

Re-employment Act

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U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

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MEMORANDUM FOR THE PRESIDENT

FROM: Robert B. Reich *BR*
THROUGH: Robert Rubins *RR*
SUBJECT: The Reemployment Act of 1994

We are in the final stages of preparing the Administration's Reemployment Act proposal. This memo brings you up to date on the state of the proposal, plans for introduction, and some remaining issues you should be aware of.

The Proposal

The Re-Employment Act will have these key features:

1. Consolidation and coordination. The Act consolidates all six existing "categorical" adjustment programs (for dislocations due to trade, defense conversion, etc.) into a new, comprehensive program for all displaced workers. It also lets States opt into a broader plan for coordinating the delivery of JTPA Title II, veterans' training, Senior Community Service Employment, and other workforce programs.
2. Reemployment services. Services for dislocated workers include: (a) early outreach, to deliver help quickly; (b) basic readjustment services, including information on jobs, job search assistance, and career counseling; (c) long-term training--with income support--to those who need and want it; and (d) a single point of contact for career counseling, information on jobs and training programs, UI claims processing, and other services.
3. Job information. The Act also establishes a national labor market information system to improve and knit together various job data systems. An integrated, computer-based network will deliver information on current job openings, trends in job opportunities, profiles of local employers, job qualification requirements, and--importantly--the performance of training program managers and service providers.

4. Serious retraining and support. Most dislocated workers need only counseling and information to get new jobs. For those who do need retraining, short-term programs are seldom enough. The Act provides access to longer-term retraining, and financial support to let workers complete serious programs. Workers can get training grants worth up to \$4,750 per year, for up to two years. Once the system is fully implemented, most dislocated workers enrolled in long-term training will receive income support if they have at least 1 year of tenure with their previous employer. (During the FY 1995 - FY 1999 transition, income support for those with less than 3 years of job tenure will depend on discretionary, not mandatory funding. Beginning in Fiscal Year 2000, the FUTA 0.2 offset will be used to fund all income support on the mandatory side.) Income-contingent loans play a key role in making training possible for workers who need especially long-term training, or who aren't eligible for sufficient income support.

5. One-stop. The bill requires States to coordinate services for dislocated workers through career centers. It allows States to compete for funds to develop a more ambitious network of one-stop career centers to serve anyone who needs help getting a better job--not just dislocated workers--and to coordinate the delivery of a wide range of employment and training programs, including programs for welfare recipients. About six States can win one-stop implementation grants in the first year; all fifty States will have the opportunity to implement the one-stop system over the next five years.

6. More accountability. State-level "customer service compacts" and performance standards (for program operators, career centers, and service providers) will improve accountability for dislocated-worker programs in all States. As States opt to build universal one-stop systems, they commit to more rigorous reforms:

- A State Human Resource Investment Council, optional under current law, will be required.

- Local "Workforce Investment Boards"--appointed by local elected officials--will oversee the one-stop career centers, and serve as the "board of directors" for all local workforce programs. The Boards cannot operate programs themselves. Business representatives, limited to CEO's, plant managers, and business owners, must form the majority; labor, public officials, community and education leaders are also represented. (A JTPA Private Industry Council may become a Workforce Investment Board, but only if it meets the Act's more stringent criteria.)

- One-stop career centers may be run by a consortium of organizations, centered on the Employment Service, the State UI agency, and agencies administering JTPA Title II and the Reemployment Act's dislocated worker program.

■Alternatively, Governors and local officials can opt for a more competitive approach, consistent with the National Performance Review's recommendations. Under this option the Employment Service, but also other organizations (including dislocated worker center operators, JTPA programs, community colleges, and private for-profits and non-profits) are chartered to run one-stop career centers.

■Under either option, one-stop career centers will be required to meet customer-oriented performance measures, and will be evaluated each year.

7. Implementation phase-in. Your FY 1995 budget includes \$1.465 billion for dislocated workers--an increase of nearly one-third over the FY 1994 base of \$1.118 billion. It also includes \$250 million for the first round of grants to States ready to build one-stop career center systems to serve all workers. When fully implemented (in FY 2000) the system will serve 1.3 million dislocated workers yearly--the entire population we expect to need reemployment services--at an annual cost of \$3.4 billion. The phase-in schedule is summarized on the attached chart.

Introduction Strategy

The goal is enactment of the Reemployment Act of 1994 before the end of this session of Congress. To raise the odds of rapid passage, we have conducted extensive advance discussions with major stakeholders. We are working simultaneously with four authorizing Committees, while crafting a stakeholder coalition. Both House Ways and Means and Senate Labor and Human Resources prefer a two-bill approach, separating out the income support component. The elements of the Act would move through committee in tandem, and could be rejoined on the floor.

Reaching a common position on the major provisions of the proposal will let us present the legislation as a consensus bill in early March. We are seeking your participation in an "introduction-day" event with Congressional sponsors, labor and business leaders and selected Governors and Mayors, to occur within the next two weeks.

We are aiming first for passage in the House. Education and Labor Committee Chairman Bill Ford has agreed to introduce the bill, supported by Subcommittee Chairman Pat Williams. Chairman Rostenkowski will work with us on the bill providing income support on the mandatory side of the budget. Senators Kennedy and Metzenbaum will take the lead in the Senate. We are working with Senators Bradley and Rockefeller to move the Act through the Finance Committee. (Senator Bradley will be a sponsor.)

Issues to note

You should be aware of certain issues, and the shape the debate is likely to take:

■Consolidation: While the Act immediately consolidates six programs, and builds a framework for further consolidation, some critics will dismiss it as too timid a step towards streamlining. Labor groups, on the other hand, may press to keep Trade Adjustment Assistance out of the Reemployment Act.

■Competition: The Act stops short of the National Performance Review's recommendations for competition among alternative suppliers of reemployment services--States may choose between a competitive or a "consortium" approach, and the Employment Service retains advantages under either option. Yet some labor groups still feel it goes too far in threatening the franchise of the Employment Service.

■Displaced Homemakers: Advocates (including some key Hill staffers) have pressed to grant full eligibility under the Act to "displaced homemakers"--women who have lost their livelihoods to divorce or widowhood. But the number of such women far exceeds the number of economically dislocated workers, and full inclusion would swamp the program. We are seeking compromise, but the issue will likely resurface.

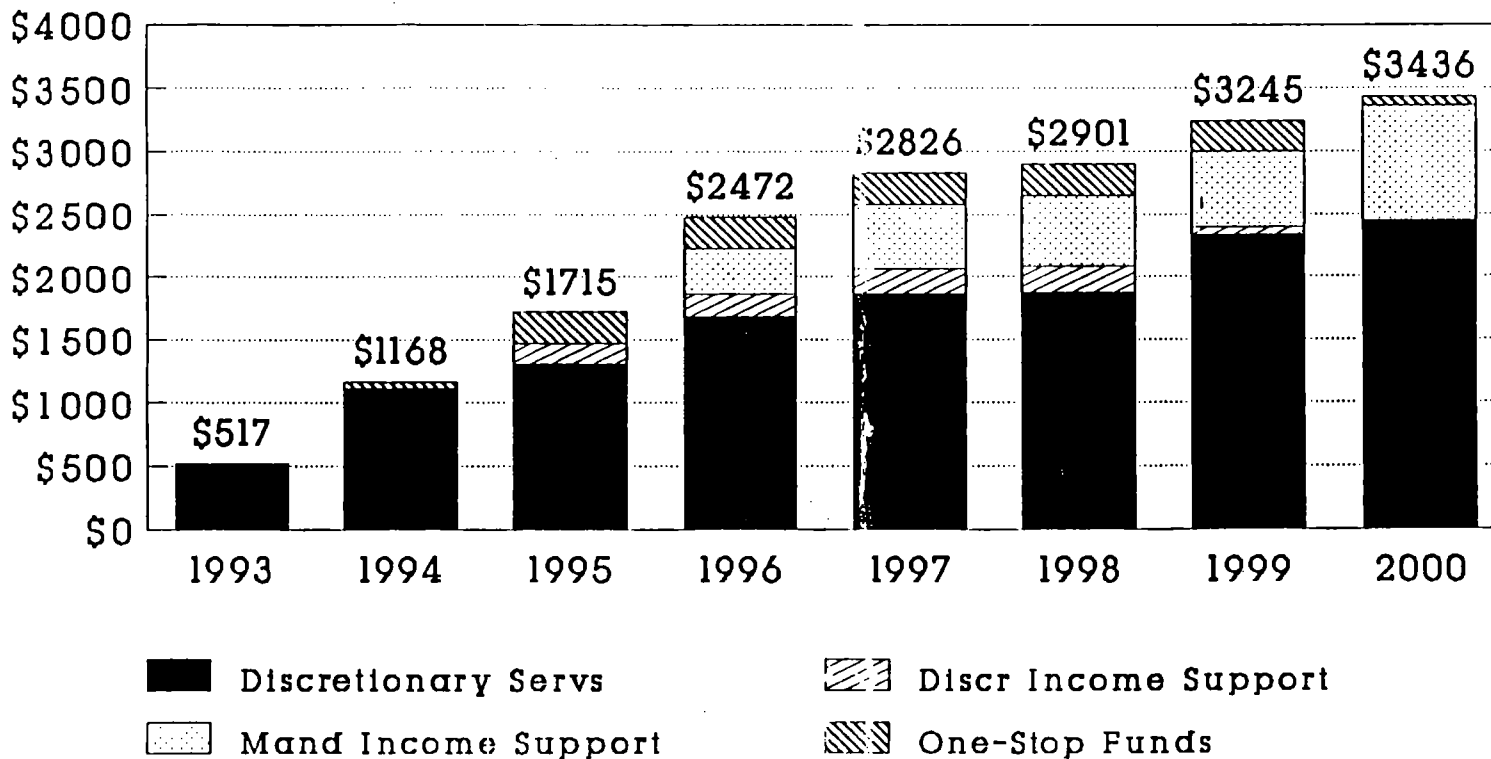
■0.2 percent FUTA: Business and Republicans may resist devoting the 0.2 percent FUTA tax to pay for retraining income support following its scheduled 1999 expiration, even though the tax has been extended repeatedly since its original 1987 expiration date, and another extension is widely anticipated.

■Plans for the disadvantaged: Some advocacy groups feel that the reemployment initiative has eclipsed targeted employment and training programs for the disadvantaged, and may condition their support for the Reemployment Act on an Administration commitment to focus more on programs for the disadvantaged. (In fact, you are seeking a 13 percent increase in such programs for FY 95. There is also a substantial overlap between the two groups: Disadvantaged workers are especially likely to be dislocated from their jobs.)

THE REEMPLOYMENT ACT OF 1994

Funding by Category*

Mandatory or Discretionary



FY93-94 includes only EDWAA
(Does not include TAA, DDP, DCA,
Clean Air or NAFTA Bridge)

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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Compendium of Related Material Not included in this package

- ❖ **When is Training Effective for Dislocated Workers?**
- ❖ **GAO and 150 Programs**
- ❖ **Selected Employment and Training "Programs" per GAO Report**
- ❖ **"How Workers Get Their Training: A 1991 Update" (Excerpts -- BLS, August 1992)**
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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 lay-offs. 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.

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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.

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

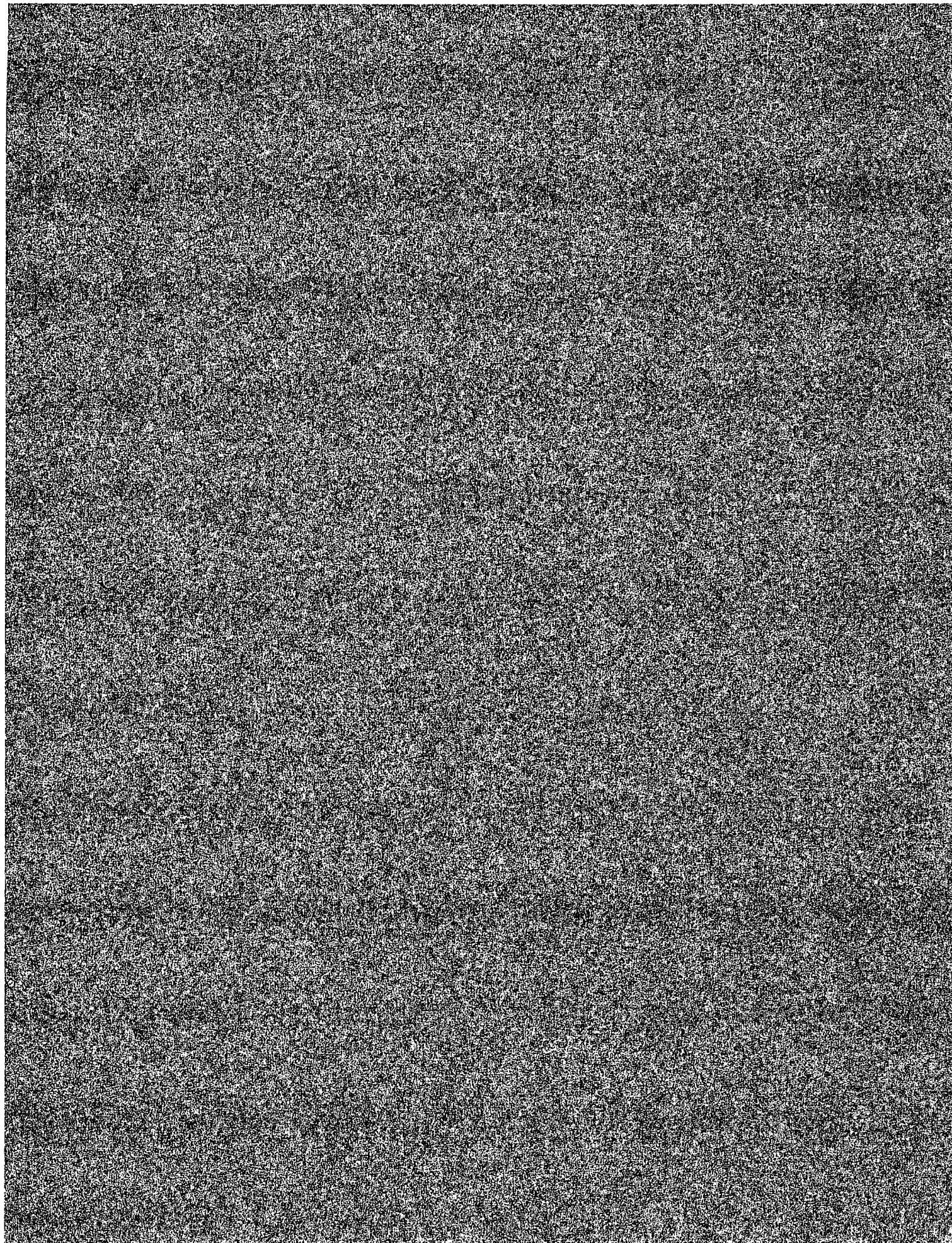
improved product for all stakeholders and potential customers would result.

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;



TO: Paul Dimond

The Reemployment Act can be fought on several different grounds. One possibility is increased federal spending. The President's proposal calls for investing \$13 billion to help laid-off workers find new jobs over the next five years (FY95-99)--\$6 billion of it new spending over the FY94 baseline.

This is clearly the ground on which the Republicans would prefer to do battle. If the central issue is whether to increase federal spending, most Republican members are not only comfortable voting "no", many conservative and centrist Dems will feel compelled to join with them. For a "no" vote against "more of the same" not only is an easy vote, its a potentially popular one when the "same" is an Employment Service and public training programs which our own focus groups indicate most Americans regard as ineffective. Left to their own devices, it is on this spending ground that Committee Chair Bill Ford, Pat Williams (the subcommittee chair on House Ed and Labor), Senator Metzenbaum (the principal Senate sponsor) and, perhaps, Senator Kennedy will want to engage the Republicans. The AFL has already been critical of the Administration for not committing enough new money to the system. But if spending is the issue, obtaining 60 votes in the Senate becomes enormously difficult if not impossible, and mobilizing public opinion behind the President equally hard.

A second ground on which to contest the Reemployment Act is system change or reinventing government. It can be framed as a choice between putting people first or bureaucracies first. As the President and Vice-President made clear in the NPR report, they strongly favor putting people in charge of their own destinies through customer choice and competition--a goal they contend is best advanced by forcing public monopolies to compete with the private sector for the training and counseling business of laid-off workers and the federal dollars they control.

By positioning the President and the Reemployment Act on the side of laid-off workers against unresponsive public bureaucracy, the Republicans are pushed onto a more difficult spot on the floor. They can't very well oppose us on change since they presumably dislike public bureaucracy and monopolies more than we do. And if they support system change to make labor markets respond better to workers real needs but oppose putting extra resources into a reformed system, they appear not to care about people. They supported NAFTA (and will back GATT) like the President. But unlike the President, they care more about profits than people--even when the private sector is being invited in to help ensure that the extra investment in the employment and training system results in real jobs and career opportunities for the victims of corporate downsizing, open trade and the like. Making reinventing government the battle ground also creates a comfortable "yes" vote for centrist and conservative Dems as well as moderate and "opportunity" Republicans. However, fighting on this ground means

standing up to the public employee unions which will insist on a presumptive monopoly for the Employment Service and a strict exclusion on private sector participation (see Joe Klein article in 3/7 Newsweek).

Neither of these battle grounds is incompatible with a marketing strategy for the Reemployment Act that portrays it as a key part of the Administration's jobs plan. Thanks to our deficit reduction plan, the resulting low interest rates, our successful efforts to open up new markets for American products, and our investments in technology and infrastructure, the U.S. economy created 1.6 million new private-sector jobs last year, 60% of which were professional, managerial or technical. The Reemployment Act offers permanently laid-off Americans the tools to find those new jobs and, when necessary, acquire the new skills many of them require. If we fail to build this reemployment system, many hardworking men and women will be locked out of good jobs, and many of those jobs will migrate overseas in search of skilled workers.

THE WHITE HOUSE

WASHINGTON

December 10, 1993

MEMORANDUM FOR GENE SPERLING

FROM: PAUL DIMOND

SUBJECT: TRANSFORMING AMERICA'S UNEMPLOYMENT SYSTEM INTO
A RE-EMPLOYMENT SYSTEM OF LIFETIME EDUCATION,
TRAINING AND JOB PLACEMENT

I. **ACTION-FORCING EVENT:** Options for decision on the re-employment system of lifetime education, training and job placement may be made next week. There are serious questions whether DOL's option for transforming the unemployment system will accomplish this goal or is politically feasible in this Congress. There are serious questions whether DoEd's design of the learning loan program is sufficiently flexible to implement this goal.

II. **BACKGROUND ANALYSIS:** The President promised:

I will propose a plan to transform America's unemployment system into a re-employment system of lifetime education and training and job placement services for workers who have to change jobs many times.

As Larry Katz explained yesterday, there are three basic substantive areas to consider in meeting this promise:

- lifetime education and training
- job placement and re-employment
- income support

As you explained yesterday, there is also a major political issue.

III. **RECOMMENDATION:** I recommend that options for decision be presented to the President in a fashion that **separates** the three substantive issues and the one political issue. I believe that this will better enable the President to focus on what the real issues are, rather than be stuck with reviewing only the options presented by the agencies to date.

IV. DISCUSSION OF FOUR MAJOR ISSUES

A. Lifetime Education and Training. To key to meeting the promise of lifetime education and training is proposing a system that stimulates:

- the **demand** of employers, workers and students for continuous learning and
- the **supply** of education and training provided by employers and public and private providers.

A major redesign of the student loan program to permit greater flexibility and ease of use by all ages is the best way to stimulate the demand by learners who have a real stake in their learning. This may also be the best way to stimulate demand by employers for on-the-job training for employees, too: employers will compete to provide such training in order to retain and to improve their most valuable asset, their workforce.

Assuring quality and value on the supply side may be more difficult. But certainly we need:

- more and better information for consumers and regulators on what adds real economic value
- a much more flexible approach to accrediting providers of education
- a more effective regulatory framework for excluding providers who do not add economic value over time

For a variety of reasons, which you know well, stimulating increased supply and demand through a bold and flexible income contingent loan program is the most effective -- and the only fiscally possible way -- for the President to move to a universal system of lifetime education and training. DoEd, as you saw however, has a long way to go to redesign the student loan program so that it is transformed into an effective lifetime learning loan program: stick to your guns on the payroll deduction, and I'll get you the information and options to make it responsive to different age ranges in the lifespan. (In fact, by Tuesday, I'll be able to show you that, for the age group 35-50, the equity issues are easier than for those who are older or younger; and we can ameliorate the equity issues for those over 50 by lowering the total amount available for loans by a small amount each year over age 50).

(The evidence on DOL's own array of training programs, like those at HHS and other agencies, is very mixed, at best: short-term training, off the job doesn't work; and there is little or no evidence on long-term, off-the-job training. As a result, we can't build a credible system of lifetime education and training off of the DOL training base; and we must make the learning loan program flexible enough to include a whole

variety of training programs, even if non-degree, non-certificate, so long as they prove to add value! In the transition to actual evidence on jobs and incomes, perhaps we could rely on Goals 2000 and SCANS-type standards as an alternative means to accreditation of providers up-front.)

B. Re-Employment and Placement. The key is getting as many workers re-employed before or as soon after the job displacement as possible and making the system attractive to all other users, both to employers and **all** workers. Customer responsiveness (for job-seekers and employers) is therefore essential: any re-employment and placement system should be much more a market driven, entrepreneurial, networking, brokering function than a top-down bureaucratic diagnosis, prescription and matching function.

I fear that Doug Ross's understanding of the customer-responsive model lost out more in the DOL in-fighting to the inertia of the current top-down approach favoring the bureaucratic diagnosis and prescription. As most jobs are won through networks of who you know, we should concentrate on a more entrepreneurial model creating and linking to such networks rather than monolithic, big government attempts either to compete with or to displace such hiring networks.

C. Income Support. Take the sheep's clothing off the lifetime system of education, training, re-employment and job placement, and you get to the crux of the real substantive (and, I believe, political) issue: an extension of UI from six months to two years for workers certified as dislocated and amenable to training by DOL.

I do not believe that there is **any** economic justification for this "transformation": it will just transmogrify our currently more flexible and responsive labor market into as rigid and unresponsive a workforce as in much of Europe, where such longer-term income support for the unemployed operates as a major damper on Europe's ability to compete against us in the transitions to the new economy. Extending income support for the unemployed to two years also does not serve the individual worker: instead of the President's message being "I extend a helping hand so that you can take responsibility for managing your own career opportunities for a lifetime", it is transmogrified into "If DOL certifies that you can benefit from extended training, then I'll give you a hand-out of income support for two full years, at least so long as you keep at whatever training DOL agrees you need." Gene, as a matter of public policy, political message, and real assistance to American workers and the economy, we can do better by doing less for income support!

D. The Political Issue. I don't get it. Did it help that we lost the stimulus package? No. Is it going to help health care reform if we lose (or, perhaps worse, win a request for a FUTA Tax)? I don't think so. Is it going to help the President get re-elected in 1996 if we lose (or perhaps, worse, win) a request to extend unemployment benefits

from six months to two years, either with a FUTA tax or a cut in entitlements? I, for one, doubt it. I, of course, defer to the political judgements of others: I ask only that serious thought be given to the issues from a very hard-headed strategic perspective, not just a short-term tactic to placate one political element or another.

If we structure the system of lifetime education and training and job placement and re-employment in a bold new way, then the President can come forward with a bold new vision of opportunity and responsibility that will make sense to **all** Americans, including the vast majority of union **members**.

cc Bob Rubin
 Bonnie Deane
 Sylvia Mathews

THE WHITE HOUSE

WASHINGTON

February 22, 1994

MEMORANDUM FOR BILL GALSTON

FROM: PAUL DIMOND

SUBJECT: REEMPLOYMENT ACT OF 1994

I reviewed the 2/4/94 draft of the proposed Reemployment Act of 1994. Several questions emerged which you may want to discuss with Doug Ross (and, perhaps, Jack Donohue and/or Larry Katz). In doing so, you need to be aware that many of the provisions in the proposed Act in seeking to transform TAA and EDWA required policy and political compromises that have been worked out over the past several months -- within the Administration and with constituency groups and Congress. Nevertheless, a final review on the merits may still be helpful before the Administration bill is introduced.

- **Job Search First.** Most policy pundits suggest that the best way to improve worker skills and earnings and to improve the competitiveness of the economy -- particularly during structural transition in the economy -- is **keeping workers attached to the workforce**. The longer the separation from work, the greater the difficulty for the worker and for the economy; the shorter the separation from work, the better for the worker and for the economy. This holds true not only for earnings, but also for maintaining and improving skills. Why? In general, we earn and learn as we work more effectively than learning first and earning later. Under the proposed Act is the principle of **job search first** given sufficient priority, even primacy?
- **Conditions for qualifying for education, training and income support.** This leads directly into the second issue: what are the appropriate preconditions for qualifying for extended (i.e., one year) income support and approved education and training? is the goal to steer dislocated workers back into the labor force as quickly as possible or to try to retrain (and to provide income support for up to an additional year) before encouraging "dislocated" workers to take a job? is the goal to provide a skill development option (with income support) to anyone who wants it or only to those who "need" it? if there is a "need" precondition for extended training (and income support), how is "need" defined? Given the difficulty in effectively administering any diagnostic "need" precondition, who will make the decision? If a person can get a job without retraining, is he or she obliged to take the job?
- **Learn while you earn.** A related question: are the grant, loan, and training programs made available under the Act sufficiently flexible to encourage dislocated workers (or incumbent workers at risk of dislocation) to take another job in order to **earn while learning** new skills? Are the income contingent student loan programs, Pell grants, and DOL training programs sufficiently flexible and coordinated to make working and earning while learning a real option?

- **Reinventing Government -- Customer Responsive, Labor Market Centers, State-local institutional arrangements.** By giving discretion to the Governors over the institutional arrangements in the first instance, how far will the proposed Act as drafted enable us to move the States toward creating customer responsive, labor market centers (for information, training, counseling, and reemployment)? Does the proposed Act as drafted provide a foundation for encouraging incumbent workers and firms to invest in continuous learning? How will the Secretary define the performance standards? Will Congress vest this discretion in the Secretary? How will any performance review operate in practice to overturn any governor's initial choice of a particular institutional arrangement if performance falls short of the standard? As most effective job hiring networks are informal and depend on personal contacts and vouching, how will the Labor Market centers perform this brokering function? To what extent will outplacement/headhunter intermediaries be involved? What is the incentive or market structure for rewarding performance in such successful brokering? What performance measures will be applied to education and training programs to provide information to workers on what really works to increase value and to obtain jobs? Which existing labor and education programs will be eliminated or included, and what new learning options are added?
- **Job Search Last.** Whatever the answers to these questions, how does the Reemployment Act provide for a job search last before the time of extended training and income support runs out? How will employers know what useful skills dislocated workers have learned and who will vouch for their skills, motivation, and capacity to employers who are hiring?
- **Budget Scoring.** How does the proposed Reemployment Act as drafted fit with the FY95 budget and the projections for the following fiscal years? Can we justify the overall Act and each Part as an investment in the increasing efficiency of the labor market and competitiveness of the workforce? How do we distinguish the function and purpose of the proposed Act from simply extending income support for certain classes of workers (i.e. those who are dislocated) -- an approach which many claim has led to rigidity and lack of competitiveness throughout Europe?
- **Embracing Change.** Does the Reemployment Act implement our basic policy direction of embracing change? Is the change in name from Workforce Security Act to Reemployment Act reflected in the substance of each of its Part and how they would operate together? Does the proposed Act, taken as a whole, move in the direction of empowering workers to become the independent managers of their own careers in the turbulent but rewarding waters of the new economy? Do labor unions, governors, and business support the Act and the new direction? What is the political reality in Congress and among the diverse constituencies on this basic issue?

I suggest that Bonnie brief us on the prior history and progress on these issues before meeting with Doug Ross, Jack Donahue, and/or Larry Katz.

cc Bo Cutter, Bonnie Deane, Mike Schmidt, Gene Sperling

MEMORANDUM

TO: BILL GALSTON
FROM: KEITH MASON
DATE: MARCH 14, 1994

Attached is a briefing paper prepared by the Georgia Department of Labor Commissioner, David Poythress, outlining his concerns and suggested alternatives to the President's Reemployment Act.

I thought you would want to be aware of these concerns as the bill moves through the legislative process. Thank you.

cc: Mike Schmidt

An Alternative Approach to the Goals of
The Reemployment Act of 1994:
A Federal-State Partnership For a Reemployment System
Presented by Georgia Department of Labor
David B. Poythress, Commissioner
(404) 656-3011

The general concepts set forth in the Reemployment Act of 1994 are sound. This nation desperately needs a comprehensive system for dislocated workers and one which will provide for smooth "work to work" transitions for all Americans. Specifically attractive in this legislation are improvements over the existing fragmented approach, namely: 1) provisions for better data; 2) options for longer term training; 3) financial and other support during training; and 4) pulling all support together in a one stop concept. This vision is consistent with the creative and flexible approaches outlined in Vice President Al Gore's report (Creating a Government That Works Better and Costs Less).

While the basic concepts and ultimate goals are good, the greatest obstacle to attaining them is the continued reliance on the existing "smoke stack" structure set forth in multiple and fragmented pieces of federal legislation. Inherent in this structure are higher costs, less efficient systems and lower customer satisfaction. This, not "lack of competition," should be the foremost concern of policy makers.

For the last 5-6 years, many states have devoted considerable energy to the establishment of comprehensive work force development strategies, tying federal, state and local resources together in ways which work uniquely well in each state. Governors can identify gaps in existing systems and institute change to ensure systems are "working smarter". This has been achieved despite obstacles set up by the lack of legislative or regulatory connection between the system's major components, *i.e.*, the Employment Service, the Unemployment Insurance System, JTPA-funded training programs and public technical schools and community college systems. These strategies have sprung from the states' desire to meet overwhelming needs of customers rather than bureaucracies. Those customers include individuals as well as employers. To protect these advances already made, it is absolutely essential that states be given the power and the accountability to structure systems which are flexible enough to take advantage of all available resources. The current legislation requires more accountability after the fact without providing the needed power up front.

An alternative approach which will accomplish the mutual state and federal goals for a "reemployment system" would entail true collaboration and partnership between the federal and state levels. The federal role should be that of a "catalytic government" which is to "steer rather than row." The needed national vision has been created under this Administration. To carry that out however, the federal government should:

- . develop consistent evaluation criteria based on desired outcomes, including a shared, compatible mission across agencies and programs, with a clear understanding of their inter-connectedness,
- . establish broad parameters for implementation; and
- . share best practices and lessons learned to protect and enhance the national and state investments already made in our human capital.

The federal government should not prescribe procedures and structures by which to carry out the vision. That is best left to states where there is greatest understanding of unique opportunities within each jurisdiction.

A good example of this approach to federal/state role delineation is the Administration's School-to-Work initiative. Each state is provided a planning grant which must address broad parameters - but leaves the design of the system to states. Once planning is done, states are eligible for implementation grants - again with states deciding how to pull component parts into a system. The federal government sets the vision and measurement criteria by which results are judged.

The Reemployment Act will be greatly enhanced and made consistent with the Administration's vision, Vice President Gore's report and sound management practices if the overly prescriptive facets of the bill are deleted (see major flaws attached). In place should be federally prescribed evaluation measures which:

- . value long term solutions and investments in human capital
- . connect the major components of the reemployment system, i.e., ES, UI, JTPA and public post-secondary education.
- . establish common and/or compatible definitions and administrative policies and procedures across funding sources and component parts of the system.
- . sponsor or provide incentive for rewarding employer investments in the development of the nation's work force, i.e., tax credits.

The concepts underlying the need for a comprehensive reemployment system are widely supported. The current legislation is written under the old way of doing government business - rowing not steering. It must lay the groundwork for the entire system not just prescribe another federally mandated program.

Attached are summary analyses of the Reemployment Act of 1994 as drafted 3/8/94.

PROPOSED REEMPLOYMENT ACT OF 1994

CONCERNS AND RECOMMENDATIONS

FUNDING MECHANISMS

- * Extension of the "temporary" FUTA from 1998 through 2003
- * Negative impact on federal/state trust fund balances as a result of "innovative" use of monies
- * Anticipated increase in employer "contributions through "training tax" (1.5%) and taxable wage base (\$20,000)

Strongly recommend other options and mechanisms be considered.

GOVERNANCE STRUCTURE

- * Limited authority of Governors and states
- * Considerable authority vested at both the national and local levels
- * Proposed legislation is overly prescriptive and process oriented
- * Absence of state authority to establish comprehensive employment and training systems

Strongly recommend increased state authority and flexibility

PROGRAM FRAGMENTATION AND DUPLICATION

- * Federally imposed competition will increase costs
- * Legislation as proposed continues multiple federal programs with inconsistent procedures and practices
- * Currently perceived problems with a lack of coordination are due to conflicting laws and policy interpretation

Increased emphasis must be placed on outcomes and not process

EMPLOYER INVOLVEMENT

- * Minimal input from employers while increasing the cost to them
- * Federally prescribed role of local boards

Recommend increased state authority in conjunction with locals to define roles and responsibilities of Workforce Investment Boards

PROPOSED REEMPLOYMENT ACT OF 1994
Summary Analysis of Draft Legislation
February 24, 1994

Recent publication of a discussion draft of the proposed "Reemployment Act of 1994" provides an opportunity for collaborative discussion on the evolution of our current employment and training systems. The legislation proposes "improvements" over existing programs with emphasis on services to dislocated workers.

We support several aspects of the legislation including the focus on improved access to services; emphasis on quality, customer driven services; development of an effective national labor market information system; and the concept of reasonable support payments for long term training.

However, we have serious concerns with basic elements of the legislation particularly with regard to the proposed governance structure; funding mechanisms; and inadequate employer input in the proposal's overall development and financial impact. We will provide a comprehensive discussion of those issues in addition to the brief discussion below.

Governance Structure - The perceived problem of lack of competition is in fact a lack of coordination among multiple federally legislated programs. This lack of coordination begins with the laws themselves and is carried over into administrative practices within USDOL. Attempting to build a delivery system on the "competition" shibboleth will obviously compound existing problems and lead to further fragmentation and loss of accountability in public programs. The situation calls for leadership and accountability in public administration, not a simplistic mantra as a blueprint for redesigning more "programs" in which almost anybody can become an agent of the government and absolutely nobody is really accountable for the money or the program outcomes.

States must have the flexibility to assess resources and programs and design a comprehensive system to meet both federal and state goals for service to employers and the unemployed. Competition among the essential elements of this comprehensive system would be counterproductive to meeting the needs of employers and the workforce.

The legislation vests considerable authority at both the national and substate levels and clearly weakens the role of Governors and state authorities. The legislation includes federal authority to implement various "innovative" approaches to expand employment and training options available to workers, and virtually ignores existing state authority to implement many such options under existing federal legislation. In fact, many of the "innovations" proposed are currently being piloted or under study by many states without federal intervention.

We strongly contend that the role of Governors must be strengthened in this process and the states be allowed the flexibility to design comprehensive systems that enhance efforts already underway to improve services to customers. As written, this legislation leaves the states with extensive liability while limiting authority to make best use of statewide resources and to effectively monitor and direct substate activities.

Funding Mechanisms - We fully support the concept of consolidating various federal programs for dislocated workers, including Title III, TAA, and NAFTA. As proposed, however, the restructuring of existing employment and training systems with various new programs will create a new, enlarged bureaucratic maze funded by redirecting the funding of current, already underfunded basic employment and training services and invade both federal and state employment security trust funds. The legislation also extends the expiration of the "temporary" increase in the Federal Unemployment Insurance Tax on employers from 1998 to 2003. This approach is unacceptable.

The potential of federal and state trust funds, that have served well for over 50 years, being compromised will inevitably create a funding crisis and lead to increased taxes through escalating payroll tax rates and/or increases in the taxable wage base. Various Administration proposals over the past year to restructure the employment and training systems have suggested the need for a new "Training Tax" of 1% to 1 1/2% or an increase in the taxable wage base from the current \$7,000 to as high as \$20,000. Should this proposal receive serious consideration, it is essential that these cost issues be addressed and that extensive dialogue occur with employers and employees who will eventually pay for these new unfunded mandates.

If dislocated workers who enroll in long term training are to receive income support during such participation, other funding sources must be identified. Alternative funding mechanisms for continuing education and training, including tax credits, should be considered.

Employer Involvement - The employer community has a vital role in the development, implementation and operation of an employment and training system which will provide adequately trained and educated workers to ensure that this nation maintains a competitive position in a rapidly changing world economy.

The Reemployment Act of 1994 requires employers to pay the cost of this effort with minimal involvement in the design of this system. The legislation proposes to further dilute local Employer Committees by requiring that they be absorbed into each local "Worker Investment Board". This is without merit. It is absolutely essential that employer consideration and input into this process be expanded.

We will continue to review this proposal as it evolves and provide our comments and recommendations.

PROPOSED REEMPLOYMENT ACT OF 1994
CONCERNS AND RECOMMENDATIONS

1. FUNDING MECHANISMS AND CONCERNS: Extension of the "temporary" Federal Unemployment Tax Act (FUTA) on employers from 1998 to 2003; payment from unemployment insurance trust fund monies for retraining support, reemployment bonuses, and self-employment endeavors; an understatement of the cost of these payments; the ultimate present and future impact on federal and state unemployment insurance trust fund balances; and the potential of further increases in employer "contributions" through a "training tax" of 1-1/5% and/or an increase in the taxable wage base for unemployment taxes from the current \$7,000 to as high as \$20,000. Other options and funding mechanisms must be explored.

2. GOVERNANCE STRUCTURE: Considerable authority vested at both the national and local levels reduces the authority of the Governors and state authorities. Governors and states have extensive liability but limited authority to maximize resources and ensure efficient and effective local operations. Responsibility and authority have been placed at the local level while ultimate liability is with the Governor.

Governors must have the authority and flexibility to assess resources and programs and design a comprehensive system to meet both federal and state goals for services to employers and the unemployed. The proposed legislation is overly prescriptive and process rather than outcome oriented.

3. PROGRAM FRAGMENTATION AND DUPLICATION: Federally imposed mandates for competition will increase costs, further fragment existing collaborative ventures and encourage further duplication of efforts. The result will be multiple service delivery systems rather than one cooperative service delivery system. The perceived lack of state and local coordination and cooperation is a product of multiple federal programs and conflicting administrative procedures and practices.

Federally mandated competition among essential elements of a comprehensive workforce development system will be counter-productive to meeting the needs of employers and the workforce.

4. EMPLOYER INVOLVEMENT: The employer community has a vital role to play in the development, implementation and operation of a comprehensive employment and training system but has not had an opportunity to provide input. Employers will bear the cost of this product without the benefit of any input in the design.

The mandate that autonomous local Employer Committees that operate in an advisory capacity be absorbed into federally prescriptive Workforce Investment Boards is without merit and will add to the present difficulties in attracting individuals from the private sector to participate on numerous boards and councils.



F.Y.I

-Keith Mason

STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

P.O. Box 40002 • Olympia, Washington 98504-0002 • (206) 753-6700

March 8, 1994

The Honorable Bill Clinton
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear President Clinton:

I am writing to thank you for sending the proposed Reemployment Act to Congress this year. I had planned to come back to support you at the introduction of this important legislation, but pressing legislative business is keeping me here at home. I believe that the changes in the economy and their effect on workers and their families, communities and businesses calls for strong action to turn the current unemployment system into a reemployment system. I appreciate your leadership in stepping up to that challenge.

We in Washington State have found out the hard way how difficult it can be to assemble a comprehensive and timely response to economic dislocation out of the current patchwork of state and federal programs. Over the years people working with dislocated worker programs have learned to tie together funds from different programs to meet the needs of laid-off workers. The problem is that the existing system has forced them to be heroes just to do the simple things that a reemployment program should be designed to do.

One key problem has been our limited ability to support the living expenses and training costs of workers engaged in the long-term training needed for high wage-careers. It often takes two years of community college classes for a dislocated worker to train for a new career. We also found it difficult to provide simple associated services such as childcare that are so important when workers are trying to learn new skills and change their lives.

I am glad to see that the proposed legislation responds to these problems. Funds would be provided for training and for the living expenses of workers and their families during training. Associated services needed to make it easier for workers to successfully complete training would also be provided. Access to these services would be broadened and they would be brought together in career centers to provide one-stop assistance. The proposed legislation makes the important commitment to use labor market information as a tool to help individuals manage their adjustment to new careers, which is long overdue. By providing quality and easy-to-use

The Honorable Bill Clinton
March 8, 1994
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information about the quality of training and assistance, the legislation would help put the power to improve the quality of training into the hands of the people who use the training.

I strongly support your leadership in pushing these issues forward and proposing solutions. I know that in Washington D.C., you will face skepticism and questions about whether your proposal can really work, because you're proposing major changes to the current system. I know that your proposal is not far-fetched, because we have been successful in working with similar ideas here in our state.

We recognized the link between unemployment insurance and retraining last year when we enacted the Workforce Employment and Training Act. That Act funded new retraining assistance to dislocated workers at community colleges through an offset to employer taxes. The Act will provide funding for community college training for an additional 5,000 dislocated workers this biennium and will expand to fund training for many more dislocated workers in the following biennium. This legislation reinforced our commitment to support workers through the retraining process.

We established one-stop multi-service centers as a response to recent declines in aerospace employment. Assisted by a Secretary's reserve grant, we worked with the Department of Labor, the Boeing Company, affected unions, community colleges, private industry councils and others to establish and fund these centers. The centers use both public and private funding to provide on-site unemployment insurance claims assistance, provide assessment and other services and refer workers to short and long-term training.

The state Employment Security Department has worked with the Department of Labor for many years to experiment with innovative uses of unemployment insurance and labor market information. The Self-Employment and Enterprise Development program allowed workers to start their own businesses using unemployment insurance funds as seed money. We have offered a short-term compensation program for a number of years in the state. The Reemployment Bonus experiment offered cash bonuses as incentives to workers to find and keep work. The state's Alternative Work Search experiment was a forerunner of worker profiling, a key part of the proposed legislation. Our state-funded Timber Retraining Benefits program has given us additional experience in providing income support for dislocated workers in training.

We know that coordinated statewide planning for the training system can work because we have been doing such planning since 1990. The state undertook a massive year-long Investment in Human Capital study that resulted in the creation of the Workforce Training and Education Coordinating Board. That business-labor-government board has the ongoing responsibility to coordinate and recommend changes in workforce training, vocational education, and adult literacy. The board is designed to give the key role in planning for system change to the business and labor users of training and vocational education services.

The Honorable Bill Clinton

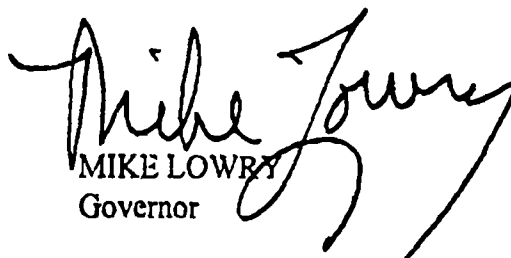
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I want to thank you again for your leadership in proposing the Workforce Security Act. Your efforts to develop a true reemployment system will push us here in Washington State to look for creative and imaginative solutions to our reemployment and training problems and help us to remain an innovator in these areas.

I look forward to being actively involved in working with you and with the Administration as the legislation moves through the Congressional process and as it is implemented, to respond to our state's concerns and to support your efforts to win passage of the bill.

Sincerely,


MIKE LOWRY
Governor