic thinking, but a recession would be a wonderful thing for us.''

To respond to the shortage, Beverly is testing a ''learn while you earn'' program in Seattle. Participants undergo a two-week training program that guarantees them a job and clinical experience before they go to work. The program has helped Beverly cut the percentage of nursing-home employees who

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quit after just one week to 20% from 60%.

KNOWLEDGE DEFICIT. National Medical Enterprises Inc., a hospital chain, is looking for workers overseas. It wants to hire nurses from mainland China to work in the U. S. on a long-term contract basis. Noland, the wholesaler, recruits at high schools and near military bases.

Despite such approaches, service industries still complain about the dearth of qualified workers, particularly forentry-level jobs usually filled by high school graduates. Manufacturers, too, are finding it harder to recruit workers who can understand the workings ofrobotics and computers. And without such knowledge, new technology is useless. ''If you don't remain competitive globally,'' warns Tapan Munroe, thechief economist for Pacific Gas & Electric Co., ''you're in real trouble. We havepeople who can't find the Pacific Oceanon an unlabeled map. How can theyrespond to the Pacific Rim challenge?''

The trick is managing such problems when so many economic fundamentals -- the direction of interest rates, progress on reducing the twin deficits, inflation, and the dollar -- could rapidly change the outlook in 1989. Managers will have to be nimble. If they are not, the consequences could be severe. The raiders will take notice -- and then one day they will be in charge.

GRAPHIC: Graph, FOUR KEYS TO SUCCESS AS THE EXPANSION MATURES Data: Data Resources CHART ILLUSTRATION BY WARREN LINN, CHARTS BY LAUREL DAUNIS

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Public Relations Journal

November 30, 1988

SECTION: FEATURES; Pg. 24

LENGTH: 3275 words

HEADLINE: LABOR SHORTAGE WOES

BYLINE: By Meryl Davids, Executive Editor

HIGHLIGHT:
What practitioners are doing now to handle the crunch that will affect nearly every business in the coming years

BODY:

IN the summer of 1986, fast-food chains, hotels, and vacation resorts gearing up for the summer rush did what they had done for years: They hung out "Help Wanted" signs and waited for the teens, traditionally their biggest takers, to storm the doors. But that year, for the first time in nearly two decades, the charge never came. The problem wasn't that the teenagers were lazy, or that they had found more career-oriented jobs than the fare generally offered by these organizations; it was that there just weren't enough kids to go around.

Demographers had known for years that a labor shortage was all but inevitable when the "Baby Bust" generation -- those born between 1965 and 1979 -- came of working age. But that didn't lessen the shock for employers, who had become accustomed to having a plentiful supply of job candidates. Companies found that, like a sleeping baby who awakens and demands to be coddled, recruitment problems could no longer be ignored. Suddenly, they were in need of sophisticated programs to entice the workers in. In the last few years, many have begun turning to public relations as an important tool in that recruitment arsenal.

And it isn't just restaurants and resorts that are feeling the strain. As the busters move up in age (the oldest are now 23), all organizations that draw heavily on an entry-level pool -- public relations firms included (see "In-Field Troubles," page 26) -- will soon find themselves desparetely seeking employees.

Demography as destiny

According to the Bureau of Labor Statistics, by 1995 the number of 16- to 24-year-olds entering the labor force will fall by more than 10 percent -- from the current 22.7 million to 21.1 million -- before finally bottoming out. The numbers of those between the ages of 20 and 24, who traditionally make up the entry-level work force, will fall from a 1981 high of 16 million to a 1997 low of just over 13 million -- a decline of 19 percent.

"By now, the demographic pattern should be no surprise to anyone," says E. W. "Bill" Brody, APR, president of the Resource Group in Memphis and author of Communicating for Survival: Coping with Diminishing Human Resources. "The problem has started with a shortage of teenagers and, over time, will work its way up the ranks. Organizations had better start realizing that 'demography

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is destiny.'"

One industry that is already sharply feeling the pinch is retail. A 1986 survey of members by the National Retail Merchants Association found nationwide agreement that recruiting was getting tough. What's more, 65 percent of respondents felt that employee shortages reduce customer satisfaction, and 70 percent added that they are detrimental to profits, too.

Nevertheless, the survey found that most respondents had not altered their recruitment strategies. Most continued to rely on traditional recruiting means -- primarily waiting for walk-in candidates.

Tapping 'golden oldies'

But if retailers had not yet shifted gears by 1986, two more years of tougher recruiting times have now sent many of them, and other types of companies, on a search for alternatives. Public relations professionals are responding to the charge by developing plans to more aggressively reach out to young people, through programs such as college scholarships (see "Scholarships: Increasing Popular Employment Incentives," page 32). But, increasingly, they are also changing their target audience altogether.

"We need to look at a broader audience of potential employees than ever before," says Kathy Blackburn, APR, public relations manager for Mervyn's, a 207-chain department-store company located in 14 western and southern states. "Starting in the last two to three years, we've geared our recruiting a lot more around nontraditional groups."

For many companies, including Mervyn's, the primary target has become the elderly. The company's new recruitment brochure, for example, is clearly pitched towards seniors. As always, it promotes the chain as "a great place to work"; but it doesn't stop there. The copy reads: "We are looking for people who are proud of their accomplishments in life. Many of our people have done things like: managed a household; raised children; volunteered for civic affairs; retired from other jobs." In addition, Blackburn says, Mervyn's has started sending its store managers into the community to talk about employment to various elderly groups.

McDonald's, too, now sees older people as an increasingly important employee wellspring. "If you look at the work force as a pie chart," says John Onoda, director of media relations at the fast-food giant, "it's true that the number of teens is shrinking, but the number of people in their thirties, forties, and fifties is swelling." In fact, McDonald's has begun to look at all groups as potential burger-flippers, including the disabled and mothers with young children.

For the past few years, public relations has supported these efforts by playing up the variety that exists behind, as well as on, the McDonald's counter. "We have more seniors working now, and they're wonderful," Onoda says. "We also have Olympic athletes, valedictorians, and hard-working moms." The public relations firms that serve the different company regions work hard to identify the "many positive stories" behind the various employees and make them known to the local media, he says.

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According to Russell Klette, senior account executive at Chicago's Golin/Harris, the firm that handles the McDonald's corporate account, ideas for an even more wide-ranging public relations program to help generate recruits next year are currently being tossed around. His lips are sealed on the details, however: McDonald's considers recruiting labor to be as competitive as selling burgers.

New market niche

For public relations firms, the "upside" of the employee shortfall is a new and growing market for their services. Liz Amante and Bob Novosad, principals of the Grand Rapids, Michigan-based firm that bears their names, for example, created a campaign for an area Burger King franchise that not only won them a Silver Anvil, but created a rush of clients to their door. "Recruitment has become a niche of ours, stemming from the demographic situation and the Burger King campaign," confirms Novosad.

The firm came on board with BBD Enterprises, operator of 23 Burger King restaurants in western Michigan, roughly two years ago, when the eatery's recruiting problem first became serious. "We came in and looked at their existing hiring strategies with an eye to fine-tuning them and inventing some new ones," Amante says. "We went through their employee groups market by market to see what their needs were." The firm also conducted exit interviews to see why turnover was so high in the burger business.

Having it their way

From the analysis of this research, Amante & Novosad decided that mothers and teens could make up the best, and most stable, group of hirees -- if certain key programs were put into place. While the franchise had toyed with the idea of helping its workers with day care, it had never developed an actual plan. The public relations firm decided that to really make inroads with mothers it needed a whopper of an idea: free day care. Working closely with an existing child-care referral service, Burger King was able to offer a choice of child-care sites -- allowing the mothers to, in effect, have it their way.

The free day care then became the centerpiece of the public relations program, with numerous articles placed, TV interviews conducted, and brochures and posters displayed in all the BBD stores. ("Burger King's Free Day Care is like getting a $1.50 an hour raise," the copy reads.)

"The cost of the day care was much less then the cost of increasing wages [to attract employees] would have been," Amante notes. "Wages increases must be made across the board, to all employees, while day care is offered only to a select group." In addition, Novosad points out, "by helping to place such large numbers of children, Burger King was able to negotiate day care rates that weren't prohibitive."

On the advice of the firm, Burger King also stepped up its hunt for teens by offering an education bonus ($2,500 tuition reimbursement) to workers who stayed on the job two years or more. Two hundred high-school and college students are now involved in the program, and the local media continue to play up their stories. The franchisee's recruitment program is now being considered by Burger King's corporate headquarters for possible use on a larger scale.

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The success of the Burger King program opened Amante and Novosad's eyes to the possibilities of public relation's role in recruiting for other clients. "We realized that there were many other companies that could benefit from a recruitment program," says Novosad. Because the firm had already developed a specialty in sports marketing, they have started by looking for ways to tie the two together.

"Every sport has a demographic profile," explains Novosad; therefore, it makes sense for companies that are looking to recruit people with specific interests to sponsor events that will attract them. An automobile-repair shop, for example, can stage a hot-rod car race to raise its visibility in the community and bring to the surface individuals who clearly have an interest in cars, he notes. The firm has begun exploring these options with area businesses.

Professional shortages, too

Companies that employ highly trained entry-level employees, such as engineers, have also begun to brace for the worst.

"We've given a lot of thought to the subject," says Paul Allen, manager of information services at Kodak, which hires several hundred entry-level employees each year. "The demographic situation means that it will soon be even tougher to find the skilled people that we need."

For Kodak, as with other technical companies, the solution revolves around improving relations with the colleges that will provide its future employees. "In the last few years, we've paid a lot more attention to establishing and enhancing these relationships," Allen says. The company has stepped up its program of sending videos and literature on Kodak to college placement offices, and is making personal calls to many of the counselors who can influence a graduate's future career choice. Ads in technical publications also aim to build up Kodak's image, so when seniors get ready to mail resumes, Kodak will be highest on their list.

The recruitment problem will also be snaking into law firms in the next few years. One Grand Rapids firm, Miller, Johnson, Snell & Cummisky, has already felt the bite -- and, as the number of students declines, expects it to get substantially worse.

"We face the additional problem of attorneys from top law schools wanting to go to big cities," says Jan Heindrichs, Miller, Johnson's director of client relations. "We need to make Grand Rapids look as good as possible to make them want to come here." "The problem is particularly acute with single people and with women," adds Carol Karr, co-chairperson of the firm's recruiting committee, "because Grand Rapids has a bit of a parochial image."

In the last year, the public relations brains have worked to solve the problem. The law firm gathered tons of material from the city's chamber of commerce -- including maps, history, and listings of events -- to give to potential hires; it also added a section on the city to its standard recruitment booklet. And by placing an article profiling local women lawyers -- including one who works at the firm -- in a local newspaper, it showed female candidates that there are successful females in town. "We distributed copies of that article to all of our women prospects," Karr notes.

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Finally, the firm decided that there's no relationship like a personal relationship, so it started prompting attorneys from the firm to spend personal time with the recruits. Under the firm's "Minder" program, each lawyer is asked to "mind" a prospect by taking the person home for dinner rather than to a restaurant, and putting him or her up in a guest room instead of a hotel.

Is the program working? "We did get a higher acceptance rate this past year," Karr reports. One big-city lawyer whom Karr brought home (along with his wife and two kids, who were encouraged to come and see the city for themselves) was so won over that he not only took the job, he also bought a farmhouse in the area. Presumably, he'll be encouraged to host recruits there next year.

Stemming turnover

For many, the solution to the labor-shortage problem is not merely to find and hire employees, it's to hang on to those they've already got. "Organizations must look at their internal situations before they worry about recruitment," says the Resource Group's Brody. "The environment created in the organization is more important than the message the organization is sending out. Too many workers have been falsely promised, 'Do good here and you'll be rewarded.' When companies are more committed to their employees, they won't lose as many of them to turnover."

"Keeping turnover down is critical for many organizations," agrees Novosad. "Retainment will be key. And employers need to recognize that money is not always the best way to do that; they must search for other incentives that will keep their people happy."

For many employers, that hunt has led first and foremost to the company's benefits package. Many have long argued that "standard" packages no longer best suit the needs of employees. In fact, a recent study of the workforce in the year 2000, conducted by the Hudson Institute for the U.S. Department of Labor, concluded that, with three-fifths of all women over 16 years of age in the workplace by the turn of the century, "policy makers must reconcile the conflicting needs of women, work, and families." The Institute specifically singled out the inadequacies of existing benefits programs: "Pay, fringe benefits, pensions, and leave-time were all designed for a time when women stayed home."

In response to this reality, many organizations have begun offering "cafeteria-style" benefits: Employees can pick and choose from an assortment of perks. These newer fringes range from flexible medical plans, elder-care benefits, and employee-sponsored day care to the more unusual offerings of company-paid vacation trips and shorter working hours.

Kodak, for example, is trying to sweeten the pot for its employees by offering up to 17 weeks of unpaid leave for the care of infants or elderly parents, by helping employees look for day care for their children, and even by experimenting with "job-sharing" arrangements in which two part-time workers do the job of one full-timer.

Demonstrating concern

In addition to their role in influencing company benefits policies, and thereby enhancing employee relations, public relations practitioners can

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promote these wide-ranging benefits as concrete examples of their organization's concern for workers. "Companies must have a good public image in the minds of potential employees," Amante stresses.

For Mervyn's, an ongoing program of philanthropy, in addition to generous benefits, is increasingly being used to convey this "sensitive to employees" message. "In the last few years, our employee-based Parenting Task Force concluded that Mervyn's could best help working parents by assisting child care in the stores' communities," Blackburn explains. The company subsequently stepped up its charitable giving to childcare organizations. "Our employees appreciate that we support this effort on their behalf," she adds.

An insidious problem

However, some organizations that have not yet experienced the employee shortage are slow to improve their relationships with their workers. Brody believes these organizations may be sounding their own death knell. "This is an acid rain-type problem rather than a Tylenol-type crisis," he notes. "By the time many organizations realize there's a problem, the damage will pretty much be done. Survival may well be in the balance for those who awaken too late; they will find that other companies have preempted them."

Brody foresees a time not too far down the pike when all organizations will have to offer top dollar to recruit people; but, he says, those who have not shown they care about employees will be left with fat purses and lean employee ranks. "Money has never been on the top 10 list of why people go to specific organizations," he says, "and it won't be in the future. It's the intangibles that will count most. People will go to companies that they feel will be committed to them in the long-term."

For Brody, companies must begin this process by taking a hard look at themselves and at their employee-relations program. First, he says, the organization must see if it is being honest with potential and current employees. Are accurate messages being conveyed to employees in the personnel manual, company brochures, and the like? "If they don't reflect reality, either they need to be changed or, more likely, reality needs to be changed," he advises.

Next, companies should look at altering their pay systems. "Companies need to stop rewarding attendance and start rewarding performance," he says. "Most employees carry around a lot of discretionary effort. They do enough not to get fired, but not enough to really be working hard. Employers need to get people working harder again, and the only way is to compensate them for that."

"Public relations people need to recognize that behavior is influenced by much more than just happy talk," he continues. "Throwing messages at people is not the answer." When employees at a company are treated well, he notes, current employees will become the organization's best recruiting tool, and -- labor shortage or no -- those on the outs will shove past each other to get their feet in the door.

Opportunity is knocking

For public relations practitioners, then, the big labor squeeze has already started translating into increased opportunities. And many practitioners are

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advising their colleagues to seize the initiative. "The demographic squeeze will put pressure on employers to use every tool available to them to create an image of the company as a place where employees want to work," says Terry McCarthy, APR, principal of Boston's Agnew, Carter, McCarthy and chairman of PRSA's Counselors Academy. "Public relations will prove -- and is already proving -- to be an extremely valuable instrument."

Of course, individual organizations will be affected to various degrees. "Practitioners must evaluate how high a priority this issue is for their organization," says Dan Baer, APR, a consultant in Sherman Oaks, California. "How pressing a problem is this? Does the organization hire many entry-level employees? Has it already started to feel the pinch? Will it soon? Then, they must look at the other issues facing the organization and see where this one fits in." If this analysis proves that it is important, Baer stresses, practitioners should jump right in.

For counselors, worker shortages, like many problems faced by corporate America, could translate into vastly increased business in the years ahead, particularly for those who begin now to position themselves. "Public relations people should definitely be looking at this area when they counsel their clients," McCarthy notes. "It's a great marketing opportunity."

GRAPHIC: Picture 1, no caption, Photographs by John A. Pellegrino; Picture 2, no caption, Photograph by Jon Goell; Graph, THE DWINDLING LABOR SUPPLY, Source: Bureau of Labor Statistics

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September 26, 1988

SECTION: Vol 9; No 24; Sec 1; pg 5A

LENGTH: 809 words

HEADLINE: Good Help Is Hard to Find: Labor Shortage Hits Retailers

BYLINE: John B. Thomas

DATELINE: Indianapolis; IN; US

BODY:

Changes in the available labor pool have forced some retailers to offer higher wages in order to attract quality employees to run their cash registers and sell their wares.

"There is a scarcity of quality people. We've certainly heard that complaint," said Roland Larson, vice president of Indiana Retail Council Inc. "It's explainable mostly through demographics. It's a changing work force."

Traditionally, Larson said, retail businesses have been staffed by young people working for minimum wage, but the number of 18- to 22-year-olds has fallen, so retailers have found themselves trying to attract older, higher-quality employees.

The industry that has suffered most, Larson said, is the fast-food industry, which traditionally has relied almost exclusively on the teenage population for its workers. Asked whether he is having the same problems in the local Taco Bell restaurants his company owns, Jim Lynch said, "Very definitely."

Lynch, general manager of Conoprin, which has 10 Taco Bells in Indianapolis, said that each of his stores is about five employees short "We just don't get the quality people we need," he said.

Lynch said his stores have been fighting this trend for about a year, but the problem is compounded by the students' return to school. "It's increasingly getting more difficult," he said.

Although Conoprin relies primarily on in-store signs to attract potential employees, Lynch said the company also has tried some unusual approaches, including hanging mini-applications on doorknobs in apartment buildings. The applications included a coupon for a free item, and interviews took place when people came in for the freebie.

"We had very little success with it, but some," he said.

In recent years as many as 50 or 60 new fast-food restaurants came to Indianapolis, according to Lynch, so more businesses are competing for fewer teens. Like many others, Lynch's stores are hoping to attract senior citizens and others who are outside the traditional labor pool.

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In order to do that, they must pay higher wages, according to sources in the retail business. Therefore, what once was a minimum-wage industry is now offering more than an $ 4 hour for entry-level positions, he said.

"Its a very tough time right now," Lynch said. "I hope the customer understands."

Another industry that traditionally has paid minimum wage -- the retail clothing industry -- does not seem to be experiencing staffing problems, primarily because it has upped its pay levels to avoid the crunch.

"We don't pay minimum wage," said Vicky Russo, manager of the Glendale Shopping Center Lazarus store. Instead, Lazarus pays on a production-based scale that allows employees to set their own salary levels.

Besides, Russo said, with McDonald's Corp. paying more than $ 4 an hour for counter workers, a store like Lazarus can hardly afford to pay less. As a result of the Lazarus salary policies, she said, her store is not having any difficulty attracting quality employees.

Charles Lang, senior vice president of Indianapolis-based Paul Harris Stores Inc., described a similar scenario. He is aware that some retailers have had problems attracting quality help. Paul Harris has averted that problem by paying employees more than the federally mandated minimum wage, he said.

"We have taken the position as an organization that the stores' personnel are really our primary contact people with the public," Lang said, "and we are willing to pay above minimum wage for qualified people."

Morton Marcus, a professor in the Indiana University School of Business and director of the Indiana Business Research Center, said policies like those in place at Lazarus and Paul Harris show the competitive-enterprise system at work.

"That's what the competitive-enterprise system does, and people don't necessarily like it," Marcus said. The fast-food industry is experiencing labor shortages because it doesn't want to pay more, he said, and "they perceive that as a shortage."

Someone who is looking to buy a Mercedes-Benz for $ 13 might have similar problems, Marcus said: "There's a real shortage of Mercedeses for that price."

The fast-food industry has left its wage rates virtually unchanged for years, Marcus explained, and therefore is beginning to suffer from changes in demographics and the marketplace. "The wage rate is basically too low to sustain the kind of work force those places would like to have," he said.

While some retailers said the changes and their effect on wages show that there is no need for an increase in the federal minimum wage, Marcus said the changes could actually precipitate the increase.

"It is a perfect time to raise the minimum wage," he said. "You'd have virtually no effect . . . but the politicians could say, 'See what a great thing I've done.' That's why I think we're going to see it."

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GRAPHIC: Photo

SUBJECT: Retailing industry; Fast food industry; Employment practices; Labor market; Wage rates; North Central

NAME: Jim Lynch

GEOGRAPHIC: North Central Region; Indianapolis; IN; US

LOAD-DATE-MDC: November 2, 1988

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THE WHITE HOUSE

WASHINGTON

4/10/89
KBK

MEMORANDUM

REVISED 4-25-89

TO: DAVID DEMAREST

FROM: JOSEPH W. HAGIN

SUBJECT: APPROVED PRESIDENTIAL ACTIVITY

REVISED 4-26-89

EVENT: Address to the American Retail Federation

DATE: May 17, 1989

TIME: ~~TBD~~ ~~3:35pm~~ 10:00a.m.

REVISED 4-27-89

DURATION: ~~TBD~~ 15 Min

LOCATION: ~~OEOB, Room 450~~ ~~(EOB) Room~~ EOB - Room 450

ATTIRE: Business Suit

REMARKS REQUIRED: Yes

MEDIA COVERAGE: Open

FIRST LADY PARTICIPATION: TBD

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TELEPHONE: OFFICE _____ HOME _____

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THE WHITE HOUSE

WASHINGTON

4/10/89
KBK

MEMORANDUM

REVISED

REVISED

TO: DAVID DEMAREST

FROM: JOSEPH W. HAGIN

SUBJECT: APPROVED PRESIDENTIAL ACTIVITY

EVENT: Address to the American Retail Federation

DATE: May 17, 1989

TIME: ~~TBD~~ 3:30pm

DURATION: ~~TBD~~ 15 min

LOCATION: ~~OEOB - Room 450~~ East Room

ATTIRE: Business Suit

REMARKS REQUIRED: Yes

MEDIA COVERAGE: Open

FIRST LADY PARTICIPATION: TBD

ADDITIONAL INFORMATION:

Copy to Lange

CONTACT: _____

TELEPHONE: OFFICE _____ HOME _____

NOTE: PROJECT OFFICER, SEE ATTACHED CHECKLIST

Ed Rogers	Marlin Fitzwater	David Bates
James Cicconi	David Demarest	David Valdez
Fred McClure	Jean Lamb	USSS - PPD
Susan Porter Rose	Steve Studdert	Gary Walters
Patty Presock	John Keller	WHCA Audio/Visual
Speechwriting Office	Tim McBride	WHCA Operations
Laurie Firestone	J. Bonnie Newman	Mary Jane Smith
Robert Guttman	Tony Lopez	C. Boyden Gray

RETAILING

RETAILING

American Retail Education Foundation

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INTRODUCTION 3

The American Retail Education Foundation is a public Foundation chartered by The American Retail Federation as a non-profit public association-related foundation, contributions to which are tax exempt.

Retailing is one of America's largest and most complex industries, employing millions of persons, and meeting the consumers' needs and wants on a daily basis. Its growth and interests are matters of concern to nearly all segments of industry. In recent years the vitality of the consumer market has become the new economic indicator to which a vast majority of the U.S. public looks in order to determine the future prosperity of the nation.

It is vital that both retailers, and those employed in the retail sector, as well as public officials and those involved in other industries, understand the breadth, complexity and importance of the retail industry.

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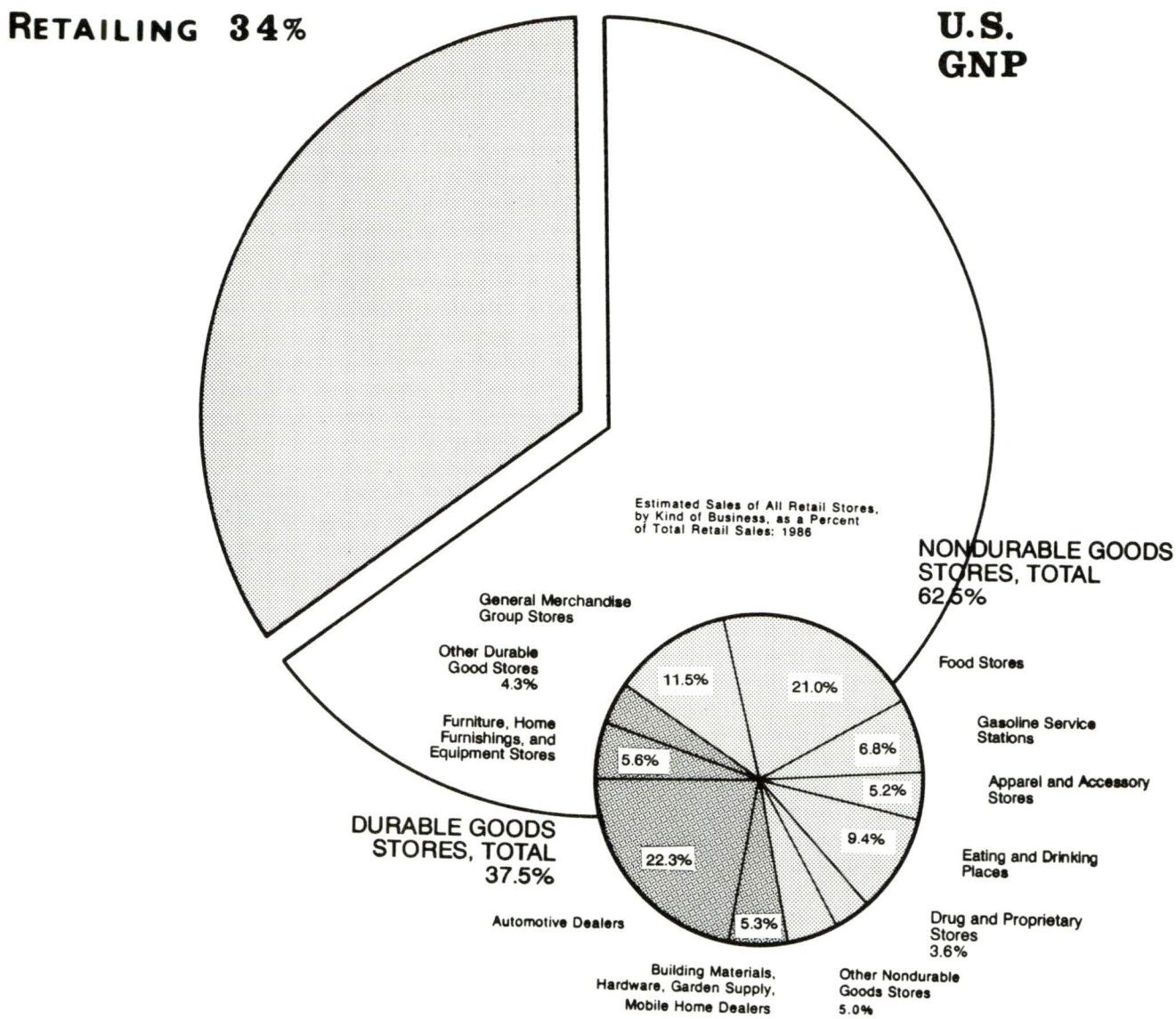
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Census figures show that total retail sales increased by 135 percent between 1972-1982. Because of the highly competitive nature of the industry, retail price increases have been substantially below the rise in the general price level. Government figures show that retail price increases from one period to another were less than half as much as the increase in the consumer price index. In 1987 the U.S. Gross National Product was 4.6 trillion dollars. Total retail sales were 1.45 trillion dollars, an increase of 5.1% over the 1986 total.

In 1987 total retail sales were 1.45 trillion dollars.

RETAILING

8 NATIONAL PROVIDER OF JOBS

In October 1986 total retail employment reached 18.2 million persons compared to 17.6 million in October 1985. Department store employment accounted for 2.02 million people in October 1986 compared with 1.96 million in October 1985.

Employment for just five large retailers alone, Sears, Roebuck & Co., J.C. Penney, Inc., K-Mart Corp., Federated Department Stores and May Department Stores Co., totaled over 1.2 million persons in 1986.

18% of all workers in the United States in 1986 were retail employees.

i.e., only 1 out of 5

As of September 1987 retail trade provided 18,324,000 jobs in the U.S. This included:

2,425,000	in general merchandise stores.
2,971,000	in food stores
1,987,000	in automotive dealers and service stations
6,007,000	in eating and drinking places
793,300	in home furnishing stores
587,900	in drug stores
124,800	in liquor stores
141,700	in jewelry stores
73,500	in book stores
117,500	in mail order houses
111,600	in fuel and ice dealers
82,000	in merchandising machine operators

1 out of every 5 workers in the United States is a retail employee.

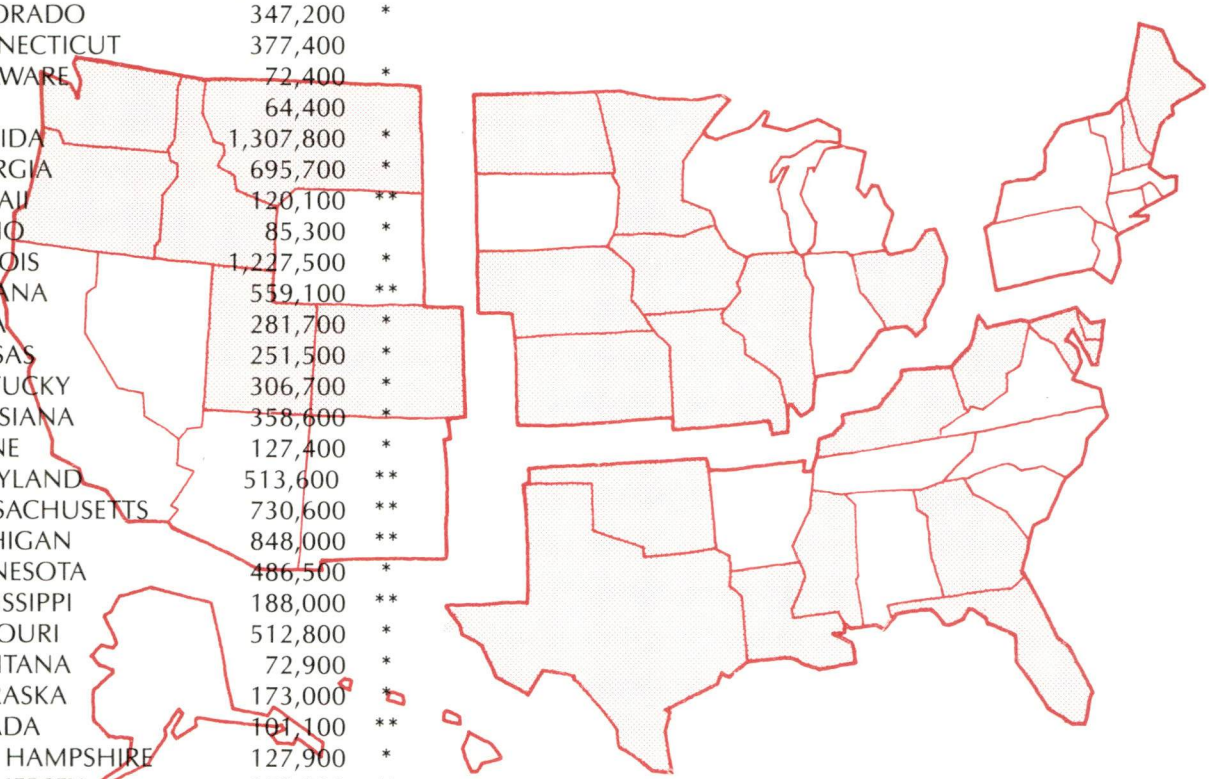
RETAILING

STATE PROVIDER OF JOBS 9

ALABAMA	330,500	**
ALASKA	42,800	
ARIZONA	330,900	**
ARKANSAS	192,800	**
CALIFORNIA	2,808,400	**
COLORADO	347,200	*
CONNECTICUT	377,400	
DELAWARE	72,400	*
D.C.	64,400	
FLORIDA	1,307,800	*
GEORGIA	695,700	*
HAWAII	120,100	**
IDAHO	85,300	*
ILLINOIS	1,227,500	*
INDIANA	559,100	**
IOWA	281,700	*
KANSAS	251,500	*
KENTUCKY	306,700	*
LOUISIANA	358,600	*
MAINE	127,400	*
MARYLAND	513,600	**
MASSACHUSETTS	730,600	**
MICHIGAN	848,000	**
MINNESOTA	486,500	*
MISSISSIPPI	188,000	**
MISSOURI	512,800	*
MONTANA	72,900	*
NEBRASKA	173,000	*
NEVADA	101,100	**
NEW HAMPSHIRE	127,900	*
NEW JERSEY	873,200	**
NEW MEXICO	130,700	**
NEW YORK	1,732,100	**
NORTH CAROLINA	628,800	**
NORTH DAKOTA	67,700	*
OHIO	1,105,700	*
OKLAHOMA	275,500	*
OREGON	279,600	*
PENNSYLVANIA	1,143,400	**
RHODE ISLAND	101,700	
SOUTH CAROLINA	310,800	**
SOUTH DAKOTA	68,500	*
TENNESSEE	479,000	**
TEXAS	1,659,500	*
UTAH	156,600	*
VERMONT	54,800	**
VIRGINIA	606,900	**
WASHINGTON	461,700	*
WEST VIRGINIA	139,700	*
WISCONSIN	499,900	**
WYOMING	45,600	**
PUERTO RICO	127,500	
VIRGIN ISLANDS	8,700	**

* denotes number one employer in states

** denotes second largest supplier of jobs in states



STATES THAT ARE SHADED
ARE NO. 1 JOB PROVIDER

In 25 of the 50 U.S. states, retail and wholesale trade are the No. 1 provider of jobs. They are the No. 2 provider in 22 of the 25 other states.

RETAILING

10 PROVIDER OF FIRST AND LAST ENTRY JOBS

RETAILING has and will introduce millions of young people to the American labor force. The average weekly hours for retail workers stays around 29 hours, about 10 hours below full-time work.



RETAILING part-time work is concentrated in teenagers, women 25-54 years of age, and 55-and-older age range. But as the teen-age labor force is only expected to increase a net 195,000 jobs between 1986-2000, retailers will have problems filling part-time positions in the future.



RETAILING has and is creating and providing millions of new jobs for women. But as more and more women turn away from part-time to full-time work, retailing will need to fall back on an increasing 55-64 age group labor force.



Nearly 1/3 (29.5%) of the 38,337,000 women working in private industries are employed by retail and wholesale trade.

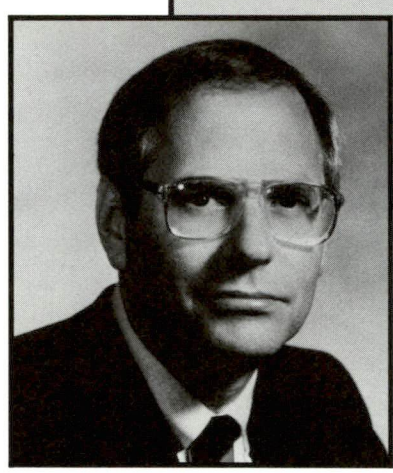
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According to the projections for employment growth by the U.S. Department of Labor (Bureau of Labor Statistics), 4.9 million jobs will be added to retail trade from 1987 to the year 2000. This is an enormous number, but slightly lower than historical retail employment trends. The highest expected growth rate will be in eating and drinking places, where 2.5 million jobs will be added. 598,000 jobs are expected to be created in grocery store employment, indicating a rise in food delivery services. 386,000 department store employees and 339,000 in shopping goods stores also are projected to be added.

The two occupations with the largest expected growth rates from 1987-2000 are both in the retail industry, including retail salespersons, which will add a projected 1,201,000.

'Dealing in thousands, millions and billions of customer transactions, it's easy for us all to forget that we build our businesses just one customer at a time. Regardless of how much square footage growth we have, or others have, the two most important square feet in retailing are the one the customer stands on . . . and the one we stand on to serve him or her.'

—Michael Bozic
chairman and chief
executive officer
Sears Merchandise Group



Of the 21 million new jobs to be added to the economy by the year 2000, 20% will be in retail and wholesale trade.

PROJECTIONS FOR THE YEAR 2,000

Industry	1972	1986	2000
Wholesale Trade	4,113,000	5,735,000	7,266,000
Motor Vehicles	353,000	431,000	496,000
Machinery, Equipment	869,000	1,445,000	2,059,000
Groceries	536,000	757,000	907,000
Petroleum Products break	235,000	200,000	194,000
Retail Trade	11,835,000	17,845,000	22,702,000
Department Stores	1,706,000	1,978,000	2,364,000
Grocery Stores	1,578,000	2,523,000	3,121,000
New and Used Car Dealers	814,000	947,000	947,000
Gasoline Service Stations	649,000	596,000	502,000
Apparel & Accessory Stores	784,000	1,070,000	1,351,000
Eating & Drinking Places	2,860,000	5,879,000	8,365,000
Drug & Proprietary Stores	452,000	563,000	677,000
Miscellaneous Shopping Stores	375,000	746,000	1,085,000

Monthly Labor Review, Sept. 1987, pg. 43; U.S. Department of Labor; "Table 6—Employment by selected industry, 1972, 1979, 1986 and projected to 2000."

12 CREATING THE WORLD'S GREATEST MARKET



Helping in the revitalization of downtown city areas is one of Retailing's greatest contributions in the last few years. An excellent example is the new Hecht Co. store in downtown Washington, D.C.

70% of the U.S. adult population shop at regional malls an average of 3.9 times per month.

80% of the U.S. adult population shop at small community and neighborhood centers an average of 7.9 times per month.

According to the National Research Bureau, there are 28,000 shopping centers in the U.S. That makes 3.7 billion sq. ft. of leasable retail area.

RETAIL SALES in 1987 were $1.45 trillion. Those sales were generated through a variety of marketing methods as well as the traditional retail store. The 1982 census found more than 1,322,058 retail establishments in the United States.

Following the second World War there were less than one hundred shopping centers outside the established commercial areas. Since that time there has been an explosion of new consumer shopping facilities. Between 1972 and the 1982 census, the total number of retail establishments increased by 0.45% in the aggregate. The number of variety stores declined 41%, while miscellaneous home furnishing stores rose by 141%, and retail nurseries and garden supply stores rose by 104%. Drug and proprietary stores only increased by 2%, although their sales increased by 132%. While the face of retailing has been changing, so has total sales, with an increase of 135% (1972-1982) in current dollars, and a compound annual increase of 8.9% as reported by the Department of Commerce.

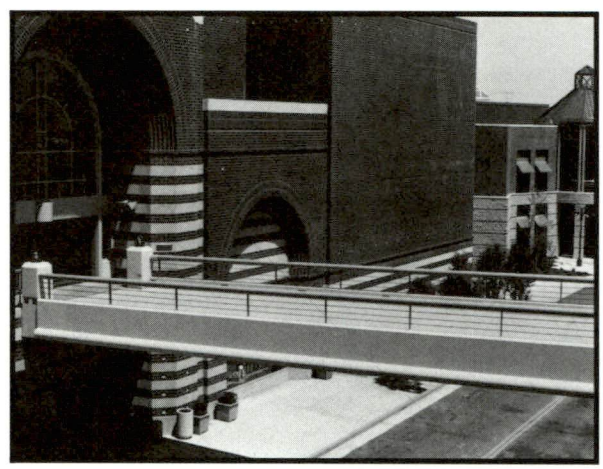
New customer shopping facilities have been developed from main street stores to shopping centers, to strip shopping malls and free standing stores, to regional shopping malls and giant amusement shopping malls. The retail industry is overstored and still growing.

CREATING THE WORLD'S GREATEST MARKET 13

Retail Establishments
(1982 census)

Building Materials	66,033
Hardware Stores	19,611
Ret. Nurseries, Lawn & Garden Supply	7,862
Gen. Mchdse. Stores	34,022
Dept. Stores	10,035
Variety Stores	10,814
Misc. Gen. Mch. Stores	13,173
Food Stores	176,212
Automotive dealers	89,207
Gasoline Ser. Stations	116,154
Apparel & Access. Stores	133,920
Women's Rdy. to Wear	44,084
Men's & Boys Clothing	17,426
Family Clothing	17,899
Shoe Stores	36,031
Furn., Home Furn. & Equip.	93,355
Furniture Stores	29,575
Home Furnishings Stores	24,615
Misc.Home Furn. Stores	9,630
Household Appl. Stores	10,539
Radio, TV & Music Stores	28,626
Eating & Drinking Places	318,765
Eating Places	257,577
Refreshment Places	108,601
Drinking Places	61,188
Misc. Retail Stores	245,753
Drug & Prop. Stores	48,637
Liquor Stores	34,071
Used Merch. Stores	17,560
Misc. Shopping Goods	102,059
Sporting Goods Stores Bicycle Shops	20,129
Book Stores	9,312
Stationery Stores	4,757
Jewelry Stores	22,240
Hobby, Toy & Game Shops	7,680
Camera & Photo Supplies	3,988
Gift, Novelty & Souvenirs	22,302
Luggage & Leather Goods	1,884
Sewing, Needlework & Piece Goods	9,767
Non Store Retailers	20,764
Mail Order Houses	7,360
Automatic Merch Machine Operators	5,373
Direct Selling	8,031
Florists	20,907
Misc. Ret. Stores, NEC	33,207
Optical Goods Stores	10,551
Pet Stores	4,495
Typewriter Stores	902
Other Stores, NEC	17,259





In 28,000 U.S. shopping centers in 1986, $554 billion in retail sales were amassed (created). That is 54% of the total retail sales in the U.S.

In an average month, 163 million U.S. adult consumers shop at shopping centers. That is 94% of the population over 18 years of age.

14 DEVELOPING THE PRODUCTS CONSUMERS WANT

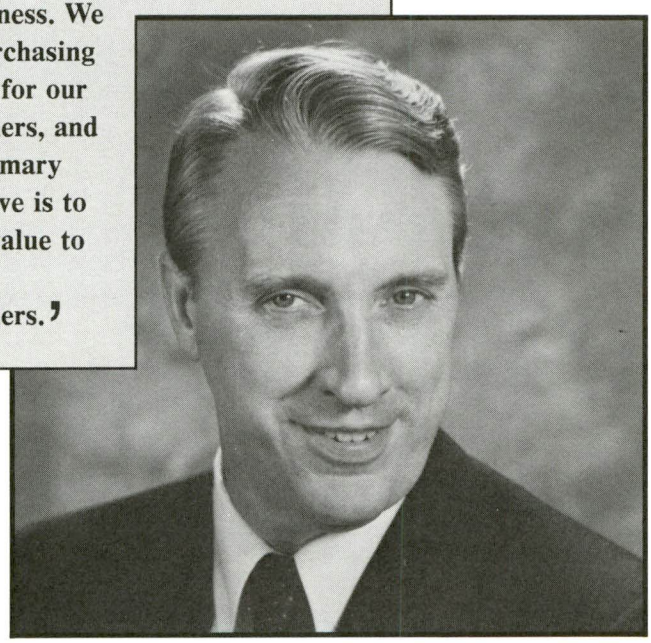
Retailers operate in a fiercely competitive business. There are no Federal guarantees, bail-outs or guaranteed markets to protect retailers. When retailers, even large ones, don't improve their productivity, they disappear.

Change and innovation are absolute principles underlying the development of new merchandise markets. Competition creates vitality in the marketplace.

The competitive situation in retailing means that everything is in constant change, especially prices. If one company tries to increase prices, you will quickly see the store down the street advertising lower prices.

Because retailing is such a competitive industry, profit margins have historically been very low. Retailers rely on volume to create profits—that is, retailers are competing to attract the greatest number of consumers to the widest scope of merchandise.

'Every purchase, whether domestic or foreign, is driven by our customers' needs. Sometimes that need is price. Sometimes it's quality. Sometimes it's innovation. Sometimes it's fashion uniqueness. We are purchasing agents for our customers, and our primary objective is to bring value to those customers.'



Thomas Hays
The May Department Stores Company

'Retailing is driven by the customers' needs.'

DEVELOPING THE PRODUCTS CONSUMERS WANT 15

The consumer's needs and the consumer's wants govern merchandise selection. Each customer has an image of an individual retail establishment—the quality of its merchandise, the excitement of its fashion, the price of its goods.

A merchant, or a buyer for a retail establishment, must know and understand the store's image which is in the consumer's mind in order to select merchandise the consumer will buy. A merchandise mix is created by a retailer to fit the needs and wants of its customers.

The American consumer has become a highly informed and discriminating shopper who demands value for price, new products, and a wide selection of choices.

'As consumers, we have difficulty conceiving the size and importance of retailing because most of us view it as matter of "going to the store" or "just going shopping." The scope and growth of retailing is a source of wonder to me, and I've been in retailing for 24 years.'

'The retail industry is built on a single line of reasoning: we are the consumer's purchasing agent; we buy goods and sell goods. Consumers' interests are our interests. We stand or fall together.'



Joseph Antonini, Kmart Corporation

'Retailers must constantly innovate to compete effectively. Those who can't thrive in this environment do not survive.'

16 THE CONSUMER REPRESENTATIVE

Retailers shop the world over for quality, price and fashion. Most of the time they find that merchandise available from American producers.

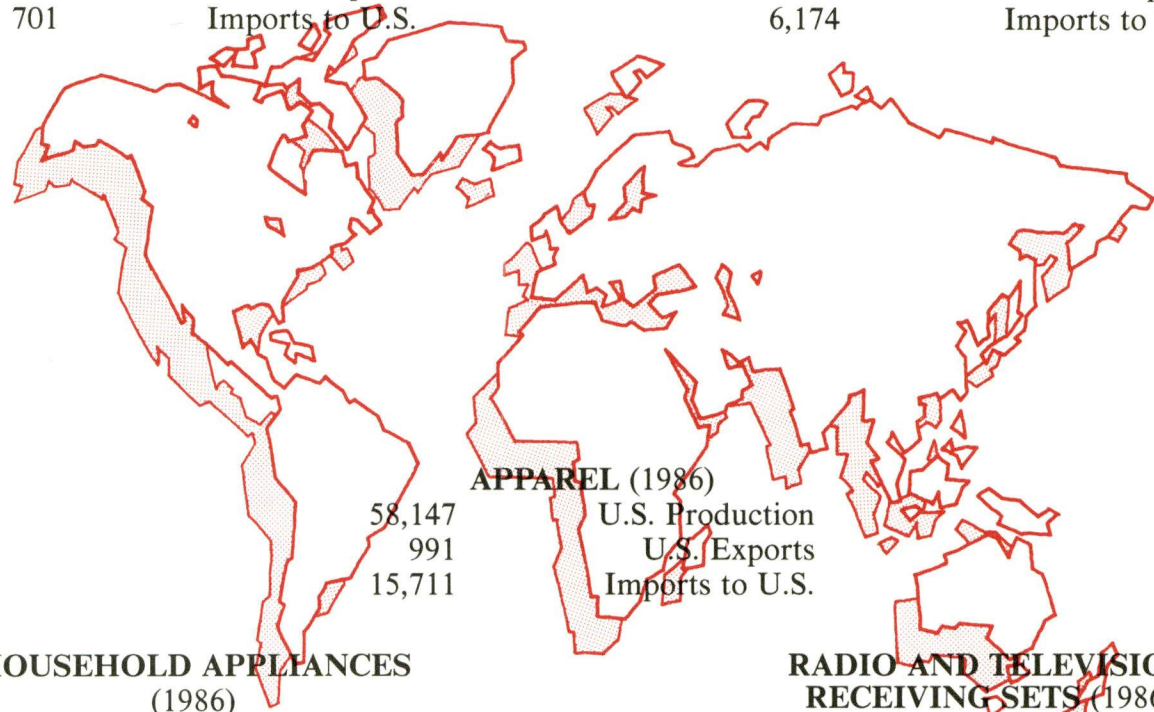
The figures below are for U.S. production, exports, and imports. U.S. retailers buy from U.S. manufacturers all of the U.S. production except the exports.

BOOKS (1986)

10,196	U.S. Production
604	U.S. Exports
701	Imports to U.S.

FOOTWEAR (non-rubber 1986)

4,036	U.S. Production
118	U.S. Exports
6,174	Imports to U.S.



APPAREL (1986)

58,147	U.S. Production
991	U.S. Exports
15,711	Imports to U.S.

HOUSEHOLD APPLIANCES (1986)

16,766	U.S. Production
938	U.S. Exports
2,733	Imports to U.S.

RADIO AND TELEVISION RECEIVING SETS (1986)

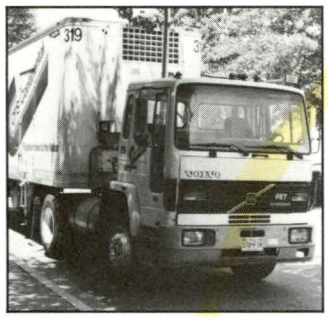
9,199	U.S. Production
662	U.S. Exports
12,359	Imports to U.S.

In 1987 the United States exported 5.4% of its GNP. The rest was consumed in the U.S.

(Figures in millions of dollars: estimated for exports and imports from U.S. Department of Commerce 1988 Industrial Outlook)

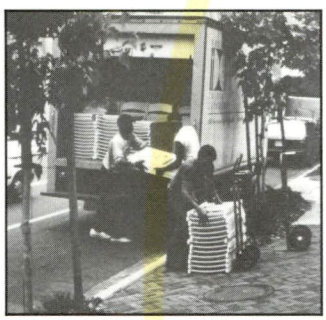
RETAILING

SUPPORTS MANY INDUSTRIES



SHIPPING AND TRUCKING

Retailers pay more than $22 billion annually in inbound freight and transportation costs.



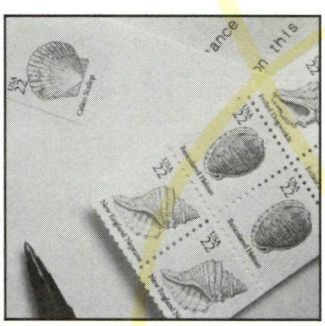
WHOLESALING

5,806,000 people were employed in wholesale trade in 1987.



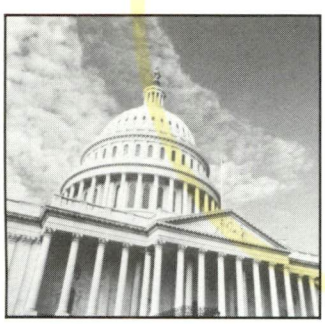
FURNITURE MANUFACTURING

Virtually all of the $16 billion of furniture manufactured in the U.S. is sold by U.S. retailers.



POSTAL

It is estimated that retailing mails about 3 billion pieces of mail per year or over 200 million pieces per month.



GOVERNMENT

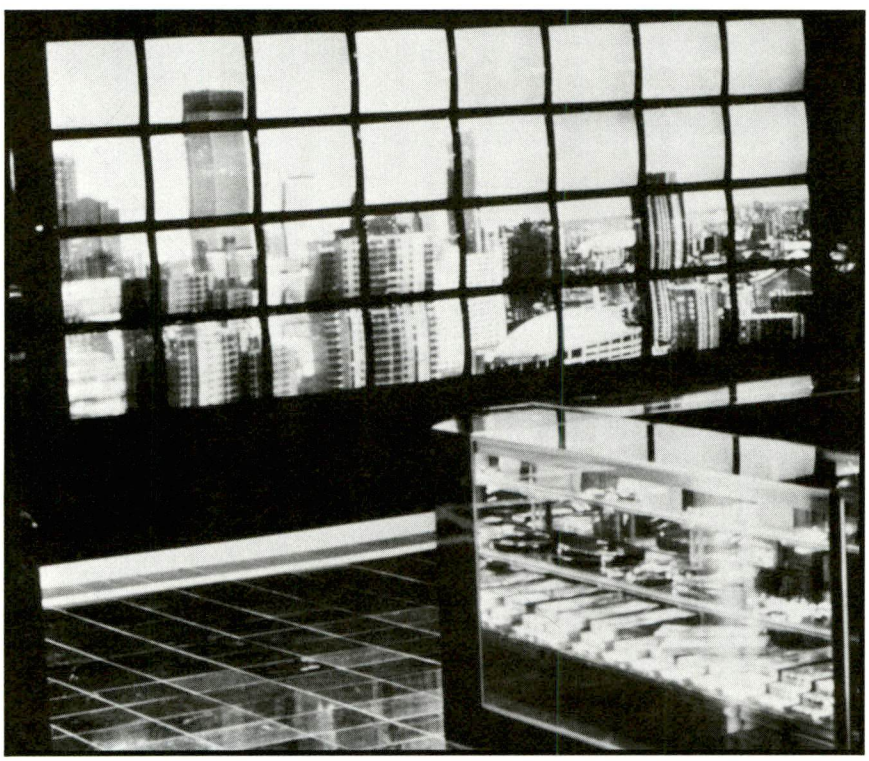
There are 50 state retail associations and 28 national trade line retail associations.

The distributive sector—wholesaling and retailing—is the largest of the service economy, employing 1 out of every 4 workers.

18 **NEW SELLING TRENDS**

Video merchandising is the newest area of retail selling. It is a combination of entertainment for a VCR generation, and point of purchase selling power for the retailer. It also is an incredible educational tool. Consumers, as well as sales associates, see in depth how specific products are designed and made, accenting the quality and time that goes into producing each product.

VIDEO



VIDEO WALLS
(from 4 to 16 programmable T.V. screens stacked on each other)

VIDEO FASHION SHOWS
(for presentations to retail buyers or for consumers)

VIDEO LIBRARIES
(take-home videos for consumers)

VIDEO CATALOGS
(a consumer can view on kiosks a line of products and then place an order)

TRANSACTIONAL VIDEOS
(immediate ordering by the consumer without a salesperson)

Interactive videos, usually using kiosks, or touch-screen activated machines, are a glimpse into what the future holds for retail merchandising. Video catalogs that explain a product visually, then allow the consumer to order the product, pay for it with the insertion of a credit card, all without the help of a salesperson, are now a reality that is spreading with excellent results. Upon credit approval, the product is then immediately shipped to the consumer.

'We've only just scratched the surface of the video merchandising realm. Large retailers can stretch store-within-a-store concepts to infinite new horizons . . . while specialty stores can truly specialize in depth and breadth, not realistic today at current costs-per-square foot.'

DIRECT MAIL

TELE-MARKETING

CABLE SHOPPING

Direct Mail had a 100% increase in piece volume from 1980-1986.

ANNUAL GUIDE TO TELEMARKETING

	1987	1988
Total Sales	$142.2 billion	$170.7 billion
Consumer sales	19%	20%
Business sales	81%	80%
Inbound calls		
Consumer	86%	86%
Business	14%	14%
Outbound calls		
Consumer	14%	14%
Business	86%	85%
Total number of In-House Operations	181,000	199,900
Value of Average Sale		
Consumer	$71.00	$86.00
Business	$1,100.00	$1,250.00
Personnel	$2.6 million	$3.05 million

Cable shopping channels had projected sales of nearly $1.3 billion for 1987. According to a report, "Cable Home Shopping," by the National Advertising Bureau, 60% of U.S. homes have access to teleshopping shows. About 10-20% of viewers who tune in to cable shopping buy the products. The average consumer makes 2.39 purchases per year.



Acording to the Home Shopping Network's annual report, 2.6 million households belonged to the Home Shopping Club as of August 1987. That is up from 520,000 the year before. HSN claims it reaches 23,992,180 unduplicated subscribers via 2,332 cable systems.

3 of the top 10 advertisers in the U.S. were retailers, accounting for over $2.5 billion in media spending alone.

General Sales Tax Collected by States 1985-1986

(in thousands of dollars)

Alabama	1,266,796	Montana	NA
Alaska	54,821	Nebraska	407,428
Arizona	1,749,635	Nevada	524,799
Arkansas	777,305	New Hampshire	NA
California	13,020,338	New Jersey	2,614,372
Colorado	1,396,728	New Mexico	742,662
Connecticut	1,624,938	New York	8,798,308
Delaware	NA	North Carolina	1,861,580
D.C.	361,031	North Dakota	178,953
Florida	5,076,624	Ohio	3,498,214
Georgia	2,172,164	Oklahoma	1,092,043
Hawaii	746,697	Oregon	NA
Idaho	250,475	Pennsylvania	3,241,419
Illinois	4,496,358	Rhode Island	291,377
Indiana	2,161,337	South Carolina	1,112,412
Iowa	768,564	South Dakota	248,617
Kansas	710,247	Tennessee	2,431,024
Kentucky	881,274	Texas	5,393,669
Louisiana	2,129,851	Utah	679,118
Maine	383,324	Vermont	98,576
Maryland	1,189,603	Virginia	1,370,185
Massachsetts	1,721,345	Washington	3,496,612
Michigan	2,687,022	West Virginia	811,147
Minnesota	1,369,880	Wisconsin	1,543,352
Mississippi	1,031,042	Wyoming	224,997
Missouri	2,021,744		

NA = Not available

Sales tax, called in several states a "gross receipts" tax, is generally a transaction tax imposed on final sales to end-users of many goods and services. States require retailers to act as agents in collecting sales and use taxes from consumers. This includes point of sale identification of items as taxable, calculating and collecting the tax due, determining any exemptions, and making some record of all transactions. Retailers remit, usually monthly, monies collected to the state filling out a variety of complex reports. Each of these taxes involves substantial administration efforts which translates into additional retail operating costs, such as additional manpower, computer resources, etc.

Retail sales in shopping centers generated $20.3 billion in state sales tax revenue in 1986. According to a study done by Peat, Marwick, Mitchell & Co. on **Costs to Retailers of Sales and Use Tax** compliance, forty-five of the fifty states in the U.S. and the District of Columbia currently have some form of sales and use tax.

From 1985-86 American retailers collected $88 billion of general sales tax for the states.

COMMUNITY AND FOUNDATION WORK 21

Retailing is the backbone of every small community. They are the downtown merchants. They are Mainstreet, U.S.A. Retailers fill local Chamber of Commerces. In nearly every city in the nation, local retailers represent nearly 50% of the Chambers.

Retailers support through foundations and other means: Boy Scouts of America, economic and social programs, exhibits and monuments, telephone hotlines, museums, conservation corps, libraries, opera, reading programs, youth employment programs, public broadcast television and radio stations. The list goes on and on.



Retail corporations gave $331 million in charitable contributions in 1984, the latest disclosed figures by the IRS.

Retailers support the community they serve.

22 THE AMERICAN RETAIL EDUCATION FOUNDATION

The American Retail Education Foundation was created in 1981 to broaden the public's knowledge of the retail industry and the consumer marketplace by:

* Determining issues vital to the industry that need further research.
* Providing grants to leading academicians to conduct research on issues important to the future of retailing.
* Promoting retailing to the public, especially to young people, as an exciting dynamic profession serving consumers.
* Introducing educational initiatives at leading universities, then encouraging students to consider retailing as a career.
* Implementing a speakers bureau using retail executives and retired senior executives to enlighten public leaders, opinion makers, journalists and other business leaders.

The Foundation is organized under the auspices of the American Retail Federation, which represents one of the largest industry groups in the United States, with millions of employers and billions in capital investment. ARF is an umbrella organization in Washington, D.C. for 50 State Retail Associations, 28 National Retail Trade-line Associations and for scores of corporate members large and small, in all parts of the country.

Two principle groups which comprise the Federation are the National Conference of State Retail Associations and the Central Council of National Retail Associations.

THE AMERICAN RETAIL FEDERATION 23

The American Retail Federation was organized in 1935 in response to the federal government's first initiatives to assume expanded powers over business. In the 50 years since, the Federation has built a reputation as one of the most effective industry advocates in Washington.

ARF's members include large and small retail corporations, all 51 state retail associations, and 24 trade associations representing major segments of the retail industry. ARF works closely with them, serving as their umbrella organization when major issues require the industry to speak with a single voice.

ARF, unlike Washington associations with hundreds of employees and extremely large budgets, has a staff of fifteen multi-disciplined professionals who measure the difference they make in the millions of dollars they save the retailing industry by affecting public policies.

The Central Council of National Retail Associations

American Association of Nurserymen, Inc.
Direct Marketing Association
Direct Selling Association
Food Marketing Institute
International Franchise Association
Jewelers of American, Inc.
Mail Order Association of America
Menswear Retailers of America
National Association of Chain Drug Stores
National Association of Convenience Stores
National Association of Music Merchants, Inc.
National Association of Retail Dealers of America, Inc.
National Association of Retail Druggists
National Decorating Products Association
National Home Furnishings Association
National Mass Retailing Institute
National Retail Hardware Association
National Retail Merchants Association
National Shoe Retailers Association
National Sporting Goods Association
National Tire Dealers and Retreaders Association
Photo Marketing Association International
Retail Floorcovering Institute
Volume Footwear Retailers of America

APPENDIX

Box Page 7 ..... U.S. Department of Commerce News (produced monthly)

Box Page 8 ..... Employment and Earnings, August 1987 U.S. Department of Labor

Box Page 9 ..... Employment and Earnings, August 1987 U.S. Department of Labor

Box Page 10 ..... Employment and Earnings, August 1987 "B-5, women employees on non-agricultural payrolls by major industry and manufacturing groups, seasonally adjusted."

Box Page 11 ..... Monthly Labor Review, September 1987 page 30, 38. U.S. Department of Labor

Box Page 12..... United States Summary, International Council of Shopping Centers, New York, N.Y.

Box Page 13..... United States Summary, International Council of Shopping Centers, New York, N.Y.

Box Page 14... Thomas Hays, The May Department Stores Company

Box Page 15..... Boake Sells, Dayton Hudson

Box Page 16..... Business America, March 28, 1988 U.S. Department of Commerce International Trade Administration

Box Page 18..... National Association of Display Industries

Box Page 19.....Advertising Age, September 1987, page 12

Box Page 20..... "Government Finances in 1985-86," U.S. Department of Commerce

Box Page 21..... Internal Revenue Service Report on Corporate Taxes

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Government—ARF Associations directory

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Electronic Shopping News, Premiere issue
"1987 Annual Report," Home Shopping Network, Inc.
"Retail Driven Technology," January 1987 issue

TAX COLLECTOR

"Government Finances in 1985-86," U.S. Department of Commerce

NOTES

NOTES

American Retail Education Foundation
1616 H Street, N.W.
Suite 600
Washington, D.C. 20006
202-783-7971

July 1988

(Lange/Wallace)
May 16, 1989
10:15 p.m.
[ARF.DOC]

PRESIDENTIAL REMARKS: AMERICAN RETAIL FEDERATION
OEOB -- Room 450
WEDNESDAY, MAY 17, 1989
10:00 A.M.

[Thank you. Welcome to the White House! Home of Millie, and the puppies. Oh, I'm happy to stay in the wings. Really -- I can take the competition. But it does bother me, at the end of a press conference, when Helen Thomas stands up and says, "Thank you, Barbara's husband."]

Well, another kind of competition has been on my mind lately -- and I know it's been on yours. We are moving toward a vastly different business climate. Our view of what it takes to compete must change.

You know, I think we've heard enough about the shopworn, liberal agenda of more government mandates, broad attempts to run your business for you, and intrusive campaigns to legislate competitiveness.

That tired agenda doesn't work anymore. The notion that the government should control business decisions has never made much sense. It makes even <u>less</u> sense today.

<u>It is time to move on to the real issue: building a better, more competitive America</u> -- not through the intrusions of government, but through the energy and will of the American people.

Free markets work. What the world has learned, over the last forty years, is that government intervention cripples economies, creates barriers for business, kills innovation, and costs jobs.

And yet -- even as the world is beginning to recognize this truth -- there are those who are still trying to keep the agenda of government intervention alive here at home. Many are well-intentioned. But you know what they say about good intentions. Let me assure you: we are not going down that road.

We've already made progress in limiting excessive paperwork and regulations -- and that work will continue. Drawing on the creative energies of the private sector, we can reach a regulatory balance that is both flexible and responsive -- at the lowest possible cost to business.

Thanks to American enterprise, and a government that got out of the way, we have created almost 20 million new jobs since the recovery began in 1982. Employment is at record levels.

This brings its own challenges. With labor markets getting tighter, opportunities for jobs abound. Many businesses are scrambling for people, with labor shortages driving up wages.

Entry-level jobs in some regions of the country with low unemployment start at over $5.00 an hour. This is a case where the market alone is doing more than government ever could. But across America, the skills gap is eclipsing the wage gap. And that's the real issue.

Caught up in the politics of the minimum wage, it's too easy to forget who it is we're trying to help, and how. The issue is **not** the minimum wage. It's minimum skills.

We are entering a new era of opportunity. Impending labor shortages offer the promise of a job, for everyone who wants a job -- if they have skills.

My difference with the majority in Congress is not about 30 cents an hour. It's about hundreds of thousands of people -- largely young and unskilled -- who won't have a job to go to, if H.R. 2 becomes law.

Artificial wage hikes simply mean that entry-level jobs are cut back. The first to go are the young and disadvantaged -- who are just beginning to develop workplace skills.

It is haunting, how thousands of young Americans in inner cities believe they have no stake in our system -- no future, no hope. Believing they have nothing to lose, they act as if they have nothing to gain. We cannot allow this to continue. And it won't -- if we make sure that more of them can find jobs.

The vast majority of minimum wage workers are young, secondary earners from families with incomes well above the poverty line. The fact is, fewer than one in ten minimum wage earners are heads of households and in poverty. They deserve our help -- and raising the minimum wage may help some of them.

But the cost will be measured in lost jobs. Losses that will weigh hardest on the minimum wage earners who are young and disadvantaged, and most need the experience that those jobs can

provide. So I say to Congress -- if you want to help the poor, don't take away their jobs.

There are other, better strategies to help the working poor, that won't cost them their jobs. I've proposed an effective training wage that would preserve jobs, promote skills development, and give more young Americans access to work experience. We've proposed a new Child Tax Credit to enhance the incomes of poorer working families with young children -- and enable them to take, or train for, a real job.

We've sent up a package of educational reforms to promote parental choice, encourage excellence, and make our educational system more accountable. We've proposed alternative certification for teachers and principals -- so that interested capable people from business, scientific, engineering and other professions can share their knowledge. The jobs we're creating demand higher levels of skills than ever before -- but the jobs will be there, if people have those skills.

And we are proposing significant improvements in the Job Training Partnership Act -- already so effective at linking public and private efforts -- to help those young people most at risk get the training they need for productive lives.

But the best way to make disadvantaged youth and the working poor part of a competitive, opportunity-based economy, is to continue to create jobs -- and prepare people to fill them. We must limit any increase in the minimum wage so that it won't extract an excessive cost in lost jobs and higher inflation --

with an effective training wage -- to preserve opportunity for those who most need it.

I have a choice to make. I can sign the legislation pending in Congress, and go back to the tired agenda of government intervention that so often hurts the very people it attempts to help. Or, we can step forward, to keep America on the path to a competitive future -- a future bright with opportunity. This choice is clear.

If the majority in Congress rejects my offer of a reasonable compromise, a veto will be inevitable. One thing I will not compromise is the future of the working poor. I will not compromise a generation of young people. They deserve more than false promises and failed ideas that hurt their chances to have and keep a job.

Thank you. And God bless you.

THE WHITE HOUSE

WASHINGTON

MAY 16, 1989

INFORMATION

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVID DEMAREST

FROM: MARK LANGE

SUBJECT: SPEECH TO THE AMERICAN RETAIL FEDERATION

I. SUMMARY

Attached are remarks for your meeting with ARF on Wednesday, May 17, at 10:00 in 450 OEOB.

II. DISCUSSION

Your audience will number about 190 people -- largely senior executives of retail operations ranging from Sears, Roebuck to regional, mid-sized firms.

The speech is a ten-minute address on the minimum wage. It concludes with a pledge to veto H.R. 2, when it comes down from the hill.

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Retail Fed

Gov. Stats Dinner

MacDonalds - N. H. $650

Minimum wage issue is overshadowed by labor shortages

- As unemployment gets low. - qualified workers become

Bloomingdales
Motorola

Who will be there?
Examples of what they are doing
- training progs
- pub. school involvement

- Nets-Labor shortages - retail.

- When U nemployment drops from 6 to 4
- quality of people change big

What do economists say about full employment.

-

- List of invitees
- a few exs. of what they're doing about:
  - skills development
  - educ partnerships w/ local schools

- what retailers are saying about labor shortages (Nexus?)

- economists' thinking on full employment
  - what happens when unemployment drops from ~6% to ~4%?