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TARA — —
Fyl. Could you also
give a copy of this
to Reta + Karen, as
they are the Political
Liaisons to DOL.

This is our summary of
our legislative proposal. Feel
free to send  it out if
you get any requests.

—Liz

U.S. Department of Labor
Office of Congressional and
Intergovernmental Affairs

The enclosed material is sent to you in response to your request.

Karen Rusbbaum

1st week in May (Week of May 9)

1 week - 4-city tour

Release report on findings in Oct.

Announce program in spring 95.
equal pay?

- WH announcement on kick-off

[Atl

- Milwaukee

- Dallas

- SF

CLINTON LIBRARY PHOTOCOPY

Women's Bureau
U.S. Department of Labor
200 Constitution Avenue, N.W.
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Washington, DC 20210

Count Me In!

ORGANIZATION/BUSINESS NAME _____

CONTACT NAME _____ TITLE _____

ADDRESS _____

CITY/STATE/ZIP _____

PHONE _____ FAX _____

TYPE OF ORGANIZATION (check appropriate box):

- | | |
|--|--|
| <input type="checkbox"/> Business (No. of employees) _____ | <input type="checkbox"/> Women's Organization (No. of members) _____ |
| <input type="checkbox"/> Labor (No. of members) _____ | <input type="checkbox"/> Organization/Association (No. of members) _____ |
| <input type="checkbox"/> Media (Circulation) _____ | <input type="checkbox"/> Other (Please specify and include no. of members) _____ |

U.S. Department of Labor

Office of the Secretary
Women's Bureau
Washington, D.C. 20210



February 23, 1994

Dear Colleague:

Because of your important leadership role in American public life, the **Women's Bureau** of the U.S. Department of Labor invites you to become our partner in a bold new initiative: the **Working Women Count!** national questionnaire.

The Women's Bureau was created by Congress in 1920 to "promote the welfare of wage earning women." Today, almost half of all American workers are women, and their importance to our economy is growing. That's why all of us -- elected officials, corporate and business leaders, social advocates and labor representatives, opinion and policy makers -- need to know what working women think about their jobs, and what issues they foresee as we enter an era of dramatic workplace change.

Working Women Count! will shed new light on some of these questions and help define the critical concerns women face in today's workplace. It asks women how they feel about their jobs and what changes they would most like to see in the workplace. However, to reach women around the country, we need your help. That's why we hope you will take an active role as a **program partner**.

If you are interested in participating and want more information, please return the enclosed postcard. You will then receive a program participation kit with the questionnaire, information on its use and tabulation, related activities, etc. And, if you have additional questions, please call Alice Aiken at the Women's Bureau, 1-800-347-3741.

There are many ways you can promote **Working Women Count!** If you are an employer, distribute this questionnaire to your employees; if you run an association or labor organization, provide copies to your members; if you are a corporation or business, make copies available to your customers; if you do a publication, please include it in your May or June issue; and if you produce a television or radio show, tell your audience about the questionnaire and how they can participate.

We are planning an exciting event to officially kick off **Working Women Count!** the first week in May. The results will be announced at another major public event in October, 1994 -- and our partners will share the spotlight.

We have only a few ground rules. Do not begin your survey distribution before the kick-off. And please don't make any changes in our questions so we can combine results from all our partners.

By working together, we can distribute hundreds of thousands of copies of the questionnaire to wage-earning women and create a trend-setting perspective on American women at work. I look forward to working with you.

Sincerely,

A handwritten signature in cursive script that reads "Karen Nussbaum". The signature is written in black ink and is positioned above the printed name.

KAREN NUSSBAUM
Director

**The Urgent Need for A National Workforce Strategy:
The Clinton Administration's Proposal for Worker Security**

**U.S. Department of Labor
November 1993**

THE CHALLENGE

"We're at a time of change that I am convinced is as dramatic as the dawning of the Industrial Age. We can no longer tell our sons and daughters -- we know this now -- that they will enter a job at the age of 18 or 21, enjoy secure paychecks and health benefits and retirement benefits for the rest of their working lives, and retire from the same job with the same company at the age of 65 or 62."

"So, what are we to do? It seems to me that we clearly have to make some changes in the way we look at the world and the way we approach the world. And in order to make those changes, we have to ask ourselves, what do we have to do to make the American people secure enough to make the changes?"

"It is clear that what we need is not an unemployment system, but a reemployment system in recognition of the way the world works today."

-- President Bill Clinton
October 4, 1993

"For the three-quarters of our young people who do not get four-year college degrees, we must merge the world of learning and the world of work to offer young people classroom training and on-the-job training. And for those who lose their jobs, the unemployment system is no longer good enough. We must create a continuous reemployment system so that people are always learning -- even into their 50s and 60s and 70s, as long as they are willing to be productive citizens and keep going and growing."

-- President Bill Clinton
October 12, 1993

In recent years, rapidly-evolving technologies, defense down-sizing, corporate restructuring, and intensifying global competition, have expanded the scale of job loss, job change, and job uncertainty. In today's changing economy, the typical 18 year-old will change work many times in a life-time, even if he or she stays with the same company. As a result, the work lives for increasing numbers of Americans are in transition.

Unfortunately, the current government programs and structures in place to address job transitions and unemployment are not designed to help people find first, new, or better jobs. The current system was designed to meet the needs of an era when people could easily get to or move from one higher-skill higher-wage job to another. Or, if they were laid-off, the system could provide a safety net until they got their old jobs back.

Today, many Americans face the challenge of longer unemployment spells, under-employment, or are in search of a first job. In order for the United States to continue to grow stronger economically, we must make the transition to higher-value-added products, higher-skill work and higher-wage work. In fact, several such jobs are projected to grow in number, according to the Bureau of Labor Statistics. A constantly changing economic picture demands great flexibility -- the capacity to adapt quickly and continuously, the willingness to change jobs and gain new skills. In order to make this transition, we need to invest in our workers and prepare our students so that they might prosper in the new world economy.

The challenge is to fundamentally change the way government helps people who are unemployed move quickly back to economic security by offering them the choice to choose the services they want and need, and a system which is accountable for results.

THE PROBLEMS AMERICAN WORKERS FACE

The Unemployed Confronted with Job Transition

- More than two million Americans are permanently laid-off each year. In recent years, contraction of the defense industry, rapidly evolving technologies, and intensifying global competition have altered the nature and scale of job loss in the U.S. economy.

The Unemployed and the Changing Labor Market

- More than three out of every four workers who were identified as job losers last year were permanently, rather than temporarily, laid-off -- the highest rate of permanent job loss on record.

- The length of unemployment spells continues to grow. In the 1970s, an average of 11.7 percent of the unemployed were out of work for six months or longer. In the 1980s, the figure was 15.5 percent. Thus far in the 1990s, the number is 16.4 percent. Last year, 21 percent of the unemployed hadn't worked for six months or more -- the second highest annual level since the end of World War II.

- Between 1984 and 1989, an average of 1.8 million full-time workers were displaced each year. In 1990, the number reached 2.2 million. A 1990 Congressional Budget Office estimate cites that 23 percent of displaced workers were unemployed longer than one year.

The Costs of Job Change Continue to Increase

- Regular Unemployment Insurance (UI) benefits, which are financed by taxes on employers, have averaged \$22 billion a year (adjusting for inflation) over the past five years. Administrative costs were an additional \$2 billion dollars per year.

- Since November 1991, the federal government has distributed approximately \$25 billion in temporary Emergency Unemployment Compensation (EUC) to long-term unemployed workers who have exhausted their regular benefits.

- Both tax revenues and economic output decline when workers are idle.

THE CURRENT SYSTEM IS NOT WORKING

Lack of a Comprehensive Worker Adjustment System

- The primary government response for displaced workers has been to provide income support through unemployment insurance. While this support helps millions of workers, particularly those who are temporarily laid-off, it does little to identify those people early who are permanently laid-off and to link them with re-employment services.
- The current employment and training system offers at least five major programs for dislocated workers. Each has a distinct set of eligibility criteria and provides a differing set of services and benefits which can confuse those seeking assistance.
- Job search assistance and retraining are not available to all who need it. While some workers who lose their jobs because of trade, defense conversion or the Clean Air Act, are eligible for training, most others are not. Even in cases where training is provided, income assistance is often not available and therefore workers can only stay in short-term training, which is often not as effective as long-term training.

No Nationwide Network of Job, Career, and Training Information

- Most Americans looking for a next job are left to grope for answers without much reliable information about which occupations are growing, which declining, what skills are required for certain jobs, where their skills might be in demand and so on. The current sources of information workers can use to help make career and job choices are not accessible, nor user-friendly.

No Central Point to Access Services

- There is no single place where those in need of help can get all the basic elements of assistance. The system is fragmented and confusing, forcing people to navigate a bureaucratic maze of categorical programs.

Unemployment Insurance Benefits Program Needs Reform

- The current extended benefits (EB) program does not effectively respond to economic downturns and states with high unemployment fail to trigger on the program.
- Permanent job losers do not receive unemployment insurance (UI) benefits long enough to allow them to undertake long-term training or re-employment assistance intended to help them find new or better jobs.

THE SOLUTION: ECONOMIC SECURITY

The Clinton Administration's proposal would create a comprehensive system for facilitating worker security. We urgently need to move from a system of unemployment to re-employment, and we need a system that helps all workers who lose their jobs prepare for and find new, well-paying jobs. Department of Labor initiatives are:

Workforce Security Act, which includes:

Comprehensive Worker Adjustment: This program will ensure that permanently laid-off workers receive the training and support they need for re-employment.

One-Stop Career Centers: These centers will provide all workers and employers quick and easy access to a wide array of enhanced career development and labor market information services.

A School-to-Work Transition System: This initiative will build on the successes of public-private partnerships to develop a national system through which every student would have the opportunity to participate in a program that combines classroom teaching with real-world work experience. When students graduate they will have certification in a marketable skill that will help them get a good first job on a high-wage, higher-skill career track.

Voluntary National Skills Standards: Businesses will work with educators, human resource professionals, labor and community leaders to identify the higher-wage skills and the training needed to master them. In this way, workers can know what to train for and, after completing their training, will have a credential to show employers.

The key features of the **Workforce Security Act** will be:

- **A single comprehensive employment system:** The new system would provide for comprehensive services for all people whether they are unemployed, under-employed, or in search of a first job.
- **Re-employment services:** Services would be available to help people find new and better jobs quickly and would include early job counseling, job-search assistance, and information where new jobs could be found.
- **Better information:** A nationwide information network would help workers make more informed career and job choices and assist in their selection of proper training.
- **Easier access to help:** A streamlined system accessed through One-Stop Career Centers would make it easier to provide universal assistance to all, and make it easier for people to access services.

COMPARING THE CURRENT SYSTEM TO A PROPOSAL FOR WORKER SECURITY

CURRENT SYSTEM

There are currently six categorical programs which may or may not serve select groups of people, based on confusing criteria.

Only 6% of workers who have exhausted their unemployment insurance (UI) benefits have attended job search assistance classes, and only 1.4% have received training.

Currently, the vast majority of unemployment insurance recipients, including those on permanent lay-off, do not receive reemployment services.

There is no nation-wide data system or quality information for workers to use in making their career, job, and training choices.

Only workers affected adversely by trade are eligible for intensive, training and career counseling.

The long-term unemployed qualify for aid in only a few states under the extended benefits (EB) program. Lack of extended benefits leads to federal benefits for the unemployed in all states.

Most people use up their UI benefits before they can complete a job training program. Few states provide income support for long-term training.

Workers cannot use UI benefits to start a new business. Benefits can only be received while workers look for a new job.

Workers must go to several locations to get all of the basic services and must navigate a confusing maze of categorical programs to find a program that will serve them.

PROPOSAL FOR WORKER SECURITY

Comprehensive Program: The proposal consolidates all services now available at the state and federal levels.

Universal Access: Every permanently laid-off worker who wants and needs help, gets help, regardless of the reason why they lost their job.

"Profiling" Systems: Early identification of those unlikely to get their old jobs back, when individuals register for unemployment insurance benefits, will speed entry into reemployment and job-retraining services.

Quality Information: The new system will provide better labor market information about job openings and relevant training, quickly.

Long-term Training: Dislocated workers requiring and wanting more intensive or long-term assistance are eligible for education and training.

Extended Benefits Reform: The long-term unemployed in states with high unemployment would receive extended benefits. The existence of a targeted, effective extended benefits program would reduce the need for costly emergency federal programs.

Income Support for Displaced Workers: Eligible workers continue to receive income support in order to enable them to complete a retraining program. There would be an individualized form of extended benefits for the long-term unemployed.

Unemployment Insurance Flexibility: UI will have some added flexibility to allow workers more options in using benefits. For example, workers can use UI benefits to help establish their own business, or to do part-time work while searching for full-time work. Also, some workers will receive bonuses for becoming reemployed before the termination of their unemployment insurance.

One-Stop Career Centers: The new system promotes locally-run One-Stop Career Centers to provide workers with job assistance services, information, and access to training in one location.



VIA TELEFAX 202/456-2983

February 14, 1994

MEMORANDUM FOR JOAN BAGGETT, DIRECTOR
OFFICE OF POLITICAL AFFAIRS
THE WHITE HOUSE

FROM: Jack Otero *JO*
Deputy Under Secretary

SUBJECT: ILO Conference -- Geneva

As you know, Secretaries Reich and Christopher, the AFL-CIO, and the business community have been trying to get President Clinton to accept the ILO's invitation to speak at the ILO 75th anniversary conference in Geneva June 7. I had discussed this matter twice with Joe Velasquez during your recent leave.

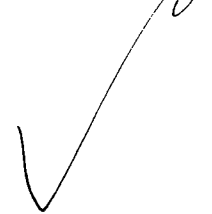
Last week, I heard that a final decision had been made by the White House, declining the ILO invitation. But last Friday, I received the attached Financial Times newsstory from Geneva reporting that the President had accepted.

Which story is correct? Thanks for your assistance. My number is 202/219-6044.

Tara - pls. pass on -

The President is definitely not attending according to NSC the end of last week.

J.



41 22 734 1456

Feb. 11. 2024 08:27 From : FRANCIS M B PEEL - GENEVE - ID : ++ 41 22 734 1456

Clinton to speak at ILO anniversary

By Robert Taylor,
Labour Correspondent

President Bill Clinton is to speak at the 75th anniversary conference of the International Labour Organisation in June in a sign of his growing concern to introduce a social agenda into discussions on the global economy.

It follows his decision to call a jobs summit next month in Detroit for the seven main industrialised nations to discuss global unemployment.

Mr Clinton's trip to Geneva underlines the increasing importance the American administration is giving to labour questions, reflected in the training and employment policies being drawn up by Mr Robert Reich, the labour secretary.

It also indicates an important shift in American international labour strategy. Under Presidents Reagan and Bush the US took a hostile view of the work of the ILO and American employers believed it was

hostile in the principles of free enterprise.

Observers believe Mr Clinton's trip will provide a welcome support for the ILO's new social agenda which will be presented to the conference by its director-general Mr Mitchell Hansenne.

In a recent report Mr Hansenne argued that the ILO needed to adopt a more positive line on social issues with the onset of freer international trade after the completion of the Gatt Uruguay Round and

the creation of the North American Free Trade Area.

The ILO believes this must go beyond the setting of universal standards of labour practice.

Mr Clinton will be the first US president to travel to Switzerland to address the ILO. President Franklin Delano Roosevelt spoke to the ILO when it met in Philadelphia in 1944, when the organisation was relaunched in the closing stages of the second world war.

LONDON - FINANCIAL TIMES 11 FEB 94

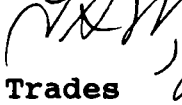
U.S. Department of Labor

Solicitor of Labor
Washington, D.C. 20210



JAN 27 1994

MEMORANDUM TO JOAN N. BAGGETT

FROM: THOMAS S. WILLIAMSON, JR. 

SUBJECT: Building and Construction Trades
Department Inquiry re: Davis-Bacon
Act Issues

On September 14, 1993 you sent me and Maria Echaveste a memorandum asking about two Davis-Bacon-related issues, namely lease-construction projects and deducting dues for "job targeting" programs. My recollection is that our telephone calls last fall kept missing each other, and I was foiled in trying to give you a proper status report.

In any event, I am attaching a copy of a letter that I recently sent to Walter Dellinger, the head of the Office of Legal Counsel (OLC) at the Justice Department. The letter makes clear that the Labor Department strongly supports the interpretation of Davis-Bacon that would extend coverage to lease/construction projects, and we urge OLC to reverse its earlier ruling.

When you have a chance, I would appreciate an opportunity to chat with you about the dues deduction/job targeting issue.

Attachment)

cc: Maria Echaveste (w/attachment)
Monica Gallagher (w/attachment)



HAND DELIVERED

JAN 11 1994

Mr. Walter Dellinger
Assistant Attorney General
Office of Legal Counsel
U.S. Department of Justice
Washington, D.C. 20530

Re: Davis-Bacon Coverage of Leased-Construction

Dear Mr. Dellinger:

This is in response to your request for written background material, as well as a statement of the current position of the Department of Labor ("DOL") on the applicability of the Davis-Bacon Act, 40 U.S.C. 276a ("the Act"), to certain agreements entered into by various Government agencies involving the construction of buildings. The application of the Act to an agreement entered into by the Veterans Administration for long-term lease and construction of a building, so-called lease-construction, was the subject of a June 6, 1988 opinion by your office during a prior administration. We understand that that opinion is currently being reconsidered by your office.

DOL continues to believe that the 1988 opinion is not a correct interpretation of the Act. We are also concerned that OLC, in issuing that opinion, failed to give appropriate deference to the views of the Department of Labor and the Department's Wage Appeals Board, which has the authority pursuant to 29 C.F.R. 7.1(d) to issue final administrative decisions on matters arising under the Davis-Bacon Act. The courts have recognized that contracting agencies are required to submit such issues to the Department for a ruling, and that its decisions are binding on the agencies pursuant to Reorganization Plan No. 14 of 1950, 5 U.S.C. Appendix, and the Department's regulations, 29 C.F.R. 5.13 29 C.F.R. Part 7.¹ We set forth our views in more detail below, and attach related documents for your consideration.

¹ North Georgia Building & Construction Trades Council v. Goldschmidt, 621 F.2d 697 (5th Cir. 1980); see also Collins International Service Co. v. United States, 744 F.2d 812 (Fed. Cir. 1984); Woodside Village v. Secretary of U.S. Department of Labor, 611 F.2d 312, 315 (9th Cir. 1980); Nello L. Teer Company v. United States, 348 F.2d 533 (Ct. Cl. 1965), cert. den., 383 U.S. 934 (1965); Ames Construction Co. v. Dole, 117 CCH Labor Cases par. 35,416 (D. Minn. 1990); North Georgia Building & Construction Trades Council v. MARTA, 95 CCH Labor Cases par. 34,291 (N.D. Ga. 1982); Iowa State Council of Carpenters v. Lewis, 98 CCH Labor Cases par. 34,415 (S.D. Ia. 1983);. See also 43 Op. A.G. No. 14 (March 9, 1979); 41 Op. A.G. 488 (September 26, 1960).

Background

Lease-construction has become an increasingly popular type of project management in recent years. This contrasts with the traditional procurement of buildings under which the Government promises to pay a total price in installments or upon completion, for a building or other work to be owned by the Government and constructed in accordance with Government specifications. Under the lease-construction arrangement the Government agrees to lease, ordinarily for a term of 15 to 25 years, a building which is yet to be built, or occasionally, a pre-existing building which must be substantially modified to suit the Government's needs. In some cases the agreements also contain an option to purchase, or a commitment to purchase at the end of the lease term. These projects may involve buildings either on or off Government-owned land, and the structures are built with the builder's or developer's own funds. In addition to leasing the building to the Government, the builder promises to build to Government specifications and to maintain the facility. The lease payments, over the life of the lease, are presumably intended to cover the cost of construction, maintenance and the builder's profit.²

The question of the applicability of the Davis-Bacon Act to lease construction involves the interpretation of language which makes the statute applicable to ". . . every contract in excess of \$2,000 to which the United States or the District of Columbia is a party for construction, alteration, and/or repair. . . , of public buildings or public works of the United States or the District of Columbia. . . ." 40 U.S.C. 27 (emphasis added). The two operative statutory conditions for Davis-Bacon coverage are (1) "contract for construction" and (2) "public buildings or public works". The regulations define "contract", in part, as "any prime contract which is subject wholly or in part to the labor standards provisions of any of the acts listed in sec. 5.1 and any subcontract of any tier thereunder, let under the prime contract." 29 C.F.R. 5.2(h).

The terms "public building" or "public work" are defined as including the following:

building or work, the construction, prosecution, completion, or repair of which, as defined above, is carried on directly by authority of or with funds of a Federal agency to serve the interest of the general public regardless of whether title thereof is in a Federal agency. [29 C.F.R. 5.2(k)]

² In some cases, including the contract at issue in the 1988 ruling, the cost of all or a portion of the construction may be directly paid by the Government at the time of construction.

These provisions were interpreted and applied to specific cases involving lease-construction in decisions of the Department's Wage Appeals Board ("the Board") in 1985 and 1987. In Military Housing, Ft. Drum, WAB Case No. 85-16 (August 23, 1985) ("Ft. Drum"), the Board held that off-base military housing units built with private financing to Government specifications and leased to the Government for 20 years were public buildings erected pursuant to a contract for construction with the United States, and thus covered by the Davis-Bacon Act. And in Applicability of Davis-Bacon Act to Lease of Space for Outpatient Clinic, Crown Point, Indiana, WAB Case No. 86-33 (June 26, 1987) ("Crown Point"), the Board, relying on Ft. Drum, held that the agreement, which required that a clinic be built to Government specifications with private financing and leased to the Veterans Administration for 15 years, was a contract for construction. The Board further found that because of the building was being constructed solely to serve the needs of the VA, and would be put to use by a federal agency for what the Board viewed as a long period, they were properly deemed public buildings, covered by Davis-Bacon Act.

Because the Veterans Administration ("VA") refused to comply with the Board's Crown Point decision, the Building and Construction Trades Department, AFL-CIO, sued to enforce the Board's ruling. After the suit was filed, but before any rulings by the court, the VA sought and obtained from the Office of Legal Counsel (OLC) an opinion that the Crown Point project was not covered by the Davis-Bacon Act. The court rejected the Government's motion to dismiss on the basis that the OLC opinion left no final agency action for the court to enforce, finding that the opinion merely framed the issues in the litigation. Building & Construction Trades Department, AFL-CIO v. Turnage, 28 WH Cases (BNA) 1565 (D.D.C. 1988). In a second opinion, the court reviewed the merits of Davis-Bacon coverage of the VA clinic and found that the Department of Labor's coverage decision was reasonable and entitled to deference under Chevron, U.S.A. v. Natural Resources Defense Counsel, 467 U.S. 837 (1983). Building & Construction Trades Department, AFL-CIO v. Turnage, 705 F. Supp. 5 (D.D.C. 1988). This decision was not appealed.

Following the court's decision, the Assistant Attorney General for OLC wrote to the Department on January 23, 1989, and stated that although he had recommended against appeal of the district court's decision, he "request[ed] and trust[ed]" the Department would adhere to his conclusion that the Davis-Bacon Act did not cover the Crown Point project or any like it. In the intervening period since that letter, the Department has received a number of requests for rulings, but has not responded in light of the uncertainty arising from the conflict between the OLC opinion and the Board decision, which was upheld by the district court.

Discussion

The 1988 OLC opinion begins by disagreeing with the Department's assertion that the question of Davis-Bacon coverage was not properly before OLC. Without intending to waive that issue, we confine our comments to the substantive question of Davis-Bacon coverage.

The 1988 opinion concludes that the literal language of the statute controls this issue. The OLC reasoning in 1988 is based on the view that the Crown Point agreement could not be a contract for construction because the plain language of the statute "demonstrates that it is not." Opinion, page 7. Because the agreement is to lease the property, the opinion concludes that, under the literal language of the statute, the agreement cannot be a contract for construction. The rationale seems to be simply that a lease is a lease, and therefore cannot also be a contract for construction.

We believe that the correct reading of the literal language of the statute requires a contrary result. The agreements in question are "contracts" and are "for construction." Clearly a lease is a form of contract. A contract is a promise enforceable at law directly or indirectly. 1 Corbin, Contracts §1 (1963); State of Alaska v. U.S., 16 Cl. Ct. 5 (1988). The promises exchanged in the typical project at issue here are clear and distinct: the Government promises to lease a particular building for a term of years once it is built, and the developer promises to build it to Government specifications.

That these agreements may not be literally captioned "contracts" is not dispositive. In State of Alaska, supra, the court was dealing with a document called "The Terms and Conditions for Land Consolidation and Management in the Cook Inlet Area," and had no trouble construing that agreement as an exchange of promises by and to the United States and therefore a contract. 16 Cl. Ct. at 9. Thus, literally, the document at issue promising construction of a building is a contract, which requires construction, and therefore is a contract for construction. As the Turnage court concluded in upholding the Wage Appeals Board decision, "there is nothing in the Act itself which indicates that Congress intended to restrict its application to contracts where 'construction' is the only element of the contract. . . . The Court finds that it is reasonable to conclude, as the WAB has done, that the nature of the contract is not controlling so long as construction work is part of it." 705 F. Supp. at 6.

Unlike the Service Contract Act, 41 U.S.C. 351(a), the Davis-Bacon Act has no requirement that a covered contract be principally for construction. As the Board observed in the Crown Point and Fort Drum decisions, "[I]t has long been the traditional position of the Department of Labor that if more than

an incidental amount of construction-type activity is involved in the performance of a government contract, the Davis-Bacon Act is applicable to that work." Crown Point, supra at 4, quoting from Fort Drum, supra at 9. This principle has been refined and codified in the Federal Acquisition Regulations, 48 C.F.R. 22.402(b), which are applicable to procurement by all civilian contracting agencies, and in the Service Contract Act regulations defining the circumstances under which the Davis-Bacon Act applies to service contracts, 29 C.F.R. 4.116(c)(2).³

The 1988 OLC opinion attempts to reinforce its conclusion by relying on language from two previous Attorney General opinions at 38 Op. A.G. 229 (1935) and 41 Op. A.G. 488 (1960). Those two opinions state that the Act applies to a "building erected with funds supplied by the Congress," 38 Op. A.G. at 233, and to "direct Federal construction . . .," 41 Op. A.G. at 495. It is important to place the quoted language in its context. Both of these opinions are expansive readings of the Act, finding Davis-Bacon Act coverage of the work in question performed under the Alley Dwelling Authority Act of 1934 and the Federal-Aid Highway Act of 1956, respectively. Neither opinion involved coverage of lease-construction, or any issue similar to that involved here. Nor did either opinion suggest, even in dicta, that the Act does not apply if the building is not built with Federal funds.⁴

³ Section 4.116(c)(2) provides in pertinent part that the Davis-Bacon Act applies to construction work under hybrid contracts where:

(i) The contract contains specific requirements for substantial amounts of construction, reconstruction, alteration, or repair work (hereinafter referred to as construction) or it is ascertainable that a substantial amount of construction work will be necessary for the performance of the contract (the word "substantial" relates to the type and quantity of construction work to be performed and not merely to the total value of construction work (whether in absolute dollars or cost percentages) as compared to the total value of the contract); and

(ii) The construction work is physically or functionally separate from and as a practical matter is capable of being performed on a segregated basis from, the other work called for by the contract.

⁴ The Department's regulations at 29 C.F.R. 5.2(k) quoted above, defining a "public building" or "public work", clearly contemplate that covered construction may be either "carried on directly by authority of" a Federal agency, or with Federal funds. Furthermore, title in the Federal agency is not necessary.

The 1935 opinion involved primarily whether the Davis-Bacon Act applied to the construction of buildings in alleys under redevelopment, which might later be leased or sold by the Government to private parties. The 1935 opinion states:

I approve the broad construction which has thus been placed upon the statute and regard it as supported both by the language of the Act and by the apparent purposes intended to be accomplished. Under this view buildings erected with funds supplied by the Congress for the furtherance of public purposes are not to be distinguished, so as to affect the application of the statute, upon consideration of their character or the particular public purpose which their building is intended to further; nor do I regard it as controlling that some of them will be, or may be, conveyed for a consideration to private persons at some time after completion.

The language in the 1960 opinion is a quote from the legislative history of the Federal-Aid Highway Act, comparing direct Federal contracts for construction to Federally-assisted construction performed under grants and loans.⁵ The opinion concluded that independent owner-operators of trucks on a Davis-Bacon project were employees subject to the Act's requirements.

Also in support of its conclusion the 1988 OLC opinion cites a highly questionable Comptroller General opinion, 42 Comp. Gen. 47 (1962), which found that the Davis-Bacon Act did not apply to construction of a building leased by the Government. The principal rationale was that the Government obtained no more than a leasehold interest in the building. The OLC opinion failed to mention either an earlier opinion of the Comptroller General, 34 Comp. Gen. 697 (1955), holding that lease-purchase agreements are covered by the Act, or a more recent opinion issued after the Wage Appeals Board decision in Ft. Drum, supra, which concluded "that ownership is [not] necessary in every case," and that the Wage Appeals Board coverage determination in that case was reasonable. Fischer Engineering Maintenance Co., Inc., No. B-223359, September 16, 1986, 86-2 CPD par. 359.

Finally, the 1988 OLC opinion looks to other statutes which specifically apply Davis-Bacon requirements in comparable lease-construction situations, such as the Postal Reorganization Act, as evidence of Congressional intent that the Act would not

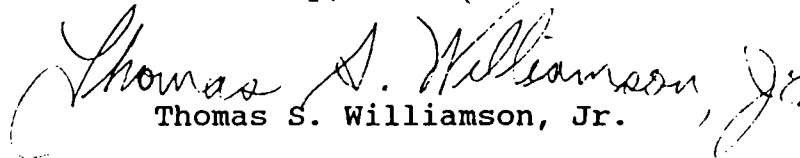
⁵ The Davis-Bacon Act itself applies only to direct contracts with the Federal government. Approximately 70 related acts, including the Federal-Aid Highway Act, expressly apply Davis-Bacon prevailing wage requirements to construction performed pursuant to loans and grants from the Federal government.

otherwise apply in such situations. The 1962 Comptroller General opinion referenced above concerned lease-construction by the Postal Service, and concluded that such construction was not subject to the Act. Presumably because of that opinion, which was followed by both the Postal Service and the Department of Labor until just prior to the Board's Fort Drum decision in 1985, Congress explicitly provided by statute that Davis-Bacon would be applicable to construction or improvements of a building of 6500 square feet or more under lease agreement with the Postal Service. See 39 U.S.C. 410(d)(1) (1970).

In our view, it is unwarranted to infer that because Congress applied the Davis-Bacon Act expressly to certain agencies' lease agreements, it can be concluded that Congress intended that the Davis-Bacon Act did not apply to other such projects. These legislative actions were not contemporaneous with enactment of the Davis-Bacon Act. Nor does a Congressional enactment specifically covering lease-construction constitute a ratification of an interpretation that the Act would not otherwise apply.

For these reasons we request that you reconsider and reverse OLC's 1988 opinion that the Act does not apply to the agreements in question, and defer to the Department of Labor's interpretations and procedures for issuance of rulings in this area of the law.

Sincerely,


Thomas S. Williamson, Jr.

Attachments

U.S. Department of Labor

CLINTON LIBRARY PHOTOCOPY

A NATIONAL WORKFORCE STRATEGY:

THE CLINTON ADMINISTRATION'S PROPOSAL FOR WORKER SECURITY

THE CHALLENGE

"We're at a time of change that I am convinced is as dramatic as the dawning of the Industrial Age. We can no longer tell our sons and daughters — we know this now — that they will enter a job at the age of 18 or 21, enjoy secure paychecks and health benefits and retirement benefits for the rest of their working lives, and retire from the same job with the same company at the age of 65 or 62."

"So, what are we to do? It seems to me that we clearly have to make some changes in the way we look at the world and the way we approach the world. And in order to make those changes, we have to ask ourselves, what do we have to do to make the American people secure enough to make the changes?"

"It is clear that what we need is not an unemployment system, but a reemployment system in recognition of the way the world works today."

— President Bill Clinton

October 4, 1993

"For the three-quarters of our young people who do not get four-year college degrees, we must merge the world of learning and the world of work to offer young people classroom training and on-the-job training. And for those who lose their jobs, the unemployment system is no longer good enough. We must create a continuous reemployment system so that people are always learning — even into their 50s and 60s and 70s, as long as they are willing to be productive citizens and keep going and growing."

— President Bill Clinton

October 12, 1993

In recent years, rapidly-evolving technologies, defense down-sizing, corporate restructuring, and intensifying global competition, have expanded the scale of job loss, job change, and job uncertainty. In today's changing economy, the typical 18 year-old will change work many times in a life-time, even if he or she stays with the same company. As a result, the work lives for increasing numbers of Americans are in transition.

Unfortunately, the current government programs and structures in place to address job transitions and

unemployment are not designed to help people find first, new, or better jobs. The current system was designed to meet the needs of an era when people could easily get to or move from one higher-skill, higher-wage job to another. Or, if they were laid-off, the system could provide a safety net until they got their old jobs back.

Today, many Americans face the challenge of longer unemployment spells, unemployment, or are in search of a first job. In order for the United States to continue to grow stronger economically, we must make the transition to higher-value-added products, higher-skill work and higher-wage work. In fact, several such jobs are projected to grow in number, according to the Bureau of Labor Statistics. A constantly changing economic picture demands great flexibility — the capacity to adapt quickly and continuously, the willingness to change jobs and gain new skills. In order to make this transition we need to invest in our workers and prepare our students so that they might prosper in the new world economy.

The challenge is to fundamentally change the way government helps people who are unemployed move quickly back to economic security by offering them the choice to choose the services they want and need, and a system that is accountable for results.

THE PROBLEMS AMERICAN WORKERS FACE

The Unemployed Confronted with Job Transition

- More than two million Americans are permanently laid-off each year. In recent years, contraction of the defense industry, rapidly evolving technologies, and intensifying global competition have altered the nature and scale of job loss in the U.S. economy.

The Unemployed and the Changing Labor Market

- More than three out of every four workers who were identified as job losers last year were permanently, rather than temporarily, laid-off — the highest rate of permanent job loss on record.

- ❑ The length of unemployment spells continues to grow. In the 1970s, an average of 11.7 percent of the unemployed were out of work for six months or longer.

In the 1980s, the figure was 15.5 percent. Thus far in the 1990s, the figure is 16.4 percent. Last year, 21 percent of the unemployed hadn't worked for six months or more — the second highest annual level since the end of World War II.

- ❑ Between 1984 and 1989, an average of 1.8 million full-time workers were displaced each year. In 1990, the number reached 2.2 million. A 1990 Congressional Budget Office estimate cites that 23 percent of displaced workers were unemployed longer than one year.

The Costs of Job Change Continue to Increase

- ❑ Regular Unemployment Insurance (UI) benefits, which are financed by taxes on employers, have averaged \$22 billion a year (adjusting for inflation) over the past five years. Administrative costs were an additional \$2 billion dollars per year.
- ❑ Since November 1991, the federal government has distributed approximately \$27 billion in temporary Emergency Unemployment Compensation (EUC) to long-term unemployed workers who have exhausted their regular benefits.
- ❑ Both tax revenues and economic output decline when workers are idle.

THE SOLUTION: ECONOMIC SECURITY

The Clinton Administration's proposal would begin to create a comprehensive system for facilitating worker security. We urgently need to move from a system of unemployment to re-employment, and we need a system that helps all workers who lose their jobs prepare for and find new, well-paying jobs. Department of Labor initiatives are:

Reemployment Act, which includes:

- ❑ **Comprehensive Worker Adjustment:** This program will ensure that permanently laid-off workers receive the training and support they need for re-employment.

- ❑ **One-Stop Career Centers:** These centers will provide all workers and employers quick and easy access to a wide array of enhanced career development and labor market information services.

A School-to-Work Transition System: This initiative will build on the successes of public-private partnerships to develop a national system through which young Americans would have the opportunity to participate in a program that combines classroom teaching with real-world work experience. When students graduate they will have certification in a marketable skill that will help them get a good first job on a high-wage, higher-skill career track.

Voluntary National Skills Standards: Businesses will work with educators, labor and community leaders, and others to identify the higher-wage skills and the training needed to master them. In this way, workers can know what to train for and, after completing their training, will have a credential to show their employers.

The key features of the Reemployment Act will be:

- ❑ **A single comprehensive employment system:** The new system would provide for comprehensive services for all people whether they are unemployed, under-employed, or in search of a first job.
- ❑ **Re-employment services:** Services would be available to help people find new and better jobs quickly and would include early job counseling, job-search assistance, and information on where new jobs can be found.
- ❑ **Better information:** A nationwide information network would help workers make more informed career and job choices and assist in their selection of proper training.
- ❑ **Easier access to help:** A streamlined system accessed through One-Stop Career Centers would make it easier to provide universal assistance to all, and make it easier for people to access services.

COMPARING THE CURRENT SYSTEM TO OUR PROPOSAL FOR WORKER SECURITY

CURRENT SYSTEM

There are currently six categorical programs which may or may not serve select groups of people, based on confusing criteria.

Only 6% of workers who have exhausted their unemployment insurance (UI) benefits have attended job search assistance classes, and only 1.4% have received training.

Currently, the vast majority of unemployment insurance recipients, including those on permanent lay-off, do not receive reemployment services.

There is no nation-wide data system or quality information for workers to use in making their career, job, and training choices.

Only workers affected adversely by trade are eligible for intensive longterm training and career counseling.

Most people use up their UI benefits before they can complete a job training program. Few states provide income support for long-term training.

In most states, UI benefits can only be received while workers look for a new job.

Workers must go to several locations to get all of the basic services and must navigate a confusing maze of categorical programs to find a program that will serve them.

OUR PROPOSAL FOR WORKER SECURITY

Comprehensive Program : The proposal consolidates all services now available at the state and federal levels.

Universal access: Every permanently laid-off worker who wants and needs help, gets help, regardless of the reason why they lost their job.

"Profiling" Systems: Early identification of those unlikely to get their old jobs back, when individuals register for unemployment insurance benefits, will speed entry into reemployment and job-retraining services.

Quality Information: The new system will provide better labor market information about job openings and relevant training, quickly.

Long-term Training: Dislocated workers requiring and wanting more intensive or long-term assistance are eligible for education and training.

Income Support for Displaced Workers: Eligible workers continue to receive income support in order to enable them to complete a retraining program.

Unemployment Insurance Flexibility: UI will have some added flexibility to allow states more options in pay benefits. For example, workers can use UI benefits to help establish their own business, or to do part-time work while searching for full-time work. Also, some workers will receive bonuses for becoming reemployed before the termination of their unemployment insurance.

One-Stop Career Centers: The new system promotes locally-run One-Stop Career Centers to provide workers with job assistance services, information and access to training in one location, and that will speed the hiring process for firms seeking high quality workers.

THE CLINTON ADMINISTRATION AND THE JOBS AGENDA

Introduction

In its first year, the Clinton Administration has devoted considerable resources to promote workforce skill development at all levels: increasing opportunities for those entering the workforce to obtain the skills necessary to find a good job in today's changing economy; encouraging firms to improve productivity by investing in lifelong learning among current workers; and helping those workers who have been dislocated to move quickly to re-employment. In all these endeavors, there is an emphasis on ensuring an adequate supply of workers who have the skills and knowledge needed to compete for high quality jobs in the new economy.

In addition, it is crucial to pay attention to the demand side of the equation. Is the economy growing sufficiently to create these new jobs? What is the nature of the jobs, in terms of wages and skill levels required? In what industries and occupations are these jobs concentrated?

This paper begins to address these questions by highlighting briefly the Administration's economic policies that support a growing economy; looking at the industries and occupations projected to hold the most promise for the growth of high-wage, high skill jobs; and discussing various labor market information initiatives, including elements of the Workforce Security Act, that will better link workers with available jobs.

Policy Measures

On the demand side, it is critical to create an economic climate that can foster growth. The Administration's macroeconomic policies – designed to reduce the Federal budget deficit, stabilize financial markets, and keep interest and inflation rates low – have established the framework needed for sustained economic growth. To date, these policies have helped create nearly two million new jobs during the Administration's first year. Many of these jobs are good jobs paying a decent wage that can support a family, help workers develop specific skills, and offer opportunities for workers to move along career ladders. The number of persons employed as managers and professionals grew about twice the overall rate of employment growth.

The completion of current trade negotiations, both in North America (NAFTA) and in the world (GATT), has set the stage for sustained growth of the global economy and will stimulate growth of U.S. exports in various overseas markets, largely in high value-added products. Part of the increased global trade certain to result from the Administration's foreign trade successes will come as a result of selling goods and services to the burgeoning global middle class. With countries as diverse as India, China, Mexico, Argentina, Hungary, and Thailand moving away from restrictive trade barriers and centrally-planned economies, a new global middle class of about 400 million people is emerging. The number has the potential to swell to 800 million people early in the new century, presenting tremendous opportunities for a surge in American exports to these potential consumers.

American industry is poised to take advantage of these opportunities for strong export growth, having experienced a period of substantial restructuring over the last decade. The restructuring, in part, has accounted for reductions in labor costs, to the point that U.S. labor costs are now 30 percent below the weighted average foreign level, making American products more competitive in the global market

on the basis of cost. The U.S. has regained its traditional position as the world's largest exporter and, since 1986, has increased its relative share of exports in manufactured goods among industrialized nations from 14 percent to 18 percent.

This is important because efforts to increase exports are directly related to increases in American jobs. Moreover, export industries tend to produce high-paying jobs – about one-fifth more than other American jobs. The Administration has, therefore, placed a high priority on promoting American exports, opening foreign markets, and removing foreign trade restrictions. These activities will be enhanced by the work of the Trade Promotion Coordinating Committee, designed to strengthen export promotion by streamlining the efforts of 19 different Federal agencies with export promotion roles.

Many of the new, good jobs created are likely to be related to the explosions of new technologies, particularly information technologies. The Administration's comprehensive technology policy will help the private sector deploy new technologies quickly and efficiently, with a focus on helping move technologies more quickly from the laboratory to the marketplace. In addition, it includes several efforts likely to stimulate growth and employment opportunities over the long term.

Examples of these technology efforts include:

- hastening the transition from defense to civilian industrial capabilities through the \$876 million Technology Reinvestment Project, an interagency R&D initiative designed to create new technology products, new companies, and new industries;
- expanding the comprehensive network of manufacturing extension centers from seven centers to 100 by 1997 – centers that will improve the competitiveness of small and mid-sized businesses by helping them adopt new technologies, production methods, and management practices;
- increasing funding by \$200 million for the Commerce Department's Advanced Technology Program, which spurs industry's development of high-risk, high-payoff commercial technologies;
- launching a dual use technology initiative that will remove barriers that separate defense and commercial work, enable DOD to maintain leading edge technologies while stimulating private sector technology development, and help defense contractors diversify and compete in private markets;
- setting an ambitious action agenda for development of the "information superhighway" including a National Information Infrastructure that clarifies private- and public-sector superhighway responsibilities while underscoring the fundamental requirements for universal citizen access and commercial sector benefits; and
- securing new Federal funding for science and technology initiatives.

Advanced technology alone will not guarantee American business success in the global marketplace. Rather, how technology is used – by companies that empower front-line workers, are more flexible, and more customer-oriented – will constitute a significant competitive advantage. The Administration, through the Labor Department's new Office of the American Workplace, is taking steps to encourage firms to become "high performance," including developing "best practices" clearinghouses, fostering partnerships with industry and labor organizations, establishing the benefits of innovative workplace practices to the bottom line, and assisting employers through the provision of workplace extension services.

In addition to the macroeconomic, trade and technology policies mentioned above, the Administration has pursued numerous related efforts to spur high quality job creation. To cite a few, these include securing \$1.9 billion in new funding for environmental infrastructure and conservation projects, allotting \$2.5 billion over the next five years to create ten empowerment zones and 95 enterprise communities, and awarding an additional \$2.1 billion for low-income and other housing projects. These efforts will help to create good jobs, enhance business' productivity, and increase the nation's competitive position.

At the same time, it is essential to ensure that American workers have the necessary skills to move into the high-wage jobs generated by advances in technology and a growing economy. The Administration is committed to providing the education and skills upgrading that American workers need to qualify for high-wage jobs.

To fulfill this commitment, the Departments of Education and Labor have undertaken a number of initiatives to build a new partnership between the world of education and job training and the world of work. These include the strengthening of primary and secondary education, the establishment of a National Service program, increased support for higher education, the establishment of a comprehensive school-to-work transition program, the creation of a system of voluntary, occupational skill standards, the creation of "one-stop shopping" for employment and training services, and the creation of a comprehensive program for ensuring that dislocated workers have competitive job skills.

The Job Outlook

The U.S. labor market has always been characterized by a large amount of constant internal change, that is, workers leaving their jobs because of better job opportunities, economic changes, or other reasons. Many job openings occur as a result of this "churning." Past studies in the manufacturing sector (based on plant-level employment changes) have estimated that about 10 percent of the jobs turn over each year. This amounts to nearly two million openings in the manufacturing sector alone, adding to a remarkable fluidity in job opportunities across industries and localities. Though the rate of change varies widely among industries, about 40 percent of manufacturing turnover takes place among higher wage industries – fabricated metals, transportation, electric machinery, and nonelectric machinery.

The Department of Labor's projections of job growth to the year 2005 portray a promising future for workers prepared to take the emerging jobs in our Nation's changing, dynamic economy. Many of those jobs are in occupations which have above-average earnings but do not require a college degree.

Over the period 1992-2005, the Bureau of Labor Statistics projects a 7.3 million net increase in good jobs for non-college degree workers – or nearly 600,000 new good jobs each year. The new growth projections are as follows:

Occupation	Net employment growth, 1992-2005
Construction related	851,000
Protective service	349,000
Sales	909,000
Health related	1,482,000
Mechanics and repairers	780,000
Technicians	334,000
Drivers	796,000
Craft occupations	323,000
Clerical	577,000
Other occupations	869,000

So the evidence is clear that – both in terms of the normal turnover and new net job creation – good jobs will be plentiful. The challenge is to develop a re-employment system that can move prospective employees into jobs in these growing industries and occupations. Such a system must inform potential employees about jobs' availability and the requirements for securing them. One essential component of this system is an information system that helps match workers with the right skills to employers in growing industries.

The Clinton Workforce Security Proposal

The Clinton Administration has put policies in place to foster economic growth, leading to the creation of new and better jobs. We have taken concrete steps to lower the budget deficit, reduce inflation, spur exports, and to facilitate the use of emerging technologies by our industries. In order to ensure that American workers have the skills to perform successfully in these emerging jobs, we are proposing legislation that explicitly links American workers to these jobs. This new program will provide personalized information and career counseling, re-employment services, training, and income support where necessary – resulting in a revitalized labor market exchange system. The Federal government is uniquely positioned to assure that all American men and women have access to the tools to enable them to share in the benefits of the economic recovery.

JOB^S OUTLOOK

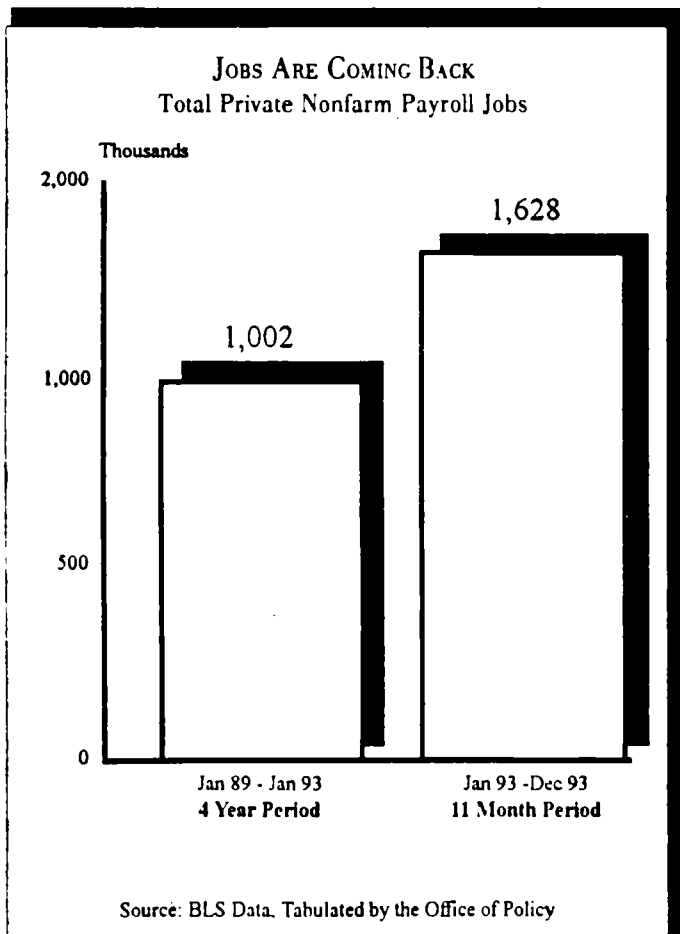
The Outlook

The U.S. Department of Labor projects a promising future for workers prepared to take the emerging jobs in our Nation's changing, dynamic economy. Many of those jobs are in occupations which have above average earnings but do not require a college degree.

Over the period, 1992 - 2005, the Department's Bureau of Labor Statistics projects a 7.3 million net increase in good jobs for those who don't have 4 year college degrees. That is 600,000 new jobs per year.

Net growth projections are only part of the job creation story.

The U.S. labor market experiences constant change with workers leaving their jobs for many reasons such as better job opportunities, changing markets, or retirement. Many job openings result from this change. Past studies in manufacturing



estimate that about 10 percent of the jobs turn over each year. This amounts to nearly 2 million openings in manufacturing alone, adding to an exceptional fluidity in job opportunities. Many of these are good jobs. Though the rate of change varies widely among industries, about 40 percent of manufacturing turnover takes place among such higher wage industries as fabricated metals, transportation, electric and non-electric machinery.

The 1993 job creation record shows that the Administration is delivering on its pledge to create 8 million new jobs over 4 years. Many of the nearly 2 million jobs created this past year were good jobs. For example, the number of persons employed in higher paying managerial and professional jobs grew around twice as fast as the overall rate of employment growth.

Examples of Good, New Jobs

Examples of good, new jobs available to non-college degree workers who have the necessary skills are:

- ❑ **Electronic Engineering Technicians** help develop, manufacture, and service electronic equipment such as radios, sonar, medical measure devices, and computers.
- ❑ **Telecommunications and Computer Network Technicians** prepare, install, and maintain local area computer networks for companies, and teach employees to use the system and install new ones when needed.
- ❑ **Medical Records Technicians** analyze and evaluate health information, compile statistics, code diseases and operations, and control the use and release of health information. Employed in nursing home settings, hospitals, medical group practices, HMOs, insurance firms, they interact with the public, insurance companies, and other hospital personnel.
- ❑ **Hazardous Materials Technicians** work closely with engineers, managers, and others to protect human health and the environment. They must know processes and technologies for handling, storing, transporting, and destroying materials in compliance with State and federal rules.
- ❑ **Laser Technicians** operate laser devices and communicate — orally and in writing — with engineers, physicians, scientists, and others. They usually work in companies that manufacture lasers and precision equipment.

Workers in many familiar-sounding jobs are using new skills:

- ❑ **Automotive Service Technicians** no longer just manually check and replace parts. Today's technicians must be familiar with electronics and electronic repair to repair, service, and adjust much of the digital equipment in new cars.
- ❑ **Dental Hygienists** do more than clean teeth. They also administer local anesthetics and carve

filling materials. Dental hygienists must be licensed by the state, must have graduated from an accredited dental hygiene school, and must pass a written and oral exam.

- ❑ **Manufacturing Technicians** are changing roles as manufacturing changes. They perform a wide variety of manufacturing operations such as drilling, milling, and quality control. They must see which operations are needed to produce an order, determine the most cost-effective sequence of operations, and work with a team.
- ❑ **Computer-Aided Design Technicians** operate computers to draft layouts, line drawings, and designs. They work in architectural and electronic firms and for automotive manufacturers.
- ❑ **Environmental Technicians** conduct field tests and determine sources of contamination to air, water, and soil. They must know about government standards and regulations governing the environmental field.
- ❑ **Nurses** not only tend to the care and comfort of patients, but can also be a key part of the administration of hospitals, insurance companies, and health maintenance organizations.
- ❑ **Technical Writers** prepare assembly instructions, owner's manuals, technical papers, and training videos. They frequently work with project engineers, financial officers, and management to ensure that technical materials reach readers in a clear and understandable format.

A PROPOSAL FOR WORKER SECURITY

The Department of Labor is developing legislation that will, if passed, help people prepare for and get these new jobs. The legislation calls for the creation of quality reemployment services and a nationwide network of labor market information, and is designed to allow easy access, through one-stop career centers, for all who want or need a job.

The Changing Labor Market and the Need for a Reemployment Response



U.S. Department of Labor
December 1993

1 Introduction and Summary of Findings

Often-difficult labor market transitions have always characterized the U.S. economy. In good economic times and bad, large numbers of workers have been laid off temporarily because their firms experienced periods of weak demand for their products, or have lost their jobs altogether due to permanent production cutbacks including plant closings. The subsequent movement of such workers into more competitive, growing firms has been essential to their own prospects as well as the vitality of the American economy.

In recent years, however, developments such as rapidly evolving technologies have altered the scale and nature of labor market transitions. More and more Americans are losing their old jobs and must find new work; many are having difficulty securing wages and benefits comparable to those received in their former jobs. These trends are likely to endure because they reflect structural developments in the economy.

The new labor market dynamic is evident in several ways:

- Most of the unemployment created when the economy soured in the early 1990s consisted of people who will not get their old jobs back as the economy improves. When unemployed "job losers" are divided into those who are and are not on temporary layoff, more than three out of four were not on temporary layoff last year — the highest rate of permanent job loss since tracking of this figure began in 1967.
- The length of unemployment spells continues to grow. In the 1970s, an average of 11 percent of the

unemployed were out of work for six months or longer; in the 1980s, the figure was 15 percent; thus far in the 1990s, it is 16 percent. Last year, 21 percent of the unemployed hadn't had work for six months or more — the second highest annual level since the end of World War II.

- A special data series on certain "displaced" workers — workers who lost their jobs due to plant closings, production cutbacks, or layoffs — is available for the period from 1981 to 1990. Between 1984 and 1989, an average of 1.8 million full-time workers were displaced each year. In 1990, the number reached 2.2 million.
- More than half of displaced workers are still unemployed a year after being displaced, or are employed in jobs paying less than 80 percent of their former wages.

The financial costs of these transitions to workers and their families are, of course, substantial — to say nothing of the emotional costs, including the frustrations and anxieties of having to find a new job. But the costs to government and the economy are also considerable.

- The cost of the state unemployment insurance benefit system, which is financed by taxes on employers, has averaged \$24 billion a year (adjusting for inflation) over the past five years.
- The temporary Emergency Unemployment Compensation (EUC) program — targeted on the long-term unemployed who have exhausted their regular state benefits — was enacted in November 1991, and had distributed \$25 billion in benefits by October 1993.
- Altogether, over the past five years, the cost of the Unemployment Insurance (UI) system has averaged \$30 billion a year, after adjusting for inflation.

Labor Market Transitions: Old vs. New

Old view of unemployment

Much job loss assumed to be temporary layoffs.
Job searches assumed to be short and successful.

Old Response

Unemployment insurance and other benefits to tide workers over.
Scattered categorical dislocated workers programs dependent on cause of job loss.
Occasional, mostly short-term training for dislocated workers; not cost-effective.

New reality

The large majority of those who lose their jobs never get them back. More long-term unemployment. Many new jobs pay less in wages and lack adequate benefits.

New Approach

Supplement unemployment assistance with "reemployment" assistance.
Comprehensive dislocated workers assistance, with one program for all workers.
Job search assistance that passes cost-benefit test.
Long-term training emphasized to reflect increased skill demands of the economy.

- Some unemployed workers receive government benefits other than unemployment insurance, such as food stamps, thereby increasing outlays.
- Economic output and tax revenues decline when workers are idle or underemployed.

Some of these costs are expected to diminish as the American economy continues to recover from recession. But the underlying trend of significant structural unemployment (permanent loss of jobs and difficulty in finding new ones) will in all likelihood persist. New technologies, global markets, corporate restructurings, and the shift from military to civilian employment will confront Americans with an ongoing challenge: responding to fundamental economic change.

To date, this challenge largely has not been met with policies designed to help people find new jobs quickly. Instead, income support through unemployment insurance has remained the primary response. While this support helps millions of unemployed workers, and is particularly well-suited to those on temporary layoff or who easily find new jobs on their own, for many workers it is insufficient.

The new response should include a "reemployment" system geared to helping job losers prepare for, and find, jobs that pay well and have good benefits. Currently, reemployment assistance is meager; some

workers who have lost their jobs for particular reasons (imports, defense down-sizing, Clean Air Act regulations) are eligible for training, but most training is short-term. The new system should serve all workers who have lost their jobs, regardless of the cause. Many workers will need up-front job search assistance; others will need long-term training that provides the skills required in today's job market. And these services should be integrated at one location. The job search assistance provisions that were enacted as part of the November 1993 Emergency Unemployment Compensation legislation constitute a significant first step towards a reemployment system.

Recent studies suggest that a reemployment system is likely to be a wise investment. Six state experiments indicate that when unemployed workers are given special job search assistance, the assistance more than pays for itself through reduced unemployment insurance payments and increased tax revenues. Job search assistance also tends to improve the earnings of workers, as does long-term training, according to a growing body of evidence. For example, a recent study found the estimated increase in earnings for each year of attending community college is five percent to six percent.

America should not stand in the way of economic change. Structural adjustments are painful but are

necessary for economic growth. At the same time, in today's dynamic economy, it's not enough merely to alleviate that pain by insuring against some of the income lost when workers lose their jobs. The complete response, instead, should be to ease the transition of Americans into new and better jobs.

2 The Problem

There are several ways to measure the problem of job loss and more difficult labor market transitions. Different measures do, however, display the same pattern: The net effect of recent developments in the economy is a large and growing number of workers being permanently laid off from their jobs and having to find new ones. Some measures suggest a level of structural unemployment that is unprecedented in the post-World War II era. Job loss peaked during the recent recession, but was sizable both before the recession began and will likely remain large during the ongoing recovery.

Displaced Workers

A group of job losers that has received much attention over the past decade is "displaced" or "dislocated" workers. The image of these workers is of individuals employed for long periods of time who lose their jobs because of plant closings or substantial firm cutbacks.

To assess this problem, a special Current Population Survey has been conducted every other January since 1984. The survey categorizes people as "displaced" if they report that in the five years preceding the survey, they had "lost or left a job because of a plant closing, an employer going out of business, a layoff from which [they were] not recalled or other similar reason." So, for example, in January 1992, individuals were asked about their employment experience from 1987 through 1991.

Using this data set, the Bureau of Labor Statistics calculates the total number of displaced workers over age 20:

- The January 1992 survey found that 12.3 million workers had been displaced in the previous five

years. Of these, nearly half had been employed in - their lost job for an extended period of time; some 5.6 million had been employed in their job for three or more years.

- Both figures represent the highest absolute levels in the history of the survey. As a proportion of workers, however, these displaced worker measures were somewhat lower than they were in the early 1980s.

The Congressional Budget Office (CBO) has used the same data set to examine a somewhat different group of displaced workers. While the BLS examines how many full- and part-time workers were displaced at some point over the previous five years, CBO examines only workers who work full-time and computes how many are displaced each year. CBO also refines the data to eliminate some potential inaccuracies resulting from the self-reporting of information from several years ago.

CBO issued a comprehensive report on displaced workers in early 1993 that covered the period from 1981 to 1990.¹ The report found:

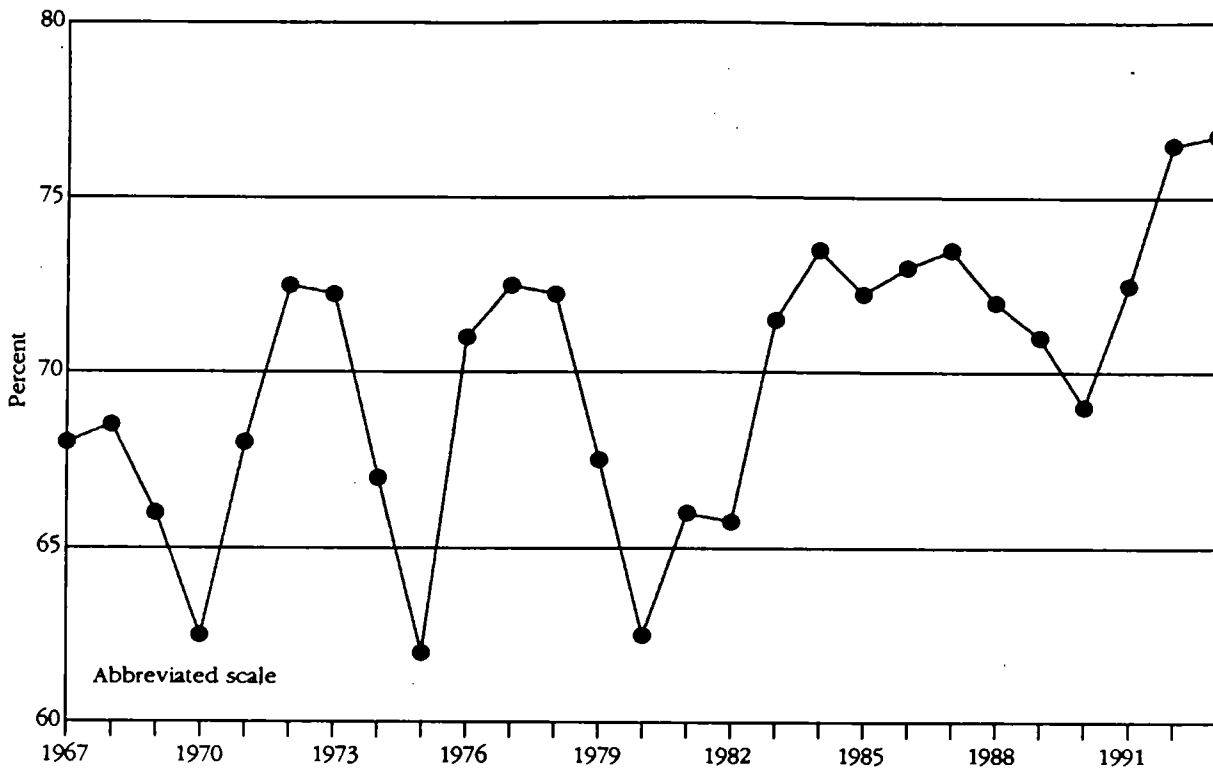
- From 1981 to 1990, an average of nearly two million full-time workers a year were displaced from their jobs. Significant numbers of workers were displaced when overall unemployment was rising and when it was falling.
- In 1990, some 2.2 million full-time workers were displaced. This was the second highest annual level during the period examined.

Workers employed in the manufacturing sector or in blue-collar jobs are substantially overrepresented among displaced workers, but they have increasingly been joined by workers who lost service sector or white collar jobs. CBO found that the proportion of displaced workers who had been employed in blue-collar jobs fell from 65 percent in 1981 to 53 percent in 1990.

Similarly, another study based on the same data set found that the proportion of overall job loss in the trade; finance, insurance, and real estate; and professional services industries all increased

¹ Congressional Budget Office, *Displaced Workers: Trends in the 1980s and Implications for the Future*, February 1993.

Figure 1
**Unemployed Job Losers Not Expecting
 to be Recalled as a Percent of Total Job Losers**



substantially from the 1982-1985 period to the 1986-1991 period.²

Temporary vs. Permanent Layoffs

Another important labor market indicator examines all unemployed workers who have lost their jobs for any reason, and whether or not they had simply been laid off for a temporary period.³

Individuals who are unemployed — jobless individuals who are seeking work but cannot find it — are officially divided into four basic categories: job losers, job leavers (those who voluntarily leave their jobs), new labor market entrants, and reentrants. Job losers, the relevant group of workers for this discussion, can be further divided into two groups: job losers who are on temporary layoff and expect to be recalled into their job, and job losers who are not on temporary layoff and have permanently lost their old job.

In recent years, job loss that is permanent has risen to unprecedented levels.

- In 1992, some 76 percent of unemployed job losers were not on temporary layoff. That is, more than three of every four job losers did not expect to return to their old jobs.
- The 76-percent level was the highest proportion of job losers not on temporary layoff ever recorded

² Henry S. Farber, "The Incidence and Costs of Job Loss: 1982-91," *Brookings Papers on Economic Activity*, Microeconomics 1, 1993.

³ The measure of structural unemployment used in this section includes several groups of workers who are not counted under the displaced workers measures. The job losers data cover all workers — both full and part-time, as well as those under age 20 — who lost their jobs for any reason, even reasons that are unrelated to plant closings or production cutbacks. The job losers data also include seasonal and self-employed workers while the dislocated workers measures do not.

Another difference between the measures is that the job loser figures measure the "stock" of unemployment at a particular time. They reflect the number of people who identify themselves as unemployed job losers in a monthly survey; most of these individuals actually lost their jobs in previous months or years. In contrast, the displaced workers measure is a "flow" measure. It counts all workers who actually became displaced in a defined period of time.

Table 1
Long-term Unemployment Trends

<u>Decade</u>	<u>Average unemployment</u>	<u>Long-term unemployed as percent of total unemployed</u>
1950s	4.5%	9.4%
1960s	4.8	10.5
1970s	6.2	11.0
1980s	7.3	15.0
1990-1993*	6.6	16.0

* Data through September 1993

(data are available back until 1967). So far in 1993, the proportion is slightly higher; on average, nearly eight of every ten unemployed job losers — 77 percent — did not expect to return to their old jobs. (See Figure 1.)

- These high levels reflect an anomaly of the recent recession. Nearly all of the net increase in job losers was among those who were not on recall. About 86 percent of the net increase in job losers in the recent contraction⁴ reflected workers who lost their jobs permanently, compared to an average of 56 percent in the four previous recessions.

The amount of permanent layoffs can also be assessed relative to the entire labor force and to all those who are unemployed. Here, too, the proportion has risen to exceptionally high levels.

- In 1992, the share of the unemployed consisting of job losers not on recall averaged 43.1 percent, the highest annual figure on record.
- Job losers not on recall constituted 3.2 percent of the 1992 labor force, the highest level on record with the exception of the deep recession period of the early 1980s.

Long-term Unemployment

Another way to assess the difficulty of labor market transitions is to examine the duration of unemployment spells. If workers were losing their jobs but finding new jobs very quickly, there would be less reason to be concerned about job loss. Unfortunately, however, it has become more common for unemployment spells to last a long time.

Both during recent recovery and recessionary periods, the number of long-term unemployed — workers unemployed for 27 weeks or longer — has been exceptionally high.⁵ In 1992, the number of long-term unemployed as a share of total unemployment averaged nearly 21 percent. This was the second highest annual proportion of the unemployed who were out of work for 27 weeks or more since the end of World War II. The proportion was lower than it was in 1983, a year which came on the heels of the most severe post-war recession. The proportion was higher

⁴ The National Bureau of Economic Research has determined that the recent recession began in July 1990 and ended in March 1991. However, the July 1990 to June 1992 period is used for the comparison with earlier recessions because the number of job losers did not peak until June 1992, well past the official endpoint of the recession. In prior recessions, the peak in the number of job losers was more coincident with the official endpoints.

⁵ The long-term unemployment measure includes workers who have become unemployed for any reason, such as job leavers or new labor market entrants, not just job losers.

than it was during the severe recession of the mid-1970s.

A decade-by-decade comparison also indicates that the proportion of unemployed who are out of work for sustained periods is on the rise. (See Table 1.) To some degree this reflects generally weaker labor markets — and rising unemployment rates — but long-term unemployment has risen at an even faster pace than overall unemployment. For example, the average unemployment rate for the 1990s is only slightly higher than the average rate in the 1970s, but the proportion of unemployment consisting of the long-term unemployed has jumped by nearly half.

So far in 1993, the number of long-term unemployed has averaged 1.8 million people. One in five of the unemployed (20.1 percent) has fallen into this category.

An examination of the receipt of unemployment insurance benefits further illustrates the difficulty that unemployed workers have recently had in finding new jobs. The proportion of unemployment insurance recipients who exhausted their initial state benefits (generally a maximum of 26 weeks) peaked at 40 percent in late 1992. This was only slightly lower than the peak rate of exhaustion during the recession of the early 1980s (40.8 percent) and was somewhat higher than the peak rate of exhaustion during the downturn of the mid-1970s (38.3 percent).

1993 and Beyond

As the economy improves, job loss has begun to diminish and labor market transitions have become easier. Most of the measures of dislocation are receding from their peak 1992 levels. For example, both the number of long-term unemployed and the rate of unemployment insurance exhaustion have fallen this year.⁶

Nevertheless, structural unemployment will remain sizable in the years to come, even if the pace of the

6 Trends involving job losers who do not expect to be recalled are mixed. While the overall number of individuals falling into this category tends to decline during recovery periods, the proportion of job losers consisting of those who do not expect to be recalled often rises during recovery periods. This reflects the fact that during recessions many firms lay off workers with the expectation that they will be recalled. During recoveries, fewer such traditional layoffs occur.

7 For example, in 1989, an average of 2.1 million unemployed people were job losers who were not on layoff, constituting 72 percent of all job losers. In 1979, on average, there were 1.8 million permanent job losers, constituting 68 percent of all job losers.

recovery picks up. This is true for several reasons:

- The driving forces behind rapidly changing labor markets — international competition and technological change — remain strong. If anything, these forces are likely to become more powerful in the years ahead.
- The dislocated workers' problem is diminishing only gradually from historically high levels. It will take several years or more of economic growth for the problem to return to a level close to that attained before the recession began.
- Even if the dislocated workers problem returned to its pre-recession level, it would still be serious. For example, during the recovery years from 1984 to 1989, the CBO data indicate that an average of 1.8 million full-time workers were displaced each year. Substantial job loss occurs even when the overall economy is growing.
- In 1989, measures of structural unemployment were higher than they were in 1979 (both were the final years of recovery periods).⁷ This provides additional evidence that, adjusted for variations in the business cycle, job loss has been increasing.

The problem of job loss and difficult labor market transitions is not transitory; the trend will likely continue for the foreseeable future. (See the text box on the next page for a discussion of the degree to which changing government policies influence this problem.)

3 The Costs of Labor Market Transitions

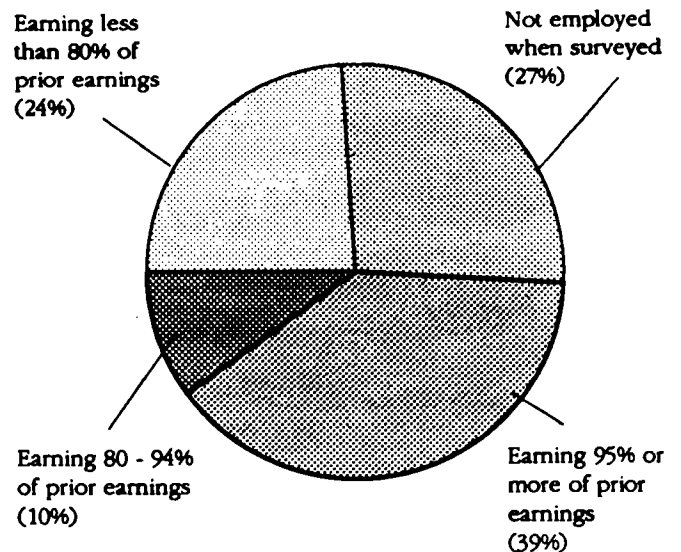
The most obvious costs of involuntary labor market transitions are to workers themselves. The CBO study cited earlier attempted to quantify some of the employment and earnings effects of economic dislocation. Based on surveys of displaced workers one to three years after they had lost their full-time jobs, CBO found that the negative employment and earnings effects were very significant.

- Many had great difficulty finding new jobs. When surveyed, 27 percent of the displaced workers were not employed. Displaced workers who were reemployed when surveyed had nevertheless experienced joblessness for an average of nearly 20 weeks.
- Even those who found new jobs often experienced substantial income losses. In addition, about one in five displaced workers who had health insurance coverage in their previous job did not have group coverage in their new job.
- Altogether, one to three years after they were displaced, more than half of the workers were not employed or were employed in jobs paying less than 80 percent of their former wages. (See Figure 2.)
- Not surprisingly, the displaced workers who incur the largest earnings losses and longest unemployment spells tend to have the fewest years of formal education, be the oldest, and be the most senior in tenure with their previous employer.
- Many displaced workers come from declining industries and occupations — almost half from goods-producing industries — with little prospect of reemployment in a similar job at a similar wage. These displaced workers often lack the different set of skills necessary to attain high-wage jobs in expanding sectors and occupations.

It is also illustrative to examine earnings among displaced workers compared to earnings among workers who have not been displaced. According to a recent study, even displaced workers who subsequently found full-time employment suffered an average earnings decline of about 12 percentage points relative to full-time workers who were not displaced. Since many displaced workers who were employed full-time do not find full-time jobs, the overall relative earnings effect is even more substantial.⁸

A study of displaced workers in Pennsylvania confirms the expectation that those who had held their previous jobs for long periods experienced particularly substantial losses in earnings. This study focused on Pennsylvania workers with six or more years of tenure

Figure 2
Earnings of Displaced Workers One to Three Years After Being Displaced



Source: CBO tabulations of CPS data

on the job who were displaced in the early to mid-1980s. The earnings losses suffered by these workers were enduring. Five years after they were displaced, workers on average had earnings that were still 25 percent below their pre-displacement levels.⁹

The costs of worker displacement to the government are also substantial, with the main costs borne by the unemployment insurance system. The vast majority of the recipients of unemployment insurance benefits are job losers, most of whom are not on temporary layoff. A substantial fraction of unemployment benefits therefore goes to permanent job losers.

Protection under certain features of the unemployment insurance system diminished during the 1980s. Gary Burtless of the Brookings Institution has estimated that the proportion of the unemployed receiving regular benefits is about one-fifth lower than it was from the 1967-1979 period.¹⁰ In addition, changes in federal law made it much more difficult for states to qualify for the extended benefits program, which is supposed to benefit the long-term unemployed in states with

8 Henry S. Farber, *op. cit.*, 1993.

9 Louis S. Jacobson, Robert J. LaLonde, and Daniel G. Sullivan, "Earnings Losses of Displaced Workers," mimeograph, revised November 1992.

10 Gary Burtless, Testimony before the Joint Economic Committee, January 4, 1991.

especially high unemployment. Overall, UI expenditures per job loser have fallen substantially.¹¹

A temporary feature of the unemployment insurance system, the Emergency Unemployment Compensation program, was established in November 1991. In periods of high national unemployment, the federal government has traditionally adopted temporary programs of additional unemployment benefits for long-term unemployed workers who have exhausted their initial state benefits. The need for such a program has been particularly acute during the past few years because of the failure of the permanent extended benefits program to provide much targeted assistance. (The EUC program was recently extended through early February.)

Despite the decline in the receipt of state benefits, the overall costs of the UI program remain considerable:¹²

- Over the past five years, an average of \$22 billion has been paid out each year in state UI benefits, after adjusting for inflation. Regular UI benefits are funded through taxes on employers.
- State administrative costs total an additional \$2 billion a year.
- By early October, the federal government had distributed an estimated \$25 billion in EUC benefits. Approximately eight million workers had been assisted under the EUC program. (Many of these are displaced workers.)
- Altogether, over the past five years, the cost of the UI system has averaged \$30 billion a year, after adjusting for inflation.

Some job losers are aided by other government programs as well. The likelihood that they receive these other benefits increases substantially if they have exhausted their UI benefits.

11 Comparing equivalent years in the economic cycle and adjusting for inflation, total UI outlays per job loser were 37 percent lower in fiscal year 1992 than in fiscal year 1976. Outlays per job loser were 28 percent lower in fiscal year 1989 than in fiscal year 1979.

12 Ironically, the sharp reduction in extended benefits may have served to increase the overall cost of UI benefits. The failure of the EB program to trigger on in states with high unemployment levels has helped lead to the costly approach of providing additional benefits in all states under the EUC program.

13 Walter Corson and Mark Dynarski, *A Study of Unemployment Insurance Recipients and Exhaustees: Findings From a National Survey*, a Mathematica study for the U.S. Department of Labor, September 1990.

The Costs of Involuntary Labor Market Transitions

The costs of labor market transitions are felt by workers and their families, by the government, and by the overall economy. The costs include:

1. Losses to Workers

- Long unemployment spells
- Lower earnings in their new jobs
- Reductions in employee benefits including health care

2. Costs to the Government

- Increased UI payments
- Increased food stamps or other government benefits
- Reduced tax revenues

3. Decreased Economic Output Because Workers are Idle or Underemployed

- At the end of the 1980s, seven percent of workers who had exhausted their UI benefits received AFDC, Supplemental Security Income, or other welfare benefits. When these workers who ultimately exhausted their UI benefits first began to receive UI benefits, 4.3 percent received welfare benefits.¹³
- Participation in the food stamp program was somewhat higher. Some 10.4 percent of workers who had exhausted their UI benefits received food stamps; when they began receiving UI benefits, that figured dropped to 7.5 percent.

In addition to the assistance that the government extends to dislocated workers, the costs to government of worker displacement include lost tax revenue. During their spells of unemployment, or if they are reemployed at lower earnings levels, workers have lower incomes and contribute less in taxes. Although

quantitative estimates of the loss in tax revenues are unavailable, the large number of workers involved and the extended duration of their unemployment spells suggest the effect is significant. This is particularly so for localities with large concentrations of job losers.

The lost economic output that occurs when workers are idle also should be considered when tallying the costs of dislocation. Moreover, when displaced workers find new jobs, they are often underemployed, in part because current policies do not effectively match the skills of job hunters with available positions. Precise estimates of the loss in economic output are again unavailable, but the magnitude is likely to be sizable.

4 A Reemployment Approach

While economic dislocation entails enormous costs, the response should not be to stand in the way of the forces of economic change. Structural adjustments are ultimately beneficial to the economy. These adjustments are part of employer efforts to remain competitive — allowing for the efficient reallocation of resources — and are necessary for economic growth.

The appropriate response to the rising problem of difficult labor market transitions should, instead, reflect two principles. The first is that the burden of structural adjustments should be shared. Many displaced workers and their families need some assistance to help them through tough times. In addition, without a collective commitment to share the risks and buffer the shocks of change, those workers most threatened by change will struggle to block it, thereby impeding necessary economic transformations.

The second principle is that government should intensify its efforts to facilitate reemployment into decent jobs. In contrast to the significant resources now devoted to unemployment insurance and other income supports, the federal government devotes relatively few resources to helping displaced workers find new jobs. Increasing reemployment efforts can be dollars well-invested. If these efforts help some workers find jobs more quickly, fewer funds will need

to be spent on income support. More and better information can also improve the operations of the labor market as workers are better matched with available jobs. A reemployment system can also improve the skills of workers, which can in turn boost economic output.

Currently, income support from the unemployment insurance system helps share the costs of economic change. For workers who are on temporary layoff, or who are likely to find jobs quickly, such support is often sufficient. But for the many workers who need help with their employment transition, income support alone is inadequate. Some workers are currently assisted under a hodgepodge of categorical dislocated programs. Each dislocated workers program, however, has a distinct set of eligibility criteria and offers a unique set of services and benefits. Funding is quite limited. As a whole, the dislocated workers system is fragmented and inefficient, and serves only a minority of workers in need. Another problem with the current system is that it serves dislocated workers late in their unemployment spell.

The Administration will soon propose a comprehensive workforce security package. It will replace today's fragmented approach with a unified system that serves all dislocated workers, regardless of the cause of the dislocation. The system will be designed to provide dislocated workers with access to the full array of employment and training options. This information will be available to all at new "one-stop" career centers. The comprehensive proposal will build on the worker "profiling" and job search assistance features that were part of the Emergency Unemployment Compensation legislation that was signed into law in November 1993.

The comprehensive proposal will strongly emphasize reemployment. For example, it will likely include changes to the unemployment insurance system that expedite returns to work. Reemployment bonuses to unemployment insurance recipients who find jobs quickly or measures to promote self-employment as a reemployment option are examples of such steps. This revised approach to unemployment insurance is appropriate given the changing composition of UI recipients. Those benefiting from the UI program are increasingly unlikely to be workers who need

temporary income assistance while they are waiting to be called back to their jobs. As shown earlier, more than three in four job losers now consist of workers who don't expect their jobs to return. Many of these workers would benefit from assistance that helps them find new jobs.

For those unemployed workers who may require additional training, the proposal will emphasize long-term instead of short-term programs. Short-term training has been shown to have negligible effects on employment and earnings prospects. Sustained training seems appropriate for dislocated workers who may be shifting occupations, given the greater importance of skill levels in today's economy. The larger up-front costs of long-term training may be offset by higher productivity, more sustained employment, and greater earnings down the road.

A cost-benefit assessment of each component of the workforce program lies beyond the scope of this paper, but existing evidence suggests that a reemployment approach emphasizing enhanced job search assistance and long-term training will prove to be a wise investment.

- A review of six recent experimental programs that added job search components to the unemployment insurance program found positive results. It concluded that "nearly all of the combinations [of job search services and requirements] reduce UI receipts and have benefits that exceed costs."¹⁴

This review observed that these results were consistent with the large number of previous studies finding that job search assistance for disadvantaged people increased earnings and was cost-effective.

- The growing returns to education has been a marked trend in recent years. But this doesn't mean that four years of college education are required for displaced workers. A recent study found that the estimated increase in earnings associated with two-year community colleges was five to six percent for each year of attendance. This was similar to the annual earnings gain associated with four-year colleges.¹⁵

In addition, new evidence suggests individuals gain from education beyond a high school degree even if

such education is obtained after the age of 30,¹⁶ suggesting that long-term training of prime working-age adults may prove beneficial.

Recent economic developments have led to a growing problem of job loss accompanied by a difficult transition to a new job. The subsequent costs to workers, the economy, and government are considerable. To date, federal policies have responded to this new dynamic in a piecemeal, limited fashion. A new and comprehensive approach — emphasizing reemployment into decent jobs — holds promise as a more suitable response. It would provide needed assistance to workers bearing the burden of economic change and, in the long run, is likely to be a sound investment for society as well.

¹⁴ Bruce D. Meyer, Policy Lessons from the U.S. Unemployment Insurance Experiments, NBER Working Paper No. 4197, October 1992.

¹⁵ Thomas J. Kane and Cecilia Elena Rouse, "Labor Market Returns to Two- and Four-year Colleges: Is a Credit a Credit and Do Degrees Matter?" NBER Working Paper No. 4268, January 1993. Kane and Rouse also found that the "credentialling effect" was small; that is, among individuals who had completed similar numbers of courses, the difference in the earnings of individuals with degrees and those without was small or negligible.

¹⁶ Unpublished data from W. Norton Grubb. Grubb's findings suggest that the returns from education are lower for males over age 30 than for younger males, but are higher for females over age 30 than for younger females. For all groups, however, the returns to education appear to be positive.

The Effects of Government Policies on Worker Dislocation

Key policy initiatives, including the reduction in defense expenditures, NAFTA and other trade agreements, health care reform, and environmental policies, have also highlighted the issue of worker dislocation. Indeed, since the effects of shifts in policies are concentrated on particular industries and often on particular regions, and since they are now occurring in the context of signs that the labor market is not adjusting smoothly to changes in demand, the readjustment problems faced by workers displaced by shifting government policies have often become the focus of concerns over job loss.

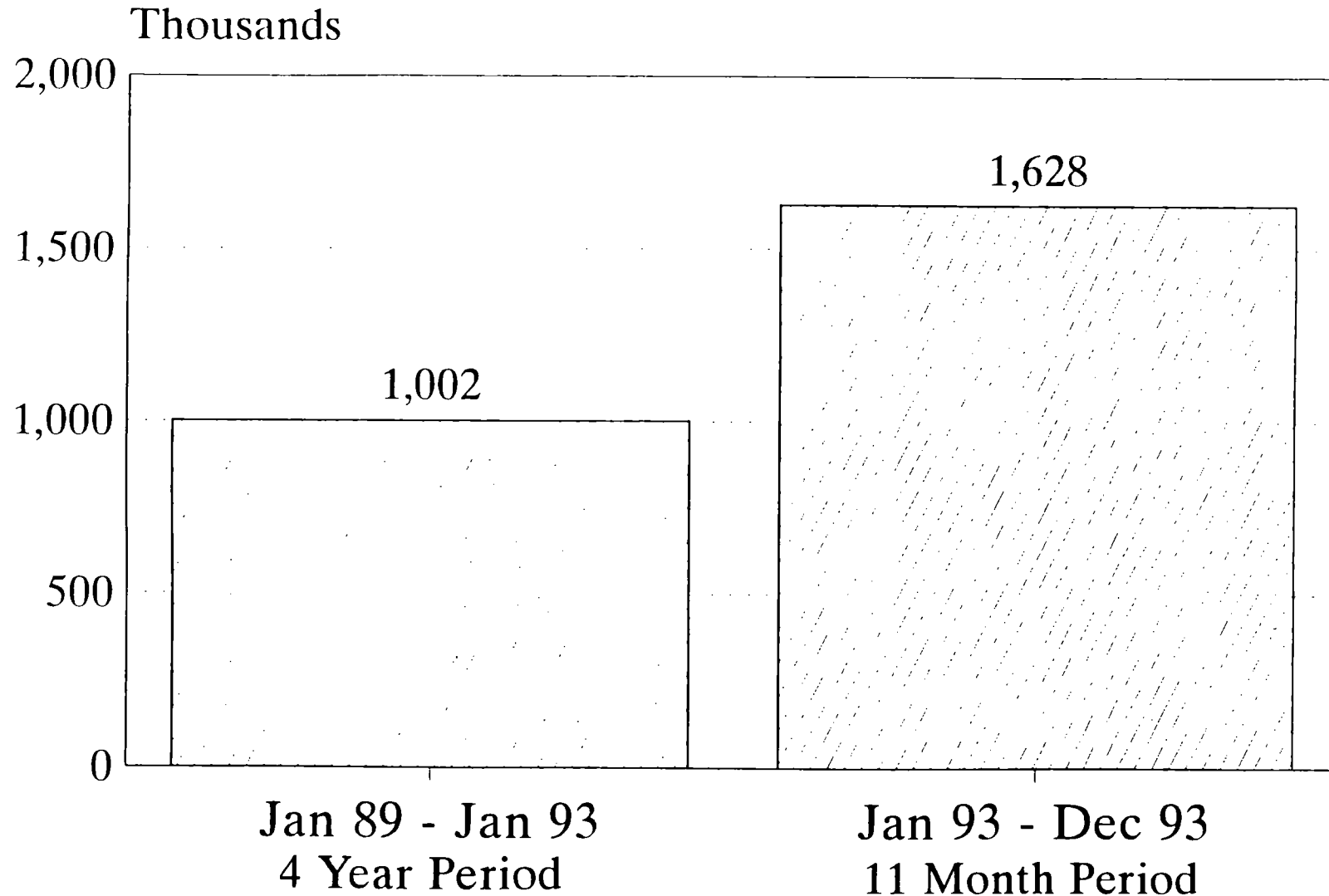
While the consequences of shifts in government policies on employment opportunities are important, it is also important that these consequences not be misstated, thereby impeding the passage of necessary policy reforms. All the policies alluded to above are essential to the economy's long-run vitality, and will lead to job gains as well as job losses. Moreover, job shifts resulting from changing government policies are not unique to today's economy; government policies have always influenced specific industries and occupations.

It further bears remembering that today, as in the past, developments in the private sector are the primary source of job losses and job gains. But since private sector job gains and losses reflect the accumulation of small changes throughout the economy, rather than a large change in a particular industry that may result from shifting government policies, job shifts caused by private sector developments often receive less attention.

Regardless of whether the source of job loss is a private or public sector development, the affected worker often faces a difficult transition. The policy response to job loss should not be crafted narrowly to respond to public sector developments; instead, it should be crafted comprehensively to respond to private sector developments as well, where most job loss occurs.

Jobs Are Coming Back

Total Private Nonfarm Payroll Jobs



Fixing The Foundations

- Lowering the Deficit
- Lowering Interest Rates

Lowering Inflation

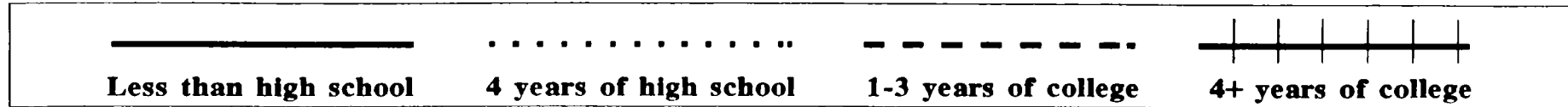
Supporting Structural Initiatives

- Opening Foreign Markets
- Embracing New Technologies
- Investing In Infrastructure

Building Worker Skills

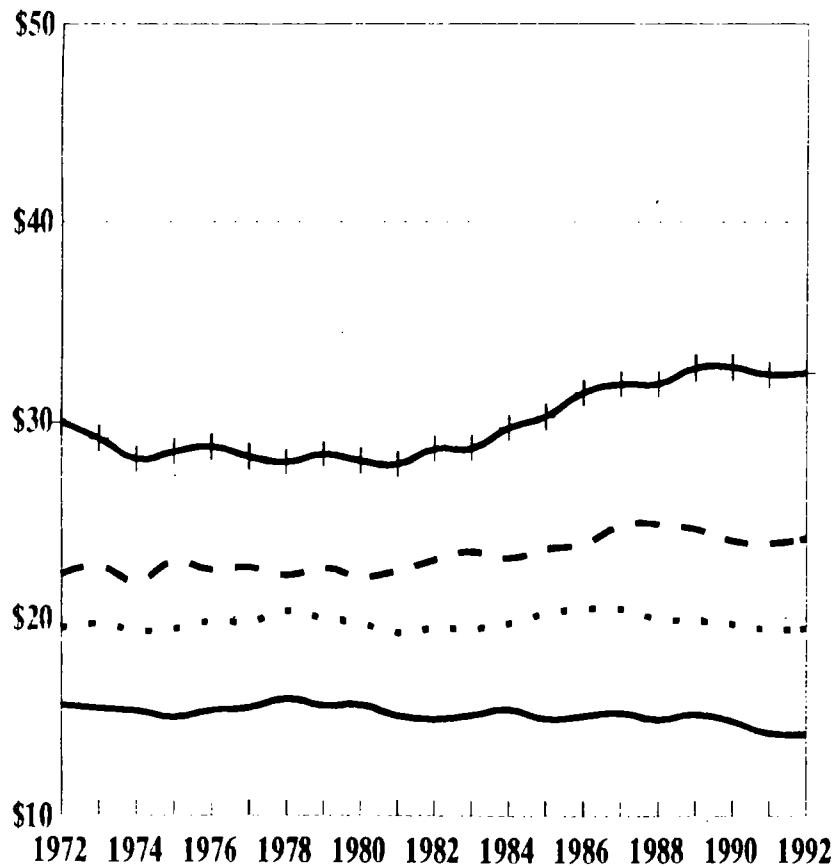
Earnings Gap Widening

Annual Income by Years of School and Gender



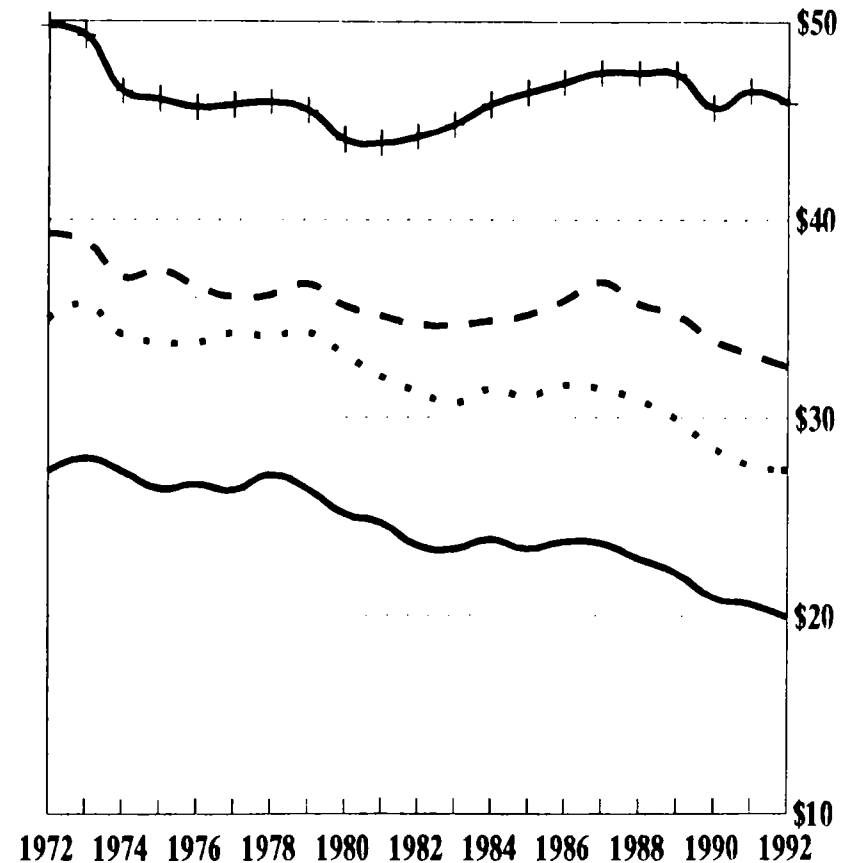
Women

Thousands of 1992 Dollars



Men

Thousands of 1992 Dollars



Source: Bureau of Census, Current Population Survey as Tabulated by DOL\OASP.

Note: Workers 25 years and older, working year-round, full time. Data on educational attainment for 1991 and 1992 are not directly comparable to prior years.

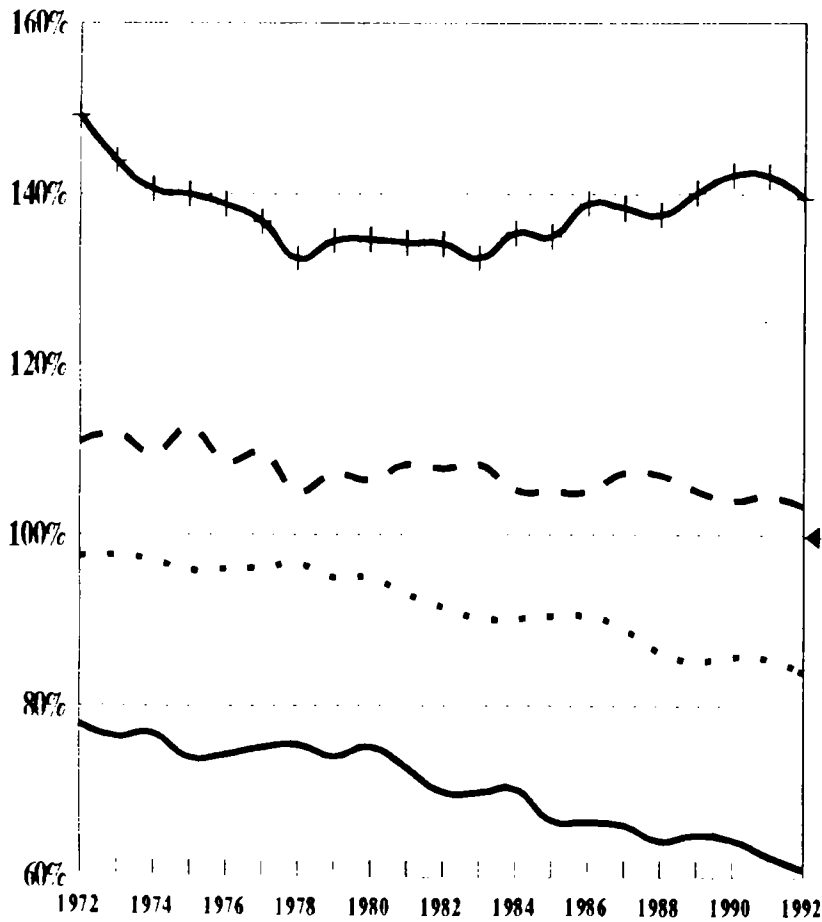
Earnings Gap Widening

Percent of Median Annual Income by Years of School and Gender

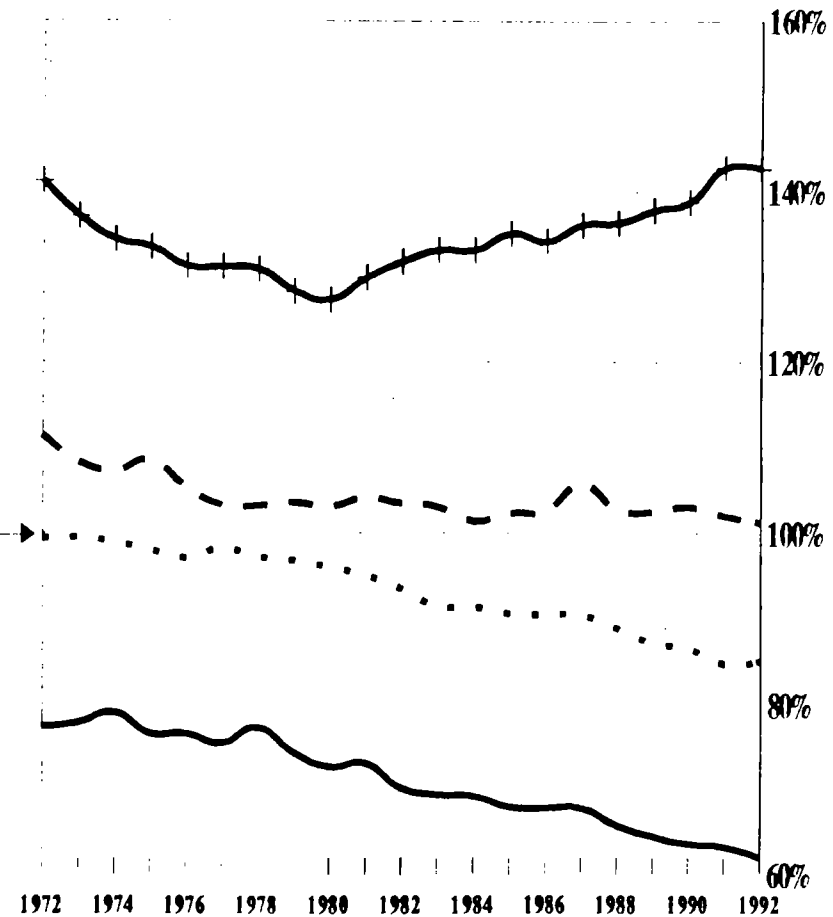


Women

Men



Gender specific median income for all education levels



Source: Bureau of Census, Current Population Survey as Tabulated by DOL/OASP.

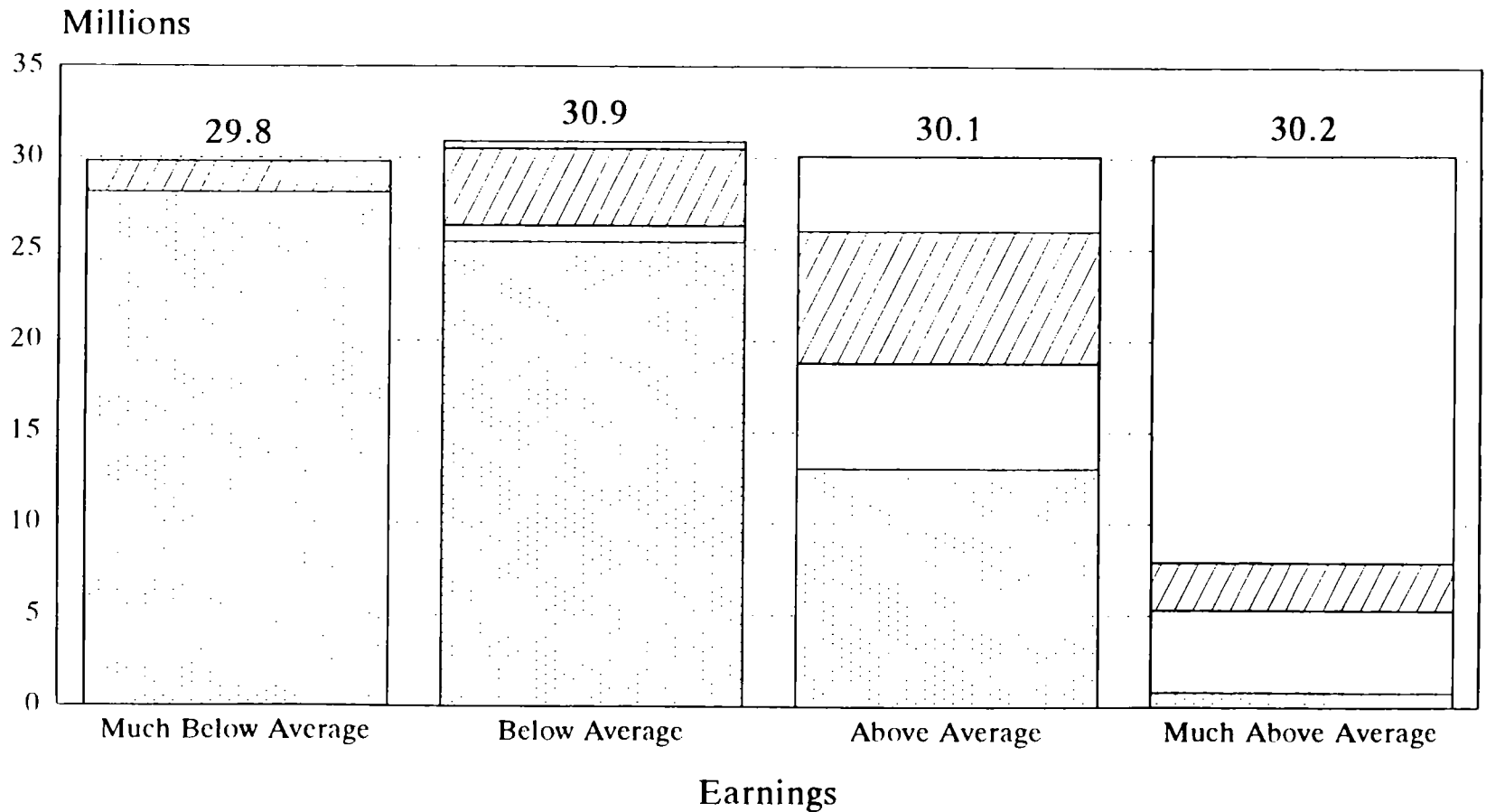
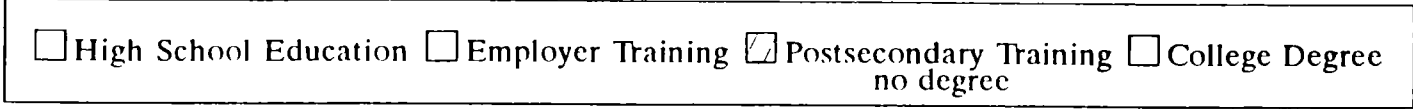
Note: Workers 25 years and older, working year-round, full time. Data on educational attainment for 1991 and 1992 are not directly comparable to prior years.

Working To Create Opportunities

- School-To-Work
- Skills Standards
- Direct Student Loans
- Goals 2000
- Job Corps

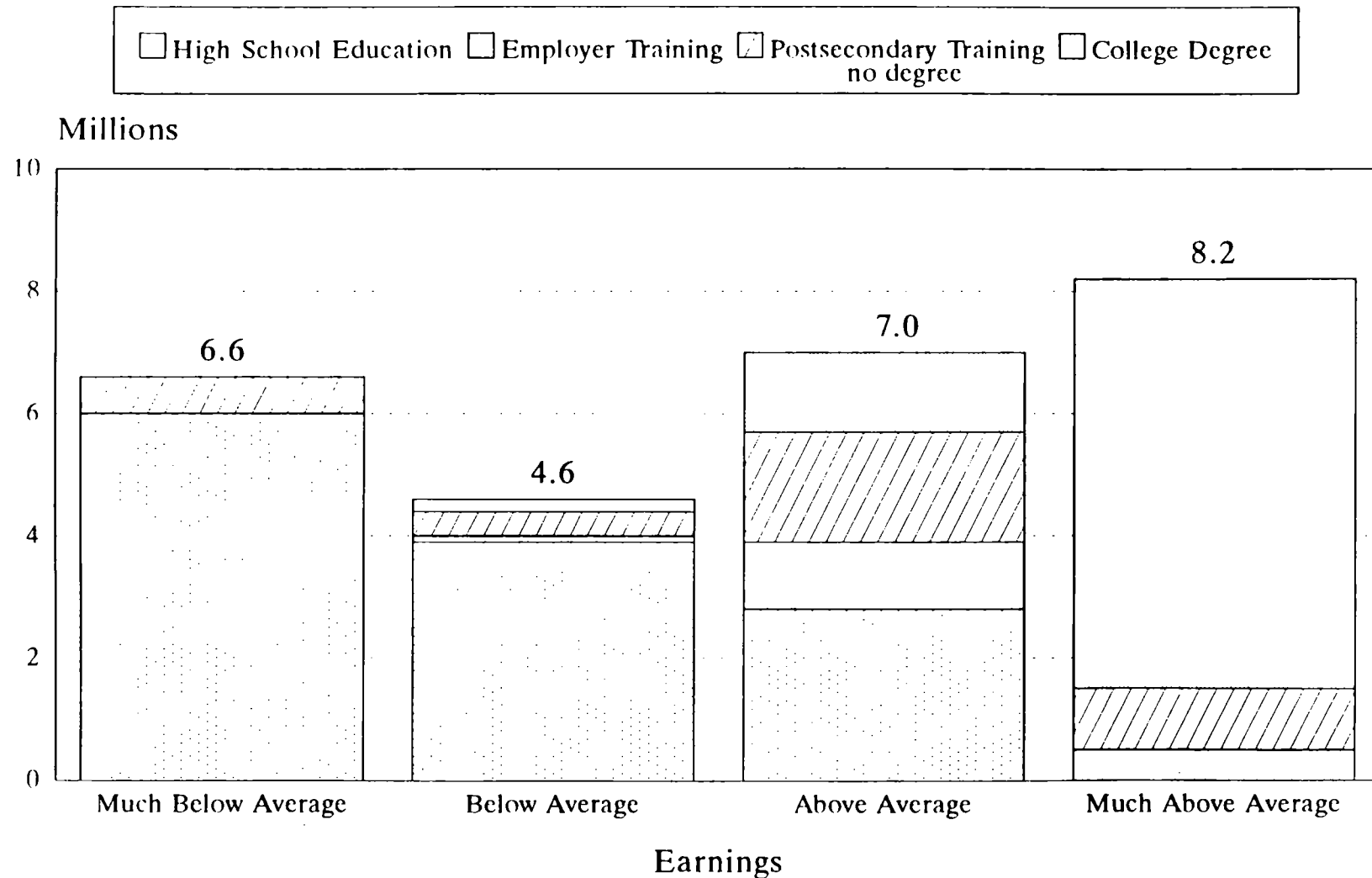
Summer Youth Employment

Occupational Employment, 1992 by Earnings and Educational Attainment



Note: Employment for each occupation is categorized by median earnings and usual education and training. Each earnings category accounts for approximately one-fourth of the total employment in 1992 rather than exact quartiles. This occurs because workers in each occupation were allocated to only one earnings category.

Net Occupational Employment Change, 1992 - 2005 by Earnings and Educational Attainment



Note: Employment for each occupation is categorized by median earnings and usual education and training. Each earnings category accounts for approximately one-fourth of the total employment in 1992 rather than exact quartiles. This occurs because workers in each occupation were allocated to only one earnings category.

Where are These Jobs?

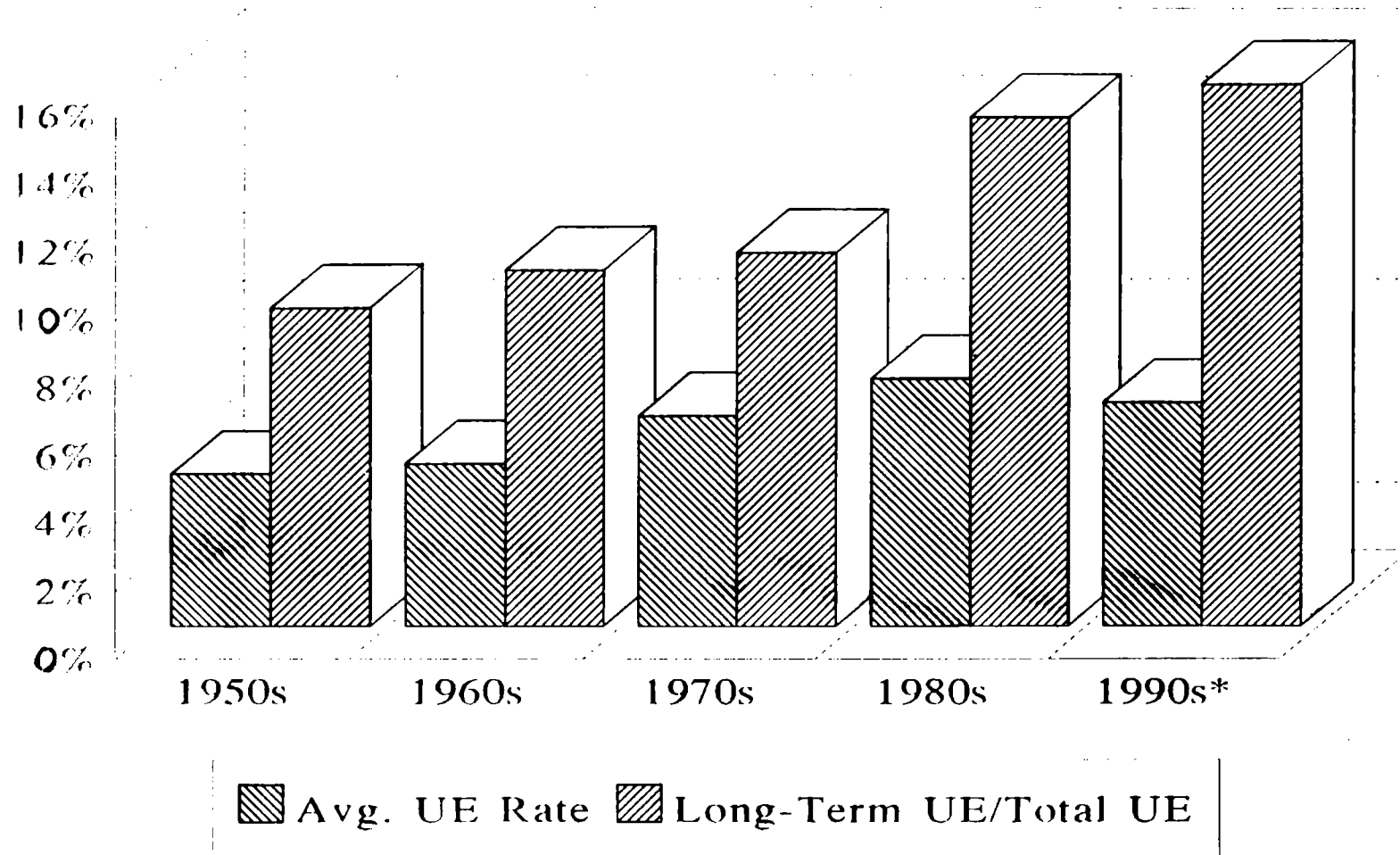
Managerial, Professional, and Technical

- **Technical Sales Support**
- **Technical Marketing**
- **Laboratory Technicians (including health)**
- **Factory Technicians**
- **Technical/Clerical**

Examples

- **Home Depot "Entrepreneurial Clerks"**
- **"Cutting Edge" Truck Drivers**

Length of Unemployment Spells Are Increasing

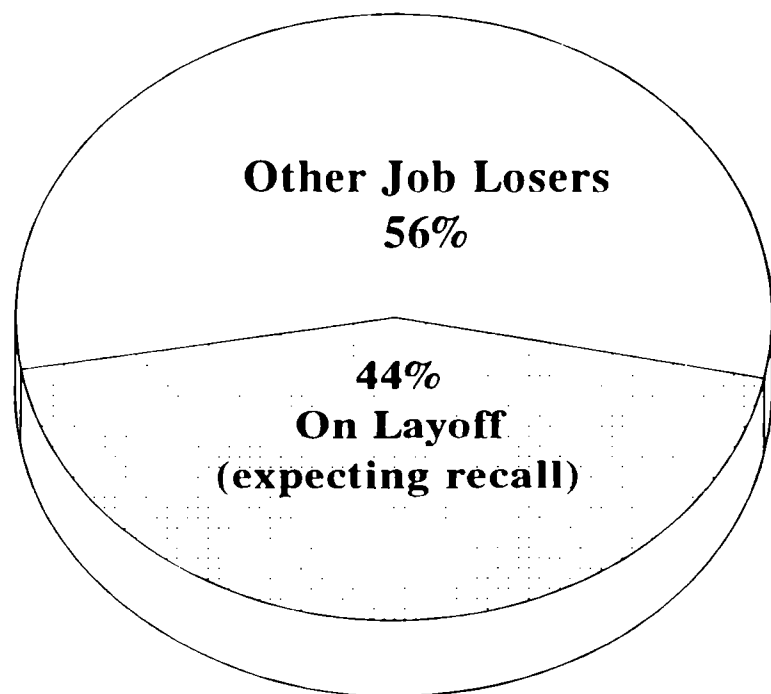


* Through 9/93

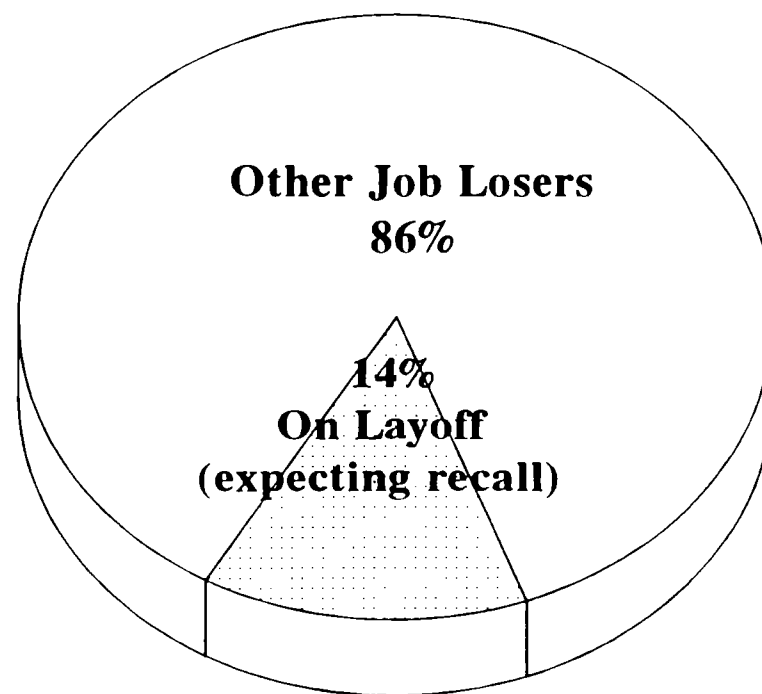
The long term unemployed have become a greater portion of the total unemployed.

Job Losers Not Expecting To Be Recalled

Average for Four Prior Recessions



Recent Labor Market Contraction
July 1990-June 1992



Note: The National Bureau of Economic Research has determined that the recent recession began in July 1990 and ended in March 1991. However, the July 1990-June 1992 period is used for the comparison with earlier recessions because the number of job losers did not peak until June 1992, well past the official endpoint of the recession. In prior recessions the peak in the number of job losers was more coincident with the official endpoints.

Source: DOL\Bureau of Labor Statistics, Current Population Survey.

The Current System Is Not Working

- **UI system is designed to tide people over until they get their old jobs back**
- **Unemployment/Training services are not universal**
- **Lack of quality job information**
- **Long-Term training needs are not addressed**
- **Services are difficult to access**

Workforce Security Proposal

New Skills -- Better Jobs

Early Intervention

Re-Employment Services like job search and job counseling

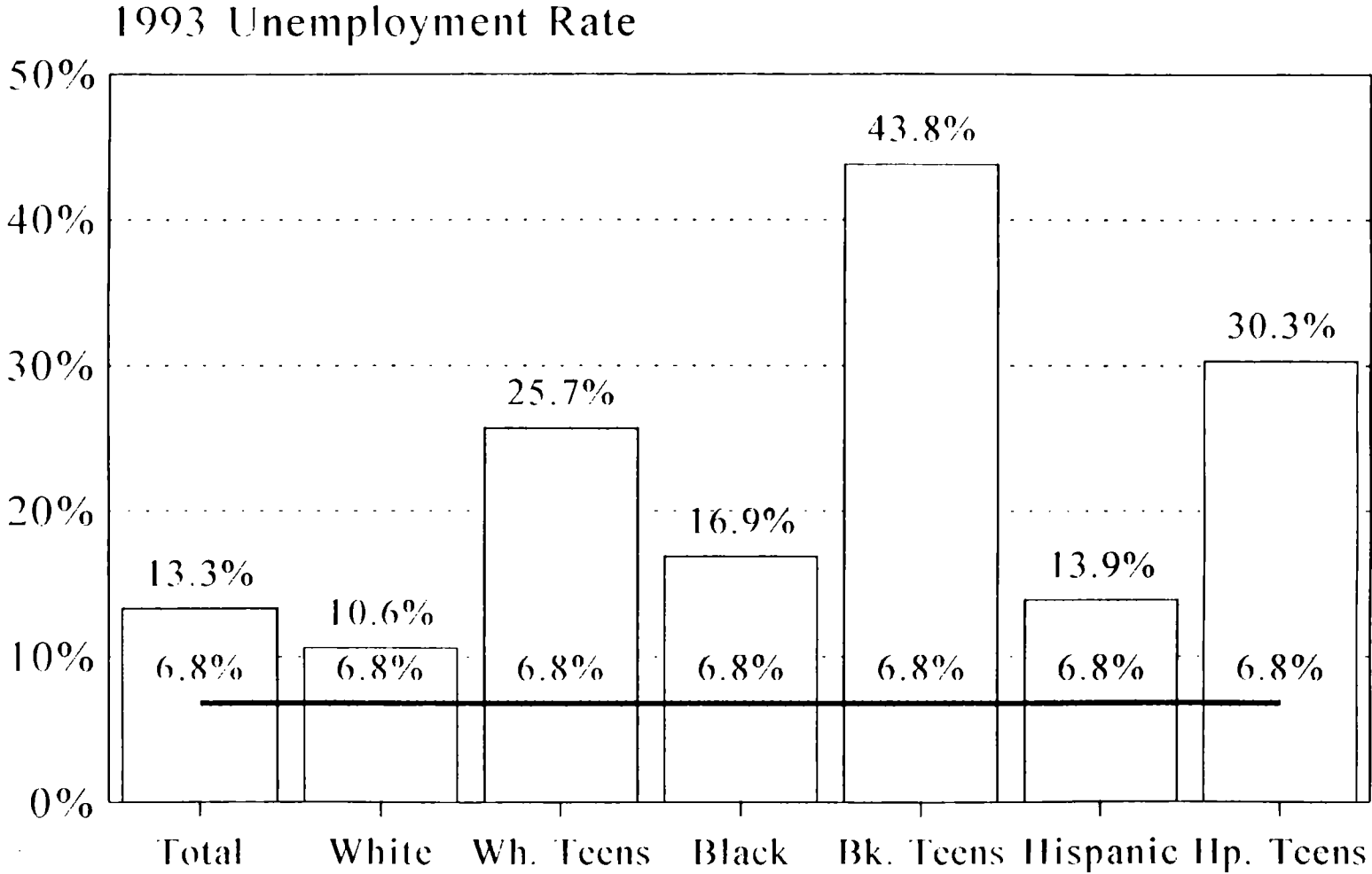
Good data on where the jobs are and what training is necessary

UI Flexibility

Extended benefits for longer-term training

One-Stop Shopping

Unemployment Plagues Metro Poverty Areas



□ Metro Poverty Areas — National Average

Fighting Poverty By Making Work Pay

Preventing Dependence

**Supporting Working Families with the
EITC, Health Care Reform, and Child Care**

Promoting Self-Sufficiency

Time-Limited Welfare Followed by Work

Supporting Job Training and Job Assistance

PRESENTATION TO THE AFL-CIO EXECUTIVE COUNCIL MEMBERS
Wednesday, February 23, 1994
Bal Harbour, Florida

In early March, the Department of Labor will introduce the Reemployment Act of 1994, a comprehensive program for dislocated workers. As the President outlined in his State of the Union address in January, this legislation is central to our efforts to help put Americans back to work.

This packet includes a fact sheet, news releases, charts and graphs related to the Reemployment Act of 1994. A draft of the legislation itself has been sent to your legislative staff.

We look forward to working with you to enact this important presidential priority into law this year.

News

United States
Department
of Labor



Office of Information

Washington, D.C. 20210

CONTACT: Mary Meagher
OFFICE: 202/219-8211

USDL: 94-35
FOR RELEASE: Immediate
Friday, January 21, 1994

Building A National Re-employment System
"What's Working" Conference to Draw Top U.S. Leaders, Experts

Over 300 business, community and labor leaders, together with elected officials, consumers and employment and training experts, will gather in Washington, D.C., on **Feb. 2, 1994**, to learn what works best in helping unemployed and dislocated workers move back into the workforce, Secretary of Labor Robert B. Reich announced today.

"Getting people back to work and turning our unemployment system into a re-employment system that works is one of the highest priorities of the Clinton Administration," Reich said. "To do that, we must build upon employment and training approaches which are effective and discard those which are not."

The conference, **"Building A Re-Employment System: What's Working,"** at the Omni-Shoreham Hotel will feature more than 15 programs from around the country. Taken together, these programs provide the elements of a new strategy for getting dislocated workers back to work.

Agenda items include an overview of the country's employment system, discussion of what does and does not work in employment and training programs and a frank exchange of ideas and opinions about what is needed to create an effective re-employment system in America. The conference will be hosted by Reich and Assistant Secretary for Employment and Training Doug Ross.

Programs to be featured at the conference were selected on the basis of ability to demonstrate one of the six principles which underlie successful re-employment programs, according to Labor Department research. The six principles are:

- Universal access - Information and services regarding re-employment are provided to a broad range of citizens, rather than narrowly defined categories of eligible workers.

(more)

- One-stop delivery - High quality, basic services are provided through a streamlined system which is easily accessible to customers.
- Comprehensive service - A full range of services -- including testing and assessment, individual counseling, career planning and identification of quality training or education providers -- is available, regardless of cause of worker dislocation.
- Customer focus - Delivery of programs and services is designed to provide widest range of options possible; customer satisfaction is a prime measure of success.
- Training linked to jobs - Programs and services are geared toward re-employment, providing both short and long-term training options, income support for those who need it, and training linked directly to real jobs.
- Innovative use of technology - Kiosks, computer-accessed on-line information systems, toll-free telephones and other innovations help customers obtain useful labor market information quickly and effectively.

In addition to program presentations, the "What's Working" conference will include roundtable discussions, question and answer periods and time for informal sharing of information among participants.

Information on media credentials can be found on the following page; proper credentials will be required for access to the conference by members of the media.

EDITOR'S NOTE: A press room will be operating throughout the conference and will be available for interviews and other arrangements.

This information will be made available to sensory impaired individuals upon request. Voice phone: 202-219-6871; TDD Message Referral phone: 1-800-326-2577.

THE PROPOSED REEMPLOYMENT ACT OF 1994

The Reemployment Act of 1994 is designed to begin the transformation of the current *unemployment* system into a **comprehensive, universal, high-quality reemployment system**. The Reemployment Act of 1994 is based on the sturdy foundation of what we know about **what works**. It embodies these fundamental principles:

- ✓ **Universal access**
- ✓ **Quality reemployment services**
- ✓ **Quality Labor Market Information**
- ✓ **One-stop shopping**
- ✓ **Long-term training**
- ✓ **Accountability**
- ✓ **Streamlining**

Title I -- Comprehensive Program for Worker Adjustment

Title I establishes a comprehensive reemployment program for **dislocated workers** - those who have been permanently laid-off or are long-term unemployed -- with a single eligibility standard. It consolidates six current dislocated workers programs funded by the U.S. Department of Labor (DOL). Key features are:

- **Outreach** -- significant investments in participant outreach through rapid response and profiling;
- **Individualized services** -- including the development of individual reemployment plans;
- **Comprehensive reemployment services** -- all eligible dislocated workers can get basic services like job search assistance, with more intensive services available to those who need them;
- **Program integration** -- career centers, competitively selected, will provide assistance to all eligible dislocated workers;
- **Quality training** -- dislocated workers will be able to select education and training providers based on performance-based information;
- **Retraining income support** -- dislocated workers who need long-term training will have access to income support, beyond regular UI benefits;
- **Performance accountability and outcomes** -- the governance structure will ensure accountability to workers, employers, and the local community for quality service and outcomes.

Title II -- Income Support for Retraining; UI Flexibility Initiatives

Title II establishes a system of retraining income support for permanently laid-off workers who are in long-term training. This support will be available to eligible dislocated workers who have exhausted all UI benefits and are participating in long-term training under an appropriate reemployment plan; and to workers who would have been eligible under the current Trade Adjustment Assistance Program (TAA).

Title III -- One-Stop Career Center System

Title III enables States to develop and implement State-wide networks of One-Stop Career Centers, by establishing a national program of grants and waivers. State, local and Federal partners would ensure common goals, planning, service coordination and network oversight. One-Stop Career Centers would:

- provide students, workers, and employers with a common point of access to employment, education and training information and services;
- offer services that are available under DOL-funded programs, and encourage other Federal, State, and local human resources programs to participate; and
- promote a customer-oriented approach.

Title IV -- National Labor Market System

Title IV establishes a National Labor Market Information (LMI) system to provide universal access to timely, up-to-date, easily accessible and comprehensive information about where jobs are; necessary skills and experience; location and quality of training programs, and job search assistance.

Budget Overview -- the Reemployment Act of 1994

The FY 1995 Budget calls for total costs of **\$1,465 million** for worker readjustment -- an increase of \$347 million over last year's budget.

When the Reemployment Act reaches **full implementation in the year 2000**, it will be able to provide job search assistance and readjustment services to all dislocated workers who need and want assistance in returning to work -- estimated at 1.3 million people. This represents a total investment of more than **\$13 billion** over the five-year period -- **FY 1995-2000**: \$9.9 billion in discretionary spending; \$2.0 billion in capped mandatory funds; and \$1.25 billion on One-Stop Career Centers.

AMERICANS WANT ACTION ON THE JOBS ISSUE

JOBS ISSUES TOP IMPORTANCE IN OPINION POLLS

L.A. TIMES POLL

IF CONGRESS AND THE PRESIDENT COULD DO ONLY ONE THING NEXT YEAR...

	ALL	DEM	IND	REP
Job Training for unemployed	33%	34%	33%	26%
Health Care Reform	24	34	22	14
Anti-Crime Bill	20	15	21	25
Welfare Reform	15	11	16	25
Campaign Finance Reform	4	2	4	5

ECONOMY IS...

In recession	66%
Not in recession	29%

*Times Mirror Company, December 8th, 1993
1,612 Adults Surveyed 12/4-7*

BUSINESS WEEK POLL

THE CLINTON ADMINISTRATION WANTS THE FEDERAL GOVERNMENT TO PROVIDE MORE TRAINING FOR AMERICAN WORKERS TO GIVE THEM COMPETITIVE JOB SKILLS. IF THIS ALSO INVOLVES HIGHER TAXES FOR EMPLOYERS AND EMPLOYEES AND MORE GOVERNMENT INVOLVEMENT IN JOB TRAINING, WOULD YOU FAVOR OR OPPOSE THIS PLAN?

Favor.....54% Oppose.....43% Not Sure.....3%

THE CLINTON ADMINISTRATION BELIEVES THAT AMERICA HAS TO MAKE MAJOR CHANGES - SOME OF THEM PAINFUL, SOME OF THEM COSTLY - IN ORDER TO PROVIDE AMERICANS WITH THE ECONOMIC SECURITY IN THE FUTURE. DO YOU TEND TO AGREE OR DISAGREE WITH THIS?

Agree.....67% Disagree.....29% Not Sure.....4%

*Harris Poll, Business Week Cover Story, January 24, 1994
1,255 adults, conducted Jan. 7-10, 1994*

The Washington Post

AN INDEPENDENT NEWSPAPER

A 'Reemployment' Program

THE GOVERNMENT'S traditional response to the problem of unemployment has been to pump up the economy, help provide some benefits and wait for workers to find reemployment mostly on their own. The Clinton administration thinks that in the present world economy that's not enough. The president's people worry that more and more U.S. workers are being permanently laid off, meaning that their old jobs are lost for good to foreign competition or technological or policy change, and they have to seek entirely new ones. Partly because of these structural trends and partly for other reasons, Labor Department officials also observe that more and more workers are remaining unemployed for more than six months. The nature of the problem has changed, they say, and the government's response must change as well.

The president is expected to send up a "reemployment" or "work force security" bill next year. Most of the likely recommendations make good sense. They do so almost independently of the elaborate rationale the administration has constructed for them—the view that unemployment now is somehow different from in the past, which not everyone fully accepts. Some of the sensible steps have been proposed before. The government now runs six mostly small retraining programs for workers who lose their jobs to one or another structural cause. There is trade adjustment assistance, defense conversion assistance, assistance to eastern coal miners who lose their jobs to the Clean Air Act etc. The administration would consolidate these legislative and historical artifacts into a single retraining program for all permanently laid-off workers who

qualified. It would try to improve the quality of assistance to the unemployed by creating a nationwide information network and a system of one-stop offices across the country in which an applicant could receive all the forms of available aid.

It would aim to identify earlier than tends to happen now those workers unlikely to get their old jobs back and speed their move to other employment. The faster return to work would mean, among other things, a cut in benefit costs. The government might share the savings with workers who returned to work before their insurance expired; it might share costs with people who accepted temporary part-time work as well. The bill will likely seek to improve the broken existing system for paying benefits to those in higher-unemployment states who exhaust their basic 26 weeks of insurance. Insofar as funds are available, it will also seek to expand the current training programs to help the structurally unemployed go back to school.

It's hard to quarrel with much of that on the strength of what is known thus far and assuming, as we do, that the budget rules won't be broken. The goal of helping U.S. workers adapt—switch rather than fight—in the face of changing economic circumstances that they can't hope to resist is a legitimate function of government. There has always been a lot of "permanent job loss" in the large U.S. economy. It's been accompanied and offset by growth. The administration contends the adjustment process is tougher now than in the past; that may or may not be true. The government still should do all it usefully can to ease the process. That seems to be what the president is proposing here.



Troubled waters. Paul Farrow launched a kayak business while on unemployment.

Padding against the jobless tide

Clinton wants unemployment insurance to help those who are permanently out of work

For months, Bill Clinton has insisted that global competition can benefit American workers—if accompanied by government programs that cushion job losses. And last week, in his NAFTA victory speech, the president had scarcely begun celebrating before he began pushing for a national “re-employment” system that would address widespread anxiety over job security.

The administration’s Workforce Security Act, which Labor Secretary Robert Reich plans to send to Congress in January, would overhaul the nation’s unemployment insurance system, a \$26 billion program that has served as a national safety net for jobless Americans since the Great Depression. Why an overhaul? Unemployment insurance was designed in the 1930s, when a significant share of laid-off workers could expect to be called back to their old jobs. But today, as company after company downsizes permanently, a record three fourths of laid-off workers have lost their jobs for good. In the past four years alone, some 1.7 mil-

lion U.S. manufacturing jobs have disappeared, most of them forever. Says Reich: “We need a re-employment system, not an unemployment system.”

Creative spending. The administration’s proposal speaks to a nagging criticism of unemployment insurance: that it prolongs joblessness by subsidizing the idle. Reich would encourage states to redeploy benefit checks in creative ways: as cash rewards for workers who find jobs quickly, as stipends to start small businesses and as training subsidies for those who want to retool their skills.

In addition, Reich would streamline the nation’s network of 1,700 unemployment insurance offices. That network is now so fragmented that in many states, a jobless worker goes to one office to apply for benefits, another to scan job openings and perhaps a third to apply for retraining funds. A 1989 Labor Department study found that one third of the people who applied for unemployment benefits never got as far as the Employment Service, where new jobs are listed, and fewer

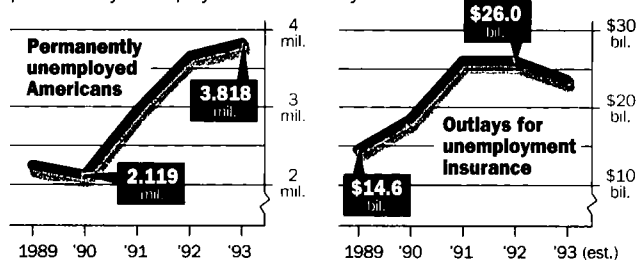
than 1 in 10 got any job-search training. Reich would replace this system with "one-stop career centers" that would distribute unemployment checks, match job seekers with job openings and identify workers whose skills are obsolete.

The administration had hoped to send a bill to Congress last month, but it ran into a political buzz saw. Skeptics still smarting from last summer's budget battle balked at the \$3 billion price tag for retraining; Congress has been unable to pass even a \$1.1 billion extension of emergency benefits for the long-term unemployed. Labor said Reich wasn't setting aside enough money and feared he would cut off benefits to needy workers. And even Clinton's allies warned that the bill would become a casualty of the NAFTA battle. Reich relented, offering a stopgap, \$90 million retraining program for workers dislocated by NAFTA, but promises to return with comprehensive reform in January.

The Workforce Security Act will still face hurdles on Capitol Hill, especially over funding, but key components of Reich's plan have already been successfully field-tested in local pilot projects from New Jersey to Washington State. When jobless workers apply for unemployment benefits in New Jersey, for example, they are asked a few simple questions to determine if they will ever be

Tattered safety net

Originally designed to help with short-term joblessness, the unemployment insurance system is struggling to cope with legions of permanently unemployed workers today.



Note: The permanently unemployed are job losers who do not expect to be recalled to work. Unemployment insurance outlays include federal and state payments for regular unemployment insurance and for emergency extended benefits.
USN&WR—Basic data: U.S. Dept. of Labor

called back to their old jobs. Workers identified as permanently "dislocated" are enrolled within five weeks in career workshops and job-hunting classes. A 1989 study of this "early intervention" strategy found that workers who got rapid help found jobs one week sooner—after about 17 weeks—than their counterparts in a control group. That allowed the state to save \$81 to \$170 per person in reduced benefits. Now New Jersey is expanding the program to include training subsidies for dislocated workers and is installing computerized career-guidance kiosks in shopping malls.

To change the system's financial incentives, Reich would also let states pay cash bonuses to workers who find jobs quickly, a tactic that has been tested in New Jersey and Illinois. Illinois, for instance, offered bonuses of \$500 to work-

ers who found jobs by their 11th week on unemployment and stayed employed for at least four months. Workers in the experiment found jobs an average of 1.15 weeks sooner than their counterparts in a control group—without settling for lower wages. For every \$1 paid in bonuses, Illinois saved \$2.30 in lower benefit payments.

Building a business. A common complaint about traditional unemployment benefits is that recipients don't qualify unless they are searching for work, a process that often prevents them

from going back to school or starting their own businesses. Reich would expand on experiments in Massachusetts and Washington State, which waived the requirement and let recipients use their benefits as a crutch while starting a business. In Massachusetts, an applicant could collect a "self-employment stipend" for 24 weeks while drafting a business plan and attending workshops on marketing, finance and other small-business skills. Only about 5 percent of eligible applicants tried the program, but among those who started companies, 80 percent were still in business one year later and 35 percent had actually put others to work. Moreover, they saved the state \$1,400 per person because they got off unemployment so quickly.

Field testing hasn't answered all the questions about Reich's proposal. How many workers, for instance, really have the gumption to start a successful business? Is the economy creating enough good jobs for workers who upgrade their skills? Can counselors at one-stop career centers truly identify the workers who deserve costly retraining subsidies? But economic reality suggests that pressing for answers to these questions is better than subsidizing workers who simply wait for a phone call that probably will never come. Says Paul Farrow, who started a successful kayak-making business while collecting unemployment in Massachusetts: "The old system drags you back into an ever shrinking job pool. This system might expand the pool." ■



STEPHEN SHAMES—MATRIX FOR USN&WR

Wired. New Jersey is installing computerized career-guidance kiosks in shopping malls.

BY DAVID HAGE

This article originally appeared in *The Washington Post*, December 10, 1993. Permission granted to reprint.

BIG MONEY

Robert Reich and the Job Revolution

The Brave, New, Scary World of Job Skills You Don't Have

By James K. Glassman
Special to The Washington Post

Labor Secretary Robert Reich is struggling these days with an unsettling problem: The American work force is changing, and many workers are unhappy about it. Their anger surfaced in opposition to the North American Free Trade Agreement, the Perot movement and even the defeat last year of President Bush.

Assuaging this anger is a problem for the Clinton administration—specifically for Reich, who works long hours in a gigantic office under a portrait of Frances Perkins, who, he marvels to a visitor, “had this job for 16 years!”

Reich's message is that change will be good for workers—as long as they have skills to sell. For those that don't, he proposes urgent help.

In early February, Reich will send the Workforce Security Act to Congress. He says flatly that the current federal system for workers is “not designed to help people find first, new, or better jobs.”

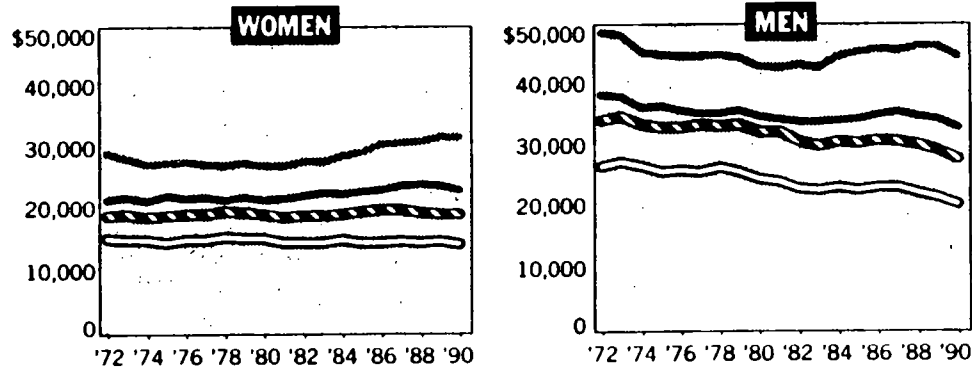
Instead, it offers a safety net (mainly unemployment insurance) to tide folks over until they get their old jobs back as the business cycle turns up.

But those old jobs aren't coming back.

PAY GAPS

MEDIAN INCOME FOR WORKERS 25 YEARS AND OLDER, BY EDUCATION LEVEL, IN 1991 DOLLARS

Legend: Less than high school (solid line), Four years high school (dotted line), 1-3 years above high school (dashed line), Four or more years college (thick solid line)



SOURCE: Census Bureau

THE WASHINGTON POST

Pressured by global and domestic competition and by their own stockholders, U.S. companies are learning how to become more productive.

In just eight years, for example, the steel industry figured out how to produce 45 percent more steel using 30 percent fewer workers.

Or consider Xerox Corp., which announced Wednesday it was cutting 10,000 jobs—even though it's making a half-billion-dollar profit this year. Xerox is simply taking advantage of new technology and organization to reduce its costs and increase its productivity.

Overall, such steps benefit the economy

See **BIG MONEY**, F2, Col. 1

Revolution in the Workplace Is Both Scary and Liberating

BIG MONEY, From F1

(since profits become investment capital), but they can leave individual workers out in the cold.

The challenge for Reich is how to get those dislocated workers back into the labor force quickly. His bill isn't grandiose, but, then, it probably shouldn't be.

The main role of the government will be to provide information—to set up a giant data bank to match employers with potential employees, to help displaced workers get training at places such as community colleges and to offer job counseling.

In this brave new post-NAFTA world, Reich said, "there's a secular shift in favor of skilled, not unskilled, workers."

What he has to teach Americans is that the shift—at least for this country—is good, not bad.

In a global economy, the fight for unskilled, or low-skilled, production jobs—jobs like sewing pockets on shirts, say—is vicious. Countries with low living standards will win.

But when it comes to skilled jobs, U.S. workers have an advantage—not just brains but an ingrained spirit of individualism, the idea that we can all be little economic engines of our own, not just cogs in a corporate machine.

"Sure change entails upheaval and dislocation," writes Myron Magnet in his new book, "The Dream and the Nightmare," "but the flexibility of Americans, their readiness to reinvent themselves and remake their circumstances, is a key element both of the American national character and of American economic success."

We don't always have the *right* skills, but we can get them. Experts say this country has the best post-secondary education system in the world, and not just for the top tier.

Booming Thomas Nelson Community College in Hampton, Va., for example, is developing top automotive technicians with help from Ford Motor Co. and aerospace engineering technicians with help from the National Aeronautics and Space Administration.

Students there understand that a high school diploma "doesn't get you a job as a car mechanic anymore," said Robert Templin, the college's president.

Reich makes this point with a graph that shows the big difference in earnings between high school graduates and workers with just one to three years of extra training of any sort.

For men, in the most recent year, that difference was more than \$5,263 in annual pay, or 19 percent; for women, 21 percent.

A study by the Bureau of Labor Statistics last month identified the skilled jobs that will grow quickly and pay well from now to the year 2005.

They don't involve brain surgery or splitting the atom, but they do stress individual problem-solving, and they're generally more rewarding personally than production-line work, which, Reich believes, has been romanticized.

Fastest-growing new jobs? In 1992, there were 1.8 million registered nurses in the United States,

As long as Americans understand they're not helpless victims, they can improve their skills.

making an average of \$34,476 a year; by 2005, the Labor Department estimates there will be 2.6 million, an increase of 44 percent.

Other hot jobs that don't require college degrees: data-processing machine repairers, up 46 percent in the next 13 years; food service and lodging managers, up 44 percent; offset press operators, up 37 percent; radiology technicians, up 63 percent; paralegals, up 85 percent; and musicians (!), up 25 percent to 295,000 jobs.

As long as Americans understand they're not helpless victims, they can improve their skills. Self-interest should do the trick.

As Gary Burtless, a Brookings Institution economist, said, "The government already offers a variety of inducements—like student loans and low community college tuition—for individual workers to invest in their own general training."

But Burtless and others believe much pain can be avoided if the government forces companies to spend more on training their own workers—through a plan similar to one President Clinton pushed during the campaign, then abandoned. (After all, it looked like a tax!)

On the whole, Americans seem to be adapting well to this new economic world—certainly better than Europeans.

It's scary, but it can also be liberating.

TO: JOAN

FR: TARA

DT: 2/7

RE: Packet from Liz

FYI, Liz wanted me to pass packet on the Administration's Re-Employment Act of 1994 on to you. They are trying to get the support of the AFL on this and are trying to asses the possibility of getting a White House Czar for the program (do you have any interest or suggestions?). They want to promote this program as something that could be passed by Congress this year and thus taken home by Members as proof of their accomplishments.

—
To: Joan
Tara
+ WH OPA

From: Liz Gonchar

Date: 2/4/94

re: Administrations
Re-Employment Act
of 1994
—

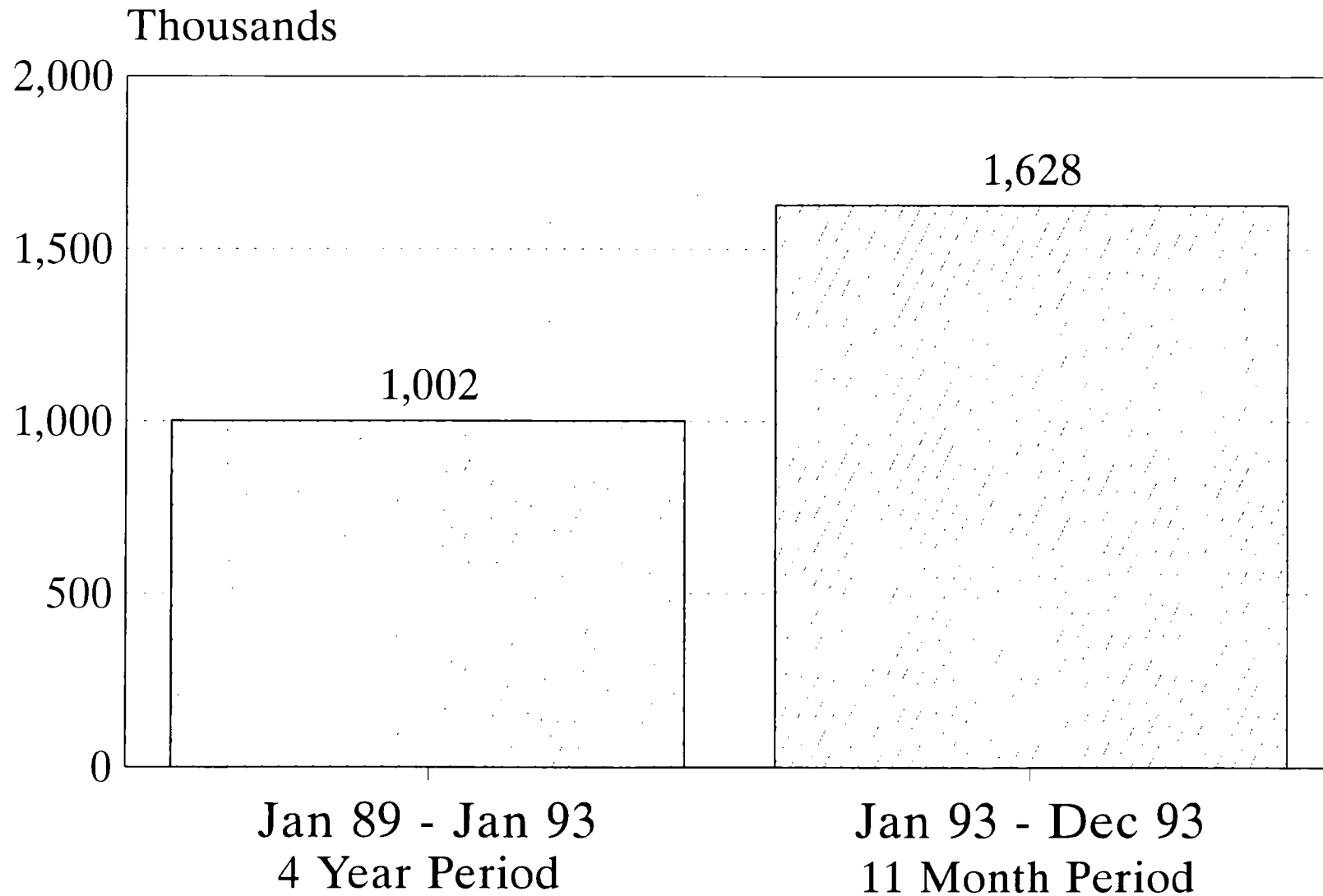
Encl.

U.S. Department of Labor

CLINTON LIBRARY PHOTOCOPY

Jobs Are Coming Back

Total Private Nonfarm Payroll Jobs



Source: BLS Data, Tabulated by the Office of Policy

Fixing The Foundations

- Lowering the Deficit
- Lowering Interest Rates

Lowering Inflation

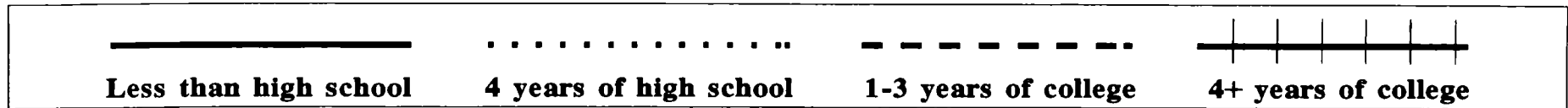
Supporting Structural Initiatives

- Opening Foreign Markets
- Embracing New Technologies
- Investing In Infrastructure

Building Worker Skills

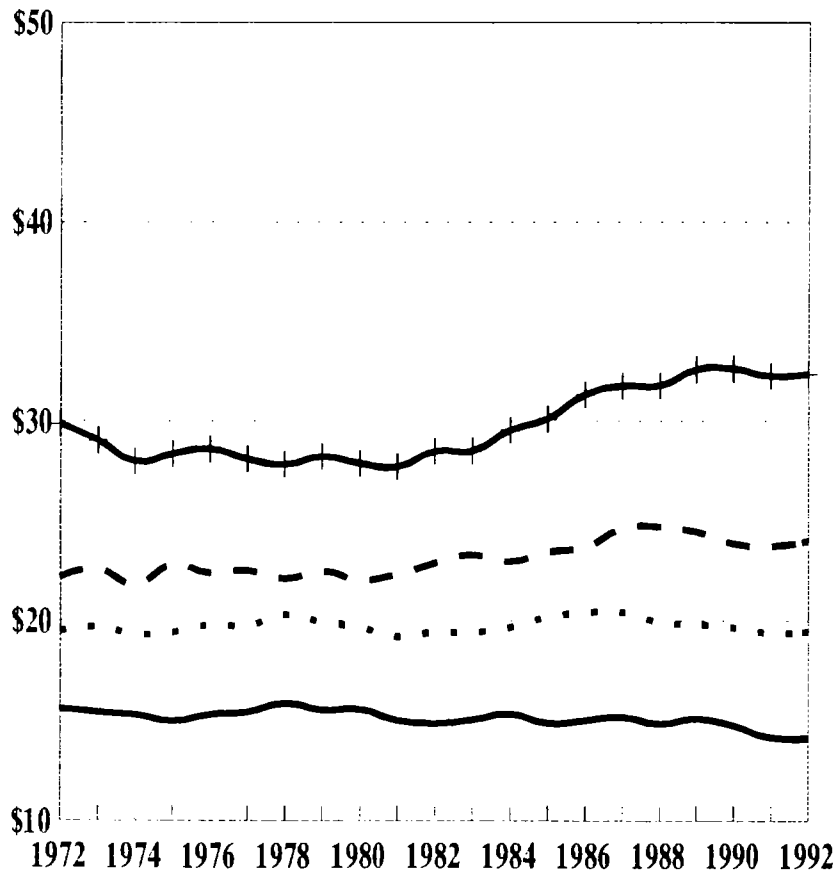
Earnings Gap Widening

Annual Income by Years of School and Gender



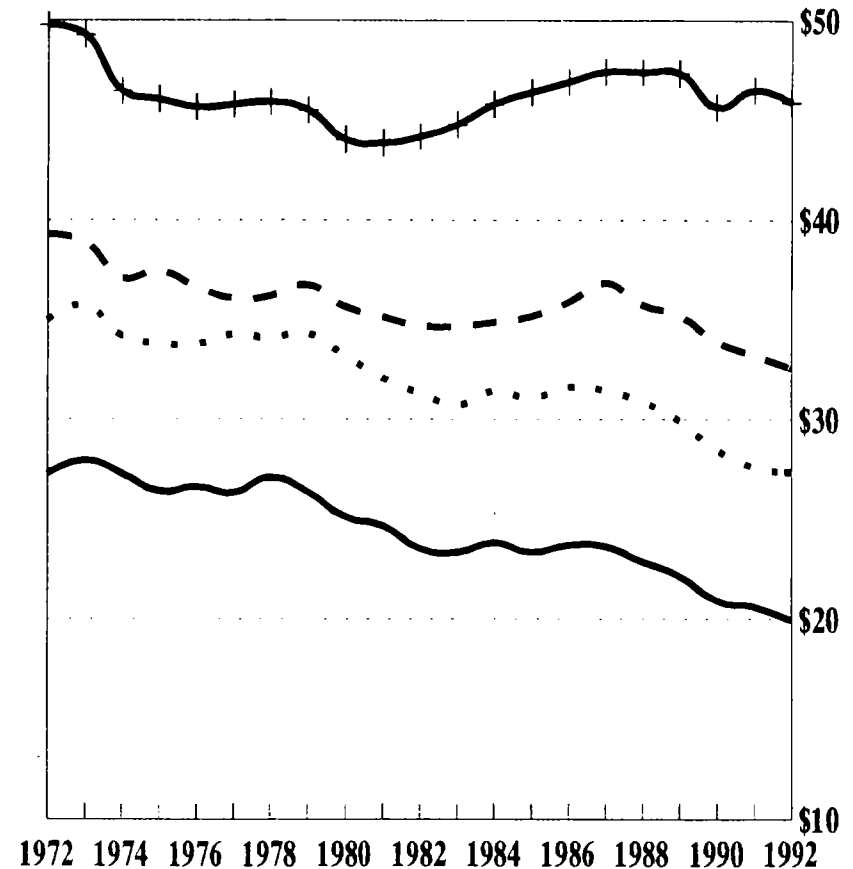
Women

Thousands of 1992 Dollars



Men

Thousands of 1992 Dollars

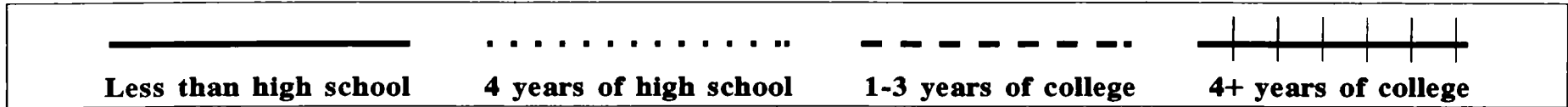


Source: Bureau of Census, Current Population Survey as Tabulated by DOL/OASP.

Note: Workers 25 years and older, working year-round, full time. Data on educational attainment for 1991 and 1992 are not directly comparable to prior years.

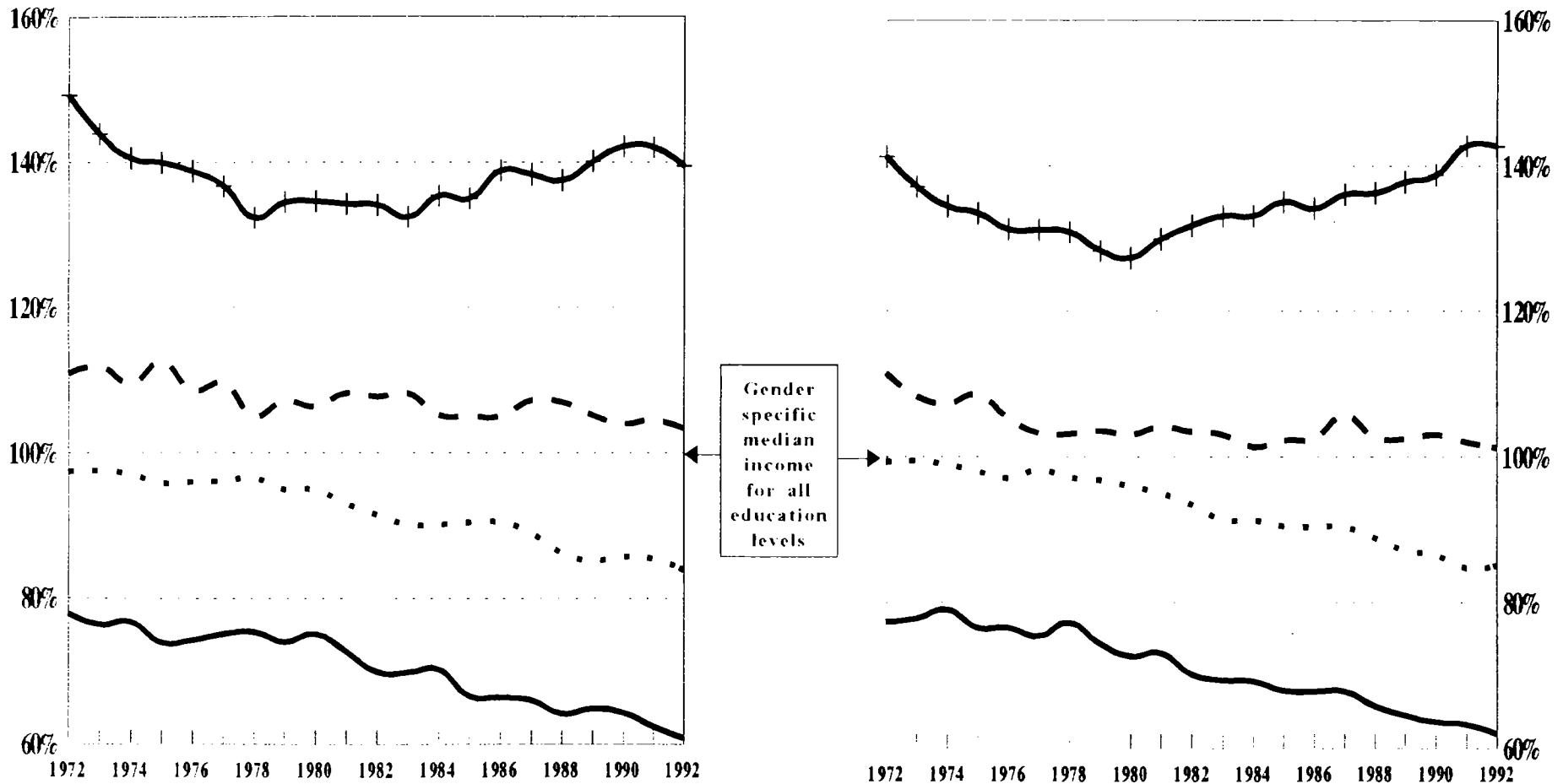
Earnings Gap Widening

Percent of Median Annual Income by Years of School and Gender



Women

Men



Source: Bureau of Census, Current Population Survey as Tabulated by DOL/OASP.

Note: Workers 25 years and older, working year-round, full time. Data on educational attainment for 1991 and 1992 are not directly comparable to prior years.

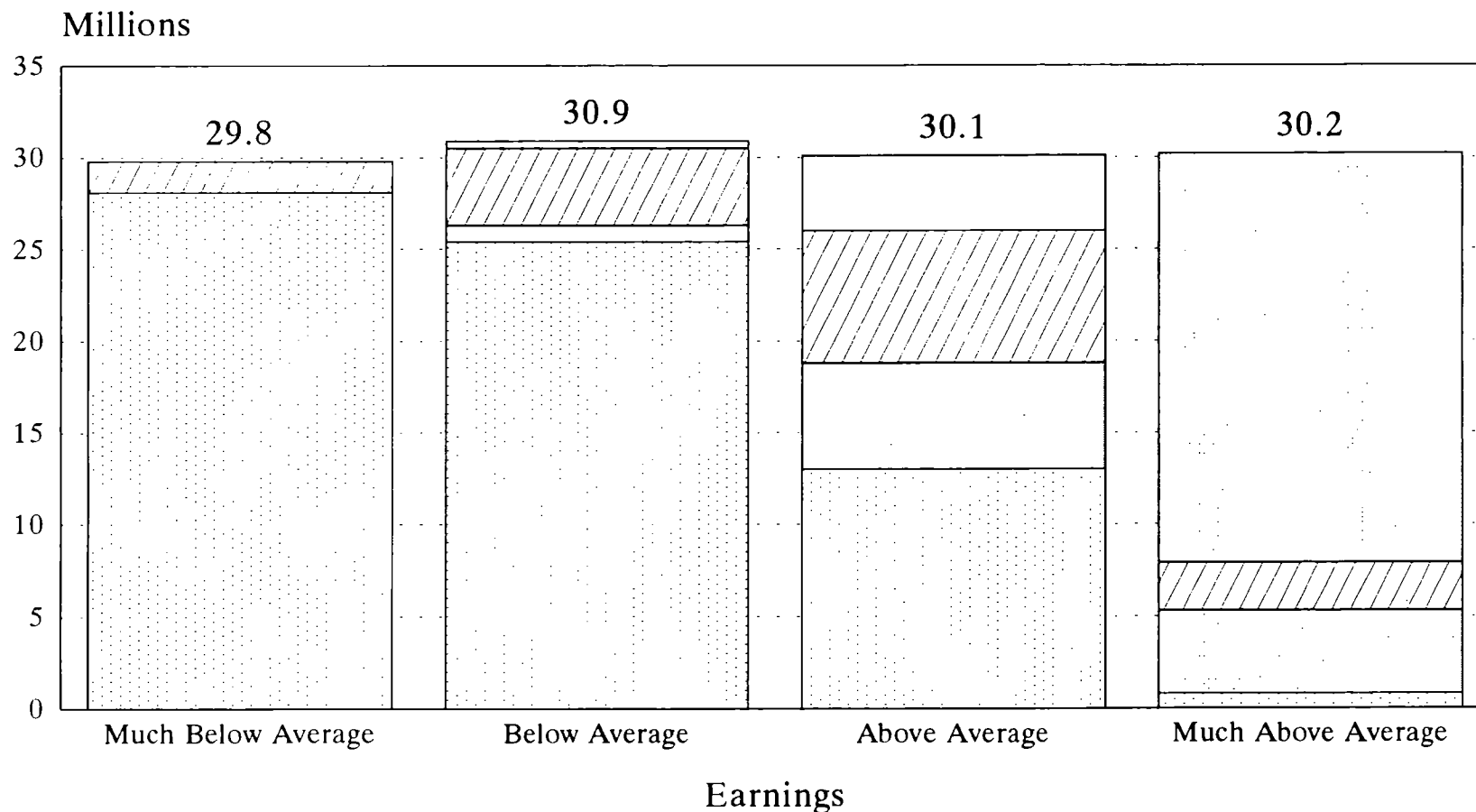
Working To Create Opportunities

- School-To-Work
- Skills Standards
- Direct Student Loans
- Goals 2000
- Job Corps

Summer Youth Employment

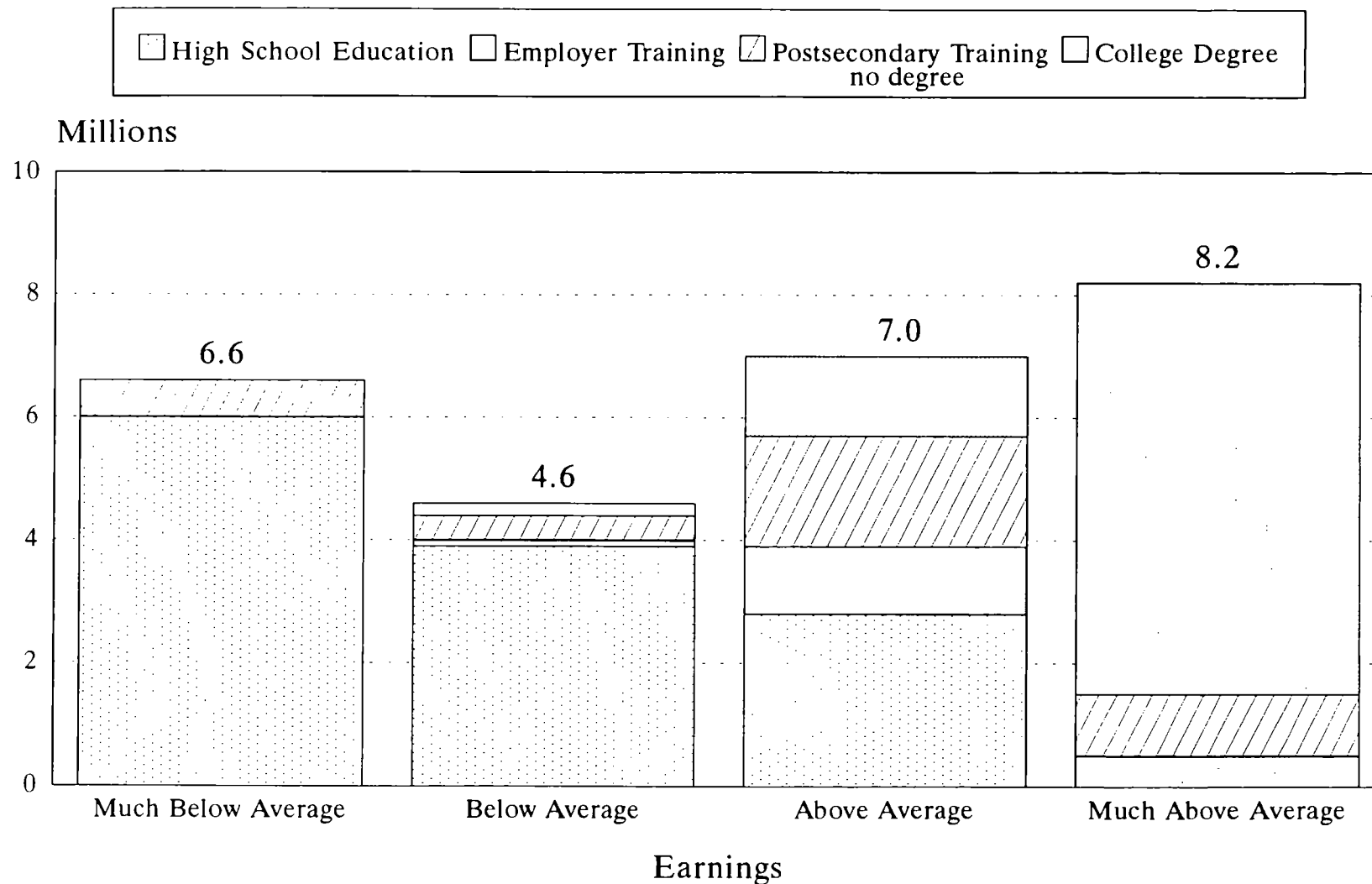
Occupational Employment, 1992 by Earnings and Educational Attainment

High School Education
 Employer Training
 Postsecondary Training no degree
 College Degree



Note: Employment for each occupation is categorized by median earnings and usual education and training. Each earnings category accounts for approximately one-fourth of the total employment in 1992 rather than exact quartiles. This occurs because workers in each occupation were allocated to only one earnings category.

Net Occupational Employment Change, 1992 - 2005 by Earnings and Educational Attainment



Note: Employment for each occupation is categorized by median earnings and usual education and training. Each earnings category accounts for approximately one-fourth of the total employment in 1992 rather than exact quartiles. This occurs because workers in each occupation were allocated to only one earnings category.

Where are These Jobs?

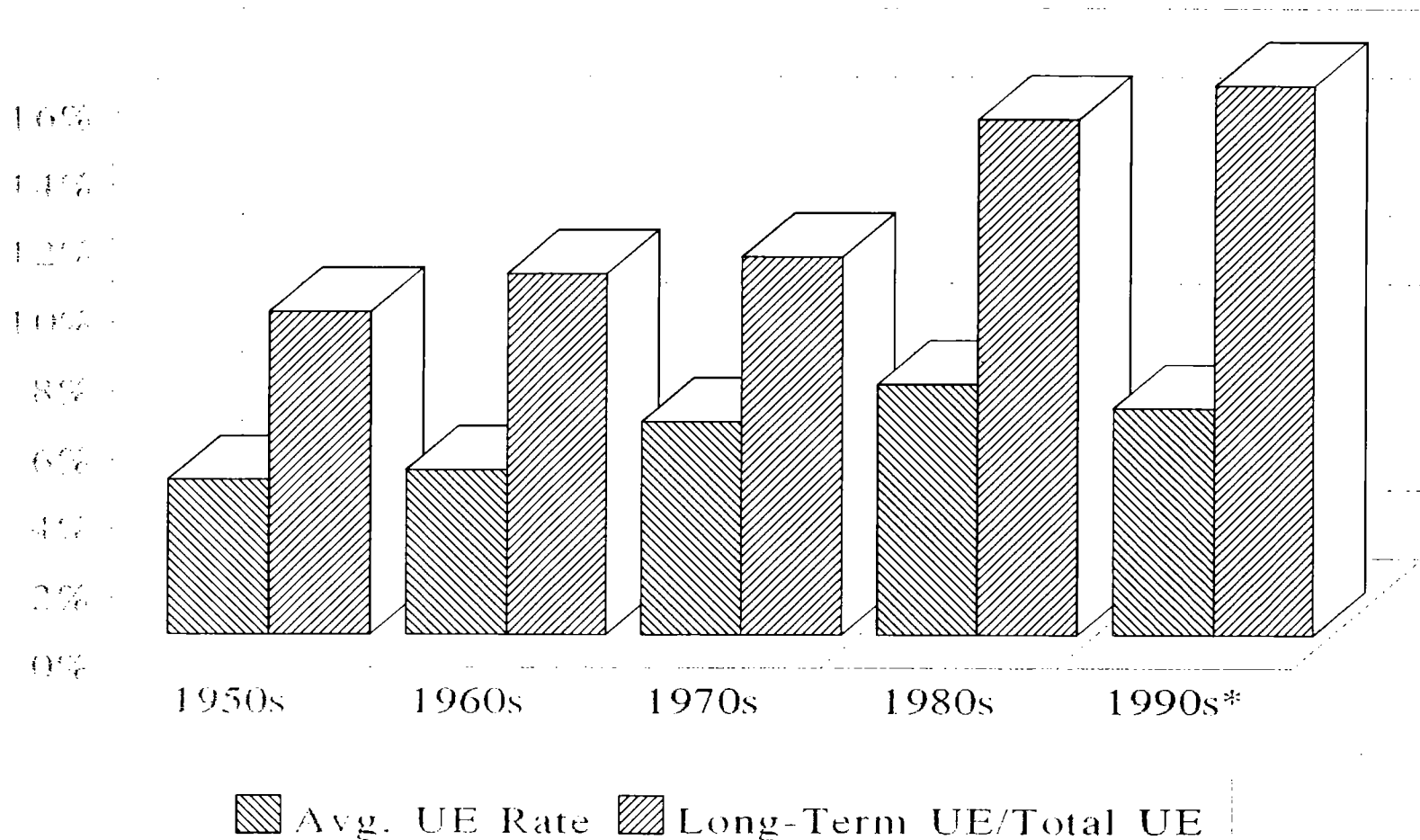
Managerial, Professional, and Technical

- **Technical Sales Support**
- **Technical Marketing**
- **Laboratory Technicians (including health)**
- **Factory Technicians**
- **Technical/Clerical**

Examples

- **Home Depot "Entrepreneurial Clerks"**
- **"Cutting Edge" Truck Drivers**

Length of Unemployment Spells Are Increasing

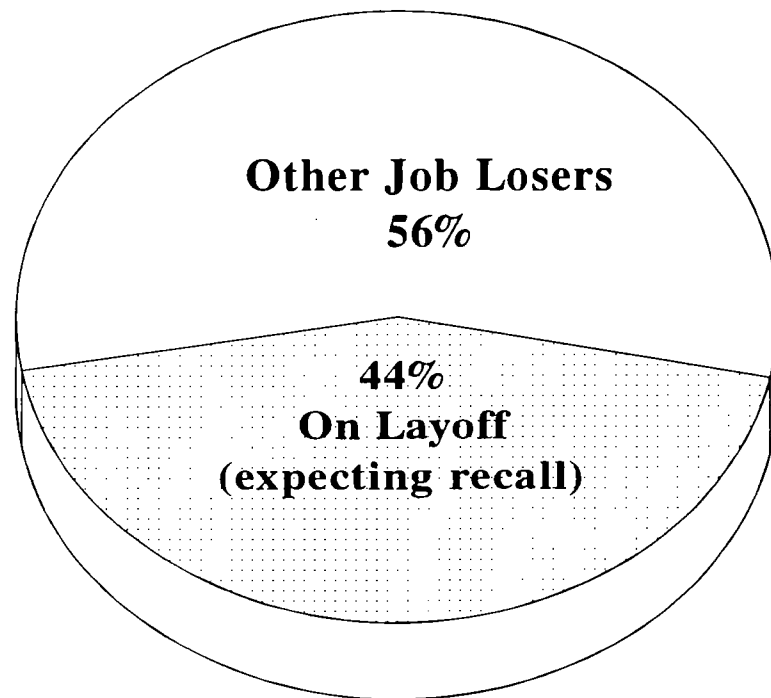


* Through 9/93

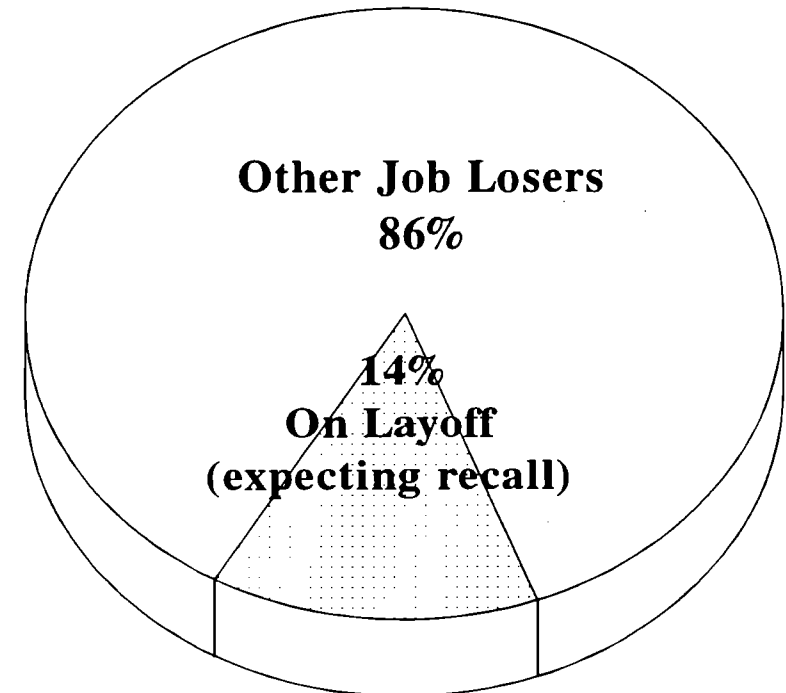
The long term unemployed have become a greater portion of the total unemployed.

Job Losers Not Expecting To Be Recalled

Average for Four Prior Recessions



Recent Labor Market Contraction
July 1990-June 1992



Note: The National Bureau of Economic Research has determined that the recent recession began in July 1990 and ended in March 1991. However, the July 1990-June 1992 period is used for the comparison with earlier recessions because the number of job losers did not peak until June 1992, well past the official endpoint of the recession. In prior recessions the peak in the number of job losers was more coincident with the official endpoints.

Source: DOL\Bureau of Labor Statistics, Current Population Survey.

The Current System Is Not Working

- **UI system is designed to tide people over until they get their old jobs back**
- **Unemployment/Training services are not universal**

Lack of quality job information

Long-Term training needs are not addressed

- **Services are difficult to access**

Workforce Security Proposal

New Skills -- Better Jobs

Early Intervention

Re-Employment Services like job search and job counseling

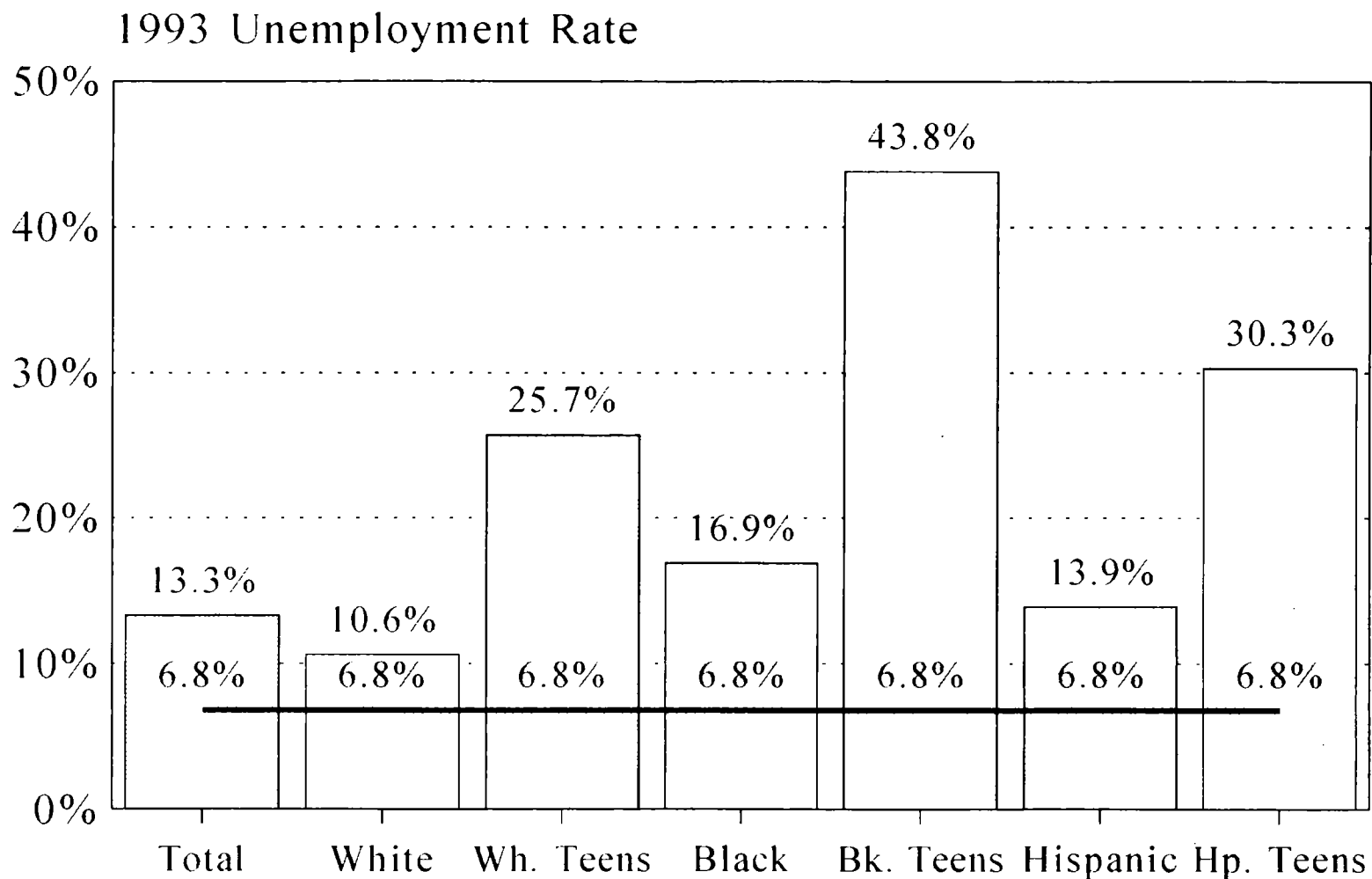
Good data on where the jobs are and what training is necessary

UI Flexibility

Extended benefits for longer-term training

One-Stop Shopping

Unemployment Plagues Metro Poverty Areas



□ Metro Poverty Areas — National Average

Fighting Poverty By Making Work Pay

Preventing Dependence

**Supporting Working Families with the
EITC, Health Care Reform, and Child Care**

Promoting Self-Sufficiency

Time-Limited Welfare Followed by Work

Simplifying Public Assistance

A NATIONAL WORKFORCE STRATEGY:

THE CLINTON ADMINISTRATION'S PROPOSAL FOR WORKER SECURITY

THE CHALLENGE

"We're at a time of change that I am convinced is as dramatic as the dawning of the Industrial Age. We can no longer tell our sons and daughters — we know this now — that they will enter a job at the age of 18 or 21, enjoy secure paychecks and health benefits and retirement benefits for the rest of their working lives, and retire from the same job with the same company at the age of 65 or 62."

"So, what are we to do? It seems to me that we clearly have to make some changes in the way we look at the world and the way we approach the world. And in order to make those changes, we have to ask ourselves, what do we have to do to make the American people secure enough to make the changes?"

"It is clear that what we need is not an unemployment system, but a reemployment system in recognition of the way the world works today."

— **President Bill Clinton**

October 4, 1993

"For the three-quarters of our young people who do not get four-year college degrees, we must merge the world of learning and the world of work to offer young people classroom training and on-the-job training. And for those who lose their jobs, the unemployment system is no longer good enough. We must create a continuous reemployment system so that people are always learning — even into their 50s and 60s and 70s, as long as they are willing to be productive citizens and keep going and growing."

— **President Bill Clinton**

October 12, 1993

In recent years, rapidly-evolving technologies, defense down-sizing, corporate restructuring, and intensifying global competition, have expanded the scale of job loss, job change, and job uncertainty. In today's changing economy, the typical 18 year-old will change work many times in a life-time, even if he or she stays with the same company. As a result, the work lives for increasing numbers of Americans are in transition.

Unfortunately, the current government programs and structures in place to address job transitions and

unemployment are not designed to help people find first, new, or better jobs. The current system was designed to meet the needs of an era when people could easily get to or move from one higher-skill, higher-wage job to another. Or, if they were laid-off, the system could provide a safety net until they got their old jobs back.

Today, many Americans face the challenge of longer unemployment spells, unemployment, or are in search of a first job. In order for the United States to continue to grow stronger economically, we must make the transition to higher-value-added products, higher-skill work and higher-wage work. In fact, several such jobs are projected to grow in number, according to the Bureau of Labor Statistics. A constantly changing economic picture demands great flexibility — the capacity to adapt quickly and continuously, the willingness to change jobs and gain new skills. In order to make this transition we need to invest in our workers and prepare our students so that they might prosper in the new world economy.

The challenge is to fundamentally change the way government helps people who are unemployed move quickly back to economic security by offering them the choice to choose the services they want and need, and a system that is accountable for results.

THE PROBLEMS AMERICAN WORKERS FACE

The Unemployed Confronted with Job Transition

- ❑ More than two million Americans are permanently laid-off each year. In recent years, contraction of the defense industry, rapidly evolving technologies, and intensifying global competition have altered the nature and scale of job loss in the U.S. economy.

The Unemployed and the Changing Labor Market

- ❑ More than three out of every four workers who were identified as job losers last year were permanently, rather than temporarily, laid-off — the highest rate of permanent job loss on record.

- ❑ The length of unemployment spells continues to grow. In the 1970s, an average of 11.7 percent of the unemployed were out of work for six months or longer.

In the 1980s, the figure was 15.5 percent. Thus far in the 1990s, the figure is 16.4 percent. Last year, 21 percent of the unemployed hadn't worked for six months or more — the second highest annual level since the end of World War II.

- ❑ Between 1984 and 1989, an average of 1.8 million full-time workers were displaced each year. In 1990, the number reached 2.2 million. A 1990 Congressional Budget Office estimate cites that 23 percent of displaced workers were unemployed longer than one year.

The Costs of Job Change Continue to Increase

- ❑ Regular Unemployment Insurance (UI) benefits, which are financed by taxes on employers, have averaged \$22 billion a year (adjusting for inflation) over the past five years. Administrative costs were an additional \$2 billion dollars per year.
- ❑ Since November 1991, the federal government has distributed approximately \$27 billion in temporary Emergency Unemployment Compensation (EUC) to long-term unemployed workers who have exhausted their regular benefits.
- ❑ Both tax revenues and economic output decline when workers are idle.

THE SOLUTION: ECONOMIC SECURITY

The Clinton Administration's proposal would begin to create a comprehensive system for facilitating worker security. We urgently need to move from a system of unemployment to re-employment, and we need a system that helps all workers who lose their jobs prepare for and find new, well-paying jobs. Department of Labor initiatives are:

Workforce Security Act, which includes:

Comprehensive Worker Adjustment: This program will ensure that permanently laid-off workers receive the training and support they need for re-employment.

One-Stop Career Centers: These centers will provide all workers and employers quick and easy access to a wide array of enhanced career development and labor market information services.

A School-to-Work Transition System: This initiative will build on the successes of public-private partnerships to develop a national system through which every student would have the opportunity to participate in a program that combines classroom teaching with real-world work experience. When students graduate they will have certification in a marketable skill that will help them get a good first job on a high-wage, higher-skill career track.

Voluntary National Skills Standards: Businesses will work with educators, human resource professionals, labor and community leaders to identify the higher-wage skills and the training needed to master them. In this way, workers can know what to train for and, after completing their training, will have a credential to show their employers.

The key features of the **Workforce Security Act** will be:

- ❑ **A single comprehensive employment system:** The new system would provide for comprehensive services for all people whether they are unemployed, under-employed, or in search of a first job.
- ❑ **Re-employment services:** Services would be available to help people find new and better jobs quickly and would include early job counseling, job-search assistance, and information on where new jobs can be found.
- ❑ **Better information:** A nationwide information network would help workers make more informed career and job choices and assist in their selection of proper training.
- ❑ **Easier access to help:** A streamlined system accessed through One-Stop Career Centers would make it easier to provide universal assistance to all, and make it easier for people to access services.

COMPARING THE CURRENT SYSTEM TO OUR PROPOSAL FOR WORKER SECURITY

CURRENT SYSTEM

There are currently six categorical programs which may or may not serve select groups of people, based on confusing criteria.

Only 6% of workers who have exhausted their unemployment insurance (UI) benefits have attended job search assistance classes, and only 1.4% have received training.

Currently, the vast majority of unemployment insurance recipients, including those on permanent lay-off, do not receive reemployment services.

There is no nation-wide data system or quality information for workers to use in making their career, job, and training choices.

Only workers affected adversely by trade are eligible for intensive longterm training and career counseling.

Most people use up their UI benefits before they can complete a job training program. Few states provide income support for long-term training.

In most states, UI benefits can only be received while workers look for a new job.

Workers must go to several locations to get all of the basic services and must navigate a confusing maze of categorical programs to find a program that will serve them.

OUR PROPOSAL FOR WORKER SECURITY

Comprehensive Program: The proposal consolidates all services now available at the state and federal levels.

Universal access: Every permanently laid-off worker who wants and needs help, gets help, regardless of the reason why they lost their job.

"Profiling" Systems: Early identification of those unlikely to get their old jobs back, when individuals register for unemployment insurance benefits, will speed entry into reemployment and job-retraining services.

Quality Information: The new system will provide better labor market information about job openings and relevant training, quickly.

Long-term Training: Dislocated workers requiring and wanting more intensive or long-term assistance are eligible for education and training.

Income Support for Displaced Workers: Eligible workers continue to receive income support in order to enable them to complete a retraining program.

Unemployment Insurance Flexibility: UI will have some added flexibility to allow states more options in pay benefits. For example, workers can use UI benefits to help establish their own business, or to do part-time work while searching for full-time work. Also, some workers will receive bonuses for becoming reemployed before the termination of their unemployment insurance.

One-Stop Career Centers: The new system promotes locally-run One-Stop Career Centers to provide workers with job assistance services, information and access to training in one location, and that will speed the hiring process for firms seeking high quality workers.

THE WORKFORCE SECURITY ACT OF 1994

The United States Department of Labor
Employment and Training Administration

Consultation Paper
January 19, 1994

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- ❖ **When is Training Effective for Dislocated Workers?**
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THE VISION

American workers confront an economy in continuous transition. Young people and other first time job seekers try to find their place in a shifting labor market. Job holders find they must repeatedly learn new skills. Fewer workers can expect to be with a single firm throughout their work life. Employers find it harder to hire workers with up-to-date skills.

The mission of workforce policy is to equip Americans to prosper in an economy of constant change. Our current policies, designed for an earlier, simpler economy, can no longer deliver on this mission. *The Workforce Security Act of 1994* aims to remedy this. It aims to restructure public programs into a comprehensible, accessible system to meet today's demands more effectively.

THE IMPACT OF STRUCTURAL ECONOMIC CHANGE

The Problem for Workers

Labor market transitions are not a new phenomenon for the U.S. economy. In good economic times and bad, large numbers of workers lose their jobs (both temporarily and permanently) because their firms experience either periods of weak demand for their products or permanent production cutbacks. Workers have always migrated into growing firms and industries, both improving their own prospects and

boosting the vitality of the American economy. Change has always been America's strong suit.

In recent years, however, rapidly-evolving technologies, corporate restructuring, and intensifying global competition have altered the nature and raised the scale of job uncertainty. These trends reflect structural changes in the economy that are likely to persist, and even accelerate, as global markets continue to integrate and as we shift resources from military to civilian applications, promote more rational environmental practices, and reform the health care system.

In this environment, employment security depends less and less on attachment to a single job or employer, and more and more on a worker's skills and flexibility. As economic uncertainty increases, the payoff to investments in skill development grows.

Our current worker adjustment policies are at odds with this context of continuous adaptation. The primary governmental response to job loss remains the Federal-State unemployment insurance (UI) system. This system was designed over fifty years ago to provide income support during temporary job lay-offs, with the expectation that most workers would return to the same job once the economic cycle turned back up again. Today, UI still helps millions of unemployed workers through short-term income support, but as a growing fraction of workers are displaced by **structural** change, not cyclical downturns, UI alone has proven far from adequate. There is a growing need to establish stronger linkages between UI and re-employment services and to provide increased flexibility to UI claimants in their pursuit of re-employment opportunities.

There are numerous Federal programs offering assistance, job training, and in some cases, income support to affected workers. There are separate programs for those laid-off due to trade policy, defense downsizing, environmental policy changes, timber restrictions, and other economic restructuring impacts, but the fragmented nature of these programs makes it difficult for workers to know their eligibility for particular assistance, and to get the help they need to return to work. Even if workers qualify for these programs, the specific training services may not be appropriate for their needs, career goals, and employment prospects. Most specific training services in existing programs tend to be pre-selected by local program operators, forcing workers to choose from a very limited range of training and educational opportunities.

The lack of reliable labor market information adds time and money to the employers' recruitment efforts. Employers, particularly rapidly growing entrepreneurial firms, have no easy way to recruit or screen new employees. They also have no way to signal job seekers or training providers about the new skills they need.

The same lack of information leaves workers to plot their transitions without a roadmap. People interested in identifying employment opportunities must rely on fragmented and incomplete information about available job openings, growing occupations and industries, skills required for those jobs, and training providers' success rates.

The typical experience of most American workers needing assistance from this system is one of confusion and frustration. In the process of applying

for and collecting UI, the worker finds a system that places more emphasis on documenting that he or she is going through the motion of job search than on helping applicants plan and pursue a rational strategy for re-employment. It is often easier to obtain help in filling out the required application forms correctly than to receive guidance about growth industries in the local area or to initiate sensible job search approaches.

As a result, the individual's job search can be random and haphazard, depending solely on leads from family, friends, and former colleagues rather than a systematic review of aptitudes and interests, and an informed targeting of prospective occupations and employers. Information about job openings is limited. Most workers interested in career advice or assistance with resume preparation and interviewing must either use informal means to identify sources of help or hire professionals using personal resources.

Workers who need training to upgrade skills or change fields must undertake a tedious survey of community colleges and trade and technical schools to identify course offerings, entry requirements, starting dates, tuition and fees, and application procedures. Again, friends and other informal contacts constitute the principle sources of information about the quality of training, its connection to particular jobs, and how it is viewed by employers. Worse, workers already pinched by job loss or underemployment must make painful decisions about spending their resources on training. The choices are particularly difficult when long-term training is needed, thereby requiring longer periods of lost wages.

The Problem for Employers

Workers are not the only ones affected by changes in our economy. In a world with ever-changing technology and an increased demand for skills, employers of all types -- high-tech, traditional manufacturing, service industries, government, education, health-care -- must have an increasingly flexible, highly-skilled workforce in order to compete. The United States boasts the world's most productive workforce overall, yet the weakness of existing work-to-work transition systems means that employers still face difficulties in finding the workers with the advanced skills they need. There are relatively few resources available to match job openings with skilled workers.

EVIDENCE ON THE PROBLEM OF LONG-TERM UNEMPLOYMENT

The evidence of growth in long-term unemployment, and the inability of our current approaches to respond effectively, is compelling:

- ❖ In 1992, 75 percent of laid-off workers were on permanent lay-off --the highest annual proportion since tracking began in 1967. The same proportion holds for 1993.
 - ❖ The length of unemployment spells has increased over the last two decades. During the 1970s, an average of 11 percent of the unemployed were out of work for six months or longer. In the 1980s, long-term unemployment averaged 15 percent of
- total unemployment, and thus far in the 1990s it averages 16 percent. Last year 21 percent of the unemployed hadn't worked in six months -- the second highest annual level since the end of World War II. Regular unemployment benefits, meanwhile, are only available for six months in most States.
- ❖ Between 1984 and 1989, an average of 1.8 million full-time workers were displaced annually due to plant closures, production cutbacks, or layoffs. In 1990, the total reached 2.2 million. 1993's total is expected to be similar.
 - ❖ A year after they lose their jobs, more than half of all displaced workers are still unemployed, or are employed in jobs paying less than 80 percent of their former wages.
 - ❖ Workers who had held their jobs for six or more years experience particularly substantial losses in earnings. In Pennsylvania, five years after such workers were displaced, their average earnings were still 25 percent below their previous levels.

THE COSTS OF THE CURRENT SYSTEM

The emotional and financial costs of job uncertainty and dislocation to workers, their families, and communities are substantial. The societal costs of a system that does not help its workers make smooth transitions in the labor market are mounting:

- ❖ Economic output and tax revenues decline when workers are idle or underemployed.
- ❖ The cost of regular unemployment insurance benefits, which are financed by taxes on employers, has averaged \$24 billion a year (adjusting for inflation) over the past 5 years.
- ❖ The temporary emergency unemployment compensation program -- targeted to reach the long-term unemployed who have exhausted their regular benefits -- was enacted in November 1991, and had distributed \$27 billion in benefits through December 1993.

- ❖ Despite the magnitude of these regular and temporary emergency UI costs, virtually none of these expenditures were systematically linked to reemployment services to ensure that the long-term unemployed received the help they need to obtain employment.
- ❖ As a result, some jobless workers also turn to other benefit programs for support, such as welfare and food stamps, thereby increasing budget outlays for other Federal and State programs.

Some of these costs are expected to decline as the American economy continues to recover from recession, but cyclical recovery will only mitigate, not erase, the challenge of structural change.

THE ADMINISTRATION'S RESPONSE

The Administration proposes to reinvent this Nation's workforce policy, transforming an "unemployment" system into a "re-employment" system to help workers prepare for and find new careers and jobs. The fact is that the American economy is creating new jobs -- nearly 2 million since January 1993. The Administration's economic policies, including reducing the deficit and expanding trade opportunities, promise to continue this expansion. If we are to move the American worker into growing industries and occupations, we need a system that will assure that workers have access to adequate information, job placement assistance, assistance and opportunities for retraining and skill development; that will closely match the skills needed in the workplace with the training workers receive; and that will speed the hiring process for firms seeking high quality workers.

The Workforce Security Act of 1994 will begin restructuring the existing unemployment system to make it more responsive to the re-employment needs of dislocated workers -- those workers who have been permanently laid-off. It will establish a systematic linkage between receiving UI benefits and participating in reemployment services for permanently displaced workers; it will also create a set of new choices for making employment assistance available to such workers through a network of

customer-oriented career centers. The re-employment system will offer workers the resources they need -- job-search assistance, labor-market information, and training--to take control of their careers and make the passage from old jobs to new, from old types of work to new. Workers will play a significant role in choosing which services, training, and education they need and want, based on the quality of programs, the local economy, and their own career goals. It will provide new sources of economic security in an economy constantly being remade, and powerful new tools for American firms, which are meeting the challenge of a global economy head-on.

Components

The Workforce Security Act of 1994 will begin to create a re-employment system for American workers by:

- ❖ Modifying unemployment insurance so that the new system delivers:
 - ♦ **Early outreach and information** to affected workers, linked to **rapid response** (prompt services delivered to large-scale dislocations), and **worker profiling** (early identification of those particularly at-risk of long-term unemployment), to get people back to work as quickly as possible through immediate job search assistance and through referral to appropriate long-term assistance;
 - ♦ **Re-employment bonuses**, which have been shown to encourage workers to find good new jobs faster;

- ♦ The opportunity for unemployed workers to **start a business** while drawing their UI benefits -- an innovation that pays off in two states already (included in the enabling legislation for NAFTA);
- ♦ **Partial or short-time UI benefits** -- now offered in 17 states -- to employees whose hours are reduced, to encourage employers to shorten hours for all rather than lay-off workers during temporary downturns;
- ❖ Providing **long-term training assistance** for permanently laid-off workers who determine that additional skills are the best path to their next job and a new career.
- ❖ Establishing a national **labor market information system** to help workers make informed decisions about jobs, careers, education and training and to help employers make quicker and less costly connections with prospective employees. Voluntary national skill standards, which are proposed in separate legislation, are a key part of this information system. Customers choosing training organizations will know exactly which skills they need for particular occupations, where they can acquire them, and the performance of competing organizations.
- ❖ Putting in place a **single comprehensive system of job services** for permanently laid-off workers -- regardless of the cause of their job loss -- through **Career Centers** that provide permanently laid-off workers with job assistance services, eligibility information, and access to training in one location and, in some locations, services to employers to identify local training needs, increase jobs, and save jobs.
- ❖ Providing seed money for those States that elect to establish a network of **One-Stop Career Centers** that serve everyone, not just those who permanently lose their jobs.

Building New Relationships

In order for the Workforce Security Act to be successful, the new employment and training system will have to build strong relationships with the business and labor communities. Nationally, business and labor will cooperate to develop skills standards to help guide training. At the state level, government, business and labor will work together to develop statewide strategies for job training and for dealing with structural changes. At the local level, employers, unions, and other community leaders will jointly identify expanding job opportunities and work to create a skilled workforce that meets the requirements of local economies.

FIVE REASONS WHY THE NEW SYSTEM WILL WORK BETTER FOR AMERICAN WORKERS AND EMPLOYERS

ONE: *The new system transforms the unemployment system into a re-employment system to better meet the economic needs of workers who are on permanent lay-off.*

The Unemployment Insurance (UI) system will be augmented to focus on re-employment. It will promptly identify dislocated workers who already have the skills they need for new jobs, and get them re-employed as quickly as possible, through job search assistance and through an array of more flexible UI benefit options. For those who need new skills, prompt referral to appropriate services will integrate regular UI benefits with re-employment efforts.

TWO: *The new system creates one comprehensive program for dislocated workers in place of the current patchwork of categorical programs for groups of workers who have lost their jobs for specific reasons.*

Separate programs to assist workers who lose jobs due to defense downsizing, clean air legislation, imports, timber restrictions and general economic restructuring are combined into one comprehensive program that will cover any American worker permanently laid-off regardless of cause. For workers, consolidation ends frustrating delays in receiving needed job assistance services and training caused by lengthy processes to determine which narrow program the worker is eligible to enter. Consolidation eliminates program duplication, increases administrative efficiency, reduces customer confusion, eliminates inequities, and saves money.

THREE: *The new system is designed to support long-term training for permanently laid-off workers who want and need it.*

As a result of inadequate funding and pressures to deliver quantity, not quality, in retraining services, categorical training programs for dislocated workers generally emphasize short-term skill training. Recent studies show that such training does little to boost workers' earnings. On the other hand, research indicates that longer-term training pays handsome rewards. The new system, once fully in place, will provide the funding levels, counseling, and extended income support to make longer-term training a real option for workers who want and need it. Most dislocated workers who are in need of long-term training will have access to income support payments beyond their regular UI benefits. Helping workers pursue long-term skill enhancement will greatly expand the pool of skilled workers available to

growing industries, and will help insure that we become a high-wage, high-skill nation.

FOUR: *The new system offers streamlined one-stop shopping pulling together the fragmented employment and training system, where finding the right program frequently means navigating a confusing bureaucratic maze.*

Currently, applying for unemployment insurance, using the Employment Service's job listings, finding out which training program you may qualify for, signing up for that program, and receiving job search services and counseling assistance may require separate visits to many different agencies -- with separate forms to be completed at each of them. Instead of this confusion and red tape, local Career Centers will enable dislocated workers to obtain all information and services in one place. In addition, in FY 1994, four to six States may voluntarily begin using Federal seed grants in selected localities to create universal One-Stop Career Centers -- providing these streamlined services to all Americans.

FIVE: *The new system puts customers first, by letting workers decide where to get their services.*

Too frequently in the current system, training and other employment services are pre-arranged, allowing workers to enroll in only those education or skill programs that have been selected for them. Other options the worker might prefer to pursue are precluded. With the aid of career counselors and reliable information on the graduation and placement rates of area training institutions, the new system will enable workers to play the central role in shaping their own career future by making informed choices.

The following sections discuss the key features of the proposed legislation in more detail.

FROM AN UNEMPLOYMENT TO A RE- EMPLOYMENT SYSTEM

The Unemployment Insurance (UI) reform component of the Workforce Security Act will begin to create a system which is responsive to the real needs of the unemployed worker. The new system will identify workers likely to face long-term unemployment and will provide the flexibility to offer workers more choices in using their benefits to meet their needs.

EARLY IDENTIFICATION

Research indicates that workers at risk of long-term unemployment are re-employed more quickly if they are identified early and given the right support for finding new jobs.

Early Worker Profiling

As included in the latest Emergency Unemployment Compensation legislation (passed in November 1993), workers receiving unemployment benefits will be identified when first filing for UI benefits to determine whether they are likely to be unemployed beyond their regular UI benefit period. Workers who are at risk of long-term unemployment will be referred quickly to re-employment services and will

be required to participate in appropriate reemployment services in order to remain eligible for UI benefits, making an early return to productive work more likely.

Profiling is only one way to identify dislocated workers. In addition, rapid response teams will assist workers facing plant closings or mass lay-offs, so that they can begin to receive services and support as soon as possible.

UNEMPLOYMENT INSURANCE FLEXIBILITY

Workers will also have more choices in using their re-employment benefits to meet their needs most effectively. UI flexibility provisions will allow States to modify the payment of UI benefits in a manner that enables claimants to improve their employment prospects: workers who start their own business and take part in entrepreneurial training can become eligible for benefits (this provision has been incorporated in NAFTA authorizing legislation); workers whose employer avoids lay-offs by reducing hours can receive short-time benefits; and bonus payments can be an incentive for workers to find early re-employment in new jobs. These re-employment alternatives, which increase the flexibility of the delivery of UI benefits, have been proven effective in a series of State experiments.

HIGH-QUALITY LABOR MARKET INFORMATION

The National Labor Market Information System envisioned under the Workforce Security Act builds upon and strengthens existing capabilities at the Federal, State and local levels. The Department will assist in data collection and analysis of labor statistics and occupational information, and identify technology that works for organizing, disseminating, and presenting this information.

The National Labor Market Information System envisioned under the Workforce Security Act will build upon and strengthens existing capabilities at the Federal, State and local levels. The Department will assist in data collection and analysis of labor statistics and occupational information, and identify technology that works for organizing, disseminating, and presenting this information.

Working cooperatively with other Federal agencies and State and local partners, the Department will define the major elements of the system and the general requirements for customer access, choice, and well-informed decisions. State and local labor market areas will have maximum flexibility to tailor these products and services to meet their customers' requirements most effectively -- whether they be workers, new job seekers, or employers. Federal and State activities will include developing labor market information publications, publishing the contents of public access data bases, and determining

specifications and standards for automated systems and applications, such as multi-media kiosks, to ensure consistency and compatibility within and across State boundaries.

Once operational, the system will provide ready access to timely data to facilitate employer services as well as job placement, training choices, and career skills enhancement including:

- ❖ detailed labor market information on the area economy;
- ❖ local, State, regional, national and international labor market and occupational information, including available job opportunities;
- ❖ growth projections by occupation in the local labor market;
- ❖ eligibility requirements for job training programs and employment services available locally;
- ❖ consumer reports on local education and training providers and the outcomes of their program offerings;
- ❖ results of customer satisfaction surveys on the training providers and the Career Centers and One-Stop Career Centers;
- ❖ profiles of employers, including a range of information concerning the nature of the work and skill requirements in the industry;

The Workforce Security Act of 1994

- ❖ automated screening systems to determine a person's eligibility for different government programs; and
- ❖ automated job banks.

The Department expects to provide a combination of grants, contracts, and interagency agreements to the broad range of public and private entities participating under this Act to assist in developing this system. The Department may also specify, in consultation with States, technical standards so the system can be smoothly replicated. The Department will use funds available under this legislation and other employment and training legislation to build this system, and will also identify other Federal fund sources (e.g., Departments of Education and Defense) which currently support -- or may augment -- the system. New investments will build on existing Bureau of Labor Statistics programs operated by the State Employment Security Agencies as well as the products and systems of the National Occupational Information Coordinating Committee (NOICC) and the State Occupational Information Coordinating Committees (SOICC).

The Department will consult with other public agencies and the private sector as appropriate, to coordinate these activities with other relevant institutes, centers, clearinghouses, and dissemination networks with a capability and interest in providing quality labor market information to job seekers and employers.

DISLOCATED WORKERS

American workers are confronted with a confusing patchwork of job-training, retraining, and benefit programs which do not efficiently address their workforce security and career requirements. Dislocated workers (those permanently laid-off), for example, are currently served through three programs administered by the Department of Labor: Unemployment Insurance (UI); Trade Adjustment Assistance (TAA) for workers affected by imports; and, Economic Dislocation and Worker Adjustment Assistance Act (EDWAA). The EDWAA national reserve system also administers some programs for workers affected by specific forces — Defense Conversion Adjustment (DCA); Clean Air Employment Transition Assistance (CAETA); and the Defense Diversification Program (DDP).

Workers can also receive placement and training services administered by the Department of Defense, the Department of Labor's Veterans' Employment and Training Service, the Department of Veterans Affairs, and the Department of Education. Each of these specified programs has varying eligibility requirements, and different sets of services and benefits.

INTEGRATED ELIGIBILITY STANDARDS

The Workforce Security Act begins to address this fragmented and inefficient system and implement more uniform eligibility criteria for receiving services funded by the Department of Labor. The proposed legislation will establish Career Centers (or One-Stop Career Centers in States which select that option) as the common entry points to help all eligible dislocated workers become re-employed quickly. It will establish a single standard of eligibility for DOL dislocated worker programs, covering all permanently laid-off workers without regard to cause of dislocation. All workers currently eligible under existing programs will be covered.

Early intervention and outreach will be linchpins of the re-employment approach. On-site rapid response for dislocated workers will be provided by the State within five days of receiving a WARN notice (a notice by an employer that a significant lay-off is imminent) or when a State learns of a major layoff or plant closing. Worker "profiling," discussed under UI reforms, will identify UI applicants at special risk of long-term unemployment and refer them to the Career Centers for services. These services will assist these profiled workers to get new jobs more quickly.

SERVICES PROVIDED TO DISLOCATED WORKERS

Basic Services

The Career Centers or the One-Stop Career Centers will assist workers in filing initial UI claims. In addition, all individuals, including dislocated workers, must have access to a basic set of services:

- ❖ Customer-oriented information on careers, labor markets, jobs, and the availability and quality of education and training programs;
- ❖ Eligibility review for all DOL-funded employment and training programs except UI, identification of other public employment and training programs for which a person might be eligible, determination of dislocated worker eligibility, and referral as appropriate;
- ❖ Testing and assessment to identify general areas of skills, interests and aptitudes, as well as interpretative assistance to correlate interest/aptitude results with the requirements of specific occupations;
- ❖ Review of information on available employment opportunities and hiring requirements;
- ❖ Staff assistance when needed in matching background and experience to requirements of specific employment opportunities, as well as contacting employers and making referrals to specific employment openings;

- ❖ Individual or group assistance (e.g., workshop) in job search skills (resume preparation, telephone contacts, use of labor market information, interviewing).

Intensive Services

Dislocated workers will have access to the following more intensive services:

- ❖ Individualized assistance in developing job search skills, as well as job development and placement assistance, culminating in preparation of a reemployment plan leading to a job.
- ❖ Diagnostic testing to identify each worker's specific skill levels/proficiencies together with in-depth interviewing to develop appropriate employment goals and identify employment barriers for such workers;
- ❖ Individualized counseling and career planning (individualized staff assistance in reviewing and interpreting interest/aptitude test results, identifying occupations providing good career opportunities, and identifying short- and long-term employment targets);
- ❖ Assistance to individuals in the evaluation and selection of an appropriate provider of needed education, training and support services, including case management and follow-up for individuals receiving these services;

Educational and Training Services

Education and training services will be available to workers who need new or higher-level skills to meet current and future workplace skill requirements. Education and training services will be provided primarily on an individual referral basis through payments to the service provider selected by the worker. Workers will be able to choose training and service providers which are able to meet their individual needs most effectively. To help them make better decisions, these workers will have information about the quality of services and the local economy, as well as an understanding of their career objectives.

Where a group of workers is identified as having similar needs and re-employment interests regarding available employment opportunities, a customized training program for these workers may be funded.

The education and training services provided must include:

- ❖ Basic skills training, including remedial education and literacy training, possibly through linkages with locally available programs;
- ❖ Occupational skills training (classroom and on-the-job), which can include training to replace or update obsolete skills without which employment in emerging or high-skilled occupations would be unlikely;
- ❖ Entrepreneurial training, including entrepreneurial/self-employment assistance to provide training and support to help individuals

establish a business plan, and achieve linkages with sources of financing and technical assistance; and

- ❖ Other appropriate, skills-based training (e.g., skills required for high performance workplace environments such as problem-solving and teamwork, and skills related to the use of new technologies).

Other Services

Dislocated workers for whom the basic and intensive services described above are not sufficient may receive other services. These include:

- ❖ Relocation assistance, out-of-area job search assistance, and such supportive services as are necessary for a worker to participate in training, such as child care and transportation assistance.
- ❖ Governors will be permitted to use a small amount of State reserve funds for skills upgrading for currently employed workers at serious risk of lay-off.

Income Support

Income support beyond regular UI benefits will be available for most dislocated workers to enable them to participate in long-term training. The duration of income support payments will be based on the length of training needed, and on the job tenure the individual had in the last job.

Access to Student Financial Aid

Student loans -- and other forms of student aid such as Pell grants -- are available to eligible dislocated workers. Student loans with repayment contingent upon worker income will be available to those workers who do not qualify for UI, are not eligible for Pell Grants and other resources, or require support for a longer period of time.

THE TRANSITION PERIOD

This program will be phased in over the next several years. This will provide an adequate opportunity to build the capacity of the system to deliver high-quality services.

DELIVERING SERVICES THROUGH CAREER CENTERS

By July 1995, these services will be delivered to dislocated workers through local Career Centers or One-Stop Career Centers. The Career Centers may be operated by any entity, including any existing provider of employment and training services, other public and private organizations, and consortia of such entities. The Career Center will be an "honest broker" of education and training services, and will be held accountable for outcomes in order to continue as a program operator.

GOVERNANCE

Under this Act, the governance and administrative structures established under the Economic Dislocation and Worker Adjustment Assistance (EDWAA) Act will continue -- with one change. The local administering entities will have to establish an objective competitive process for selecting Career Center operators. If an administrative entity desires to compete itself for the opportunity to operate a Career Center, another entity must have responsibility for competition and oversight.

PERFORMANCE STANDARDS

Specific measures and standards (such as entered employment rate, average weekly earnings several months after program completion, and other longer-term measures) will be used to evaluate services offered by providers. Career Centers may also be measured on other factors such as ease of customer access to programs and information, quality of services, duration of unemployment, and customer satisfaction.

Customers will have access to performance data on Centers and other local providers of employment and training services in order to make informed decisions about their employment future. The Secretary may also conduct formal studies to evaluate the demonstrated effectiveness of the program delivery system.

ONE-STOP CAREER CENTERS: BUILDING A SYSTEM FOR ALL

Job and career services will continue to be available through existing employment and training programs for those individuals who do not qualify as "dislocated workers."

Many States and localities have taken the lead to offer high-quality services through a "one-stop"-type process but have encountered difficulties with existing laws, regulations and administrative procedures. Waivers will be available to States to help them build a comprehensive system. The Department will also support an improved and expanded labor market information system to enhance the services of the One-Stop Career Center network. The broad array of services that must be available for eligible dislocated workers will also be accessible through the One-Stop Career Center system.

Workers, students, unemployed persons, employers, and others will have access to *basic services* at One-Stop Career Centers at no charge in States which have successfully competed for one-stop implementation grants (about 6 States in 1994). Other States may implement One-Stop type services with waivers and their own resources. The Department will conduct several waves of competition for these implementation grants throughout the decade. By the end of the century, every State will have the opportunity to

implement the One-Stop Career Center system if it chooses.

As a State provides universal access to One-Stop Career Centers, the Department expects that more organizations and service providers will be brought into the system, and more choices will be made available to job seekers, workers and employers.

THE GRANT PROCESS

States will be eligible to apply for competitive grants to help in planning and implementing a flexible, comprehensive network of One-Stop Career Centers. To qualify for a grant, States must commit to the basic features of: universal eligibility for all persons and employers; a standard set of core services like those offered at Career Centers for dislocated workers; except in rural and sparsely populated areas, a system which offers customers a choice of One-Stop Career Centers and rewards centers reflecting customer selection; a State and local governance structure that integrates a broad range of employment and training programs; and clear performance measures.

The grant process will afford broad flexibility to states and localities in how to best implement these features and will reward them on the basis of their comprehensive integration of services as well as the effectiveness of service delivery design. It is designed to leave as much room as possible for State and local diversity and experimentation, while maintaining accountability and a nationwide standard of quality.

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Under existing Federal and State law, a number of States and local areas have already developed innovative systems for the delivery of employment and training services. It is the Department's intention to build on and encourage these efforts through the issuance of a combination of planning and development grants, implementation grants, and waivers. These One-Stop Career Center grants will only be available to States that have developed their proposals in conjunction with local entities. Localities may receive One-Stop Career Center grants and waivers only as part of the State application.

WAIVER REQUESTS

Any State may request a Departmental waiver of statutory, regulatory, or administrative provisions that block its progress in achieving the goals of the One-Stop Career Centers. Such waivers may be granted whether or not a State has received Federal grant funds in support of the One-Stop approach. Statutory or regulatory waivers, however, will not be granted where waivers would compromise the basic purposes or goals of affected programs, eligibility requirements, or funding streams. The Department will work cooperatively with State and local officials as well as with other Federal agencies in identifying appropriate areas for waivers.

PROVIDING SERVICES THROUGH ONE-STOP CAREER CENTERS

States, in conjunction with local entities, may choose to move towards the One-Stop Career Center model. Within basic parameters, States, in conjunction with local entities, will have the flexibility to develop the governance structures, accountability, and fund flow in detail in the process of applying for development and implementation grants, as well as to determine ongoing State-local operating relationships. One-Stop Career Centers will provide the same basic services as the Career Centers, except that access to these basic services will be universal.

GOVERNANCE

Governance of the voluntary One-Stop Career Center effort is intended to support development of a unified and streamlined structure for all programs, ensuring service coordination and effective planning, policy development, and oversight. Rather than creating a new layer of bureaucracy, this governance system can lead to a much more efficient, flexible environment for both those delivering and receiving services. Policy guidance for improving the existing system and broadening the scope of the overall workforce development system must be articulated at all levels of government:

- ❖ The President, via an Executive Order, will establish a *Federal Interagency Cabinet Committee* to facilitate the coordination of workforce development programs at the federal level.
- ❖ A *State Human Resource Investment Council*, as currently authorized in JTPA law, will oversee a comprehensive statewide workforce development strategy.
- ❖ A *Workforce Investment Board* will oversee the local system. It will be appointed by the local elected officials, drawing upon community leaders from business, labor, education, and other organizations. This Board will act as a "board of directors" for the local workforce investment system, providing strategic planning, budget approval, and oversight to ensure that customers receive the quality and range of services they need to become re-employed or develop their career. The Board will also leverage other public and private resources to strengthen and expand the local system. At a minimum, it will replace all other governing boards for DOL-funded employment and training programs in the community. However, communities will be encouraged to allow the Private Industry Council, if appropriate, to evolve into the new Board.

PERFORMANCE MEASURES

The Workforce Security Act underscores customer choice as a basic service delivery principle. One-Stop Centers will be evaluated at the end of each performance year through the use of customer surveys and other measures of tangible results. The Centers will be encouraged to see both individuals and employers as their customers, and to build services that satisfy both groups. Continued operation of the Centers will be based on successful performance against established customer-oriented measures. These measures will be established by the Secretary with Federal, State and local input. The performance standards to meet these outcomes may be tailored to meet State and local needs. The *Customer Service Compact*, which establishes an ongoing discussion and pledge among the partners to deliver quality customer services, will provide a framework for defining and committing the resources needed to meet and exceed the standards.

Specific measures and standards (such as entered employment rate and average earnings several months after program completion) will be gauged for the existing services offered by providers. Centers may be measured on other factors such as the extent to which they share available job openings, ease of customer access to programs and information, quality of Center services, customer satisfaction, and the scope of and effectiveness of networked services. Customers will have access to performance data on Centers and other local providers of employment and training services in order to make informed decisions.

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APPENDIX 1

CORE COMPONENTS OF THE WORKFORCE SECURITY ACT

The proposed legislation contains a number of core components for dislocated workers:

- ❖ **Participant Eligibility.** The program will establish a single standard of eligibility to encompass all permanently laid-off workers without regard to cause of dislocation.
- ❖ **Outreach.** The program will make significant investments in participant outreach so that a higher percentage of workers will receive services, and to focus services on reducing the period of unemployment and facilitating each worker's early return to appropriate employment.
- ❖ **Individualized Services.** Services will be tailored to the needs of the individual worker and to the requirements for obtaining an appropriate job in the local labor market or other labor market to which the individual is willing to relocate.
- ❖ **Comprehensive re-employment services.** The programs will make initial re-employment services available to all eligible workers. More intensive assistance will be provided to such workers who are unable to secure appropriate jobs through those initial re-employment services.
- ❖ **Quality training.** The program will expand and improve the quality of education and training options which are available to individual workers by requiring education and training organizations to provide performance-based information. This will allow individual workers, with the assistance of career counselors, to identify the most effective reemployment strategy from an array of competing programs and organizations and make an informed choice.
- ❖ **Retraining income support.** Income support benefits will be available through the program to experienced workers with a demonstrated attachment to the workforce while they are enrolled in training. This support will make it possible for such workers to complete longer-term training. The duration of income support payments will be based on the length of training and the job tenure of the individual with the lay-off employer. The support will be available for each week workers are making satisfactory progress in training other than on-the-job training.

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- ❖ **Program integration.** The program will be organized and operated through a system of Career Centers that will provide comprehensive services to dislocated workers.
- ❖ **Performance accountability and outcomes.** The program will operate under a governance structure with strong accountability to workers, employers, and the local community for quality service and outcomes. The program will have a mechanism to obtain regular feedback from employers and workers who receive services from the program and for using this feedback to make decisions regarding the allocation of resources and operation of Career Centers.

APPENDIX 2

QUESTIONS AND ANSWERS REGARDING "FROM UNEMPLOYMENT TO RE-EMPLOYMENT"

A. WHY IS A RE-EMPLOYMENT SYSTEM NEEDED AND WHAT IS IT?

Our unemployment insurance system was designed to tide people over when temporarily laid-off until they got their old or a similar job back. Increasingly today, people have to look for new jobs rather than return to their old jobs such that spells of unemployment last longer -- much longer than 20 years ago. What we need is a system for helping Americans get new jobs quickly and efficiently -- a re-employment system.

Today, job change is endemic and our unemployment system needs to change to meet the demands of a dynamic workforce. Key elements of this new system will include early profiling of unemployed workers coupled with re-employment services, comprehensive worker training programs, and income support for dislocated workers in training.

B. HOW CAN THE REGULAR UNEMPLOYMENT INSURANCE SYSTEM BECOME A RE-EMPLOYMENT SYSTEM?

❖ What is worker profiling and why is it important?

Profiling is an outreach mechanism for early identification and referral of those claimants who are likely to exhaust their UI benefits and who may need assistance to make a successful transition to new employment. Profiling would be used in conjunction with re-employment services provided by the Career or One-Stop Career Centers outlined in the Workforce Security Act legislation. The combination of profiling plus early job search assistance is effective in assisting dislocated workers to make the transition to new jobs. For workers who need longer term services, profiling will ensure that they become involved in such services early in their spell of unemployment, thereby ensuring their return to productive employment as early as possible.

The most recent Emergency Unemployment Compensation (EUC) legislation (P.L. 103-152), the fifth iteration of the EUC program, includes a profiling provision that would expand opportunities for dislocated workers by linking worker profiling to the provision of early re-employment services -- particularly job search assistance.

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- ♦ *What kinds of services would profiled workers be eligible for?*

State worker profiling systems will determine which unemployed workers would likely need re-employment services. Specific services will be provided by States and localities through either their current system or through the Career Center system.

- ♦ *What evidence do we have that profiling works?*

The New Jersey UI Re-employment Demonstration project and several other State pilot projects, such as those in Washington, Minnesota, Nevada, and South Carolina, indicate that profiling and early job search assistance resulted in more rapid reemployment and increased earnings for UI customers identified as dislocated workers in the short-run, and also increased their employment stability over the long-run. These studies showed that the benefits of this approach for participants greatly exceed the costs.

- ♦ *When will Worker Profiling begin to take effect?*

Profiling will begin implementation early this year.

The DOL has \$9 million in FY 94 appropriations for development and support of the profiling initiative. DOL will be working with three States to fund and

implement prototype systems in FY 1994. The worker profiling system will then fund a "first wave" of 17 to 25 States later in FY 1994. A second wave will be funded in FY 1995.

- ❖ **What are the UI flexibility provisions?**

The Department is advocating several UI flexibility provisions, allowing States to adopt certain options to assist some dislocated workers. These options would help workers keep their current jobs or make a quicker transition to a new job, and have proven successful on an experimental basis, or after careful evaluation. The provisions are self-employment allowances (included in the enabling legislation for NAFTA), short-time compensation, and re-employment bonuses. While these provisions are important innovations, they would apply only to a small number of UI recipients, determined by guidelines developed by States, reflecting DOL guidance.

- ❖ **What is Self-Employment Assistance?**

This proposal, enacted as part of the NAFTA enabling legislation, permits States to continue regular UI benefits to dislocated workers who are beginning to launch their own businesses. Currently, workers who are working full-time at starting a new business are not eligible for UI. A State which took this option would be required to offer a menu of business training and counseling to aspiring entrepreneurs. This option is expected to apply to 2 - 4 percent of the claimant

population. There is a statutory limit of 5% of claimants participating. The Department encourages States to adopt this option by enacting their own conforming legislation.

- ♦ *Is there any evidence that Self-Employment Assistance gets people back to work any sooner than on average or help to create successful new businesses?*

According to results from the First Impact Analysis for the Washington Self-Employment Demonstration Project, self-employment assistance promoted rapid re-employment of participants. The approach reduced participants' initial duration of unemployment by six weeks and increased their total employment by two months over a one-year follow-up period. Self-employment assistance also had an impact on job creation for participants, doubling the number of business starts by participants (as compared to a control group), and a small effect on job creation for non-participants. More than three of every five businesses -- 63 percent -- started by project participants were still operating one year later.

The Massachusetts Self-Employment Demonstration Project provided selected claimants with biweekly payments, equal to their regular UI benefits, to supplement their earnings while they were planning and establishing their businesses. A final report on this demonstration is due in 1994.

- ♦ *What will be the form of the Self-Employment Allowances?*

These allowances will be in the form of continued UI payments, rather than lump-sum payments.

- ♦ *Who will qualify for Self-Employment Allowances?*

To qualify, workers will have to be profiled and referred to reemployment service providers. Other qualifications will be determined by States following federal guidelines.

❖ **What Is Short-Time Compensation?**

This proposal would clarify current provisions of law that permit States to pay partial benefits to individuals who are working reduced hours; it only applies to individuals covered by employer plans to share work reductions across a larger portion of an employer's entire workforce rather than laying off a smaller number of workers. Currently 17 States have short-time compensation programs in place and participation in these programs accounts for about 1 percent of the claimant population. Short-time compensation may be used by employers who are attempting to avoid total workforce lay-off. In addition, it may be used to defer permanent dislocations to allow workers an opportunity to enhance their job skills and their re-employment prospects. Short-Time Compensation will be offered as an option by Rapid Response teams in cases where it appears

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that lay-off might be avoided or their impact could be ameliorated.

- ♦ *What evidence do we have that Short-Time Compensation can reduce lay-offs?*

In Western Europe and Canada, short-time compensation ("work sharing") has played a significant role in easing lay-offs and promoting job retention. Based on a 1992 evaluation of the Canadian program, work sharing clearly achieves its major objective--avoiding lay-offs. The Canadian Work Sharing Program completely avoided the equivalent of 43,000 full-time lay-offs. In other cases, work sharing allows firms to spread out the impact of dislocation--enabling employees to leave when they are able to get other jobs or to retire. Based on the Canadian evaluation, the benefits of work sharing to society exceeded its costs by a ratio of 2.6 to 1.

❖ **What are Re-Employment Bonuses?**

Re-employment bonuses would permit States to offer bonuses to UI recipients who find new jobs quickly. This option would be limited to individuals identified by the States as likely to benefit from this offer and would require the development of a "Re-employment Plan" for the individual based on an assessment of the claimant's labor market prospects. This option is expected to apply to three percent to five percent of the claimant population.

- ♦ *Who is eligible for re-employment bonuses?*

To qualify, workers will have to be profiled and referred to re-employment service providers. Other qualifications will be determined by States following federal guidelines.

- ♦ *What evidence do we have that re-employment bonuses get people back to work faster? Is it cost-effective?*

Based on the results of demonstration projects in New Jersey, Pennsylvania, Washington, and Illinois, the offer of a monetary incentive for early re-employment shortened identified workers' unemployment spells and accelerated their return to work, as compared to control group members. The offer of a bonus for early return to work had no adverse impact on their subsequent labor market experiences: participating workers became re-employed in similar jobs at comparable wages, compared to control group members. The results of the four demonstrations show that the re-employment bonus offers tested provided net benefits to both workers and society as a whole.

C. WHAT IS THE RELATIONSHIP BETWEEN UI AND INCOME SUPPORT?

Some States already permit individuals to receive additional weeks of benefits while they are in training. Reflecting the finding that long-term training is an important option for some of the unemployed, the Administration is proposing to build upon this approach for those who are permanently laid-off and need longer income support in order to complete training. The Administration is proposing a program of income support for eligible workers in long-term training, with these benefits becoming available after the exhaustion of regular UI. Such an approach allows dislocated workers to learn new skills, thereby improving their re-employment prospects and productivity. The training income support would be available for permanently laid-off workers with a demonstrated attachment to the workforce for each week they are making satisfactory progress in long-term training (other than on-the-job training).

❖ **Who is eligible for Training Income Support?**

To be eligible to receive training income support, individuals must be eligible to receive State UI benefits; meet a tenure requirement for time in the last job; have begun receiving basic re-employment services by the 8th week of the initial UI benefits period following a permanent separation (or by the 6th week after becoming aware that a temporary lay-off will be permanent); and are enrolled in education and training services by the 16th week (or by the 14th week after becoming aware that a temporary lay-off will be permanent).

❖ **How long could someone collect benefits?**

The duration of payments will be based on the length of training and the job tenure of the individual. Retraining support will continue as long as is necessary to complete a training or education program under the worker's Re-employment Plan, with a maximum of 18 months (including regular UI benefits) for workers meeting all tenure requirements.

❖ **Could someone collect UI and training income support at the same time?**

No. Training income support payments will begin when an eligible worker has exhausted his or her regular UI or extended benefits. The total training income support period includes the time a worker receives extended benefits.

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❖ How much will the benefit be?

The payment level will equal the individual's UI benefit, adjusted for earnings from part-time employment consistent with State UI policies. This will allow some individuals to work part-time while in training.

❖ Who would manage the system?

States would act as agents of the Federal Government for the payment of the training income support. Since the causes of long-term unemployment are a national problem often beyond the control of States, however, the benefits would be fully Federally-financed.

APPENDIX 3

QUESTIONS AND ANSWERS: DISLOCATED WORKERS

A. WHO IS AN ELIGIBLE DISLOCATED WORKER?

The proposed program establishes a single standard of eligibility for services that encompasses all groups of permanently laid-off workers without a "test" based on cause of dislocation or type of job (e.g., full-time, part-time, seasonal) from which they were separated.

- ❖ Covers all workers currently eligible under existing programs, including workers who have received a notice of permanent lay-off and are unlikely to return to their previous job or industry, and those who are long-term unemployed.
- ❖ Includes unemployed individuals who were previously self-employed and are unemployed due to economic conditions in the local area.
- ❖ Retains the option of the Governor to provide services to displaced homemakers as long as dislocated workers are not adversely affected.

B. HOW WILL THE NEW PROGRAM PROVIDE EARLY OUTREACH TO WORKERS?

The legislation will make significant investments in participant outreach so that a higher percentage of workers will receive services, and will focus services on reducing the period of unemployment and facilitating each worker's early return to appropriate employment. In order to encourage early enrollment for re-employment services offered through Career Centers, early intervention and outreach will be strongly emphasized for eligible dislocated workers:

- ❖ Profiling of workers is required by the recent extension of unemployment compensation. Worker profiling entails the identification and referral to job-search and re-employment services of UI applicants who share characteristics common to workers at risk of extended periods of unemployment. [For further explanation of profiling, see the UI Profiling section.]
- ❖ As part of the State Dislocated Worker Unit responsibilities, Governors will disseminate information to employers throughout the State on the Worker Adjustment and Retraining Notification (WARN) Act to assure that they are aware of the WARN notification requirements and the availability of dislocated worker programs and services for employers and workers.

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- ❖ Governors will be required to provide on-site rapid response services within 5 working days of receiving a WARN notice, or other information that identifies a permanent lay-off or plant closure of 50 workers or more. Governors will have the authority to identify circumstances for providing rapid response assistance in lay-off situations with fewer than 50 workers.

On-site rapid response could include assisting employers in utilizing the Short-Time Compensation Program contained in State unemployment insurance law, as a means to avoid/delay permanent lay-offs and allow for enhanced job training.

C. WHAT SERVICES ARE AVAILABLE FOR DISLOCATED WORKERS?

Early intervention and outreach will be the essence of the re-employment approach. On-site rapid response for dislocated workers will be provided by the State within five days of receiving a WARN notice. Under UI reforms worker "profiling" will identify UI claimants who are likely to experience long-term unemployment and refer them to re-employment services; these services will be tailored to assist the profiled workers to get new jobs quickly. Specifically, re-employment services such as comprehensive job search assistance will be made available in accordance with the worker profiling provisions of Public Law 103-152 (Unemployment Compensation Amendments of 1993).

❖ Basic Services

The Career Centers or the One-Stop Career Centers will have the capacity to assist workers in filing initial UI claims. In addition, all individuals, including dislocated workers must have access to a basic set of services:

- ♦ Customer-oriented information on careers, labor markets, jobs, and the availability and quality of education and training programs;
- ♦ Eligibility review for all DOL-funded employment and training programs except UI, determination of dislocated worker eligibility, and referral as appropriate;
- ♦ Testing and assessment to identify general areas of skills, interests and aptitudes, as well as interpretative assistance to correlate interest/aptitude results with the requirements of specific occupations;
- ♦ Review of information on available employment opportunities and hiring requirements;
- ♦ Staff assistance when needed in matching background and experience to requirements of specific employment opportunities, as well as contacting employers and making referrals to specific employment openings;
- ♦ Individual or group assistance (e.g., workshop) in job search skills (resume preparation, telephone contacts, use of labor market information, interviewing).

❖ Intensive Services

Dislocated workers will have access to the following more intensive services:

- ♦ Individualized assistance in developing job search skills, as well as job development and placement assistance, culminating in preparation of a reemployment plan leading to a job.
- ♦ Diagnostic testing to identify each worker's specific skill levels/proficiencies together with in-depth interviewing to develop appropriate employment goals and identify employment barriers for such workers;
- ♦ Individualized counseling and career planning (individualized staff assistance in reviewing and interpreting interest/aptitude test results, identifying occupations providing good career opportunities, and identifying short- and long-term employment targets);
- ♦ Assistance to individuals in the evaluation and selection of an appropriate provider of needed education, training and support services, including case management and follow-up for individuals receiving these services;

❖ Educational and Training Services

Education and training services will be available to workers who need new or higher-level skills to meet the current and future workplace skill requirements. Education and training services

will be provided primarily on an individual referral basis through payments to the service provider selected by the worker. Workers will be able to select the provider from a broad listing of participating, qualified service providers. Workers will be able to choose training and service providers which are able to meet their individual needs most effectively. To help them make better decisions, these workers will have information about the quality of services and the local economy, as well as an understanding of their career objectives.

Where a group of workers is identified that have similar needs and re-employment interests regarding available employment opportunities, a customized training program for these workers may be funded.

The education and training services provided must include:

- ♦ Basic skills training, including remedial education and literacy training, and English as a second language, through linkages when possible with locally available programs;
- ♦ Occupational skills training (classroom and on-the-job), which can include training to replace or update obsolete skills without which employment in emerging or high-skilled occupations would be unlikely.

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- ♦ Entrepreneurial training, including entrepreneurial/self-employment assistance to provide training and support to help individuals establish a business plan, and achieve linkages with sources of financing and technical assistance.
- ♦ Other appropriate, skills-based training (e.g., skills required for high performance workplace environments such as problem-solving and teamwork, and skills related to the use of new technologies).

❖ Other Services

Dislocated workers for whom the basic and intensive services described above are not sufficient may receive other services. These include:

- ♦ Relocation assistance, out-of-area job search assistance, and/or a variety of basic skills and occupational skills training, entrepreneurial training, or other appropriate skills-based training, and such supportive services as are necessary for a worker to participate in training, such as child care and transportation assistance.
- ♦ Governors will be permitted to use a small amount of State reserve funds for skills upgrading for currently employed workers at serious risk of lay-off.

D. WHAT IS SKILLS UPGRADING AND TO WHOM WILL IT BE PROVIDED?

Skills upgrading is the provision of short-term "brush-up" training for workers whose skills are insufficient to remain employed at their current job. These are workers who are currently employed but at-risk of dislocation who need improved skills to retain their current job. Under the current program, workers who have not been dislocated (or received notice of dislocation) are not eligible for services.

The Governor will have the option of using a small portion of the State's reserve account funds for the purpose of providing skills upgrading for these incumbent workers at-risk of lay-off. These funds will be made available as grants to match already established programs which meet certain criteria designed to minimize windfalls to employers.

E. WHAT IS A RE-EMPLOYMENT PLAN?

The Re-employment Plan is an agreement between the customer and the Center that describes the services that the customer needs in order to become re-employed and the schedule for receipt of those services.

In order to receive education and training services, an individual must have and follow a current Re-employment Plan. The services in the Plan must be necessary for the achievement of appropriate employment objectives and to be eligible for income support. The Re-employment Plan must be prepared in a timely manner prior to enrollment in training so

that the individual worker has sufficient time to evaluate and select optional training providers prior to the beginning of training.

F. HOW DO WORKERS RECEIVE SUPPORT WHILE ENROLLED IN RETRAINING?

Retraining income support will be available through regular UI benefits and extended income support payments (as discussed in the UI section) for permanently separated workers with a demonstrated attachment to the workforce. This support will make it possible for such workers to complete longer-term training. Those dislocated workers whose Re-employment Plan identifies long-term training as necessary for achievement of the employment objectives, meet the test of eligibility for income support. The support will be available for each week the worker is making satisfactory progress in long-term training (other than on-the-job training).

❖ **Eligibility.** To be eligible to receive income support, individuals must be: eligible to receive unemployment compensation under the State's unemployment compensation system; met a job tenure requirement; have begun receiving basic re-employment services by the 8th week of the initial UI benefits period following a permanent separation (or by the 6th week after becoming aware that a temporary lay-off will be permanent); and are enrolled in education and training services by the 16th week (or by the 14th week after becoming aware that a temporary lay-off will be permanent).

❖ **Payment Duration.** The duration of income support payments will be based on the length of training and the job tenure of the individual with the lay-off employer. Eligible dislocated workers in training will qualify for extended income support. The period of eligibility for receipt of income support will be the time necessary to complete a training or education program under the worker's Re-employment Plan, with a maximum of 18 months for workers meeting tenure requirements.

❖ **Payment Amount.** The retraining income support payment will be equal to the individual's UI benefit payment, adjusted for earnings from part-time employment consistent with State UI policies. This will allow some individuals to work part-time while in training.

❖ **Other Income Support.** For those workers who do not qualify for UI, or require support for a longer period of time to complete training, other sources of income support will be available, such as Pell grants and student loans with repayment contingent upon worker income.

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G. HOW ARE FUNDS DISTRIBUTED TO STATE AND LOCAL CENTERS?

Seventy percent of the annual appropriation will be distributed by formula among the States.

- ❖ Funds will be allotted among the States using the current EDWAA formula, except that no State will lose more than 10% or gain more than 30% of their proportion of the previous year's allotment (current formula allots 1/3 based on unemployed individuals, 1/3 based on unemployed individuals in excess of 4.5%, and 1/3 based on the number of long term unemployed).
- ❖ Each State must allocate at least 70 percent of its allotment among the substate areas. States must use, and may supplement, federal allotment formula factors in making allocations to substate areas. States may use reserved funds for State administration, outreach and labor market information, and are required to provide services in rapid response to plant closures and large-scale dislocations.
- ❖ Not more than 15 percent of the State allotment and substate formula expenditures may be for administration. No other cost limitations shall apply to use of funds.

Thirty percent of the annual appropriation shall be reserved by the Secretary in a National Reserve Account. The program will include a pool of national discretionary funds for targeted responses to large-scale and multi-state dislocations. Disaster relief assistance will be implemented within national discretionary account authority as well, following the requirements outlined in JTPA Title IV, Section J. These funds will be available to address the problems of specific industries, firms, and communities affected by major structural changes such as NAFTA and other trade agreements, defense downsizing and base closing, and environmental protection. This account also will fund technical assistance and capacity-building; program evaluation; data collection and analysis on dislocated workers, mass lay-offs and plant closing; and demonstrations to examine a number of lay-off prevention and re-employment assistance options.

APPENDIX 4

QUESTIONS AND ANSWERS: ONE-STOP CAREER CENTERS

SUMMARY

States also have the option to use a broader alternative, the One-Stop Career Center system for all people including dislocated workers. Implementation of the One-Stop Career Center system is on a *voluntary*, incremental basis beginning with four to six states in the first year. States, in conjunction with local elected officials, will have broad discretion to design their system to meet the basic criteria required for the competitive grant application for funds. The application must describe how the One-Stop Career Center system will be implemented to give all customers a choice in accessing a set of high quality core services. In addition, the application must describe how the grantee will implement a measurable performance-based system as well as a comprehensive governance structure.

Customers must have a choice in where to access the widest range and best quality of services and training options. This concept of choice means customers must have options when selecting from among service providers, and should be able to freely choose from among those options. Core services will be provided either by operators competing in an open market or

by a consortium of organizations. Customers will be guaranteed a choice of two or more organizations providing services, with the exception of certain rural areas. Funds for center operations will reflect, in part, customer selection. Each operator will have a One-Stop Career Center Charter, which is a Federal "Seal of Approval" reflecting a high level of quality and service.

The Administration's goal is to accelerate the creation of a comprehensive, streamlined system of One-Stop Career Centers that will, at a minimum, provide a standard set of high quality services universally, by investing in the innovations already underway in the States and communities.

A. HOW WILL THE DEPARTMENT IMPLEMENT ONE-STOP CAREER CENTERS?

Under existing Federal and State law, a number of States and local areas have developed innovative systems for delivery of employment and training services. It is the Department's intention to build on, encourage, and provide incentives for these efforts through the issuance of planning and development grants, implementation grants, and waivers. States, in conjunction with localities, must initiate the application process which may include an incremental intra-state implementation plan which would start with those labor market areas best positioned to move forward.

This grant approach intends to leave the conduct of One-Stop Career Center operations as flexible as possible under the direction of State and local partners, while maintaining accountability and a

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nationwide standard of quality. States, working in conjunction with localities, will specify the flow of funds in their grant application. This description will include how customer service will be rewarded. These elements will become part of the grant agreement (as described below), allowing States and local communities to adapt the best systems to fit their needs.

The design recognizes and rewards promising innovations already underway in States and localities and gives these "leading edge" efforts priority in the grant process. There is no one presumptive deliverer of One-Stop Career Center services -- all employment and training programs may be equal partners in the new system.

B. WHAT ARE STATE PLANNING AND DEVELOPMENT GRANTS, AND WHAT IS REQUIRED IN THE APPLICATION?

Planning and Development grants will assist States and localities which are not immediately prepared to implement their One-Stop Career Center system. These grants will be used for planning and developing a blueprint for constructing a comprehensive network of such Centers. The Department will issue a competitive Solicitation for Grant Award (SGA). States will be expected to describe how they plan to move toward the development of a comprehensive Statewide network of One-Stop Career Centers. These grants will assist in the process of planning for the network. The Secretary will award grants to the selected States in such amounts as may be determined necessary.

Each grant application must describe the planning and development activities which are necessary to prepare to implement the One-Stop Career Center system. The application should describe how the basic features of the system -- i.e., universal access to standard services, customer choice, performance-based, comprehensive governance structure -- will be incorporated, as well as summarize the actions necessary to support the State/local design and implementation process. The Department expects to award 15 - 20 Planning and Development grants in the first year of the program.

C. WHAT ARE STATE IMPLEMENTATION GRANTS, AND WHAT IS REQUIRED IN THE APPLICATION?

Implementation grants may be awarded to States on a competitive basis in order to begin operating the network of One-Stop Career Centers. The grants -- which can be awarded whether or not the applying State received a planning grant -- will provide assistance for implementation over a period of three years.

Grant funds will be awarded on a competitive basis with preference given to those States which have demonstrated the ability to implement the administrative and operational requirements of the Act, as well as a good One-Stop Career Center system plan. The Department expects to award implementation grants to 4 - 6 states in the first year of the program, and to have awarded grants to all States by the end of the decade. Grants will only be

awarded to States that have developed proposals in conjunction with local entities.

Comprehensive system plans will be given preference by the Department in the competitive bidding process. The Department's evaluation process will recognize the applicant's demonstrated capacity to provide customers with comprehensive information about all the programs, services, and job vacancies available throughout the system. The evaluation will also reward those applicants which have developed and are implementing a comprehensive workforce development plan, as well as taken action to ensure that local substate areas are configured in the best manner to facilitate planning and operating on labor market basis. The evaluation will also examine the successful linkage of employers, jobs, and educational and training resources within the affected community.

D. ARE THERE RESTRICTIONS ON THE USE OF IMPLEMENTATION GRANT FUNDS?

Grant funds may be used for any purpose to implement the One-Stop Career Center network with the exception of constructing new buildings. Funds to provide for the delivery of a wide range of services encompassed under this approach -- i.e., operating funds -- will remain available under current grant authority provided State and local entities, for current employment and training programs.

E. WILL WAIVERS BE ISSUED?

Any State may request a Departmental waiver of one or more statutory or regulatory provisions to further its progress in achieving the goals of the One-Stop Career Center system. Such waiver may be granted in conjunction with a grant or separately. Statutory or regulatory requirements will not be waived where the basic purposes or goals of affected programs, eligibility requirements, and funding streams are compromised. The Department will work cooperatively with State and local officials in identifying appropriate areas for waivers.

F. WHAT IS THE CUSTOMER SERVICE COMPACT?

The One-Stop Career Center initiative incorporates a new customer-driven view of the relationship between the Local, State and Federal partners in providing employment and training services. The vehicle for redefining this relationship is the *Customer Service Compact* process. The Compact is an ongoing discussion reflecting shared principles and values, common goals and objectives, and responsibilities for meeting customer needs, and it is agreed to by local, State and Federal partners. It is a pledge to deliver quality customer services, and is part of the process to continuously develop customer-based performance measures and improve performance.

Each year, the partners -- Federal, State, local -- involved in the Workforce Investment Strategy will meet to discuss goals and strategies for serving their customers in the coming year.

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Developing an effective Customer Service Compact will require regular and intensive dialogue with the customers.

G. WHAT ARE THE ROLES AND RESPONSIBILITIES OF THE FEDERAL GOVERNMENT?

The Secretary of Labor will:

- ❖ Implement the One-Stop Career Center system through competitive grants to States, which may be phased in to create a national system.
- ❖ Participate in the Federal interagency Cabinet level committee to be established by Executive Order to facilitate the coordination of workforce development programs and services at the federal level.
- ❖ Conduct broad program planning and oversight activities to support the effectiveness of the One-Stop Career Center system.
- ❖ Respond to requests for waivers of law, regulations, or administrative requirements as permitted.
- ❖ Provide leadership in the development, implementation and maintenance of a national labor market information system.
- ❖ Establish minimum criteria for chartering One-Stop Career Centers.

- ❖ Establish minimum outcome and process measures and performance standards as a basis for evaluating the success of the One-Stop Career Centers.

- ❖ Provide Federal direction and technical assistance where needed and promote flexibility at the State and local levels where possible to encourage innovation.

H. WHAT ARE THE ROLES AND RESPONSIBILITIES OF THE GOVERNOR AND STATE?

The Governor will:

- ❖ Establish a network of One-Stop Career Centers open to everyone in conjunction with local elected officials. The State and localities may implement One-Stop Career Centers incrementally, that is, one or two labor market areas at a time.
- ❖ Establish a Human Resource Investment Council (HRIC), as authorized in current JTPA law, to direct the development and implementation of a Statewide workforce development strategy.
- ❖ In conjunction with LEOs, establish systems for financial management, labor market information, and job placement.
- ❖ Provide general oversight and technical assistance, including capacity-building, to the One-Stop Career Center system.

- ❖ Participate with Local and Federal partners in developing the outcome measures and performance standards for the Centers.

I. WHAT ARE THE ROLES AND RESPONSIBILITIES OF THE LOCAL ELECTED OFFICIALS?

The local elected official will:

- ❖ establish a Workforce Investment Board, with guidelines established by the State and/or Human Resources Investment Council, for each labor market area.
- ❖ design local governance structure, funding flow, oversight and accountability in conjunction with the State and Workforce Investment Boards.

J. WHAT IS THE ROLE OF THE WORKFORCE INVESTMENT BOARD IN ACHIEVING THE OBJECTIVES OF THE LEGISLATION?

The Workforce Investment Board replaces separate governing boards for individual DOL-funded programs, and possibly for those funded by other agencies. This body is the "Board of Directors" (versus a body representative of particular interests) for the labor market, and is responsible for:

- ❖ Conducting strategic planning and policy oversight for DOL funded and other Federal, State, and local workforce development programs operating in the area. The Board will set measurable, strategic objectives for improving the quality and effectiveness of workforce preparation, development, and training in its area. It will coordinate with economic development and focus on questions like "training for which jobs?" It will coordinate and complement with other new initiatives such as School-to-Work and Skills Standards.
- ❖ Developing policies and systems designed to achieve a high performance, customer oriented delivery system. The Board determines key program funding and resource levels, design, and service delivery interrelationships in a local labor market area. It approves local budgets for dislocated worker, JTPA II, Wagner-Peyser, and One-Stop Career Center programs.
- ❖ Leveraging private sector resources in support of local workforce development strategies.

The Workforce Investment Board will have independent staff to execute these activities. The grant agreement will specify a process for funding this staff. The Board is not intended to carry out operational, daily management functions, and cannot receive funds or operate centers, but does determine funding sources and oversee operators. The Board is responsible for chartering the One-Stop Career Center for maintaining an appeals process for complaints, and revoking the charters of poorly performing Centers.

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K. WHAT WILL BE THE COMPOSITION OF THE WORKFORCE INVESTMENT BOARD?

Legislation will describe the Workforce Investment Board's general composition and establish group percentages from among the following groups:

- ❖ employers, which shall be the majority and limited to Chief Executive Officers, business owners, or plant managers;
- ❖ officers from labor organizations and community-based organizations shall constitute at least 20 percent;
- ❖ Chief Local Elected Official;
- ❖ the balance from community leaders in economic development, education, training and academia, human service agencies, and other generally acknowledged community leaders as appropriate for that labor market.

The Chair is elected by the Board members. The Private Industry Council may become the Workforce Investment Board as long as it meets all criteria.

L. WHAT ARE THE OPTIONS FOR SELECTING ONE-STOP CAREER CENTER OPERATORS?

Based on written comments and ongoing consultations, the Department has developed two design options for One-Stop Career Centers. Both build on the principle of customer choice and use the "Charter" concept, i.e., a *Federal Seal of Approval*. Governors, in conjunction with local elected officials (and the Workforce Investment Board if established), will have the option of implementing One-Stop Career Center Systems within local labor markets with either of the two models, including a combination of approaches geared to each local labor market. Regardless of the selection process, all One-Stop Career Centers must be chartered.

❖ **The Market-Based Charter Model**

This model relies on competitive market forces to drive quality, provide customer choice, and promote innovation. Under this design, the local Workforce Investment Board will grant Charters to entities -- public, private, or a collaborative group -- meeting the chartering criteria. The Employment Service must be chartered if it meets the criteria. This approach envisions the following steps:

- ◆ Establishment of eligibility criteria (Federal minimum with State and Local factors).
- ◆ The Board determines the number of Charter operators which are viable in the labor market area. There should be at least two

operators chartered. If only one operator is eligible or only one operator comes forward, there is no further requirement to "create" a market for customer choice. The chartering process should allow existing as well as new entities the future opportunity to receive a charter and compete for customers in the market.

- ◆ If the chartered operator is also a provider of education or training services, it must clearly demonstrate how it will be an "honest broker" of those services.

A consortium may compete under this model for one of the centers.

❖ **The Consortium Charter Model**

Under this model, a consortium formed collaboratively may be chartered a One-Stop Career Center system so long as it meets the established criteria and offers customer choice. The consortium must include ES, JTPA, the Comprehensive Dislocated Worker program, and at least one other entity -- any unit of government, public or private service provider, or combination of governmental units and service providers. Consortium resource allocations must reflect customer selection among different consortium-operated centers. Beyond these minimum requirements, State and Local areas may pull together any resources available in order to build an effective system.

This model recognizes the considerable investments made by States and localities which

have built "One-Stop Career Center" collaborative systems.

In larger markets, customer choice for broker services will be provided through services offered by a variety of consortium members. Customers should be able to choose services delivered in a way which best suits their needs and desires. In rural or sparsely populated markets, customer satisfaction will come from highly individualized and tailored services. One aspect of quality in such a market will be the ability of the consortium to offer services in a way which satisfies customers with differing needs.

❖ **Combining the Consortium and Market-Based Models**

States and local areas may customize the Chartering models to meet their local needs, as long as the Chartering standards are maintained and the objectives of the One-Stop Career Center initiative are met.

M. WHAT ARE THE MINIMUM CRITERIA FOR CHARTERS?

The Governor, in conjunction with the local elected official and Workforce Investment Board, will decide the chartering method for One-Stop Career Centers in each local labor market area. The Board will oversee the chartering process to ensure that it complies with all Federal and State requirements.

Each chartered operator must provide a standard set of services. An operator has the flexibility to have

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multiple locations, one location with various types of access points in the community (such as kiosks in shopping centers, libraries, community colleges, and other community organizations, as well as personal telephone or computer access to on-line information systems, and 800 numbers), a single One-Stop Career Center, or any other arrangement which meets the chartering criteria. Individual Centers may focus on a specific customer group, but the basic services must still be universally available.

Minimum Federal criteria for obtaining a charter would include demonstration by eligible organizations that they will:

- ❖ provide all core basic services;
- ❖ provide equitable access to all customers;
- ❖ serve as "honest brokers" of services by providing information on education and training providers to customers so they can make informed choices; and,
- ❖ provide integrity and accountability for public funds, quality market-responsive services and confidentiality of customer data.

The Governor, local elected official or the Board may establish additional criteria that reflect particular State and local needs, but must identify these as non-Federal requirements.

N. WHAT SERVICES MUST BE PROVIDED AT THE ONE-STOP CAREER CENTERS?

One-Stop Career Centers must provide two types of core services -- basic services and intensive services. The Centers also have the option to provide additional services. (See the description of services in Chapter IV.)

O. CAN FEES BE CHARGED FOR SERVICES?

Fees may not be charged for any core basic services or for any intensive services which are provided under other publicly-funded programs (e.g., JTPA Title II and Dislocated Workers). Eligible dislocated workers and individuals who are eligible for government-funded programs would not be charged fees. Fees may be charged to other customers for optional or specialized services, other than for UI functions.

The Workforce Investment Board will approve the fee structure proposed by each One-Stop Career Center, relying on a sliding scale or other methods determined appropriate for the local labor market (e.g., the market demand for the services, and competition for like or similar services in that area). Fees may be charged for intensive services to individuals not covered by existing public programs, or for optional or specialized services. Fees will be treated in accordance with the rules of the organization, such as public or private-for-profit or not-for-profit.

P. WHAT OTHER FUNDING SOURCES ARE AVAILABLE TO PROVIDE SERVICES?

The Workforce Investment Board, in conjunction with the Centers, may leverage additional resources in the community to secure additional public as well as private financing for these optional or specialized services. States will be encouraged to integrate other Federal and State programs into their One-Stop Career Centers.

Q. HOW WILL THE ONE-STOP CAREER CENTER SYSTEM BE EVALUATED?

The Secretary, in conjunction with State and local partners, will establish basic universal **measures** for incorporation into a national performance measurement system. Local and State partners will determine how **standards** will be set for these measures and how **local factors** will be integrated into the standard (i.e., model-based standards). While this collaborative approach results in a longer developmental process, reliance on a variety of expertise at all levels of government will lead to a more practical system on an operational level.

This approach will result in a national system with comparative data that ensures sufficient input and flexibility at all governmental levels, while maintaining fidelity to the principles contained in the Customer Service Compact. Program-specific measures and standards (e.g., positive termination rate, entered employment rate, and average wage at placement) will still be measured for the existing programs integrated into the One-Stop Career Center. Performance measures will focus on the value added to the customer by the One-Stop Career Center system, above and beyond what exists today or what is offered by other programs (e.g., access to information, choice in services, flexibility). States and localities may integrate specific program and One-Stop Career Center performance measures if appropriate.

APPENDIX 5

RELEVANT RESEARCH

The Administration's proposal is built on the best features of existing policies and programs, and incorporates knowledge of what works derived from basic research, demonstrations, and evaluations of program operations. Research on the effectiveness of various re-employment services designed to assist permanently laid-off workers to return to work concludes that:

- ❖ Early identification and referral of permanently laid-off workers to re-employment services is critical to providing effective services to these workers.
- ❖ Experience over the years has consistently shown that early assistance, particularly assistance prior to actual termination/lay-off, reduces the period of unemployment experienced by the worker.
- ❖ Job search assistance and other basic adjustment services are a cost-effective way of helping the majority of permanently laid-off workers make the transition to new jobs.

The results of the New Jersey Demonstration project (a project to examine whether the Unemployment Insurance system could be used for early identification of dislocated workers and assistance in accelerating their return to work)

indicated that job search assistance with counseling leads to more rapid re-employment of participants initially and also improves employment stability over the long-run. An analysis of the project found that the comprehensive package of job search assistance tested in New Jersey provided net benefits to participants, the Federal Government, and society as a whole.

- ❖ Short-term training within the current system generally appears ineffective for permanently laid-off workers. A recent Congressional Budget Office (CBO) report cites several studies (including the New Jersey Demonstration) that indicate that the effects of providing short-term training are small or insignificant.
- ❖ Long-term training, however, is appropriate for many dislocated workers who need to acquire new skills.
- ❖ A study of displaced workers in Pennsylvania confirms the expectations that those who had held their previous jobs for long periods experienced particularly substantial losses in earnings. This study focused on workers with six or more years of tenure on the job who were displaced in the early to mid-1980s. Five years after they were displaced, workers on average had earnings that were still 25% below their pre-displacement levels.

The proposed program seeks to address the key needs of dislocated workers through: (1) timely assistance in finding a suitable new job; and (2) support for longer-term training for those who seek to upgrade their skills as a way to preserve or increase their earnings. The proposal incorporates the most successful components of the current EDWAA and Trade Adjustment Assistance (TAA) programs, and attempts to integrate the lessons learned from research on what policies are cost effective.

APPENDIX 6

THE CONSULTATION PROCESS

Preliminary meetings were conducted with all relevant public interest groups and stakeholders during the first half of 1993 regarding the needs of workers, employers, students, and others, with particular emphasis on dislocated workers. An initial consultation paper was published in July 1993 to provide the basis for further discussion.

The Administration published draft legislative specifications entitled the Workforce Investment Strategy for comment. These specifications were widely distributed on August 31, 1993. In the months thereafter, there were numerous opportunities for interested parties to influence the direction of the Administration's proposed comprehensive strategy. The Department of Labor has undertaken extensive consultations regarding the strategy.

Various proposals were discussed at length with interest groups, community based organizations, employer associations, representatives of state and local government officials, organized labor, women's groups, educational entities, civil rights organizations, and individuals. Written comments were invited on two separate occasions, with over 180 individuals and organizations responding. The intent of this process was to encourage input throughout the design and development phases, with the expectation that an

improved product for all stakeholders and potential customers would result.

SUMMARY OF CHANGES

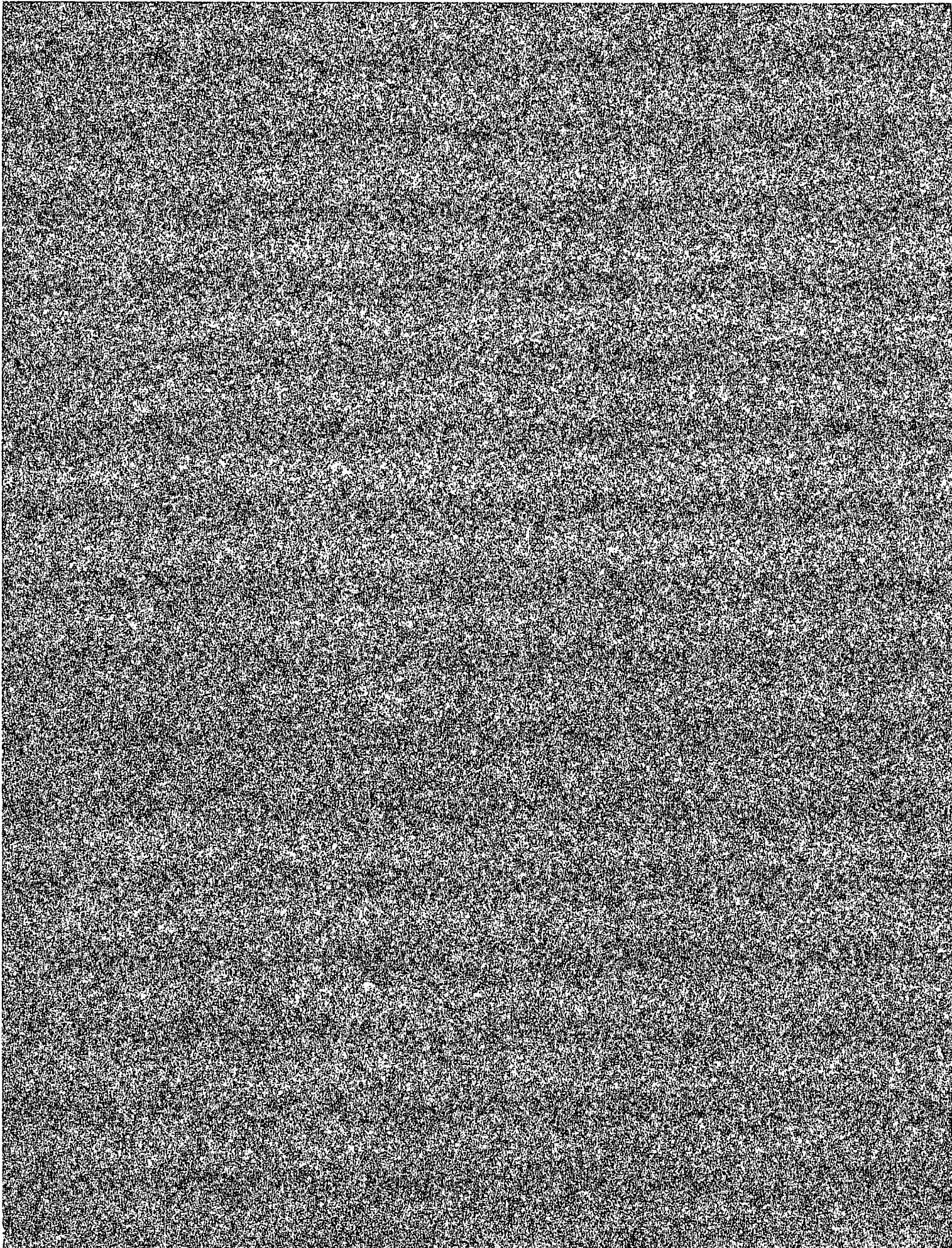
Many commentors strongly supported the goal of consolidating the narrow, categorical structure of existing employment and training programs, reducing the system's fragmentation, and providing increased choices for the customer. In addition, the Administration is now also proposing to modify the Unemployment Insurance system to focus on re-employment by emphasizing early intervention and increasing the system's effectiveness and flexibility to address unemployment caused by cyclical and structural forces.

Commentors raised a number of substantive policy and procedural issues which have been addressed by the Department. As a result of these deliberations, the following are highlights of the changes which have been integrated into the Administration's overall strategy for Workforce Security and Re-Employment:

- ❖ Allow governors to use up to 5% of State funds for skills upgrading for incumbent workers at risk of lay-off.
- ❖ Maintain the EDWAA governance structure for Dislocated Workers;
- ❖ Delete the requirement that 50 percent of a state's reserve allotment fund must be used for rapid response and labor market information;

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- ❖ Enable substate administrative entities to compete for Career Centers whereas earlier versions prohibited their involvement;
- ❖ Standardize basic services for all Centers;
- ❖ Delete the requirement that a re-employment plan must be completed 2 weeks prior to training in order to receive income support;
- ❖ Permit flexibility in implementing One-Stop Career Centers, allowing States/Local areas to both build on current initiatives and create new systems through the grant application process;
- ❖ In addition to the service approach requiring market-based competition -- i.e., two or more centers must be chartered to compete -- expand chartering of One-Stop Career Centers to include the selection of a consortium.
- ❖ Allow a labor market area to charter one entity until others can qualify for charters;
- ❖ Provide for broad flexibility in establishing a governance structure for One-Stop Career Centers while requiring certain minimum standards;
- ❖ Clarify the role and membership of the Workforce Investment Board and that the Private Industry Council may evolve to the Board;
- ❖ Clarify that the Secretary will establish customer-focused outcome measures in consultation with other Federal, State and local partners. Performance standards may be tailored at the State and local levels to reach these outcomes. An annual Federal-State-local process will create and continually refine the Customer Service Compact, and identify the role and responsibility of each partner in ensuring customer satisfaction.
- ❖ Reduce the prior prohibition on voluntary One-Stop Career Center grant funds for "physical structures" to only prohibit the use of funds for construction of new buildings or structures; and,
- ❖ Clarify that although there is an expectation that there will be some "site" where all services may be accessed in an area, there is also an expectation that there will be "multiple doors" through which all services may be accessed; that there are countless methods of offering other needed services (e.g., information through technology), and that flexibility to determine other high-quality service delivery mechanisms must remain.
- ❖ Make the "Partnership Agreement" into a "Customer Service Compact process."



THE CLINTON ADMINISTRATION AND THE JOBS AGENDA

Introduction

In its first year, the Clinton Administration has devoted considerable resources to promote workforce skill development at all levels: increasing opportunities for those entering the workforce to obtain the skills necessary to find a good job in today's changing economy; encouraging firms to improve productivity by investing in lifelong learning among current workers; and helping those workers who have been dislocated to move quickly to re-employment. In all these endeavors, there is an emphasis on ensuring an adequate supply of workers who have the skills and knowledge needed to compete for high quality jobs in the new economy.

In addition, it is crucial to pay attention to the demand side of the equation. Is the economy growing sufficiently to create these new jobs? What is the nature of the jobs, in terms of wages and skill levels required? In what industries and occupations are these jobs concentrated?

This paper begins to address these questions by highlighting briefly the Administration's economic policies that support a growing economy; looking at the industries and occupations projected to hold the most promise for the growth of high-wage, high skill jobs; and discussing various labor market information initiatives, including elements of the Workforce Security Act, that will better link workers with available jobs.

Policy Measures

On the demand side, it is critical to create an economic climate that can foster growth. The Administration's macroeconomic policies – designed to reduce the Federal budget deficit, stabilize financial markets, and keep interest and inflation rates low – have established the framework needed for sustained economic growth. To date, these policies have helped create nearly two million new jobs during the Administration's first year. Many of these jobs are good jobs paying a decent wage that can support a family, help workers develop specific skills, and offer opportunities for workers to move along career ladders. The number of persons employed as managers and professionals grew about twice the overall rate of employment growth.

The completion of current trade negotiations, both in North America (NAFTA) and in the world (GATT), has set the stage for sustained growth of the global economy and will stimulate growth of U.S. exports in various overseas markets, largely in high value-added products. Part of the increased global trade certain to result from the Administration's foreign trade successes will come as a result of selling goods and services to the burgeoning global middle class. With countries as diverse as India, China, Mexico, Argentina, Hungary, and Thailand moving away from restrictive trade barriers and centrally-planned economies, a new global middle class of about 400 million people is emerging. The number has the potential to swell to 800 million people early in the new century, presenting tremendous opportunities for a surge in American exports to these potential consumers.

American industry is poised to take advantage of these opportunities for strong export growth, having experienced a period of substantial restructuring over the last decade. The restructuring, in part, has accounted for reductions in labor costs, to the point that U.S. labor costs are now 30 percent below the weighted average foreign level, making American products more competitive in the global market

on the basis of cost. The U.S. has regained its traditional position as the world's largest exporter and, since 1986, has increased its relative share of exports in manufactured goods among industrialized nations from 14 percent to 18 percent.

This is important because efforts to increase exports are directly related to increases in American jobs. Moreover, export industries tend to produce high-paying jobs -- about one-fifth more than other American jobs. The Administration has, therefore, placed a high priority on promoting American exports, opening foreign markets, and removing foreign trade restrictions. These activities will be enhanced by the work of the Trade Promotion Coordinating Committee, designed to strengthen export promotion by streamlining the efforts of 19 different Federal agencies with export promotion roles.

Many of the new, good jobs created are likely to be related to the explosions of new technologies, particularly information technologies. The Administration's comprehensive technology policy will help the private sector deploy new technologies quickly and efficiently, with a focus on helping move technologies more quickly from the laboratory to the marketplace. In addition, it includes several efforts likely to stimulate growth and employment opportunities over the long term.

Examples of these technology efforts include:

- hastening the transition from defense to civilian industrial capabilities through the \$876 million Technology Reinvestment Project, an interagency R&D initiative designed to create new technology products, new companies, and new industries;
- expanding the comprehensive network of manufacturing extension centers from seven centers to 100 by 1997 -- centers that will improve the competitiveness of small and mid-sized businesses by helping them adopt new technologies, production methods, and management practices;
- increasing funding by \$200 million for the Commerce Department's Advanced Technology Program, which spurs industry's development of high-risk, high-payoff commercial technologies;
- launching a dual use technology initiative that will remove barriers that separate defense and commercial work, enable DOD to maintain leading edge technologies while stimulating private sector technology development, and help defense contractors diversify and compete in private markets;
- setting an ambitious action agenda for development of the "information superhighway" including a National Information Infrastructure that clarifies private- and public-sector superhighway responsibilities while underscoring the fundamental requirements for universal citizen access and commercial sector benefits; and
- securing new Federal funding for science and technology initiatives.

Advanced technology alone will not guarantee American business success in the global marketplace. Rather, how technology is used -- by companies that empower front-line workers, are more flexible, and more customer-oriented -- will constitute a significant competitive advantage. The Administration, through the Labor Department's new Office of the American Workplace, is taking steps to encourage firms to become "high performance," including developing "best practices" clearinghouses, fostering partnerships with industry and labor organizations, establishing the benefits of innovative workplace practices to the bottom line, and assisting employers through the provision of workplace extension services.

In addition to the macroeconomic, trade and technology policies mentioned above, the Administration has pursued numerous related efforts to spur high quality job creation. To cite a few, these include securing \$1.9 billion in new funding for environmental infrastructure and conservation projects, allotting \$2.5 billion over the next five years to create ten empowerment zones and 95 enterprise communities, and awarding an additional \$2.1 billion for low-income and other housing projects. These efforts will help to create good jobs, enhance business' productivity, and increase the nation's competitive position.

At the same time, it is essential to ensure that American workers have the necessary skills to move into the high-wage jobs generated by advances in technology and a growing economy. The Administration is committed to providing the education and skills upgrading that American workers need to qualify for high-wage jobs.

To fulfill this commitment, the Departments of Education and Labor have undertaken a number of initiatives to build a new partnership between the world of education and job training and the world of work. These include the strengthening of primary and secondary education, the establishment of a National Service program, increased support for higher education, the establishment of a comprehensive school-to-work transition program, the creation of a system of voluntary, occupational skill standards, the creation of "one-stop shopping" for employment and training services, and the creation of a comprehensive program for ensuring that dislocated workers have competitive job skills.

The Job Outlook

The U.S. labor market has always been characterized by a large amount of constant internal change, that is, workers leaving their jobs because of better job opportunities, economic changes, or other reasons. Many job openings occur as a result of this "churning." Past studies in the manufacturing sector (based on plant-level employment changes) have estimated that about 10 percent of the jobs turn over each year. This amounts to nearly two million openings in the manufacturing sector alone, adding to a remarkable fluidity in job opportunities across industries and localities. Though the rate of change varies widely among industries, about 40 percent of manufacturing turnover takes place among higher wage industries -- fabricated metals, transportation, electric machinery, and nonelectric machinery.

The Department of Labor's projections of job growth to the year 2005 portray a promising future for workers prepared to take the emerging jobs in our Nation's changing, dynamic economy. Many of those jobs are in occupations which have above-average earnings but do not require a college degree.

Over the period 1992-2005, the Bureau of Labor Statistics projects a 7.3 million net increase in good jobs for non-college degree workers -- or nearly 600,000 new good jobs each year. The new growth projections are as follows:

Occupation	Net employment growth, 1992-2005
Construction related	851,000
Protective service	349,000
Sales	909,000
Health related	1,482,000
Mechanics and repairers	780,000
Technicians	334,000
Drivers	796,000
Craft occupations	323,000
Clerical	577,000
Other occupations	869,000

So the evidence is clear that -- both in terms of the normal turnover and new net job creation -- good jobs will be plentiful. The challenge is to develop a re-employment system that can move prospective employees into jobs in these growing industries and occupations. Such a system must inform potential employees about jobs' availability and the requirements for securing them. One essential component of this system is an information system that helps match workers with the right skills to employers in growing industries.

The Clinton Workforce Security Proposal

The Clinton Administration has put policies in place to foster economic growth, leading to the creation of new and better jobs. We have taken concrete steps to lower the budget deficit, reduce inflation, spur exports, and to facilitate the use of emerging technologies by our industries. In order to ensure that American workers have the skills to perform successfully in these emerging jobs, we are proposing legislation that explicitly links American workers to these jobs. This new program will provide personalized information and career counseling, re-employment services, training, and income support where necessary -- resulting in a revitalized labor market exchange system. The Federal government is uniquely positioned to assure that all American men and women have access to the tools to enable them to share in the benefits of the economic recovery.

JOBS OUTLOOK

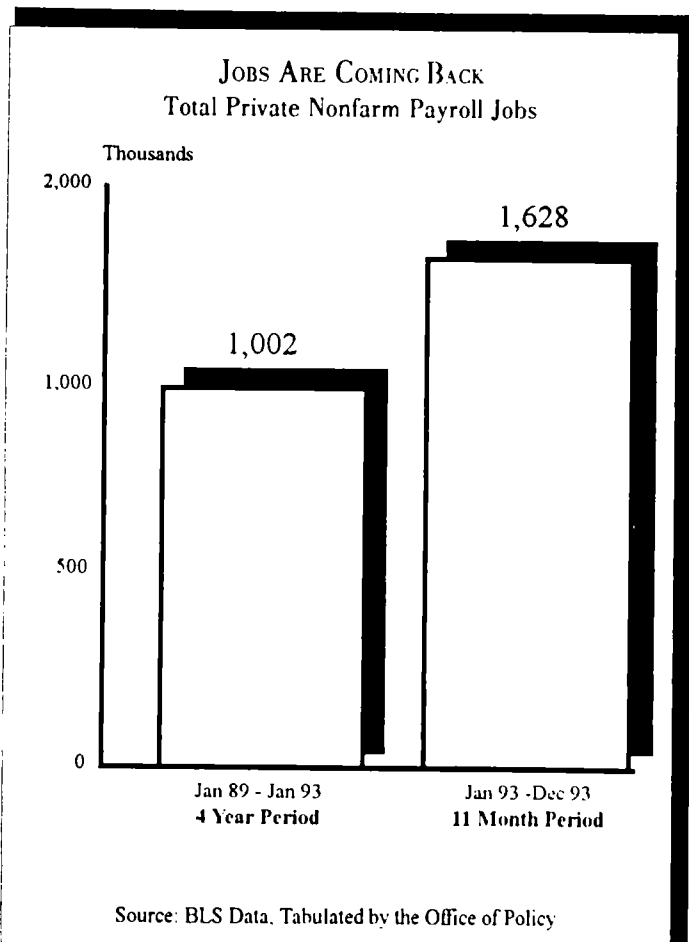
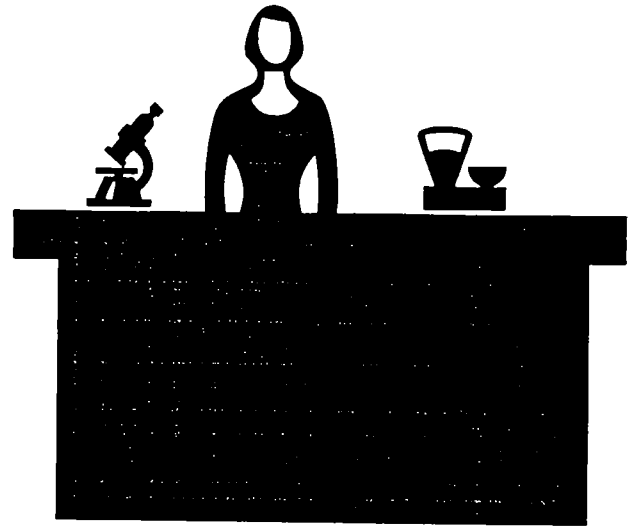
The Outlook

The U.S. Department of Labor projects a promising future for workers prepared to take the emerging jobs in our Nation's changing, dynamic economy. Many of those jobs are in occupations which have above average earnings but do not require a college degree.

Over the period, 1992 - 2005, the Department's Bureau of Labor Statistics projects a 7.3 million net increase in good jobs for those who don't have 4 year college degrees. That is 600,000 new jobs per year.

Net growth projections are only part of the job creation story.

The U.S. labor market experiences constant change with workers leaving their jobs for many reasons such as better job opportunities, changing markets, or retirement. Many job openings result from this change. Past studies in manufacturing



estimate that about 10 percent of the jobs turn over each year. This amounts to nearly 2 million openings in manufacturing alone, adding to an exceptional fluidity in job opportunities. Many of these are good jobs. Though the rate of change varies widely among industries, about 40 percent of manufacturing turn-over takes place among such higher wage industries as fabricated metals, transportation, electric and non-electric machinery.

The 1993 job creation record shows that the Administration is delivering on its pledge to create 8 million new jobs over 4 years. Many of the nearly 2 million jobs created this past year were good jobs. For example, the number of persons employed in higher paying managerial and professional jobs grew around twice as fast as the overall rate of employment growth.

Examples of Good, New Jobs

Examples of good, new jobs available to non-college degree workers who have the necessary skills are:

- ❑ **Electronic Engineering Technicians** help develop, manufacture, and service electronic equipment such as radios, sonar, medical measure devices, and computers.
- ❑ **Telecommunications and Computer Network Technicians** prepare, install, and maintain local area computer networks for companies, and teach employees to use the system and install new ones when needed.
- ❑ **Medical Records Technicians** analyze and evaluate health information, compile statistics, code diseases and operations, and control the use and release of health information. Employed in nursing home settings, hospitals, medical group practices, HMOs, insurance firms, they interact with the public, insurance companies, and other hospital personnel.
- ❑ **Hazardous Materials Technicians** work closely with engineers, managers, and others to protect human health and the environment. They must know processes and technologies for handling, storing, transporting, and destroying materials in compliance with State and federal rules.
- ❑ **Laser Technicians** operate laser devices and communicate — orally and in writing — with engineers, physicians, scientists, and others. They usually work in companies that manufacture lasers and precision equipment.

Workers in many familiar-sounding jobs are using new skills:

- ❑ **Automotive Service Technicians** no longer just manually check and replace parts. Today's technicians must be familiar with electronics and electronic repair to repair, service, and adjust much of the digital equipment in new cars.
- ❑ **Dental Hygienists** do more than clean teeth. They also administer local anesthetics and carve

filling materials. Dental hygienists must be licensed by the state, must have graduated from an accredited dental hygiene school, and must pass a written and oral exam.

- ❑ **Manufacturing Technicians** are changing roles as manufacturing changes. They perform a wide variety of manufacturing operations such as drilling, milling, and quality control. They must see which operations are needed to produce an order, determine the most cost-effective sequence of operations, and work with a team.
- ❑ **Computer-Aided Design Technicians** operate computers to draft layouts, line drawings, and designs. They work in architectural and electronic firms and for automotive manufacturers.
- ❑ **Environmental Technicians** conduct field tests and determine sources of contamination to air, water, and soil. They must know about government standards and regulations governing the environmental field.
- ❑ **Nurses** not only tend to the care and comfort of patients, but can also be a key part of the administration of hospitals, insurance companies, and health maintenance organizations.
- ❑ **Technical Writers** prepare assembly instructions, owner's manuals, technical papers, and training videos. They frequently work with project engineers, financial officers, and management to ensure that technical materials reach readers in a clear and understandable format.

A PROPOSAL FOR WORKER SECURITY

The Department of Labor is developing legislation that will, if passed, help people prepare for and get these new jobs. The legislation calls for the creation of quality reemployment services and a nationwide network of labor market information, and is designed to allow easy access, through one-stop career centers, for all who want or need a job.

The Changing Labor Market and the Need for a Reemployment Response



U.S. Department of Labor
December 1993

1 Introduction and Summary of Findings

Often-difficult labor market transitions have always characterized the U.S. economy. In good economic times and bad, large numbers of workers have been laid off temporarily because their firms experienced periods of weak demand for their products, or have lost their jobs altogether due to permanent production cutbacks including plant closings. The subsequent movement of such workers into more competitive, growing firms has been essential to their own prospects as well as the vitality of the American economy.

In recent years, however, developments such as rapidly evolving technologies have altered the scale and nature of labor market transitions. More and more Americans are losing their old jobs and must find new work; many are having difficulty securing wages and benefits comparable to those received in their former jobs. These trends are likely to endure because they reflect structural developments in the economy.

The new labor market dynamic is evident in several ways:

- Most of the unemployment created when the economy soured in the early 1990s consisted of people who will not get their old jobs back as the economy improves. When unemployed “job losers” are divided into those who are and are not on temporary layoff, more than three out of four were not on temporary layoff last year — the highest rate of permanent job loss since tracking of this figure began in 1967.
- The length of unemployment spells continues to grow. In the 1970s, an average of 11 percent of the

unemployed were out of work for six months or longer; in the 1980s, the figure was 15 percent; thus far in the 1990s, it is 16 percent. Last year, 21 percent of the unemployed hadn’t had work for six months or more — the second highest annual level since the end of World War II.

- A special data series on certain “displaced” workers — workers who lost their jobs due to plant closings, production cutbacks, or layoffs — is available for the period from 1981 to 1990. Between 1984 and 1989, an average of 1.8 million full-time workers were displaced each year. In 1990, the number reached 2.2 million.
- More than half of displaced workers are still unemployed a year after being displaced, or are employed in jobs paying less than 80 percent of their former wages.

The financial costs of these transitions to workers and their families are, of course, substantial — to say nothing of the emotional costs, including the frustrations and anxieties of having to find a new job. But the costs to government and the economy are also considerable.

- The cost of the state unemployment insurance benefit system, which is financed by taxes on employers, has averaged \$24 billion a year (adjusting for inflation) over the past five years.
- The temporary Emergency Unemployment Compensation (EUC) program — targeted on the long-term unemployed who have exhausted their regular state benefits — was enacted in November 1991, and had distributed \$25 billion in benefits by October 1993.
- Altogether, over the past five years, the cost of the Unemployment Insurance (UI) system has averaged \$30 billion a year, after adjusting for inflation.

necessary for economic growth. At the same time, in today's dynamic economy, it's not enough merely to alleviate that pain by insuring against some of the income lost when workers lose their jobs. The complete response, instead, should be to ease the transition of Americans into new and better jobs.

2 The Problem

There are several ways to measure the problem of job loss and more difficult labor market transitions. Different measures do, however, display the same pattern: The net effect of recent developments in the economy is a large and growing number of workers being permanently laid off from their jobs and having to find new ones. Some measures suggest a level of structural unemployment that is unprecedented in the post-World War II era. Job loss peaked during the recent recession, but was sizable both before the recession began and will likely remain large during the ongoing recovery.

Displaced Workers

A group of job losers that has received much attention over the past decade is "displaced" or "dislocated" workers. The image of these workers is of individuals employed for long periods of time who lose their jobs because of plant closings or substantial firm cutbacks.

To assess this problem, a special Current Population Survey has been conducted every other January since 1984. The survey categorizes people as "displaced" if they report that in the five years preceding the survey, they had "lost or left a job because of a plant closing, an employer going out of business, a layoff from which [they were] not recalled or other similar reason." So, for example, in January 1992, individuals were asked about their employment experience from 1987 through 1991.

Using this data set, the Bureau of Labor Statistics calculates the total number of displaced workers over age 20:

- The January 1992 survey found that 12.3 million workers had been displaced in the previous five

years. Of these, nearly half had been employed in their lost job for an extended period of time; some 5.6 million had been employed in their job for three or more years.

- Both figures represent the highest absolute levels in the history of the survey. As a proportion of workers, however, these displaced worker measures were somewhat lower than they were in the early 1980s.

The Congressional Budget Office (CBO) has used the same data set to examine a somewhat different group of displaced workers. While the BLS examines how many full- and part-time workers were displaced at some point over the previous five years, CBO examines only workers who work full-time and computes how many are displaced each year. CBO also refines the data to eliminate some potential inaccuracies resulting from the self-reporting of information from several years ago.

CBO issued a comprehensive report on displaced workers in early 1993 that covered the period from 1981 to 1990.¹ The report found:

- From 1981 to 1990, an average of nearly two million full-time workers a year were displaced from their jobs. Significant numbers of workers were displaced when overall unemployment was rising and when it was falling.
- In 1990, some 2.2 million full-time workers were displaced. This was the second highest annual level during the period examined.

Workers employed in the manufacturing sector or in blue-collar jobs are substantially overrepresented among displaced workers, but they have increasingly been joined by workers who lost service sector or white collar jobs. CBO found that the proportion of displaced workers who had been employed in blue-collar jobs fell from 65 percent in 1981 to 53 percent in 1990.

Similarly, another study based on the same data set found that the proportion of overall job loss in the trade; finance, insurance, and real estate; and professional services industries all increased

¹ Congressional Budget Office, *Displaced Workers: Trends in the 1980s and Implications for the Future*, February 1993.

Table 1
Long-term Unemployment Trends

<u>Decade</u>	<u>Average unemployment</u>	<u>Long-term unemployed as percent of total unemployed</u>
1950s	4.5%	9.4%
1960s	4.8	10.5
1970s	6.2	11.0
1980s	7.3	15.0
1990-1993*	6.6	16.0

* Data through September 1993

(data are available back until 1967). So far in 1993, the proportion is slightly higher; on average, nearly eight of every ten unemployed job losers — 77 percent — did not expect to return to their old jobs. (See Figure 1.)

- These high levels reflect an anomaly of the recent recession. Nearly all of the net increase in job losers was among those who were not on recall. About 86 percent of the net increase in job losers in the recent contraction⁴ reflected workers who lost their jobs permanently, compared to an average of 56 percent in the four previous recessions.

The amount of permanent layoffs can also be assessed relative to the entire labor force and to all those who are unemployed. Here, too, the proportion has risen to exceptionally high levels.

- In 1992, the share of the unemployed consisting of job losers not on recall averaged 43.1 percent, the highest annual figure on record.
- Job losers not on recall constituted 3.2 percent of the 1992 labor force, the highest level on record with the exception of the deep recession period of the early 1980s.

Long-term Unemployment

Another way to assess the difficulty of labor market transitions is to examine the duration of unemployment spells. If workers were losing their jobs but finding new jobs very quickly, there would be less reason to be concerned about job loss. Unfortunately, however, it has become more common for unemployment spells to last a long time.

Both during recent recovery and recessionary periods, the number of long-term unemployed — workers unemployed for 27 weeks or longer — has been exceptionally high.⁵ In 1992, the number of long-term unemployed as a share of total unemployment averaged nearly 21 percent. This was the second highest annual proportion of the unemployed who were out of work for 27 weeks or more since the end of World War II. The proportion was lower than it was in 1983, a year which came on the heels of the most severe post-war recession. The proportion was higher

⁴ The National Bureau of Economic Research has determined that the recent recession began in July 1990 and ended in March 1991. However, the July 1990 to June 1992 period is used for the comparison with earlier recessions because the number of job losers did not peak until June 1992, well past the official endpoint of the recession. In prior recessions, the peak in the number of job losers was more coincident with the official endpoints.

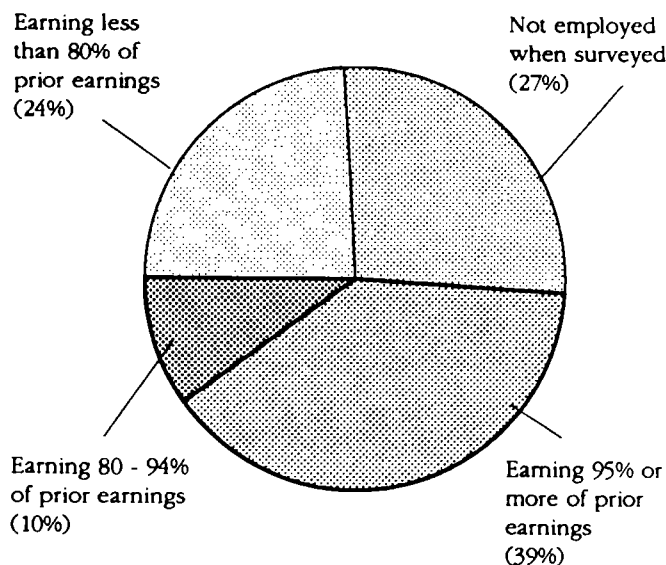
⁵ The long-term unemployment measure includes workers who have become unemployed for any reason, such as job leavers or new labor market entrants, not just job losers.

- Many had great difficulty finding new jobs. When surveyed, 27 percent of the displaced workers were not employed. Displaced workers who were reemployed when surveyed had nevertheless experienced joblessness for an average of nearly 20 weeks.
- Even those who found new jobs often experienced substantial income losses. In addition, about one in five displaced workers who had health insurance coverage in their previous job did not have group coverage in their new job.
- Altogether, one to three years after they were displaced, more than half of the workers were not employed or were employed in jobs paying less than 80 percent of their former wages. (See Figure 2.)
- Not surprisingly, the displaced workers who incur the largest earnings losses and longest unemployment spells tend to have the fewest years of formal education, be the oldest, and be the most senior in tenure with their previous employer.
- Many displaced workers come from declining industries and occupations — almost half from goods-producing industries — with little prospect of reemployment in a similar job at a similar wage. These displaced workers often lack the different set of skills necessary to attain high-wage jobs in expanding sectors and occupations.

It is also illustrative to examine earnings among displaced workers compared to earnings among workers who have not been displaced. According to a recent study, even displaced workers who subsequently found full-time employment suffered an average earnings decline of about 12 percentage points relative to full-time workers who were not displaced. Since many displaced workers who were employed full-time do not find full-time jobs, the overall relative earnings effect is even more substantial.⁸

A study of displaced workers in Pennsylvania confirms the expectation that those who had held their previous jobs for long periods experienced particularly substantial losses in earnings. This study focused on Pennsylvania workers with six or more years of tenure

Figure 2
Earnings of Displaced Workers One to Three Years After Being Displaced



Source: CBO tabulations of CPS data

on the job who were displaced in the early to mid-1980s. The earnings losses suffered by these workers were enduring. Five years after they were displaced, workers on average had earnings that were still 25 percent below their pre-displacement levels.⁹

The costs of worker displacement to the government are also substantial, with the main costs borne by the unemployment insurance system. The vast majority of the recipients of unemployment insurance benefits are job losers, most of whom are not on temporary layoff. A substantial fraction of unemployment benefits therefore goes to permanent job losers.

Protection under certain features of the unemployment insurance system diminished during the 1980s. Gary Burtless of the Brookings Institution has estimated that the proportion of the unemployed receiving regular benefits is about one-fifth lower than it was from the 1967-1979 period.¹⁰ In addition, changes in federal law made it much more difficult for states to qualify for the extended benefits program, which is supposed to benefit the long-term unemployed in states with

8 Henry S. Farber, *op. cit.*, 1993.

9 Louis S. Jacobson, Robert J. LaLonde, and Daniel G. Sullivan, "Earnings Losses of Displaced Workers," mimeograph, revised November 1992.

10 Gary Burtless, Testimony before the Joint Economic Committee, January 4, 1991.

quantitative estimates of the loss in tax revenues are unavailable, the large number of workers involved and the extended duration of their unemployment spells suggest the effect is significant. This is particularly so for localities with large concentrations of job losers.

The lost economic output that occurs when workers are idle also should be considered when tallying the costs of dislocation. Moreover, when displaced workers find new jobs, they are often underemployed, in part because current policies do not effectively match the skills of job hunters with available positions. Precise estimates of the loss in economic output are again unavailable, but the magnitude is likely to be sizable.

4 A Reemployment Approach

While economic dislocation entails enormous costs, the response should not be to stand in the way of the forces of economic change. Structural adjustments are ultimately beneficial to the economy. These adjustments are part of employer efforts to remain competitive — allowing for the efficient reallocation of resources — and are necessary for economic growth.

The appropriate response to the rising problem of difficult labor market transitions should, instead, reflect two principles. The first is that the burden of structural adjustments should be shared. Many displaced workers and their families need some assistance to help them through tough times. In addition, without a collective commitment to share the risks and buffer the shocks of change, those workers most threatened by change will struggle to block it, thereby impeding necessary economic transformations.

The second principle is that government should intensify its efforts to facilitate reemployment into decent jobs. In contrast to the significant resources now devoted to unemployment insurance and other income supports, the federal government devotes relatively few resources to helping displaced workers find new jobs. Increasing reemployment efforts can be dollars well-invested. If these efforts help some workers find jobs more quickly, fewer funds will need

to be spent on income support. More and better information can also improve the operations of the labor market as workers are better matched with available jobs. A reemployment system can also improve the skills of workers, which can in turn boost economic output.

Currently, income support from the unemployment insurance system helps share the costs of economic change. For workers who are on temporary layoff, or who are likely to find jobs quickly, such support is often sufficient. But for the many workers who need help with their employment transition, income support alone is inadequate. Some workers are currently assisted under a hodgepodge of categorical dislocated programs. Each dislocated workers program, however, has a distinct set of eligibility criteria and offers a unique set of services and benefits. Funding is quite limited. As a whole, the dislocated workers system is fragmented and inefficient, and serves only a minority of workers in need. Another problem with the current system is that it serves dislocated workers late in their unemployment spell.

The Administration will soon propose a comprehensive workforce security package. It will replace today's fragmented approach with a unified system that serves all dislocated workers, regardless of the cause of the dislocation. The system will be designed to provide dislocated workers with access to the full array of employment and training options. This information will be available to all at new "one-stop" career centers. The comprehensive proposal will build on the worker "profiling" and job search assistance features that were part of the Emergency Unemployment Compensation legislation that was signed into law in November 1993.

The comprehensive proposal will strongly emphasize reemployment. For example, it will likely include changes to the unemployment insurance system that expedite returns to work. Reemployment bonuses to unemployment insurance recipients who find jobs quickly or measures to promote self-employment as a reemployment option are examples of such steps. This revised approach to unemployment insurance is appropriate given the changing composition of UI recipients. Those benefiting from the UI program are increasingly unlikely to be workers who need

The Effects of Government Policies on Worker Dislocation

Key policy initiatives, including the reduction in defense expenditures, NAFTA and other trade agreements, health care reform, and environmental policies, have also highlighted the issue of worker dislocation. Indeed, since the effects of shifts in policies are concentrated on particular industries and often on particular regions, and since they are now occurring in the context of signs that the labor market is not adjusting smoothly to changes in demand, the readjustment problems faced by workers displaced by shifting government policies have often become the focus of concerns over job loss.

While the consequences of shifts in government policies on employment opportunities are important, it is also important that these consequences not be misstated, thereby impeding the passage of necessary policy reforms. All the policies alluded to above are essential to the economy's long-run vitality, and will lead to job gains as well as job losses. Moreover, job shifts resulting from changing government policies are not unique to today's economy; government policies have always influenced specific industries and occupations.

It further bears remembering that today, as in the past, developments in the private sector are the primary source of job losses and job gains. But since private sector job gains and losses reflect the accumulation of small changes throughout the economy, rather than a large change in a particular industry that may result from shifting government policies, job shifts caused by private sector developments often receive less attention.

Regardless of whether the source of job loss is a private or public sector development, the affected worker often faces a difficult transition. The policy response to job loss should not be crafted narrowly to respond to public sector developments; instead, it should be crafted comprehensively to respond to private sector developments as well, where most job loss occurs.

News

United States
Department
of Labor



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Building A National Re-employment System

"What's Working" Conference to Draw Top U.S. Leaders, Experts

Over 300 business, community and labor leaders, together with elected officials, consumers and employment and training experts, will gather in Washington, D.C., on **Feb. 2, 1994**, to learn what works best in helping unemployed and dislocated workers move back into the workforce, Secretary of Labor Robert B. Reich announced today.

"Getting people back to work and turning our unemployment system into a re-employment system that works is one of the highest priorities of the Clinton Administration," Reich said. "To do that, we must build upon employment and training approaches which are effective and discard those which are not."

The conference, **"Building A Re-Employment System: What's Working,"** at the Omni-Shoreham Hotel will feature **more than 15 programs from around the country.** Taken together, these programs provide the elements of a new strategy for getting dislocated workers back to work.

Agenda items include an overview of the country's employment system, discussion of what does and does not work in employment and training programs and a frank exchange of ideas and opinions about what is needed to create an effective re-employment system in America. The conference will be hosted by Reich and Assistant Secretary for Employment and Training Doug Ross.

Programs to be featured at the conference were selected on the basis of ability to demonstrate one of the six principles which underlie successful re-employment programs, according to Labor Department research. The six principles are:

- Universal access - Information and services regarding re-employment are provided to a broad range of citizens, rather than narrowly defined categories of eligible workers.

(more)

- One-stop delivery - High quality, basic services are provided through a streamlined system which is easily accessible to customers.
- Comprehensive service - A full range of services -- including testing and assessment, individual counseling, career planning and identification of quality training or education providers -- is available, regardless of cause of worker dislocation.
- Customer focus - Delivery of programs and services is designed to provide widest range of options possible; customer satisfaction is a prime measure of success.
- Training linked to jobs - Programs and services are geared toward re-employment, providing both short and long-term training options, income support for those who need it, and training linked directly to real jobs.
- Innovative use of technology - Kiosks, computer-accessed on-line information systems, toll-free telephones and other innovations help customers obtain useful labor market information quickly and effectively.

In addition to program presentations, the "What's Working" conference will include roundtable discussions, question and answer periods and time for informal sharing of information among participants.

Information on media credentials can be found on the following page; proper credentials will be required for access to the conference by members of the media.

EDITOR'S NOTE: A press room will be operating throughout the conference and will be available for interviews and other arrangements.

This information will be made available to sensory impaired individuals upon request. Voice phone: 202-219-6871; TDD Message Referral phone: 1-800-326-2577.

The Washington Post

AN INDEPENDENT NEWSPAPER

A 'Reemployment' Program

THE GOVERNMENT'S traditional response to the problem of unemployment has been to pump up the economy, help provide some benefits and wait for workers to find reemployment mostly on their own. The Clinton administration thinks that in the present world economy that's not enough. The president's people worry that more and more U.S. workers are being permanently laid off, meaning that their old jobs are lost for good to foreign competition or technological or policy change, and they have to seek entirely new ones. Partly because of these structural trends and partly for other reasons, Labor Department officials also observe that more and more workers are remaining unemployed for more than six months. The nature of the problem has changed, they say, and the government's response must change as well.

The president is expected to send up a "reemployment" or "work force security" bill next year. Most of the likely recommendations make good sense. They do so almost independently of the elaborate rationale the administration has constructed for them—the view that unemployment now is somehow different from in the past, which not everyone fully accepts. Some of the sensible steps have been proposed before. The government now runs six mostly small retraining programs for workers who lose their jobs to one or another structural cause. There is trade adjustment assistance, defense conversion assistance, assistance to eastern coal miners who lose their jobs to the Clean Air Act etc. The administration would consolidate these legislative and historical artifacts into a single retraining program for all permanently laid-off workers who

qualified. It would try to improve the quality of assistance to the unemployed by creating a nationwide information network and a system of one-stop offices across the country in which an applicant could receive all the forms of available aid.

It would aim to identify earlier than tends to happen now those workers unlikely to get their old jobs back and speed their move to other employment. The faster return to work would mean, among other things, a cut in benefit costs. The government might share the savings with workers who returned to work before their insurance expired; it might share costs with people who accepted temporary part-time work as well. The bill will likely seek to improve the broken existing system for paying benefits to those in higher-unemployment states who exhaust their basic 26 weeks of insurance. Insofar as funds are available, it will also seek to expand the current training programs to help the structurally unemployed go back to school.

It's hard to quarrel with much of that on the strength of what is known thus far and assuming, as we do, that the budget rules won't be broken. The goal of helping U.S. workers adapt—switch rather than fight—in the face of changing economic circumstances that they can't hope to resist is a legitimate function of government. There has always been a lot of "permanent job loss" in the large U.S. economy. It's been accompanied and offset by growth. The administration contends the adjustment process is tougher now than in the past; that may or may not be true. The government still should do all it usefully can to ease the process. That seems to be what the president is proposing here.



Troubled waters. Paul Farrow launched a kayak business while on unemployment.

Padding against the jobless tide

Clinton wants unemployment insurance to help those who are permanently out of work

For months, Bill Clinton has insisted that global competition can benefit American workers—if accompanied by government programs that cushion job losses. And last week, in his NAFTA victory speech, the president had scarcely begun celebrating before he began pushing for a national “re-employment” system that would address widespread anxiety over job security.

The administration’s Workforce Security Act, which Labor Secretary Robert Reich plans to send to Congress in January, would overhaul the nation’s unemployment insurance system, a \$26 billion program that has served as a national safety net for jobless Americans since the Great Depression. Why an overhaul? Unemployment insurance was designed in the 1930s, when a significant share of laid-off workers could expect to be called back to their old jobs. But today, as company after company downsizes permanently, a record three fourths of laid-off workers have lost their jobs for good. In the past four years alone, some 1.7 mil-

lion U.S. manufacturing jobs have disappeared, most of them forever. Says Reich: “We need a re-employment system, not an unemployment system.”

Creative spending. The administration’s proposal speaks to a nagging criticism of unemployment insurance: that it prolongs joblessness by subsidizing the idle. Reich would encourage states to redeploy benefit checks in creative ways: as cash rewards for workers who find jobs quickly, as stipends to start small businesses and as training subsidies for those who want to retool their skills.

In addition, Reich would streamline the nation’s network of 1,700 unemployment insurance offices. That network is now so fragmented that in many states, a jobless worker goes to one office to apply for benefits, another to scan job openings and perhaps a third to apply for retraining funds. A 1989 Labor Department study found that one third of the people who applied for unemployment benefits never got as far as the Employment Service, where new jobs are listed, and fewer

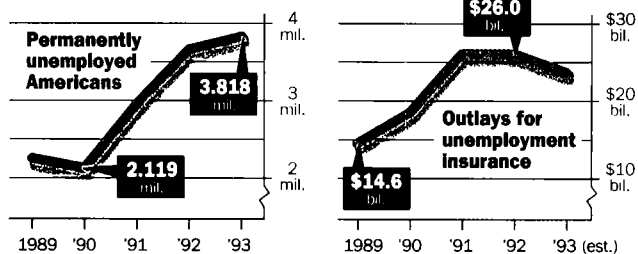
than 1 in 10 got any job-search training. Reich would replace this system with "one-stop career centers" that would distribute unemployment checks, match job seekers with job openings and identify workers whose skills are obsolete.

The administration had hoped to send a bill to Congress last month, but it ran into a political buzz saw. Skeptics still smarting from last summer's budget battle balked at the \$3 billion price tag for retraining; Congress has been unable to pass even a \$1.1 billion extension of emergency benefits for the long-term unemployed. Labor said Reich wasn't setting aside enough money and feared he would cut off benefits to needy workers. And even Clinton's allies warned that the bill would become a casualty of the NAFTA battle. Reich relented, offering a stopgap, \$90 million retraining program for workers dislocated by NAFTA, but promises to return with comprehensive reform in January.

The Workforce Security Act will still face hurdles on Capitol Hill, especially over funding, but key components of Reich's plan have already been successfully field-tested in local pilot projects from New Jersey to Washington State. When jobless workers apply for unemployment benefits in New Jersey, for example, they are asked a few simple questions to determine if they will ever be

Tattered safety net

Originally designed to help with short-term joblessness, the unemployment insurance system is struggling to cope with legions of permanently unemployed workers today.



Note: The permanently unemployed are job losers who do not expect to be recalled to work. Unemployment insurance outlays include federal and state payments for regular unemployment insurance and for emergency extended benefits.
USN&WR—Basic data: U.S. Dept. of Labor

called back to their old jobs. Workers identified as permanently "dislocated" are enrolled within five weeks in career workshops and job-hunting classes. A 1989 study of this "early intervention" strategy found that workers who got rapid help found jobs one week sooner—after about 17 weeks—than their counterparts in a control group. That allowed the state to save \$81 to \$170 per person in reduced benefits. Now New Jersey is expanding the program to include training subsidies for dislocated workers and is installing computerized career-guidance kiosks in shopping malls.

To change the system's financial incentives, Reich would also let states pay cash bonuses to workers who find jobs quickly, a tactic that has been tested in New Jersey and Illinois. Illinois, for instance, offered bonuses of \$500 to work-

ers who found jobs by their 11th week on unemployment and stayed employed for at least four months. Workers in the experiment found jobs an average of 1.15 weeks sooner than their counterparts in a control group—without settling for lower wages. For every \$1 paid in bonuses, Illinois saved \$2.30 in lower benefit payments.

Building a business. A common complaint about traditional unemployment benefits is that recipients don't qualify unless they are searching for work, a process that often prevents them

from going back to school or starting their own businesses. Reich would expand on experiments in Massachusetts and Washington State, which waived the requirement and let recipients use their benefits as a crutch while starting a business. In Massachusetts, an applicant could collect a "self-employment stipend" for 24 weeks while drafting a business plan and attending workshops on marketing, finance and other small-business skills. Only about 5 percent of eligible applicants tried the program, but among those who started companies, 80 percent were still in business one year later and 35 percent had actually put others to work. Moreover, they saved the state \$1,400 per person because they got off unemployment so quickly.

Field testing hasn't answered all the questions about Reich's proposal. How

many workers, for instance, really have the gumption to start a successful business? Is the economy creating enough good jobs for workers who upgrade their skills? Can counselors at one-stop career centers truly identify the workers who deserve costly retraining subsidies? But economic reality suggests that pressing for answers to these questions is better than subsidizing workers who simply wait for a phone call that probably will never come. Says Paul Farrow, who started a successful kayak-making business while collecting unemployment in Massachusetts: "The old system drags you back into an ever shrinking job pool. This system might expand the pool." ■



STEPHEN SHAMES—MATRIX FOR USN&WR

Wired. New Jersey is installing computerized career-guidance kiosks in shopping malls.

BY DAVID HAGE

This article originally appeared in *The Washington Post*, December 10, 1993. Permission granted to reprint.

BIG MONEY

Robert Reich and the Job Revolution

The Brave, New, Scary World of Job Skills You Don't Have

By James K. Glassman
Special to The Washington Post

Labor Secretary Robert Reich is struggling these days with an unsettling problem: The American work force is changing, and many workers are unhappy about it. Their anger surfaced in opposition to the North American Free Trade Agreement, the Perot movement and even the defeat last year of President Bush.

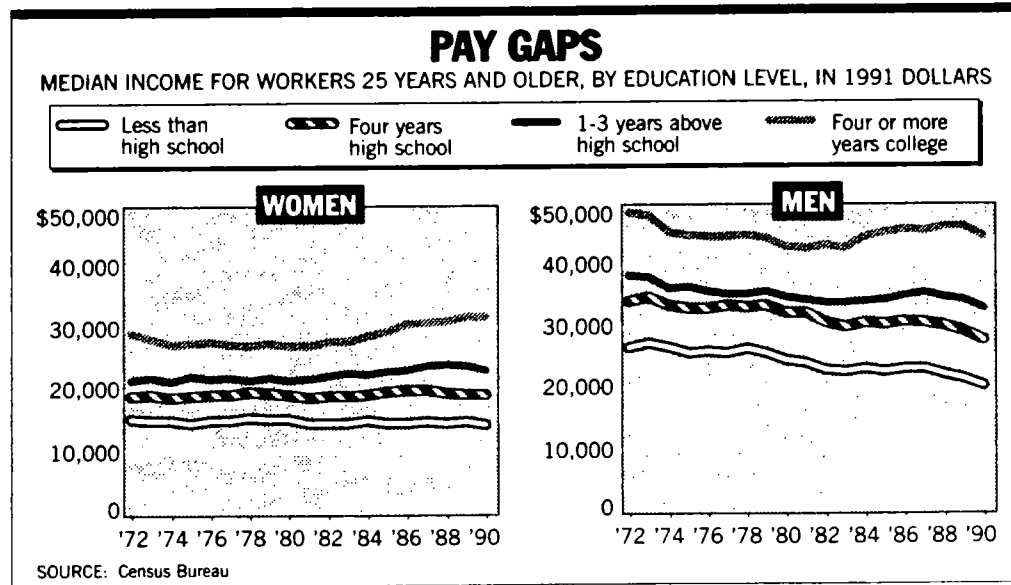
Assuaging this anger is a problem for the Clinton administration—specifically for Reich, **COMMENTARY** who works long hours in a gigantic office under a portrait of Frances Perkins, who, he marvels to a visitor, “had this job for 16 years!”

Reich’s message is that change will be good for workers—as long as they have skills to sell. For those that don’t, he proposes urgent help.

In early February, Reich will send the Workforce Security Act to Congress. He says flatly that the current federal system for workers is “not designed to help people find first, new, or better jobs.”

Instead, it offers a safety net (mainly unemployment insurance) to tide folks over until they get their old jobs back as the business cycle turns up.

But those old jobs aren’t coming back.



THE WASHINGTON POST

Pressured by global and domestic competition and by their own stockholders, U.S. companies are learning how to become more productive.

In just eight years, for example, the steel industry figured out how to produce 45 percent more steel using 30 percent fewer workers.

Or consider Xerox Corp., which announced Wednesday it was cutting 10,000 jobs—even though it’s making a half-billion-dollar profit this year. Xerox is simply taking advantage of new technology and organization to reduce its costs and increase its productivity.

Overall, such steps benefit the economy

See **BIG MONEY**, F2, Col. 1

Revolution in the Workplace Is Both Scary and Liberating

BIG MONEY, From F1

(since profits become investment capital), but they can leave individual workers out in the cold.

The challenge for Reich is how to get those dislocated workers back into the labor force quickly. His bill isn't grandiose, but, then, it probably shouldn't be.

The main role of the government will be to provide information—to set up a giant data bank to match employers with potential employees, to help displaced workers get training at places such as community colleges and to offer job counseling.

In this brave new post-NAFTA world, Reich said, "there's a secular shift in favor of skilled, not unskilled, workers."

What he has to teach Americans is that the shift—at least for this country—is good, not bad.

In a global economy, the fight for unskilled, or low-skilled, production jobs—jobs like sewing pockets on shirts, say—is vicious. Countries with low living standards will win.

But when it comes to skilled jobs, U.S. workers have an advantage—not just brains but an ingrained spirit of individualism, the idea that we can all be little economic engines of our own, not just cogs in a corporate machine.

"Sure change entails upheaval and dislocation," writes Myron Magnet in his new book, "The Dream and the Nightmare," "but the flexibility of Americans, their readiness to reinvent themselves and remake their circumstances, is a key element both of the American national character and of American economic success."

We don't always have the *right* skills, but we can get them. Experts say this country has the best post-secondary education system in the world, and not just for the top tier.

Booming Thomas Nelson Community College in Hampton, Va., for example, is developing top automotive technicians with help from Ford Motor Co. and aerospace engineering technicians with help from the National Aeronautics and Space Administration.

Students there understand that a high school diploma "doesn't get you a job as a car mechanic anymore," said Robert Templin, the college's president.

Reich makes this point with a graph that shows the big difference in earnings between high school graduates and workers with just one to three years of extra training of any sort.

For men, in the most recent year, that difference was more than \$5,263 in annual pay, or 19 percent; for women, 21 percent.

A study by the Bureau of Labor Statistics last month identified the skilled jobs that will grow quickly and pay well from now to the year 2005.

They don't involve brain surgery or splitting the atom, but they do stress individual problem-solving, and they're generally more rewarding personally than production-line work, which, Reich believes, has been romanticized.

Fastest-growing new jobs? In 1992, there were 1.8 million registered nurses in the United States,

As long as Americans understand they're not helpless victims, they can improve their skills.

making an average of \$34,476 a year; by 2005, the Labor Department estimates there will be 2.6 million, an increase of 44 percent.

Other hot jobs that don't require college degrees: data-processing machine repairers, up 46 percent in the next 13 years; food service and lodging managers, up 44 percent; offset press operators, up 37 percent; radiology technicians, up 63 percent; paralegals, up 85 percent; and musicians (!), up 25 percent to 295,000 jobs.

As long as Americans understand they're not helpless victims, they can improve their skills. Self-interest should do the trick.

As Gary Burtless, a Brookings Institution economist, said, "The government already offers a variety of inducements—like student loans and low community college tuition—for individual workers to invest in their own general training."

But Burtless and others believe much pain can be avoided if the government forces companies to spend more on training their own workers—through a plan similar to one President Clinton pushed during the campaign, then abandoned. (After all, it looked like a tax!)

On the whole, Americans seem to be adapting well to this new economic world—certainly better than Europeans.

It's scary, but it can also be liberating.

AMERICANS WANT ACTION ON THE JOBS ISSUE

JOBS ISSUES TOP IMPORTANCE IN OPINION POLLS

L.A. TIMES POLL

IF CONGRESS AND THE PRESIDENT COULD DO ONLY ONE THING NEXT YEAR...

	ALL	DEM	IND	REP
Job Training for unemployed	33%	34%	33%	26%
Health Care Reform	24	34	22	14
Anti-Crime Bill	20	15	21	25
Welfare Reform	15	11	16	25
Campaign Finance Reform	4	2	4	5

ECONOMY IS...

In recession	66%
Not in recession	29%

Times Mirror Company, December 8th, 1993
1,612 Adults Surveyed 12/4-7

BUSINESS WEEK POLL

THE CLINTON ADMINISTRATION WANTS THE FEDERAL GOVERNMENT TO PROVIDE MORE TRAINING FOR AMERICAN WORKERS TO GIVE THEM COMPETITIVE JOB SKILLS. IF THIS ALSO INVOLVES HIGHER TAXES FOR EMPLOYERS AND EMPLOYEES AND MORE GOVERNMENT INVOLVEMENT IN JOB TRAINING, WOULD YOU FAVOR OR OPPOSE THIS PLAN?

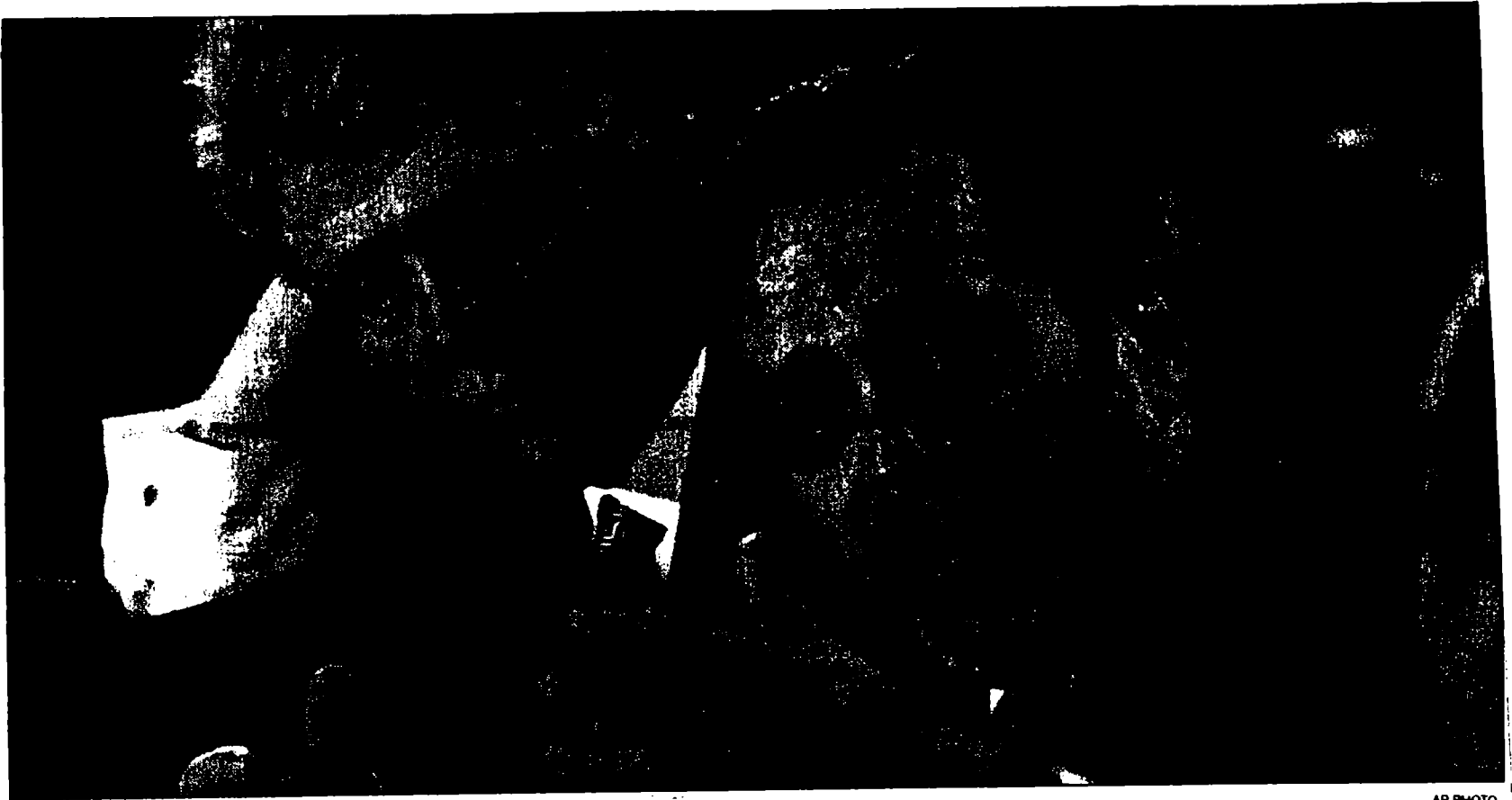
Favor.....54% Oppose.....43% Not Sure.....3%

THE CLINTON ADMINISTRATION BELIEVES THAT AMERICA HAS TO MAKE MAJOR CHANGES - SOME OF THEM PAINFUL, SOME OF THEM COSTLY - IN ORDER TO PROVIDE AMERICANS WITH THE ECONOMIC SECURITY IN THE FUTURE. DO YOU TEND TO AGREE OR DISAGREE WITH THIS?

Agree.....67% Disagree.....29% Not Sure.....4%

Harris Poll, Business Week Cover Story, January 24, 1994
1,255 adults, conducted Jan. 7-10, 1994

Globe
2/5/94



AP PHOTO

President Clinton and Labor Secretary Robert Reich discuss proposed Workforce Security Act at a conference on retraining.

Jobless program overhaul pitched

By Meg Vaillancourt
CONTRIBUTING REPORTER

WASHINGTON - Declaring the safety net which has served America's jobless for nearly 40 years obsolete, President Clinton yesterday called for a complete overhaul of the nation's unemployment insurance system.

In its place, Clinton outlined a radically revised system he said would better serve the 2 million Americans permanently laid off each

year - workers whose jobs won't return with an economic recovery and who must reinvent themselves and their careers through retraining.

"In a time when we have to cut domestic spending, we must find more money for this," Clinton said in an appearance at a daylong conference on job training sponsored by the Labor Department.

Pitching his plan to several hundred workers, employment specialists, elected officials, business and labor leaders, Clinton and Labor Secretary Robert Reich, championed

the administration's Workforce Security Act to be introduced to Congress later this month.

According to interviews with Reich and other labor officials, the bill would:

- Allow part-time employees to collect partial unemployment benefits. To discourage corporate layoffs, payments would be made to workers whose employers reduce their work hours rather than eliminate positions.

- Allow permanently fired workers to receive up to 2 years of income

support while they retrain. (A Reich aide said yesterday the duration of income support to be offered "is still under discussion.")

- Allow states to offer cash rewards to workers who quickly find new jobs rather than remain on the unemployment rolls. (In pilot projects in 4 states, individuals can receive from \$500 to more than \$1,000 in incentives for finding jobs before their benefits run out.) A draft Labor Department report estimates that 3-5 percent of those eligible for

Overhaul of jobless aid pitched

■ JOBS

Continued from Page 33

benefits would get these "reemployment bonuses." Workers would have to remain in their new jobs for a minimum period of time before qualifying for the bonus.

■ Encourage would-be entrepreneurs to use their benefits to bankroll new businesses. (This program is currently being done on a pilot basis in Massachusetts.)

■ Replace the nation's network of 1700 unemployment offices with "one-stop" centers and streamline the confusing array of more 100 different government programs for the unemployed.

Echoing a theme he's using to sell national health care reform, Clinton argued unemployment reform will provide "economic security" to millions of Americans anxious about losing their jobs.

Noting his 5 year budget request will be public next week, Reich declined to specify how much all this will cost. Published reports estimate the price tag will be about \$3 billion a year. However, the cost is likely to climb higher than that since the estimate refers only to programs for "dislocated workers and not for the disadvantaged adults or youths who may need help entering the work force," Reich said.

The plan hasn't been formally introduced yet, but already critics are questioning both the proposed changes and how it would be funded.

In his State of the Union Message last month, Clinton said he would cut spending on 300 programs and eliminate 100 more, to allow dis-

cretionary funds to flow into the Labor Department's initiative. "The budget will be tight, but the president has said this is one of his top priorities," Reich said.

Organized labor, meanwhile, argues unemployment reform requires more money than the administration is budgeting. Still smarting over its failure to stop passage of the North American Free Trade Agreement, labor unions are especially irked by the plan to eliminate special training programs aimed at workers laid off as the result of government trade policies.

"All workers who have lost their jobs due to trade policies, defense cutbacks, or other government actions, should be entitled to wage replacement benefits at a minimum level of 70 percent of the workers' prior pay," AFL-CIO president Lane Kirkland said. In a letter to Reich, Kirkland noted that the 70 percent minimum was available under Trade Adjustment Assistance prior to 1981.

Reich defended both the consolidation of retraining programs and the proposed funding levels.

"Everyone should be treated the same no matter how they get displaced," he said. "It's in the interests of all of us for these people to collect paychecks rather than unemployment checks or welfare checks."

Acknowledging he has to combat congressional critics who may want to preserve special training programs created to serve their constituencies, Clinton asked conference members to lobby their legislators for consolidation of funds that can be of more use to more people. "We need one pot of money," he said.

Wall St. gives Viacom nod in Paramount

■ PARAMOUNT

Continued from Page 33

nal offer was dashed.

"There's a lot of disappointment," one arbitrator said.

Moments before Tuesday's deadline, both Viacom and QVC unveiled their final bids for Paramount, whose holdings range from a Hollywood studio to New York's book publishing industry, with the New York Knicks basketball and Rangers hockey teams as well.

Paramount has been avidly sought by QVC and Viacom as a source of programming for their cable television operations and planned expansions into multimedia ven-

Jessica Reif said in a report.

Analysts said that Viacom's new bid has a lower current value than the competing offer by QVC but that Viacom's bid may be more stable and have a stronger potential.

Both suitors refrained from claiming victory.

"We're going to let Wall Street make its judgment," a Viacom spokesman said, but added, "We think that we have a superior bid."

A QVC spokesman said the rise in its shares had little significance. QVC said its new bid cuts the amount of publicly traded QVC shares and takes pressure off its stock price.

Some traders speculated QVC

TO: JOAN
DT: 6/7
RE: VARIOUS

~~LABOR~~
CABINET

1. Linda called and Fisher definitely wants POTUS to do the FR for him in DC either July 18 or 19 -- they are all ready to go and just need confirmation from Ricki which LM hopes to get tomorrow.

2. Steve Silverman called and he is sending you stuff on the labor grants which you discussed this morning. He'd like your thoughts on it ASAP ~~(we have not received the info yet)~~ (copy attached if you haven't seen it)

Joan, Susan, John--per discussion

YOUTH FAIR CHANCE PROGRAM

Cochese County, Az	Kolbe
Baltimore	Mfume, Cardin
Memphis	Ford
SW Wisconsin	Barca
Ft. Worth	Geren
Denver	Schroeder
New Haven	DeLauro
Los Angeles	Becerra, Roybal-Allard
Fresno	Lehman
Cherokee Nation,OK	Synar
Migrant Farmworkers	California

Houston	Archer
Topeka	Slattery
Broward	Shaw, Johnston
Bronx	Serrano
Seattle	Cantwell, McDermott
Philadelphia	Foglietta
Santa Anna	Dornan, Rohrabacher, Cox
Indianapolis	Jacobs
Detroit	Conyers
Cleveland	Stokes
Buffalo	LaFalce
Kentucky	Bunning

cc: Harold
Karen

 * The mail attachment is a WordPerfect Document. What you see below *
 * is an approximation of how it would appear using WordPerfect 5.1. *

YOUTH FAIR CHANCE PROGRAM

The Job Training Partnership Act amendments of 1992 authorize the Secretary of Labor to award up to 25 Youth Fair Chance (YFC) Projects, conduct an evaluation of the program and to provide technical assistance at a total of \$50 million.

The YFC concept is a community-based program that targets money directly into areas where youth problems are greatest, in areas of high poverty. The program provides a variety of services and harnesses the cooperation and involvement of other service providers to focus on such youth problems as dropping out of school, teen pregnancy, drug and gang involvement, employment and training, lack of sports and recreation, family support, child development and health.

The project population will be youth and young adults between 14-30 years of age who reside in rural and urban communities. The project will saturate small neighborhoods or communities with populations of not more than 25,000, having the highest concentration of poverty based on the latest Bureau of the Census estimates; migrant or seasonal farmworker communities; native Alaskan villages; or Indian reservations.

The YFC project design includes two components -- one to serve in-school youth and another to service out-of-school youth and young adults. The in-school component is a school-to-work (STW) program to transform high schools and improve the education, training and employment opportunities of youth. The STW program is consistent and in accord with the School-to-Work Opportunities Legislation and the proposed Goals 2000: Education American Act. Programs will contain three main components: (1) work-based learning, (2) school-based learning and (3) connecting activities such as (a) student- employer matching, (b) providing technical assistance and services to employers and others in designing work-based learning components and counseling and case management services, (c) providing a broad range of assistance to students, and (d) collecting and analyzing information regarding post program outcomes.

The out-of-school program will be comprised of centers for continuing education and training . Centers will provide remedial education, GED preparation, occupational training, English as a Second Language classes, job search assistance, support services, and recreation and sports programs.

A number of the projects will provide job guarantees for youth meeting prior school attendance and performance standards. To be eligible for a guaranteed job youth must be between 16-19 years of age and must make a commitment to continue and complete high school. Wage subsidies of up to 50 percent will be provided by some of the projects. The duration of such employment is to be limited to 1 year and youth are not to exceed 15 hours of work per week during the school year.

Community residents, businesses, schools, etc. will be directly involved in the project through the Community Advisory Board.

 * The mail attachment is a WordPerfect Document. What you see below *
 * is an approximation of how it would appear using WordPerfect 5.1. *

JUNE 6, 1994

NOTE TO KRIS BALDERSTON

FROM: BEVERLY BACHEMIN

SUBJECT: Procurement Process

Per your request below is additional information on the procurement process for the Youth Fair Chance (YFC) solicitation.

In response to the Solicitation for Grant Application (SGA) we received 110 proposals. The proposals were reviewed by panels made up of retired Federal employees from the U. S. Departments of Education and Labor, and, staff from U. S. Departments of Health and Human Services and Labor/ETA.

The outside panelists were individuals who had extensive experience working on issues related to youth and young adults.

Of the 20 outside panelists 5 were retired from the U. S. Department of Education and had been involved in vocational and alternative education, and school-to-work transition programs.

Fourteen (14) were former U. S. Department of Labor employees who were involved with experimental, demonstration, research evaluation, and JTPA programs, and policy. For example, one was the director of the Neighborhood Youth Corps, another was the director of an office in the National Youth Programs Office.

One (1) was former Office of Economic Opportunity, director of New Careers.

The employee staff were from both Labor and Health and Human Services.

From DOL, 3 were from OSPPD, all involved in youth programs. For example 1 is an education specialist and one designed the YFC prototype, Youth Opportunities Unlimited.

Others were from Job Corps, Office of Work-based Learning (School-to-work transition team), Indian and Native American Program, Seasonal Farmworker programs, and Budget.

There were 9 panels. Each panel consisted of no less than 3 panelists. No more than 13 proposals were reviewed by any one

panel.

The procurement process was directed by a Grants Specialist from the Office of Acquisition and Assistance/ETA. The panels met to review proposals at the Howard Inn for 2 1/2 weeks.

Following the review of each proposal and panel discussions under the guidance of the Grants Specialist, each panelists numerically rated and provided narrative support for the rating of each proposal. A report from each panel was than submitted to the Grants Specialist summarizing the ratings and the narratives.

Nine (9) panel reports were summarized by the Grants Specialist which made recommendations for awards, and a final report was submitted for consideration to the Grants Officer.