

REEMPLOYMENT ACT TEAM
AGENDA
May 19, 1994

I. OVERALL STRATEGY

- creating/sustaining political imperative
- fixing the problems with the bill
 - o labor
 - o states and localities
 - o consolidation (GOP)
- pre-Memorial Day goals
 - WH put word out about REA as "must pass" legislation
 - more cosponsors
 - progress on the bill's problems
 - find Senate champions on Finance

II. LEGISLATIVE STRATEGY/TIMETABLE

- use of WH and other agency principals to lobby

III. CONSTITUENCY OUTREACH

- business
- community colleges
- labor

IV. WH STRUCTURE AND ORGANIZATION

- meetings! meetings! meetings!
- working with Labor Department
- pulling in appropriate other departments -
 - o Commerce
 - o Treasury
 - o Education

**NATIONAL
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ASSOCIATION**

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Governor of South Carolina
Chairman

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Governor of Vermont
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444 North Capitol Street
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May 11th, 1994

Memorandum

To: Ed Perez, State of Texas

From: Julie Strawn, Human Resources Group

Re: Background on the May 20th Meeting on the Reemployment Act

The Department of Labor has approached the national associations of those involved at the state and local level in administering federal employment and training programs and asked these groups to participate in an all day meeting on May 20th on the Reemployment Act. The purpose of the meeting, according to DOL, is to discuss issues that each group is concerned about with the legislation and try to make progress toward resolving these issues. Kitty Higgins, chief of staff to Secretary of Labor Robert Reich, is convening the meeting and will be present throughout the day's discussions. Several key Senate staff will also be present.

The groups that have been invited to participate are National Governors' Association, the National Association of Counties, the U.S. Conference of Mayors, the Interstate Conference of Employment Security Agencies, the National Association of Private Industry Councils, the State Job Training Liaisons Associations, and the State Job Training Coordinating Council Chairs Association. Each group has been asked to send DOL a list of their concerns with the bill and a list of the people who will be representing them at the meeting. We have been asked to limit our delegations to 5 people or less, not counting Washington staff.

DOL originally intended for this meeting to cover a wide range of issues and to involve all of the major groups with an interest in this legislation. However, they have since decided that this would be too unwieldy and have limited the meeting to the groups listed above and limited the agenda to governance issues (their definition of what falls into that category is not entirely clear). NGA and the other groups want to discuss other issues, however, and will be trying to broaden the agenda to include other major issues.

While I have some reservations about whether this meeting is a good idea, given that DOL has decided to go ahead with it, I think that it is very important to have a strong delegation that can forcefully represent the Governors' interests on this legislation. I would particularly like to have at least one member of our team who is involved in statewide efforts to coordinate and integrate workforce development programs and can bring that perspective to the discussions. I think someone representing the Texas Workforce Commission would be ideal.

Please give me a call at (202) 624-7823 if you have further questions.

Draft Agenda for May 20th Meeting**I. Administration/Authority**

- A. authority over budgets/programs/strategic planning
- B. requirement that substate areas be at least 200,000 in population
- C. administrative capacity (retraining income support/supplemental wage allowance/eligibility requirements for service providers)
- D. liability
- E. consolidation
- F. SHRIC requirement
- G. performance standards
- H. state dislocated worker unit
- I. national reserve grant process
- J. UI-ES-LMI connection/infrastructure

II. Selection process for centers

- A. competitive process
- B. requirement of two career centers
- C. ES presumption

III. WTB's

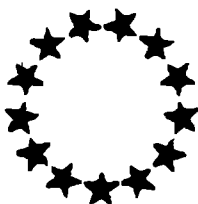
- A. role
- B. composition

IV. Funding

- A. governors reserve funds/national reserve funds
- B. direct, federal-city funding
- C. administrative costs
- D. minimum funding for states
- E. disaster relief
- F. skills upgrading

V. Flexibility

- A. waivers
- B. governance/administrative structures
- C. services
- D. inclusion of job training programs



NGA FAX TRANSMISSION FORM

DATE: 5/19/94

TO:

Patrick Lester

FAX NUMBER:

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FROM: JULIE STRAWN

202-624-7823 (Commercial)

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NUMBER OF PAGES:

3

(including this page)

REMARKS:

Here is the draft agenda,
plus a background memo I did
for the Governors' staff who are
part of our delegation to the
meeting.

If you can't make it, I'd be
happy to sit down with you next
week or over recess to relay what

PLEASE CALL JACKIE HALL AT 202-624-5341 WITH ANY PROBLEMS.

was discussed.

Julie



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Fax Cover Sheet

DATE: May 11, 1994

TO: Kitty Higgins, Deputy Chief of Staff
Alexis Herman, White House Public Liaison
Bill Galston, White House Domestic Policy Assistant

FAX #:

FROM: Bill Kolberg, President and CEO

PHONE #: 289-2800

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NUMBER OF PAGES, INCLUDING FAX COVER SHEET: 3

REMARKS: Over the last week I have met with both Rep. Goodling and Senator Kassebaum to discuss the Reemployment Act. In both instances I urged them to support bipartisan legislative action this year on the bill. I have attached for your information a copy of a letter I sent to both of them which outlines the Alliance's position on the bill. The letter served as the basis for our discussions in both cases.



NATIONAL ALLIANCE OF BUSINESS

Over 25 Years of Helping American Work

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Raul Yzaguirre
National Council of La Raza

May 9, 1994

Honorable William F. Goodling
Ranking Member
Committee on Education and Labor
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Goodling:

I am writing to express the support of the National Alliance of Business for the basic policy principles embodied in the Reemployment Act of 1994. Our Board of Directors, chaired by Bert C. Roberts, Jr. the chairman and CEO of MCI Communications Corporation, discussed this bill at a March 9 meeting and agreed to work closely with other national business organizations, the Administration, and the Congress to help produce an effective, bipartisan piece of legislation this year.

The Alliance supports the provisions in the bill to consolidate into a single delivery system the numerous categorical programs for dislocated workers. This issue of consolidating individual categorical programs and individual service delivery systems is, in fact, central to our interest in the bill. We would encourage the Congress to go much further and to consolidate many more education and training-related programs under this bill. I have had a chance to review your proposals to go much further in consolidating programs and am very much in agreement with the direction you are taking. As you know, other members of Congress are also seeking ways to promote program consolidation. I believe that these efforts have merit when taken together because they point us in the right direction -- better services, simpler access, and less duplication. Such an approach would begin to lay the foundation for a more comprehensive, integrated workforce investment system over time.

The leadership role for business in the governance structures of a new system at the state and local level is an important principle. State and local business-led workforce investment councils can help ensure the relevance of these programs to future jobs in the economy. We support the bill's goal of improving the quality of services for those who need labor market assistance by having training driven more effectively by the skill demands of the modern work place.

NATIONAL ALLIANCE OF BUSINESS

The National Alliance of Business will work closely with the Administration and the Congress on this proposal to further clarify the important policies on which we agree and to offer advice on issues that should be addressed in the legislative process. While there are concerns related to financing income benefits during retraining under the Administration's bill which divide the business community's support of this important initiative, I believe that reasonable, bipartisan solutions can be found. We should ensure that eligibility for the program does not lead to a broad new entitlement, and that the training prepares individuals effectively for the evolving workplace requirements that will emerge in a globally competitive economy. The quality of training and services available under this program must produce workers with a high level of economic relevance that will minimize future dislocations and expand job opportunities for them.

The Alliance commends you for your consistent, strong leadership on job training and workforce quality issues. We look forward to working closely with you to devise a bill that can gain bipartisan support.

I would be happy to meet with you to discuss in more detail the Alliance's perspective on this legislation and our efforts to coordinate business support.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill", written over a vertical line.

William H. Kolberg
President



POLICY REPORT
March 1994
No. 19

REINVENTING THE FEDERAL UNEMPLOYMENT AND TRAINING SYSTEM:

Helping Millions of American Workers Secure New Jobs

by

Peter Plastrik

About the Author

Peter Plastrik is a former economic development official for the state of Michigan, appointed by Governor James Blanchard. He is currently writing a book with David Osborne describing the strategies and tools involved in reinventing government. A former journalist covering Michigan government and politics, Mr. Plastrik currently resides in East Lansing, Michigan.

Acknowledgements

I wish to acknowledge the help of Larry Good during the course of this project.

Executive Summary

President Clinton has offered a historic proposal to boost federal investment in the economic security of American workers and their families. He has offered a plan to radically reshape the federal unemployment insurance and training system.

The plan, which incorporates many features of the Progressive Policy Institute's proposal for a "new compact" with U.S. workers, would retool the unemployment insurance and training system to give workers, not government, direct control of the resources they need to secure training and jobs.

At the heart of the President's Reemployment Act of 1994 is a simple principle: *We must inject market dynamics into the system by forcing service providers to compete for customers who are freed from the control of the government bureaucracy.*

The Clinton plan is a bold blueprint. It commits the federal government to building a nationwide system to assure the unemployed access to useful support. The proposal would allow federal-state Employment Service offices to compete to become local "brokers" of re-employment services.

The Reemployment Act presents a two-step, phase-in strategy. First, "career centers" for dislocated workers would be created almost immediately. Next, a set of "one-stop" career centers would be established gradually -- a handful of states each year--to serve all citizens, including dislocated workers. Each of these steps introduces elements of a market-based system.

Indeed, as government agencies nationwide have been learning, injecting *competition* into public services does not inevitably lead to *privatization*. Government can -- and has -- earned the right to serve by responding to customers' needs.

The new system would force government to put the customer first by injecting the dynamics of the marketplace into the job training system." While the administration proposal moves aggressively in this direction, it also hedges its bet.

Defenders of the status quo -- most notably organized labor -- have already won two concessions from the Clinton Administration that place the new design in jeopardy. States would be allowed to opt entirely out of a market-based competitive model, and local areas would be able to limit the amount of competition that occurs by putting a lid on the number of providers serving customers.

If Congress goes any further in this conciliatory direction, it will send two disturbing signals to the American public: that the interests of American workers and the American economy take a back seat to those of government entities and employees; and that the public sector's workers still are protected from economic change in ways not available to other workers. Such concessions would be a terrible political and policy mistake.

Finally, An Opportunity to Create a System That Works

For years, the federal unemployment and training system has shortchanged the economic security of American workers, but little has been done about it. Chronic underinvestment has minimized the resources available to millions of dislocated and disadvantaged workers. The government's bureaucratic rules and regulations and complacent service-delivery monopolies typically provide low-quality, ineffective services to workers in need. Indeed, the system is the last place that many workers - supposedly, its customers -- want to go for help. As a 1993 study for the U.S. Department of Labor reported,

"Workers feel they are treated as second class citizens, given inaccurate information about prospects for employment and provided with little guidance that can help them find a job... workers feel that the staff is poorly trained and unmotivated to provide customer service. There are also complaints that the service is impersonal -- there is a lack of interest in the individual."¹

Employers also are unsatisfied customers of the system, and have voted with their feet: only 30 percent of businesses use the system to find prospective workers.

In his presidential campaign, Bill Clinton pledged to transform the federal system into a source of economic support for workers and employers competing in the global economy.² Just after the election, the Progressive Policy Institute proposed that the new Clinton administration forge a "new compact" with U.S. workers by retooling the federal unemployment insurance and training system to give workers, not government, direct control of the resources they need to secure training and jobs.³ In September 1993, Vice President Al Gore's *Report on Reinventing Government* said of the system: "Nowhere on the government reinvention front is action more urgently needed or are potential rewards greater."⁴ Gore's new design for a national workforce development system would break the government's monopoly over services for millions of workers. Five months later President Clinton has offered a historic proposal to boost by \$1.75 billion⁵ the federal investment in the economic security of American workers and to reshape radically the federal service-delivery mechanisms. Finally, the opportunity for reinvention is at hand.

At the heart of the President's Reemployment Act of 1994 is a simple principle: *We must inject market dynamics into the system by forcing service providers to compete for the favor of customers who are freed from the control of the government bureaucracy.*

This principle is a basic philosophical tenet of New Democrats and, as public debate over the managed competition element of health care reform demonstrates,

it is an idea that stirs the American people. But it is more: In the case of economic security and reemployment, market dynamics are crucial if we are to build a new system that will work. With the principle enacted, the Congress and American citizens can feel comfortable that additional taxpayer investment will generate the hoped-for "returns" in successful reemployment for the dislocated and new employment for the disadvantaged. Without it, the Congress should understand, all that can be expected is a federal system that costs more and works no better. For a Congress committed to responding effectively to the human pain of economic dislocation, then, the course is clear: No reform, no money. There should be no additional investment in the system unless the principles of customer choice and provider competition are used to force system-wide restructuring so that the needs of workers are put ahead of the interests of bureaucracies.

Why are these principles so crucial? First, because there is no better way to change, and to change quickly, the underlying dynamics of a federal system that has failed to respond to its customers' needs, yet has been insulated politically from its failures. The key to success for a reemployment system is that it be highly responsive--to signals from employers about what jobs are available and what skills and knowledge they require, and to signals from workers about their aspirations, skills, and the steps they are prepared to take to become more employable. The current centralized, top-down, bureaucratic monopoly model is neither sensitive nor flexible enough to respond to diverse, rapidly changing economic conditions, and to do so quickly and appropriately. A market model, in which service providers are driven by the needs of employers and workers, can achieve the responsiveness the system needs.

A second reason the principle of market dynamics is crucial is that it will help American workers overcome the fear of economic change that fuels their natural and understandable resistance to that change. This only will occur when workers and their families take hands-on responsibility for preparing themselves for economic change and for managing their own economic security, rather than waiting, as they have, for employers or the government to do it for them. New Democrats want Americans to accept the economic risks of freer trade and enhanced competition, such as the North American Free Trade Agreement and GATT represent, as well as of rapid diffusion of new technologies. In exchange, however, individual workers must have the means to manage their own economic well-being in a rapidly changing global economy.

The Clinton plan is a bold blueprint. It recognizes that access to training and reemployment services is a matter of economic life or death for all American workers and their families. It commits the federal government to building a nationwide system to assure the unemployed access to useful support. It proposes to increase the nation's investment in the system, while using market mechanisms -- customer choice and provider competition -- to ensure that Americans have access to broad

opportunities for training, education and re-employment. Consistent with these ideas, the proposal would allow federal-state Employment Service offices to compete to become local "brokers" of re-employment services. In order to give these public employees time to learn how to compete successfully, the plan phases in the transition to a new system. If government workers can perform as efficiently and effectively as other providers, then they will thrive in the marketplace. Indeed, as government agencies across the country have been learning, injecting *competition* into public services does not automatically lead to *privatization*. Government can -- and has -- earned the right to serve by responding to customers' needs.

Several months ago, Vice President Gore signalled the administration's commitment to using market forces to design a re-employment system. "Our government, built around a complex cluster of monopolies, insulates both managers and workers from the power of incentives. We must change the system. We must force our government to put the customer first by injecting the dynamics of the marketplace."⁶ The administration proposal moves aggressively in this direction. Unfortunately, it also hedges its bet.

The idea of injecting market dynamics into the federal unemployment and training system is causing fear and uncertainty for the public institutions that control the funds, for the thousands of federal, state and local government employees of the system, and for their unions.

At its recent annual meeting, the AFL-CIO explicitly denounced the competitive model, arguing instead that "the Employment Service should be the center for job opportunities, with the requirement that all employers list their job openings with the Service."⁷ In addition to strengthening the public sector's monopoly, organized labor calls for pumping more money into it -- despite evidence that neither workers nor employers retain much confidence in the current system. It is difficult to avoid the conclusion that the unions care more about preserving public sector jobs than about helping displaced private sector workers get new skills and careers.

Defenders of the status quo have already won two concessions from the Clinton Administration that place the new design in jeopardy. States would be allowed to opt entirely out of a market-based competitive model, and local areas would be able to limit the amount of competition that occurs by putting a lid on the number of providers serving customers.

If Congress goes any further in this conciliatory direction, it will send two disturbing signals to the American public: that the interests of American workers and the American economy take a back seat to those of government entities and employees; and that the public sector's workers still are protected from economic change in ways not available to other workers. Such concessions would be a terrible political and policy mistake.

Workers' Needs Have Changed, the Federal System Hasn't

The case for injecting market dynamics into the federal unemployment and training system flows from an understanding of exactly why re-employment and skill development have become central to the economic success of Americans.

America's workers are under enormous, unrelenting economic pressure and face frustrating uncertainties. Real wages have declined for two decades. "Americans," writes Robert Reich, the U.S. Secretary of Labor, "are working harder and longer for less."⁸ Only those 15 percent of Americans with the education and skills to fill professional and managerial positions have been prospering.⁹ Workers without the necessary skills cannot get good-paying middle-class jobs. Lifelong, full-time employment with a big company -- a standby of the post-World War II, middle-class economy -- is rapidly dwindling as a source of economic security. In the last decade alone, more than 3.5 million workers were laid off by Fortune 500 companies. *Every year*, about 2 million full-time American workers are displaced by plant closings, production cutbacks or layoffs -- and the annual toll is rising.¹⁰ Today, the average American worker changes jobs seven times in a lifetime.

The once-stable American economy has entered an era of persistent, pervasive foreign competition, rapid, constant technological change, and the now-routine contraction, restructuring or demise of thousands of businesses--*an era in which no one's job is safe, no one's job can be protected.*

Unfortunately, the foundation of the federal unemployment and training system was laid decades ago, long before these current realities took hold. Then, Japan exported trinkets to America, not billions of dollars of cars and electronic equipment. Adding machines, typewriters and hand-operated machinery, not personal computers and computer-aided machines, were state-of-the-art technologies. Then, a job with a big corporation meant a worker had it made. Then, workers had only to wait out business cycle downturns and then go back to work. The federal system was designed to help those workers. But today, more and more Americans don't get their old jobs back after they become unemployed. During the past two years, 75 percent of laid-off workers at any point in time were on permanent layoff - the highest proportion since tracking began 27 years ago. Since the 1970s, there has been a 50 percent increase in the proportion of unemployed workers who stay out of work for six months or longer. A year after losing their jobs, more than half of all displaced workers are still unemployed or are earning less than 80 percent of their former wages.¹¹ Today, the challenge for American workers is to be ready for-- and to find -- reemployment that maintains or increases their income. But today's federal system is of little help in meeting that challenge.

For a newly unemployed worker, the current system can be characterized this

way: It is hard to learn about and to find; it is inconvenient, bureaucratic, and perplexing because of government agency and program fragmentation and proliferation; it often unilaterally selects what training services workers can obtain; it has very little information about where to find good jobs. Startling as it may seem, learning about the system can be haphazard for workers entitled to its services. It might happen if unemployment resulted from a large enough layoff to attract the attention and services of a local "response team," although such cases are rare. Or, it might happen when workers file forms with the Employment Service for unemployment insurance, but the probability of this varies for each ES office. Or, it might happen informally, by word-of-mouth from friends, for example. Often, workers lose precious time between their layoffs and first receipt of assistance -- precious, because research indicates that the earlier a reemployment intervention occurs, the more likely it is that the worker will find a good job quickly.

Because the system is too big, too centralized, and too bureaucratic, it cannot respond well to changes in its environment. The U.S. government spends about \$24 billion annually on regular unemployment insurance (UI). In 1992 and 1993, it spent an additional \$27 billion to provide temporary emergency unemployment compensation to workers who ran out of regular UI but did not find new jobs. More than 100 programs, spread across 14 federal departments, spend billions more to provide the unemployed with training and other employment services. Unfortunately, although UI helps millions of unemployed with short-term income support, it is inadequate for the new challenges the jobless face. And the flowering of federal programs for assistance, training, and income support creates a treacherous jungle for many workers seeking help. The fragmentation of program mission creates problems for customers. Six distinct programs, for example, serve "dislocated workers," with eligibility defined by type of recipient or cause of job loss, including the Clean Air Act, foreign trade and defense conversion.

"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."¹²

Workers eligible for and referred to training services typically find themselves channeled into the narrow range of training and educational opportunities that local agencies have pre-selected, rather than getting training appropriate to their needs, career goals and employment prospects. For example, if agencies know that state government is planning to hire corrections officers, they might contract for a relevant

training course and then funnel workers into that training -- without considering their preferences, aptitudes or previous work experiences.

The federal system doesn't even know where the good jobs are. Only 30 percent of U.S. employers list their open jobs at the 1,800 state-federal Employment Service offices around the nation; fewer than 7 percent of all employers use the service more than twice a year. And only 20 percent of the openings listed are for skilled positions.¹³ Over the years, employers have been abandoning the system, complaining that it does little to support them in recruiting and screening prospective employees; employer experiences with applicants referred by the Employment Service "are overwhelmingly negative."¹⁴

As a result, the federal system's effectiveness as a pathway to jobs has plummeted. Its share of job placements in the U.S. has declined by two-thirds since 1952; in 1987, it accounted for only 4 percent of civilian non-farm placements.¹⁵

As Vice President Gore noted, although the federal system has fundamental problems, it has not been held accountable for improving. Referring to the Employment Service offices, the National Performance Review reported that they "get most of their federal funds almost as a matter of entitlement. They account for the money, but we do not hold them accountable for whether they spend it effectively."¹⁶

Using Markets to Transform the New Federal System

Redesigning the federal system starts with the recognition that under the new rules of the global economy, *American workers need marketable, flexible skills and knowledge with which to adapt to changing demands of the workplace and economy.* President Clinton's proposed Reemployment Act takes this as its starting point:

"In this [economic] 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."¹⁷

Accordingly, the administration's aim is to redesign the federal system by making fundamental changes to deliver more flexibility, more resources, and more control over those resources into workers' hands. To achieve this, the principal feature of the administration's proposal is a national system with a set of competitive, market-based features that offer a radical departure from the design of the current system. The Reemployment Act presents a two-step, phase-in strategy. First, "career centers" for dislocated workers would be created almost immediately. Next, a set of "one-stop" career centers would be established gradually -- a handful of states each year--to serve all citizens, including dislocated workers. Each of these steps introduces elements of a market-based system.

Under the proposal, beginning in July 1995, dislocated workers would be served by local "career centers" throughout the United States, which would function as "honest brokers" of education and training services. At these career centers, dislocated workers could obtain a basic set of essential services. They could: receive information about careers, labor markets, jobs, and the availability of education and training programs; determine their eligibility for government-funded education and training; test and assess their skills, interests and aptitudes; review information on available employment opportunities and hiring requirements. They could also: obtain assistance in matching their backgrounds and experience to requirements of specific jobs, in contacting employers, and in job search skills such as resume preparation, telephone contacts, and interviewing.

The model for career centers embraces market dynamics by requiring that (a) creation of centers be on a competitive basis (so that private placement firms, non-profit organizations, community colleges and other entities may seek to enter the market), (b) contracts with centers contain enforceable performance standards (such as customer satisfaction, quality of services, and job placement success), and (c) the practice of pre-contracting for training and education services be eliminated; dislocated workers must have choices.

The administration's proposed second step -- creation of "one-stop" centers that eventually would replace the career centers for dislocated workers and extend basic brokering services to any American -- builds on the market dynamics of the first step. These one-stop centers would create a common, local "entry point" into the system, thereby ending the torture of trying to get services from the fragmented government bureaucracy.¹⁸ But the crucial point is that any private or public entity will be able to operate a one-stop career center. The Clinton proposal creates an opportunity for other potential local providers to enter the market. This competition is intended to create powerful incentives for innovations and performance improvements by brokers because their success will be linked to how well they respond to the needs of workers and employers.

The one-stop centers will be paid only for services they actually deliver, rather than from a federal budget funding allocation politically and bureaucratically determined, and unrelated to service performance. "Today, brokering agencies are driven by their funding allocations, and the pressure is to get the money spent," explained Larry Good, president of Corporation for a Skilled Workforce. "They don't start with the customers' needs, and they aren't driven by the results they produce." The new centers' customers will be able to obtain data about how well different career centers are performing; successful centers will attract more customers, failures will shrink and close. And, the administration proposal would maintain its first-step requirement that customers must have choices among providers of education and training.

Moving to a full-scale, universal market-based model for re-employment services requires some types of quality controls to prevent fly-by-night operations from taking advantage of workers. The administration addresses this concern by requiring that all one-stop career center operators meet standards set by the federal government, state officials and local-level Workforce Investment Boards, that the centers provide a core of basic services, and that all centers be evaluated based on a uniform set of measures and standards readily available to customers.

To prepare the ground for building a national, market-based re-employment system to serve any worker, student, unemployed person and employer in the U.S., states would be invited to compete for grants to design and implement one-stop centers. (The experimentation will be supported by U.S. Department of Labor waivers of statutory, regulatory or administrative requirements that block progress.) The one-stop centers will be governed at the local level by Workforce Investment Boards, with a majority of members from employers, 20 percent from labor and community-based organizations, and the remainder community leaders and a local elected official. By adding new pilots every year, the administration hopes to transform the existing system by the end of this century.

Transforming the federal system depends heavily on developing a national labor market information system. Workers making decisions about jobs, careers, education and training need accurate, up-to-date information about where to find good-paying jobs, what skills they need for particular occupations, and, especially, how well various providers of training and other re-employment services actually perform. Currently, none of this information is generally or readily available, a fact the administration proposes to remedy by creating occupational skills standards and a national, electronic information system.

In addition to restructuring the service-delivery system, the Workforce Security Act proposes two additional system improvements that will help dislocate workers. It will:

- *Ease access to training for permanently laid-off workers and offer long-term training assistance to those who decide they need additional skills in order to get their next job or start a new career.* First, the proposal reduces service fragmentation and inefficiency by creating a single standard of eligibility for all dislocated workers regardless of the cause of dislocation. (Currently, eligibility is established under six distinct programs¹⁹ which would be consolidated.) Second, although research indicates that short-term training does little to boost the earnings of the unemployed, long-term training and education appears to have a much better payoff. However, the federal system is skewed in favor of short-term training. "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."²⁰ This change seeks to correct the imbalance.

- *Modify unemployment insurance so that it is linked to reemployment services for the permanently dislocated.* Some changes would assure that workers losing their jobs get much more rapid and useful services (e.g., worker "profiling" in order to identify those who are particularly at risk of long-term unemployment; immediate job search assistance; re-employment bonuses to workers). These are based on research that indicates that the early intervention can shorten the time a worker is unemployed.²¹ Other changes would encourage employers to shorten workers' hours rather than resort to layoffs, by allowing workers to receive partial or "short time" UI payments (an incentive now offered in 17 states), and would allow workers to start a business while drawing UI payments, an innovation contained in the NAFTA enabling legislation.

Resisting Pressure to Back Off from a Market-Based Model

Unfortunately, the administration's proposal, laudable in many ways, is weakened by several important deviations from the strategy of using market dynamics to create a national re-employment system. The most potentially damaging deviation allows states to opt out of the market-based, competitive model for creating one-stop career center pilots. Instead, the proposal would allow states to award a service monopoly to a "consortium" of local providers, most likely public agencies. Although funding of the service consortium still would be tied to actual services provided to customers, this is a dangerous step away from the market mechanism the administration has trumpeted.

The consortium approach is a concession to state and local government agencies that claim their investments in doing a better job of coordinating and delivering services are beginning to pay off. But even if improvements are occurring, why does it follow that the agencies should be protected from competition from other entities? This concession could result in a slew of state pilots of the one-stop center system -- so crucial to shaping the future federal system -- that fail to follow the principle of using market dynamics. And it gives legitimacy to the argument that coordination, rather than competition, is a viable strategy for improving the federal system's performance, even though coordination changes none of the monopolistic, anti-customer dynamics that lead to the system's weak performance. There is no justifiable reason for the administration to insulate local consortia of providers from the consequences of their poor performance.

A second weakness of the proposal is the administration's plan to let local public agencies limit the number of career centers for dislocated workers that will be

operated in a local market. These local agencies, established under the Economic Dislocation and Worker Adjustment Assistance Act, will have the power to select career center operators under a competitive process. They could select only one operator -- in effect establishing a new monopoly when in fact they should be required to select all operators that qualify under basic criteria. When it comes to creating the market dynamics the administration desires, the more competitors, the better.

The concerns described above are sins of commission. There also are concerns raised by what does not appear in the Clinton proposal. Missing are several promising policy mechanisms--an electronic "smart" card for every customer, or a "development account" much like a Social Security account -- to allow customers to have indisputable control over the resources the federal government is providing. Also missing is a strategy for ensuring that when the government monopoly over brokering services is ended, there will be incentives to attract other potential providers into the market to serve dislocated workers and workers eligible for federal assistance.

The proposal permits and encourages competition by potential brokers, but it also creates several substantial barriers to "market entry" by many public and private organizations. When it comes to piloting one-stop centers for dislocated workers, for example, the administration requires that brokers provide services to all comers. This means that potential providers may be disadvantaged because they will have to invest in capacity large enough to serve all potential customers -- an entry cost that existing providers will not have to bear. Also, the plan allows brokers to charge fees to customers who want services that go beyond the required core services -- but only at rates set by the local governing authorities. This unnecessary price-control may limit the profit-making potential of providers, even though federal funds would not be used to pay them. These and other barriers may discourage competition for providing brokering services. Unless the administration can reduce some of the risks of entering the new market for re-employment brokering services, the promise of market dynamics may not be realized; workers needing services may find themselves stuck -- once again -- with no more choices and no more quality than what government bureaucracies already provide.

None of these flaws is fatal to the Clinton proposal. But they undermine its design principles, and they suggest the power of the opposition to the radical restructuring the administration is seeking. On one side are forces for fundamental change in the federal system; on the other side, forces for the status quo, or, at most, for only incremental change. The fight is over principles and, of course, over money.

The Congress must put the customers first -- the millions of American workers who need new, effective resources to be able to make their way successfully in the new global economy. That requires first a commitment to the principles of customer choice and provider competition. Then, and only then, should the money follow.

Endnotes

1. "Summary of Focused Groups." Paper by Yankelovich Partners & Jobs for the Future, for the U.S. Department of Labor. June 4, 1993.
2. "Putting People First. How We Can All Change America." Governor Bill Clinton, Senator Al Gore. 1992. See, "A Strategy for Change."
3. "Mandate for Change." The Progressive Policy Institute, 1992. pp 51-71.
4. "Creating a Government that Works Better & Costs Less." Report of the National Performance Review. Vice President Al Gore. 1993. P. 49.
5. In the president's 1994-95 budget proposal, \$1.5 billion in new funds would be added to \$1.5 billion in existing, newly consolidated programs for training of dislocated workers; an additional \$250 million would be used to pilot "one-stop shopping" service centers for the unemployed in a handful of states.
6. "Creating a Government that Works Better & Costs Less." P. 43.
7. Statement by the AFL-CIO Executive Council on Training for Displaced Workers; February 21, 1994; Bel Harbour, FL.
8. "Mission" for the U.S. Department of Labor. Robert Reich, unpublished. 1993.
9. "Mandate for Change." P. 7.
10. Between 1984 and 1989, an average of 1.8 million full-time workers were dislocated annually. In 1990 the total was 2.2 million. Source: "The Workforce Security Act of 1994. Consultation paper." U.S. Department of Labor. January 19, 1994.
11. During the 1970s, an average of 11 percent of the unemployed were out of work for six months or longer. In the 1990s, the average has been 16 percent. In 1993, it was 21 percent- the second highest annual level since the late 1940s. Source: "The Workforce Security Act of 1994. Consultation paper."
12. "The Workforce Security Act of 1994. Consultation Paper." P. 2.
13. "What U.S. Employers Desire From Their State Public Employment Agencies." A nationwide telephone survey conducted for the Interstate Conference of Employment Security Agencies. Ketchum Public Relations. July 1991.
14. "Summary of Focused Groups."
15. Data from "The Role of the Employment Service," by Malcolm S. Cohen & David W. Stevens, 1987, unpublished paper.

16. "Creating a Government that Works Better & Costs Less." P. 50
17. "The Workforce Security Act of 1994. Consultation Paper."
18. "applying for unemployment insurance, using the Employment Service's jobs 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." From "The Workforce Security Act of 1994. Consultation paper," P. 8.
19. The six programs are: EDWAAA, Trade Adjustment Assistance, NAFTA, Clean Air, Defense Diversification and Defense Conversion Adjustment.
20. "The Workforce Security Act of 1994. Consultation paper." P. 7.
21. "Re-Employment Programs for Dislocated Workers: What Works and What Doesn't" U.S. Department of Labor, unpublished draft. 1993.

PROGRESSIVE POLICY INSTITUTE

***"One person with a belief is a social power
equal to ninety-nine who have only interests."***

—John Stuart Mill

The Progressive Policy Institute (PPI) is a center for policy innovation that develops alternatives to the conventional left-right debate. Founded in 1989, the Institute is fashioning a public philosophy for the twenty first century by adapting America's progressive tradition of individual liberty, equal opportunity and civic obligation to the challenges of the information age.

PPI advocates growth-oriented economic policies designed to reverse America's competitive slide, stimulate broad upward mobility and foster a more inclusive, more democratic capitalism; social policies that move beyond maintaining the poor to liberating them from poverty and dependence; and a foreign policy of resolve in defending America's interests and promoting free institutions. The Institute also explores four issues that loom large on the public agenda of the 1990's: crime, health care, educational excellence and environmental safety.

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The Progressive Policy Institute is a project of the Democratic Leadership Council. For further information, please write the Institute:

518 C Street, NE
Washington, D.C. 20002
(202) 547-0001
Fax (202) 544-5014

March 9, 1994

Dear Friend:

President Clinton has offered a historic proposal to boost the federal investment in the economic security of American workers and their families. The Reemployment Act of 1994 will radically reshape the federal unemployment insurance and training system.

The Clinton plan incorporates many of the *Progressive Policy Institute's* proposals for a "new compact" with the American workers. The plan would give workers, not government, direct control of the resources they need to secure training and jobs.

In the enclosed report, Peter Plastrik examines the current system and makes a compelling case for this radical change. Without injecting private-sector competition into the system, he argues, the government's employment and training bureaucracy will remain unresponsive and ineffective.

Plastrik points out, however, that the plan already has been seriously compromised by concessions to organized labor. He warns that further concessions could undermine the plan's important national purpose.

The enclosed *Newsweek* article by Joe Klein captures the essence of this debate. Klein points out that Old Democrats want to pump more money into a failed system and Republicans prefer the status quo to spending more money on a new one. But New Democrats, he writes, "think government should do more to ease the anxiety of the millions who lose their jobs each year, but that it can best be done by mobilizing the private sector."

I commend Plastrik's piece as a thoughtful and timely analysis of this important issue.

Cordially,

A handwritten signature in dark ink, appearing to read "Will Marshall". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

Will Marshall
President

Bob Reich's Job Market

WANNA HEAR A HOT STATISTIC? THIS ONE'S BEEN making the rounds of all the best conferences: in the past 20 years, the United States has created 40 million new jobs, but wages have declined by about 10 percent. Over the same period, Europe, with a significantly larger work force, has created only 2 million to 3 million new jobs, but wages have increased 50 to 60 percent. Americans—at least the sort who go to all the best conferences—are justly proud: See, we weren't falling behind in the 1980s; we were *retooling*; our economy is buoyant, vibrant, flexible; our future is bright. Europeans gnash their teeth: if they want to compete, their 1990s will have to look a lot like our 1980s.

"Tell you the truth, I don't like either [the American or European] option," said Robert Reich, the secretary of labor, sitting in his office last week. Reich, of course, wants the best of both worlds, an economy that creates more jobs at higher wages. Fat chance, but the secretary does have a theory: a better-educated work force is the one true path to the economy of his dreams. And he has some statistics to back up his theory: wages in America have declined primarily for the undereducated, especially those with only a high-school diploma. And he has a plan: the Re-employment Act of 1994, soon to be announced by the president. What he needs is a metaphor. "We've got to do better than a social safety net," he says. "We need a trampoline." Yes, but doesn't that imply a work force bouncing up and down (which may be accurate, given the volatility of the global economy, but not very reassuring)? "Maybe a springboard," suggests Reich's assistant, Mary Meagher. The search for a compelling metaphor will, no doubt, continue.

Meanwhile, Reich's Labor Department seems to have done a rare and unlikely—for government—good thing. It has spent the past year trying to figure out how to help the 2 million workers who are "displaced" each year by our buoyant, vibrant, flexible economy. It began by recognizing that the existing programs—the oxymoronic Employment Service (where very few ever find employment), the welter of job-training and retraining programs—aren't very effective. A new system was needed. Reich asked David Osborne, coauthor of "Reinventing Government," to be a consultant, and one of Osborne's intellectual soul mates, Doug Ross, to be assistant secretary for employment and training. The Labor Department then took a truly radical step: it went out and asked unemployed workers what kinds of services they needed.

The answers were not surprising: they wanted help finding good jobs or, failing that, training that might lead to a good job. They didn't think government could ever provide it (an image that always came up: long lines at the employment office and a bored bureaucrat saying, "Next"); real help was more likely to come from

the private sector. Indeed, many workers said they'd be willing to pay—the same sort of fee executive-search firms charge—for a service that actually found them a good job. The Labor Department responded with a plan to replace the current system with one-stop employment offices, where laid-off workers—or dissatisfied workers or students about to join the work force—could find out what jobs and job training were available (and especially, which training programs actually got results). The new system would be more user-friendly, provide career counseling and let workers know if they were eligible for job training or educational aid.

But the Labor Department also proposed one other, rather controversial, step: to ensure that employment offices *remained* user-friendly, the system had to be open for competition—private companies would be free to compete against the Employment Service. The government would pay whoever got results. Osborne and Ross were hoping the Employment Service would respond the same way the Postal Service did when it faced competition from Federal Express: its "next-day delivery" services improved dramatically. But even if it didn't, unemployed workers would have the choice of going elsewhere if they got lousy service—and bureaucrats would know their jobs depended on making their customers happy.

"Next!" That plan is now in danger. The unions oppose it, especially the public-employees unions. They fear their members, currently chanting "Next!" in employment offices across

America, will be supplanted if they are forced to compete. But they don't say that. Don Wasserman of the State, County and Municipal Employees says competition is depressing: "It'll only *confuse* the poor, goddamned unemployed worker." Gerald McEntee, who is Wasserman's boss, takes a more subtle line: the Employment Service would be happy to compete against private firms if the government put a lot more money into the current system.

Those who wonder about the topography of postmodern politics need look no further. There are Old Democrats—who want to pump more money into a failed system. There are Republicans—who don't want to spend the \$13 billion Reich needs to create the new system (and doubt, with some good evidence, that any of this retraining stuff can work). And there are New Democrats—who think government should do more to ease the anxiety of the millions who lose their jobs each year, but that it can best be done by mobilizing the private sector. Bill Clinton, an intermittent New Democrat, has a dilemma here. He offended the union bosses when he supported free trade with Mexico. He needs their support now to pass his health-care plan. No doubt the president will try to negotiate a middle course—but any re-employment system that doesn't include real private-sector competition should be considered a capitulation, not a compromise, and a craven one at that.



TOM SALYER

Bossed around: Reich with AFL-CIO's Lane Kirkland

08/28/84

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5-23-84

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STEVE GUNDERSON

3000 MOUNT WASHINGTON

CHIEF DEPUTY

MEMBER:

AGRICULTURE COMMITTEE

EDUCATION AND LABOR
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May 23, 1994

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FROM:

Steve Gunderson, M.C.

RE:

DISC OF GUNDERSON
TUESDAY REPUBLICAN DISCUSSION GROUP REMINDER

(Congresswomen Jennifer Dunn is providing pizza/sodas)

U.S. Labor Secretary Robert Reich will be our special guest on Tuesday, May 24, 1994, in Room H-323, The Capitol, at 12:30 p.m.

Secretary Reich has requested the opportunity to come and meet with the Tuesday discussion group regarding the Administration's Reemployment Act of 1994. This legislation which was introduced on March 16, consist of four major components: consolidation of six currently separate federal programs serving dislocated workers into a single system; "bottom-up" reform of the U.S. job training system built around one-stop service delivery through local career centers; expansion of the U.S. Labor Market Information System tying job training efforts to actual jobs; and, development of a system of retraining support (through a capped entitlement) that provides tenured workers with income support while in long-term training programs.

Attendees

**LIST OF ATTENDEES
REPUBLICAN LUNCH GROUP
MAY 24, 1994**

Hon. Jim Lightfoot
Hon. Jim Kolbe
Hon. Jim Greenwood
Hon. Chris Shays
Hon. Fred Upton
Hon. Dave Hobson
Hon. Sherry Boehlert
Hon. Jennifer Dunn
Hon. Rick Lazio
Hon. Steve Gunderson
Hon. Jan Meyers
Hon. Doug Beureuter
Hon. Tillie Fowler
Hon. Peter Hoekstra
Hon. Rob Portman
Hon. Dick Zimmer
Hon. Mike Castle
Hon. Connie Morrella
Hon. Vern Ehlers

RE-EMPLOYMENT TASK GROUP CONTACT LIST
(as of 5/30/94)

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MARCIA HALE	WH - Inter Gov't Affairs	456-7060	456-6220
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DOUG SOSNIK	WH - Legisl. Affairs	456-6620	456-2604
AMY ZISOOK	WH - Public Liaison	456-2930	456-6218
STEVE SILVERMAN	WH - Cabinet Affairs	456-2572	456-6704
JIM KOHLENBERGER	WH - OVP	456-6276	456-6231
DAVID KUSNET	WH - Speechwriting	456-5705	456-2239
ISABEL SAWHILL	WH - OMB	395-4844	395-5730
KITTY HIGGINS	Labor - Chief of Staff	219-8271	219-7659
ANDREW SAMET	Labor	219-6043	219-5980

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503**

May 27, 1994

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-2832

TO: Legislative Liaison Officer -

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EDUCATION - John Kristy - (202)401-2670 - 207
TREASURY - Richard S. Carro - (202)622-1146 - 228
NEC - Sonyia Matthews - (202)456-6722 - 429**

**FROM: Connie J. BOWERS (for) *C. J. Bowers*
Assistant Director for Legislative Reference**

**OMB CONTACT: Chris MUSTAIN (395-3923)
Secretary's line (for simple responses): 395-7362**

**SUBJECT: LABOR Proposed Testimony RE: HR 4050,
Reemployment Act of 1994**

DEADLINE: TODAY 3:00 PM May 27, 1994

**COMMENTS: Secretary Reich will deliver the attached testimony
at a field hearing held by the House Human Resources
Subcommittee (Ed & Labor) on Wednesday, June 1st.**

**OMB requests the views of your agency on the above subject before
advising on its relationship to the program of the President, in
accordance with OMB Circular A-19.**

**Please advise us if this item will affect direct spending or
receipts for purposes of the the "Pay-As-You-Go" provisions of
Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

CC:

**Bernie Martin
Larry Matlack
Carole Kitt
Barry White
Dan Chenok
Phebe Vickers
Joe Minarik
Bill Dickens
Tracey Thornton
Bill Galston
Connie Bowers
Janet Forsgren**

x:\wfsact\testoa.rea D R A F T
May 26, 1994

STATEMENT OF ROBERT B. REICH
SECRETARY OF LABOR
BEFORE THE
COMMITTEE ON EDUCATION AND LABOR
SUBCOMMITTEE ON HUMAN RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES

June 1, 1994

Chairman Martinez, Representative Scott, and distinguished guests: I am pleased to join you today in Alhambra to discuss the Administration's commitment to equip all Americans to prosper in today's challenging economy, and specifically the role of the Reemployment Act of 1994 in helping workers to continuously adapt to the demands of our dynamic economy.

Before I get to the substance of my testimony, I wish to thank you, Chairman Martinez, for agreeing to be an original co-sponsor of H.R. 4050, the Reemployment Act of 1994. I also appreciate your support in helping to put in place the first two pillars of the Administration's Workforce investment strategy -- the School-to-Work Opportunities Act and the Goals 2000: Educate America Act. I will continue to seek your counsel this year to enact the Reemployment Act -- another critical component of that strategy.

California is engaged in critical efforts to expand and solidify its economic foundation and open up the way to a new period of long-term growth and prosperity. A key element in this effort is the skills development of its workers. In your letter of invitation, you spoke of the challenge to American cities that are on an economic competitive edge, teetering between

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renaissance and ruin. I believe that we are up to meeting that competitive challenge and that America's future and California's future are bright.

At the national level, and in California, the economic picture is clearly improving. Production has surged nationwide in recent quarters; in the past year, nearly 2.3 million jobs have been created -- over 2 million in the private sector. California is a story of two economies: Northern California mirrors the national trend and has experienced positive job growth. Southern California appears to be turning around; for example, although the Los Angeles metropolitan area lost about 280,000 jobs between April 1991 and April 1993, it lost less than 34,000 jobs (mostly manufacturing) over the last year. During this past year Los Angeles also has had strong gains in the services (14,700 jobs) and construction (1,300 jobs) industries.

California's economy is in transition. In such times, government's role is to make those transitions easier for working men and women. In the past 12 months, the Department of Labor awarded more than \$100 million to assist displaced Californians make such transitions. With these funds, local agencies provide counseling, job search assistance, and classroom and on-the-job training to help workers get back on their feet. This includes special projects to find new jobs for defense workers in Los Angeles, Anaheim, and San Diego who were laid off as a result of reductions in national defense spending, and other projects to

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help workers who lost jobs as a result of layoffs in the electronics and computer industries or because of the natural disasters that have literally rocked Southern California. California also has been able to establish an active military base closure team that provides services to workers at bases scheduled to close.

Despite recovery across America, in 1993 the average duration of unemployment nearly equaled its postwar peak. Some 23 percent of the workers who lost their jobs in the most recent recession expected to return to their old jobs. The rest recognized that their old job was gone for good -- the highest percentage of permanent job loss ever recorded.

Permanent job loss and long-term unemployment -- especially against a backdrop of recovery -- are symptoms of structural change in the economy. A main thrust of this structural change involves the increasing importance of skills, a shift in favor of workers with high-level skills and against those without them.

More than ever, what you earn depends on what you learn. If you have the skills that come with a college degree, an associate degree, an apprenticeship certificate, training provided by an employer, or other education beyond high school, your odds for finding a job paying a middle-class wage are good.

But unskilled workers -- or those whose skills have become obsolete -- find their options shrinking as the old economy of stable mass production and unchallenged American economic preeminence disappears. For both men and women, and at every

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level of educational attainment -- college degree, some college, high school graduate, high school dropout -- the earnings gap between the skilled and the unskilled is widening.

A typical college graduate, for example, earns seventy percent more than a worker with similar demographic characteristics, but who has only a high-school diploma. Comparable trends apply for the risk of unemployment, and for access to pensions and other benefits -- those with skills do well; those without them are increasingly vulnerable.

While traditional paths to the middle class for workers without college degrees appear to be narrowing, new, successful routes are opening -- sometimes even in the same industries. For example, in San Jose, where workers with obsolete skills have suffered from relentless waves of layoffs, the Center for Employment Training provides intensive skills training, coupled with basic education, to disadvantaged clients and dislocated workers. Companies like San Jose's Touche Manufacturing -- which builds computer shells -- hire as many of the Center's graduates as they can get.

In industry after industry, managers recognize the importance of high-level skills. While ultimately each American has to take responsibility for his or her own economic destiny, we must bolster our individual efforts with a national response to the challenge of economic change, and business as well as all levels of government each has a role to play in forging that response.

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Americans are used to economic challenges. Less than a century ago, for example, we mastered the move from the farm to the factory. Today, many Americans confront the challenge of moving from the factory to the "computer" workstation. I have no doubt that today's Americans are as determined and resilient as their predecessors four generations ago.

What is different today, however, is the scale and speed of economic change. Global competition, defense downsizing, technological advances, and corporate restructuring are combining to produce new levels of anxiety about job security. In the first two months of this year, large companies announced plans to eliminate more than 140,000 jobs, to set a record-breaking pace of corporate downsizing.

A recent New York Times poll revealed that nearly four out of 10 employed Americans fear that they might be laid off, or forced to take a pay cut or reduced hours, within the next two years. No segment of American society is immune to job anxieties, and industrial upheavals affect top executives, mid-level managers, and frontline workers alike. Those hardest-hit by economic change, and those who stand to benefit most from a more effective reemployment system, are the most vulnerable members of our economic community--women, minorities, and the unskilled.

Government policies and programs must recognize and reflect these new realities. We must not offer Americans the false hope of burrowing into a single job for life. Instead, we must equip

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them to find security through the skills and flexibility that will let them face a changing economy with confidence.

California is doing so. It has recently reinvigorated its State Job Training Coordinating Council to accomplish four goals: Better coordinate training and employment resources, firm up links between these programs, increase capacity of education and training providers to respond with high quality services, and enhance state and local partnerships.

The goal of the Administration's workforce investment strategy is to establish a system of lifelong learning that constantly builds the skills of all American workers. We've begun with a path-breaking school-to-work plan that cuts across institutions to build the skills of all students, particularly the often-forgotten three-fourths of our workforce that does not graduate from college.

Through the School-to-Work Opportunities Act, which President Clinton signed into law last month, young people will receive classroom experience, coupled with worksite training, during the last two years of high school and for at least one year beyond. This will make it possible for thousands of young people to follow the path of lifelong learning and develop the skills they need to take advantage of the vitality and adaptability that drive America's labor markets. California continues its progress in the design and implementation of a statewide school-to-work system.

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While visiting California this March, the President also signed into law the Goals 2000: Educate America Act, another part of our workforce strategy. This landmark legislation will facilitate the development of voluntary national skill standards. Businesses will be working with educators, human resource professionals, labor and community leaders, to identify the skills that are in short supply and the training needed to master them. This way, workers can know what to train for, and after completing their training, have a credential to show employers anywhere around the nation, a credential with real currency in the labor market.

The newly authorized National Skill Standards Board will benefit from the pioneering work of many groups, including the American Electronics Association, headquartered in Santa Clara. Under a Labor Department grant, the association, on behalf of a broad coalition of electronics-industry employers, workers, educators, and training, is developing voluntary skill standards for key jobs throughout the high-tech industry.

Our third workforce investment initiative -- the Reemployment Act -- is our boldest. Two months ago the President sent to Congress legislation that will turn America's unemployment system into a reemployment system. Our current array of unemployment-related programs was designed in an earlier time, to meet the needs of a simpler economy. The system must be fundamentally reshaped to meet the very different requirements of today's workers facing today's challenges.

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H.R. 4050, the Reemployment Act of 1994, is meant to significantly advance this transformation to a reemployment system. Once it is fully implemented, it will serve about 1.3 million dislocated workers each year--the full population estimated to want and need reemployment services. The Act's design is based on a rigorous assessment of what workers need to prosper in today's changing economy, and on systematic study of what works for getting them into new and better jobs. The Reemployment Act reflects four core principles:

1. First is access and program consolidation. The current patchwork of programs for dislocated workers is inefficient, confusing, and frequently unfair. The Reemployment Act will consolidate all six major dislocated worker programs into an integrated service system geared to deliver what workers need to get their next job, regardless of why they lost their last job. These six programs will be folded into a single program with uniform eligibility standards and streamlined delivery.

Instead of forcing customers to waste their time and try their patience going from office to office, the new system will require States to provide services for dislocated workers through career centers.

The Reemployment Act also allows States to compete for funds to develop a more comprehensive network of one-stop career centers to serve under one roof anyone who needs help getting a first job, a new job, or a better job -- and that anyone covers students, welfare recipients, you, and me, as well as dislocated

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workers -- and to streamline access to a wide range of job training and employment programs.

The immediate move to consolidated services for dislocated workers will ease the frustration they suffer with the current system and accelerate their progress to reemployment. The gradual creation of universal one-stop career centers, as States opt into the system, will have even more profound consequences. It will counteract past tendencies to create wholly different services and access channels for different sets of workers -- often segregating the disadvantaged into separate delivery systems -- and encourage moves toward mainstream programs serving all citizens. It will reinforce the incentives for streamlining and consolidation set up by other provisions of the Act. And it will offer new opportunities for innovation, experimentation, customer orientation, and service excellence.

One-stop service--coupled with new authority to waive rules and regulations that block innovation and impede efficiency--creates a sturdy framework for building more and more program consolidation into America's employment and training system. As the one-stop component of the Reemployment Act is implemented state by state, it will catalyze continual progress toward less duplication and overlap, simpler rules, leaner administration, lower overhead, less bureaucracy, and more efficiency.

Californians can relate to this. The North Valley Private Industry Council (NOVA) in Sunnyvale has been a State and national leader in pioneering the one-stop concept. Its one-stop

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career center has co-located service staff with the Employment Service, is active in the area economic development, and develops specialized services for targeted populations. Waiver authority will help state and localities integrate the delivery of program services to all jobseekers.

2. The second principle is customer focus, giving workers a range of options and letting them choose the services they need to get the next job. The system the Act establishes offers a rich array of alternative services, to meet the needs of a diverse workforce in a complex economy, including worker counseling and assessment, job-search assistance, support services, training, and income support for experienced workers whose reemployment plans indicate that long-term training is needed.

Most dislocated workers want and need only information and some basic help in assessing their skills and conducting their job search. These services are relatively inexpensive, and have been shown to pay off immediately in less time spent unemployed, and help dislocated workers do what they want to do -- get back to work. The Reemployment Act will ensure that these services are delivered early, when they can do the most good, and are targeted on workers best able to benefit from them.

Better information is what makes the Act's customer focus meaningful. Too often, workers must look for a new job without enough data, or with the dubious guide of outdated or low-quality information. The Reemployment Act will bring jobs data from the

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age of the horse and buggy into the age of the information superhighway. It will combine job data systems and expand access to good data on where jobs are and what skills they require. By bringing the nation's workforce information up to modern standards, it will effect a relatively inexpensive improvement with potentially major results.

3. The third principle is market-driven retraining for workers who need it to get their next job. While most dislocated workers need only job-search assistance to find where best to use their skills, some -- we estimate about 30 percent -- need to learn new skills. Past retraining programs have had limited effect in part because they failed to ensure that workers were trained only for skills in demand; because they had inadequate provisions for customer choice and quality control; and because they relied too heavily on short-term training programs that have proven ineffective at changing the prospects of typical dislocated workers. Retraining, for workers who need it, often means a sustained program lasting a year or more.

Training that doesn't lead to a job cheats the worker, the taxpayer, and everyone with a stake in a productive, flexible American economy. The Reemployment Act links training with jobs in three ways: by giving customers choices about where to get their training, by building up the Nation's labor-market information system and offering all customers access to performance information on training providers and jobs data, and

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by requiring a high-level business majority on the board overseeing local training programs.

4. The fourth principle, which fortifies the other three, is accountability. The Reemployment Act of 1994 restructures the incentives facing all those who make up the system -- public officials, program managers, center operators, service suppliers -- to make them treat workers as customers. Those who do right by their customers, who deliver high-quality services leading to positive workforce outcomes, will prosper in the new system. Those who fail to do so will see their funding dry up.

Accountability means devoting resources to what works, and getting rid of what doesn't work. It means streamlining and consolidating wherever possible, so that workers don't need to spend their time navigating administrative mazes, and so that taxpayers don't need to support unproductive bureaucracies. The Reemployment Act neither specifies nor bans particular models for service delivery, but puts the emphasis on results.

In a variety of ways, the Reemployment Act will benefit workers in California and in other States.

- o First, the creation of single points of access at career centers will make it easier for dislocated workers -- including those part-time and seasonal workers who suffer permanent job losses -- to obtain readjustment services. These centers will use the latest communications technology to minimize the need for a worker to actually go to a center to receive basic information or apply for services.

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California also will have the option of establishing on-site transition centers similar to those at (examples of those currently on CA military bases) to provide immediate assistance to those located where military bases or plants are closing or streamlining.

- o Second, the employment prospects for many workers will be improved through labor market information on job openings, particularly outside the local area and from "consumer reports" giving them meaningful standards to evaluate services offered by education and training providers and career centers. Some also will benefit by becoming self-employed in a different occupation, since California will have the opportunity to provide dislocated workers with Unemployment Insurance benefits while starting their own businesses.
- o Worker who need longer-term training to get a new job will have access to "reemployment insurance" -- income support through the UI system that makes training practical. Beginning in 2000, all workers with one or more years of tenure with their previous employer will receive capped mandatory income support beyond the receipt of regular UI. Maximum income support will be 52 weeks (26 weeks of UI plus 26 weeks of income support) for workers with tenure of more than one year and less than three years, and 70 weeks (26 weeks of UI benefits plus 52 weeks of income support) for those with three or more years. (The use of job tenure

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screens and a UI benefit screen to determine eligibility for mandatory income support will have virtually no effect on the eligibility of female and minority workers for such support.)

- o We have committed EDWAA, the existing program for dislocated workers, to providing \$12 million per year over three years from the Secretary's National Reserve Account to fund readjustment services for dislocated timber workers in California, Oregon, and Washington. With the significantly increased funding proposed for the Reemployment Act, it is more feasible to make such commitments to assist dislocated workers in particular industries and geographical areas.

Under the President's proposed budget plan for the Reemployment Act, all States are likely to receive large increases in funding for dislocated worker services over the next five years. For example, California's funding will increase from \$59 million this year to \$157.6 million beginning this July under the current EDWAA program, and could increase to approximately \$466 million in Program Year 2000 under the President's five-year budget plan for the Reemployment Act. This July's increase is the first downpayment for the Reemployment Act which will serve all dislocated workers.

I want to make special mention of how the Administration's three-part workforce investment strategy will affect the disadvantaged and of the Department's long-standing and very important programs targeted to the disadvantaged. Be assured of

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our deep commitment to helping this group of Americans compete in today's labor market and to creating a training and employment system that better prepares economically disadvantaged individuals for decent jobs. Indeed, to this end, we are undertaking a system-wide dialogue with the entire employment and training community to achieve broad consensus -- in collaboration with the anti-poverty community -- on an action plan to strengthen and improve job training and employment programs for this important group. Nothing is being ruled out to better address the needs of the disadvantaged -- including budget increases and/or legislative proposals if our dialogue deliberations reach such conclusions.

Moreover, while our individual workforce investment initiatives may not be typically viewed as benefitting disadvantaged persons, these effort will be of much use to them. The school-to-work initiative, for example, is targeted on those who do not complete college and includes a 10 percent earmark for grants to high poverty areas. The beneficiaries of the Reemployment Act are much more likely to be poor than are other adults -- over one-fifth (21 percent) of the families of workers displaced in 1990 and 1991 were living in poverty as opposed to 14 percent for other members of the working age population.

Much of my testimony has been about the Reemployment Act which I have attempted to depict as an effort to give Americans the tools they need to take control of their own careers. The proposed legislation is inspired by the themes of customer

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choice, accountability, universal access, and integration. And it is informed by systematic attention to empirical evidence, and a deep commitment to what works.

The evidence shows that skills pay off. The evidence shows that skills can be learned. The hard-won experience from decades of economic change, and from too many programs that failed to deliver as they should for workers and taxpayers, shapes the structure of the Reemployment Act. Through respect for the evidence, and through persistence in pursuit of the American dream of prosperity, we can help prepare Americans to succeed in the skill-based economy taking shape all around us today. There is no excuse for leaving a single person behind.

This concludes my prepared remarks. I would be glad to answer any questions.

**REA TASK GROUP MEETING
SUMMARY NOTES
TUESDAY, MAY 31, 1994**

GENERAL

Higgins

- o The hearing last Thursday in front of the Senate Finance Committee went well.
- o A hearing is scheduled in front of the House Ways and Means Committee, or a subcommittee, on June 21st

Moffett

- o Health Care should be out of Ways and Means by then.
- o Members come back from recess on 6/8

OREGON/HATFIELD HEARING

Higgins

- o Should be a good hearing
- o Hatfield asked Elizabeth to go at first
- o Sec. Reich taking two grants along with him

Samet

- o Neil Goldschmidt would be a good contact in Oregon
 - good relationship with Hatfield
 - see who knows him to contact
 - Moffett to contact

Waldman

- o Moffett to push REA in Oregon media over the next month
- o Any related ideas/suggestions should be funneled through Moffett
- o There were no objections to going forward with Oregon media push

DOL to give Moffett Oregon hearing witness list

MODERATE REPUBLICATIONS

Gunderson Group

Higgins

- o Dialogue between Gunderson and Reich on consolidation
- o There will be an exchange of letters as Ford will not negotiate at this time
- o The exchange is acceptable to Ford

Invitees/Attendees list

o Priorities

- Gunderson

- Is in a tough race and wants to be constructive
- Higgins will look into possible calls to Gunderson from VPOTUS or others from WH
- Possible op-ed in Gunderson district
 - Sosnik to call to Allied Signal to check their position is on REA and possibly of an op-ed

- 1st Level Priorities

- Upton
- Boehlert
- Gunderson
- Shays
- Morella
- Castle

- 2nd Level Priorities

- Lewis
 - Machtley
 - Lewis
 - Grandy
 - all other attendees on the list
 - Houghton also a possibility
- Waldman and Sosnik to coordinate on who should contact these members.
 - Waldman to contact Labor on who they should contact

COMMUNITY COLLEGES

Higgins to look into community colleges in members' districts

Waldman and WH Public Liaison to set up possible meeting of community college presidents at the WH

DOL to notify community colleges of plans to contact their members during the recess.

- Kitty to let WH know of progress with colleges so as not to overlap efforts

BUSINESS

Last week's Rubin/Reich/Griffin briefing did not go well

Need to start planning an event/contact with BRT when they are in DC in June

Possibility of BRT letter

MATERIALS PRODUCTION

Labor to produce:

- o Q&A's
- o one page summary of facts and figures
- o two page general summary
- o summary of bill

Ann Lewis (DOL) to produce talking points. Points to be forwarded to David Kusnet for review

Samet

- o The list of businesses produced was not produced in conjunction with WH Public Liaison

CABINET

Silverman

- o Need to get people on-board

Sperling

- o Need to tie REA to individuals' "passion" or policy focus
- o People need to be comfortable with REA before they will discuss it

Briefings

- o Waldman, Sperling and Silverman to organize briefings on REA for senior WH and cabinet personnel
- o Labor will produce Q&A's and summaries noted above
- o Briefings should include
 - Waldman
 - Sperling
 - Sec. Reich
 - Higgins
 - Larry Katz
 - Doug Ross?
- o Those to be briefed should include:
 - VPOTUS
 - Bentsen
 - Bowles
 - Brown
 - McLarty
 - Kantor
 - Altman
 - Panetta
 - Rubin

- o The briefings may need to be done separately need to do separately
- o May be good to brief Rubin and Altman first, then include them when briefing McLarty and Stephanopoulos and Bentsen, respectively

GATT

Need to tie REA into GATT

Waldman, Higgins and Samet to meet with Nides and Emerson to discuss

MISCELLANEOUS

How to include/utilize political consultants

Could be an opportunity in the press right now

Sperling and Paul Dimond(?) to give op-ed outline to Sen. Bradley's office

REA TASK GROUP ASSIGNMENTS
(as of June 1, 1994)

TOPIC	ASSIGNMENT	DEPT./ASSIGNEE	TIME FRAME
Business	- Letter from POTUS to business leaders	WH-OPL/Zisook	
	- Explore possible Business Roundtable event on 6/21 or Atlanta Council on 6/22	WH-Comm/Waldman WH-OPL/Zisook	
	- Continue to identify supporters willing to go public	WH-OPL/Zisook	
Moderate Republicans	For each member, we need to create profiles with the following information:	Labor/Samet	
	- Businesses supporting REA	WH-OPL/Zisook	
	- Other big business	WH-OPL/Zisook	
	- Community college presidents/asso. -outreach calls by OPL	WH-OPL/Matsui	
	- Past corporate layoffs	Labor	
	- Past base closings/defense downsizing	Labor	
	- Identify op-ed writers (business and community college presidents)	WH-OPL/Zisook	
	- Placement of op-eds	Labor/Lewis	
	- Identify other targeted media	WH-Comm/Moffett	
		Labor/Lewis	
	- Past labor support	Labor	
	- Identify possible mayoral activity	WH-Inter Gov't/Mason	
	- Identify members of "Gunderson Group" to be contacted	WH/Waldman, Sosnik	
	- Possibility of VP/other call to Gunderson	Labor/Higgins	
	- Possibility of op-ed in Gunderson district	WH/Sosnik	
Hatfield Hearing 5/31	- Sec. Reich Oregon ed-boards	Labor/Lewis	
	- Chicago Tribune traveling with Reich?	Labor/Lewis	
For Post-Hearing	- Identify op-ed writers (business and community college presidents)	WH-OPL/Zisook	
	- Placement of op-eds	Labor/Lewis	
	- Politics of REA/timber and salmon industries	WH-Comm/Waldman Labor/Higgins	
	- Oregon Media Day with Rubin and/or Oregon Media Conference Call	WH/Waldman, Moffett	
		WH/Waldman, Moffett	

[illegible]

BUSINESS SUPPORTS THE REEMPLOYMENT ACT

Partial Listing

The following business groups and individual businesses have indicated their general support for the President's proposed Reemployment Act of 1994.

Business groups

The Business Roundtable
National Alliance of Business
National Association of Private Industry Councils
National Small Business United
The New England Council

Individual businesses

Allied Signal
Anderson Consulting
Ceridian Corporation
Circuit City Stores
General Electric
Harman International Industries, Inc.
IBM Corporation
Inacom Information Systems
MCI Communications Corporation
K-Tron International, Inc.
Powersoft Corporation
Siemens
Unum Corporation
Xerox Corporation

April 22, 1994

STATEMENT OF
ROBERT B. REICH
SECRETARY OF LABOR
BEFORE THE COMMITTEE ON FINANCE
UNITED STATES SENATE

May 26, 1994

Chairman Moynihan, Senator Packwood, and distinguished Members of the Committee:

I am pleased to have the opportunity to discuss with this Committee the role of the Reemployment Act of 1994 (S. 1951) in equipping all Americans to prosper in today's challenging new economy, and thus cementing a broad-based coalition in favor of open markets and continuous economic adaptation.

Briefly put, the Reemployment Act represents the key component in an ongoing effort to transform America's unemployment insurance system into a reemployment system. This is an urgent enterprise, because the current system is simply not working as it should for America's workers, businesses, or taxpayers.

The programs that make up our existing unemployment system were designed in an earlier time to meet the needs of a simpler economy. Their main purpose was to cushion the employment impact of cyclical and seasonal downturns. The foundations of the current system were laid nearly sixty years ago by the Committee on Economic Security established by Franklin D. Roosevelt and led by my legendary predecessor, Frances Perkins. As Chairman Moynihan observed upon the introduction of S. 1951, Secretary Perkins and her colleagues saw their institutional design as experimental. Their report, and the then-revolutionary initiatives it inspired, were expected to "secure the much-needed experience necessary for the development of a more nearly perfect system."

The unemployment insurance system launched during the New Deal was a remarkably durable success for so sweeping an experiment. But the economy has changed, and the system has not. It is time for us to return to Frances Perkins' experimental ethic, to learn from the evidence that six decades of experience offer us, and to take up anew the challenge of developing a more nearly perfect system.

While cyclical and seasonal unemployment still exists, the problem of structural unemployment has grown in importance as technological progress, corporate restructuring, the integration of the world economy, and defense downsizing have accelerated the pace of fundamental economic change. A smaller fraction of lost jobs can be expected to return with the next upturn in the business cycle. A growing number of unemployed workers need to equip themselves for new jobs, often in new industries. The 1935 report by Frances Perkins' Committee on Economic Security noted that "normally the insured worker will return to his old job or find other work before his right to benefits is exhausted." Last year, however, fewer than one-fourth of unemployed job losers expected to be recalled to their old jobs. The broad statistical trends are mirrored in the anxieties of individual Americans. The Family and Workplace Institute found that 42 percent of surveyed workers reported recent job cuts at their workplaces, and 17 percent felt it was likely or very likely that they themselves would permanently lose their jobs within a year.

Because our current system is not geared to assisting this transition to new work, we face a serious problem of long-term unemployment. Even in this increasingly solid jobs expansion, almost 1.8 million Americans have been jobless for more than 26 weeks. In fact, the share of long-term unemployed as a percent of total joblessness has been rising over the last 25 years. During the 1970's, about 11 percent of the jobless were long-term unemployed. So far in the 1990's, the average has been about 16 percent. The most recent figure, for April of this year, is over 21 percent of the total unemployment accounted for by people who have been without work for more than 26 weeks.

As long-term unemployment rises, so does the number of unemployment insurance recipients who run through their full entitlement to benefits without returning to work. In 1993, 39 percent of those who collected regular unemployment benefits ended up exhausting their eligibility. Over the past quarter-century only in 1983, when the unemployment rate averaged 9.6 percent, did a higher fraction of UI recipients fail to find work before their eligibility for benefits expired.

We would face a different problem, and in some ways a simpler one, if long-term unemployment simply reflected a lack of jobs. Yet while workers are suffering high rates of unemployment, underemployment, and long-term joblessness, some employers are having difficulty finding the workers they need. This mismatch between labor supply and demand is a tragic waste for both workers and employers. But it also complicates macroeconomic policy. When workers are skilled and flexible, labor shortages in a particular industry can be quickly remedied. But when unemployed workers are unable to fill new jobs as the

economy creates them, labor shortages can persist and kindle inflationary pressures, despite high levels of unemployment.

Economists are fond of debating the "natural" rate of unemployment--the level of joblessness that is required to keep inflation in check. This is not the time or place for engaging that debate, but I would like to point out that whatever that rate might be, it is not an immutable constant, but can be lowered. If we can arrange to keep inflation under control while suffering less joblessness, we can spare America both the lost production and the social damage that needless unemployment entails. And among the most promising ways to lower the natural rate of unemployment is to ease the transition of American workers from job to job. Workforce flexibility can help alleviate the painful paradox of simultaneous skill shortages and joblessness.

We already know a great deal about how to boost workforce flexibility. In preparation for drafting the Reemployment Act proposal, the Labor Department conducted an exhaustive review of the evidence. We were determined to learn what works, and what doesn't work, for moving people quickly into new jobs. Wherever possible we have relied upon the kinds of experimental studies, with random assignment between participant groups and control groups, that can generate conclusive results.

While high-quality experimental answers do not exist for every relevant question, on a large number of the key reemployment issues we have been able to assemble quite robust findings. We have extracted from the evidence several core lessons. And we have attempted to parlay these lessons, as quickly and directly as possible, into program reforms--in some cases through incremental changes that have already been accomplished, but more often through the new authority the Reemployment Act would provide.!

1. The first lesson concerns the importance of early identification and action for dislocated workers. This makes it possible to reduce unemployment through simple, low-cost services. Some of the best data come from well-designed experiments in five states--New Jersey, Nevada, Minnesota, South Carolina, and Washington. When workers first applied for unemployment insurance, state agencies used labor market information, work history and educational attainment information to determine which of the newly jobless were at risk of long-term unemployment. These at-risk workers then received counseling and job-search assistance.

A scientific assessment of these experiments found that at-risk workers who got this kind of basic reemployment assistance found new jobs earlier than they otherwise would have--averaging

between one-half and four weeks earlier--with no loss in the quality of the employment they found. Quicker reemployment meant lower unemployment insurance costs; on average, government saved two dollars for every dollar invested in targeted job search assistance. And workers, of course, were better off with a shorter period without work or wages.¹

This evidence was sufficiently convincing to warrant our proposal and Congress's enactment of a special provision attached to one of the extensions of Emergency Unemployment Compensation last year. Under this provision, unemployment insurance offices will take steps to identify workers who are unlikely to get their old jobs back, and then link those workers to all available reemployment services. The Reemployment Act will deepen this reform, increasing the proportion of workers who benefit from prompt reemployment services.

2. A second lesson shows the potential payoff to letting unemployment insurance recipients start their own businesses. Labor Department demonstration programs in Washington State and Massachusetts gave unemployment insurance claimants a self-employment option. Jobless workers interested in starting their own businesses were given training and support through the UI system. A systematic evaluation found that participants were about twice as likely as comparable non-participants to successfully launch a business. They also had higher average subsequent employment rates and earnings than the control group.²

The solid results from state demonstrations of self-employment assistance inspired a provision in the legislation implementing the North American Free Trade Agreement. Under this provision, all states have the option of creating self-employment programs of the sort that have been shown to pay off in Washington and Massachusetts. This authority is only temporary under current law; the Reemployment Act would make it a permanent option.

3. A third lesson concerns reemployment bonuses paid to workers who find jobs quickly. Random-assignment experiments in Illinois, Pennsylvania, and Washington showed that offering such bonuses cut the average length of unemployment among eligible populations by one-half to one week--even though only ten to fifteen percent of eligible clients actually made use of the

¹Bruce Meyer, *Policy Lessons from the U.S. Unemployment Insurance Experiments*, National Bureau of Economic Research Working Paper #4197, 1992

²Jacob Benus et al., *A Comparative Analysis of the Washington and Massachusetts UI Self-Employment Demonstrations*, Abt Associates, Bethesda, Md., November 1993

bonuses. The programs paid for themselves from the government's perspective; savings in benefit payments offset the cost of the bonuses. And since they meant higher earnings for participants, they generated net benefits overall.³ The evidence is robust enough to convince us to propose, in the Reemployment Act, a new reemployment bonus option for all States.

4. Beyond reemployment bonuses and self-employment options, a proven provision to boost the flexibility of the unemployment insurance system concerns short-time compensation. This option allows states to offer partial unemployment benefits to employees who are working reduced hours, because their employer is seeking to reduce costs to avert a shutdown, or is spreading work reductions throughout the labor force in an attempt to avoid layoffs. About one-third of the States now operate short-time compensation programs. The Reemployment Act would encourage more States to offer this option.

5. A central lesson concerns the importance of integrating skill training with unemployment insurance. While only a minority of job losers require new skills for reemployment, for those who do there are great advantages to integrating training and unemployment benefits. At present, too many workers who need and can benefit from training have their first exposure to training programs only after using up their unemployment insurance. (A 1988 study found that only one percent of the long-term unemployed had attended training programs by the time their eligibility for jobless benefits expired.⁴)

Yet there is a good deal of solid evidence on the payoff to longer-term post-secondary education, including training at community colleges.⁵ While there are no good data on dislocated workers specifically, the findings on post-secondary education generally show a clear pattern of less joblessness and higher

³Paul Decker and Christopher O'Leary, *An Analysis of Pooled Evidence from the Pennsylvania and Washington Reemployment Bonus Demonstrations*, Unemployment Insurance Occasional Paper 92-7, U.S. Department of Labor, 1992; Bruce Meyer, *Policy Lessons From the U.S. Unemployment Insurance Experiments*, National Bureau of Economic Research Working Paper #4197, 1992

⁴Philip Richardson et al., *Referral of Long-Term Unemployment Insurance Claimants to Reemployment Services*, U.S. Department of Labor Occasional Paper 89-2, 1989

⁵A good overview of the growing role of education levels in income differentials is Frank Levy and Richard Murnane, "U.S. Earnings Levels and Earnings Inequality: A Review of Recent Trends and Proposed Explanations," *Journal of Economic Literature*, September 1992

earnings as skill levels increase. Importantly, the payoff from education seems to be largely due to the new skills acquired, rather than the "credentialing" effect of graduation: Workers with college experience earn five to ten percent more than do comparable high-school graduates per year of courses completed, whether at four-year or community colleges, and whether or not college education leads to a degree.⁶

By contrast, the evidence suggests that many forms of short-term training for dislocated workers are not effective. In three studies--two of them featuring randomized control-group methods--workers offered short-term training plus job search assistance showed no significant increase in earnings or employment over workers offered job-search assistance alone.⁷ While the Reemployment Act encourages rapid reemployment through improved job search assistance, it also incorporates three provisions to make longer-term training a practical option for workers who need it: First is the emphasis on early identification and intervention, to get dislocated workers into training before their regular unemployment benefits are exhausted. Second is the Act's provision for extended unemployment benefits for workers who need it to complete appropriate retraining programs. Third is access to student financial assistance, including income-contingent loans, to fund especially lengthy or expensive training regimes, or for workers who are ineligible for income support delivered through the unemployment insurance system.

6. A sixth lesson is the importance of integrated, accountable delivery of reemployment services. Here, it requires no sophisticated analysis to pinpoint the problem: The current system is confusing and complex, balkanized into a profusion of narrow programs. We clearly need to streamline the delivery of employment and training services. The Reemployment Act, which will combine all six programs for dislocated workers into a single system, represents an aggressive step toward program consolidation. And this is only our first step. The Reemployment Act is crafted to encourage additional waves of consolidation, and set in motion a continuous campaign of streamlining and improvements.

⁶Thomas J. Kane and Cecilia Rouse, *Labor Market Returns to Two and Four-Year College: Is a Credit a Credit and Do Degrees Matter?* Working Paper #311, Industrial Relations Section, Princeton University, January, 1993

⁷The studies are summarized in Duane Leigh, "An Overview of Existing Evaluation Evidence for the U.S.," in *Assisting Workers Displaced By Structural Change: An International Comparison*, Upjohn Institute, Forthcoming 1994

Program consolidation is clearly important for efficiency and accountability. An equally central tactic for accomplishing the same key goals, however, is integrated one-stop delivery at the point where the customer encounters the system. One of the cornerstones of the Reemployment Act is the progressive construction of a network of one-stop career centers that will unite under one roof access to a wide range of workforce services--not just for dislocated workers, and not just programs based at the Labor Department. Fortunately, there is a wealth of pioneering models on which to build. In New York, for example, the GATEWAY program organizes access to a rich array of reemployment services, including job data banks, skills assessment, counseling, and training. GATEWAY uses up-to-date information technology to minimize red tape and maximize customer service, and has paid off for hundreds of workers--including John Hahn, who spoke at the White House ceremony launching the Reemployment Act proposal. In Maine, the Career Advancement Center links dislocated workers with a wide range of funding sources and services to accelerate their transition to good new jobs. Like GATEWAY, it is founded on the three pillars of comprehensive services, modern information technology, and a culture of commitment to the customer.

In Brookings, South Dakota, the Career Learning Center offers an integrated, customer-oriented approach to delivering information, job-search assistance, and training. In Blaine, Minnesota the Anoka County Human Service Center brings the services of 23 public agencies and numerous private programs together under one roof, giving customers one-stop access to the whole range of help they need to improve their labor-market prospects. Oregon has a statewide program called Choices and Options, which helps dislocated workers assess their options and make informed decisions before their eligibility for jobless benefits expires. And in Michigan, the famous Focus:HOPE program delivers high-quality training, carefully connected to jobs in demand in the local labor market.

I can't expect to even mention all of the promising approaches under way out in the states: A St. Louis program for accelerating the transition of McDonnell Douglas workers displaced by defense downsizing; a worker transition program, tightly linked to economic development efforts, in Davenport, Iowa; the new Resource Room initiative launched by Oklahoma's employment service; the list could go on and on. The Reemployment Act takes the best ideas developed in these "laboratories of democracy"--one-stop service delivery, market-driven training, customer orientation, computer-driven labor market information systems, and so on--and builds them into the national reemployment system.

The incremental reforms to the unemployment insurance system--reemployment bonuses, short-time compensation, self-

employment options, universal profiling--and the local innovations occurring throughout America will make a modest but real difference for dislocated workers, and for public budgets. But modest changes are not enough. If we are to do right by American workers faced with a fundamentally different economy--if we are to honor through action the pragmatic, experimental tradition of my predecessor Frances Perkins and your predecessors in the Senate who shaped America's original unemployment insurance system--we must commit to a fundamental transformation in policy and programs.

The mismatch between the current system's structure and the needs it is pressed to serve burdens federal and state taxpayers, and especially businesses, with enormous costs. State unemployment compensation payments have exceeded \$13 billion in each of the last seven years, and in 1993--even as recovery set in--states paid out nearly \$22 billion in regular unemployment benefits. Federal spending on administrative costs for regular unemployment insurance totalled \$2.5 billion last year. But unemployment insurance is not designed to help speed workers into reemployment. So despite these huge outlays, the predicament of the long-term unemployed led to the repeated provision of federal Emergency Unemployment Compensation payments, costing \$24 billion over the past two years.

Consider this: in 1993 alone, combined federal and state unemployment compensation costs exceeded \$38 billion. This money was not wasted, to be sure; it spared jobless workers from the worst forms of financial hardship and helped shore up consumer spending, which are important accomplishments. But because the system is not geared to reemployment, we have only limited long-term results to show for the \$38 billion spent last year--few investments in new skills, little growth of flexibility, no coordinated attack against the problem of structural unemployment.

We can do better. In the current budgetary environment, we can and must deploy the resources of the unemployment insurance system to greater effect. By gearing jobless benefits to rapid reemployment, and by integrating cash benefits and skill training programs, we can respond more effectively to the risks and opportunities of today's economy.

The Reemployment Act is designed with a keen awareness of fiscal limits. Most of the financing is discretionary, and the majority is financed through consolidating separate dislocated worker training programs into this integrated system. Additional discretionary funds come from reductions in other Federal programs. The modest mandatory component, limited to retraining income support, is initially financed in part by offsets from consolidation, and in part by applying to a jobs-related purpose Unemployment Insurance revenues now routed elsewhere. One of the

programs to be consolidated into the Reemployment Act system is Trade Adjustment Assistance. We have attempted to ensure a smooth transition from this categorical adjustment program to the Reemployment Act's comprehensive approach. Virtually all trade-displaced workers will receive equal or superior benefits under the new system. One of the main distinctions is that extended unemployment benefits will be targeted to workers who need that support to complete longer-term training programs.

Beginning in FY 1999, income support for all workers who need long-term training will be financed by a permanent extension of the 0.2 percent surcharge first levied in 1977 under the Federal Unemployment Tax Act. This FUTA extension is a small but crucial component of the systematic reform envisaged by the Reemployment Act. Since some dislocated workers will inevitably need long-term training to equip themselves for reemployment, a reliable source of funding to make this training possible is essential to the integrity of the reemployment system. Income support is available only to the minority of workers who participate in the training for reemployment. By integrating training with the unemployment insurance system, this provision reinforces the system-wide emphasis on preparation for new jobs that is central to the overall reform effort.

The mandatory component is also carefully crafted to meet the imperative of fiscal discipline. It is tightly capped. Spending for income support cannot exceed 20 percent of FUTA receipts. While some workers will need training that goes beyond their term of eligibility for income support, they will not be left on their own. Income-contingent loans and other forms of financial aid delivered under the Higher Education Act of 1965 are intended to extend, supplement, or in some cases substitute for income support.

Since the income-support financing is linked to FUTA receipts, and since the wage base against which that charge is levied is limited to the first \$7,000 paid to a worker, the maximum annual cost of retraining incoming support is about \$11 per employee. I believe this is a small price for business to pay for a reform that will boost the supply of skilled, flexible labor.

We expect that the Reemployment Act will also pay off in narrow budgetary terms. The decreases in unemployment and increases in earnings we anticipate from the Reemployment Act's implementation will boost tax revenues and shrink governmental payments for unemployment insurance and other forms of public support.

Finally, American business and the economy at large can expect an even more fundamental payoff from the Reemployment Act. Putting in place a sturdy system of reemployment services will

give all American workers greater cause for confidence that they will benefit from the economic changes that will continue to transform American industry. By broadening the coalition in favor of change, the Reemployment Act will reduce the risk of the kind of backlash against change that would imperil our common agenda of open markets, technological dynamism, and structural transformation.

The Reemployment Act of 1994 is informed by systematic attention to empirical evidence, and a deep commitment to what works. Through respect for the evidence, and through persistence in pursuit of the American tradition of broadly-shared middle class prosperity, we can prepare every American to succeed in the skill-based economy taking shape all around us today. There is no excuse for leaving a single citizen behind.

This concludes my prepared remarks. I would be glad to answer any questions.

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U.S. HOUSE OF REPRESENTATIVES

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SUBCOMMITTEE ON LABOR-MANAGEMENT RELATIONS

TENTATIVE WITNESS LIST
HEARING ON HR 4040\4050 - MAY 25, 1994
2175 RAYBURN - 9:30 AM

WITNESSES

Mr. Robert McGlotten
Legislative Director
AFL-CIO
Washington, DC

Mr. Thomas Nagle [representing NGA]
Director
Employment Development Division
State of California
Sacramento, CA

Ms. Sue Mohr [representing NACo]
Director
Montana Job Training Partnership, Inc.
Helena, MT

Mr. Terry Hudson [representing USCM]
Director
Houston Works
Houston, TX

Janine Brannon SHRM (Society
for Human Res. Mgmt.)
(missing testimony)

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COMMITTEE ON EDUCATION AND LABOR

U. S. HOUSE OF REPRESENTATIVES

320 CANNON HOUSE OFFICE BUILDING

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SUBCOMMITTEE ON LABOR-MANAGEMENT RELATIONS

OPENING STATEMENT OF CHAIRMAN PAT WILLIAMS (D-MT) MAY 25, 1994

TODAY MARKS THE SECOND DAY OF HEARINGS ON THE REEMPLOYMENT ACT OF 1994. WE HEARD FROM SECRETARY REICH ON MARCH 16, 1994.

THERE ARE FURTHER HEARINGS SCHEDULED FOR JUNE IN THIS SUBCOMMITTEE AND IN THE POSTSECONDARY EDUCATION AND TRAINING SUBCOMMITTEE.

THIS ACT IS A FIRST STEP TOWARD LOOKING AT OPTIONS FOR REFORMING OUR NATION'S TRAINING SYSTEM. ALTHOUGH DESIGNED FOR DISLOCATED WORKERS, THIS LEGISLATION HAS BROADER IMPLICATIONS WHICH WE NEED TO STUDY CAREFULLY.

THIS ACT, AS INTRODUCED, RAISES MANY IMPORTANT ISSUES INCLUDING: CONSOLIDATION, COMPETITION, GOVERNANCE, ELIGIBILITY, PRESUMPTIVE ROLE FOR THE JOB SERVICE, USE OF PRIVATE COMPANIES TO REPLACE PUBLIC ENTITIES, AND POTENTIAL FOR CONFLICT OF INTEREST. AS WE REVIEW THESE ISSUES IN THESE HEARINGS WE SHOULD REMEMBER THAT THIS PROGRAM IS DESIGNED TO SERVE DISLOCATED WORKERS AND THAT IMPROVING SERVICES FOR THEM SHOULD BE OUR FOCUS.

CONSOLIDATION

IT IS IMPORTANT TO CONSIDER THE HISTORY OF EMPLOYMENT AND TRAINING AS WE CONSIDER THE ISSUE OF CONSOLIDATION. WE SHOULD REMEMBER THAT WE MOVED AWAY FROM CONSOLIDATION IN THE 1992 JTPA AMENDMENTS WHEN WE SEPARATED THE YOUTH AND ADULT PROGRAMS. SINCE MDTA IN 1962, WE HAVE SWAYED BACK AND FORTH FROM CONSOLIDATION TO CATEGORIZATION WITHIN EMPLOYMENT AND TRAINING PROGRAMS.

IN LOOKING AT THE ISSUE OF CONSOLIDATION, I ASKED CRS TO REVIEW HOW MANY NEW PROGRAMS HAVE BEEN ENACTED SINCE 1988. THERE ARE: 8 NEW JOB TRAINING PROGRAMS; 33 NEW EDUCATION

PROGRAMS; 14 NEW HEALTH PROGRAMS; 12 NEW MENTAL HEALTH AND SUBSTANCE ABUSE PROGRAMS; AND, 17 NEW CHILDREN AND FAMILY SERVICE PROGRAMS, FOR A TOTAL OF 84, NOT ALL OF WHICH HAVE BEEN FUNDED.

I BELIEVE THAT THE ISSUE IS NOT THE NUMBER OF PROGRAMS, BUT A LACK OF COMMON DEFINITIONS, COMMON REPORTING REQUIREMENTS, COMMON FUNDING CYCLES, COMMON PERFORMANCE STANDARDS, COMMON ELIGIBILITY REQUIREMENTS, COMMON STRUCTURE OF THE DELIVERY SYSTEM, AND OFTEN CONFLICTING OR ADDITIONAL DIRECTIONS FROM DIFFERENT LAYERS OF GOVERNMENT.

THE CONGRESS IS AWAITING REPORTS ON THESE ISSUES FROM THE SECRETARY OF EDUCATION UNDER SECTION 115(F) OF THE PERKINS ACT AND THE SECRETARY OF LABOR UNDER SECTION 165 OF JTPA. IT IS MY HOPE THAT THESE REPORTS WILL SHED SOME LIGHT BEYOND THE RHETORIC ASSOCIATED WITH THE ISSUE OF CONSOLIDATION.

COMPETITION/EMPLOYMENT SERVICE/PUBLIC VS. PRIVATE

WITH REGARD TO THE ISSUE OF COMPETITION IN THIS LEGISLATION, WE SHOULD ASK THE QUESTION, "COMPETITION FOR WHAT?" NO ONE DISPUTES THE NEED FOR COMPETITION AMONG SERVICE PROVIDERS. THERE IS DISPUTE REGARDING WHETHER COMPETITION FOR OPERATING CAREER OR ONE-STOP CENTERS WILL DESTROY THE GOOD WILL AND THE CONSORTIA THAT HAVE BEEN ESTABLISHED OVER TIME. COMPETITION LEADS TO THE DEBATE AS TO WHETHER ANY SINGLE ENTITY SUCH AS THE EMPLOYMENT SERVICE SHOULD HAVE A PRESUMPTIVE ROLE, OR SHOULD IT BE ONLY UTILIZED IN THOSE COMMUNITIES WHERE IT IS RECOGNIZED AS EFFECTIVE.

GOVERNANCE

THE ISSUE OF GOVERNANCE MUST BE CLEARLY AND DEFINITELY RESOLVED SO THAT WE CAN UNDERSTAND: 1) HOW FUNDS FLOW; 2) WHO HAS FINANCIAL LIABILITY FOR THOSE FUNDS; AND, 3) WHAT IS THE ROLE OF LOCAL ELECTED OFFICIALS, THE GOVERNOR, THE PRIVATE SECTOR AND ORGANIZED LABOR IN THE DECISION MAKING PROCESS BOTH LOCALLY AND AT THE STATE LEVEL.

ELIGIBILITY

THE ISSUE OF ELIGIBILITY RELATES PRIMARILY TO THE LEVEL AND CONDITIONS FOR INCOME SUPPORT. ACCORDING TO CBO'S REPORT ENTITLED, "DISPLACED WORKERS: TRENDS IN THE 1980s...", 51% OF DISPLACED WORKERS HAVE A JOB TENURE OF THREE YEARS OR LESS

COMPARED TO 35% IN THE CIVILIAN LABOR. THE LEGISLATION BEFORE US ASSURES INCOME SUPPORT VIA A CAPPED ENTITLEMENT FOR DISLOCATED WORKERS WITH MORE THAN 3 YEARS JOB TENURE, AND INCOME SUPPORT FOR DISLOCATED WORKERS WITH ONE TO THREE YEARS OF TENURE THROUGH THE FORMULA ALLOCATION. GIVEN THE ABOVE DATA, WE MAY HAVE TO REVIEW THAT IMBALANCE WITH OUR WAYS AND MEANS COLLEAGUES AND REACH SOME ADJUSTMENTS.

CONFLICT OF INTEREST

THE ISSUE OF CONFLICT OF INTEREST RELATES TO WHETHER OR NOT THE LEGISLATION SHOULD PROHIBIT OR RESTRICT SERVICE PROVIDERS FROM SERVING AS THE CAREER CENTER OR ONE-STOP OPERATORS OR FROM SERVING ON THE WORK FORCE INVESTMENT BOARD. IF, FOR EXAMPLE, YOU ARE A COMMUNITY COLLEGE ADMINISTERING A ONE-STOP CENTER, IS IT A CONFLICT OF INTEREST FOR YOU TO REFER A CLIENT TO TAKE A COURSE AT YOUR COMMUNITY COLLEGE? IF YOU ARE A SERVICE PROVIDER, SHOULD YOU BE ALLOWED TO SIT ON THE WORKFORCE INVESTMENT BOARD AND REVIEW AND VOTE ON PROPOSALS TO FUND SERVICE PROVIDERS?

CONCLUSION

IT IS MY HOPE THAT THESE HEARINGS WILL GIVE US DIRECTION ON THESE AND OTHER IMPORTANT ISSUES AS THE COMMITTEE CONSIDERS THE REEMPLOYMENT ACT OF 1994.

AS WE PROCEED, IT IS IMPORTANT TO NOTE THAT I REMAIN SKEPTICAL ABOUT THE SUCCESS OF GOVERNMENT-FUNDED TRAINING PROGRAMS. IN FACT, THERE IS A MOUNTING BODY OF EMPIRICAL EVIDENCE SUGGESTS JUST THAT. MANY ASK: "WHAT JOBS ARE WE TRAINING PEOPLE FOR, AND WHERE DO THEY EXIST?"

**NATIONAL
ASSOCIATION
of
COUNTIES**

*440 First St. NW, Washington, DC 20001
202/393-6226*

SUE MOHR

EXECUTIVE DIRECTOR

**MONTANA JOB TRAINING PARTNERSHIP
HELENA, MONTANA**

ON BEHALF OF

THE NATIONAL ASSOCIATION OF COUNTIES

BEFORE THE

**UNITED STATES HOUSE OF REPRESENTATIVES LABOR-
MANAGEMENT RELATIONS SUBCOMMITTEE OF THE HOUSE
EDUCATION AND LABOR COMMITTEE**

2175 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC

MAY 25, 1994

CHAIRMAN WILLIAMS AND MEMBERS OF THE SUBCOMMITTEE ON
LABOR-MANAGEMENT RELATIONS:

MY NAME IS SUE MOHR, EXECUTIVE DIRECTOR OF THE MONTANA
JOB TRAINING PARTNERSHIP, A NON-PROFIT CORPORATION IN HELENA,
MONTANA, WHERE I WORK FOR A BOARD OF ELECTED OFFICIALS AND
TWO PRIVATE INDUSTRY COUNCILS WHICH SERVE THE TWO SERVICE
DELIVERY AREAS IN MONTANA.

I AM PLEASED TO TESTIFY ON THEIR BEHALF, AS WELL AS THE
NATIONAL ASSOCIATION OF COUNTIES (NACO)*. FOR SEVERAL YEARS, I
HAVE BEEN A MEMBER OF THE BOARD OF DIRECTORS OF THE NATIONAL
ASSOCIATION OF COUNTIES TRAINING AND EMPLOYMENT
PROFESSIONALS (NACTEP).

I WOULD LIKE TO SUBMIT, FOR INCLUSION IN THE HEARING
RECORD, DETAILED COMMENTS PREPARED AS A RESULT OF A ONE-DAY
FORUM SPONSORED BY THE MONTANA JOB TRAINING PARTNERSHIP ON
APRIL 18, WHICH WAS ATTENDED BY MORE THAN 100 PEOPLE
REPRESENTING OUR EMPLOYMENT AND TRAINING SYSTEM ON A
STATEWIDE BASIS.

* The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban and rural counties join together to build effective, responsive county government. The goals of the organization are to: improve county government; serve as the national spokesman for county government; serve as the liaison between the nation's counties and other levels of government; and achieve public understanding of the role of counties in the federal system.

LET ME SHARE WITH YOU THE CONCERNS OF
NACO ABOUT THE LEGISLATION GENERALLY, BUT I AM ALSO HERE TO
CALL ATTENTION TO THE PROBLEMS PRESENTED FOR A RURAL STATE
LIKE MONTANA.

MONTANA IS BIGGER GEOGRAPHICALLY THAN ALL OF THE NEW
ENGLAND STATES COMBINED, 147,000 SQUARE MILES. IN OPERATING OUR
PROGRAMS, THE MAJOR GOALS ARE TO PROVIDE TRAINING TO AS MANY
PARTICIPANTS AS POSSIBLE, TO BE CAREFUL STEWARDS OF THE
TAXPAYERS' MONEY, AND ULTIMATELY TO PLACE AS MANY
PARTICIPANTS IN DECENT JOBS.

WE BELIEVE THAT THOSE GOALS ARE ALSO YOUR GOALS.
HOWEVER, BETWEEN CONGRESS AND THE PARTICIPANTS ARE MANY,
MANY LAYERS OF WHAT I CALL MIDDLE MANAGEMENT. THESE INCLUDE
THE U. S. DEPARTMENT OF LABOR AND ITS REGIONAL OFFICES, THE
GOVERNOR, THE PRIVATE INDUSTRY COUNCIL, THE JTPA SERVICE
DELIVERY AREA OFFICE LIKE OURS, AND TRAINING AND SERVICE
PROVIDERS THAT WE FUND.

FINALLY, WE REACH THE PARTICIPANT, THE MOST IMPORTANT
FOCUS OF OUR CONCERNS.

LET US NOT FORGET THAT FOLLOWING THIS PROCESS THE
EVALUATORS AND AUDITORS, INCLUDING THE GENERAL ACCOUNTING
OFFICE AND THE LABOR DEPARTMENT'S OFFICE OF THE INSPECTOR
GENERAL, MAY APPEAR AT SOME STAGE.

AT OUR ONE-DAY FORUM IN MONTANA, OUR PARTICIPANTS HAD ARRIVED READY FOR A NEW PERSPECTIVE ON REEMPLOYMENT. THEY EXPECTED TO SEE NEW GOALS SET, ADDITIONAL CHALLENGES PRESENTED, AND INCREASED RESPONSIBILITY. INSTEAD THEY WERE STUNNED AT THE AMOUNT OF DETAIL AND MICROMANAGEMENT CONTAINED IN THE PROPOSED REEMPLOYMENT ACT OF 1994. WHILE IT IS ASSUREDLY AN ADMIRABLE UNDERTAKING TO ATTEMPT TO LEGISLATE FOR EVERY POSSIBILITY IN EVERY COMMUNITY AND STATE IN AMERICA, OUR CONSENSUS WAS THAT IT IS NOT POSSIBLE TO CONSTRUCT A DETAILED FLOOR PLAN THAT WILL FIT THE TERRAIN IN NEW YORK CITY AND ALSO IN MILES CITY, MONTANA

IT SEEMS THAT THIS BILL IS ATTEMPTING TO MICROMANAGE PROGRAMS BY TRYING TO RUN THEM THROUGH A FLURRY OF AGREEMENTS, MEMOS OF UNDERSTANDING, AND PLANNING DOCUMENTS. IF YOU BELIEVE THAT EMPLOYMENT AND TRAINING SHOULD BE CHANGED, DO WHAT ANY GOOD MANAGER WOULD DO. HAVE THE LEGISLATION SET THE APPROPRIATE GOALS.

JTPA IS THE ONLY PERFORMANCE-BASED FEDERALLY-FUNDED SYSTEM. IF YOU WANT TO ADD CUSTOMER SATISFACTION AS A PERFORMANCE GOAL, THAT WOULD BE FINE, BUT IT SHOULD ONLY BE ONE PART OF THE EQUATION. CUSTOMERS ARE NOT REALLY SATISFIED UNLESS THEY GET JOBS.

JOBS ARE IN SHORT SUPPLY IN MONTANA. IF TIME PERMITS, I WOULD LIKE TO DESCRIBE OUR EMPLOYMENT DILEMMA IN GREATER

DETAIL. HOWEVER, I WOULD FIRST LIKE TO ADDRESS NACO'S AND MY FELLOW MONTANANS' CONCERNS AND SUGGESTED IMPROVEMENTS TO THE PROPOSED LEGISLATION.

THESE RECOMMENDATIONS REFLECT THE POLICIES THAT THE NATIONAL ASSOCIATION OF COUNTIES ENDORSED AT ITS ANNUAL LEGISLATIVE CONFERENCE.

1. WE URGE YOU TO ELIMINATE THE ADDITIONAL LAYERS OF MIDDLE MANAGEMENT WHICH THE LEGISLATION WOULD IMPOSE. MANDATING THE CREATION OF NEW WORKFORCE INVESTMENT BOARDS WOULD CREATE ANOTHER ADMINISTRATIVE LEVEL THAT ERODES THE AUTHORITY OF LOCAL ELECTED OFFICIALS TO ESTABLISH STRUCTURES THAT ARE COMPATIBLE WITH AND BEST UTILIZE LOCAL RESOURCES AND NEEDS. ADMINISTRATIVE EXPENSES WOULD BE UNNECESSARILY ADDED, FURTHER REDUCING THE LIMITED RESOURCES AVAILABLE FOR SERVING ELIGIBLE PARTICIPANTS.

2. THE CAREER CENTERS TITLE OF THE PROPOSED LEGISLATION DOES NOT MAKE CLEAR WHERE THE MONEY FLOWS. IT IS NOT A SUFFICIENT RECOGNITION OF THE PUBLICLY ACCOUNTABLE ROLE OF LOCAL ELECTED OFFICIALS TO EMPOWER THEM ONLY TO APPOINT AND APPROVE THE BUDGETS OF WORKFORCE INVESTMENT BOARDS. FUNDS SHOULD FLOW THROUGH ENTITIES WITH FISCAL RESPONSIBILITY AND THE ACCOUNTABILITY TO BE LIABLE FOR APPROPRIATE EXPENDITURE OF FUNDS. THE ONLY SUCH ENTITIES ARE THOSE ESTABLISHED BY

GOVERNMENTS. A COMPLETELY INDEPENDENT AND POTENTIALLY RUN-AWAY BOARD WOULD NOT SERVE THE PUBLIC WELL.

3. A VIABLE PUBLIC-PRIVATE PARTNERSHIP IS BEST ASSURED WHEN ACCOUNTABILITY FOLLOWS THE DELEGATION OF RESPONSIBILITY. TITLE I OF JTPA CURRENTLY REQUIRES JOINT AGREEMENTS BETWEEN LOCAL ELECTED OFFICIALS AND PRIVATE INDUSTRY COUNCILS TO DELINEATE RESPONSIBILITY CONCERNING HOW LOCAL PROGRAMS ARE TO BE FUNDED AND OPERATED. THIS EXISTING STATUTORY ARRANGEMENT PERMITS THE GREATEST FLEXIBILITY. WE URGE YOU TO MAINTAIN THIS PRINCIPLE THROUGHOUT THE LEGISLATION.

4. WE URGE YOU TO ELIMINATE THE PROVISION IN THE CAREER CENTERS TITLE GIVING THE EMPLOYMENT SERVICE THE PRESUMPTIVE RIGHT TO OPERATE A ONE-STOP CENTER, EVEN THOUGH IT REQUIRES OTHERS TO COMPETE. WE BELIEVE THAT COMPETITION FOR COMPETITION'S SAKE IS UNPRODUCTIVE BOTH IN TERMS OF UNNECESSARY EXPENSE AND IN TERMS OF DISCOURAGING NEEDED COOPERATION AMONG PROFESSIONALS AND INSTITUTIONS. THE COLLABORATIVE MODEL INVOLVING COOPERATIVE ARRANGEMENTS AMONG THE VARIOUS COMPONENTS OF THE JOB TRAINING SYSTEM SHOULD BE THE PREFERRED APPROACH.

5. WE ARE CONCERNED THAT THE PROPOSED LANGUAGE IN THE CAREER CENTERS TITLE WOULD PERMIT THE STATE TO DESIGNATE SUBSTATE AREAS WHICH ARE GEOGRAPHICALLY DIFFERENT FROM

SERVICE DELIVERY AREAS UNDER TITLE II OR SUBSTATE AREAS UNDER TITLE III OF JTPA. THIS WOULD CREATE UNNECESSARY CONFUSION FOR THE JOB TRAINING SYSTEM'S CUSTOMERS. THIS PROVISION RUNS COUNTER TO THE GOAL OF PROVIDING IMPROVED PUBLIC SERVICES.

6. WE ARE OPPOSED TO THE PROVISION IN THE DISLOCATED WORKER TITLE OF THE ADMINISTRATION'S PROPOSAL WHICH WOULD DENY LOCAL JURISDICTIONS HAVING LESS THAN 200,000 POPULATION THE OPPORTUNITY TO APPLY AND BE DESIGNATED AS A SUBSTATE AREA BY THE GOVERNOR, EVEN THOUGH A SIGNIFICANT PORTION OF A LOCAL LABOR MARKET WOULD BE SERVED. THE EXISTING FLEXIBILITY PROVIDED BY JTPA HAS PROVEN VALUABLE BOTH TO STATES AND LOCALITIES IN WORKING OUT UNIQUE ARRANGEMENTS ADAPTED TO LOCAL CIRCUMSTANCES.

7. WE ENCOURAGE YOU TO FOSTER INTEGRATED PROGRAM SERVICES BY MANDATING COMMON REPORTING SYSTEMS, DEFINITIONS, AND PARTICIPANT ELIGIBILITY. WAIVERS MAY HELP, BUT WE URGE YOU TO MAKE THE FOLLOWING PROGRAMS MORE COMPATIBLE. GREATER COORDINATION OF SUCH PROGRAMS AS JOBS, CARL PERKINS, JTPA AND SCHOOL-TO-WORK WOULD BE HIGHLY BENEFICIAL TO THE ELIGIBLE PARTICIPANTS.

AS A GENERAL COMMENT, WHILE WE SUPPORT THE WORTHY GOALS OF THE ADMINISTRATION'S STRATEGY, WE ARE CONCERNED THAT APPROPRIATIONS MAY NOT BE SUFFICIENT TO SERVE ALL PARTICIPANTS NEEDING REEMPLOYMENT SERVICES.

IN MONTANA, WE MUST SPREAD OUR FUNDS ACROSS A HUGE STATE. WE FIGHT HARD TO KEEP OUR COSTS DOWN. OUR GOAL IS TO SERVE ALL THE ELIGIBLE PARTICIPANTS WE POSSIBLY CAN. WE USE ABOUT 50 OPERATORS ADMINISTERING A WIDE VARIETY OF PROGRAMS. OUR DISCRETIONARY GRANTS FOR THIS YEAR AMOUNT TO THREE TIMES OUR REGULAR DISLOCATED WORKER ALLOCATIONS. MONTANA HAS EXPERIENCED AN APPALLING NUMBER OF LAYOFFS IN MAJOR SECTORS OF OUR ECONOMY IN THE LAST FEW YEARS, INCLUDING THE TIMBER INDUSTRY, HEALTH CARE PROVIDERS, AND OTHER INSTITUTIONS. THE IMPACT CAN BE DEVASTATING TO A COMMUNITY. JUST RECENTLY, ANOTHER SHUTDOWN OCCURRED IN SUPERIOR, MONTANA, LAYING OFF NEARLY ONE-QUARTER OF SUPERIOR'S POPULATION OF 993 PEOPLE.

IN CONCLUSION, OUR PARTICIPANTS, OUR LOCAL PROGRAM DELIVERERS, AND OUR LOCAL ELECTED OFFICIALS IN MONTANA THANK YOU FOR THE OPPORTUNITY TO PRESENT THIS TESTIMONY ON THEIR BEHALF.

OFFICE OF THE GOVERNOR
STATE OF MONTANA

MARC RACICOT
GOVERNOR

STATE CAPITOL
HELENA, MONTANA 59620-0801

May 20, 1994

Congressman Pat Williams
2457 Rayburn Building
Washington, D.C. 20515

Dear Congressman Williams:

We are pleased to send you comments on the proposed federal Re-employment Act of 1994. Montana is perhaps unique in our willingness and ability to work together in common purpose within our job training community.

BACKGROUND: On April 18, a one day statewide forum on the proposed Reemployment Act was held in Helena. This forum was sponsored by the Montana Job Training Coordinating Council, the Concentrated Employment Program and Balance of State Private Industry Councils, and the Department of Labor and Industry. Approximately 250 people attended from across the state and representing a broad range of interests including job training, welfare, education, apprenticeship, unemployment insurance, and labor market statistics.

The goal of the forum was two-fold: to provide those in attendance with an overview of the Act and to develop consensus comments for our Congressional delegation. As Governor Racicot stated in his invitation to attend this forum, "Where Montanans speak with unity is where we can be most effective with our Congressional delegation to help in their deliberations on this key legislation."

The overview of the Act was provided by Niall Rogers from Region VIII, who participated on the DOL team responsible for drafting the legislation. Breakout sessions were then conducted to develop consensus and report back in three areas:

- 1) Title I Comprehensive Program for Worker Reemployment and Title II Retraining Income Support and Flexibility in Unemployment Compensation
- 2) Title III One-Stop Career Center System
- 3) Title IV National Labor Market Information System and Title V Reinvention Labs for Job Training for the Economically Disadvantaged

RECOMMENDATIONS

Generally: It is safe to say that participants at our forum were stunned at the amount of detail and micro-management contained in the 250 page draft bill. While it is a most assuredly admirable undertaking to attempt to legislate for every possibility in every community and state in America, our consensus was that it is not possible to construct a detailed floor plan that will fit the terrain in New York City and also in Miles City, Montana. We strongly encourage a backing away in law from the "how" a program is operated and more emphasis on "what" the program accomplishes. If that is not feasible, then consider a rural exception for states like Montana, allowing us to design a streamlined delivery that works for us. We simply cannot afford the overhead these job training programs are causing by requiring a different delivery system for each. We would prefer to streamline overhead and direct more funds to citizens.

Montana is working to promote community based design and delivery of all human service programs into integrated systems of which job training programs are one component. With our total population of only 800,000, our definition of local and community are much different than envisioned in the Act. Again, we need the flexibility to keep job training programs a partner in this bigger effort.

Additionally, we are concerned about effective competition. (We refer here to the request for proposal selection process, not to offering choice to consumers. We strongly believe in the value of good customer service and enjoy the "competition" to provide good service. Our experience as an administrative entity and as service providers, has indicated that competition for dollars between service providers who are providing similar services inhibits coordination and cooperation on behalf of the customers. The proper way to deal with poor service is through the monitoring and evaluation systems not through the funding process. We see no point in considering an operator with poor performance for additional funding, they should be eliminated by the monitoring process.) We believe that the four-year competitive process to choose career center and one-stop operators set forth under Title I Section 118 and Title III Section 313 is disruptive and divisive. When these systems are in place and the operators are performing well, we believe they should be allowed a certain security to conduct business without the added encumbrance of a bidding process every four years. We do believe that these systems should be held accountable to reasonable standards of performance through monitoring and evaluation processes.

We also believe that putting a well coordinated (including an electronic network) delivery system of program operators out to bid every four years is not only disruptive at this level, but is also not cost effective. Please realize that we base this concern on experience; Montana has been bidding every one to two years all along and is trying to move away from this frequency to bring about better coordination and stability. If mandatory selection frequency is inevitable, not less frequent than seven years would probably be adequate in Montana, with opportunity for waivers under certain conditions such as community consensus. There simply aren't many operators in most of our communities. We note that, of all the federal programs that come to us, only job training seems obsessed with competition for funding. Competition really cannot take the place of effective quality

control, enforcement and results.

1) Titles I and II - Comprehensive Program: Retraining Income Support

Prior to talking about concerns in specific sections of the law, we would like to point out that several of the items listed below (including paragraphs number 1, 2, 3 are good examples of too much detail that we suggested should be eliminated in our introductory paragraphs. If they can not be eliminated or greatly reduced, then we present the following concerns with the realization that different sections of the country may have very different concerns about the same issues.

Section 119, Limits - The proposed limits discriminate against economically disadvantaged citizens who have not been recently employed and therefore probably have few resources. Likewise, training limited to \$4,750 per participant will not be sufficient for those with fewer skills to obtain high technology employment. Additionally, the two year training limit may not be sufficient to attain the higher skills necessary for long-term employment. Generally, the imposed limits seem arbitrary and undefensible.

Worker profiling information should be available to career centers as soon as possible so that clients can be steered to the appropriate services. All others should receive immediate testing and assessment to determine client needs and goals. Only then should a client be assigned to either Basic or Intensive Services.

16 Week Window for Enrollment - Similar to the two year cap on training, those with few skills may have to spend more than sixteen weeks in basic and remedial skills training before they are ready for enrollment into actual job training. If the Individual Service Strategies are to be the foundation tools for further training, this time period may be too short. We suggest that time limit extensions be allowable, with justification in the ISS.

Pell Grant Exclusion - We suggest that participants who receive Pell Grants should not be penalized amounts commensurate with their Cost of Attendance (COA) in available funds for training under the proposed legislation. However, service providers should be held accountable to coordinate resources for their clients.

Section 152

Pre/post Placement Percentage (as a performance standard) - Montana urges care be taken that the Pre/post Placement Percentage standard does not compare directly with the former wage, since wage trends for upgraded employment are not always higher than previous wage experiences.

Technical Assistance - We recommend that technical assistance and capacity building be made available before performance failure occurs.

Three year income support (Section 204) - This limit may work against those with less than 3 years of tenured employment. This provision will limit these participants with lower personal reserves to 52 weeks of unemployment compensation. Additionally, this provision makes no mention of start-up help for those wishing to enter self employment.

Performance standards - Montana questions why this program should use indicators for economically disadvantaged populations when training programs already exist for this target group (JTPA Title II; JOBS).

2) Title III - One-Stop Career Systems

Workforce Investment Boards (WIBs) - Montana feels strongly that private sector involvement is a valuable component. Similarly we do not like to see the role of Local Elected Officials (LEOs) diluted. We urge flexibility within the WIB for membership composition and voting privileges.

In general, we urge that WIBs be kept both voluntary and flexible. We believe that this bill creates a duplicate administrative structure. The administrative entity/grant recipient still exists under a unit or consortia of local government while the WIB has its own staff as well. We urge that the bill have one administrative entity/grant recipient structure.

The overall power and authority of the WIB must be further clarified, especially as it relates to other programs within the purview of job training (i.e., the Employment Service. Within the state of Montana the Employment Service has worked hard at having local offices become more like "Community Based Organizations" and have been very successful at building community support by being responsive to each community's needs. Concurrently, the Employment Service sees the change in the economy toward a more global economy. In order to be responsive to America's needs to be globally competitive the Employment Service needs to be at least a national system and services like the Automated Labor Exchange and America's Job Bank are being offered in every Montana Job Service office and many other small communities. For the Employment Service to be an effective tool in our national economy we still need a coordinated federal system. Thus we need a much clearer definition of the federal, state and local authority.) While we support the idea of the WIB having broad authority over all local training programs (including Job Corps), the current bill makes the WIB answer to its own operators instead of the other way around. We recommend the WIBs have sufficient authority to match whatever local level of responsibility is established.

We concur that states and local service areas should continue to improve coordination and communication. In conjunction, Montana urges that coordination and communication be a priority at the national level, especially between the Departments

of Labor, Education and Health and Human Services.

We suggest a reasonable transition period (at least one year) be allowed to work out local authority, organization and procedural issues. Major changes to any system can cause upheaval; we believe a transitional period will ease growing pains.

Most-in-need - There appears to be a mixed message in requirements for service to those most-in-need; this target group may also be those least able to pay for services.

Demand occupations - Training funds should be prioritized by demand occupations in the area; funds should not be spent on maintaining institutions, but rather on the actual occupations identified as in demand in the community. We also suggest flexibility by area for identifying demand occupations. (An example: blacksmith may not normally be considered a demand occupation; however, in Miles City, Montana, there may be a demand for blacksmiths.)

Quality assurance - We suggest that a process outside the regular educational system be designed for quality assurance for schools.

Other programs - We believe that programs both in and outside USDOL should be included in the legislation: Job Corps; chemical dependency programs; mental health; Pell Grant assistance; Vocational Rehabilitation; Adult Basic Education. The waiver approach envisioned in the legislation is too cumbersome and slow to be practical.

Flexibility - We urge legislation which allows one-stop centers to have broad and flexible law and rules so centers can best fit local resources.

3) Titles IV and V - National Labor Market System; Reinvention Labs

a. Labor Market Information System

The system must focus on where the jobs are and will be, and what types of training will be available.

A bulletin board system is the future avenue for such information. Existing electronic systems which are currently up and working well should be kept in place. Updated information is the most important aspect of a quality labor market information system.

We would urge that resources not be diverted unduly into evaluation and oversight and that evaluation instruments be developed with states and local involvement.

Training and technical assistance to operate the system should be a part of the proposed legislation.

Training and technical assistance to operate the system should be a part of the proposed legislation.

The system should be service-based as well as technology-based. It must apply to real-life situations.

b. Reinvention Labs

We believe that the waiver process should be flexible enough so that SDAs or areas or operators within an SDA could be eligible to apply.

The Secretary should be able to approve as many worthwhile applications as the Department sees fit to approve. The limit of 75 applications appears arbitrary and unnecessary.

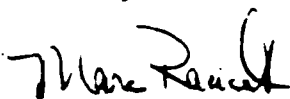
Section 283 - We would request that a waiver once approved only be terminated for cause.

With limited Title II funds, we urge that the labs be funded from additional available funds rather than from Title II base allocations.

SUMMARY: At the close of the forum, the hosting Councils urged interested parties to join a Reemployment Act Task Force. This Task Force will be coordinated by the Councils and will continue to track the Reemployment Act throughout the legislative process. The Task Force will serve to keep the job training community informed as the legislation progresses through Congress and to submit further comments as necessary.

We appreciate the goals of the Reemployment Act of 1994, and we are grateful for the opportunity to comment on the proposed Act early in the legislative process. Again, we wish to emphasize that the comments in this letter represent where many Montanans came together and reached consensus. We appreciate your consideration.

Sincerely,



Marc Racicot
GOVERNOR

SIGNATURE PAGE:

Helen Kellicut

Helen Kellicut, Chair
State Job Training Coordinating Council

Bob Francisco

Bob Francisco, Chair
CEP Private Industry Council

Dale Kutterer

Dale Kutterer, Chair
Balance of State Joint Council



The U.S. Conference of Mayors Employment and Training Council

Statement by

Terry W. Hudson

Executive Director

Houston Works

Board of Trustees Member

The U.S. Conference of Mayors Employment and Training Council

before the

Subcommittee on Labor-Management Relations

Committee on Education and Labor

United States House of Representatives

May 25, 1994

Chairman Williams, members of the Subcommittee, I am Terry Hudson, Executive Director of the Houston Private Industry Council which is known in our community as HOUSTON WORKS. I am here representing The U.S. Conference of Mayors Employment and Training Council for which I have served as a member of the Board of Trustees for a number of years. I am pleased to have the opportunity to appear before you to discuss the Reemployment Act.

Let me begin my remarks by applauding both Congress and the Administration for addressing this critical issue at this time. More specifically, such elements as universal access, customer choice, accountability, and integrated services are all changes that employment and training professionals can welcome.

While we support the basic direction of the legislation to encourage the development of one-stop career systems (Title III of the Act), there are several provisions which we believe must be addressed. Representatives of the Employment and Training Council and of the Conference of Mayors met with officials at the Department of Labor on numerous occasions while the legislation was being drafted, and some of our concerns were addressed during that process. The ones I will discuss today we hope can be resolved during the legislative process. We see this hearing as an important vehicle for raising those concerns and, we hope, for improving the legislation by addressing them.

General Comments on the Reemployment Act

The Reemployment Act should enable us to build on the successful systems which are in place rather than force us to change them. As a general comment, we support

comprehensive, integrated delivery systems. However, the one-stop center provisions of the Reemployment Act address only the intake services, which account for about 10 percent of the total service delivery system. Other components of that system include education, training, job search, job placement, and job retention, together with ongoing case management that facilitates a customer's progress through the components. Helping the customers move through the system is equally, if not more, important than intake. If this legislation is intended to promote customer satisfaction, then it must address the delivery of all services in the delivery system. In addition, the legislation should focus on one-stop "systems" rather than one-stop "centers."

Two things, in particular, work against developing an integrated system that meets the needs of the customers: 1) the prescriptive nature of the delivery of the sections regarding intake services and 2) the failure of the proposed legislation to indicate where accountability and liability, both fiduciary and political, lie.

The principal issues with which we are concerned include the following:

Local Empowerment

First, I believe that you should keep the decision-making process as close to the need as possible. Any attempt to move the local control from the Chief Elected Official would reverse years of progress. The local partnership between the Mayor and the Private Industry Council represents a dialogue between local government and the private sector on workforce development which should be preserved. This is especially true for large urban areas, which are often not

the seat of the state capital. Indeed, what state officials see from their offices in their own communities may not be reflective of the extreme problems of poverty, crime and other social issues that large cities face.

Second, although efforts to consolidate the service delivery network by region would clearly make the system more manageable for state and federal regulators, there are many questions whether it would enhance the effectiveness of customer service and satisfaction. Extending the boundaries of service delivery areas and creating a complex governance structure will not improve service delivery. Large regional councils may pit urban, suburban and rural interests against each other to the detriment of local needs. The decision to determine the boundaries of a service delivery area must be made at the local level where there is a better understanding of community needs. The chief elected official, in conjunction with the local governing board, should have the authority to determine whether the community's needs are better met if the city is its own service delivery area or if it is part of a consortium representing the larger metropolitan area.

In Texas, the state is looking at merging large cities such as Houston with thirteen surrounding counties in the interest of defining local labor markets to meet the stipulations of this proposed legislation. In our case, such a regional board would be structurally confronted with the dilemma of balancing the interests of predominantly white rural agricultural employment bases with the needs of inner city minorities who may be homeless, substance abusers, dropouts or ex-offenders.

Local Board Determination of its Role

The local board should have the opportunity to determine the scope of its role -- either oversight or operations or both -- because it is able to examine what is best for the local community. When one entity, such as the Employment Service, is a presumed deliverer of intake services, the entire process of using a local board to determine what the local community needs is undermined.

With regard to separating the duties of local boards and services deliverers, again the local boards should determine how best to structure the system in their communities. Separation should not be an absolute rule, abstractly imposed, but one option among several to be exercised at the local board's direction in view of what will best serve local customers.

By not allowing for in-house programs, the legislation abandons numerous successful, specialized efforts for highly at-risk populations. By prohibiting the direct delivery of services, the legislation is inhibiting true research and development of innovative program designs. This tool can be preserved with safeguards against conflicts of interest in the procurement process.

In Houston, we have learned that you cannot adequately administer a service provider network unless you have stood in their shoes and delivered the services yourself, all the while learning what is possible to achieve, and what should be demanded as a return on investment from subcontractors.

Funding formula

The U.S. Conference of Mayors has a long standing policy for direct federal-city funding. At a minimum, there should be an explicit, federally-mandated, sub-state funding formula that takes into account the needs of major cities, and customers living in those cities.

Collaboration not Competition

We in the employment and training community believe in the notion of providing our customers with choices in service, being held accountable for those services which we govern and administer, and having performance standards to meet the needs of customers. However, in the Reemployment Act, it is difficult to understand the purpose of competition in determining who will operate career centers. Competition in its raw form may damage the "system" of service delivery rather than enhance it. Competition at the training and education service level would serve the purpose of giving the customer choice.

In addition, competition in operating career centers may promote duplicative services, and additional administrative costs associated with multiple intake system operators.

Serving the Economically Disadvantaged Population

Because a limited amount of funds will prevent one-stop career centers from offering intensive services to everyone, those who face the most barriers to employment may not get enough support services to help them successfully move through the delivery system and find and maintain employment. People who are not in the economic mainstream will find it even

harder to find services that meet their needs. This is of particular importance given the current proposals for welfare reform which are going to require that jobs in either the public or private sector be found for welfare recipients. One-stop systems should have a key role to play in this effort, yet they may not have the resources to accomplish it.

In addition, as I mentioned earlier, a consolidation of larger cities into broader metropolitan service delivery areas will also impact services to the economically disadvantaged.

I appreciate your attention to the employment and training system. I hope that our comments are helpful to the Subcommittee, and I will be glad to expand upon them in the question and answer period. Thank you for the opportunity to appear before you this morning.

T E S T I M O N Y



Statement of
Thomas P. Nagle, Director
California Employment Development Department

on behalf of

the National Governors' Association
and
Governor Pete Wilson

before the

Committee on Education and Labor
Subcommittee on Labor Management Relations
U.S. House of Representatives

on

The Reemployment Act of 1994
May 25, 1994

NATIONAL GOVERNORS' ASSOCIATION

Hall of the States • 444 North Capitol Street • Washington, DC 20001-1572 • (202) 624-5300

I would like to express my appreciation for the opportunity to present testimony on behalf of the National Governors' Association and the state of California on the Reemployment Act of 1994.

As you know, the nation's Governors are among the strongest proponents of integrating and improving workforce development programs. Many Governors have taken steps to do this at the state level by developing occupational skills standards and certificates, for example, or through the creation of state "super councils" with responsibility for setting state workforce development policy and overseeing all relevant programs in the state. Last August the Governors adopted a "Strategic Plan for Workforce Development" policy that urges the federal government to take action to:

- integrate existing federal job training resources and give states more flexibility to streamline workforce development programs;
- maintain the commitment to disadvantaged workers while focusing support on the development of a comprehensive workforce development system; and
- provide capacity-building grants to states and help them evaluate approaches, share information, and develop sources of practical labor market information.

In addition, the Governors specifically asked the federal government to consolidate dislocated workers programs and to enact a number of reforms to those programs to improve their quality and responsiveness to workers' needs.

The Governors believe that the Clinton Administration's proposed Reemployment Act represents an important step toward carrying out the agenda outlined in their strategic plan. In particular, we strongly support the bill's efforts to consolidate existing dislocated worker programs, increase state flexibility by creating new waiver authority, give capacity-building grants to states that are creating integrated workforce development systems, and provide federal support to build national, state, and local labor market information systems.

The Governors also believe, however, that changes are needed in the Reemployment Act if it is to result in a workforce development system that provides higher quality, more comprehensive, and better integrated services to all Americans who need them. We hope to work closely with this committee to improve the proposed legislation in the following three areas.

- **Flexibility.** The Governors urge the committee to revise the Reemployment Act to make it less prescriptive with regard to how workforce development programs are administered and managed at the state and local levels. We believe that the School-to-Work Opportunities Act, which we strongly supported, is a good model in this regard. The Governors fear that the present bill, with its proposed new administrative and operational structures for worker adjustment and one-stop centers, would add layers of bureaucratic controls and further costs without resulting in improved services to clients. For example, we believe that the mandate in Title I to choose by competitive bid the provider of local worker adjustment services would undermine the gains that have been made to date in integrating services through collaborative efforts among the JTPA system, the employment service, the welfare system, and other key agencies.

This flexibility is especially important in the one-stop career center title of the legislation. The Governors believe that the bill emphasizes collocation of different employment and training programs over other promising ways of improving client access to services. These other approaches include a "no wrong door"

system of linking programs electronically, so people can walk into a variety of locations and find out right away which services they are eligible for and where those services are provided.

Governors are also concerned that states applying for one-stop career center grants would be required to give a better class of services to dislocated workers than to other, more disadvantaged populations unless they can manage to come up with the resources to provide intensive employment services to everyone at every one-stop center -- an unlikely prospect. The Governors believe that states and localities should have the flexibility to customize workforce development programs to meet the unique needs of each community. Federal assistance to encourage integrated, high-quality workforce development systems should allow for a variety of approaches. For example, states and localities receiving grants might be required to provide basic employment services to everyone at one-stop career centers but allowed the flexibility to target the more intensive services on the population most in need at a particular site. This might be dislocated workers in one neighborhood, welfare recipients in another, and disadvantaged youth in yet another.

Finally, the Governors urge Congress to give states the flexibility in both the dislocated worker and one-stop titles of the bill to set overall goals and engage with localities in strategic planning for the system. Only through this type of planning authority can Governors ensure that a state's workforce development system is integrated with its economic development strategy, and that workforce development goals are supported by other key partners, such as the postsecondary and adult education systems.

- *Funding.* The Governors wish to underscore the importance of adequately funding changes in the workforce development system. Both the worker adjustment title and the one-stop title of the Reemployment Act require that states and localities provide many more services to more clients through new delivery systems. In addition, states and localities will have a number of new responsibilities under the bill that have significant cost implications, such as expanding state and local labor market information systems and certifying the quality of education and job training providers. Sufficient federal funding must be available to carry out these responsibilities assigned to states and localities. If funding is not sufficient, then states and localities will not be able to deliver the level and quality of services that clients are promised under the legislation and that they deserve.
- *Scope.* A series of reports by the General Accounting Office (GAO) on the more than 150 federal employment and training programs with multiple and conflicting requirements show that the scope of this problem goes far beyond department of labor programs and beyond what states can hope to fix through limited waiver authority. GAO and others have identified numerous barriers to integrating programs, including conflicting eligibility definitions, reporting requirements, performance measures, program terms, and cost categories, as well as the lack of a mechanism to track client outcomes across programs. The Governors strongly urge Congress to seize this opportunity to enact comprehensive reforms that include waiver authority for all relevant programs but also go beyond waivers to consolidate and streamline these programs at the federal level.

The Governors believe that the scope of the Reemployment Act is currently too limited in three respects:

1. The waiver authority should include employment and training programs outside of the Department of Labor. Currently the waiver authority in the bill is limited entirely to Department of Labor programs. Yet conflicting rules and regulations across federal departments are among the greatest obstacles that states and localities encounter when they try to integrate federal workforce development programs. This is especially

true for the largest federal employment and training programs which are scattered across the Departments of Labor, Education, and Health and Human Services.

2. The Governors welcome comprehensive waiver authority in this area but we believe that this will not be enough. The federal government must also address the difficult task of developing a coherent, integrated workforce development policy by consolidating or streamlining existing federal job training programs. Except for six dislocated worker programs, the bill neither consolidates federal employment and training programs nor modifies these programs to ease the burden that their many conflicting requirements place on states and localities.
3. The bill should include mechanisms beyond waiver authority to give states and localities additional authority and flexibility to integrate programs. Because the bill does not consolidate or standardize these programs at the federal level, the primary responsibility for integrating fragmented federal workforce development programs falls on states and localities. While new waiver authority is helpful, the Governors believe that as a nation we will move very slowly toward the goal of an integrated workforce development system if each state must apply separately to different federal departments for permission to waive each rule blocking the integration of programs. In addition, many states may not be able to take full advantage of new waiver authority given the staff resources that are required to develop and submit waiver requests to all the different federal agencies that operate job training programs.

Where obstacles prevent nationwide integration of programs at the federal level, better access to higher quality job training and employment services can best be achieved by giving states the flexibility to integrate similar programs, to determine the appropriate governance structure for state workforce development systems, and to set high, outcome-based standards for services. The Governors believe that a number of important ideas for increasing state and local flexibility to build integrated workforce development systems are contained in the bipartisan bill recently introduced by Senators Nancy Kassebaum and Bob Kerrey, and in new legislation introduced May 12th by Representative Bill Goodling.

Finally, the Governors also ask Congress to link the action it takes in this area with whatever action it takes on other relevant programs. For example, because the same disadvantaged adults are served by federal welfare reform, student aid, and job training partnership act programs, Congress should look at the reform legislation currently being developed by the administration in such areas in a holistic way in order to minimize problems for clients, states, and localities. The administration has indicated that it is attempting to link these initiatives as they are developed and we urge Congress to do the same. The Governors are concerned that just as responsibility for job training is scattered across numerous federal agencies, the reforms now pending in these programs may proceed in a piecemeal way which will add to the existing problems of client access, different eligibility and reporting requirements, and fragmented lines of authority for operating programs. Unless a serious effort is made to *integrate* these reform efforts as legislation moves forward, the Governors fear that we might lose an important opportunity to consolidate and improve these programs in ways that benefit both the taxpayers and customers of job training services.

The California Employment Development Department has reviewed the Reemployment Act of 1994 in great detail. The subject of workforce preparation is of vital importance in California's efforts to revitalize its competitive position within the global economy. This has not been easy in light of recent military downsizing and base closures that have resulted in 69 percent of the national job loss being absorbed by California. This poses significant challenges relative to providing the citizens of California as well as the nation with an effective workforce preparation system.

THE CALIFORNIA GOVERNORS ASSOCIATION 11-10-10

The Reemployment Act is an important addition to this effort and California does identify a number of shared goals in the legislation. However, there are major substantive problems with the legislation that lead California to oppose it in its current format. Some of our concerns are as follows.

Governance

The governance structure as outlined in the Reemployment Act for the comprehensive program for worker reemployment and one-stop career centers is overly prescriptive. The proposed governance structure for the worker reemployment program would be similar to that currently in place for the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA). This is a highly decentralized system that places primary responsibility for planning and administration of programs at the local level. National reviews of EDWAA have found wide variations in the service quality from area to area as a result of this decentralized approach. Local entities should continue to play a strong role in all phases of the delivery of employment and training, tailoring their programs to meet local needs. However, strong statewide structures and systems need to be maintained to ensure equitable service levels and consistent delivery of services throughout a state.

The governance structure proposed for one-stop career centers would require states to establish workforce investment boards and a state human resource investment council. One-stop career centers would operate under an agreement with the local workforce investment board. Services mandated through one-stop career centers include statewide programs such as the employment service and unemployment compensation programs. In this structure Governors would remain accountable for overall program administration and funding responsibilities, yet lack authority to direct the planning, administration, or operation, of the programs locally.

California does not support an initiative that gives Governors and states extensive liability but limits their authority and flexibility to ensure efficient and effective local operations. We do not support control of statewide programs by local councils or boards who are not accountable for funds. We also cannot support mandated processes that limit states and localities from organizing in a manner that is most productive for them.

The recently enacted School-To-Work Opportunities Act is a good example of legislation that provides states policy directions with clearly defined program outcomes and objectives. States are then afforded the flexibility to develop systems and programs that effectively meet the program objectives.

Allotment Of Funds

California believes that the allotment of funds proposed in the Reemployment Act will not meet the needs of states. The act proposes that the amount allocated to states be reduced from 80 percent to 75 percent and the amount reserved by Governors be reduced from 40 percent to 30 percent. California feels that the allocation to states should be maintained at 80 percent and the Governor's reserve should be retained at 40 percent. This would allow states to enhance rapid response services, provide incentive grants, and support job retention programs proposed in the Reemployment Act. The proposal also limits the amount for program administration to 15 percent of the Governor's reserve. Other job training programs, including those administered under Titles IIA and C of the Job Training Partnership Act, have a 20 percent administrative cost limitation. The added program requirements proposed in the Reemployment Act make the 15 percent administrative cap unrealistic especially during the initial phases of the program.

Competitive Process

The Reemployment Act proposes a competitive process for the selection of career center operators. The focus on competition is counterproductive and does not address the underlying issues of coordination among employment and training program administrators or satisfaction of customers of the system.

The federal government must address collaboration and integration of job training programs at the national level. There should be a common policy framework that connects existing public, private, and nonprofit education and training organizations and sets priorities across them. Limited resources, coupled with technical federal constraints such as overlapping and conflicting goals, administrative differences in contracting procedures, fiscal accounting, outcome definitions, reporting instructions, and eligibility requirements, and restrictions on use of property, are major factors that drive local activity and limit opportunities for coordination. Any legislation should include language to overcome these differences, not invite them through a mandated process of competition.

Both workers and employers should be provided informed choices relative to employment and training. The current fragmented employment and training systems must be changed into a network of services that can be accessed from a variety of service points, including home or office. The Reemployment Act attempts to force the collocation of service providers through a competitive process. We believe that a policy that invites a system based on collaboration and cooperation among service providers will provide the most customer satisfaction for both employers and job seekers. Additionally, such a policy would do much to assist in the consolidation of programs as well as to eliminate duplicative services.

Program Consolidation

Education and training programs must be restructured to provide clear expectations and standards to help all in need of employment and training services transition into employment and follow a lifelong progression to higher skills. Programs need to be consolidated and linked to provide the training and support services needed to help workers achieve and maintain self-sufficiency as well as to provide employers with the skilled workforce they need for the jobs they have.

Any federal initiative should move to combine categorical programs to the extent feasible. California does support the consolidation of the many dislocated worker programs into a single comprehensive program for all workers who have been permanently laid off, regardless of the cause for their dislocation. However, the Reemployment Act addresses only one segment of the population in need of employment and training services, only a few employment and training programs, and no education programs. This compromises the integration of all education, training, and employment programs.

States should be encouraged to consolidate education as well as employment and training programs on a broad basis through an established national policy that provides the framework and direction for consolidation. States should be provided incentives to assist with the integration of a broad base of education and employment and training programs. One consideration may be to provide grants to states to assist with program consolidation and development of integrated workforce preparation systems. States should maintain flexibility to consolidate programs that would allow them to develop employment and training systems that would best serve their customers in an effective efficient manner.

Customer Focus

The focus of the Reemployment Act is on the displaced worker as the customer. The role of employers as a customer or equal participant in the employment and training process must be addressed in any national employment and training strategy.

Employers must be involved in the education and training process. Without direct employer involvement, education, training, and employment programs cannot provide the trained and educated workers employers will need to maintain a competitive position in the rapidly changing world economy. Overlooking the role employers play may cost us the opportunity to develop programs that lead to the successful transition of workers backed into the workforce.

The development of any employment and training programs locally or at the state level also must focus on the employer as a customer. States should not be mandated to use a governance structure that diminishes this role for employers. Mandating the establishment of a state human resources investment council as part of the governance process is clearly a step back from strengthening the employer's role. States should be given an opportunity to use current councils or local boards if they adequately meet the intent of the legislation. A national policy for employment and training should contain language that includes the employer as a customer. Program outcomes and standards should include employer satisfaction as a standard to determine if programs are meeting the needs of employers.

Economic Development

California feels strongly that any federal employment and training initiative must be linked to economic development. We are pleased to note that the Reemployment Act contains language that would allow Governors to award grants to assist projects that would upgrade workers' skills and retrain workers in new technologies and work processes to avert plant closings and substantial layoffs. We feel additional links to economic development are necessary to maximize employment and training programs. California suggests that the act be amended to include some or all of the following: tax credits for employers who invest in training; incentives to employers who hire dislocated workers in jobs created in technology reinvestment projects; and preference for federal contractors who include provisions for hiring dislocated workers in their bids.

Waivers

The Reemployment Act would provide waivers to states only if they opt to organize their service delivery structure in a limited prescribed manner. To assist in program integration, California supports a broad waiver authority that is not contingent on a specific service delivery structure. Such waiver authority should address federal statutory, regulatory, and administrative requirements that inhibit service integration and quality customer services. Federal agencies with responsibility for administering education, training, and employment related programs must come together to articulate the vision, mission, goals, and planning process for integrating their services. Established waiver authority should be part of planned program integration. The federal government must establish interdepartmental guidelines for processing waivers and should provide a single point of contact mechanism to respond to interagency waivers in a timely manner.

Retraining Income Support

The Reemployment Act would focus the unemployment insurance program toward "reemployment." We welcome the opportunity for states to provide more flexibility in the payment of benefits, including reemployment bonuses, self-employment assistance, and short-time compensation programs.

California operates a retraining program that affords individuals the opportunity to collect up to 52 weeks of benefits while in a retraining program. We feel this program helps individuals make the transition to gainful employment, rather than accepting employment opportunities that do not provide them sufficient income and stability for the future. In the short-term, retraining benefits may extend an individual's initial period of unemployment and potentially have more people exhaust their benefits. However, the long-term return of having individuals gainfully employed and not recycled year after year through the unemployment insurance program is beneficial to the individual and the economy.

Language in the Reemployment Act would establish the Federal Unemployment Tax Act (FUTA) tax rate at 6.2 percent permanently and provide retraining income support payments for individuals who are in training. Twenty percent of the FUTA taxes collected would be placed in a federal retraining income support account to pay retraining income support benefits. California does take exception to the development of a new categorical federal unemployment trust account to support payment of retraining income support benefits.

Ongoing retraining benefit dollars should not compete with administration costs, the extended unemployment benefits program, or loans to state trust funds. A better funding option would be to pay retraining income support benefits from the state account rather than a separate national account. This would preclude some of the problems inherent with separate funds that run out of money and cause disruption to individuals already enrolled in training. The structure proposed in the Reemployment Act for retraining income support mirrors the monetary process of the Trade Act, which has limited dollars and is tied to the federal supplemental budget process.

Mandated Services

The Reemployment Act mandates services for all eligible workers. As programs are consolidated, eligibility may become more broadly defined. In all likelihood, funding will be insufficient to serve all eligible applicants. We suggest that language be added to the act to allow states and localities flexibility to set priorities for the provision of services. State and local governments cannot bear the burden of federally mandated programs without sufficient funding to deliver promised services. To do so would quickly undermine efforts to improve customer satisfaction and develop comprehensive employment and training programs.

Infrastructure

Any federal employment and training initiative must include the development of an infrastructure to support its goals. Part of the infrastructure should include the creation of a national policy for labor market information that will ensure accurate, timely, and widely accessible information on national state and local labor market conditions and trends. The Reemployment Act provides for the development of a national labor market information system and defines components that would be included in such a system. We support the concept of a national labor market information system but feel a national policy should also be established. A national policy would assure consistency between state and labor market information systems and assure that they are an effective tool for the development of employment and training programs.

The bill should also provide support for the creation and enhancement of automated systems. These systems will streamline processes and support shared information among education, training and employment programs. Information technologies should be networked to provide access to job banks, community resource bulletins, training and education resources, and other related information.

Capacity building and technical assistance should also be adequately addressed. Service providers and program administrators must have the skills and tools needed to develop and implement effective employment and training programs.

Adequate funding must be provided to support these infrastructure needs. Without this funding the oversight, accountability and quality of services for effective employment and training system will be compromised.

California supports federal reforms in education, employment, and training programs and systems. However, we believe that considerable discussion is warranted before legislative action can be taken. If we are to develop a more effective and efficient system, the federal government must take the lead to establish a national employment and training policy. Such a policy should allow states sufficient flexibility to establish systems and programs that will provide satisfaction to a wide range of customers including employers, dislocated workers, and others in need of employment and training services.

Again, I want to thank you for the opportunity to present testimony on the Recmployment Act of 1994 on behalf of California and the National Governors' Association. I look forward to working with you for continued improvement of this important piece of legislation. If you have specific questions about California's position on this bill, I will be happy to answer them for you.

REP. DOUG BEREUTER (R-1 NE)

2348 RHOB
202/225-4806

Committees:

Banking Finance and Urban Affairs
Foreign Affairs
Select Intelligence

District/State Background Information:

1992 Percent of Vote 60%

Dislocated Worker Grants Received (1993-1994):

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
7/29/93	Title III	\$3 million statewide	1993 Floods	500	Flood dislocations

Recent Legislative History:

Budget Reconciliation-	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	N	Penny-Kasich	Y
EUC #5	N	Stimulus Package	N
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Southeast Community College, Lincoln NE	J. Neil Admire	402/471-3303
Northeast Community College, Lincoln NE	Robert P. Cox	402/371-2020

Major Pro-NAFTA Business:

American Home Products Corp	550
Dayton Hudson Corporation	200
Sears Roebuck	458
State Farm Mutual Insurance Company	600
Tenneco Inc.	500

REP. SHERWOOD L. BOEHLERT (R-23 NY)

1127 LHOB

202/225-3655

Committees:

Post Office and Civil Service
Public Works and Transportation
Science, Space and Technology

District/State Background Information:

1992 Percent of Vote 64%

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
	Title III	\$2,600,000	Griffis Air Force Base	1,132	defense

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	Y	Penny-Kasich	N
EUC #5	N	Stimulus Package	Y
NAFTA	Y	Strikebreaker Vote	Y

Community/Technical Colleges:

Schools interested in REA activities

Herkimer County Community College, Herkimer
Mowhak Valley Community College, Utica
SUNY Ag. & Tech. College, Morrisville
SUNY College of Technology, Delhi

Contact:

Phone:

Ronald F. Williams 315/866-0300
Michael Schaefer 315/792-5300
Frederick Woodward 315/684-6000
Mary E. Ducan 607/746-4171

Major Pro-NAFTA Business:

American Home Products	250
Corning Inc.	225
Du Pont E I De Nemours & Co.	1100
General Electric Co.	4150
ITT Corp.	400
JC Penney Company Inc.	400
Metropolitan Life Insurance Co.	1685
Phillip Morris Co. Inc.	200
Sara Lee Corp.	250
Sears Roebuck Co.	300
BF Goodrich Co.	1250
Procter & Gamble	1200

REP. Michael Castle (R-AL DE)

1205 LHOB
202/225-4165

Committees:

Banking, Finance and Urban Affairs
Merchant Marines and Fisheries

District/State Background Information:

1992 Percent of Vote 57%

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>
		None		

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	N	Penny-Kasich	Y
EUC #5	N	Stimulus Package	N
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Deleware Tech. & Community College, Newark	Orlando George	302/454-3917
Deleware Tech . & Community College, Dover	Wayne Dabson	302/739-5321

Major Pro-NAFTA Business:

American Express Company	416
American International Group	1900
Chase Manhattan Corp.	1400
Cigna Corportion	2275
Columbus Gas System Inc.	240
Du Pont E I De Nemours and Co.	41985
General Motors Corp.	3700
Hercules Inc.	2100
Hewlett Packard	750
JC Penny .	500
Metropolitan Life Insurance	250
Phillip Morris Co. Inc.	1100
Sara Lee Corp.	225
Sears Roebuck	2315
Xerox	200

REP. JENNIFER DUNN (R-8 WA)

1641 LHOB
202/225-7761

Committees:

House Administration
Public Works and Transportation
Science, Space and Technology

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
9/14/93	Title III	\$5 million	Boeing	1860	defense
4/27/93	Title III	\$600,000	Todd Shipyard	200	defense

District/State Background Information:
1992 Percent of Vote 60%

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	N
Budget Resolution Adoption	N	Goals 2000	N
EUC #4	N	Penny-Kasich	Y
EUC #5	N	Stimulus Package	Y
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Green River Community College, Auburn	Richard Rutkowski	206/833-9111
Bellevue Community College, Bellevue	B. Jean Floten	206/641-2205
Renton Technical College, Renton	Robert C. Roberts	206/235-2235

Major Pro-NAFTA Business:

BankAmerica	246
Boise Cascade Corp.	200
Coca Cola	300
Eli Lilly and Co.	750
Hewlett Packard	300
Kmart Corp.	200
Olin Corp.	1240
Sears Roebuck	800
Weyerhaeuser Co.	910

REP. VERN EHLERS (R-3 MI)

1641 LHOB
202/225-7761

Committees:

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
10/20/93	Title III	\$431,844	Smith Industries	165	

District/State Background Information:

1992 Percent of Vote 60%

Recent Legislative History:

Budget Reconciliation	School-to-Work	Y
Budget Resolution Adoption	Goals 2000	N
EUC #4	Penny-Kasich	
EUC #5	Stimulus Package	
NAFTA	Strikebreaker Vote	

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Grand Rapids Community College, Grand Rapids	Richard Calkins	616/771-4400

Major Pro-NAFTA Business:

Corning Incorporated	235
Dayton Hudson Corp.	430
Gencorp Inc.	600
GMC	3900
IBM	200
JC Penney	720
BF Goodrich	460
Travelers Corp.	400
UPS	200
Westinghouse Electric	1000

REP. TILLIE FOWLER (R-4 FL)

413 CHOB
202/225-2501

Committees:

Armed Services
Merchant Marine

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
11/4/93	Title III	\$500,000	Grumman Corp.	120	defense

District/State Background Information:

1992 Percent of Vote 56%

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	N
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	N	Penny-Kasich	Y
EUC #5	N	Stimulus Package	N
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

Contact:

Phone:

Major Pro-NAFTA Business:

Allied Signal	400
American Express	1500
AT & T	7840
CSX Corp.	200
General Electric	250
IBM	250
ITT Corp.	865
JC Penney	260
Merill Lynch	269
Prudential Insurance	3800
Sears Roebuck	1000
State Farm Mutual Insurance	1200
Procter & Gamble	216

REP. JIM GREENWOOD (R-8 PA)

515 CHOB
202/225-2501

Committees:

Energy & Commerce

District/State Background Information:

1992 Percent of Vote 53%

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
7/7/93	Title III	\$2,750,000	Naval Shipyard	550	defense
2/24/94	Title III	\$1,600,000	Naval Air Warfare Center	400	defense
3/11/94	Title III	\$8,400,000	Naval Shipyard/Base	1,680	defense
3/11/94	Title III	\$4,500,000	Defense Support Agencies	900	defense

Recent Legislative History:

Budget Reconciliation-	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	-	Penny-Kasich	Y
EUC #5	N	Stimulus Package	N
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Bucks County Community College, Nanticoke	James Links	215/968-8000

Major Pro-NAFTA Business:

Corning Inc.	300
Dial Corp.	200
FMC Corp.	210
GMC	650
JC Penney	430
KMart Corp.	430
Minnesota Mining & MFG	739
Prudential Insurance	1900
Rohm and Haas Co.	2400
Sears Roebuck	883
Unisys Corp.	240
USX Corp.	600

REP. STEVE GUNDERSON (R-3 WI)

2235 RHOB
202/225-5506

Committees:

Education and Labor
Agriculture

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
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None

District/State Background Information:

1992 Percent of Vote 57%

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	N	Penny-Kasich	Y
EUC #5	N	Stimulus Package	N
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
SW Wisconsin Technical College, Fennimore	Richard Rogers	608/822-3262
Western Wisconsin Technical School, La Crosse	Lee Rasch	608/785-9200
Chippewa Valley Technical College, Eau Claire	Norbert K. Wurtzel	715/833-6276

Major Pro-NAFTA Business:

Allied Signal	450
Burlington Northern Inc.	2650
Dayton Hudson Corp.	440
KMart Corp	200
Minnesota Mining & MFG	1175
Sears Roebuck	280

REP. DAVID HOBSON (R-7 OH)

1507 LHOB
202/225-4324

Committees:

Appropriations

Budget

Standards of Official Conduct

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
9/27/93	Title III	\$375,000	statewide Fruehauf Trailer		110

District/State Background Information:

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	N	Penny-Kasich	Y
EUC #5	N	Stimulus Package	N
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

Ohio University-Lancaster, Lancaster	Contact:	Phone:
Clark State Community College, Springfield	Raymond Wilkes	614/654-6711
	Albert Salerno	513/325-0691

Major Pro-NAFTA Business:

Bristol-Myers Squibb Co.	525
Cooper Industries Inc.	1023
Du Pont E I De Nemours	1108
General Electric	1117
GMC	732
Illinois Tool Works Inc.	200
Kmart Corp.	200
Mead Corp.	2600
Sears Roebuck	950
USX Corp.	806

REP. PETER HOEKSTRA (R-2 MI)

1319 LHOB
202/225-4401

Committees:

Education and Labor
Public Works and Transportation

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
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None

District/State Background Information:

1992 Percent of Vote 63%

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	N
EUC #4	Y	Penny-Kasich	Y
EUC #5	N	Stimulus Package	Y
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Muskegon Community College, Muskegon	James Stevenson	6016/773-9131

Major Pro-NAFTA Business:

Emerson Electric	235
Dayton Hudson Corp.	600
Gencorp Inc.	600
GMC	3900
JC Penney	720
IBM	200
BF Goodrich	460
Travelers Corp.	400
UPS Inc.	200
Westinghouse Electric	1000

REP. JIM KOLBE (R-5 AZ)

405 CHOB

202/225-2865

Committees:

Appropriations

Budget

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
	Title III	\$600,000	IBM	225	
8/13/93	Title III	\$600,000	Cypress Sierritta Emergency	138	
		(\$200,00 obligated)			

District/State Background Information:

1992 Percent of Vote 69%

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	N	Penny-Kasich	Y
EUC #5	N	Stimulus Package	Y
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Eastern Arizona College, Thatcher	Raul Cardens	602/428-8322
Cochise College, Douglas	Dan Rehurek	602/364-7943
Pima Community College, Tucson	Jeff Hockaday	602/884-6060
Pima C C-downtown, Tucson	Miguel Palacios	602/884-6788
Pima CC-community, Tucson	Jana Kooi	602/884-9640
Pima CC-west, Tucson	Wesley Soderquist	602/884-6666
Pima CC-east, Tucson	Wesley Soderquist	602/886-3331

Major Pro-NAFTA Business;

Abbot Laboratories	270
Allied Signal	1535
American Express	1000
ASARCO Inc.	760
Cigna Corp.	1020
GENCORP Inc.	270
GMC	10800
IBM	3500
JC Penney	485
Lockheed Corp.	202
PEPSICO	260
Sears Roebuck	600

REP. RICK LAZIO (R-2 NY)

314 CHOB
202/225-3335

Committees:

Banking, Finance and Urban Affairs
Budget

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
		None			

District/State Background Information:

1992 Percent of Vote 53%

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	N	Penny-Kasich	N
EUC #5	N	Stimulus Package	Y
NAFTA	Y	Strikebreaker Vote	Y

Community/Technical Colleges:

Contact: Phone: .

Major Pro-NAFTA Business:

AT & T	595
Cigna Corp.	295
Citicorp	775
Eaton Corp.	2800
ITT Corp.	200
JC Penney	400
Kmart	250
Metropolitan Life Insurance	900
Sears Roebuck	800
Unisys Corp.	225
United Technologies	330

REP. JIM LIGHTFOOT (R-3 IA)

244 RHOB
202/225-3806

Committees:

Appropriations

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
7/16/93	Title III	\$15 million	1993 Floods (statewide)	2,500	flood dislocations
8/25/93	Title III	\$2 million	Farmers and Farmhands	360	dislocated farmers
4/29/94	Title III	\$200,000	Iowa Malleable Iron	80	

District/State Background Information:

1992 Percent of Vote 51%

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	N
Budget Resolution Adoption	N	Goals 2000	N
EUC #4	N	Penny-Kasich	N
EUC #5	N	Stimulus Package	N
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Iowa Valley CC Districts, Marshalltown	Paul Tambrino	515/752-4643
Southwestern Community College, Creston	Richard Byerly	515/782-7081
Indian Hills Community College, Ottumwa	Lyle Hellyer	515/683-5111
Southeastern Community College, Burlington	R. Gene Gardner	515/752-2731

Major Pro-NAFTA Business:

Burlington Northern Inc.	875
Cooper Industries	377
Deere & Co.	1078
Dial Corp.	600
Du Pont E I De Nemours	309
Eaton Corp.	546
Emerson Electric Co.	4000
General Electric	1300
Minnesota Mining & Mfg	880
Motorola	1200
Tenneco	1000

REP. JAN MEYERS (R-3 KS)

2338 RHOB

202/225-2865

Committees:

Small Business

Foreign Affairs

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
7/29/93	Title III	\$10 million statewide	1993 flooding	1660	flood dislocations

District/State Background Information:

1992 Percent of Vote 58%

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	N	Penny-Kasich	Y
EUC #5	N	Stimulus Package	Y
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Donnelly College, Kansas City	John Murry	913/621-6070
Kaansas City Community College	Thomas Burke	913/621-1100
Johnson County CC, Overland Park	Charles Carlsen	913/469-8500

Major Pro-NAFTA Business:

Allied Signal	2000
AT & T	300
Cigna Corp.	240
FMC Corp.	210
Ford	200
General Electric	1762
General Mills	500
GMC	4640
Hallmark Cards Inc.	1000
Hercules Inc.	650
JC Penney	2135
Kmart Corp.	650
Marriott Corp.	2135
Metropolitan Life Insurance	650
Mobil Corp	400
Owens-Corning Fiberglass	422
Roadway Services	420

Sears Roebuck	600
Southwestern Bell	300
Sprint Corp.	325
Procter & Gamble	300
Union Pacific Corp.	350
Xerox	350

REP. CONSTANCE MORELLA (R-8 MD)

223 CHOB
202/225-5341

Committees:

Post Office and Civil Service
Science, Space and Technology

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
1/10/94	Title III	\$200,000	statewide Arbitron	133	Arbitron closing
2/10/94	Title III	\$245,000	statewide Londontown Corp.	128	mass layoffs

District/State Background Information:

1992 Percent of Vote 73%

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	Y	Penny-Kasich	N
EUC #5	Y	Stimulus Package	Y
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Montgomery College, Rockville	Robert Parilla	301/279-9500

Major Pro-NAFTA Business:

AT & T	1350
Bechtell Group Inc.	2730
Bell Atlantic	300
Corning Inc.	500
General Electric	1000
GMC	1200
GTE Corp.	570
Halliburton Co.	650
Hewlett-Packard	450
IBM	1625
Mariott Corp.	1850
Nationsbank	802
Sears Roebuck	500
Xerox	200

REP. ROBERT PORTMAN (R-2 OH)
238 CHOB
202/225-3164

Committees:

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
6/29/93	Title III	\$2,855,000	G.E. Aircraft engines	1,062	

District/State Background Information:

1992 Percent of Vote %

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	Y
Budget Resolution Adoption	-	Goals 2000	N
EUC #4	-	Penny-Kasich	Y
EUC #5	N	Stimulus Package	-
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Sinclair Community College, Dayton	David Ponitz	513/226-2500

Major Pro-NAFTA Business:

Aluminum Co. of America	300
Banc One Corp.	210
Corning Inc.	265
Digital Equipment Corp.	250
DPL Inc.	561
Emerson Electric Co.	500
Ford	1600
General Electric	4270
International Paper Co.	625
ITT Corp.	300
JC Penney	200
Kmart	200
Roadway Services Inc.	600
Sears Roebuck	850
Dow Chemical Co.	1288
Kroger Co.	1120
Procter & Gamble	850
Upjohn Co.	350
Westinghouse Electric	2600
Xerox	200

REP. CHRISTOPHER SHAYS (R-4 CT)

1034 LHOB
202/225-9629

Committees:

Budget

Government Operations

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
7/7/93	Title III	\$2,197,572	Textron Lycoming	613	defense
2/24/93	Title III	\$1,500,000	SNET	600	mass layoffs

District/State Background Information:

1992 Percent of Vote 67%

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	N	Penny-Kasich	Y
EUC #5	N	Stimulus Package	N
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
St. Vincent's College of Nursing, Bridgeport	Ann Avallon	203/576-5578
Housatonic Community College, Bridgeport	Vincent Darnowski	203/579-6400
Norwalk Community College, Norwalk	Richard Sanders	203/857-7003

Major Pro-NAFTA Business:

American Brands Inc.	250
Asea Brown Boveri Inc.	200
Bristol-Myers Squibb	1500
Champion International Corp.	1480
Chase Manhattan Corp.	600
CPC International Corp.	550
Du Pont E I Nemours	350
General Electric	4910
GTE Corp.	4445
IBM	689
JC Penney	300
Kmart	700
Marriott Corp.	274
Olin Corp.	750
Perkin-Elmer Corp.	2500
Sears Roebuck	350

United Technologies Corp.	2800
Warnaco group Inc.	700
Xerox	1232

REP. FREDERICK S. UPTON (R-6 MI)

2439 RHOB

202/225-3761

Committees:

Energy and Commerce

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
		None			

District/State Background Information:

1992 Percent of Vote 62%

Recent Legislative History:

Budget Reconciliation	Y	School-to-Work	Y
Budget Resolution Adoption	N	Goals 2000	Y
EUC #4	Y	Penny-Kasich	Y
EUC #5	N	Stimulus Package	Y
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

	<u>Contact:</u>	<u>Phone:</u>
Kalamazoo Valley CC, Kalamazoo	Marilyn Schlack	616/372-5000
Lake Michigan College. Benton Harbor	Anne Mulder	616/927-3571
GlenOaks CC, Centreville	Philip Ward	616/467-9945
Southwestern Michigan College, Dowagiac	David Briegel	616/782-5113

Major Pro-NAFTA Business:

Abbott Laboratories	460
Allied Signal	1100
American Electric Power	3220
Coca Cola	400
Cooper Industries	900
Eaton Corp.	1400
Ford	475
GMC	6600
Georgia-Pacific Corp.	283
JC Penney	250
Mead Corp.	250
Sears Roebuck	350
Upjohn Co.	1200
United Technolgies	525
Whirlpool Corp.	4241
Zenith Electronics Corporation	2400

REP. RICHARD A. ZIMMER (R-12 NJ)

228 CHOB
202/225-5801

Committees:

Government Operations
Science, Space and Technology

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
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None

District/State Background Information:

1992 Percent of Vote 66%

Recent Legislative History:

Budget Reconciliation	N	School-to-Work	N
Budget Resolution Adoption	N	Goals 2000	N
EUC #4	N	Penny-Kasich	Y
EUC #5	N	Stimulus Package	N
NAFTA	Y	Strikebreaker Vote	N

Community/Technical Colleges:

Brookdale Community College, Lincroft	<u>Contact:</u> <u>Phone:</u> Peter Burnham	201/842-1900
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Major Pro-NAFTA Business:

Allied Signal	905
American Home Products Corp.	1048
AT & T	5892
Bell Atlantic	400
Bristol-Myers Squibb	8070
Citicorp	750
Coca-Cola	380
Corning Inc.	360
Digital Equipment Corp.	200
Eaton Corp.	275
FMC Corp.	1450
General Electric	13025
GMC	1950

SEN. MARK O. HATFIELD (R-OR)

SH-711

202/224-0276

Committees:

Appropriations

Energy and Natural Resources

Rules and Administration

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Ammount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
8/13/93	Title III	\$1,100,000	Timber 6	25	dislocated timber workers
9/29/93	Title III	\$172,310	Timber 7	82	dislocated timber workers
11/15/93	Title III	\$350,000	Moore Business Forms	75	dislocated workers
2/1/94	Title III	\$513,365	Timber Industry	96	dislocated timber workers

District/State Background Information:

1992 Percent of Vote 54%

Recent Legislative History:

DOL favorable vote rating %

Balanced Budget Amendment Y

Budget Reconciliation- N

Budget Resolution Adoption N

EUC #4 Y

Goals 2000 Y

Kerrey/Brown Amendment Y

NAFTA Y

School-to-Work Y

Stimulus Package N

SENATOR HATFIELD

JOB TRAINING PARTNERSHIP ACT
DISLOCATED WORKER PROGRAM FUNDING

Oregon

<u>Program Year</u>	<u>Formula Allocation</u>	<u>National Discretionary</u>	<u>Total</u>
1988	2,670,612	1,639,244	4,309,856
1989	2,650,069	1,423,350	4,073,419
1990	3,966,266	2,200,000	6,166,266
1991	4,830,391	5,100,000	9,930,391
1992	4,646,140	2,255,000	6,901,140
1993	4,303,648	7,165,950	11,469,598
1994	10,536,621	NA	10,536,621

Discretionary Projects

1. Industry: EDWAA Initiative
Location: Statewide
Amount: \$454,744, PY 1988
2. Industry: Forestry - Wood Products
Location: Various
Amount: \$1,000,000, PY 1988
3. Industry: Drought - Agriculture
Location: Statewide
Amount: \$184,500, PY 1988
4. Industry: Tool Manufacturing
Location: Clackamas
Amount: \$223,350, PY 1989

To serve 150 workers dislocated from Stanley-Proto Tool in Clackamas County.

5. Industry: High-Tech
Location: Portland
Amount: \$500,000, PY 1989

To serve 200 workers dislocated from Textronix Industries in Beaverton.

6. Industry: Timber
 Location: Lane County
 Amount: \$700,000, PY 1989

To serve 175 workers dislocated from the wood products industry in Lane County.

7. Industry: Lumber/Wood
 Location: Statewide
 Amount: \$2,200,000, PY 1990

To serve 645 workers dislocated from the timber and wood products industries in Lane, Columbia, Klamath, Lake, Harney, Coos, and Douglas Counties.

8. Industry: Timber and Wood
 Location: Substate Areas
 Amount: \$1,400,000, PY 1991

To serve 350 workers dislocated from the timber and wood products industries in Douglas, Jackson, Josephine, Lane, and Wasco Counties.

9. Industry: Lumber and Wood Products
 Location: Statewide
 Amount: \$1,200,000, PY 1991

To serve 312 workers dislocated from the timber industry in Clackamas, Douglas, Jackson, and Josephine Counties.

10. Industry: Timber Fish
 Location: Statewide
 Amount: \$2,500,000, PY 1991

To serve 444 workers dislocated from the timber and fish industries in 27 counties.

11. Industry: Timber
 Location: Jackson, Josephine and Lane Counties
 Award: \$1,100,000, PY 1992

To serve 250 workers dislocated from the timber industry.

12. Industry: Ship Repair
 Location: Multnomah & Washington Counties
 Amount: \$400,000, PY 1992

To serve 115 ship repair workers dislocated from Northwest Marine, West States, Inc., Cascade General, and SipCo.

13. Industry: High Tech/Electronics
Location: Portland
Amount: \$250,000, PY 1992

To serve 125 workers dislocated from Bipolar Integrated Technology, Electro Scientific, Epson Portland, Floating Point, Intel, Mentor Graphics, OECO Corporation, Sequent Computer Systems, Textronix, and Wacker Siltronic, all high tech electronics firms in the greater Portland area.

14. Industry: Aerospace
Location: Portland
Amount: \$505,000, PY 1992

To assist 250 aerospace manufacturing workers dislocated from Precision Castparts Corporation.

15. Industry: Nuclear Power Plant
Location: Portland
Amount: \$700,000, PY 1992

To assist 145 workers dislocated as a result of the closure of this power plant.

Discretionary Projects Funded During PY 1993

16. Industry: Timber/Fish II: Additional funding
Location: 3 Substate areas
Amount: \$172,310, PY 1993

To assist 82 participants currently enrolled in retraining programs who experienced increased tuition costs as a result of the State's Measure 5 Property Tax limitation.

17. Industry: Timber, Wood, & Fish
Location: Western Oregon
Amount: \$1,100,000, PY 1993

To assist 250 timber, wood, and commercial fisherman dislocated in the following counties: Linn, Benton, Douglas, Coos, Curry, Crook, Deschutes, Jefferson, Klamath, and Lake.

18. Industry: Paper
Location: Salem
Amount: \$350,000, PY 1993

To assist 75 workers dislocated by the closure of Moore Business Forms and Systems Division in Salem.

19. Industry: Timber 8
Location: Jackson and Josephine Counties
Amount: \$513,365

This project will serve approximately 96 workers dislocated in the timber and wood industry.

20. Industry: Timber 9
Location: 21 Counties
Amount: \$5,030,275

This project will assist 840 timber and timber-related dislocated workers. Services will be provided by the Southern Willamette Private Industry Council (SWPIC) in Eugene, The Job Council (TJC) in Medford, The Oregon Consortium (TOC) in Albany, and the Mid-Willamette Jobs Council in Salem.

NOTE: There have not been any defense-related dislocated worker projects funded in Oregon.

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American Assn of Community Colleges
FEDERAL RELATIONS

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Selection: AACC MEMBERS IN CONG. DISTRICT

REC#	CD	NAME	COLLEGE	CITY/STATE	ZIP	TELEPHONE FAX
010REGON						
01872	01	Doreen Dailey	Clatsop Community College	Astoria OR	97103	(503)325-0910 (503)325-5738
03386	01	Alice Jacobson	Portland CC-Sylvania	Portland OR	97219	(503)244-6111 (503)293-4947
02010	01	Daniel F. Moriarty	Portland Community College	Portland OR	97219-0990	(503)244-6111 (503)452-4960
020REGON						
02842	02	William E. Bell	Columbia Gorge CC	The Dalles OR	97058	(503)296-6182 (503)296-2107
00434	02	Harvey O. Bennett	Rogue Community College	Grants Pass OR	97527	(503)471-3500 (503)471-3588
02292	02	Robert L. Barber	Central Oregon CC	Bend OR	97701-5998	(503)385-5517 (503)385-5978
01444	02	Ronald L. Daniels	Blue Mountain CC	Pendleton OR	97801	(503)276-1260 (503)276-6119
01602	02		Treasure Valley CC	Ontario OR	97914	(503)889-6493 (503)889-6493
030REGON						
00772	03	Paul E. Kreider	Mt Hood Community College	Gresham OR	97030	(503)667-6422 (503)667-7389
03382	03	Donald W. McInnis	Portland CC-Cascade	Portland OR	97217	(503)240-5318 (503)240-5318
03384	03	Betty Duvall	Portland CC-Rock Creek	Portland OR	97229	(503)690-7329 (503)690-7329

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American Assn of Community Colleges
FEDERAL RELATIONS

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Selection: AACC MEMBERS IN CONG. DISTRICT

REC#	CD	NAME	COLLEGE	CITY/STATE	ZIP	TELEPHONE FAX
04OREGON						
01532	04	Jon Carnahan	Linn-Benton Community College	Albany OR	97321	(503)928-2361 (503)967-6550
02284	04	Jerry Moskus	Lane Community College	Eugene OR	97405	(503)747-4501 (503)744-3970
01206	04	Stephen J. Kridelbaugh	Southwestern Oregon CC	Coos Bay OR	97420	(503)888-2525 (503)888-7285
01062	04	James Kraby	Umpqua Community College	Roseburg OR	97470	(503)440-4600 (503)440-4637
05OREGON						
01958	05	John S. Keyser	Clackamas Community College	Oregon City OR	97045	(503)657-8400 (503)655-5153
02748	05	Jerry Hallberg	Tillamook Bay Community Coll	Bay City OR	97107	(503)377-2765 (503)377-2218
01822	05	William Segura	Chemeketa Community College	Salem OR	97309-7070	(503)399-5121 (503)399-5038
03296	05	Roger Bassett	Oregon Brd of Ed-CC Services	Salem OR	97310-0290	(503)378-8609 (503)378-8434
03210	05	Patrick O'Connor	Oregon Coast Community College	Newport OR	97365	(503)256-2283 (503)265-3820
02PENNSYLVANIA						
00344	02	Arthur J. Lendo	Peirce Junior College	Philadelphia PA	19102	(215)545-6400 (215)546-5996
01216	02	Ronald J. Temple	CC of Philadelphia	Philadelphia PA	19130	(215)751-8000 (215)751-8033

SEN. JIM JEFFORDS (R-VT)

SD-530

202/224-5141

Committees:

Labor and Human Resources

Foreign Relations

Veterans Affairs

District/State Background Information:

1992 Percent of Vote 69%

Recent Legislative History:

DOL favorable vote rating 55%

Balanced Budget Amendment	N
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Budget Reconciliation-	N
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Budget Resolution Adoption	N
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EUC #4	Y
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Goals 2000	Y
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Kerrey/Brown Ammendment	Y
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NAFTA	Y
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School-to-Work	Y
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Stimulus Package	N
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JOB TRAINING PARTNERSHIP ACT
DISLOCATED WORKER PROGRAM FUNDING

Vermont

<u>Program Year</u>	<u>Formula Allocation</u>	<u>National Discretionary</u>	<u>Total</u>
1988	203,642	100,000	303,642
1989	178,825	645,000	823,825
1990	264,026	0	264,026
1991	474,751	952,650	1,427,401
1992	961,117	1,225,000	2,186,117
1993	929,368	0	929,368
1994	1,799,152	0	1,799,152

Major Discretionary Projects

1. Industry: EDWAA Initiative
Location: Statewide
Amount: \$100,000, PY 1988

2. Industry: Various
Location: Statewide
Amount: \$150,000, PY 1989

To assist 90 workers laid-off from P&C Distributors and the Rockingham Hospital.

3. Industry: Machine Tool
Location: Bennington
Amount: \$295,000, PY 1989

To assist 120 workers dislocated due to the closure of Mardon Industries in Bennington and Ben-Mont Corporation in Bennington.

4. Industry: Defense Tool
Location: Burlington
Amount: \$200,000, PY 1989

To serve 260 defense workers dislocated from General Electric.

-2-
Vermont

5. Industry: Additional Funding Assistance
Location: Statewide
Amount: \$652,650, PY 1991

To assist 400 dislocated workers to become health care professionals.

6. Industry: Engine Turbine Blades, Mfg.
Location: Rutland
Amount: \$300,000, PY 1991

To assist 120 workers laid-off from General Electric's aircraft engine manufacturing facility in Rutland.

7. Industry: Trucking
Location: Various Counties
Amount: \$450,000 PY 1992

To assist 300 workers dislocated as a result of the closing of St. Johnsbury Trucking.

8. Industry: IBM
Location: Various Counties
Amount: \$775,000, PY 1992

To assist 525 workers dislocated from IBM and BF Goodrich-Simmonds Precision.

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American Assn of Community Colleges
FEDERAL RELATIONS

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Selection: AACC MEMBERS IN CONG. DISTRICT

REC#	CD	NAME	COLLEGE	CITY/STATE	ZIP	TELEPHONE FAX
01942	11	Richard J. Ernst	Northern Virginia CC	Annandale VA	22003	(703)323-3000 (703)746-6290
ALVERMONT						
00200	AL	Robert G. Clarke	Vermont Technical College	Randolph Center VT	05061	(802)728-3391 (802)728-3321
00308	AL	Roger Perry	Champlain College	Burlington VT	05402-0670	(802)658-0800 (802)860-2750
00114	AL	Michael Holland	Community College of Vermont	Waterbury VT	05676	(802)241-3535 (802)241-3526
03280	AL	Charles Bunting	Vermont State Colleges	Waterbury VT	05676	(802)241-2520 (000)000-0000
01WASHINGTON						
04954	01	Donald W. Fowler	Lake Washington Technical Coll	Kirkland WA	98034	(206)828-5601 (206)828-5611
00546	01	Thomas C. Nielsen	Edmonds Community College	Lynnwood WA	98036	(206)771-1500 (206)640-1497
02WASHINGTON						
01998	02	Susan Carroll	Everett Community College	Everett WA	98201	(206)259-7151 (206)388-9531
01154	02	Harold G. Heiner	Whatcom Community College	Bellingham WA	98226	(206)676-2170 (000)000-0000
00822	02	James M. Ford	Skagit Valley College	Mount Vernon WA	98273	(206)428-1261 (206)428-1612
03WASHINGTON						

SEN. JOHN H. CHAFFE (R-RI)

SR-335

202/224-4642

Committees:

Finance

Environment and Public Works

Small Business

District/State Background Information:

1992 Percent of Vote 54%

Recent Legislative History:

DOL favorable vote rating 33%

Balanced Budget Amendment N

Budget Reconciliation- N

Budget Resolution Adoption N

EUC #4 Y

Kerrey/Brown Ammedment N

Goals 2000 Y

NAFTA Y

School-to-Work -

Stimulus Package N

SENATOR CHAFFEE

JOB TRAINING PARTNERSHIP ACT
DISLOCATED WORKER PROGRAM FUNDING

Rhode Island

<u>Program Year</u>	<u>Formula Allocation</u>	<u>National Discretionary</u>	<u>Total</u>
1988	276,380	184,718	461,098
1989	308,802	500,000	808,802
1990	506,619	0	506,619
1991	1,957,007	0	1,957,007
1992	2,389,384	540,000	2,929,384
1993	2,451,597	0	2,451,597
1994	4,894,617	NA	4,894,617

Discretionary Projects

1. Industry: EDWAA Initiative
Location: Statewide
Amount: \$100,000 PY 1988
2. Industry: Transition
Location: Statewide
Amount: \$84,718, PY 1988
3. Industry: Additional Formula
Location: Statewide
Amount: \$500,000, PY 1989
4. Industry: Defense
Location: County of Providence
Amount: \$300,000, PY 1992

To assist 100 defense-related workers dislocated from the Mine Safety Appliances Company in Esmond, Rhode Island.

5. Industry: Various
Location: County of Providence
Amount: \$240,000 PY 1992

To assist 80 workers dislocated from the following seven companies: PCA/Slatersville, Carol Cable, Gorham, Inc., Murdock Webbing, Hamilton Standard Interconnect Systems, William R. Blount, and Central Braid.

6. Industry: Defense
Location: North Kingston
Amount: \$1,395,000, PY 93

To assist additional workers laid-off from General Dynamics
Electric Boat.

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American Assn of Community Colleges
FEDERAL RELATIONS

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Selection: AACC MEMBERS IN CONG. DISTRICT

REC#	CD	NAME	COLLEGE	CITY/STATE	ZIP	TELEPHONE FAX
00246	18	Carl A. DiSibio	CC of Allegheny Co-Boyce	Monroeville PA	15146	(412)327-1327 (412)733-4397
20PENNSYLVANIA						
00672	20	Daniel C. Krezenski	Westmoreland County CC	Youngwood PA	15697	(412)925-4000 (412)925-1150
21PENNSYLVANIA						
01410	21	T. H. Penar	Butler County CC	Butler PA	16001-1203	(412)287-8711 (412)285-6047
04936	21	John Nesbit	Erie County Technical Inst	Erie PA	16504	(814)825-3333 (800)000-0000
RCPUERTO RICO						
02404	RC	Miguel A. Gonzalez	UPR-Aquadilla Regional College	Ramey PR	00604	(809)890-2681 (809)890-4543
02274	RC	Aida Canals de Bird	UPR-Bayamon Tech Univ College	Bayamon PR	00619-1919	(809)786-2885 (809)798-1595
02068	RC	Ivette Ramos-Buonomo	U Puerto Rico-Admin Reg Colls	San Juan PR	00931-1876	(809)758-3454 (000)000-0000
01540	RC	Alberto Maldonado Ruiz	Colegio Universitario del Este	Carolina PR	00984-2010	(809)758-7171 (809)758-7171
02574	RC	Marta M. Arroyo	UPR-Carolina Regional College	Carolina PR	00984-4800	(809)257-0000 (809)750-7940
02RHODE ISLAND						
00970	02	Edward J. Liston	CC of Rhode Island	Warwick RI	0886-1807	(401)825-2188 (401)825-2418

SEN. DAVE DURRENBERGER (R-MN)

SR-154

202/224-3244

Committees:

Labor and Human Resources

Finance

Environment and Public Works

Dislocated Worker Grants Received (1993-1994)

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Project or Company</u>	<u># Served</u>	<u>Situation</u>
7/16/93	Title III	\$5 million	1993 Floods	800	flood dislocations
1/5/94	Title III	\$1,174,590	FMC Corp.	350	defense

District/State Background Information:

1992 Percent of Vote 57%

Recent Legislative History:

DOL favorable vote rating %

Balanced Budget Amendment N

Budget Reconciliation- N

Budget Resolution Adoption N

EUC #4 Y

Goals 2000 Y

Kerrey/Brown Amendment N

NAFTA Y

School-to-Work Y

Stimulus Package N

JOB TRAINING PARTNERSHIP ACT
DISLOCATED WORKER PROGRAM FUNDING

Minnesota

<u>Program Year</u>	<u>Formula Allocation</u>	<u>National Discretionary</u>	<u>Total</u>
1988	2,310,087	1,184,083	3,494,170
1989	2,308,668	3,012,000	5,320,668
1990	3,508,518	1,162,994	4,671,512
1991	4,190,573	1,200,000	5,390,573
1992	5,718,393	6,981,000	12,699,393
1993	3,911,499	2,174,590	6,086,089
1994	9,219,971	0	9,219,971

Major Discretionary Projects

1. Industry: EDWAA Initiative
Location: Statewide
Amount: \$419,502, PY 1988
2. Industry: Transition
Location: Statewide
Amount: \$175,881, PY 1988
3. Industry: Manufacturing
Location: Eden Valley
Amount: \$27,700, PY 1988
4. Industry: Metal Fabrication
Location: St. Paul
Amount: \$261,000, PY 1988
5. Industry: Drought - Agriculture
Location: Statewide
Amount: \$300,000, PY 1988
6. Industry: Electronics
Location: Twin Cities
Amount: \$500,000, PY 1989

Minnesota

7. Industry: Meat Packing
Location: Freeborn County

Amount: \$600,000, PY 1989
8. Industry: Computer/Telecommunications
Location: Twin Cities
Amount: \$1,000,000, PY 1989
9. Industry: Catalogue
Location: Minneapolis
Amount: \$462,000, PY 1989
10. Industry: Catalogue
Location: St. Cloud
Amount: \$250,000, PY 1989
11. Industry: Hydraulic Machinery
Location: Southwest
Amount: \$200,000, PY 1989
12. Industry: United Hardware
Location: New Hope
Amount: \$236,364, PY 1990
13. Industry: Bakery
Location: St. Paul
Amount: \$277,200, PY 1990
14. Industry: Computer
Location: Minneapolis
Amount: \$649,430, PY 1990
15. Industry: Computer and Electronics
Location: Minneapolis/St. Paul
Amount: \$850,000, PY 1991
16. Industry: Printing/Publishing
Location: Minneapolis
Amount: \$350,000, PY 1991
17. Industry: Emergency
Location: Substate Area 3
Amount: \$300,000, PY 1992

Minnesota

18. Industry: Defense (FMC Corp.)
Location: Anoka County
Amount: \$1,000,000, PY 1992
19. Industry: Honeywell, Inc.
Location: Hennepin County
Amount: \$900,000, PY 1992
20. Industry: Savings & Loan Institution
Location: Eagan
Amount: \$200,000, PY 1992
21. Industry: Food Processing and Packaging Plant
Location: Martin county
Amount: \$650,000, PY 1992
22. Industry: Honeywell/Alliant
Location: Minneapolis/St. Paul Metropolitan Area
Amount: \$2,500,000, PY 1992
23. Industry: Northwest Airlines
Location: Dakota County & City of St. Paul
Amount: \$1,431,000, PY 1992
24. Industry: Flood
Location: Various Counties
Amount: \$1,000,000, PY 1993
25. Industry: Defense
Location: Variouis Cities
Amount: \$1,174,590, PY 1993
26. Industry: Defense - Returning Veterans
Location: Statewide
Amount: \$175,000, PY 1993
27. Industry: IBM
Location: Rochester
Amount: \$1,5000,000, PY 1993
28. Industry: Unisys
Location: Eagan
Amount: \$200,000, PY 1993
29. Industry: Honeywell
Location: St. Paul/Minneapolis
Amount: \$320,525

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Run Date: 05/20/93

American Assn of Community Colleges
FEDERAL RELATIONS

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Selection: AACC MEMBERS IN CONG. DISTRICT

REC#	CD	NAME	COLLEGE	CITY/STATE	ZIP	TELEPHONE FAX
01092	12	Albert L. Lorenzo	Macomb Community College	Warren MI	48093	(313)445-7000 (313)445-7020
13MICHIGAN						
02264	13	Gunder A. Myran	Washtenaw Community College	Ann Arbor MI	48106	(313)973-3300 (000)000-0000
14MICHIGAN						
01890	14	Comer Heath III	Highland Park CC	Highland Park MI	48203	(313)252-0475 (000)000-0000
15MICHIGAN						
01450	15	Rafael L. Cortada	Wayne County Community College	Detroit MI	48226	(313)496-2500 (313)961-9439
16MICHIGAN						
00574	16	Andrew A. Mazzara	Henry Ford Community College	Dearborn MI	48128	(313)271-2750 (313)845-9658
00718	16	Gerald D. Welch	Monroe County Community Coll	Monroe MI	48161	(313)242-7300 (313)242-9711
01MINNESOTA						
00582	01	Karen Nagle	Rochester Community College	Rochester MN	55904-4999	(507)285-7210 (507)285-7496
00250	01	Vicky R. Smith	Austin Community College	Austin MN	55912-1470	(507)433-0505 (507)433-0515
15708	01	Ken Mills	Albert Lea/Mankato Tech Coll	Northern Mankato MN	56002-1920	(507)625-3441 (507)388-9951

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American Assn of Community Colleges
FEDERAL RELATIONS

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Terminal: T24

Selection: AACC MEMBERS IN CONG. DISTRICT

REC#	CD	NAME	COLLEGE	CITY/STATE	ZIP	TELEPHONE FAX
02MINNESOTA						
01024	02	Conrad W. Burchill	Worthington Community College	Worthington MN	56187	(507)372-2107 (507)372-5801
00130	02	Harold G. Conradi	Willmar Community College	Willmar MN	56201	(612)231-5102 (612)231-6602
03942	02	Roger Fransen	SW Technical College-Canby	Canby MN	56220	(507)223-7252 (507)223-5291
03MINNESOTA						
03956	03	David L. Schroeder	Dakota County Technical Coll	Rosemount MN	55068	(612)423-2281 (612)423-7028
00172	03	Steven R. Wallace	Inver Hills Community College	Inver Grove Heights MN	55075	(612)450-8500 (612)450-8679
01506	03	Thomas Horak	Normandale Community College	Bloomington MN	55431	(612)832-6000 (612)832-6571
04MINNESOTA						
02772	04	Geraldine Evans	Minnesota CC System	St Paul MN	55101	(612)296-3356 (612)297-7024
01522	04	Neil Christenson	Lakewood Community College	White Bear Lake MN	55110	(612)779-3200 (612)779-3417
03010	04	Bill Warner	Northeast Metro Tech College	White Bear Lake MN	55110	(612)770-2351 (000)000-0000
05MINNESOTA						
01146	05	Jacquelyn Belcher	Minneapolis Community College	Minneapolis MN	55403-1779	(612)341-7000 (612)341-7075

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American Assn of Community Colleges
FEDERAL RELATIONS

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Terminal: T24

Selection: AACC MEMBERS IN CONG. DISTRICT

REC#	CD	NAME	COLLEGE	CITY/STATE	ZIP	TELEPHONE FAX
01342	05	Frederick W. Capshaw	North Hennepin CC	Brooklyn Park MN	55445	(612)424-0811 (612)424-0929
06MINNESOTA						
01190	06	Patrick M. Johns	Anoka-Ramsey Community College	Coon Rapids MN	55433	(612)427-2600 (612)422-3341
04054	06	Ronald M. Carter	Hennepin Technical College	Plymouth MN	55441	(612)550-7100 (612)550-7299
07MINNESOTA						
02642	07	Frank Starke	Alexandria Technical College	Alexandria MN	56308	(612)762-0221 (612)762-4501
01774	07	Dan True	Fergus Falls Community College	Fergus Falls MN	56537	(218)739-7500 (218)739-7475
01226	07	James Haviland	Northland Community College	Thief River Falls MN	56701	(218)681-2181 (218)681-6405
00742	07	Donald G. Sargeant	University of MN-Crookston	Crookston MN	56716	(218)281-6510 (218)281-5223
08MINNESOTA						
00100	08	Jon Harris	Vermilion Community College	Ely MN	55731	(218)365-7200 (218)365-7207
00932	08	Lawrence N. Dukes	Itasca Community College	Grand Rapids MN	55744	(218)327-4460 (218)327-4269
02684	08	Greg Braxton-Brown	Arrowhead CC Region	Grand Rapids MN	55744	(218)327-4380 (218)327-4314
01810	08	Anthony Kuznik	Hibbing Community College	Hibbing MN	55746	(218)262-6700 (218)262-6717

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Run Date: 05/20/93

American Assn of Community Colleges
FEDERAL RELATIONS

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Selection: AACC MEMBERS IN CONG. DISTRICT

REC#	CD	NAME	COLLEGE	CITY/STATE	ZIP	TELEPHONE FAX
00688	08	Richard N. Kohlhasse	Mesabi Community College	Virginia MN	55792	(218)749-7700 (218)749-7619
02266	08	Sally Jane Ihne	Brainerd Community College	Brainerd MN	56401	(218)828-2525 (218)828-2710
02802	08	Sally Jane Ihne	Clearwater CC Region	Brainerd MN	56401	(218)739-7503 (218)739-7475
00870	08	Karen Nagle	Rainy River Community College	International Falls MN	56649	(218)285-7722 (218)286-2209
01MISSOURI						
02030	01	Gwendolyn Stephenson	St Louis Community College	St Louis MO	63102	(314)539-5000 (314)539-5170
01230	01	Richard Black	St Louis CC-Meramec	St Louis MO	63122	(314)984-7500 (314)984-7117
01472	01	Michael T. Murphy	St Louis CC-Florissant Valley	St Louis MO	63135	(314)595-4200 (314)595-4544
02MISSOURI						
03030	02	Donald D. Shook	St Charles County Com Col	St. Peters MO	63376-0975	(314)922-8000 (314)922-8352
03MISSOURI						
01660	03	Gery Hochanadel	Jefferson College	Hillsboro MO	63050	(314)789-3951 (314)789-4012
01898	03	Henry Shannon	St Louis CC-Forest Park	St Louis MO	63110	(314)644-9100 (314)644-9752
04MISSOURI						

Hauling Labor Law Into the Next Century

White House Report Likely to Start Bitter, Lengthy Fight Over Updating '30s-Era Reforms

By Frank Swoboda
Washington Post Staff Writer

A special White House commission issued a report on labor relations yesterday that the Clinton administration will use to try to update labor laws so that they fit the diverse work force of the 1990s.

The fact-finding report by the 10-member Commission for the Future of Worker/Management Relations will serve as the starting point for what promises to be a bitter and lengthy legislative fight over reforming labor laws that date back to the Great Depression.

Unlike the U.S. work force of the past six

decades, the report said today's workers are "more educated; more female, often part of a two-earner family; more likely to be members of a minority group; and getting older as the baby boomers age." This, it said, "poses challenges to the traditional modes of compensation and organization of work schedules and makes provisions of equal opportunity for all increasingly critical to our economic success."

Labor Secretary Robert B. Reich called the report "an attempt to begin the process of dialogue." Reich said the question that has to be answered is whether the current system of laws governing the workplace is "appropriate to the times."

"The American workplace has undergone extraordinary transformation over the last six decades and will be evolving still more dramatically in the future," he said. "But our legal framework and many of our notions about worker-management relations were made for a 1930s world—not the 21st century."

Headed by former labor secretary John Dunlop, the commission will use the report to make recommendations by the end of the year for changing a wide range of laws governing the workplace, covering such diverse subjects as collective bargaining rights, overtime pay rules, anti-discrimination rules and unpaid

See LABOR, B4, Col. 1

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LABOR, From B1

medical leaves. The commission includes two other former secretaries of labor as well as the chairman of Xerox Corp.

Business, labor and civil rights groups yesterday generally hailed the report, each group singling out the finding that best suited its constituency.

The Labor Policy Association, which represents more than 200 Fortune 500 corporations, called the report a first step toward building a consensus for change. Brad Cameron of the LPA said the report comes at a "pivotal period" in the history of U.S. labor law.

Thomas Donahue, AFL-CIO secretary-treasurer, predicted the commission findings would "launch a debate that has not been had in this country in 40 years, about the relationships between workers and owners."

Several major women's groups and the presidents of four other national women's organizations all praised the commission for recognizing the changes that have taken place in the workplace. They said the report underscores the need to change the laws to accommodate the problems women face in the workplace as more and more families depend on two incomes to survive.

The White House created the commission more than a year ago to look into the possible need for labor law reforms. Unions want the laws changed to make it easier to organize new members. Many business groups want changes to remove legal obstacles to cooperative efforts in the workplace.

But the report may prove to have a broader impact on the overwhelming majority of U.S. workers who do not belong to labor unions.

For the last 30 years, as union membership has declined along with the percentage of workers covered

by collective bargaining agreements, Congress and state legislatures increasingly have been enacting laws to protect individual rights on the job.

"American employees have now been promised a wide variety of legal rights and protections by both federal and state lawmakers," the report said. "These include minimum wages and maximum hours, a safe and healthy workplace, secure and accessible pension and health benefits once provided, adequate notice of plant closings and mass layoffs, unpaid family and medical leave and bans on wrongful dismissal; these and all other employment terms and opportunities are to be enjoyed without discrimination on account of race, gender, religion, age or disability."

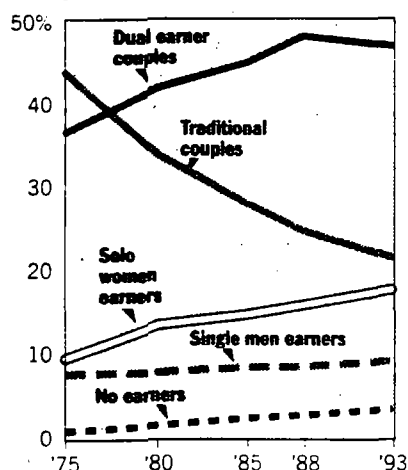
The result of this shift in employment law away from collective bargaining and labor-management relations to a system of legal intervention has been an explosion in litigation. The commission said the number of employment cases in the federal courts increased 400 percent from 1971 to 1991. And regulatory agencies charged with administering the laws have been swamped with complaints.

Reich said that last year alone the Equal Employment Opportunity Commission, which governs discrimination in the workplace, had to deal with 90,000 cases.

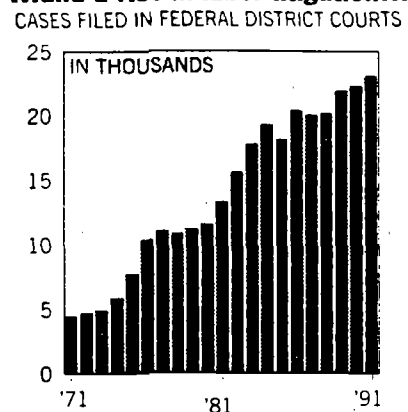
One of the commission's goals is to look closely at possible private dispute resolution alternatives for a broad range of issues, as well as the possibility of creating a single labor and employment court with jurisdiction over the employment laws now on the books.

Speaking for the administration, Reich yesterday would not comment on most of the specifics in the report. He said he would wait to comment until the commission issued its recommendations later this year.

A rapidly changing work force...



...and a rise in labor litigation...



SOURCES: Labor Department, Commerce Department

...prompted the study on worker-management relations

Some of the "critical factors in the American Labor Market" cited by the report:

1. A long-term decline in the rate of growth of productivity.
2. Increased globalization of economic life, such as trade, cash flows and immigration.
3. Changes in work performed due to changing technology.
4. A shift from goods-producing to service-producing employment.
5. A shift from traditional blue-collar jobs to those that require considerable education.
6. More minorities in the work force.
7. Changing age structure of the work force as the "baby boom" ages.
8. Stagnant real hourly compensation, with real compensation for male workers falling.
9. A rising gap in earnings between more skilled, educated workers and less skilled, less educated workers.
10. A decline in the prevalence of collective bargaining.

THE WASHINGTON POST

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Jackson Tries Southern Strategy

Message on Congressional Districts Lost Amid Talk About Violence

By Kenneth J. Cooper
Washington Post Staff Writer

AUGUSTA, Ga., June 2—The first time Jesse L. Jackson rode buses through the South, he joined black and white Freedom Riders who worried about white racists shooting at them during the civil rights movement as they campaigned for blacks' right to vote.

Three decades later, Jackson is embarked upon another bus tour of the South, accompanied by black and white aides. Once again voting rights and violence are concerns, but this time the specific issues are black-on-black violence and preservation of majority black congressional districts created under the Voting Rights Act.

Jackson has preached the "dual subject of voting empowerment and stop the violence" on a two-week tour of new congressional districts being challenged in five states as unconstitutional segregation. The legal question is headed to the Supreme Court.

Originally, the bus tour was conceived as a means to educate the public about the redistricting lawsuits, including one going to trial next month against the 60 percent black district of freshman Rep. Cynthia McKinney (D-Ga.), which stretches 260 miles from Atlanta's suburbs to Augusta's slums.

The tour of seven states, which ends Sunday in Newport News, Va., is being financed by Jackson's National Rainbow Coalition, the affiliated Citizenship Education Fund and the Congressional Black Caucus Foundation. Jackson estimated the cost at \$250,000.

With crime a preeminent concern across the nation, the anti-violence message was added to Jackson's "southern voting rights tour" and has often overwhelmed the original theme. In Dallas, where the trip began a week ago, his visit to the family of a 9-year-old boy killed while eating ice cream on his porch dominated news coverage. In Atlanta, which experienced 29 killings in the 31 days of May, Jackson's plea for peace Wednesday obscured his defense of McKinney's district.

"Cynthia's struggle . . . is in competition with 29 killings," Jackson acknowledged en route to Augusta today. "You can't keep your credibility and moral authority unless you address the violence."

But Jackson maintained that there is a connection between violence and



JESSE L. JACKSON

... emphasizes black empowerment

voting rights. For instance, he said fighting crime and mourning its victims have diverted African Americans' attention from jobs, justice and political empowerment.

"On that journey from Selma to Montgomery, if three or four of us had shot each other, or there had been a drug bust, it would have undercut our right to vote," Jackson said.

He said that lawmakers from districts drawn to have a black majority could help address criminal justice issues like stiffer federal sentences for possessing crack-cocaine than for possessing powder cocaine. The disparate sentences have primarily affected black drug offenders. "We have to have politicians in office to protect us from the crime of the crime system," Jackson said.

The creation of black majority districts after the 1990 census led to the election two years ago of a dozen black southerners, who helped boost the Congressional Black Caucus to a record 40 members. The redistricting lawsuits are a threat, at least indirectly, to all of the southern newcomers.

Reps. Melvin Watt (D-N.C.) and Eva Clayton (D-N.C.) await the decision of a three-judge panel in Raleigh, which most observers expect to uphold the remap. In Texas, a challenge to three districts, including a majority Hispanic one, in Houston and Dallas is scheduled for trial later this month.

Based on a judge's comments at a pretrial hearing, McKinney's district is so threatened with being overturned when a trial begins here July 18 that her father, longtime state Rep. Billy McKinney (D), has re-

nounced his decision to retire from the legislature. "When they redraw those lines, Billy McKinney is going to be sitting in that room," he told elected officials and leaders of youth programs here.

McKinney's district stretches from the predominantly black section of suburban DeKalb County—whose upscale demographics one McKinney aide compared to Prince George's County—through rural farm areas to urban Savannah and Augusta.

"That's the thing about these districts—they bring black and whites together in a new kind of relationship," McKinney said. "Previously, it's been very comfortable for the defenders of southern tradition."

Jackson said that the political configurations that the Supreme Court condemned last summer in the North Carolina case as "political apartheid" were themselves a product of racial segregation. "The reason these lines look the way they is white bankers and real estate agents determined where we lived until we got open housing," he said.

Jackson's dire warnings about the loss of the black majority districts, and the threats to similar ones for state and local offices, have not caught fire with his audiences, who tend to focus on the anti-violence message. After a DeKalb College rally, student body president Patricia Favors said the legal challenges baffled her.

"It's not a meat-and-potatoes issue. People are so cynical about politics, all they care about is the economy," said state Rep. Calvin Smyre (D).

The tour has drawn modest crowds, usually of several hundred, and the number of voters registered has also been modest. It was about 30 at DeKalb College, a half dozen at an Atlanta church and about 45 at an Augusta high school.

Jackson suggested the tour's impact might not be immediate or predictable, just as his voter registration drive through the South in 1983 and 1984 paid unexpected dividends, including inspiring activists to run for political office. In addition, newly registered black voters were credited with helping elect white Democrats to the Senate at a time President Ronald Reagan was attracting the support of conservative white Democrats.

"That's why I like the crusade thing: It's like planting seeds," Jackson said. "You never know which seeds will sprout, but you know some seeds will sprout."

Study Warns of Growing Underclass of the Unskilled

By CATHERINE S. MANEGOLD
Special to The New York Times

WASHINGTON, June 2 — Opening a wide door for changes in labor law, but then hesitating to walk through it, the Labor and Commerce departments issued a joint report today, detailing shifts in the American workplace, but delaying any recommendations to deal with them for months.

The report details the development of an underclass of low-paid and unskilled workers unable to compete in a complex marketplace. The changes come against the backdrop of an increasingly adversarial climate between management and labor while America is slipping behind other in-

dustrialized nations in wages and benefits, Labor Secretary Robert B. Reich said at a news conference.

The report, by a commission headed by Prof. John T. Dunlop of Harvard University, is the first important salvo in the Clinton Administration's battle to change and update labor laws. It offers the closest scrutiny of American labor practices since World War II.

But, after a year of study, the report's authors stopped short of proposing a plan for change. One person close to the committee said the members had had a series of disagreements over how new laws would af-

fect unions, businesses and leading industries.

Mr. Reich spoke of the polarization of the American workplace and the need to find solutions that suit both workers and their managers. He painted a bleak picture of an economy destined to spiral downward unless growing imbalances between those sectors are corrected.

"A society divided between the haves and the have-nots or the well-educated and the poorly educated can not be a stable society over time," he said. He said sharp inequalities between the well-educated, well-paid workers and those at the bottom of the pay scale "spells a breakdown somewhere down the line."

Those remarks and the report's conclusion that "a healthy society cannot long continue along the path the U.S. is moving," seemed to signal a move to increase Federal involvement in worker-management relations. But without a blueprint for that involvement, all sides seemed inclined to take a cautious public stance.

Responses to the findings were measured. Jerry Jasinowski, the president of the National Association for Manufacturers, praised the focus on excessive litigation and global competitive pressures. But he cautioned that in places, the report tended to generalize and imply "a more negative labor relations environment than is justified."

Women in Dire Straits

The Women's Legal Defense Fund said the report underscored the need to close the gaps "that leave so many working women in dire economic straits." In fact, the report found a declining gap in the earnings of men and women. The more troubling statistics, it said, pertain to a "stagnation in the gap between white and nonwhite workers."

An unrelated study released today

by the Center for National Policy, a research group, came to the same conclusion. It showed that the median pay for women increased 9.2 percent over the last decade while many of the relatively well-paid jobs traditionally held by men had disappeared, to be replaced by low-paying jobs. As a result, pay for men overall declined by about 5 percent.

The scope of possible recommendations could not be broader. Professor Dunlop, a former Labor Secretary, said no existing law was sacred. Instead, the next six months promise a broad, though to some extent hidden debate. Dr. Dunlop has a reputation as a tough-minded, behind-closed-doors deal maker who has little patience with public dialogue.

These were among the other problems the commission found:

❑ Falling real earnings for less-educated and less-skilled workers.

❑ Stagnant growth of earnings for more-skilled employees.

❑ High levels of occupational injuries.

❑ Lack of health insurance and other fringe benefits for many workers.

❑ An increased proportion of young male workers in prison.

❑ High rates of joblessness for the unskilled.

Most chilling of all, however, was a brief notation at the end of the second chapter which warned of "a large, growing population for whom illegal activity is more attractive than legitimate work."

Sprinkled throughout the findings are indications that workers, not their employers, may have the most to gain. An anthem of cooperation, collaboration and mutual benefit even seeped into the Commerce Department. Commerce Secretary Ronald H. Brown, who often advocates big business positions and was a former lobbyist for some of the nation's largest corporations, skipped the presentation while taking a day off.

Water Found in Distant Galaxy

MINNEAPOLIS, June 2 (AP) — Astronomers said today that they had detected water at the most distant point from Earth so far, a discovery that adds to the growing belief that this essential ingredient of life may be present throughout the universe.

The water was found 200 million light-years away by a radiotelescope in Markarian 1, a galaxy emitting so much energy from its center that it is believed to contain a black hole, said James A. Braatz, an astronomer at the University of Maryland.

Markarian 1 is in the constellation Pisces, or fish.

Jack Welch, director of the radio astronomy laboratory at the University of California at Berkeley, said the discovery, announced at the American Astronomical Society's national meeting here, furthered the idea that water might be found everywhere, possibly nurturing life.

"If this stuff is out, then there is a good chance that there are living beings elsewhere," Mr. Welch said. "The presence of water makes for the

likelihood of life emerging in a number of places."

Mr. Braatz said the water in Markarian 1 had been found near the highly energetic galactic center by a radiotelescope tuned to detect the electromagnetic signature for water.

Normally, the signature for the water molecule is too weak to detect by radiotelescopes on Earth. But so much energy spews from Markarian 1's center that it is creating an extremely powerful beam of concentrated radio signals, Mr. Braatz said.

Mr. Braatz said his team of astronomers had searched more than 150 active galaxies before finding the evidence for water in Markarian 1.

"The fact that we didn't find it elsewhere doesn't mean it's not there," he said.

The water in Markarian 1 is contained in clouds that are rotating at thousands of miles an hour around the center of the galaxy, where a black hole could exist.

Courts Struggle Over Degree of Force Required for Rape Cases

By TAMAR LEWIN

As the nation's rape laws evolve to reflect changing relations between men and women, many state courts continue to struggle with the question of how much force is necessary in an encounter for there to be a rape conviction.

On Friday the Pennsylvania Supreme Court ruled that a man who did not use physical force, but had sexual intercourse with a woman who said "no" throughout the encounter, could not be found guilty of rape because there had been no "forcible compulsion" as required by the Pennsylvania rape law.

A few days earlier, the California Supreme Court had ruled that a man may be convicted of rape even if he was unarmed and the woman submitted without a struggle. The woman, 22, who was to be married the next day, was sleeping at a friend's house when she was awakened by her friend's fiancé, who, naked, approached her from behind, pulled down her pants and had intercourse with her. The victim said she was too scared to cry out or struggle when the man, Hector Iniguez, attacked her.

'Appalling and Intolerable Invasion'

Although the California rape law requires prosecutors to show that the act was accomplished through force, violence or fear of immediate harm, the decision, by Justice Armand Arabian, said that there was no requirement "that the victim say, 'I am afraid, please stop,' when it is the defendant who has created the circumstances that have so paralyzed the victim in fear and thereby submission."

In the Pennsylvania case the student entered a dorm room looking for

a friend and found the friend's roommate, Robert Berkowitz, who asked the woman to stay. She agreed. He suggested that she sit on the bed. She refused and sat on the floor. He sat beside her, lifted her shirt and bra, "massaged her breasts" and tried unsuccessfully to have her perform oral sex on him. According to the court, they both stood up. He locked the door, pushed her on the bed and had intercourse with her.

Afterward, the court recounted, Mr. Berkowitz said, "Wow, I guess we just got carried away," and she responded: "No, we didn't get carried away. You got carried away."

In her testimony the woman said Mr. Berkowitz had not threatened or restrained her in any manner. She testified, however, that she sought to leave the room and said "no" throughout the encounter.

But, the court noted, although she knew that the door could easily be unlocked from the inside, she never tried to leave. And, the court added, although her "no" was relevant to the issue of consent, it did not prove the forcible compulsion necessary for rape.

Women's groups in Pennsylvania and elsewhere were upset by the ruling. "This court decision invalidates the reality that any nonconsensual intercourse is rape," said Kathryn Geller Myers, a spokeswoman for the Pennsylvania Coalition Against Rape. "The Supreme Court has reaffirmed the societal myth that a victim must resist to her utmost, risking physical harm before a rape charge can be brought."

Some women also expressed concern that sexual assault was being singled out as the sole crime in which the victim carries the burden of ac-

tively resisting. "My concern is that this kind of ruling will take us back to a time when you have to do something, when the victim has to put herself in some degree of danger," said Cassandra Thomas, president of the National Coalition Against Sexual Assault.

Until the 1970's rape laws in most states covered just those situations in which a man forced a woman to have sexual intercourse under the threat of bodily injury. She resisted strenuously, and there was outside corrobora-

Many states have stringent norms for rape convictions.

tion, in some cases, tantamount to a witness to the rape. As a result, there were few rape prosecutions and even fewer convictions in the states with the strictest laws.

With the advent of the women's movement and concerted lobbying by feminist groups, most states dropped their requirements for resistance and corroboration and loosened the rules on how much force the attacker had to use before nonconsensual intercourse could be classified as rape.

State rape laws vary considerably. Many still require outright force or threat of injury for a conviction. But in Wisconsin a man can be found guilty of a felony if he has intercourse with a woman who has not affirmatively agreed to it, even if she remained silent and he used no force.

Most state laws offer a spectrum of charges of sexual assault and cover a broad range of situations, including those in which rapist and victim are acquainted and surprise or coercion, rather than outright force, is more likely to be used.

Guilty of Misdemeanor

In the Pennsylvania case, for example, although the court said Mr. Berkowitz could not be convicted of rape, it upheld his conviction for indecent assault, a second-degree misdemeanor, for which the standard is lack of consent, not forcible compulsion.

And in California, before the State Supreme Court ruled, the state's Court of Appeal in San Diego had reduced Mr. Iniguez's conviction, from rape to sexual battery.

A professor of criminal law at the University of Chicago Law School, Stephen Schulhofer, said many states lacked a sensible way to deal with cases that involved more than disrespectful touching and less than the outright violence of a man's brandishing a weapon or violently grabbing a woman.

Professor Schulhofer said some states like Pennsylvania trivialized such attacks when they classified them as indecent assault or other lesser offenses originally intended to deal with situations like a man's pinching a woman's buttocks.

"Courts are continuing to struggle with how to address this abusive conduct, which is neither fish nor fowl," he said. "These are cases where there has been some overreaching, disrespect and abuse, but not the overwhelming life-threatening violence we think of traditionally in rape cases."

New Ways and Means Chief Rules Out Sharing Power

By DOUGLAS JEHL
Special to The New York Times

WASHINGTON, June 2 — The new chairman of the House Ways and Means Committee said today that he had no plans to share power with Representative Dan Rostenkowski and expressed confidence that he could send health care legislation to the House floor by the end of the month.

The Representative, Sam M. Gibbons, a Florida Democrat, will take over as acting chairman in place of Mr. Rostenkowski, who was indicted on Tuesday on multiple criminal charges of abusing his Congressional privileges. Mr. Gibbons said he would keep his committee in session over the Fourth of July recess if it did not complete its work on a health care bill by then. But he scoffed at the idea that Mr. Rostenkowski's indictment

and consequent demotion would spell defeat for President Clinton's effort to overhaul the health care system.

"Health care is very much alive," the 74-year-old Congressman declared in a television interview this morning from Paris, where he prepared to commemorate the 50th anniversary of D-Day and his own role as a paratrooper in the Allied invasion.

Wielding of Power

Asked whether he expected to strike a deal with Mr. Rostenkowski that would divide power between them, Mr. Gibbons said of the once-powerful Chicago Democrat who will now sit to his right, "He understands as well as I do that there can only be one chairman at a time, and we'll work together."

White House officials had once hoped that all five of the Congressional committees with principal jurisdic-

tion over health care would finish writing their bills by Memorial Day. Unless each of the panels can wrap up work by the end of the month, the prospect of health care legislation's being passed before the November elections could grow dim.

But while the Ways and Means Committee is just one of the panels in which the legislation still faces a major hurdle, Presidential aides said Mr. Gibbons's expression of determination increased their confidence that the deadline could be met. In a meeting with reporters, Harold M. Ickes, the deputy White House chief of staff, said he expected approval in the next four weeks "if not by all of the committees, then by most of them."

Mr. Gibbons, a novice as a committee chairman, lacks the skills and power that Mr. Rostenkowski

brought to battles to muster the votes necessary to send legislation to the House floor. Until this year, Mr. Gibbons supported the Canadian-style "single payer" health care system that Mr. Clinton opposes. He changed his mind last year after concluding that the approach did not have enough support.

Since Mr. Rostenkowski was indicted, Mr. Gibbons has directed aides to continue as they were, preparing first-draft legislation based on an expansion of the Medicare system that has already been approved by a Ways and Means subcommittee. In his interview this morning, on the NBC News "Today" program, Mr. Gibbons also took issue with those who have said he is not likely to be a strong chairman.

"I don't think that they need to have their arms twisted or anything like that," he said of his committee colleagues. "They need to be listened to. They need to be reasoned with. They need to express opinions. They need somebody that will work with them. And I'm certainly one of those."

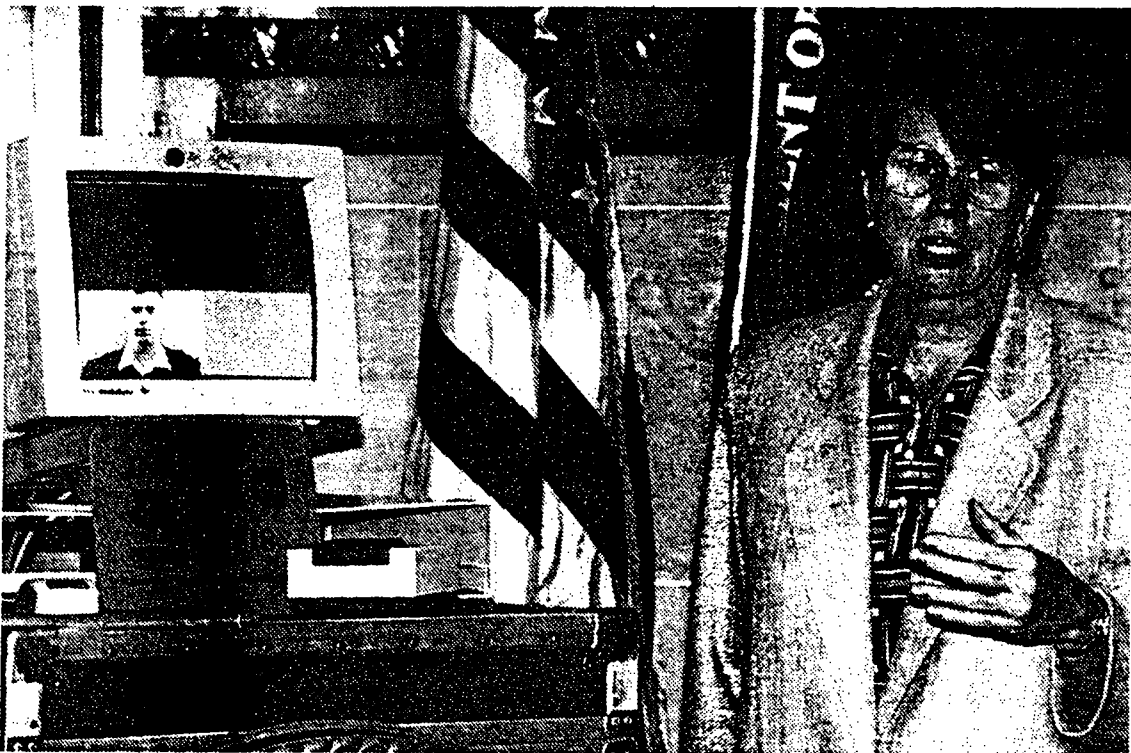
Talk With President

White House officials said Mr. Clinton, who is in Rome on the first stop of his own weeklong European trip, spoke to Mr. Gibbons by telephone today to emphasize the importance of swift action. They said that Pat Griffin, the top White House legislative strategist, was likely to meet with Mr. Gibbons when the Presidential party arrived in France early next week to review their plans in detail for the next four crucial weeks.

Neither Mr. Ickes and Ira C. Magaziner, a chief architect of the White House health care plan, would say whether Mr. Clinton intended to join in a call upon Congress to work through the Fourth of July recess if lawmakers failed to complete work on legislation by then.

The bill that Mr. Gibbons has chosen as a starting point was drafted by Representative Pete Stark, Democrat of California, and approved by Mr. Stark's Ways and Means Subcommittee on Health by a one-vote margin, 6 to 5. But at least five of the full committee's 24 Democrats have refused to support the costly swelling of Medicare rolls that Mr. Stark's bill would provide. There is no indication that any of the committee's 14 Republicans would support it, leaving the panel at least one vote short of the 20 necessary to send some variation of the legislation to the House floor.

PAUL HUSCH/STAFF FOR THE NEW YORK TIMES



Agence France-Presse

New Computer Systems to Help Border Patrol

A new computer system for documents and fingerprints is being tested by Border Patrol agents. The Automated Fingerprinting Identification System en-

ables agents to identify illegal immigrants from a fingerprint in five minutes. In Washington, Attorney General Janet Reno unveiled the system yesterday.

Haiti's exiled President, the Reverend Jean-Bertrand Aristide, during an interview yesterday in his apartment in Washington in which he

said the United States should be "moving toward a surgical action" to remove the military leaders who seized power in September 1991.

Doubting Sanctions, Aristide Urges U.S. Action on Haiti

By HOWARD W. FRENCH
Special to The New York Times

WASHINGTON, June 2 — In the strongest statement he has made in favor of military intervention, the exiled Haitian President, the Rev. Jean-Bertrand Aristide, said today that he doubted that economic sanctions could restore him to office and urged "action to get rid of the thugs" who overthrew him.

In an interview in his Washington apartment, Father Aristide repeated his concern that the Haitian Constitution would not allow him to formally invite foreign military intervention. But the Haitian leader said the United States should be "moving toward a surgical action" that he said would succeed in a few hours to remove Haiti's military leadership.

Asked if sanctions could force the military to relinquish power, Father Aristide said, "If we really want to save lives, something else should be done now." Referring to the United States intervention in Panama in 1989 to remove the military dictator Manuel Noriega, he added: "Haiti is not the first case. When things were like that in another country, something was done. Why not in Haiti?"

Father Aristide's comments came as part of a growing debate in the United States over statements by President Clinton that military action should not be ruled out in Haiti to force an end to the country's political crisis.

But his statements appeared to take some advisers by surprise. Moments before the Haitian leader spoke in the interview, one close American adviser, Burton Wides, suggested that the emphasis on the diplomacy around Haiti should be aggressively closing loopholes in the international sanctions before any foreign intervention is considered. It was not clear whether the Haitian leader had expressed his views on military action directly to Clinton Administration officials.

Until now, Father Aristide's position on foreign intervention has been widely perceived as ambivalent, with many in the Clinton Administration expressing concern that he would either not fully support military intervention before the fact, or would quickly condemn it once he was returned to office.

Four Point Plan

But while he endorsed the idea of foreign military action, Father Aristide, who was overthrown in a coup in September 1991, expressed strong opposition to any plan that would involve any long-term foreign occupation.

The debate over United States intervention has often centered around the question of how long the American presence would be required after Father Aristide's restoration to power.

"The action could be a surgical

move to remove the thugs within hours," Father Aristide said of the kind of intervention he would support. "Once we do that, we could have the international community in the country within the framework of agreements we have already signed. Not in the framework of a military intervention."

Outlining his ideas as a four-point plan that would begin with the military action, Father Aristide said international military trainers called for under an agreement negotiated last July in New York should be sent to Haiti immediately after any intervention.

Their role, he said, would be to separate the country's police from its army, and to begin retraining both forces, as foreseen under last year's aborted settlement plan. Almost immediately after that effort begins, Father Aristide said that he should be returned to Haiti, and that international development assistance should be begun on a huge scale to help push national reconciliation.

Father Aristide sought to reassure those who have said that he would quickly turn against the United States if he were returned to office through an American intervention. "We are talking about interests, mutual interests," he said. "Not feelings."

"If I could do it alone, I would. If the United States could do it alone, they would. But we have to go together."

At the same time as he was urging the Clinton Administration to take decisive action to restore him to office, Father Aristide renewed criticisms of its handling of Haitian boat people.

Bitterness Over Refugees

Speaking of the announcement this week that Jamaica would allow American ships to process Haitian refugees in its harbors before deciding which of them would be returned to Haiti, Father Aristide expressed bitterness that many of those fleeing his country would be "returned to a house on fire."

"In terms of their statements, yes, they are saying there is a change," he said of the Clinton Administration's handling of Haitian refugees. "In terms of the implementation, no."

The Clinton Administration announced today that it was adding 35 more Haitians, many of them members of the government, to the list of 600 Haitian military personnel and other coup leaders whose assets in the United States have been frozen.

Those added to the list today include Haiti's newly appointed President, Emile Jonassaint, as well as Finance Minister Rigaud Duplain and Foreign Minister Charles David. Also added were the wife and three children of the head of Haiti's military, Raoul Cedras, as well as the children of several other military leaders.

bc-jobs times - a1738

(ATTN: National editors) (Includes optional trims)

Serious Problems Plague American Workplace, Commission Says (Washn)

By William J. Eaton= (c) 1994, Los Angeles Times=

WASHINGTON A federal commission painted a grim picture of a fast-changing American workplace Thursday, citing stagnant pay levels, a growing gap between high-wage and low-wage workers and a sharp increase in "working poor" who have full-time jobs but earn so little they fall below the government's poverty line.

In addition, the commission said, the traditional pattern of lifetime jobs with a single employer is growing less common as firms increasingly hire more part-time and temporary workers to reduce labor costs.

The report also noted that a higher proportion of Americans two out of three now hold jobs or are seeking them, largely because almost three out of five women are now in the work force compared to one out of three women in 1950.

Americans also put in longer hours per year than any other industrialized nation except Japan, the report said, largely due to laws mandating four or five weeks of vacation in European countries.

While the yearlong study found a decline in collective bargaining contracts and a sharply lower level of strikes, it also reported a surge in government regulation and litigation involving health and safety, job discrimination and other workplace issues. Employment cases in the federal courts increased by 400 percent between 1971 and 1991, the report said.

The commission, headed by former Secretary of Labor John T. Dunlop, envisioned a growing role for employees in making decisions affecting their jobs and said available evidence suggests it could improve their firms' economic performance.

Even so, the report added, survey research indicates that about 50 million workers would like to take part in making workplace decisions but have no opportunity to do so. At most, only 5 percent of all workplaces have effective participation systems, it estimated.

The 163-page fact-finding report of the Commission on the Future of Worker-Management Relations was presented to Secretary of Labor Robert B. Reich and David Barran, undersecretary of commerce, who was standing in for Secretary of Commerce Ron H. Brown.

Dunlop said the commission hoped to start a national debate on the issues outlined in the initial report and then issue recommendations for change to the Clinton administration within the next six months.

"The American workplace has undergone extraordinary transformations over the last six decades and will be evolving still more dramatically in the future, but our legal framework and many of our notions about worker-management relations were made for a 1930s' world not the 21st century," Reich said.

Reich also deplored the growing gap between more highly skilled workers and those at the bottom of the pay ladder.

A long-term decline in the rate of growth of American productivity, or employee output per hour, limits the increases in wages and benefits that can be paid by firms without sacrificing their ability to compete in an increasingly global economy, the commission said.

(Optional add end)

In addition, the declining power of labor unions and the fall in the buying power of the federal minimum wage has also played a role in widening the gap between more highly paid and lower paid workers.

Referring to the "working poor" who remain in poverty despite putting in 40 hours on the job every week, the commission said their numbers have increased greatly in the last 15 years.

"About 18 percent of the nation's year-round full-time workers earned less than \$13,091 in 1992 a 50 percent increase over the 12 percent who had low earnings in 1979," the report said. "These workers consist disproportionately of women, young workers, Blacks, Hispanics and the less educated."

The number of bargaining rights elections and the number of labor union victories has diminished sharply over several decades, the report also noted, with an increasing probability that workers will be fired for pro-union activity.

**** filed by:LAWP(--) on 06/03/94 at 02:16EDT ****

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bc-immig - a1740

(ATTN: National editors) (Includes optional trims)

INS Tests Automated System for Tracking Illegals (Washn)

By Ronald J. Ostrow= (c) 1994, Los Angeles Times=

WASHINGTON The Immigration and Naturalization Service is testing an automated system in the San Diego area that would free Border Patrol agents from paperwork burdens so they can concentrate on tightening U.S. borders, Attorney General Janet Reno announced Thursday.

Border Patrol agents have, up until now, been spending 40 percent of their valuable enforcement time doing paperwork," said Reno, who complained after a border visit last August of finding agents driving buses and performing other tasks that could be handled by technology.

At her weekly news conference, Reno also announced that a fingerprint system currently under development for the INS will identify criminal illegal residents at the border within minutes.

The automated paperwork system, called ENFORCE, was turned on Wednesday at three border patrol sites near San Diego and "will provide the equivalent of redeploying 48 agents to the line," Reno said. The system handles by computer 43 of 51 forms that agents completed with typewriters or by longhand, freeing Border Patrol agents from 60 percent of the paperwork involved in processing illegal immigrants.

In the future, it will be used to track cases by linking immigration enforcement and deportation systems that currently lack the means of exchanging data, officials said.

In unveiling the technology, Reno and INS Commissioner Doris Meissner noted the current budget includes only enough money to run the pilot effort for six months.

Final enactment of House and Senate crime bills now in conference to resolve differences would provide \$200 million for INS technological developments, including the ENFORCE system and the fingerprint identification. That would be the largest part of the two to three years of funding needed to fully implement the system, according to Meissner.

If we are going to deploy these technologies all along our border and develop others, Congress needs to pass the crime bill and appropriate funds," Reno said.

The fingerprint system, which was described as in "the late stages of development," will enable Border Patrol agents to identify an illegal immigrant from an electronic fingerprint within three to five minutes and to retrieve the individual's criminal records, photographs and other information.

Meissner said the technology would help close a gap in the IRS fingerprinting system that allows private companies to take prints from illegal residents for use on their INS applications without requiring them to prove their identities.

(Optional add end)

The INS has failed to regulate the private companies and has no means of preventing immigrants intent on hiding their arrest records from enlisting someone with a clean history to submit their prints instead, according to a report by the Justice Department's Inspector General.

In a related development, the Justice Department announced that 53 Mexican nationals now in U.S. prisons for committing crimes here will be sent back to Mexican prisons Friday. It will be the third transfer under an accelerated program that resulted from Reno's meeting in Mexico last October with Jorge Carpizo, Mexico's then attorney general.

Reno praised the Mexican government for its role in the transfer, saying, "it is a common sense answer to help ensure that U.S. prison space is used for U.S. citizens." Some 186 criminal illegal immigrants were returned to Mexico in the stepped-up transfers, which began last December.

**** filed by:LAWP(--) on 06/03/94 at 02:17EDT ****
**** printed by:WHPR(LSAM) on 06/03/94 at 03:24EDT ****

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Report says U.S. worker pay slipping

By Rhonda Richards
USA TODAY

WASHINGTON — A growing number of U.S. workers are paid less than their counterparts in other industrial countries, according to the first report by a presidential commission on worker-management relations.

Part of the reason may be that U.S. workers labor under laws designed for their grandparents. If those laws were updated, employees and managers might get along better and productivity and wages might rise, according to the commission, comprised of former Labor and Commerce heads and representatives from universities, business and labor.

Thursday's report makes no recommendations. Rather, it documents changes in the workplace and problems with federal laws and regulations. "This is the first step in building a national consensus for change," says commission Chairman John Dunlop, Labor secretary 1973-76, during the Ford administration.

The commission will take comments on this report, and finish other studies before issuing its recommendations — expected by the end of the year.

► Details from the report, 2B

Workers face growing wage gap

The USA's workforce is changing and labor laws aren't keeping up. Among the trends:

► The salary gap is growing between workers with higher pay and more education or skills and workers with less education who are paid less.

► U.S. workers spend more hours on the job than workers in most European countries — 1,737 a year vs. 1,557 in Germany, for example.

► Workers are bitterly estranged from managers and are filing record numbers of employment-related lawsuits.

Labor laws enacted in the 1930s and '40s or adopted piecemeal since then could be contributing to those problems, according to the Dunlop Com-

mission on the Future of Worker-Management Relations. If the laws were changed, the resulting productivity increases could benefit both companies and workers.

Improving worker-manager relations is key, says Labor Secretary Robert Reich.

"By working constructively, we can bake a bigger pie" that includes higher productivity and profits for companies and higher wages for employees, Reich says. Thursday, the 10-member commission appointed last March by President Clinton presented its first findings to Reich. (Story, 1B.)

The commission reported a record high percentage of the population is working, due

largely to women moving into the workforce. And the number of part-time "contingent workers" who may work for several employers, is increasing. "The commission intends to devote more attention to this subject," the report says.

The report's findings "clearly document the need for comprehensive reforms," the AFL-CIO said.

"This report will set the stage for relieving American business from the morass of unnecessary laws and regulation that merely frustrate efforts to increase employee participation, create jobs, improve productivity and maintain competitiveness," says the U.S. Chamber of Commerce.

Three of the commission's major findings:

► As much as one-third of the workforce is involved in employee participation programs at work. Many managers say such programs improve cooperation, productivity and quality. "Effective participation of people in the business process is an integral part of our survival," Charles Nielson, V.P. for human resources at Texas Instruments, told the commission.

Still, 40 million to 50 million workers say they would like to participate in workplace decisionmaking but don't have the opportunity.

► While many employers say workers should have the

right to join a union, the chance that an employee will be fired or discriminated against for union activities has increased. And roughly one-third of workplaces with unions fail to win a collective bargaining contract with employers.

"Our outdated labor laws have eroded the balance in employer-employee relations and allowed employers to game the laws in order to defeat union organizing," says John Sweeney, president of the Service Employees International Union.

► Federal laws to protect workers have increased dramatically since the 1960s but enforcement agencies lack the money to pursue cases. So



By Tim Dillon, USA TODAY

REICH: Revamp laws to boost productivity, 'bake bigger pie.'

more workers are turning to the courts. Employment cases are the fastest growing lawsuits in the country. Cases in federal courts increased 400% between 1971 and 1991.

— Rhonda Richards

Economic growth slows for summer

By Bill Montague
USA TODAY

The weather is heating up, but the latest evidence suggests the economy is cooling off.

As summer nears, signs are mounting that economic growth is slowing. Reports Thursday showed:

► The government's index of leading economic indicators was unchanged in April. That barometer of growth six to nine months ahead rose 0.7% in March, the Commerce Department said.

► Factory orders fell 0.1% in April after jumping 1.1% in March, Commerce said.

► Help-wanted advertising fell slightly in April, according

to the Conference Board, a research group.

► Most major retailers saw only sluggish revenue growth in May. Several chains reported declines.

Those results, plus earlier reports showing declines in April new home sales and consumer spending, have led some economists to lower their forecasts for 1994's second quarter.

After expanding at a 7% annual rate the last three months of 1993, the economy slowed to a 3% pace the first quarter, thanks in part to bad weather and the Los Angeles earthquake. Many economists had expected a partial rebound this spring and summer.

That now looks unlikely,

says David Munro, chief U.S. economist for High Frequency Economics, a consulting firm. He expects growth to remain around 3% the rest of the year.

Some see even slower growth ahead. Sung Won Sohn, chief economist for Norwest Corp., says 1993's boom was driven by the housing industry, which benefited from a drop in long-term interest rates.

Rising rates, he warns, have taken the steam out of that engine. "The risk is that six months from now we'll be worrying about an economy that is too weak," he says.

The slowdown isn't all bad news. Job seekers may not have much to fear. Job growth tends to lag economic growth,

so 1993's surge could continue to boost payrolls in '94.

The Labor Department releases its May employment report at 8:30 a.m. ET today. Economists expect Labor will say the economy added a healthy 275,000 jobs.

Slower growth also should ease inflation fears. That could persuade the Federal Reserve not to raise short-term rates, and encourage investors to buy bonds, which would push down long-term rates.

But for that to happen, more evidence of a slowdown is needed, says economist Kim Rupert, at MMS International.

"Right now, this looks like healthy growth: Not too fast and not too slow," Rupert says.

Growth slows

April new-home sales	-8.8%
April consumer spending	-0.1%
April leading indicators	unch.
April factory orders	-0.1%
April help-wanted index	-1 point
May consumer confidence	-4.5 points
May purchasers' index	unch.

Source: USA TODAY research

"But neither the Fed nor the bond market is willing to accept that at face value."

Turbulent times at Virginia's GOP convention

Leslie Phillips
USA TODAY

Virginia Republicans are walking a greased tightrope as they open their Senate nominating convention today.

Just seven months after they ended a 12-year Democratic monopoly of the governorship, and came within striking distance of taking control of the state Senate, party regulars will gather in Richmond in an atmosphere of utter turmoil.

The source of that turmoil: the candidacy of Oliver North, the Iran-contra figure idolized as a hero by some and denounced as a liar and a fanatic by others.

"I've seen us do this before," says party activist Anne Petera, a North delegate. "We begin to have successes and because we can't agree among ourselves, we can't build on them."

North is stepping all over the Republican establishment as he breaks away to become the favorite to vanquish his only opponent James Miller, former White House budget director.

The winner takes on Democratic incumbent Sen. Charles Robb — if he wins his June 14 primary.

But if North gets the nomination, party moderates are prepared to launch ex-GOP attorney general Marshall Coleman as an independent.

Coleman has the backing of the state's senior Republican, Sen. John Warner, who might be reprimanded for defying his party, making post-convention unity nearly impossible.

"It's a good news/bad news situation," says GOP strategist Charles Black. "The good news is this will be the biggest convention we've ever had ... The bad news is you have a fight which will bring the party bad publicity."

About 14,000 delegates — from the tidewater to the Washington suburbs to the Blue Ridge — are expected to converge for the two-day convention.

Turnout is key and many say North will have the upper hand since his supporters, especially those from the Christian right, are intensely dedicated.

And since the Saturday vote is secret, it will be impossible to determine if declared supporters of one candidate or another will stick with their man.

"The fault lines (in the GOP) have been there for the past 12 years and have never been resolved," says Democratic strategist Paul Goldman. "Every four years, there's a little bit of an earthquake."

GOP Chairman Patrick McSweeney agrees party divisions this year are no deeper than usual.

The party defied conventional wisdom last year when it nominated George Allen for governor. Pundits called him an "extremist," but he rolled over Democratic state attorney general Mary Sue Terry.

McSweeney says convention delegates will be a cross section of the state, not a band of outlaws as Warner suggests. "I'm tired of hearing there's some monolith of crazed people," he says. "They are disaffected people, many who voted for (Ross) Perot last year, many who wear union hats, many who are farmers, who are frustrated and want something done."

Fields full for elections in 7 states

By Richard Benedetto
USA TODAY

A final weekend of campaigning stands between hundreds of political hopefuls and millions of voters in seven states holding primaries Tuesday.

Strategists will be gauging returns to determine if a "throw-the-bums-out" attitude will confront incumbents this fall. Highlights:

► **California:** Democrats are likely to select state Treasurer Kathleen Brown to challenge Republican Gov. Pete Wilson, who has weak opposition.

Rep. Michael Huffington is favored in GOP Senate primary to face Democratic Sen. Dianne Feinstein.

► **New Jersey:** GOP state House Speaker Chuck Haytaian is a shoo-in to face two-term Democratic Sen. Frank Lautenberg, who has weak opposition.

► **Iowa:** Three-term GOP Terry Branstad is favored to hold off a challenge by Rep. Fred Grandy (nephew on TV's *Love Boat*). Attorney General Bonnie Campbell is expected to win Democratic nod.

► **Mississippi:** Five Democrats are vying to face two-term GOP Sen. Trent Lott, expected to survive a primary challenge.

► **Alabama:** Democratic Gov. Jim Folsom, under ethics probe, has four challengers. Ex-governor Fob James leads six Republicans.

► **Montana:** Lawyer Jack Boyd is favored over ex-senator John Melcher in the Democratic contest to face Sen. Conrad Burns.

► **New Mexico:** Democratic Gov. Bruce King faces Lt. Gov. Casey Luna and former U.S. land official Jim Baca. Four GOP hopefuls are competing.

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William J. Conaty
Senior Vice President

Corporate Human Resources
General Electric Company
3135 Easton Turnpike, Fairfield, CT 06431

April 4, 1994

Dr. William Galston
Assistant to the President
for Domestic Policy
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20005

Dear Bill:

It was a pleasure for Ken Smith and I to meet with you to discuss the challenges of the Reemployment Act of 1994.

GE supports the central policy and programmatic elements that are at the core of this Act. GE also has experience in working with the Department of Labor and the job training system in many locations across the country to help workers who are facing layoffs. This experience tells us that the general direction of the Reemployment Act can improve the services of the various competitors and pressures of the global economy.

We will, therefore, as agreed:

- Determine how the business community will be coming together in support of the Act and how GE should be involved.
- Prepare to provide testimony in support of the basic principles of the Act, should that be valuable.
- Prepare to describe to interested parties our successful relationship with the laid-off worker system.

We will also be exploring with my colleagues throughout the GE businesses how we can most effectively provide leadership at the state and local levels in the implementation of the School-to-Work Opportunities Act. We believe in the need for improving the

Dr. William Galston

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April 4, 1994

relationship between school and work and in the clear value of providing opportunities for young people to experience real, tangible, on-the-job work-based training. We also believe that these actions would benefit both businesses and at-risk young people.

It is one of my personal priorities to assure that GE continues to expand its partnership with units of government and the workforce in ways that will clearly benefit our workforce and the workforce in the communities where we operate.

Thanks again for a productive meeting.

Sincerely,

A handwritten signature in cursive script that reads "Bill".

cc: F. P. Doyle
Executive Vice President, GE

K. M. Smith
Chairman and CEO, IM&D

THE WHITE HOUSE

Office of the Press Secretary
(Portsmouth, United Kingdom)

For Immediate Release

June 4, 1994

RADIO ADDRESS BY THE PRESIDENT
TO THE NATION

Hartwell House
Aylesbury, England

3:06 P.M. (L)

THE PRESIDENT: Good morning. Today I am speaking to you from Aylesbury, England, just outside of London. Hillary and I are in the middle of a journey of remembrance and discovery as we honor the sacrifices of the remarkable Americans who helped to liberate Europe in World War II.

The generation of heroes who defeated fascism left a safer world for the generations after them, and we are grateful. Our country led the forces of freedom during the world war, and our economy led the world in the decades that followed.

This morning I want to talk about some very good news that shows how much we can still accomplish together when we as a nation act decisively.

In 1993, I took office determined to renew our economy so that we could pass on prosperity and opportunity to our own children. Remember, our economy had suffered from a decade or more of deficits and drift, slow growth or no growth.

Then we made some tough choices -- to bring down the deficit, to provide more incentives to invest, and to invest more in the education and training of our people on new technologies, and on helping to convert from a defense to a domestic economy.

Well, now we're beginning to see the results. Our economy is back. It's expanding steadily. Most important, it's creating jobs -- millions of good-paying jobs. Yesterday, the government released new statistics showing the success of our efforts. Since this administration took office in January 1993, the United States has created over 3 million jobs, most of them good paying jobs, nearly all of them in the private sector.

We're creating new private sector jobs at seven times the rate that occurred during the previous administration. During the 1992 campaign we said we'd create 8 million jobs in four years. We're running way ahead of schedule now. America is on the way to creating 2 million more in '94.

But mere statistics tend to be abstract. Everywhere all around us, we see signs of steady economic renewal. The Big Three in Detroit are back, adding shifts, and once again making the best cars in the world. New businesses are being incorporated at a record pace. Consumer confidence is up. Inflation is in check. Business failures are down. And core economic conditions, to quote the Chairman of the Federal Reserve, are "the best they've been in two decades."

MORE

As I meet with our allies and visit historic places in Europe, I'm constantly reminded our economy is now the strongest in the world. Let's remember how this came about. These 3 million new jobs are the product of the ingenuity, the entrepreneurial energy and the willingness to change of the American people. They are the result of an economic plan that has seen to it that government has been shrinking in the first quarter of this year, while the private sector grows for the first time in a decade.

We've cut the deficit by \$500 billion. By 1995, if we stick to this plan, the deficit will have declined for three years in a row for the first time since Harry Truman was in the White House. In fact, our deficit is now smaller as a fraction of our national income than all but one of our major trading partners.

We've made our cuts fairly. We've sought cuts in more than 300 programs in each of the first two years of the budget. We've sought to eliminate over a hundred government programs. Only the wealthiest 1.2 percent of our people were asked to pay higher income taxes. Working families didn't pay a cent more in income taxes because of higher rates. In fact, for every person who had taxes increase, at least 10 working families had their taxes cut. We are protecting the middle class.

Now we have an obligation to keep going to make sure that every citizen benefits from a changing world. Too many Americans haven't yet been touched by the economic renewal. This year we want to build on our success by taking concrete steps to keep the economy growing and to give our people the tools they need to succeed.

A good start is to increase our exports to other countries. Trade means jobs. Thanks to the North American Free Trade Agreement we may soon sell more to Mexico than we do to Japan. This year I'll present to Congress a worldwide trade agreement that will create hundreds of thousands of new jobs and billions of dollars of exports for America. That's good for America. And that's why Congress must and will ratify the World Trade Agreement soon.

When we create these good export jobs, we must make sure our people are ready to fill them. These days, what you earn depends on what you learn. Skills and knowledge are the most important asset of all. That's why we're working on a lifetime learning system to train every citizen from the first day of preschool to the last day before retirement.

Now we have to fix our broken unemployment system to replace it with a reemployment system so that when someone loses a job, he or she can find a good new job as quickly as possible. I am fighting for Congress to pass this reemployment act this year, too.

Finally, our deficit will grow and our expansion will sputter if we don't reform our health care system. Health care costs are going up more and more in more than any other part of our budget, not for new health care, but to pay more for the same health care. As you know, I am fighting hard to guarantee health care for every American in a way that can never be taken away, but that will bring costs in line with inflation.

So there's still a lot more to do. But let's be proud of what Americans have done. America is going back to work. Unemployment is down. Jobs are up. Inflation is down. Growth and new business is up. Our economy is clearly leading

the world. We've made this world better by making the tough choices. That's what we've got to keep doing.

Thanks for listening.

END

3:12 P.M. (L)

Skilled-Labor Shortage at Midsize Firms May Pressure Wages and Spur Inflation

By FRED R. BLEAKLEY
Staff Reporter of THE WALL STREET JOURNAL
International Pipe Machinery Corp. in Sioux City, Iowa, can't find enough mechanical engineers. It took twice the usual time for Holland Hitch Co. in Holland, Mich., to latch onto a process control analyst.

And Nippert Co. in Delaware, Ohio, is having a devil of a time signing on new machinists to meet the growing demand for its copper products.

With business booming in many parts of the country, a growing number of midsize companies are discovering that the labor pool, especially for skilled workers, is rapidly dwindling.

"A lot of companies are trying to selectively hire people with skills, but they are finding it's a more competitive market," says Michael Cantwell, a partner at accounting firm Grant Thornton. A recent Grant Thornton survey of 250 midsize manufacturers found that 63% expect to add full-time workers this year.

The selective shortages of qualified workers at midsize companies are cropping up at a time when layoffs at large companies are continuing. Through May, announced work-force reductions, mostly at larger companies, this year are running 18% ahead of last year's record level, according to Challenger, Gray & Christmas Inc., an outplacement firm. But the national unemployment rate fell in May to 6% from 6.4% a month earlier.

'Pressure on Wage Costs'

A number of economists think the unemployment level is approaching "full" employment, and that further reduction in unemployment could lead to higher inflation.

Indeed, Blue Chip Economic Indicators, which polls more than 50 economists each month, warned that a shortage of skilled labor could put "pressure on wage costs," leading to higher inflation next year.

So far, however, companies that are reporting a hard time finding skilled labor say they are not bidding up wages to fill positions. Timothy Hemingway, president of Holland Hitch, said his company isn't boosting wages because it would have such a difficult time passing along the extra cost in the form of higher prices for its truck-component parts. "We haven't raised prices in more than two years because original equipment manufacturers are making sure their suppliers are cost effective," he said.

Holland, which has nine plants in the U.S., is looking for certified welders at its

Where the Work Is

States with the lowest unemployment rate in April, seasonally adjusted

STATE	UNEMPLOYMENT RATE
South Dakota	2.8%
Nebraska	3.1
Utah	3.5
Iowa	3.6
North Dakota	3.8
North Carolina	3.9
Vermont	4.0
Minnesota	4.2
New Hampshire	4.6
Wisconsin	4.7
Tennessee	4.7
Idaho	4.7
NAT'L AVERAGE*	6.4

*April average. May national average is 6.0%
Source: Bureau of Labor Statistics

Arkansas facility.

"The main reaction to shortages so far is to hire people with a little less skill, rather than offer more money," says David Wyss, an economist with DRI/McGraw Hill Inc. He adds that this "is healthy for the economy because it upgrades labor."

The shortages of skilled workers, which began showing up earlier this year, are going to become more frequent, predicts Paul Mastroddi, an economist at J.P. Morgan & Co. He cites the sharp drop in the unemployment rate for adult males, which has fallen to 5.2% from 6.5% in the past year.

Scarcity of Unskilled Labor

"The availability of qualified people is tough, real tough," says John Dannenberg, executive vice president of International Pipe Machinery, a fast-growing maker of concrete pipe — making machines. Mr. Dannenberg is finding only about half the welders, engineers and other technicians he is seeking to increase the staff in his Iowa plants. As a result, the company "may have to farm the work out," which will lower profit margins, he says.

GLW Inc. in Nashville, Tenn., is having a hard time keeping up with demand for its audio and video production consoles for the music broadcasting and motion picture industries. The reason: the lack of electrical engineers. Kevin Kraebel, a design engineer with the company, says GLW needs three more engineers, but when it recently sought recruits from the graduating class at Vanderbilt University, there were hardly any candidates who hadn't yet taken jobs. GLW received only one resume.

Even unskilled labor is hard to come by in some parts of the country. "When unemployment gets down to 5%, everyone who wants to work is working," says Earl Bradley, president of Ebba Iron Inc., Eastland, Texas. His company, which makes devices to hold underground water mains together, wants to add another shift of about 30 workers to its foundries. But because of labor shortages, he says, it is hiring Mexican-born workers whose immigration papers are often found to have been forged, causing the company to spend more time than it wants on recruitment.

Firms to Boost Their Spending 8.3% This Year

Increase Would Be Fastest Since '89; Analysts Cite Output and Demand

By LUCINDA HARPER

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Businesses are a bit more bullish on their capital-spending plans for this year than they were when surveyed a few months ago, a new government report suggests.

The Commerce Department said businesses plan to boost capital spending 8.3% this year, compared with plans for an 8.0% rise expected in the April report. Business investment in capital equipment and buildings rose 7.1% in 1993 and 3.4% in 1992.

What businesses say they plan to spend often turns out to be different from what they actually spend. Nevertheless, the report suggests higher interest rates haven't damped business appetite for investment. If their expectations are met, businesses will have increased their capital investment at the fastest clip since an 11.4% rise in 1989.

Analysts say there are two reasons for continued strength in capital spending. Industry used roughly 84% of its capacity in April, so many companies need to expand and build new factories to keep up with demand. Also, many companies still are interested in increasing productivity and continue to invest in time-saving computers and other equipment. Both efforts will help to keep prices under control.

Joseph Carson, chief economist for Dean Witter Reynolds, says spending this year probably will be much stronger than yesterday's report suggests. "I don't think this report has captured the magnitude of spending that has occurred over the past few months," he said.

The optimism seems brightest among nonmanufacturing companies. Those companies anticipate an 8.8% increase in spending this year, compared with a 9.1% rise in 1993. In the previous survey, companies not involved in manufacturing expected to spend only 8.3% more in 1994.

Manufacturers said they think they will spend 6.9% more this year on plant and equipment. That's less than the 7.5% increase they expected earlier.

Motor-vehicle, primary-metal and electrical-machinery companies are among those planning the largest spending increases. Airlines are planning by far the biggest cutback—36.7%. Petroleum companies and food companies are planning slight spending reductions.

The survey was conducted in April and early May. The Commerce Department said it will discontinue its quarterly survey after the next survey, which is to be released in September. In the future, it will release semiannual surveys in February and September.

Separately, the Labor Department yesterday said initial claims for state unemployment benefits, after seasonal adjustment, were unchanged at 358,000 last week. The four-week average of new claims was 362,250, 1.6% down from a revised 368,250 in the previous week.

Argentine Justice in Menem's Packed Courts

BUENOS AIRES—Imagine the pandemonium that would erupt if in, say, 1998, a re-elected Bill Clinton emerged from secret talks with George Bush and demanded that Supreme Court Justices Ruth Bader Ginsburg, David Souter and Clarence Thomas resign. In exchange for a role in naming new jurists, Mr. Bush would return from obscurity and rally Republicans to support a constitutional amendment allowing President Clinton to seek a third term.

A nearly identical scenario is unfolding in Argentina, where President Carlos Saul Menem has choreographed a breathtaking political tango. Last fall, he secretly invited his predecessor and nemesis, Raul Alfonsin, to escape retirement and en-

first nationally but lost the capital to a coalition called the Great Front. Carlos "Chacho" Alvarez, the Great Front's leader and now, with Messrs. Menem and Alfonsin, a third force in Argentine politics, attributed his movement's strong results to "the moral fatigue of the Argentine people." He also called the Front's performance "a triumph of ethics."

Just what fuels the cynicism Argentines feel toward their president and the top judges and politicians is another story.

"There is no respect for the judiciary on the part of the executive," says Horacio Oscar Sicilia, news editor of *Radio Nihuil* in Mendoza. He filed in 1990 federal lawsuit against a then state-owned natural gas company. With no prior notice, it billed him retroactively for 53 days at new, higher rates. Although his victory was upheld on appeal, the now private firm has ignored to this day a court order to pay him the equivalent of \$180 in damages. "The courts don't have the power to tell the executive, 'O.K., you have to comply with our decision,' because what they say is not respected. . . . It's as if judicial power did not exist."

When Mr. Menem was elected in 1989, Argentina was "an economy in flames," as Finance Minister Domingo Cavallo once described it. Mr. Menem tried to extinguish this fire with several decrees designed to end stagnation and a 3,079% annual inflation rate. However, the flames were not fully doused until Mr. Cavallo's appointment in early 1991. His Law of Convertibility, which was debated by Congress and enacted in March 1991, required the creation of a hard-currency reserve account to back up every peso in circulation. While privatizations and supply-side tax and regulatory cuts have helped spur Argentina's spectacular growth rate, it was the convertibility law that served as the initial cornerstone for monetary tranquility without which all attempts at promot-

ing growth would have been fruitless.

Despite the successful example of the convertibility act as proper lawmaking, Mr. Menem has grown comfortable ruling by decree. Since 1853, Argentina's constitution has permitted presidential "Decrees of Necessity and Urgency" to cut corners in emergencies. Mr. Menem has issued some 260 such decrees—over 90% of those announced in Argentine history. Most have brought privatization and tax and tariff cuts, helping Argentina thrive. But others have been more ominous.

In December 1989, Mr. Menem's government ignored the property rights of its citizens, seized the Argentine currency in private bank accounts and replaced it with dollar-denominated bonds at a steeply discounted exchange rate. The Supreme Court accepted this "Bonex Plan" as a matter of "state urgency."

Since then, it has upheld Mr. Menem's decrees to remove the comptroller general, who investigates executive misconduct, and other officials who fought corruption.

Mr. Menem's decrees have beset foreign investors, too. In August 1991, the Argentine Congress enacted a law granting two local oil companies export tax credits worth 60% of the domestic levy on solvents. In April 1992, Diamond Shamrock invested in Sol Petroleo. "We planned to rely on these tax credits to make the investment work," says Bill Klesse, senior vice president of this oil refining firm. Alas, a July 1992 decree placed fresh curbs on investments and shaved the credits.

Diamond Shamrock sued the government and found some injunctive relief in lower courts, although the Supreme Court

has yet to rule on its case. "The ground rules changed after we got in," Mr. Klesse complains. "We are still optimistic. But if we had known we would have had this much difficulty over this issue, we would have reconsidered our investment."

Mr. Menem expanded the Supreme Court in 1989 to nine seats from five to install friendlier justices, and they dutifully have blocked challenges to his decrees. As part of his pact with Mr. Alfonsin, Mr. Menem has had to create court vacancies for Mr. Alfonsin to help fill. Legal and Technical Secretary Carlos Corach wrote Chief Justice Antonio Boggiano last fall asking that all nine judges retire as a "patriotic gesture." Mr. Menem even offered Justice Boggiano the Vatican ambassadorship if he stepped down.

"Menem gathers and trades judges like some people collect stamps," observes Jose Maria Ibarbia, a national deputy with the conservative Union of the Democratic Center. Hector Masnatta, Argentina's former auditor general and an expected court appointee, has said he laments the "carnival atmosphere" that lately has surrounded the country's legal system.

With key exceptions, much of Mr. Menem's free-market economic handiwork rests on a stack of executive orders. The real danger could come if Mr. Menem's successor chose to reverse recent reforms (or simply to make them kinder and gentler) by issuing his own countermanning decrees. Now that Argentines can celebrate prosperity, the next twist in Mr. Menem's tango should be a pledge to dedicate his second term, which would end in 1999, to reviving an independent judiciary, separating executive, legislative and judicial powers, and chiseling his free-market reforms into the stone of the statute books.

Mr. Murdock, a New York writer, is an adjunct fellow with the Fairfax, Va.-based Atlas Economic Research Foundation.

The Americas

By Deroy Murdock

dorse constitutional reforms to permit Mr. Menem to seek re-election. Mr. Alfonsin's Radical Civic Union is expected to help pick new judges for the high court. The Radicals hope these new judges will check President Menem's growing powers.

Many Argentines barely blink at this cozy blend of politics and justice. "People want stability and economic growth so much they see these judicial issues as minor problems," says Felix La Red, president of the Commerce and Industrial Union Foundation in Mendoza, a tree-packed city at the base of the Andes. However, recent election results suggest that some Argentines are fed up with both the crumbling wall between executive and judicial powers and the corruption its collapse has bred.

These frustrations are clearest in Buenos Aires. During April's balloting for delegates to the constitutional assembly, President Menem's Peronist party placed



Carlos Menem

Ford Says Reemployment Act Is Undergoing Changes

The chairman of a House training panel hinted yesterday that his subcommittee plans key changes to President Clinton's proposal to coordinate federal training programs.

Rep. William Ford, D-Mich., acknowledged at a House Postsecondary and Training Subcommittee yesterday on H.R. 4050, Clinton's Reemployment Act, that its proposals for one-stop career center do not adequately address the kind of training workers may need.

"One of the things this bill should do is, when people say, 'Train for what?,' it should show them," Ford said. "There's an outline in the bill, but it isn't [clear] enough to really convince someone of ... what we're talking about."

Ford did not divulge what changes are in store, but aides say Clinton officials are willing to cede some of the bill's strict language for establishing Workforce Investment Boards (WIBs) that would administer the programs locally.

Clinton's Reemployment Act would authorize \$250 million next year and another \$1 billion through fiscal 1999 to consolidate six dislocated worker training programs. The legislation, pending in the Senate as S. 1964, would offer incentive grants to encourage states to tie other training initiatives into new skill centers, including vocational education.

Substate Mismatch

County officials continued their opposition yesterday to many of the bill's provisions, particularly those that would establish one-stop centers and authorize WIBs.

Kay Beard, vice chairman of the Wayne County, Mich., Board of Commissioners and a member of the National Association of Counties, took issue with its plan to allow governors to establish new sub-state areas to administer the career centers. Beard said the regions often would not match those established under the Job Training Partnership Act.

"Different substate areas will undoubtedly cause confusion for customers ... and create yet another administrative layer," she said. "The bill's service delivery system presents significant problems."

Beard also railed against the WIBs, which she said could become "independent and potentially runaway boards."

Consider Student Aid

A representative of the nation's leading trade school lobbying group offered mostly praise for the bill.

But Randy Kuykendall, president of an El Paso, Tex., technical school and member of the Career College Association (CCA), said any career center law should mandate that high

school and postsecondary counselors "be knowledgeable ... about all federal funding available" for the programs, especially Education Department student loan programs.

CCA also wants the bill to require that skill standards now being developed under a school reform law eventually be used to gauge participants' skill levels. And until those standards are ready, CCA says, career centers should use "nationally recognized tests" to assess customers' skills.

No further action has been scheduled in the House or Senate. Aides, however, are still hoping Congress will pass a bill this year.
--Dave Harrison

Advocacy Groups Don't Want ADD Screening Limited To Doctors

Three groups are objecting to the Education Department's suggestion that physicians be required to evaluate children for attention deficit disorder (ADD).

In a statement, Children and Adults with Attention Deficit Disorders (CHADD), the National Association of School Psychologists (NASP) and the American Psychological Association (APA) say they strongly oppose mandating a medical doctor's diagnosis for students to qualify for special education.

The groups' May 27 letter to ED, Congress and the media reacts to "grumblings" from ED officials that physicians alone should make ADD assessments because it is a neurobiological disorder, Wade Horn, a member of CHADD's board of directors, said in an interview.

The statement also responds to Maryland's recent directive to schools that only physicians be allowed to diagnose ADD when children are classified as "other health impaired," said Kevin Dwyer, NASP's assistant executive director.

Not A Matter Of Law

Current federal laws neither require nor restrict a physician's assessment of ADD.

But that could change over the next year as Congress reauthorizes the Individuals with Disabilities Education Act (IDEA), which says school districts must assess students they believe might have disabling conditions.

CHADD estimates that 2.5 million children--up to 5 percent of the school-age population--

have ADD, which affects concentration, impulse control and attention. Of that number, half would benefit from services under IDEA and most would not require full-time special education, the group says.

Too Burdensome

The groups argue that in many cases, school and clinical psychologists are well qualified to assess a child's eligibility for ADD services.

Requiring doctors to decide would be an overly "restrictive definition of a qualified examiner," they warn, and would burden school systems financially because IDEA says they must make assessments at no cost to parents.

Unlike other health care professionals, physicians often lack the opportunity to observe a child at home or school, they add.

"Diagnosing ADD requires a comprehensive evaluation that often includes input from parents and teachers in the analysis of behavior rating scales," the letter says.

CHADD is urging ED to remind states that trained school psychologists and clinical psychologists may screen for ADD.

"There exist no research data to support the view that only physicians are qualified to assess a child," the letter says.

ED officials were unavailable to comment yesterday, a spokesman said.

For more information, contact Children and Adults with Attention Deficit Disorders, 499 NW 70th Ave., Suite 308, Plantation, Fla., 33317, (305)587-3700. --Xavier Briand

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

01-Jul-1994 02:58pm

TO: William A. Galston
TO: Paul R. Dimond

FROM: Barry White
 Office of Mgmt and Budget, LVE

SUBJECT: ETR Meetings

Assuming you are still talking to me, even though I didn't articulate a grand reform scheme to your individual satisfactions, I thought you should have some feedback on last night's Littlefield meeting and on how we are proceeding in follow up to the ETR subgroup principals' meeting.

If the feedback you may get from ED or DOL is different on the Littlefield meeting, it may be because it was a weird and not very orderly 45 minutes.

Call with any questions.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

01-Jul-1994 01:41pm

TO: Isabel Sawhill
TO: Bernard H. Martin
TO: Larry R. Matlack

FROM: Barry White
 Office of Mgmt and Budget, LVE

CC: Douglas L. Steiger
CC: Wendy C. New

SUBJECT: ETR Reform and Streamlining Meetings

This note reports on two meetings: Thursday evening, 6/30, with Kennedy staff; Friday morning with ED and DOL.

MEETING WITH KENNEDY STAFF

At Littlefield's invitation, Smith, Glynn, Loble and I went to see Littlefield, Spinner and Fox. [Nick agreed to my attendance at Glynn's request].

Nick stressed repeatedly that he wanted to be sure that what his staff was planning was consistent with Administration desires. He is well aware of our working group, and does not want to be seen as working at cross purposes with us.

The Senator is enthusiastic about and working on a bill on consolidation because he believes in it, and also because it helps the Senator with Democrats, as well as Republicans, on other issues, like health care.

He asked Spinner to discuss his program ideas. The response was oddly non-substantive (We have principles; we are collecting data; we have a matrix to be filled in). Our sense is that if there are specific notions, they are still in Spinner's mind. [Earlier that day, Spinner held a long meeting with outside people -- Bill Spring, Tony Carnevale, the AFL-CIO, Janet Hansen of the National Research Council, someone from the Texas PIC, and a Mass job training person -- so they are getting some input.]

Smith summarized broadly where our conversations had been going, emphasizing the long term without specifying program options, but noting that we had looked at short term issues, as had been generally discussed between Spinner and Lobel over the last few weeks. Glynn made clear that we are still pushing for the REA, or as much of it as is possible. He noted the good possibility of the Finance Committee reporting out a dislocated

worker income support program.

Nick said he is very anxious for much closer, substantive working relationships on consolidation. He does not want anybody at the White House to think the Senator is off on his own and not willing to cooperate. Mike and Tom pressed Nick as to whether he had heard any such accusations. He said not, several times, but said he wanted to make sure nobody could think that. He asked, and Tom and Mike agreed, that they send people to meet with Spinner and Omer Waddles regularly during the next ten days to push forward toward a bill. (Waddles, if he will join in; he had declined to come, or be represented, at the outside people meeting that day; there isn't as much House enthusiasm for consolidation).

Nick was all over the place on the likelihood of legislation this Congress, with or without REA. At the outsiders meeting, the Senator had dropped by, listened to some issues, and said "we can take all that up after November." This surprised Nick. Nick's bottom line was that it is "very unlikely" that anything, REA or consolidation, can pass this year, but that it is still possible and they want to work for it. If not this year, then we will be ready with our ideas for next year.

Nick scheduled another meeting the evening of July 13th to assess progress. He wants to shoot for a bill to be introduced by July 20. The bill would be some consolidation, perhaps with a "slimmed down" REA. The REA approach much depends on whether the House moves a form of REA and perhaps on what Finance does. A consolidation bill could be a grand concept statement with limited specifics but the promise of more to come.

Leslie, Ricky and I will respond to Spinner's call next week to meet. Mike and Tom agreed that the first piece of paper to give them from our side will be the June 6 version of the ED/DOL paper, without the program options. We'll see what they have to show. After we see the lay of the land, we'll discuss with the ETR subgroup principals what to do next, including whether/when to share the short versions of the short term options papers (excluding the Commission paper), suitably cleaned up.

ED, DOL, OMB MEETING TO FOLLOW-UP ON 6/30 PRINCIPALS MEETING

Ricky, Leslie, Larry and I met this morning. It seems that both Departments are uncomfortable with three separately drafted vision/budget strategy/specific ideas/timing papers, as was suggested at the principals meeting. We are going to take a shot at a combined paper that will clearly pose for the principals the issues to be decided. I will do the first draft and coordinate the product next week.

We also will work out a schedule of events for the next few months, noting where we can the open items that may turn on whether there is an REA and/or short term consolidation bill passed before the end of this Congress.

Both products should be ready for principals' review by the end of next week or the early part of the week after.

With the Littlefield meeting scheduled for July 13, we should at least have a principals meeting the 14th or 15th.

Belle: Assistant Secretaries from both departments have already testified before Cong. Peterson's Gov. Ops. subcommittee on employment and training issues. They will get us summaries of what happened, so we can be sensitive to that as we draft Alice's testimony for August 4th.

THE WHITE HOUSE

Office of the Press Secretary
(St. Louis, Missouri)

For Immediate Release

June 24, 1994

REMARKS BY THE PRESIDENT
AT FUNDRAISING DINNER FOR
MAJORITY LEADER RICHARD GEPHARDT

Adams Mark Hotel
St. Louis, Missouri

7:44 P.M. CDT

THE PRESIDENT: Thank you so much. Ladies and gentlemen, thank you for that wonderful welcome. It's great to be back in St. Louis. Thank you, August Bush, for those kind words and for what you have done to support the work of our administration and the people of Missouri. I am delighted to be here with all of you.

I want to say a special word of thanks to Mr. Bush for two things -- first of all, for stepping forward last year when it would have been easy to hang back and helping us to build a coalition of business leaders from both parties all across the country for the economic plan that Congress passed to bring the deficit down and get this economy going again. (Applause.) And for the work he did that Congressman Gephardt mentioned, during the great flood last year to help the Red Cross and the Salvation Army to send drinking water to families all across the region. That's the kind of thing that we depend on our great companies to do, but it's something we should never take for granted, but instead, should appreciate.

I see Congressman Costello and Congressman Volkmer here. We were with Congressman Clay earlier today. He may be here, and Congressman Posner. I know that Mayor Bosley is here and your County Executive Buzz Westfall. And I was with your Lieutenant Governor, Roger Wilson, and your Treasurer, Bob Holden, earlier today. I don't know, I'm sure there are many other dignitaries here. But let me say that I always love coming to Missouri. You were good to me in the campaign of 1992. I've been back here often, and I always feel at home.

This afternoon, Dick Gephardt and I were in the Fox Park neighborhood with people in that community who, along with the Mayor, the Chief of Police and others, are trying to take control of their destiny and fight against crime. We heard things that were heartbreaking, but we saw things that were uplifting. We talked about a drug-related killing of a 12-year-old boy -- the 23rd child killed in the city this year. We heard about a 19-year-old young man who was gunned down with an AK-47 assault weapon, one of the kinds that Congressman Gephardt and I are trying to ban in this crime bill. (Applause.)

But we were on the platform with a young fellow that really is an American hero to me -- a young man named Tim Hager who was severely beaten in that neighborhood by thieves when he was a teenager. He had to have pins inserted in his hips. But he never gave up his dream to join the Marines. And he joined

MORE

and survived basic training, which is something in itself. And when he completed basic training, he was told after an examination that his hips had deteriorated to the point that he had an arthritic condition and he would have to be mustered out.

So he had to give up this lifetime dream because as a child he was victimized by criminals and by violence. Within one week after leaving the Marines, however, he had joined the community service effort in this community and in his neighborhood. And now he's part of an effort involving almost 8,000 other young people in what we call our "Summer of Safety," a national service project growing out of a program that all the congressmen here present helped me pass last year to give our young people a sense of mission to help rebuild our country at the grassroots level. He's organizing block patrols, turning parks into oases for families and kids instead of places of dangers, escorting senior citizens, working with the police to diminish crime. And I told that young man today, he's doing a lot for our national security right here at home by helping to make us all safer, and I think you should be proud that your city has people like that. (Applause.)

This fall, those 8,000 young people will be replaced by 20,000 more when we launch our national service program, AmeriCorps, fully. The head of our national service program, Eli Segal is here with me tonight. He's done a brilliant job of creating this program from an idea I had and talked about in the campaign, that we ought to have a domestic Peace Corps. If the Congress will give us the funding, within two years we'll have 100,000 young Americans working every year, earning money for a college education or for job training programs, solving the problems of America at the grass roots level, giving power and purpose back to the lives of people to make them safer and to make them fuller. It represents in some ways the very best of all the reasons I ran for President. I wanted to restore this economy, to make government work for ordinary people again, to empower individuals and strengthen communities. National Service represents all that.

You know, a lot of us in my generation were inspired by the Peace Corps. At its height, the Peace Corps had 16,000 people a year. We're going to start with 20,000. If we can get it funded, we'll be at 100,000 the year after next. And I am absolutely confident if the money is there we could have a quarter of a million young Americans every year within five years, from now on, forever, working to deal with our problems and build our country. That is what I think we ought to be about in this country. (Applause.)

Now, I wanted to start with this story to make this point. This is a very great country. And most people get up every day and go to work and try to make something of themselves, help their families, do something to help move forward. And the job of government is not to give the American people a handout, but to give the American people a hand up -- to face the challenges of this time and to forge partnerships that unleash the enormous character and energy and drive of the American people. And that is, more than anything else, what I believe Dick Gephardt has devoted his life to.

I have been in this business now for a good while. I was a governor for a dozen years, and before that I was an attorney general. And the longer I stay in it, the more I tend to view people not just in terms of their partisan affiliation or even the way they characterized as liberal or conservative,

because that's about words and labels, but about what is really in their hearts and what they do every day.

And an awful lot of people today who are being basically barraged, I think, in this country by words and words and words and words and the rhetoric of combat and positioning. And too often, it seems to me, we wind evaluating people based on not what they do and what they're really going to stand for but what labels are thrown around.

And it kind of reminds me of a sign that became the source of a great story we used to tell on the stump in Arkansas. On a country road there was a guy that had his business sign up, it said, "George Jones, Veterinarian/Taxidermist." (Laughter.) And then under it, it said, "Either way, you get your dog back." (Laughter and applause.)

Well, if we ever get to the point, my fellow Americans, when politics in this country is just about words and name-calling, that's what it will amount to. And don't you forget it. It does matter what condition you get your dog back in. And as I told a smaller group of his supporters before I came out here, I appreciate Dick Gephardt for a lot of things -- one is because he's a great leader in the House. And if it weren't for him, we'd have never passed that economic program last year.

And there are a lot of other things that would not have happened. I respect him because he's a great leader for St. Louis and for his congressional district as I saw as we worked through the problems of the flood last year. (Applause.) He's proved as well as anybody I know that you can be a national leader without giving up your local commitments and your grass-roots contacts and your commitment to the specific interests of your district.

But the most important thing about him is that he believes that he's supposed to get up every day and do something. And you may think that's funny, but that's real important in this day and age, in this day and age when we're deluged with information and words fly back and forth and cynicism is so much the order of the day, the idea that a person in a position of national leadership really gets up with a vision of what America ought to be like and a clear path there. And it's made for a wonderful relationship.

Even on the couple of occasions where he and I have had a disagreement, I didn't give it a second thought because I knew it came out of his conviction, that he had thought through the issue, and that he really believed he was right, and that he was determined to do something to move our country forward. And if everybody in public life could do that, and we could somehow communicate that through the haze of cynicism and hard rhetoric that seems so much in evidence today, this country would be much further ahead. He is a national treasure, and I'm glad you're here to keep him in office tonight. (Applause.)

You know, I'll just give one example. You may never even read about this, but it's the kind of thing that I think is important. Dick is leading co-sponsor of our Reemployment Act. Now since nobody's dropping bombs on me for proposing it, and there's no controversy, conflict or scandal, you will probably never hear about it. (Laughter.)

But let me tell you, it is a big deal. Why is it a big deal? Number one, the average 18-year-old is going to change

jobs eight times in a lifetime, even if that person, he or she, stays with the same employer. Number two, when a person loses a job today, unlike in previous decades they typically are not called back to that job. A lot of big companies are downsizing permanently, which means that the unemployment system is out of position with the modern economy. Why? Because those of you who are employers have been paying that unemployment tax for years on the theory that when someone got unemployed, it was because the economy had temporarily turned down, and then a person could draw the unemployment check and make obviously less than they made when they were working, but still enough to live on until the economy came back up and the person was called back to work.

And, of course, there were always some people that lost their jobs permanently, and they could go around and find the training programs and then eventually they'd get another job. But, if most people are not being called back to their old job, it obviously is a terrific waste of money and human potential for those of you who pay into the unemployment fund to keep paying people to draw a lower check to do nothing, to wait until the unemployment runs out to find out that they still have to find another job.

So what we want to do is to change the unemployment system into a reemployment system so the minute anybody is laid off, they have the option right then to start a training program, to look about whether they want to start their own business, to go to one place and find out where all the possible opportunities for them are, not to have to go through some bureaucratic maze.

Again, you might not ever hear about it, if you hadn't come up here tonight, but this could make a huge difference in the long-term productivity and security of the American middle class. And it could also make a big difference for those of you who pay the unemployment taxes, because it could cut the amount of time people are unemployed. And it would increase America's economic growth if we shortened periods of idleness by empowering workers more quickly to learn new skills and take new jobs.

Now, that's the kind of thing a real public servant does, thinking not of today's headlines, but of tomorrow's future for our children. And that is why I wanted to be here tonight. I have seen so many times Dick Gephardt -- not in public when people were looking and listening, but in private conversations -- bring the talk back to the urgent obligation public servants have to deal with the real problems of real people.

And if all of you could see him as I have seen him in private doing his business, you would be even prouder of him than what you have seen in public. Would that we could say that of all of us. That is a very important thing. (Applause.)

When I took office, government had become more and more about talk and less and less about action. Everybody talked about the deficit while it got bigger. We never could talk it down, you know? And, finally, it had gotten so big, the things we had to do about were not popular. And ironically, the deficit had gotten bigger while middle class taxes had gone up and investments in our future in education and training and new technologies had gone down. Nobody could quite figure out how it had happened.

Well, with Dick Gephardt's help, we made some tough decisions. We cut a lot of spending programs. We raised taxes on the wealthiest Americans, including a lot of you here tonight

that are still supporting it -- which I appreciate. (Applause.) But all your money went to finance a reduction in the deficit, every red cent of it.

We gave a break to one in six Americans who have children, who work 40 hours a week and are hovering above the poverty line, because we didn't want those people to be taxed into poverty and to quit working and to go on welfare. We wanted them to stay in the work force and be able to raise their children in dignity. And we didn't think people who were working 40 hours a week should be taxed into poverty.

And we brought the deficit down. This year, without a tax increase, we eliminated over 100 other programs in this deficit reduction package, cut 200 others. I presented a budget to the Congress that reduces domestic discretionary spending for the first time in 25 years. And when the budget goes through this year, it will guarantee three years of reduction in the federal deficit for the first time since Harry Truman of Missouri was President of the United States of America. (Applause.)

And a lot of our opponents are out there running television ads saying, oh, they passed the biggest tax increase in history. By any rational calculation, that was not true. It was the biggest deficit reduction package in history. Only 1.2 percent of Americans had their tax rates increased; 16 percent got a tax cut because they were in the income category I meant. And now in November we will see a contest between all the rhetoric about what was happening and the fact that, after the other crowd had it for 12 years, you simply couldn't talk the deficit down any more. You actually had to do something to get it down.

And the fact that you're here tells me that you know that and you respect Dick Gephardt for having the courage and the vision to take care of our children and our children's children, and let somebody else throw the words around. And that's what we need more of.

But the good news is it actually worked the way it was supposed to. There was a big drop in interest rates; millions of people refinanced their homes; the car industry started exploding. It helped St. Louis a lot. After four years in which you lost 2,000 jobs, in one year you gained 28,000 jobs in the St. Louis area alone -- 3.5 million new jobs in this country in a year and a half; far more than in the previous four years, because action was substituted for talk. It almost always work.

It works in your personal life, too, doesn't it? It's just hard to talk things away. You always have to change what you're doing. (Applause.)

We did a lot of other things, too. We really tried to break gridlock. People talked about doing something about the fact that anybody with a criminal record could buy a gun easily in this country. And the Brady Bill hovered around in Washington for seven years, with all the former presidents of both parties for it and couldn't seem to pass it. But after seven years of gridlock, it finally passed. (Applause.)

After seven years of gridlock, we finally passed the Family and Medical Leave law. It's really important because it says most parents have to work, but the most important work of any society is parenting. So it ought to be possible to take a little time off when you've got a sick child or an ailing parent

or when a baby is being born, without losing your job. Because we live in a country now where we all have to be good workers and good parents. And if we sacrifice one role for the other, we will never become what we ought to be. It took seven years to get that passed, but we broke gridlock with Dick Gephardt's leadership and passed the Family Leave Law and made our country a stronger country. (Applause.)

Now we're working on a lot of exciting other things. We're working on passing a crime bill we talked about today -- a crime bill that will put 100,000 more police officers on the street; a crime bill that will stiffen punishment but will also increase programs for prevention to help young people stay out of trouble -- everything from summer jobs to midnight basketball to after-school programs for latchkey children; that will ban the kind of assault weapons that make gangs better armed than police. It is a very important piece of legislation. It's been held up in Congress for over five years -- nearly six years, by political gridlock. We're going to break that gridlock next month and give the American people a bill that will make St. Louis a safer place to live, thanks to Dick Gephardt's leadership. (Applause.)

We're working on political reform, on lobby reform, campaign finance reform. We have a lot of major environmental legislation moving through the Congress with unprecedented support from environmental groups and business groups working together. We're working on opening trade all around the world with a worldwide trade agreement that Congressman Gephardt endorsed just the other day that will add hundreds of thousands of American jobs between now and the end of this decade to our economy. And we are working to try to redeem a pledge and a commitment that Harry Truman made 50 years ago, finally to provide assurance of health care to all working families in this country -- something we should have done when he was President of the United States of America. (Applause.)

I want to talk just a moment about this health care issue because it is just like the deficit -- you just can't talk it down. And it is a difficult issue; it is not free of difficulty. But here are the facts. Of all the advanced countries in the world, only the United States does not provide health coverage to everybody -- everybody defined as 98 percent of us or more. Everybody else has done that. In our country, we cover about 83 percent of our people with health insurance or through a government program like Medicare for the senior citizens.

No other country spends more than 10 percent of their income on health care. In our country, we spend 14 percent -- 40 percent of our income than anybody else; but we can't figure out how to cover everybody. Not only that, the burden of paying for health care is wildly uneven and unfair. The government does not fully reimburse doctors and clinics and hospitals for health care for the poor and often for health care for senior citizens. Many others aren't insured at all and can't pay, but they get care. And all that cost is then shoved on to companies that do provide it. So these companies like McDonnell-Douglas pay health care not only for their own employees, but pay for the extra cost of those that take no care for themselves and make no investment.

Small businesses in this country who are struggling to provide some health insurance for their employees pay rates that are, on average, 35 to 40 percent higher than bigger business or government does. So they're in the worst of all worlds.

I was in Columbus, Ohio, the other day, and I met a woman who -- she and her husband ran a delicatessen where I had lunch. They had 20 full-time employees and 20 part-time employees. And she had had cancer five years before. And she said, "I am a living example of what is unfair about this system." She said, "We provide health insurance for our 20 full-time employees. And because I had cancer five years ago, we pay higher rates for our whole group. But I pay for them. And I resent the fact that my competitors don't do it."

"On the other hand, I've got 20 part-time employees that I can't afford to cover, and I feel guilty that I don't do that. I've got it coming and going. But I simply can't afford it. If everybody had to do it I wouldn't be at a competitive disadvantage. The cost would actually be less than I'm paying now for me to cover my part-time employees if I could be in a big pool so that I could buy insurance on the same competitive basis larger companies do. Won't you please do something so I can do that?"

On the other hand, in America -- let's take it the other way -- we have a lot of people who are small businesspeople who operate on very narrow profit margins. They're creating most of the jobs in this country, and they don't think they can afford anything else for health care. So what are we going to do? What we've done for 40 years is nothing. Except just to sort of add on one little program after another.

In three years, in three years because of the rising cost of health care, we've lost three million people out of the health insurance system. Three million more people uncovered. In 1980, 87.5 percent of the American people were covered with health insurance. By 1993, only 83 percent of the American people were. We are going in reverse, and we're spending more while fewer are covered.

Now, when I put out my program I went around and I listened to people talk about it. And they said, you've got too many rules in there; it's too bureaucratic; you need to make it more flexible; change it some. And I said, fine. The only thing I want to do is find a way to cover everybody and give small business, farmers, and self-employed people a break so they can buy rates -- insurance on a competitive basis and we can have some way of holding costs down without sacrificing quality. That's all I want to do.

But if we don't do it, it will be just like this deficit -- or just like a hangnail. It won't get any easier. Sooner or later we're going to have to do this. We ought to do it now. We ought to do it now. (Applause.)

Let me say, I want this to be as grass-roots a program as I can. The best -- most popular thing we've done when people know about it is national service, because the government provides the money and sets the goals, and people at the local level decide how to organize all these young people to solve problems. That's a lot of what we're trying to do with health care.

I don't want the government to take it over. I want to leave the private insurance system in place. I want people at the state and local level to decide how to do it. But you have to have some rules that say how everybody is going to be covered, and some way of organizing folks so small business can get a break. You have to do that.

And I say to you, I don't think we have a chance to do that if Dick Gephardt weren't so dedicated to it. (Applause.) And if we had about 10 more folks in both parties and both Houses that dedicated, there wouldn't be a chance that we wouldn't do it. And I wouldn't even have to give a speech about it tonight.

But what we have to decide on health care and crime and welfare reform and all these other issues that face us is whether it's going to be a talking deal -- either way you get your dog back -- or whether it's going to be about doing something. Not trying to box our opponents into extreme positions and covering ourselves with labels, but looking at the reality.

Back in the Middle Ages, the great Italian political philosopher, Machiavelli, said that there is nothing so difficult in all of human affairs than to change the established order of things. Because, he said, people who will be adversely affected by the change know it and they'll fight you like crazy. He didn't use those words, but I'm freely translating. (Laughter.) My Italian is not that bad.

But he said, on the other hand, the people who will benefit are always somewhat uncertain about what the change will be, and therefore, they won't bring themselves into the fight with the same gusto as those who are afraid of the change. So it always is difficult to change.

But we know that America is around here after 214 years, and more, because we always changed when we had to. Because we have this capacity to be faithful to our values and our Constitution and our institutions, but to change. And that's what he hired on for, and that's why I ran for president.

I had a good life, and I was as happy as I'd ever been in my life the day I entered the race for president. And everybody told me that my happiest days might be behind me. (Laughter.) But I did not want to see my child grow up in a country where things were coming apart when they ought to be coming together. I did not want her to be part of the first generation of Americans to do worse than their parents. And I did not believe that we were incapable of solving these problems.

So I say to you tonight, my fellow Americans, we glorify Harry Truman today because he made us face our problems and he said what he thought. Everybody talks about how much they miss him. I came from a family that was for him when he was alive. (Laughter and applause.) And you know what I'm talking about -- we all -- you know, he's practically a saint now in America.

But when he was alive he was usually low in the polls for telling inconvenient truths and trying to get people to face up to their responsibilities, at a time when we were tired of it. I mean, it was at the end of the war and we'd been through all that and nobody wanted to face all that.

We cannot be tired today. We have a lot to do. At the end of the Cold War we're faced with a whole set of challenges and opportunities that are different. And our children's lives will be measured by the extent to which we choose to do and to pull together, instead of to talk and to divide. We got to where we are today by being a nation of believers and doers.

Dick Gephardt, your Congressman, is one of our finest believers and doers. Let the rest of us do as well -- on

- 9 -

health care and all our challenges -- and our country will go into the next century in great shape.

Thank you and God bless you. (Applause.)

END

9:15 P.M. CDT

Per Paul Diamond's E-mail
Red Dot to
Gene &
Bill Galston
~~Let's Discuss~~
~~SDE~~

~~End of week~~

~~Discuss w/ Paul~~

~~left message w/ Paul~~

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

13 June 1994

S.C. -

Steve / ^{Shayff} John

Let's discuss. There
is a serious
tactical question

now b/c of
negotiations w/
Kennedy

Let's discuss
over LFA
"consolidation."

This may well fit,
but the timing
may not be
right.

P.D.

Attached is a proposed Executive Order,
proposed by the Department of Labor, that would
establish a "Human Resource Development Board"

The Board would comprise the Secretaries of
Labor, Education, HHS, Defense, VA, and the
Director of OMB. The Board would: (1) streamline
and coordinate the human resource development
programs they administer; (2) identify impediments
to streamlining such programs, and (3) coordinate
each member's exercise of authority to issue laws
and regulations regarding federal human
resource development programs.

The order provides that the Board shall
function as an interagency group under the DPC
and NEL.

Labor has asked OMB to circulate the
order to the agencies. Do you want me to go
forward?

Please advise.

Thank you.

Mae

P.S. Possible legal

Reed McGavock - OMB
Counsel - has put this
on hold for now.
*
and turf problems with section 4(c).

~~Recent Legist LFA~~

~~DPC - opposed - hold on it @ this time~~

~~wants a hold~~

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

MAY 9 1994

The Honorable Leon E. Panetta
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Director Panetta:

Enclosed for appropriate clearance is a draft Executive Order, entitled "Establishing the Human Resource Development Board." We also have enclosed a proposed Memorandum of the President on Human Resource Development that explains to the prospective Board members both the reasons underlying the establishment of the Board and the results that will be expected from their endeavors.

As stated in the enclosed draft Memorandum of the President, human resource development issues are seldom neatly contained within departmental boundaries, and coordination is vital in order to ensure that workers are well-served, and money is well-spent. Under this initiative, the President would direct board members to: (1) streamline and coordinate the human resource development programs they administer; (2) identify impediments to streamlining such programs and propose the means for removing such impediments; and (3) coordinate each member's exercise of authority to waive laws and regulations regarding Federal human resource development programs. The President would also direct the Board to assure consistency in granting and denying waivers.

The draft order unambiguously states that it does not establish new or additional waiver authority, or abrogate or restrict the authority of any agency or agency head. Because the Board's mandate is limited explicitly to Federal human resource development programs, Federal laws and regulations not primarily concerned with building skills and occupational competencies, such as Federal laws and regulations pertaining to civil rights and nondiscrimination, or other labor standards matters are not within the purview of the Board.

It is anticipated that the Board would not require permanent staff or additional funding, and that any staff or funds necessary will be provided as agreed among the members. We urge your prompt and favorable attention to this initiative.

Sincerely,



Robert B. Reich

Enclosures

2/12/94

Memorandum on Human Resource Development

Memorandum for the Secretary of Labor, the Secretary of Education, the Secretary of Health and Human Services, the Secretary of Defense, the Secretary of Veterans Affairs, the Director of the Office of Management and Budget

Subject: Executive Order on Establishing the Human Resource Development Board

Today I have issued an Executive order establishing the Human Resource Development Board which is comprised of each of you. That order is designed to provide the means and the mandate for you to streamline the different, often duplicative, Federal human resource development programs you administer, to improve customer service delivery, and to enhance access by those who may be benefitted thereby. The purpose of this memorandum is to state clearly the reasons underlying the establishment of the Board, and what I anticipate will result from your endeavors.

As we approach the 21st Century, human resource development issues are seldom neatly contained within Departmental boundaries. Policies and programs that affect the composition, qualifications, earning levels, and deployment of the American workforce are spread across several Federal agencies. Coordination is vital to ensure that workers are well-served, and that money is well-spent.

In addition, we have proposed major workforce legislation. Two of our proposals, the Goals 2000: Educate America Act, including voluntary national skill standards, and the School-to-Work Opportunities Act have already been enacted. A third proposal, entitled the Reemployment Act, would connect several separately-authorized programs into an integrated system, and presently is under consideration by Congress. Welfare reform will hinge upon moving recipients from the welfare rolls to the workforce. And the continued restructuring of national defense resources has major implications for employment and training.

The urgency of workforce policy in a world of rapid change and intense competitive pressures, combined with the imperative of efficiency in an era of lean Federal, State, and local government budgets, makes coordination vital among Federal agencies with crosscutting responsibilities. Efforts to eliminate duplication and overlap, minimize bureaucratic confusion, and identify every opportunity for synergy and joint economies are steps which further the objectives of the Vice President's National Performance Review.

I have directed you to work together, through the Human Resource Development Board, to improve customer service delivery and to enhance program access by streamlining and coordinating the operation of the human resource development programs you administer. To the extent that you find inappropriate statutory or other impediments to these goals, I expect that you will develop proposals for their removal.

I have also directed that the Board develop a procedure whereby your separate authorities to waive Federal laws and regulations regarding human resource development programs may be exercised in a manner supporting the goals of improving customer service delivery and enhancing program access through streamlining and coordinating such programs.

With your commitment, I am confident that we will achieve more effective, rational, and economical Federal programs for human resource development that will also be more accessible to those who may be benefitted by them.

Executive Order _____ of _____, 1994

Establishing the Human Resource Development Board

By the authority vested in me as President of the United States by the Constitution and the laws of the United States of America, and to provide for coordination and elimination of program duplication among the several agencies responsible for workforce development programs, to streamline and enhance public access to Federal programs for human resource development, and to improve customer service delivery, it is hereby ordered as follows:

Section 1. Establishment. The Human Resource Development Board ("the Board") is established, and shall function as an interagency group of the National Economic Council and the Domestic Policy Council as provided for by section 5(a) of Executive Order 12835 establishing the National Economic Council, and section 5(a) of Executive Order 12859 establishing the Domestic Policy Council.

Sec. 2. Membership. The Board shall comprise the following officials:

- (a) Secretary of Labor;
- (b) Secretary of Education;
- (c) Secretary of Health and Human Services;
- (d) Secretary of Defense;
- (e) Secretary of Veterans Affairs;
- (f) Director of the Office of Management and Budget; and
- (g) Such other heads of Executive departments and agencies as the President may designate.

Any member of the Board, including the Chair, may designate a subordinate officer to act in his or her stead. The Chair may invite representatives of other agencies to attend the meetings and to consult with the Board, as appropriate.

Sec. 3. Organization and Meetings of the Board.

- (a) The Chair of the Board shall convene and shall preside over meetings of the Board.

(b) The members of the Board shall establish such procedures, as appropriate, including a procedure for the rotation of the responsibility for chairing the Board. The rotation shall begin with the Secretary of Labor, who shall convene and shall preside over the first meeting of the Board.

Sec. 4. Responsibilities and Functions.

(a) To the extent permitted by law, the Board shall streamline the Federal human resource development programs administered by its members by coordinating such programs, eliminating programmatic duplication, improving customer service delivery, and enhancing program accessibility.

(b) The Board shall identify statutory or other impediments to streamlining the administration of Federal human resource development programs, and propose the means for removing such impediments.

(c) The Board shall coordinate the exercise by each member of such member's authority to waive laws and regulations regarding Federal human resource development programs by developing and establishing a procedure for the assessment and disposition of requests for such waivers. The Board also shall assure consistency in the granting and denying of waivers by such means as establishing uniform criteria for evaluating requests for waivers.

(d) The Board shall submit an annual report to the President through the National Economic Council and the Domestic Policy Council. The report shall describe the Board's undertakings with respect to each of its responsibilities and functions, as well as the results achieved. The report shall also provide a compilation of waiver requests and dispositions for the reporting period.

Sec. 5. Judicial Review. This order shall not be interpreted to create any right or benefit, substantive or procedural, that is enforceable by a party against the United States, its agencies, its officers, its agents, or any person.

Sec. 6. Construction.

(a) Nothing in this order shall be construed as subjecting any function vested by law in, or assigned pursuant to law to, any agency or head thereof to the authority of any other agency or officer or as abrogating or restricting any such function in any manner.

(b) Nothing in this order shall be construed as establishing new or additional authority to waive laws and regulations relating to Federal human resource development programs.

Sec. 7. *Effective Date and Sunset.*

This order shall be effective immediately, and shall remain in force for two years, unless extended.

✓ 'Re-Employment' That Kills Jobs

By AMITY SHLAES

HANOVER, Germany—Wondering what a huge retraining bureaucracy can do for a nation's unemployment levels? Hop over to Hanover and meet Andreas. The lathe operator in the purple jacket represents the classic blue-collar challenge: an old-timer at a troubled machine-tool company. Generous Germany is offering Andreas a dream package: nine months, tuition-free, in a course on computer-assisted lathes.

But how about keeping that old job part-time? Andreas wants to stay in touch with his firm while he studies. Sorry, says a town officer, it's the job or the school. "Part-time work is not desired."

Desired by whom is the operative question here. German companies have recently won praise world-wide for their private retraining programs. The German government's multibillion-dollar retraining scheme has also won international attention. Fixtures in Germany's re-employment program, like a one-stop jobs center in every big town and large-scale vocational retraining, figure prominently in Labor Secretary Robert Reich's \$15 billion 1994 Reemployment Act.

Yet it's not clear the German system is worth emulating. Germany's policy of spending tens of billions annually on retraining is yielding a labor market with rigid 10% unemployment. Companies complain they retrain only because labor settlements make it too expensive to lay off. The job funding is itself part of a vast social-benefits package that kills jobs by making German labor the most expensive in the world.

Disappearing Jobs

In fact, many Germans say they are sick of labor-market micromanagement from above. They note that German growth in the 1980s yielded nothing like the 18 million jobs created in the U.S. in that period. Indeed, 8% of industrial jobs disappeared from Germany last year. Many argue the German system shuts job creators out of the market.

"It's obvious to us all that retraining can protect against unemployment and that retraining is crucial in modern economies," says Wilfried Prewo, who heads Hanover's Chamber of Commerce, "but not when companies are forced to do it, or when it is done by a government. [And] our government neglects measures like cutting taxes or regulation. We spend a lot of money moving dead bodies around in a graveyard rather than giving breathing space to new businesses so they can grow."

To spend 24 hours in the Hanover area is to meet the main players in this macabre economic game. First stop is the office of Gerhard Schroeder, Lower Saxony's 50-year-old head of state and a German version of a Clinton New Democrat.

Mr. Schroeder lists his two favorite weapons for containing unemployment,

The first is selective but firm practice of industrial policy—although he modestly allows that his talents in this arena don't match the current U.S. administration's.

The second is also Clintonesque: redividing a static economic pie. In Germany, the governor notes breezily, this is easy in part because "the old separation between government and business just doesn't exist"—a fact that is probably no news to his region's burdened small businesses.

Mr. Schroeder notes with pride that Volkswagen, Lower Saxony's biggest employer, is retraining 30,000 people rather than laying them off. The company and trade unions agreed to a four-day workweek at reduced pay to finance that training. "Where we can," Mr. Schroeder says,

"we try to share work." Now the governor is busy propping things up on the demand side so that people will buy the expensive local product: "It is always better when people buy a VW instead of a Chrysler."

Das Kapital for its part is an active partner in this jobs consensus—at least *das Kapital* as represented by the region's big bank. A five-minute cab ride away from the chancellery, Norddeutsche Landesbank's board chairman, Manfred Bodin, says that in the short term "restructuring will not bring better figures for unemployment." But he also believes that "subsidized work is better than unemployed people."

An hour down the Autobahn at the handsome old Volkswagen plant in Wolfsburg, management and workers are busy repackaging precious jobs. VW execs boast about their short workweek. A recently hired manager, Peter Hartz, became the company's star when he designed a "Coaching Corp." within VW to teach and retrain 30,000 superfluous workers.

The company has guaranteed it will keep these workers busy for the next two years—either in school or at work. Mr. Hartz also earned praise—and caused sighs of relief in stagnating Lower Saxony—when he figured out a way to contain the costs of employing young people without hiring cutbacks. Volkswagen will start

the 17- to 19-year-olds at part-time hours.

Severance compensation is so expensive in Germany that VW counts on saving more than a billion dollars by "preserving" these jobs. Even so, such contortions seem extreme, particularly given that VW pays more for labor at this factory than almost any car company does at any factory anywhere in the world. When it comes to its domestic factories, though, the company doesn't have much choice. This is partly because of VW history—the "people's car" was originally a Nazi social-works program—and VW had already tested Lower Saxon patience recently with layoffs.

Politics, too, play a role here: The Lower Saxon state owns 20% of VW stock. Under Germany's unique codetermination

system, union leaders sit on VW's powerful supervisory board. Together with other socially minded board members—including Mr. Schroeder—they control the majority of votes.

The price tag for all this redistributive activity is visible back in Hanover, where the *Arbeitsamt*, the German version of Mr. Reich's one-stop labor office, posts a state unemployment rate of 11.1%. As unemployment offices the world over go, the red-brick structure with smooth-running escalators seems practically elegant—it was built about 10 years ago, when, a staffer admits, "we were just exploding out of the old structure." A wall of plaques on the ground floor reflects the extent of German educational overqualification. "Special Ed Teachers," "Goldsmiths," "Carpenters," "Artists" all report to different departments. Subtly and even directly, the municipality encourages citizens to disdain what they really need: a simple job.

A morning with staffers and a few job-seekers reveals the costs in money and individual initiative this system demands. The *Arbeitsamt* offers counseling and assessment—precisely "the customer focus" Mr. Reich has called for. Hertha, 34, recently completed a long medical education as a veterinarian on the state.

In the same period, though, Germany

trained too many vets, so the government has just tried again with Hertha. It spent some \$10,000 to retrain her over 13 months as an environmental consultant. Since the environment is a growth area, Hertha will probably get a job—but, as likely as not, one where, as a public employee, she still costs the government money. From

Hertha's perspective that's a good thing because so much school has made her slightly picky: "I don't want to do something that isn't in my profession anymore."

"We learned from East Germany that the government is bad at making investment decisions," says Thomas Mayer, who looks at Germany for Goldman Sachs. "So why are we allowing it to make this investment decision [retraining] here?"

One group clearly excluded from this neat picture is job creators, like small- and medium-sized business. Wilfried Prewo, the Chamber of Commerce head, likes to note that Germany's commitment to keeping 1.6 million youths in vocational programs has given the nation Europe's lowest youth unemployment. But he also notes that the adult retraining programs, which are subsidized by an unemployment tax, raise labor costs. "And that in turn drives away business."

The biggest shutouts, though, are a few miles to Hanover's east, in former East Germany. Bonn could have followed the free-market traditions of one of the Federal Republic's own national fathers, Ludwig Erhard, and given Eastern Germans an initial holiday from West Germany's thick net of high taxes and regulation.

Uncompetitive, Desperate

Instead it raised national tax levels 10 times, embarked on subsidies that doubled the national debt in four years, pushed the Bundesbank into exchanging Western marks at par for communist money, and looked on while West German groups unionized Easterners. One result was a highly regulated, high-labor-cost region whose workers—even after massive subsidy—could not compete with Polish or Czech counterparts whose hourly wage is one-tenth of theirs. Another result was East German despair.

In this election year, Germans of all political backgrounds are rethinking their retraining policy. "It's pretty funny," says a bank economist, who notes that in the same months Mr. Reich was writing his program Germany was privatizing part of the function of its job centers. "While the U.S. is going one way, Germany is going the other."

"I know we made fun of those McDonald's positions," says another economist, referring to the jobs, many for the unskilled, created in America in the 1980s. "But tell me again," he asks a reporter. "How many million were there?"

Miss Shlaes is editorial features editor of *The Wall Street Journal*.

REVIEW & OUTLOOK

Spending From A to Z

Congress's Democratic leadership can't talk enough about their plans to reform health care, change campaign finance law and debate welfare. But there's one issue they aren't much interested in: discovering the House membership's spending priorities. Last week, the leadership went into overdrive to crush a bipartisan effort to hold a special session solely to debate federal spending. It's known as the A to Z Spending Cuts Plan.

The A to Z Plan would allow House Members, just once, to bypass powerful, spending-addicted committee chairmen and propose specific reductions in federal spending. A minimum of 56 hours would be set aside to debate which federal programs—1,200 of them—should be abolished, cut back or restructured. Every proposal would get a recorded vote, so voters could get a look at the Members' priorities.

A to Z is the brainchild of Rep. Rob Andrews, a New Jersey Democrat, and Rep. Bill Zeff, a New Hampshire Republican. They say their unusual procedure is necessary because House leaders have decision-making centralized in a handful of Members; the "deliberative process" belongs to history under the current system. Rep. Zeff points out that under Speaker Tip O'Neill only 15% of House business was done under a closed rule, limiting debate and amendments. In this Congress, 79% of all bills have operated under a closed rule.

House leaders are aghast at the prospect of entertaining the A to Z votes. Speaker Tom Foley, current landlord of the closed-rule House, calls it "probably the most poorly thought out proposal for the consideration of public policy that I've seen in many years—maybe the worst one ever." The A to Z Plan already has a majority of 231 Members as co-sponsors, but it will die unless a majority also sign a discharge petition to circumvent the Rules Committee and force A to Z onto the floor.

Last week, House leaders held a

strategy session on how to "convince" co-sponsors they shouldn't sign the discharge petition. A veteran House Democrat told the National Journal that Mr. Foley said Democrats might see negative "consequences" if they sign, such as difficulty in getting on key committees.

Some Democrats may already be getting the message. Last week, Florida Rep. Pete Peterson took to the House floor and asked to remove his name as an A to Z co-sponsor. His office says he's decided the bill "isn't properly written" and should focus solely on entitlement spending. Other Members note that Rep. Peterson serves on the Appropriations Committee, known as the House's "favor factory." And its new chairman, David Obey, has vowed to kill A to Z. In fact, Chairman Obey has already distributed lists of A to Z co-sponsors who have a stake in programs that might be vulnerable in a budget-cutting session.

Despite the arm-twisting, Reps. Andrews and Zeff say A to Z can become reality, especially in an election year. Rep. Andrews notes that a grass-roots revolt last year against secret discharge petitions forced the House to abandon the practice after 62 years. "If people demand accountability from Congress, they can get it," he told us.

A to Z is a modest attempt to involve newer House Members in the federal budget process. Increasingly, these Members represent suburban constituencies. Their voting records suggest a greater sensitivity to their constituents' growing impatience with bloated spending. By contrast, longtime committee chairmen are generally habituated to the spend-and-spend cycle. The newer Members ought to be given a chance to try to reflect the politics of their diverse constituents by voting on everything from A to Z.

THE WHITE HOUSE
WASHINGTON

July 6, 1994

MEMORANDUM FOR BOB RUBIN

FROM: PAUL DIMOND

SUBJECT: REA -- CALLS TO WAYS AND MEANS MEMBERS

CC: GENE SPERLING
BILL GALSTON

Attached is a background memo from DOL on the good prospects for the unemployment reform portion of the REA in House Ways and Means. Chairman Gibbons is committed to moving this forward, and a joint hearing of the subcommittees on trade and human resources will be held next Tuesday. The key to building momentum to move this through is getting swing Republicans to join. The message is simple: business supports dedicating the .2% FUTA to the reform of the unemployment system under REA so that dislocated workers will get back to work at new jobs quicker and learn the skills they need to enable growing businesses to expand. Feel free to add your own view of the relationship of REA to free trade issues.

If you are willing, you have been designated as the person in the White House to take to the swing Republicans before the joint subcommittee hearing. Given your schedule, I guess that leaves this afternoon.

The key Republicans to call are:

- Amo Houghton (N.Y.) 225-3161; 607-937-3333
- Nancy Johnson (CT) 225-4476; 203-223-8410
- Dave Camp (MI) 225-3561; 517-631-2552
- Fred Grandy (IA) 225-5476; 712-276-5800
- Bill Archer (TX) 225-2571; 713-467-7493
- Rick Santorum (PA) 225-2135; 412-664-4049

Date: 7-6-94 11:15am

From: Kamela William:OCIA:DOL

To: PALAST GERI D

cc: Richardson Mary Ann:OCIA:DOL, djb, tph

Subj: Talking points for Rubin phone calls on REA

We are optimistic about our prospects for REA in the Ways and Means Committee. Here's a quick rundown on the status of the bill in the Committee.

* A joint subcommittee hearing (Trade and Human Resources) on the bill has been scheduled for July 12

* A business coalition led by GE has targeted the members of the subcommittee for visits and other forms of communication in strong support of REA; other members of the coalition include MCI, Xerox, Siemens, TRW, Ameritech, IBM, CSX, Allied-Signal, Ceridian Corporation (division of Control Data), Unilever and Nynex

* Frank Doyle of GE and Bert Roberts of MCI are expected to testify at the hearing, with a specific focus on fencing the .2% FUTA tax to pay for the program; small business will also be represented on the panel

* Business remains concerned about possible WARN amendments in the Labor Committees

* We now have 17 Ways and Means Democrats who have agreed to cosponsor the bill; we have no Republicans; likeliest prospects are Houghton(NY), Johnson(CT) and Camp(MI)

* Early readings from Republican Committee staff for Archer(TX) have indicated that consolidation of Trade Adjustment Assistance (TAA) is their top legislative priority, not the elimination of the .2% FUTA tax

* The Subcommittee chairs, Matsui(CA) and Ford(TN) are supportive of moving REA out of Committee expeditiously

Swing Democrats:

* McNulty(D-NY)--is a strong supporter of labor; concerned about elimination of TAA

* Reynolds(D-IL)--remains concerned that the Administration is not doing enough for the disadvantaged in the bill; interested in job creation initiatives for urban district

* L.F. Payne(D-VA)--apprehensive about creating a new entitlement program; likely to support the bill in Committee

* Brewster(D-OK)--conservative member and district; tax and entitlement issues

Republican Targets:

* Houghton(R-NY)--likeliest Republican to break ranks on the Committee and cosponsor the bill; the Secretary had a good meeting with him on 7/1; DOL congressional staff have a longstanding relationship; call from the White House could help shore up his leanings.

* The other Republican targets on the W&M Committee are Camp, Nancy Johnson and Grandy; our message for them is simple--business supports the bill and the use of the .2% FUTA tax to pay for the new reemployment program

Members available Wednesday, June 6, 1994

Ways and Means

L.F. Payne (D-VA)	804-392-8331
Nancy Johnson (R-CT)	203-223-8410

D R A F T
7/8/94

**STATEMENT OF
ROBERT B. REICH
SECRETARY OF LABOR
BEFORE THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEES ON TRADE AND HUMAN RESOURCES
U. S. HOUSE OF REPRESENTATIVES**

July 13, 1994

Chairman Ford, Chairman Matsui, and distinguished Members of the Subcommittees:

I am pleased to have the opportunity to discuss with you the role of the Reemployment Act of 1994 (H.R. 4040) in equipping all Americans to prosper in today's challenging new economy, and thus cementing a broad-based coalition in favor of open markets and continuous economic adaptation.

Briefly put, the Reemployment Act represents the key component in an ongoing effort to transform America's unemployment system into a reemployment system. This is an urgent enterprise, because the current system is simply not working as it should for America's workers, businesses, or taxpayers.

The programs that make up our existing unemployment system were designed in an earlier time to meet the needs of a simpler economy. Their main purpose was to cushion the employment impact of cyclical and seasonal downturns. The foundations of the current system were laid nearly sixty years ago by the Committee on Economic Security established by Franklin D. Roosevelt and led by my legendary predecessor, Frances Perkins.

The unemployment insurance system launched during the New Deal was a remarkably durable success for so sweeping an experiment. But the economy has changed, and the system has not. It is time for us to return to Frances Perkins' experimental ethic, to learn from the evidence that six decades of experience offer us, and to take up anew the challenge of developing a more nearly perfect system.

While cyclical and seasonal unemployment still exists, the problem of structural unemployment has grown in importance as technological progress, corporate restructuring, the integration of the world economy, and defense downsizing have accelerated the pace of fundamental economic change. A smaller fraction of lost jobs can be expected to return with the next upturn in the business cycle. A growing number of unemployed workers need to equip themselves for new jobs, often in new industries. The 1935 report by Frances Perkins' Committee on Economic Security noted that "normally the insured worker will return to his old job or find other work before his right to benefits is exhausted." Last year, however, fewer than one-fourth of unemployed job losers expected to be recalled to their old jobs. The broad statistical trends are mirrored in the anxieties of individual Americans. The Family and Workplace Institute found that 42 percent of surveyed workers reported recent job cuts at their workplaces, and 17 percent felt it was likely or very likely that they themselves would permanently lose their jobs within a year.

Because our current system is not geared to assisting this transition to new work, we face a serious problem of long-term unemployment. Even in this increasingly solid jobs expansion, about 1.5 million Americans have been jobless for more than 26 weeks. In fact, the share of long-term unemployed as a percent of total joblessness has been rising over the last 25 years. During the 1970's, about 11 percent of the jobless were long-term unemployed. So far in the 1990's, the average has been about 16 percent. The most recent figure, for June of this year, shows that over 19 percent of total unemployment is accounted for by people who have been without work for more than 26 weeks.

As long-term unemployment rises, so does the number of unemployment insurance recipients who run through their full entitlement to benefits without returning to work. In 1993, 39 percent of those who collected regular unemployment benefits ended up exhausting their eligibility. Over the past quarter-century only in 1983, when the unemployment rate averaged 9.6 percent, did a higher fraction of UI recipients fail to find work before their eligibility for benefits expired.

We would face a different problem, and in some ways a simpler one, if long-term unemployment simply reflected a lack of jobs. Yet while workers are suffering high rates of unemployment, underemployment, and long-term joblessness, some employers are having difficulty finding the workers they need. This mismatch between labor supply and demand is a tragic waste for both workers and employers. But it also complicates macroeconomic policy. When workers are skilled and flexible, labor shortages in a particular industry can be quickly remedied. But when unemployed workers are unable to fill new jobs as the

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economy creates them, labor shortages can persist and kindle inflationary pressures, despite high levels of unemployment.

Economists are fond of debating the "natural" rate or unemployment--the level of joblessness that is required to keep inflation in check. This is not the time or place for engaging that debate, but I would like to point out that whatever that rate might be, it is not an immutable constant, but can be lowered. If we can arrange to keep inflation under control while suffering less joblessness, we can spare America both the lost production and the social damage that needless unemployment entails. And among the most promising ways to lower the natural rate of unemployment is to ease the transition of American workers from job to job. Workforce flexibility can help alleviate the painful paradox of simultaneous skill shortages and joblessness.

We already know a great deal about how to boost workforce flexibility. In preparation for drafting the Reemployment Act proposal, the Labor Department conducted an exhaustive review of the evidence. We were determined to learn what works, and what doesn't work, for moving people quickly into new jobs. Wherever possible we have relied upon the kinds of experimental studies, with random assignment between participant groups and control groups, that can generate conclusive results.

While high-quality experimental answers do not exist for every relevant question, on a large number of the key reemployment issues we have been able to assemble quite robust findings. We have extracted from the evidence several core lessons. And we have attempted to parlay these lessons, as quickly and directly as possible, into program reforms--in some cases through incremental changes that have already been accomplished, but more often through the new authority the Reemployment Act would provide.

1. The first lesson concerns the importance of early identification and action for dislocated workers. This makes it possible to reduce unemployment through simple, low-cost services. Some of the best data come from well-designed experiments in five states--New Jersey, Nevada, Minnesota, South Carolina, and Washington. When workers first applied for unemployment insurance, state agencies used labor market information, work history and educational attainment information to determine which of the newly jobless were at risk of long-term unemployment. These at-risk workers then received counseling and job-search assistance.

A scientific assessment of these experiments found that at-risk workers who got this kind of basic reemployment assistance found new jobs earlier than they otherwise would have--averaging

between one-half and four weeks earlier--with no loss in the quality of the employment they found. Quicker reemployment meant lower unemployment insurance costs; on average, government saved two dollars for every dollar invested in targeted job search assistance. And workers, of course, were better off with a shorter period without work or wages.

This evidence was sufficiently convincing to warrant our proposal and Congress's enactment of a special provision attached to one of the extensions of Emergency Unemployment Compensation last year. Under this provision, unemployment insurance offices will take steps to identify workers who are unlikely to get their old jobs back, and then link those workers to all available reemployment services. The Reemployment Act will deepen this reform, increasing the proportion of workers who benefit from prompt reemployment services.

2. A second lesson shows the potential payoff to letting unemployment insurance recipients start their own businesses. Labor Department demonstration programs in Washington State and Massachusetts gave unemployment insurance claimants a self-employment option. Jobless workers interested in starting their own businesses were given training and support through the UI system. A systematic evaluation found that participants were about twice as likely as comparable non-participants to successfully launch a business. They also had higher average subsequent employment rates and earnings than the control group.

The solid results from state demonstrations of self-employment assistance inspired a provision in the legislation implementing the North American Free Trade Agreement. Under this provision, all states have the option of creating self-employment programs of the sort that have been shown to pay off in Washington and Massachusetts. This authority is only temporary under current law; the Reemployment Act would make it a permanent option.

3. A third lesson concerns reemployment bonuses paid to workers who find jobs quickly. Random-assignment experiments in Illinois, Pennsylvania, and Washington showed that offering such bonuses cut the average length of unemployment among eligible populations by one-half to one week--even though only ten to fifteen percent of eligible clients actually made use of the

¹Bruce Meyer, *Policy Lessons from the U.S. Unemployment Insurance Experiments*, National Bureau of Economic Research Working Paper #4197, 1992.

²Jacob Benus et al., *A Comparative Analysis of the Washington and Massachusetts UI Self-Employment Demonstrations*, Abt Associates, Bethesda, Md., November 1993

bonuses. The programs paid for themselves from the government's perspective; savings in benefit payments offset the cost of the bonuses. And since they meant higher earnings for participants, they generated net benefits overall. The evidence is robust enough to convince us to propose, in the Reemployment Act, a new reemployment bonus option for all States.

4. Beyond reemployment bonuses and self-employment options, a proven provision to boost the flexibility of the unemployment insurance system concerns short-time compensation. This option allows states to offer partial unemployment benefits to employees who are working reduced hours, because their employer is seeking to reduce costs to avert a shutdown, or is spreading work reductions throughout the labor force in an attempt to avoid layoffs. About one-third of the States now operate short-time compensation programs. The Reemployment Act would encourage more States to offer this option.

5. A central lesson concerns the importance of integrating skill training with unemployment insurance. While only a minority of job losers require new skills for reemployment, for those who do there are great advantages to integrating training and unemployment benefits. At present, too many workers who need and can benefit from training have their first exposure to training programs only after using up their unemployment insurance. (A 1988 study found that only one percent of the long-term unemployed had attended training programs by the time their eligibility for jobless benefits expired.)

Yet there is a good deal of solid evidence on the payoff to longer-term post-secondary education, including training at community colleges. While there are no good data on dislocated workers specifically, the findings on post-secondary education generally show a clear pattern of less joblessness and higher

³Paul Dacker and Christopher O'Leary, *An Analysis of Pooled Evidence from the Pennsylvania and Washington Reemployment Bonus Demonstrations*, Unemployment Insurance Occasional Paper 92-7, U.S. Department of Labor, 1992; Bruce Meyer, *Policy Lessons From the U.S. Unemployment Insurance Experiments*, National Bureau of Economic Research Working Paper #4197, 1992.

⁴Philip Richardson et al., *Referral of Long-Term Unemployment Insurance Claimants to Reemployment Services*, U.S. Department of Labor Occasional Paper 89-2, 1989.

⁵A good overview of the growing role of education levels in income differentials is Frank Levy and Richard Murnane, "U.S. Earnings Levels and Earnings Inequality: A Review of Recent Trends and Proposed Explanations," *Journal of Economic Literature*, September 1992.

earnings as skill levels increase. Importantly, the payoff from education seems to be largely due to the new skills acquired, rather than the "credentialing" effect of graduation: Workers with college experience earn five to ten percent more than do comparable high-school graduates per year of courses completed, whether at four-year or community colleges, and whether or not college education leads to a degree.

By contrast, the evidence suggests that many forms of short-term training for dislocated workers are not effective. In three studies--two of them featuring randomized control-group methods--workers offered short-term training plus job search assistance showed no significant increase in earnings or employment over workers offered job-search assistance alone. While the Reemployment Act encourages rapid reemployment through improved job search assistance, it also incorporates three provisions to make longer-term training a practical option for workers who need it: First is the emphasis on early identification and intervention, to get dislocated workers into training before their regular unemployment benefits are exhausted. Second is the Act's provision for extended unemployment benefits for workers who need it to complete appropriate retraining programs. Third is access to student financial assistance, including income-contingent loans, to fund especially lengthy or expensive training regimes, or for workers who are ineligible for income support delivered through the unemployment insurance system.

6. A sixth lesson is the importance of integrated, accountable delivery of reemployment services. Here, it requires no sophisticated analysis to pinpoint the problem: The current system is confusing and complex, balkanized into a profusion of narrow programs. We clearly need to streamline the delivery of employment and training services. The Reemployment Act, which will combine all six programs for dislocated workers into a single system, represents an aggressive step toward program consolidation. And this is only our first step. The Reemployment Act is crafted to encourage additional waves of consolidation, and set in motion a continuous campaign of streamlining and improvements.

⁶Thomas J. Kane and Cecilia Rouse, *Labor Market Returns to Two and Four-Year College: Is a Credit a Credit and Do Degrees Matter?* Working Paper #311, Industrial Relations Section, Princeton University, January, 1993

⁷The studies are summarized in Duane Leigh, "An overview of Existing Evaluation Evidence for the U.S.," in *Assisting Workers Displaced By Structural Change: An International Comparison*, Upjohn Institute, forthcoming 1994

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Program consolidation is clearly important for efficiency and accountability. An equally central tactic for accomplishing the same key goals, however, is integrated one-stop delivery at the point where the customer encounters the system. One of the cornerstones of the Reemployment Act is the progressive construction of a network of one-stop career centers that will provide a common point of access to a wide range of workforce services--not just for dislocated workers, and not just programs based at the Labor Department. Fortunately, there is a wealth of pioneering models on which to build. In California, for example, the NOVA project runs a one-stop reemployment center for laid-off workers in the defense and electronics industries in the Silicon Valley. NOVA also partners with local employers to provide on-site career transition centers. In Tampa a former shopping mall was reconfigured into a one-stop employment and training center that collocates eight organizations and replaces 13 separate employment and training offices. The center provides "customer-friendly" access to a rich array of reemployment services, including job data banks, skills assessment, counseling and training. Up-to-date information technology, common intake forms, and cross-trained staff are utilized to minimize red tape and maximize customer service. In Washington State, the Boeing Dislocated Worker Project provides one-stop delivery of services such as testing, assessment, job placement workshops, job development, financial aid, career counseling, entrepreneurial training and job clubs. This project, which just received the National Performance Review's Hammer Award, is a true partnership between business, labor and government.

In Tennessee, the Columbia State Community College runs a one-stop center for dislocated workers that provides access to assessment, retraining, reemployment and rapid response services offered by a variety of Federal and State programs and agencies. In Iowa, the Eastern Iowa Community College District has creatively integrated job training programs, economic development and rapid response assistance, by developing centers of excellence in graphic arts and manufacturing technologies to prepare workers for "demand" occupational fields. Oregon has a statewide program called Choices and Options, which helps dislocated workers assess their options and make informed decisions ~~before~~ their eligibility for jobless benefits expires. And in Michigan, the famous Focus:HOPE program delivers high quality training, carefully connected to jobs in demand for the local labor market.

I can't expect to even mention all of the promising approaches under way out in the States: a Pennsylvania program that provides non-traditional construction-related skills training for low-income women and places them in building trades apprenticeships working for utility, transportation and manufacturing companies; and the highly regarded CET program, based in California and serving 36 communities in California,

Arizona, Maryland, Nevada, New York and Virginia, that uniquely combine basic skills remediation with occupational skill training, life skills instruction, counseling and job placement. The list could go on and on. The Reemployment Act takes the best ideas developed in these "laboratories of democracy"--one stop service delivery, market-driven training, customer orientation, computer-driven labor market information systems, and so on--and builds them into the national reemployment system.

The incremental reforms to the unemployment insurance system--reemployment bonuses, short-time compensation, self-employment options, universal profiling--and the local innovations occurring throughout America will make a modest but real difference for dislocated workers, and for public budgets. But modest changes are not enough. If we are to do right by American workers faced with a fundamentally different economy--if we are to honor through action the pragmatic, experimental tradition of my predecessor Frances Perkins and your predecessors in the Senate who shaped America's original unemployment insurance system--we must commit to a fundamental transformation in policy and programs.

The mismatch between the current system's structure and the needs it is pressed to serve has occurred because the system is not geared to reemployment. There have been few investments in new skills, little growth of flexibility, and no coordinated attack against the problems of structural unemployment.

However, the present system serves a crucial function in responding to economic downturns. For example, it pumped over \$26 billion dollars into the economy in FY 1992, responding to the recent recession. This compares to \$13 billion provided in regular State benefits in FY 1988. These State expenditures were augmented by Emergency Unemployment Compensation payments totalling \$24 billion over the last two years. This money was not wasted, to be sure. It spared jobless workers from the worst forms of financial hardship and helped shore up consumer spending, which are important accomplishments.

But we can do better. In the current budgetary environment, we can and must deploy the resources of the unemployment insurance system to greater effect. By gearing jobless benefits to rapid reemployment, and by integrating cash benefits and skill training programs, we can respond more effectively to the risks and opportunities of today's economy.

The Reemployment Act is designed with a keen awareness of fiscal limits. Most of the financing is discretionary, and the majority is financed through consolidating separate dislocated worker training programs into this integrated system. Additional discretionary funds come from reductions in other federal programs. The modest mandatory component, limited to retraining

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income support, is initially financed in part by offsets from consolidation, and in part by applying to a jobs-related purpose certain Unemployment Insurance revenues. One of the programs to be consolidated into the Reemployment Act system is Trade Adjustment Assistance. We have attempted to ensure a smooth transition from this categorical adjustment program to the Reemployment Act's comprehensive approach. Virtually all trade-displaced workers will receive equal or superior benefits under the new system. One of the main distinctions is that extended unemployment benefits will be targeted to workers who need that support to complete longer-term training programs.

Beginning in FY 1999, income support for all workers who need long-term training will be financed by a permanent extension of the 0.2 percent surcharge first levied in 1977 under the Federal Unemployment Tax Act. This FUTA extension is a small but crucial component of the systematic reform envisaged by the Reemployment Act. Since some dislocated workers will inevitably need long-term training to equip themselves for reemployment, a reliable source of funding to make this training possible is essential to the integrity of the reemployment system. Income support is available only to the minority of workers who participate in the training for reemployment. By integrating training with the unemployment insurance system, this provision reinforces the system-wide emphasis on preparation for new jobs that is central to the overall reform effort.

The extension of the 0.2 percent surtax and its dedication to retraining income support in no way threatens the balances in the Unemployment Trust Fund accounts. The balances in these accounts are expected to total \$21 billion in 1999, more than enough to handle the costs of a recession, in the unlikely event that one would occur.

The mandatory component is carefully crafted to meet the imperative of fiscal discipline. It is tightly capped. Spending for income support cannot exceed 20 percent of FUTA receipts. While some workers will need training that goes beyond their term of eligibility for income support, they will not be left on their own. Income-contingent loans and other forms of financial aid delivered under the Higher Education Act of 1965 are intended to extend, supplement, or in some cases substitute for income support.

Since the income-support financing is linked to FUTA receipts, and since the wage base against which that charge is levied is limited to the first \$7,000 paid to a worker, the maximum annual cost of retraining income support is about \$11 per employee. I believe this is a small price for business to pay for a reform that will boost the supply of skilled, flexible labor.

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We expect that the Reemployment Act will also pay off in narrow budgetary terms. The decreases in unemployment and increases in earnings we anticipate from the Reemployment Act's implementation will boost tax revenues and shrink governmental payments for unemployment insurance and other forms of public support.

Finally, American business and the economy at large can expect an even more fundamental payoff from the Reemployment Act. Putting in place a sturdy system of reemployment services will give all American workers greater cause for confidence that they will benefit from the economic changes that will continue to transform American industry. By broadening the coalition in favor of change, the Reemployment Act will reduce the risk of the kind of backlash against change that would imperil our common agenda of open markets, technological dynamism, and structural transformation.

We have been actively working with individual companies and business groups to enlist their input and support for the Reemployment Act. I am pleased to say that support from businesses, who often have trouble finding the skilled workers they need for their emerging needs, is growing and becoming more visible every day. You will hear business representatives testify later today.

The Reemployment Act of 1994 is informed by systematic attention to empirical evidence, and a deep commitment to what works. Through respect for the evidence, and through persistence in pursuit of the American tradition of broadly-shared middle class prosperity, we can prepare every American to succeed in the skill-based economy taking shape all around us today. There is no excuse for leaving a single citizen behind.

Mr. Chairmen, this concludes my prepared remarks. I would be glad to answer any questions.

Validity Of Release Forms

Turning to the validity of the release forms, the court held that specific reference to WARN is not required. Smith said the workers were advised to consult an attorney, and were given ample time to consider the matter. The release forms referred to all claims relating to the "time of my employment or to my layoff. . . ." Smith also found that the form was written in plain English. He described it as "clear, simple and easily understood," with no technical jargon.

"It is not Phillips's fault that the plaintiffs chose not to consult a lawyer after being advised to do so," said Smith. "Plaintiffs do not contest the final element of the test, as they were given as much as 45 days to consider the releases."

The court also reasoned that even if the release is tainted by misrepresentation or duress, it is ratified if the employee retains the funds after learning that the release is voidable:

"A person who signs a release, is obligated to return the consideration. Offering to tender back the consideration after obtaining relief in the lawsuit would be insufficient to avoid a finding of ratification.

"For signing the releases, the original plaintiffs as a group received \$210,853.65 in consideration in an enhanced plan benefits and \$56,632.38 in basic plan benefits. The original plaintiffs did not return the consideration to the defendants, even after making claims that the releases were voidable. Thus, the plaintiffs ratified the releases even if, arguendo, they were not knowingly and voluntarily signed."

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WAYS AND MEANS DEMOCRATS PLEDGE
TO MOVE REEMPLOYMENT ACT TO HOUSE FLOOR

Democrats on the Ways and Means Committee July 12 pledged to work toward getting the Reemployment Act to the House floor, while their Republican counterparts expressed reservations about certain provisions in the measure, particularly its financing mechanism.

Rep. Sam Gibbons (D-Fla), acting chairman of the panel, said the committee would devote "as much time as possible" to get the bill to the floor. Discussion on the fate of the measure, which also is under the jurisdiction of the Education and Labor Committee, occurred during a joint hearing of the Human Resources and Trade subcommittees.

Rep. Rick Santorum (R-Pa) warned that any effort to attach the measure to legislation implementing the Multilateral Trade Agreement reached in the Uruguay Round would be opposed by Republicans on the committee. Putting a "\$13 billion new program on fast track without proper consideration" is not in the best interest of the program, Santorum said.

Rep. Harold Ford (D-Tenn), chairman of the Human Resources Subcommittee, said he plans to report a bill to the full committee in the "very near future." It is not the time, he said, to answer the question of whether the measure will be attached to another bill.

No Administration Recommendation

Labor Secretary Robert B. Reich, who testified during the hearing, said afterwards that the administration has "not made any determinations or recommendations for legislative vehicles." Asked whether he would favor attaching the Reemployment Act to the trade bill, he said: "We have to study that. It's premature to say."

The administration sent its proposal to Congress in March with hopes that it would be enacted before the end of the year. None of the committees with jurisdiction has begun marking up the bill (HR 4040/S 1951). The proposed overhaul of the federal job training system is projected to cost \$13 billion over five years, \$11 billion of which is discretionary and \$2 billion of which is mandatory.

The \$2 billion in mandatory spending would be dedicated to extended retraining income support which, under the proposal, would be financed with proceeds from the 0.2 percent surtax collected under the Federal Unemployment Tax Act. Income support would be available for no more than 78 weeks, with eligibility dependent upon enrollment in training by the 16th week of receiving unemployment insurance benefits.

Currently scheduled to expire the end of 1998, the surtax would be made permanent under the proposal. Reich defended the financing mechanism, saying that since the surtax was imposed in 1977 it has been "used to offset everything but the kitchen sink." This is not a tax increase, he said, but an extension of a small tax that amounts to \$11 a year per worker. This is a "small investment" given that the return will be an "adaptable workforce."

Santorum disagreed, saying the measure does include a tax increase. The surtax currently is designated for an unemployment trust fund that had its surplus nearly disappear in the last recession, he said. When Reich said the unemployment rate would have to go "way over 11 percent" to affect the trust fund, Santorum cited statistics showing a severe effect on the account when the unemployment rate was only 7.5 percent.

Fallback On TAA

Reich defended another controversial portion of the proposal—consolidation of the trade adjustment assistance program with other dislocated worker programs—by saying trade-impacted workers would receive more job-related services under the Reemployment Act than they do under the current program. He acknowledged, however, that if Congress resists terminating the TAA program, a "fallback position" would include tightening the program to restrict waivers of its training requirement.

Reich also said the portion of the proposal that lies within the jurisdiction of the Ways and Means Committee could stand on its own. In addition to the retraining income support provisions, Title II of the bill contains language designed to make the current unemployment compensation system more flexible.

Specifically, the bill would allow states to change their laws and pay unemployment compensation to those whose employers have opted to reduce weekly hours in lieu of layoffs. Designed to avert layoffs, the short-time compensation program would provide workers with unemployment insurance benefits based on the proportion of hours reduced. States also would be permitted to offer re-employment bonuses to those who find full-time employment within 12 weeks of filing an initial claim for UI.

TJTC Improvements

Reich also addressed concerns committee members raised regarding the fate of the targeted jobs tax credit. He explained the administration is troubled by reports that employers are getting the tax credit for employees they would have hired regardless of its existence and also are "churning" employees to get the credit on multiple occasions.

The "intent is not to end the program," he said, but to propose changes to address these problems. Innovations under consideration include making eligibility for the credit contingent on providing on-the-job training, Reich said. Also under discussion is prohibiting employers from getting the credit when they fill jobs for which they previously received it. Discussions on how to restructure the TJTC program and provide better oversight are under way, he said.

After the hearing, Reich said the administration is "still far away from having the particulars" on the TJTC program. "Our hope and expectation at this point," he said, "is to make it better. Make it work."

The tax credit expires at the end of the year.

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U.S. Department of Labor

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

**DRAFT**

The Honorable G.V. (Sonny) Montgomery
Chairman
Committee on Veterans' Affairs
U. S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

As you requested, I am enclosing our responses to the questions you sent to the Department following your Subcommittee on Education, Training and Employment hearing of June 15, 1994. I appreciate the opportunity to express my views on these important matters. If I can be of any further assistance, please let me know.

The Office of Management and Budget advises that there is no objection to the submission of this document from the standpoint of the Administration's program.

Sincerely,

PRESTON M. TAYLOR, JR.

Enclosure

DRAFT

FOLLOW-UP QUESTIONS
TO PRESTON TAYLOR
ASSISTANT SECRETARY FOR VETERANS EMPLOYMENT AND TRAINING
FROM
THE HOUSE COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON EDUCATION, TRAINING AND EMPLOYMENT
JUNE 15, 1994, HEARING

Question 1: What impact, in your judgement, would H.R. 4850 have on the provision of quality employment and training services for veterans?

Answer:

We expect that the Reemployment Act will benefit veterans through such features as:

- o The one stop centers' emphasis on streamlined and easily accessible services, focusing on what the worker needs to get the next job, not on why he or she lost the last job.
- o Labor market information on where available jobs are and vocational guidance as to the associated new skills required.
- o Financial support to help dislocated workers complete meaningful retraining courses.
- o Information on the success rates of education and training providers, to help workers choose appropriate provider for the services they need.

In addition, services delineated in chapter 41 of title 38, United States Code, are to be mandatory in the One-Stop Career Center system, which provides a common point of access to employment, education, and training information and services. This means that in States electing to establish One-Stop systems, the intensive services prescribed for certain veterans in sections 4103A and 4104 of title 38 must be available at each One-Stop Career Center. Veterans will continue to receive the priority service under One-Stop that they receive under current law. Additionally, transitioning servicemembers will continue to be afforded the opportunity to participate in Transition Assistance Program workshops delivered by veterans' specialists.

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Question 2: We heard from the DAV that former service members should be identified as a target group under Title I of H.R. 4050 and should have priority in any dislocated worker program. Would you and Secretary Reich support this proposal? If not, why not?

Answer:

Service members who have been involuntarily separated under Department of Defense procedures would be eligible for services under Title I of the Reemployment Act as they currently are under Economically Dislocated Workers Assistance Act (EDWAA).

Title I consolidates current programs for dislocated workers into a single, comprehensive program that is available to all eligible dislocated workers, regardless of the cause of the dislocation. These workers will be afforded access to a common set of enriched information and services at career centers. With the increased funds for dislocated workers that the President has requested, we expect to be able to serve all dislocated workers who are in need of Federal assistance. Therefore, we do not believe Title I of the Reemployment Act should give priority to any particular group of dislocated workers.

In States that elect to establish One-Stop Career Center systems, veterans will continue to receive the same priority for service that they do under current law.

Question 3: Section 233 of H.R. 4050 authorizes the Secretary of Labor to grant waivers of certain statutory requirements, including chapter 41 of title 38, United States Code.

How would this provision improve enforcement services to veterans since veterans are now provided priority in employment services?

Wouldn't authorizing a waiver of chapter 41 reduce service to veterans who now receive special consideration for employment and training services?

Answer:

The Reemployment Act authorizes waivers of statutory and regulatory requirements that would impede implementation of one-stop career center system. Chapter 41 of title 38 is one of the mandatory participating programs in the one-stop system, and one of the programs for which waivers may be requested. These waivers are intended to provide more flexibility, facilitate consolidation, promote coordination, improve efficiency, and better serve one-stop customers, including veterans.

Veterans will continue to receive priority for service in one-stop systems, just as they do under current law. In fact,

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veterans will benefit by being able to access improved services and information through one-stop career centers.

The Secretary of Labor must approve all waiver requests, and certain provisions are off limits, such as the basic purposes or goals of the affected programs--which in the case of chapter 41 includes providing maximum employment and training opportunities to veterans, with priority to disabled and Vietnam-era veterans. Naturally, the Secretary would consult with the Assistant Secretary for Veterans' Employment and Training on waiver requests affecting veterans. As I testified, I can foresee no circumstances for which I would accommodate the granting of such waivers.

Question 4: You stated in your testimony that the expansion of dislocated worker programs under the Reemployment Act of 1994 should result in improved benefits for involuntarily separated service members.

How will these individuals be identified and informed of the services available to them?

Answer:

The REA strengthens involuntarily separated service members' access to a comprehensive array of information and services.

Veterans who are involuntarily separated and receiving UCX will be profiled by respective state unemployment insurance system offices to determine whether they are likely to have difficulty finding a new job. Transitioning service members who attend Transition Assistance Program (TAP) workshops will also be apprised of the presumptive eligibility for dislocated worker benefits. If so, they will be referred to Career Centers for assessment, career counseling, and other services, including training when necessary.

The increased investment in dislocated workers (which will double this year and is proposed to double again by the year 2000) and the fact that the nation will have one comprehensive dislocated worker program rather than a bewildering array of categorical programs will make outreach to all eligible populations easier and more effective.

Question 5: Under the Reemployment Act, what mechanisms are in place to determine whether or not grant recipients are in compliance with title 38 requirements?

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Answer:

The mechanisms include: State and Federal oversight and monitoring including on-site evaluations by VETS field staff of services to veterans; audits; and customer feedback from veterans and other individuals who have received services through a One-Stop Career Centers. The latter may be done through surveys, interviews, focus groups, and other techniques.

In addition, the operating agreement negotiated between the Workforce Investment Board and participating programs, and approved by the local elected official and the Governor will specify the procedures to be used to ensure compliance with the statutory and regulatory requirements of the participating programs, including chapter 41 of title 38.

Question 5. In your testimony, you note that your Internal Review Team has recommended that VETS regional offices be reduced.

How many regional offices do you consider adequate?

Answer:

The Internal Review Team does not propose the closing of any VETS' offices. Instead, current regional offices which might lose the "regional" designation would continue to operate in some other capacity such as area offices. Also, the Internal Review Team's final report did not specify which cities it would recommend to no longer be regional office cities, nor did it make recommendations as to which should be the new regional cities -- except to propose that Washington, D.C. become one of the new regional office cities. Their rationale for that specific recommendation is that it would facilitate downsizing of the national office.

With reduced, or, as I would prefer to characterize it, an optimal--number of regional offices (ROs), each would still have the capacity to fulfill a "value-added" role of facilitating the delivery of services to our customers: veterans, employers, and VETS' own staff. In light of the need to reduce the agency's total staff, having more ROs than this optimal number would be superfluous and would waste personnel that could otherwise be assigned to front-line work in the States. VETS is still in the process of determining the optimal number of ROs. The agency's Reinvention Team will be providing me with its views on this after completing its review of the Internal Review Team's recommendations.

Which offices would you expect to close?

Answer:

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At this time, a full review of decisions regarding of the Internal Review Team's proposals has not yet been completed. In accordance with VETS' partnership agreement with its unions, these proposals must be reviewed by VETS Reinvention Team consisting of labor, management, field staff and national office personnel. So, I am not as yet in a posture to make decisions regarding the number of VETS' regional offices in the future, or which specific offices might be changed to front line service offices if regional office numbers are reduced.

Question 7. Mr. Secretary, what steps are you taking to comply with the requirements of Public Law 102-16 and convene the Advisory Committee on Veterans' Employment and Training?

I am disappointed that the committee is still uninformed.

Answer:

I am now in the process of having the Secretary of Labor solicit nominations for Committee positions.

Question 8. VETS staff must reduce staffing by 12 percent over the next five years, in keeping with a Presidential Executive Order.

How will this staffing reduction affect delivery of services to veterans? How could veterans possibly benefit from a cut of this size?

By what criteria will the new positions be allocated to states?

Answer:

The 12% target reduction was presented to VETS, as it was to other Federal agencies, by the President's September 11, 1993, Memorandum For Heads of Departments and Agencies, "Streamlining the Bureaucracy." Internal Department of Labor planning directives set the 12% reduction as an assumption that each agency in the Department should follow until further notice, in its planning through Fiscal Year 1999.

Thus, VETS' Internal Review Team's proposals incorporated this 12% reduction as part of its planning assumptions. In the FY 1996 budget cycle currently getting underway, and in future budget cycles, VETS will be reviewing its long-range planning to determine the optimal nature of staffing reductions given the status of staffing allocations at the time of each cycle. Particular staffing changes will be considered on a case-by-case

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basis, in collaboration with the unions in accordance with VETS' partnership agreements.

VETS will continue to attempt to optimize customer service within this staffing allocation by

- o Shifting resources from supervisory/management functions to the front-line;
- o Protecting the staffing allocations in the states; and
- o Reducing the numbers of
 - o National office positions
 - o Regional office positions
 - o Supervisors and managers.

If it turns out that VETS indeed must cut staff by 12 percent by FY 1999, the agency's challenge will be to increase effectiveness of services to veterans and achieve the staffing cuts. The Internal Review Team has recommended that this be accomplished by such key improvements as the following:

- o Retention of front-line staff positions in the states, while absorbing reductions among staffing allocations in the regional and national offices.
- o Redistribution of workload to assure equity among all staff at all levels of the organization.
- o Reduction in the size and streamlining of VETS' management team, and the resulting facilitation of essential and effective communications among managers.
- o Improvement in automated management information and electronic communications systems (already underway and to be continued).
- o Increased staff training and the development of a comprehensive career ladder structure readily accessible for the career development of all levels of VETS' staff.
- o The evolution of supervisory/managerial roles into leadership roles; that is, emphasizing coaching and development rather than checking or overseeing.

Question 7. A reinvention team proposes to establish three new positions. Wouldn't this recommendation eliminate DVOPs and LVERs?

Would this recommendation increase or reduce the number of veteran-employment specialists?

Answer: ...

The recommendation does not intend to eliminate the DVOP and LVER functions associated with these programs. Instead, the proposal is to realign these functions to focus on the delivery of

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services to those veterans most in need of specialized services-- with the exception of the current "functional supervision" role, which would be eliminated.

VETS plans to request legislative authority in the near future to pilot test this realignment of duties. Results of the pilot test would be analyzed before any further recommendations for legislative action would be considered. Only after the pilot test could reasonable estimates be made regarding the number of specialists to be recommended.

In your testimony, you note that these new positions would target veterans "who have exceptional difficulty in accessing the labor market." What options would be available to veterans who want to see a DVOP or LVER, but are not in the categories designated "most in need?"

Answer:

Those veterans who are not "most in need" would be considered capable of accessing other local office or one-stop career center services, such as through use of self-directed computer job listings. Thus, these veterans would not use the services of the proposed new veterans' "specialists", allowing those specialists the time necessary to serve those who truly are "most in need".

Wouldn't this proposal result in a reduction in services to veterans?

Answer:

VETS believes this proposal actually would result in improved services to veterans -- by increasing the focus on the system's ability to provide specialized services to those most in need, while referring those capable of self-sufficiency to other SSA/one-stop career center services.

Question 10: In testimony heard today, strong objection was raised to the recommendation to eliminate the requirement in chapter 41 that DVETS and ADVETS be veterans.

How do you justify this recommendation?

Answer:

A May 2, 1994, Internal Review Team draft management study was one draft paper which mentioned this possible option. However, due consideration of all the ramifications -- especially in light of the content of the extensive comments which VETS received in response to its request for advice on this issue during the reinvention development process -- have been reflected in the

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final May 20, 1994, recommendations of the Internal Review Team NOT to make any changes in these veteran status requirements.

Question 11: Where are you in the reinvention process, and where you go from here?

Answer:

The numerous products of the five ad hoc teams have been presented to VETS' Reinvention Team, the union-management partnership group charged with advise-and-consent review of each proposal. Once this team completes its review and comments on each proposal, I will receive their input for my decisions and implementation. One change has already been implemented, i.e., the conversion of the JTPA Title IV-C grant award process from a formula allocation to a competitive award process. We expect to make those awards no later than August 30, 1994.

When will you submit specific legislative recommendations to the Committee?

Answer:

In the near future, we plan to request legislation which would allow VETS to pilot test the proposed revised service delivery system and its new functional realignment.

With respect to the other legislative issues raised in our various reinvention products, we will be discussing a separate package of legislative proposals within the Department of Labor this summer, so that these might be considered for inclusion in the Department's legislative agenda.

Question 12: In your testimony, you stated that the JTPA Title IV-C grants would be awarded competitively and that services would be targeted to veterans in the most needed service areas.

By what process will you identify service areas with the greatest need and on which criterion will the competition for grants be based?

Answer:

The JTPA IV-C Solicitation for Grant Applications (SGA) has been revised such that it is less than half its previous length - simplifying and facilitating its use by prospective grantees. The process incorporated in this SGA identifies five criteria by which all applications will be measured and by which comparisons among applications will be made:

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- o Statement of Need
- o Program Design and Goals
- o Qualifications of Applicants
- o Utilization of Community Linkages and Optional Outside Funds
- o Budget Narrative

Comparison among all applications will be made in the evaluation process, with the relative needs of all the service areas from which applications are submitted being considered in the final decision process. In their Statement of Need, applicants will receive high points that identify areas in which there are veterans having great needs but for whom there are no available resources to serve.

Question 13: For the record, who specifically is on the VETS Reinvention Team that is reviewing the proposals made by the ad hoc teams?

Answer:

National Council of Field Labor Locals (NCFLL) Representatives
Karen Marin, Veterans' Program Specialist, Seattle Regional Office

Gary Cusack, ADVET, Michigan

American Federation of Government Employees (AFGE) Local 12 Representatives

Cliff Russell, Veterans Employment Specialist, VETS' National Office

Sandy Ballie, VTR Specialist, VETS' National Office

VETS Management Representatives

Bo Wroble, Supervisory Management Analyst, VETS' Office of Information, Management, and Budget

Jeff Crandall, VETS' Director of Field Operations

Question 14: In your statement you mentioned that the ad hoc teams kept interested parties, including my staff, informed about their progress and ideas.

First, I want to thank you for working so closely with us. We all want to do what is best for veterans, so I always feel that we're on the same side and should work together.

Is the Interstate Conference of Employment Security Agencies (ICESA) supportive of the recommendations made by the ad hoc teams? Is OMB supportive? What comments have you received?

Answer:

ICESA has been a particularly active and supportive partner in VETS' reinvention, adding significant value to many of our

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proposals through their direct involvement.

- o ICESA was a key player in making the necessary arrangements for data compilation in our customer survey preparations.
- o ICESA helped make possible VETS' Case Management pilot testing efforts in several states.

Our briefing of OMB was largely for informational purposes, and neither OMB nor ICESA has provided any formal comments.

Question 15: You noted that the Internal Review Team identified legislative mandates that inhibit effective usage of VETS' staff and other resources.

Specifically, which legislative requirements do you consider troublesome and why?

Answer:

- o Two-year residency requirements on DVETs and ADVETs. This requirement restricts our capacity to promote qualified VETS staff who live outside the states where the vacancies exist. Such restrictions are bad for morale and for our customers, because productivity suffers where there is little or no hope for advancement.
- o The requirement for "Full-time clerical support" for the DVET in each state. This "clerical" designation restricts the upward mobility of approximately 20% of VETS' staff. This should be revised so that the mandated DVET staff support is not limited only to clerical support.
- o The formula assigning ADVETs based on state veterans' population. Population is not the best indicator of VETS' workload, since it includes those veterans retired from the workforce. This formula should be amended to allow flexibility according to workload in assigning ADVETs to the states.
- o The requirement that VETS have 10 Regional Administrators. This requirement restricts VETS' flexibility to redesign its internal organization to meet customer service needs, by imposing an administrative structure on the agency.

As a result of these mandates, approximately three quarters of VETS staff of approximately (276 positions) are mandated with respect to position title, and/or residency status. Thus a large majority of VETS' staff is restricted with respect to who can do these jobs, where they can be located, and/or how they are to be

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utilized. As a result, VETS has only a small percentage of its staff which can be assigned based strictly on workload demands.

Question 16. The customer survey you mentioned is an excellent idea. How exactly will this survey be carried out?

When will the survey be conducted and the results available?

Answer:

- o Sampling data to conduct the surveys is being provided by the SEGAs.
- o Current plans call for 1,100 veterans and 1,100 employers in 16 states to receive their respective surveys.
- o Data will be compiled as a national aggregate.
- o The survey is now scheduled to be conducted from August through October, with the analytical report to be completed by December or January. These dates are contingent upon timely clearances being obtained so the surveys can be distributed by August.

Question 17. We have long been concerned about the implementation, effectiveness, and enforcement of the Federal Contractor Job Listing program.

Specifically, what changes did the team recommend in this program?

Answer:

- o All veterans should be targeted for affirmative action;
 - o The \$25,000 ceiling on the jobs to be listed under the FCJL should be removed;
 - o The VETS-100 report should be modified to capture a contractor's total workforce data;
 - o Data management in the system should be enhanced; and
 - o Processing and tracking of complaints should be improved.

Question 18. In your testimony you noted that the ad hoc teams had recommended ways to improve the Title IV-C grants process.

Please describe in more detail the changes being made and the resulting effect on services to veterans.

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Answer:

- o The Title IV-C grant award process is now competitive instead of being a formula allocation as previously. This should encourage those who apply to improve the services for veterans in order to be successful in the award competition.
- o Fewer awards: Ten to 16 grants, instead of the 30 to 40 previously awarded annually. This will significantly reduce the overhead administrative burden on VETS (by as much as 70% in preliminary estimates) in processing these awards, thus freeing resources which can be redirected to more direct services to veterans.
- o Larger awards: Larger funding amounts should attract higher quality applications, with resulting improvements in services to veterans likely due to economies of scale. Grantees will have access to greater resources that lend to richer program experiences and promise greater success in entering the labor market.

Question 19: For the record, please provide us with a record of services provided to veterans by the Employment Service during fiscal years 1991, 1992, 1993, and 1st quarter of 1994.

Answer:

The national summaries for Program Years 1990 through 1992 which correspond to Fiscal Years 91 through 93 are enclosed as an attachment to this response. The national summary is only prepared at the end of the Program Year. The Program Year 1993 summary will be forwarded when compiled.

Question 20: Would you support a provision requiring that certain veterans (service-connected disabled, recently discharged, homeless) be provided priority service or have priority in participation in all employment and training programs administered by the Department of Labor?

If not, why not?

Answer:

I recognize that there are veterans with special needs. The service-connected disabled, recently discharged, and homeless are good examples.

After the passage of the Reemployment Act, as part of the whole process of reinventing government, the Secretary will be considering a phase two consolidation of programs. At that time, I'll discuss the subject of priority service for certain veterans

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Attachment:

Delivery of services to veterans by the Employment Service

**U.S. DEPARTMENT OF LABOR - EMPLOYMENT SERVICE
PROGRAM YEAR 1982**

July 1, 1982 through June 30, 1983

ETA Form 5082 - National Summary

	TOTAL APPLICANT	TOTAL - VETERAN	VIETNAM ERA VETERAN	DISABLED VETERAN	SPECIAL DISABLED VETERAN	ELIGIBLE PERSON
TOTAL APPLICANTS	21,346,536	2,775,854	1,087,160	136,385	54,236	9,146
Under 22 yrs of age	3,311,905	59,906	N/A	2,116	801	467
22-44 yrs	13,839,486	1,732,490	576,678	86,710	32,481	5,454
45-64 yrs	2,584,045	589,556	436,744	33,324	14,129	1,812
65 yrs and over	1,624,445	412,000	52,675	17,235	6,825	1,813
Male	12,443,041	2,010,272	1,038,482	128,733	60,366	5,262
Female	8,893,295	176,950	28,678	8,652	3,870	3,884
Econ. Disadvantaged	3,378,876	374,867	142,677	21,486	7,221	1,450
SOME REPORTABLE SERVIC	11,884,382	2,170,319	838,181	117,912	46,857	8,146
Assigned Case Manager		27,189	12,228	6,142	2,884	52
Provided Case Mgt Svcs		14,273	6,472	3,567	1,752	28
Vocational Guidance Svc Prov		197,247	77,633	13,944	6,118	363
Counseled	679,827	189,617	76,789	17,888	7,634	407
REFERRED TO TRAINING	402,498	135,510	52,834	11,482	4,782	240
Ref. to Federal Trg		75,188	29,185	6,756	2,979	135
PLACED IN TRAINING	128,188	29,871	11,828	3,437	1,579	80
Placed in Federal Trg		18,576	7,276	2,313	1,088	44
REFERRED TO JOB	7,871,864	1,268,476	486,738	72,584	28,174	3,282
Ref. to Federal Job		60,286	23,266	5,803	2,772	962
Ref. To FCIL Job		342,838	133,682		9,589	836
Ref. Permanent Job (150+ day	7,838,217	1,183,567	452,788	67,973	27,240	3,028
PLACEMENT TRANSACTIONS	3,513,867	678,879	228,975	37,052	15,686	1,533
PLACED/OBTAINED EMPLOY	3,288,120	601,567	211,135	35,316	14,525	1,322
INDIVIDUALS PLACED	2,867,298	398,551	144,319	24,774	10,379	1,017
Under 22 yrs	778,776					
22-44 yrs	1,612,188	285,618	89,320	17,152	6,914	841
45-64 yrs	287,880	63,441	49,831	5,331	2,444	188
65 yrs and over	66,375	29,832	4,841	1,823	822	127
In Federal Job		13,293	5,228	1,714	878	51
In FCIL Job		63,135	22,887		2,319	116
In permanent job (150+ days)	1,908,303	308,692	107,898	19,004	8,034	779
TOTAL OPENINGS RECEIVED	8,751,742					
FCIL Openings/1% of Openings	470,128	8.17%				
Number of Federal Contractors	38,578					

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VETERAN EMPLOYMENT AND TRAINING SERVICE

U.S. DEPARTMENT OF LABOR - EMPLOYMENT SERVICE
PROGRAM YEAR 1991

July 1, 1991 through June 30, 1992

ETA Form 9082 - National Summary

	TOTAL APPLICANT	TOTAL VETERAN	VIETNAM ERA VETERAN	DISABLED VETERAN	SPECIAL DISABLED VETERAN	ELIGIBLE PERSON
TOTAL APPLICANTS	20,422,900	2,848,439	1,040,044	87,555	64,369	8,217
Under 22 yrs of age	3,382,651	53,093	2,283	1,363	820	449
22-44 yrs	12,876,042	1,844,878	684,788	62,840	33,053	4,908
45-54 yrs	2,207,874	485,905	327,712	17,949	11,788	1,468
55 yrs and over	1,306,148	358,049	43,282	10,815	6,864	1,400
Male	11,988,891	2,497,289	1,082,102	86,969	51,802	5,337
Female	8,442,307	151,139	27,842	5,388	3,387	2,880
Econ. Disadvantaged	2,732,891	297,888	121,851	12,610	8,959	1,639
SOME REPORTABLE SERVIC	10,968,398	1,983,714	825,130	72,368	44,876	5,448
Assigned Case Manager		16,077	7,575	1,628	1,498	29
Provided Case Mgt Svcs		11,249	5,438	1,580	1,446	18
Vocational Guidance Svc Prov		118,218	48,404	4,727	3,521	232
Counseled	883,553	291,573	87,733	11,828	8,428	448
REFERRED TO TRAINING	357,063	111,343	44,890	5,720	4,148	182
Ref. to Federal Trg	253,024	84,968	27,801	3,378	2,618	115
Placed in Training	117,741	28,782	11,328	1,724	1,588	67
Placed in Federal Trg	91,165	16,425	6,878	1,070	854	32
REFERRED TO JOB	7,899,434	1,210,960	483,191	48,781	28,736	2,950
Ref. to Federal Job	197,567	51,497	20,785	3,171	2,188	146
Ref. To FCIL Job	1,374,898	344,593	142,601		9,947	
Ref. Permanent Job (150+ day	6,500,738	1,089,848	444,613	41,404	25,800	2,684
PLACEMENT TRANSACTIONS	3,888,598	668,883	238,638	25,829	15,406	1,647
PLACED/OBTAINED EMPLOY	3,138,184	518,636	207,893	21,436	13,782	1,227
INDIVIDUALS PLACED	2,688,704	382,028	149,388	15,799	10,236	685
Under 22 yrs	749,482	10,968	417	322	227	79
22-44 yrs	1,584,829	278,319	102,057	10,821	6,813	689
45-54 yrs	188,121	54,478	39,299	2,828	2,078	172
55 yrs and over	90,471	28,337	4,219	1,147	586	115
In Federal Job	54,548	11,122	4,951	985	809	32
In FCIL Job	283,236	67,676	28,729		2,848	
In permanent job (150+ days)	1,824,028	291,838	110,635	12,089	7,795	704
TOTAL OPENINGS RECEIVED	5,835,079					
FCIL Openings(% of Opening	464,351	8.28%				
Number of Federal Contractors	44,112					

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U.S. DEPARTMENT OF LABOR - EMPLOYMENT SERVICE
FISCAL YEAR 1988

July 1, 1987 through June 30, 1991

ETA Form 8882 - National Summary

	TOTAL APPLICANT	TOTAL VETERAN	VIETNAM ERA VETERAN	DISABLED VETERAN	SPECIAL DISABLED VETERAN	ELIGIBLE PERSON
TOTAL APPLICANTS	19,199,499	2,484,829	1,049,098	95,541	54,351	11,568
Under 22 yrs of age	3,200,575	43,630	N/A	1,403	815	529
22-44 yrs	11,070,771	1,457,015	805,204	53,750	31,981	7,007
45-54 yrs	1,708,919	385,514	235,829	14,753	9,432	2,025
55 yrs and over	1,013,822	315,848	38,888	10,508	8,711	2,004
Male	11,071,303	2,326,338	1,019,038	90,388	51,479	8,768
Female	8,128,183	138,491	30,060	5,141	3,072	2,788
Econ. Disadvantaged	2,732,918	278,979	119,288	12,286	8,718	2,815
SOME REPORTABLE SERVIC	10,401,752	2,471,834	778,432	72,985	43,758	8,308
Assigned Case Manager		15,522	7,843	2,089	1,798	22
Provided Case Mgt Svcs		10,035	4,832	1,338	1,218	13
Vocational Guidance Svc Prov		44,388	18,800	2,511	1,813	84
Counseled	883,738	188,480	88,285	13,711	8,414	487
REFERRED TO TRAINING	317,888	91,917	41,370	5,039	3,911	191
Ref. to Federal Trg	220,942	54,004	24,403	3,132	2,410	137
PLACED IN TRAINING	114,903	23,263	10,826	1,885	1,471	78
Placed in Federal Trg	87,281	14,289	8,885	829	788	54
REFERRED TO JOB	7,488,884	1,185,387	480,071	48,382	29,102	3,268
Ref. to Federal Job	89,410	22,771	10,039	1,525	1,185	46
Ref. To FCJL Job	1,342,188	320,254	139,705		8,885	
Ref. Permanent Job (150+ day	5,887,514	910,866	391,713	37,591	23,721	2,841
PLACEMENT TRANSACTIONS	3,713,404	589,153	254,897	28,189	18,981	1,827
PLACED/OBTAINED EMPLOY	3,214,493	500,038	210,883	23,398	14,187	1,330
INDIVIDUALS PLACED	2,704,578	387,857	160,371	17,887	10,972	1,171
Under 22 yrs	737,784	8,725	N/A	391	224	91
22-44 yrs	1,381,885	256,128	108,383	10,782	8,915	788
45-54 yrs	184,888	48,932	28,984	2,472	1,731	140
55 yrs and over	88,203	28,001	4,014	1,262	880	153
In Federal Job	72,430	13,168	5,875	1,183	878	54
In FCJL Job	303,115	88,838	29,905		2,703	
In permanent job (150+ days)	1,855,908	262,117	105,523	11,432	7,639	884
TOTAL OPENINGS RECEIVED	6,791,884					
FCJL Openings% of Openings	471,327	6.94%				
Number of Federal Contractors	41,746					

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SIEMENS

July 21, 1994

Dr. William Galston
Assistant to the President for Domestic Policy
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Dr. Galston,

John Tobin and I would like to thank you for the informative and enjoyable meeting last Wednesday. We benefitted from your insight.

I have listed three items which are concerned with Siemens efforts in support of the Reemployment Act.

1. A letter from our President and CEO Albert Hoser inviting the President to visit one of Siemens' three apprenticeship sites.
2. A list of Congressional staff invitations to our July 27 breakfast briefing on the Reemployment Act.
3. Working through Bob Jones of the National Alliance of Business, we have worked to strengthen the involvement of the business coalition supporting the Reemployment Act.

Siemens will continue to work within the business community and on Capitol Hill in support of the Reemployment Act. Thank you again for your time and consideration.

Sincerely,



Jeremiah L. Murphy
Vice President
Government Affairs & Public Policy

cc: J. Conway
J. Tobin

Siemens Corporation

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Washington, D.C. 20004

Tel: (202) 434-4800
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ALBERT HOSER

President and
Chief Executive Officer

July 21, 1994

The Honorable William J. Clinton
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

Siemens continues to actively support the Reemployment Act of 1994 within the business community and on Capitol Hill. We have benefited from discussions with several officials within your Administration, most notably Dr. William Galston. This sharing of ideas has greatly aided Siemens in fashioning effective statements of support for the Reemployment Act for various audiences.

Siemens and its 45,000 U.S. employees would be honored if you would accept our invitation to visit one of our three U.S. apprentice centers. Siemens has recognized the value of apprenticeship for more than 100 years. From this experience, we know investing in apprenticeship does not cost in the long run. Indeed, we believe such an investment in our workforce will pay real dividends here in the U.S. We are also continuing to develop applied technology training programs at eleven other locations.

Our apprenticeship centers are located in Raleigh, North Carolina, Lake Mary, Florida and Franklin, Kentucky. All three programs are based on the dual apprenticeship system which combines classroom instruction with "hands-on" high-tech training. In each case there is a strong public/private partnership. In each case participants who are reflective of the diversity of America are ready to speak for themselves about the value they see in the program.

Our apprenticeship sites, we believe, reflect many of the work-learning values contained in your Goals 2000, School-to-Work and Reemployment initiatives. These measures, as you probably know, have been and will continue to be vigorously supported by Siemens.

We look forward to discussing our invitation to visit one of our three apprenticeship centers with your staff.

Sincerely,



Albert Hoser

Mr. Marshall W. Cobleigh
Chief of Staff
Office of Representative Bill Zeliff
224 Cannon House Office Building
Washington, DC 20515-2901

Mr. Peter Angerhofer
Legislative Assistant
Office of Representative Philip M. Crane
233 Cannon House Office Building
Washington, DC 20515-1308

Mr. Michael Harrington
Legislative Director
Office of Representative Bob Franks
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Ms. Marijo Gorney
Legislative Director
Office of Representative Amo Houghton
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Washington, DC 20515-3231

Ms. Suzanne Stoll
Chief of Staff
Office of Representative Harry Johnston
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Washington, DC 20515-0919

Ms. Judith A. Butler
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Office of Representative Olympia Snowe
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Mr. Daniel S. Evans
Chief of Staff
Office of Representative Jolene Unsoeld
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Office of Representative Elton Gallegly
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Mr. Jonathan Blythe
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Ms. Frances Light Currie
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Office of Representative James H. Quillen
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Ms. Mara Benner
Legislative Aide
Office of Representative Jim Saxton
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Mr. Larry Rosenthal
Legislative Director
Office of Representative Dale E. Kildee
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Washington, DC 20515-2209

Mr. Peter Kukham
Legislative Assistant
Office of Representative Herbert Bateman
2350 Rayburn House Office Building
Washington, DC 20515-4601

Mr. Nicholas Hayes
Administrative Assistant
Office of Representative Hamilton Fish
2354 Rayburn House Office Building
Washington, DC 20515-3219

Mr. Jeremy Rabinovitz
Administrative Assistant
Office of Representative Carolyn B. Maloney
1504 Longworth House Office Building
Washington, DC 20515-3214

Mr. Paul Weber
Legislative Director
Office of Representative Frank McCloskey
306 Cannon House Office Building
Washington, DC 20515-4688

SIEMENS

July 29, 1994

Dr. William Galston
Assistant to the President on Domestic Policy
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Bill,

On July 27, Siemens hosted a briefing breakfast on the Reemployment Act for congressional staffers. The briefing was also attended by Doug Ross and Bob Jones, Executive Vice President, National Alliance of Business.

The staffers came from the following congressional offices:

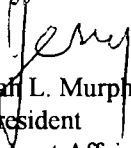
Representative Harry Johnson - (D-FL)
Representative Frank McCloskey - (D-IN)
Representative Richard Pombo - (R-CA)
Representative David Price - (D-NC)
Representative Jolene Unsoeld - (D-WA)

After Doug Ross outlined the Reemployment Act and its benefits, there was a productive give-and-take session between the participants. The questions posed by the staffers were sophisticated and showed a real interest in the subject.

We concluded the briefing after an hour of discussion. I believe it was a truly worthwhile undertaking. Siemens will continue to explore other possible staff briefings on the Reemployment Act.

Please let me know if you have any questions or comments.

Sincerely,


Jeremiah L. Murphy
Vice President
Government Affairs & Public Policy

For Women in the Work Force, an Econo 1

A Shift From Manufacturing to Services Means They're Getting Most of the New J

By Frank Swoboda
Washington Post Staff Writer

Since the early 1970s, women have gained more jobs than men every time the nation emerged from a recession. And perhaps no time showed that more clearly than after the last recession.

Consider: When the dust cleared from the last downturn and employment was back to normal levels, women had gained 1.2 million jobs and men had 1 million fewer jobs.

Economist William Goodman, writing in the July issue of the Monthly Labor Review, a publication of the federal government's Bureau of

WORKPLACE

Frank Swoboda

Labor Statistics (BLS), attributes this demographic shift in the job market to the nation's evolution from a manufacturing

economy to a service economy. Goodman is an employment specialist for the bureau.

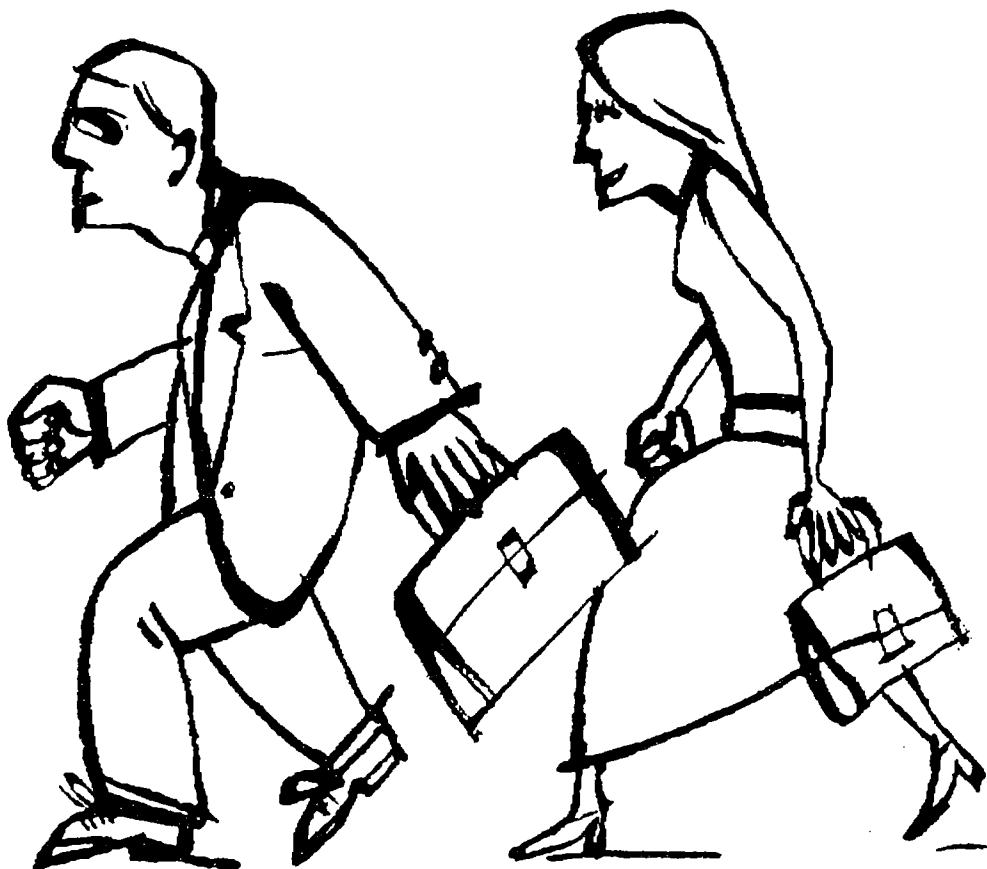
"Women gained more jobs in recoveries primarily because the industries that added the greatest numbers of employees use larger percentages of women workers," Goodman wrote. "Health services, social services and public school systems are some of the most important industries which added many jobs in the latest recovery and employ more women than men."

Goodman's analysis shows that the rising percentage of women in the new jobs being created in the overall economy is almost entirely a function of jobs being created by industries traditionally dominated by women. He said there was very little change in the ratio of women workers to all employees within other major industry groups. "Changes in the gender distribution of jobs at the total level are mainly attributable to the shifts in the sizes of the various industries," Goodman wrote.

The article did not deal with the lingering pay gap between men and women in the wake of economic recovery, although many of the industries dominated by women traditionally have paid less than male-dominated industries.

The last recession began in June 1990. Economists place the "trough," or bottom of the recession, in terms of job loss, in February 1992. Goodman shows that during the period from the trough until April 1993, when employment returned to its pre-recession rates, the economy produced a net gain of 11,000 jobs in the goods-producing sector and 2 million net new jobs in the service sector.

This shift from manufacturing to services was similar, but less striking, in the previous four recessions dating to November 1970, Goodman wrote. The net gain in manufacturing jobs in the recovery from the 1970 recession was 282,000, compared with a net gain of



BY SCOTT MENCHEN-FOR THE WASHINGTON POST

949,000 jobs in the service sector. In the 1975 recovery, the numbers were 830,000 and 1.47 million, respectively.

The net change was less dramatic in the recovery from the 1981 recession—552,000 manufacturing jobs, 775,000 service—but the shift became dramatic after the 1982 recession, when the service sector created more than twice as many jobs: 997,000 in manufacturing and 2 million in services.

"The main explanation for women's greater job gains in the last four recoveries, like the explanation for their smaller job losses in recession, has to do with the widely varying proportions of male or female employees in the various industries and the extent of job growth or loss in those industries," Goodman wrote.

Goodman said that while the overall trend has been the same for the last quarter century, "several trends in the latest recovery were dramatic departures from preceding business cycles."

During the last recovery, Goodman said, 60,000 manufacturing jobs were lost.

"In previous recoveries, manufacturing gained hundreds of thousands of jobs, although the even larger losses during declines were not fully regained," he wrote. He attributed this loss to automation, foreign

competition and defense spending cuts.

At the same time, Goodman noted, the 1.3 million jobs added to the service sector during the same recovery were "far more than the number added in previous recovery periods." He said the numbers show the health and temporary services industries grew the fastest within this sector—industries that traditionally have had lower pay and fewer benefits such as health insurance and pensions, and that use part-time employees extensively.

In a separate article in the same issue of the Monthly Labor Review, another BLS economist, Howard Hayghe, questioned reports that women may be giving up their jobs to stay home with their children. In fact, he writes, there is no hard evidence to show a change in the trend of women's work force participation.

Noting that there have been interruptions in job market trends affecting women, Hayghe wrote that "individually, large numbers of women enter or leave the labor force in the course of a year. But the suggestion that the balance has tipped in favor of a flow of women out of the labor force is not supported by the data."

Statistics, he said, indicate that "women are not leaving the work force to return to the lifestyles that prevailed more than 30 years ago."

your**Money**

Force, an Economic Sea Change

PHOTOCOPY
PRESERVATION

They're Getting Most of the New Jobs Created by Recoveries



BY SCOTT MENCHEN-FOR THE WASHINGTON POST

Odd Jobs

By Kara Swisher
Washington Post Staff Writer

Cheryl Summerville broke down on Friday when she testified before the Senate Labor and Human Resources Subcommittee that she lost her job as a cook for the Cracker Barrel restaurant chain because she was a lesbian—under a company policy since changed.

As a witness for those supporting the Employment Non-Discrimination Act of 1994 (ENDA), Summerville told her tale at hearings on a bill that would outlaw discrimination on the basis of sexual orientation.

No federal law exists to stop gays and lesbians from being fired for their sexuality—although eight states, the District of Columbia and a number of cities and counties have such laws in place.

"The right to hold a job shouldn't be based on whether someone is black or white, male or female, gay or straight," said Summerville, her Southern voice laced with determination. "It should be based on ability and dedication. That's what I grew up believing. Is that asking too much? I don't think so."

But others think it is asking too much. Opponents of the bill include the conservative Family Research Council. The council's witness, Robert Knight, said ENDA was "less about tolerance than about government forcing acceptance of homosexuality on tens of millions of unwilling Americans."

Despite a defeat on the issue of admitting gays to the military last year and attacks in state legislatures by groups that oppose homosexual rights, gay advocates say they think they can win the battle that is shaping up on Capitol Hill over gay rights in the workplace.

While polls show that only 40 percent of Americans support wider civil rights for gays, including domestic partner benefits and same-sex marriages, a 1992 Newsweek poll showed that 75 percent support laws to protect gays from discrimination in the workplace.

The bill has wide support in Congress. Gay-rights advocates have enlisted religious, business and civil rights leaders as supporters.

The bill faces intense opposition from conservative groups, as well as some reli-

gious groups. Opponents say they believe that government is trying to legislate morality. Gays also do not need protection in the workplace because of their high salaries and high levels of education, opponents say.

Disability Celebration

The disabled community took to the corridors of power last week as official Washington celebrated the fourth anniversary, and final implementation, of the Americans With Disabilities Act. The federal law bars discrimination because of a disability and now applies to all businesses with 15 or more employees.

In a mid-week ceremony at the White House, people in wheelchairs rolled across the South Lawn to join thousands gathered to hear President Clinton promise full enforcement of the ADA.

"Like every civil rights law in our history, the Americans with Disabilities Act is just that. It's about potential; it is not a handout," Clinton told an enthusiastic audience. "We must move from exclusion to inclusion, from dependence to independence, from paternalism to empowerment."

In that spirit, some disability advocates went to Capitol Hill—where their reception was a little less friendly. At one point, police closed off a wheelchair-accessible entryway and would not allow a large group of wheelchair-bound activists to enter—resulting in two arrests. Another group also was arrested when it conducted a sit-in at a congressional office.

Stat of the Week

In the wake of the Walt Disney Co.'s executive turmoil—heart surgery for chief executive Michael Eisner two weeks ago and the death of president Frank Wells in a helicopter crash earlier this year—the issue of succession planning is one that few companies should ignore.

But, according to a recent book on succession planning, "Effective Succession Planning: Ensuring Leadership Continuity," only slightly more than half of companies with 5,000 or more employees have succession programs. And only a small handful of businesses with fewer than 500 workers have any plan at all.

competition and defense spending cuts.

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Re-Engineering Cuts Into Ranks of the

Big Business Laying Off Lawyers, Accountants, Data Technicians and Other Numbers

Associated Press

CHICAGO—Paper pushers, beware. The rush to re-engineer Big Business is putting corporate bureaucrats on the firing line.

Lawyers, accountants, data technicians and other number crunchers are the latest layoff targets as big companies reduce their management staffs to become more responsive to customers.

The largely white-collar computer and telecommunications industries have announced at least 78,000 layoffs this year, and other industries are following.

At Amoco Corp., which announced 4,500 mostly white-collar layoffs recently—the petroleum company's second major round of cuts since mid-1992—Chairman H. Laurence Fuller said too many people were "tossing pieces of paper back and forth and not having a whole lot of impact on the business."

Such seemingly straight talk from a corporate chieftain is rare. Not since former IBM chairman John F. Akers decreed in 1991 there were "too many people standing around the water cooler waiting to be told what to do" had the public heard a prominent executive decry employee deadwood and lard. IBM has since slashed nearly 50,000 jobs, or nearly 16 percent of its payroll.

Still, such sweeping statements from the boss are oversimplifications, say many management consultants and strategists. In their view, businesses should do less chopping and more selective weeding.

"It plays well, but my guess is it doesn't really characterize exactly

what the problem is," said Michael Useem, a professor of sociology and management at the University of Pennsylvania.

He said Amoco and other big U.S. companies are finding that old ways of doing business no longer work. Younger, more nimble competitors are forcing the giants to lighten up by making smarter use of computers and contracting operations to specialized smaller companies.

Other big layoffs announced this year came from Digital Equipment Corp., GTE Corp., Pacific Bell, Nynex Corp. and AT&T Corp.

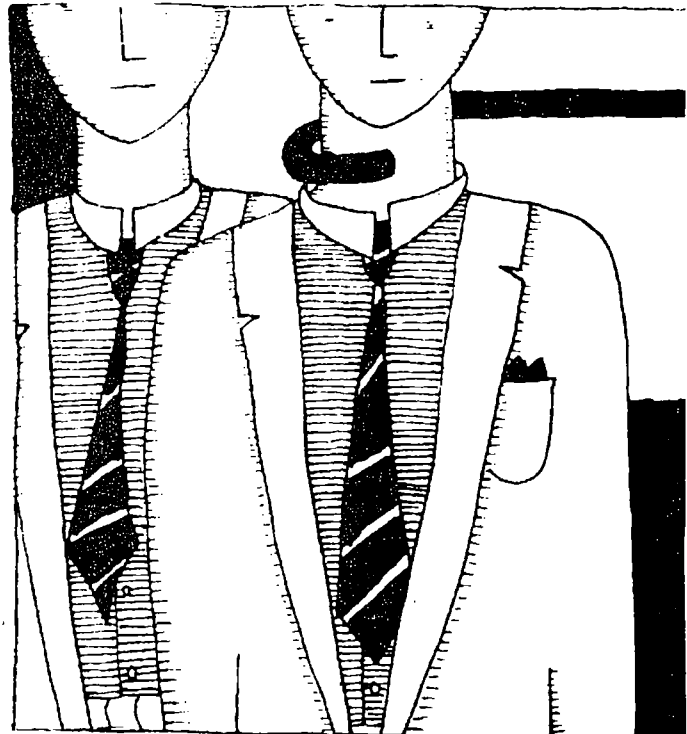
Many of these restructurings are the result of "process re-engineering," the currently hot theory that old-line corporations must refocus on their core businesses and eliminate whatever—and whoever—doesn't contribute to profitability.

"They're saying, 'Let's make product and go out and sell it, and let's not do anything else,'" said John Challenger, executive vice president of Challenger Gray & Christmas Inc., a Chicago-based consulting firm.

The model is Xerox Corp., which has announced 12,500 job cuts since late 1991. About 1,700 of those jobs will shift to Electronic Data Systems Corp., which recently won a \$3.2 billion contract to run Xerox's computer and communications network for 10 years.

Similarly, Amoco announced in April a plan to shed about 400 jobs in West Des Moines, Iowa, by selling its credit-card processing business to Associates Corp.

Dismissing these people as useless paper shufflers doesn't explain how they came to be cluttering up the office, said Mark Shanley, associate professor of management and



BY CHRISTIAN POTTER DUNN FOR THE

strategy at Northwestern University.

"The rhetoric would seem to say the company has been lax in hiring a bunch of deadheads, but that's not the case at all," he said. "What is now being called deadwood was just fine a few years ago."

Corporate bureaucracies developed at a time when big companies could afford to keep armies of professionals on staff.

"Amoco is saying, 'We just don't need 50 attorneys. We don't need that many to continually fight our lawsuits.' And as that business flows back to the law firms, maybe that's where those attorneys go," Challenger said.

He said 60 percent to 70 percent of laid-off white-collar workers go to

work for smaller companies about 90 percent find a better-paying jobs.

Shanley said there is re-engineering.

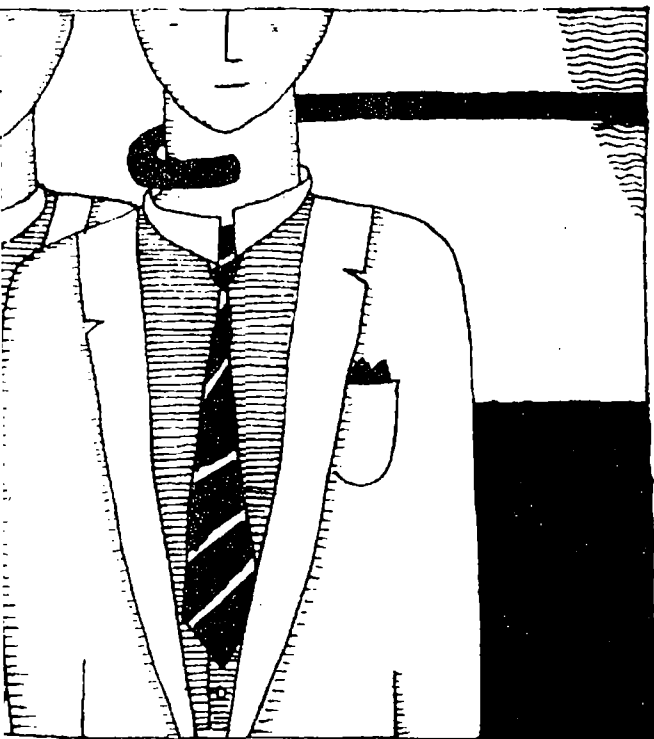
"It has a lot of the appeal of a fad in which companies are re-engineering as a buzzword across-the-board layoff. 'In practice, companies don't devote enough time to find out who contributes and who does not.'"

He said the real messengers at Amoco and elsewhere are the consultants. "When push comes to shove, they justify what you do for them. Those who can't are the most vulnerable to cutback."

your**Money**

Ranks of the 'Paper Shufflers'

a Technicians and Other Number Crunchers in Efforts to Streamline



BY CHRISTIAN POTTER DRURY FOR THE WASHINGTON POST

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work for smaller companies, and about 90 percent find equivalent or better-paying jobs.

Shanley said there is a danger in re-engineering.

"It has a lot of the appearance of a fad in which companies use re-engineering as a buzzword to cover up across-the-board layoffs," he said. "In practice, companies probably don't devote enough time to trying to find out who contributes and who does not."

He said the real message to workers at Amoco and elsewhere is: "When push comes to shove, can you justify what you do for the company? Those who can't are going to be more vulnerable to cutbacks."

Odd Jobs

By Kara Swisher

Washington Post Staff Writer

The Family and Medical Leave Act, which went into effect Aug. 5, 1993, is getting its one-year review, and some of the reports are not good.

Several new studies indicate that businesses are not complying with the law, and that workers still aren't sure of their rights and are not taking advantage of them.

The bill, which had the support of labor, family and women's groups, was finally signed into law last year by President Clinton after years of Republican administration resistance.

Under the act, employees who work at least 25 hours a week are supposed to get 12 weeks' leave to care for children, ill relatives or their own debilitating medical condition. While the leave is unpaid, employers are required to allow it without retribution, continue the employee's health care benefits and give the employee the same or an equivalent job on return from the leave.

The law allows businesses to exempt the top-ranking 10 percent of their employees. Companies with 50 or fewer workers also are exempted. The Labor Department has gotten about 1,000 complaints about violations, most of which have been settled.

But there are early indications that employees and their bosses are not as familiar with the law as they could be. According to one

study by 9to5, a working-women's advocacy group, only about half of workers surveyed had gotten any information about the law from their employers, and some got it only after repeated requests. Two-thirds who took leave said they had difficulties with their bosses.

A study by the University of California at Berkeley of several hundred companies found that 40 percent of them said they had failed to comply with all parts of the law.

And a study by Washington University in St. Louis said the law did spur companies to take a closer look at their leave policies, but that employees were not availing themselves of the leave law. More than half of the human resource managers and others surveyed said that no employees had taken time off under the law. The reason: Most people can't afford it, either financially or professionally.

"The FMLA could be categorized as a major legislative non-event," said Ray Hilgert, the Washington University business professor who conducted the study. "Despite the hoopla, it hasn't done much."

Late for Work

In a recent study by the liquor company Windsor Canadian—seriously, folks—the top five reasons that people gave for being late to work were: traffic, oversleeping, procrastination, home duties and car trouble.

Nearly 27 percent said they had fibbed about why they were late.