

Thank you, *Bill*

I am very pleased, ~~but not what I've wanted to be~~
in front of you today. As I reviewed the roster of participants

and topics for this ~~day~~ conference, I saw the names of
individuals ^{programs} that ~~have looked at me from pieces I have read~~ *the key to our admin*

~~and studied - often at the suggestion of my boss over our 12+~~
~~years together -~~ and I saw names of people to whom I have

~~listened, with whom I've discussed the~~ ^{MCH programs} ~~of our country,~~

the conditions facing our families and their needs and hopes.

And ~~that's where the overwhelmed part comes in...~~ ^{I was somewhat} What can I

add to ~~what has been~~ ^{be excellent} and ~~will be~~ ^{how said} ~~since~~ *Saturday?*
in-depth info you will receive here?

Well, I come to you ^{today} to add my strong commitment and that of the ~~administration~~ ^{President} as well as to reflect with you on the challenges

before us. I might add that if you're like me, a ~~typical~~

~~speaker after a morning~~ ^{several days} packed with stimulating, sometimes

provocative thoughts, well a ~~typical~~ ^{final} speaker is sometimes a

nuisance, you want to TALK about what you've heard,

assimilate it before moving on to the afternoon agenda...so I'll

try to add to that assimilation, be quick, and allow you to

continue your conversation with one another. ~~or leave.~~ *decompress*

I come to visit w/ you not only in your professional roles but in your role as a community member - as

During my short number of years as a classroom teacher and

as an elementary counselor ~~or~~ when I sometimes had children from

homes with outhouses or even a dirt floor, during my

volunteer days when I worked on foster care, juvenile justice

and adult probation issues, throughout my 20 years of

parenting and advocating for a child labelled as cerebral

palsied and retarded as well as through 15+ years of actively working in government...throughout all of this I have mourned most two things:

An increasing poverty of spirit, particularly in children

- whatever their field -
Professionals' piecemeal views of individuals, families and communities

And so, I was particularly gratified to read the name given to this ~~two day~~ conference:

~~New Paradigms & Pathways
Strategies to Reduce Human Poverty~~

And so - again you are a key audience - you
(and then)...INTEGRATING Human Development and Economic Opportunity.

experience daily the faces, the needs of our people.

~~This last part of the title is~~ music to my ears!

In 1986-87, then Governor Clinton was the chairman of the National Governors' Association. Like his predecessor, Governor Clinton decided to have a theme for the year. He talked long and hard about moving the next step from the education project of the previous year. And he talked about how it must be an integration of Human Development and Economic Opportunity....and it wasn't easy convincing people inside and outside the organization that the two should be integrated. Governor Clinton pushed and the project "Making America Work" was one of two parts: one called JOBS, GROWTH AND COMPETITIVENESS and one called BRINGING DOWN THE BARRIERS, barriers which included welfare, teen pregnancy, adult literacy issues, substance abuse, and school dropouts. It all sounds fairly familiar doesn't it? And yet, the dialogue began --- and with each passing year I see more people making that connection,

that need for integration more solidly- but it is not happening quickly enough. I believe this is the greatest "reinventing" that must occur at a policy and program implementation level...we must continue to look hard at how we do business differently to make the ^{a new paradigm} ~~integration~~ real.

In the spirit of full disclosure I must add that for me to be speaking in front of a group exploring urban poverty could be seen by some as rather odd...I grew up in a town of 1500 people and have lived in Little Rock, Arkansas most of my adult life...not quite an urban life experience over these 45 years. But through working on various issues across the country, through reading works by people like William Julius Wilson to whom I am quite grateful...and by learning from Bill Clinton, I believe a number of my rural roots can span the gap.

The Clinton administration has been committed from the beginning to a reinvention of government for families....as you look over our key domestic accomplishments, "family" is central:

critical
-an economic package and indicators which show a good beginning: inflation is down, interest rates are down, the deficit is down, investment is up. And in the ~~last 10~~ *first 10* months, this economy has produced more jobs in the private sector than in the previous four years.

-the Family Leave Law which says you can't be fired if you take a little time off when a baby is born or a parent is sick.

-a reform of the college loan program and national service - all designed to give more Americans a chance to broaden the

availability of further education while in many cases giving those citizens a chance to serve their communities at home, to help repair the frayed bonds of community,

to fill in gaps that pres like you have consistently identified thru the pro.

Walter mentioned

-a change in the Earned Income Tax Credit which on April

15th will give between 15 million and 18 million working

families on modest incomes a tax cut, not a tax increase.

-the introduction of a comprehensive health care reform plan that guarantees health security to all Americans.

But we must do more....we **MUST** do more.

As President Clinton said ~~a little over a week~~ *recently* ago in

Memphis..."I do not believe we can repair the basic fabric of

society until people who are willing to work have work. Work organizes life. It gives structure and discipline to life. It gives meaning and self-esteem to people who are parents. It gives a role model to children.

Further...we cannot, I submit to you, repair the American community and restore the American family until we provide the structure, the value, the discipline and the reward that work gives.

And finally he said that, yes, we will deal with the ravages of crime and drugs and violence, BUT "unless we recognize that it's due to the breakdown of the family, the community and the disappearance of jobs...and unless we say some of this cannot be done by government because we have to reach deep inside to the values, the spirit, the soul and the truth of human

nature...none of the other things we seek to do will ever take us where we need to go."

No, it can't be done by government PROGRAMS in the traditional sense but we in government need help in thinking through how we best stimulate this process of individual, family and community healing and growth, that is where real reinvention must occur.

I am reminded inwardly on a constant basis of what an elderly physical therapist who had dedicated her life to young disabled children told me early in my son's life...she said, "Carol, I don't know a lot of philosophy or theory about programs for children like Hamp, but I think the best thing I can tell you as a parent is to remember the words of Joseph Addison, an essayist, poet "Everyone must have

Something to do

Someone to love

Something to hope for."

**And how right she was and is in the case of not only Hamp,
but people with whom I've worked with and worked for....and
so at each age of life in our quest to reinvent how we
approach the problems of the urban poor we must ask**

**What do they have to do? If a young child, what is the
preschool program available? Can they play, dance, sing, and
soar? If a child, is school relevant? Is school safe? I was
struck ^{one} ~~the~~ morning ^{recently} as I went to my door to get the paper.**

My daughter, in an attempt to make SURE I didn't forget to

call her school early ^{that} this a.m. to let them know she would not be there due to illness had left me a note in front of the door so that I wouldn't miss it...we had quite a round ^{the previous} last night because she didn't WANT to stay home from school...and then I opened the door and the Washington Post stares back at me: **ACROSS U.S., SCHOOLS ARE FALLING APART.** Now, this particular article was about the physical condition of the school plants but I bet you know what I thought...and I ~~thought first of an essay I recently read by Benjamin~~ Barber...and as I read it I thought of the key phrase I learned in an otherwise inadequate higher educational experience designed to prepare me to teach elementary school...I was taught there are two educations, one should teach us how to make a living and the other how to live. We do too far little of heeding that maxim.

Until our communities get as fired up about our schools as we/they do about athletic teams, car manufacturing plant locations, Olympic sites, etc. we won't have a good answer to the question: What have we given the children – young and adolescent to DO?

And for adults: What do they have to do?

Number 2: Someone to love...and we all know that before you can love another, you must love yourself. Think about children's faces you've seen in urban ^{or rural} poor neighborhoods, adults you've passed on those streets....do they have much to love about themselves? Many don't and therefore we can't truthfully expect the love to flow outward.

Number 3: Something to hope for...My daughter who didn't want to miss a day of the eighth grade ~~has~~ has many hopes and I both thrive in that gleam of hope in her eyes constantly look for ways to nurture and keep that sparkle present...help me, help our administration look for ways to create that hope for all citizens of this great country. Health security frees up a family for hopes and dreams, safer streets help free children to look at what education can be for them...but untreated ear infections, uncorrected vision problems, lack of immunizations, school buildings in AMERICA where children must wear their coats in order to be warm enough to even begin to pay attention...and we wonder where hope has gone?

Empowerment
In the ~~Enterprise Zone~~ *Enterprise Comm. program* we have a new opportunity to test our real commitment to reinvention...will we truthfully recognize the need for integration of human development and *paradise a new pathway*

13
not entirely new a real

economic opportunity? Will we work hard to listen to the communities chosen, follow their lead on how much assistance they need and want, and look for ways to intervene very differently from before? ways that seek to assist individuals to reach down inside themselves? Or will we simply designate the zones, the communities and sit here waiting on quarterly reports, make a site visit or two.

I was delighted to see that on the program here among others is Otis Johnson from Savannah. Otis is someone I see as an embodiment of the type reinvention that must occur...the Annie E. Casey New Futures Projects are learning a lot about communities and I encourage you to take the opportunity to visit with him. Person to person contact is quite visible in these projects...we need more of it. ~~It is a program that~~ recognized early on the real links between human

successful

HERE

development and economic opportunity -- ^{what} ~~and~~ the struggles
some of us ^{have} had in our communities bringing those two
"camps" together was and is a great learning experience.

To put things bluntly, it isn't often we see in a community
whether a block, a zone, in the power centers of a large city,
in the boardroom, public or private...it's not often we find
social workers, health care outreach personnel, early
childhood and K-12 front line educators, government workers
and "big business" types sitting down together...each has had
their own niche and seldom the twain have met. I submit to
you that until each side – human development and economic
development are willing to sit at a common table – real
reinvention of government ^{genuinely new paradigms} for families will not occur. We can
make application procedures simpler for families seeking help,
we can legislate incentives and tax credits, we can give health

security, we can write more meaningful standards for our students... all on the one side known as human development and we can talk about investments, deficits, inflation, job creation, etc. on the economic development side but until we recognize that giving people at every age

(1) something to do;

(2) someone to love; and

(3) something to hope for

are all a part of a mandatory whole just as people and families and communities are both parts and "whole" entities"...

we will not have accomplished the task before us.

In closing I am reminded of two pieces that haunt me, motivate me in this area of thought. One, in my freshman philosophy course at Hendrix College in Arkansas, Dr. Ellis repeatedly pounded the table in his quest to motivate us to go out into the world and face the adversity necessary to make positive change, admonishing us to remember that saying from THE PRINCE: "There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things." We have not a choice, we must take this moment in time to introduce a new order, ^{as a new paradigm} for our families. For as Governor Clinton said back in 1987 as we closed our year's work on MAKING AMERICA WORK: America won't work if Americans can't work, or learn, or believe in the promise of tomorrow.

And finally -
Thank you.

The bottom line in DonPaley
Every child shall be
empowered to develop
to her/his full potential.
Whose face are you imagining? M-M

I seized the moment - I did my best - I said my best - Let's just say "We did our best!"
I seized the moment - I did my best - I said my best - Let's just say "We did our best!"

ICESA 1994 WINTER MEETING

March 9-11
Hyatt Regency Capitol Hill

WEDNESDAY, MARCH 9

- 8:30 a.m. - 5:00 p.m. **BOARD OF DIRECTORS MEETING**
- 8:30 a.m. - 5:00 p.m. IAPES Presidents' Training
- 12 noon - 7:00 p.m. Registration
- 6:00 p.m. - 7:30 p.m. **WELCOMING RECEPTION**
-

THURSDAY, MARCH 10

- 7:30 a.m. - 11:30 a.m. Registration
- 7:30 a.m. - 8:30 a.m. Continental Breakfast
- 8:30 a.m. - 12:30 p.m. **JOINT PLENARY SESSION WITH THE
EMPLOYERS NATIONAL JOB SERVICE COUNCIL**
- Welcome
 Honorable Andrew N. Richardson
 ICESA President and Commissioner, West Virginia
 Bureau of Employment Programs
- Presentation of State Administrator of the Year Award
 ENJSC President
- Welcome to Washington
 Honorable Sharon Pratt Kelly
 Mayor, District of Columbia (invited)
- Lane Kirkland*
 AFL-CIO President (invited)
- 10:30 a.m. Break
- 11:00 a.m. *Honorable Carroll A. Campbell, Jr.*
 Governor of South Carolina
 Chairman, National Governors' Association
- 11:45 a.m. *Honorable Carol Rasco*
 Assistant to the President for Domestic Policy

THURSDAY, MARCH 10

12:30 p.m.

Adjourn

Lunch (on your own)

12:30 p.m. - 2:30 p.m.

WORKFORCE JOURNAL EDITORIAL BOARD MEETING

1:30 p.m. - 4:30 p.m.

IAPES Presidents' Training

Afternoon

CONGRESSIONAL VISITS

1:00 p.m. - 4:30 p.m.

REINVENTION WORKTEAM

Presiding:

*Honorable John R. Robinson, Deputy Assistant Secretary,
Employment and Training Administration*

6:00 p.m. - 7:30 p.m.

**RECEPTION IN HONOR OF GOVERNORS'
WASHINGTON REPRESENTATIVES**

FRIDAY, MARCH 11

8:00 a.m. - 9:15 a.m.

PLENARY BREAKFAST

Honorable Robert Reich, Secretary (invited)

--The Workforce Security Vision

*Honorable John R. Robinson, Deputy Assistant Secretary,
Employment and Training Administration*

--Re-engineering the Employment Service and
Unemployment Insurance System

9:30 a.m. - 11:30 a.m.

POLICY FORUMS

I. Re-engineering in the Public Sector

*Dr. Jerry Mechling, Ph.D., Director, Strategic
Computing and Telecommunications in the Public
Sector, John F. Kennedy School of Government,
Harvard University, Massachusetts (invited)*

II. Performance Benchmarks

*Dr. David Sirota, Ph.D., Chairman, Sirota & Alper
Associates, Inc.*

III. Capacity Building

IV. Empowering Workteams to Increase Productivity

*Dr. Jerry Koehler, Deputy Secretary, Florida
Department of Labor & Employment Security*

12 noon - 1:00 p.m.

Lunch

1:00 p.m. - 3:00 p.m.

PLENARY SESSION

*Honorable Doug Ross, Assistant Secretary, Employment
and Training Administration, U.S. Department of Labor*

--Reports from the Policy Forums

--Remarks on the Future

--Dialogue

3:00 p.m. - 5:00 p.m.

REINVENTION WORKTEAM

Presiding:

*Honorable John R. Robinson, Deputy Assistant Secretary,
Employment and Training Administration*



JAN 31 1994

JAN 31 REC'D

INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.
SUITE 142, 444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001, 202/628-5588

January 26, 1994

FAX # 202/783-5023

Ms. Rosalyn Miller
Executive Assistant for Domestic Policy
The White House
Washington, DC 20500

Dear Ms. Miller:

We are absolutely delighted that Ms. Rasco has agreed to speak to participants at ICESA's 1994 Winter Meeting.

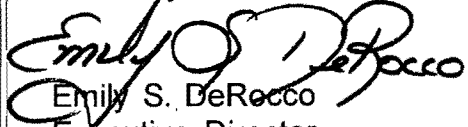
To confirm our telephone conversation, we have scheduled her remarks for 11:45 a.m., Thursday, March 10, as you requested. She will be addressing a joint plenary session of the Interstate Conference of Employment Security Agencies and the Employers National Job Service Council (ENJSC). As you know, ICESA members are the state secretaries, directors, and commissioners of labor programs, and the ENJSC organization includes 30,000 private business owners and employers nationwide. This plenary session will be in the Regency B&C Room of the Hyatt Regency on Capitol Hill, 400 New Jersey Avenue, NW. Our past president, Bill Gaddy, Arkansas' Director of Employment Security, will introduce Ms. Rasco.

I am enclosing a draft copy of our agenda for the entire meeting. As you can see, Ms. Rasco will follow the Chairman of the National Governors' Association, Carroll A. Campbell, Jr., Governor of South Carolina. We are still confirming speakers for earlier that morning, but we are hopeful Lane Kirkland, President of the AFL-CIO, will confirm his remarks for just prior to the morning break. I hope this draft agenda helps define the "context" of the meeting for Ms. Rasco.

Also for your information, I am enclosing a packet of information on ICESA and our program priorities. The chart is particularly illustrative of the many domestic issues and priorities addressed by the employment security system.

If you need any additional information or assistance, please don't hesitate to call us. Again, many thanks for your help and for Ms. Rasco's acceptance of our invitation.

Sincerely,


Emily S. DeRocco
Executive Director

Enclosures

HEALTH CARE MESSAGE STATEMENT

Here's how the President's health reform works:

- **Guaranteed private insurance.** We want to guarantee private insurance coverage to every American. Comprehensive coverage that can never be taken away.
- **Choice.** We want everyone to have the right to choose their own doctor and their own health plan. We want to make sure you get high-quality care by giving you the choice, not your boss or insurance company.
- **Outlawing unfair insurance practices.** We want to make it illegal for insurance companies to jack up your rates or drop you if you get sick, charge older people more than younger, or take away your benefits. That's how you'll get affordable insurance you can depend on.
- **Protection of Medicare.** Medicare will stay as it is now. Older Americans have a right to count on Medicare and choose their doctor. We also want to cover prescription drugs and begin to cover long term care.
- **Health benefits guaranteed at work.** Every job should come with health benefits. Most jobs do today. And yet 8 out of 10 Americans who have no insurance do have jobs. We want everyone to have health benefits guaranteed at work. The government will provide discounts for small businesses and help cover the unemployed.

Everyone will be covered.

Everyone.

Everyday. Always.

THE PRESIDENT'S HEALTH CARE REFORM: **Understanding What It Means For You and Your Family**

I. Introduction: The Health Care Crisis

II. A Vision of Health Security

1. Guaranteed private insurance for everyone
2. Choice of doctor and health plan
3. Outlawing unfair insurance practices
4. Protection of Medicare
5. Health benefits guaranteed at work

III. Conclusion: The President's Reform Works For You

Introduction: The Health Care Crisis

1. They say there's no crisis, but they're wrong.

A. Even if you have good insurance today, you can lose it tomorrow.

2 million Americans a month lose their insurance.

B. You're getting cheated by insurance company fine print.

81 million Americans have "pre-existing conditions" that insurers use to raise rates or deny coverage. 3 out of 4 insurance policies have lifetime limits that cut off benefits when you need them most.

C. You're paying more and getting less. And your choices are declining.

2. The insurance companies don't like the President's reform. But the President didn't design his reform for the insurance companies -- he designed it for you.

3. So don't let the insurance companies tell you what to think. I'm here to tell you how the President's reform will protect you and your family from a future of being squeezed -- getting lower-quality care, fewer choices and higher bills.

4. The bottom line is this: the President wants to strengthen what's right about our health care system and fix what's wrong in order to guarantee private insurance to every American.

A VISION OF HEALTH SECURITY

Here's how the President's health reform will work.

1. **Guaranteed private insurance.**

The President's proposal will guarantee every American private health insurance. Comprehensive coverage that can never be taken away.

Everyone will get a Health Security card that will guarantee:

- Benefits as good as what America's biggest companies offer and what members of Congress get. Your benefits will include prescription drugs and preventive care -- things often not covered today.
- Protection against the devastating costs of serious illness. That means a low deductible and absolutely no lifetime limits on your benefits.

Contrast:

America faces 3 choices:

- government insurance for everybody
- leaving people without insurance
- guaranteed private insurance

The President has told the Congress he will veto a bill which doesn't cover everybody because it's not real reform.

2. Choice of doctor and health plan.

You will:

- choose your doctor
and
- choose your health plan.

We want to make sure you get high-quality care by giving you the choice, not your boss or insurance company.

With your Health Security card, you'll be able to follow your doctor to any plan you choose:

- a plan where you can see any doctor in your community -
- they call these "fee for service" plans
- a network of doctors and hospitals
- or an HMO

We're against forcing people into HMOs.

Contrast:

If we do nothing, more and more employers will try to cut costs by limiting your choice of plan and doctor.

3. Outlawing unfair insurance practices.

We need a system of coverage that guarantees affordable insurance people can depend on.

That's why the President's reform makes sure that insurance companies don't boost premiums faster than your wages go up.

It will also be illegal for insurance companies to:

- 1) increase your rates if you get sick
- 2) drop your coverage
- 3) use "lifetime limits" to cut off your benefits
- 4) charge older people more than younger people
- 5) take away your benefits
- 6) use more than one standard claims form

That's why the insurance companies have spent over \$14 million on advertising to scare the American people and block the President's plan -- but you know, the President designed this plan for the American people, not the insurance companies.

Contrast:

You will continue to be at the mercy of the insurance companies -- which means they could raise your premiums unreasonably, increase your rates or drop your coverage when you get sick, take away your benefits or charge you more if you're older or have a "preexisting condition."

You will continue to pay more and get less.

4. Protection of Medicare.

The President believes very strongly that health reform must be good for older Americans. That's why his proposal preserves and protects Medicare.

The American Association of Retired Persons (AARP) says that the President's approach is the "best option for senior citizens."

Older Americans will have:

- the right to choose their doctor
- new prescription drug coverage
- some long term care protection

Contrast:

The President wants to make sure that every penny of Medicare money is used for seniors.

But others want to take Medicare money away from seniors.

5. Health benefits guaranteed at work. We want everyone who works to get health insurance at work, with employers and employees both paying part of the cost.

This is the best way to make sure everyone has coverage because:

- That's where nine out of ten Americans with private insurance get it today.
- Eight out of ten people without insurance are in working families.

Small businesses will get discounted insurance. And the government will help older Americans, the unemployed and people between jobs. It's not right that people who leave welfare for work are often forced to give up their benefits.

If you're working, your employer and you will share the costs. Your employer will pay at least 80% of the premium. You'll pay the rest.

Contrast:

Others want to encourage your boss to cut back your benefits and put the burden solely on your family.

III. Conclusion: The President's Reform Works For You

1. So that's how the President's reform works.

- Guaranteed private insurance.
- You choose your doctor and health plan -- not your boss or insurance company.
- Outlawing unfair insurance practices.
- Protection of Medicare.
- Health benefits guaranteed at work.

Now it's up to us to stand with the President against the special interests.

2. The President's reform works for you and your doctor. That's why the people on the front lines -- America's largest associations of nurses, family physicians, pediatricians and pharmacists -- support it and believe it will work.

3) Opponents will try to confuse the issue by making it seem more complicated, but it's really pretty simple:

- If the President's reform passes, you'll know this: You'll get a Health Security card which guarantees you that you can pick any doctor you want, fill out one form, and you're covered.

4) This is the right thing to do, and with your help, it's going to happen this year.

The Changing Labor Market and the Need for a Reemployment Response



U.S. Department of Labor
December 1993

1 Introduction and Summary of Findings

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

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

The new labor market dynamic is evident in several ways:

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

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

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

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

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

Labor Market Transitions: Old vs. New

Old view of unemployment

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

Old Response

Unemployment insurance and other benefits to tide workers over.

Scattered categorical dislocated workers programs dependent on cause of job loss.

Occasional, mostly short-term training for dislocated workers; not cost-effective.

New reality

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

New Approach

Supplement unemployment assistance with "reemployment" assistance.

Comprehensive dislocated workers assistance, with one program for all workers.

Job search assistance that passes cost-benefit test.
Long-term training emphasized to reflect increased skill demands of the economy.

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

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

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

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

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

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

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

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

2 The Problem

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

Displaced Workers

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

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

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

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

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

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

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

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

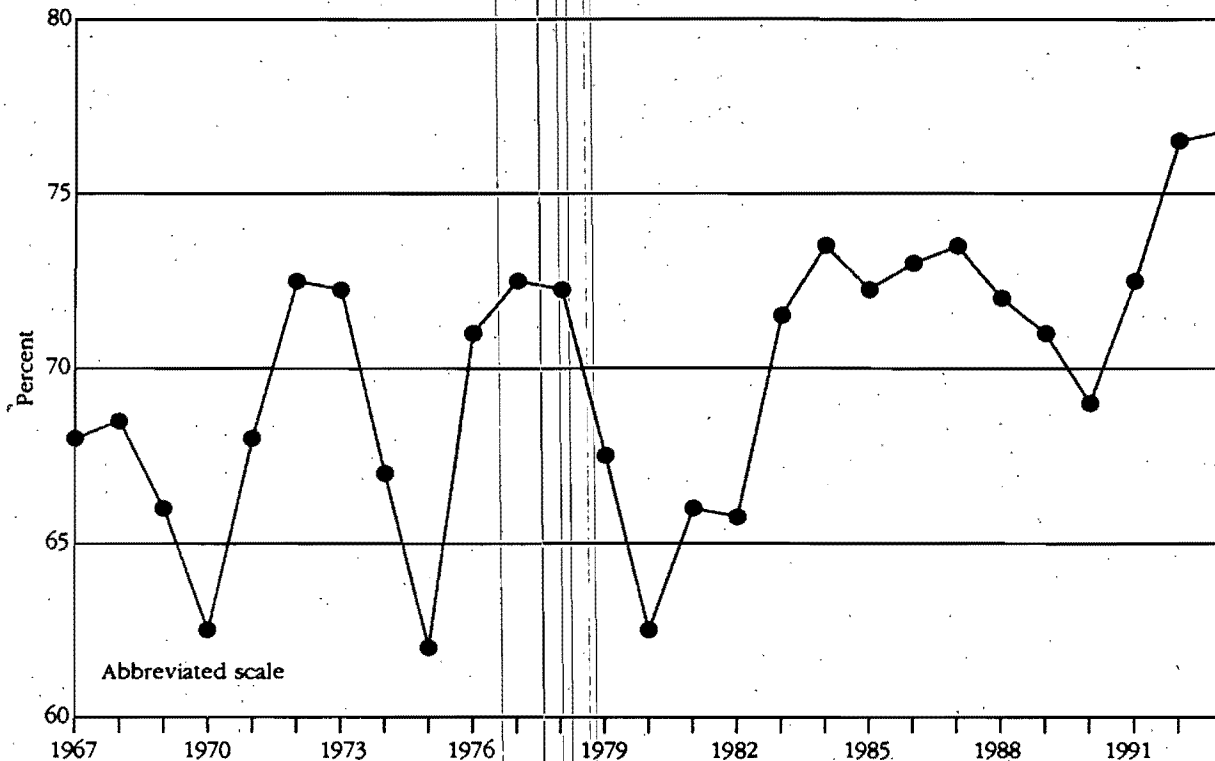
- From 1981 to 1990, an average of nearly two million full-time workers a year were displaced from their jobs. Significant numbers of workers were displaced when overall unemployment was rising and when it was falling.
- In 1990, some 2.2 million full-time workers were displaced. This was the second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

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

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

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

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



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

Temporary vs. Permanent Layoffs

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

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

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

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

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

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

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

Table 1
Long-term Unemployment Trends

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

* Data through September 1993

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

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

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

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

Long-term Unemployment

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

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

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

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

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

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

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

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

1993 and Beyond

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

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

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

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

recovery picks up. This is true for several reasons:

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

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

3 The Costs of Labor Market Transitions

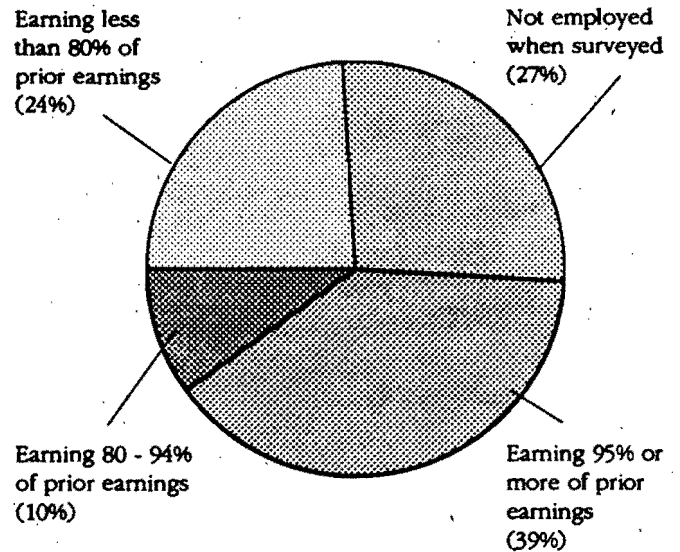
The most obvious costs of involuntary labor market transitions are to workers themselves. The CBO study cited earlier attempted to quantify some of the employment and earnings effects of economic dislocation. Based on surveys of displaced workers one to three years after they had lost their full-time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

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

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

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

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



Source: CBO tabulations of CPS data

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Costs of Involuntary Labor Market Transitions

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

1. Losses to Workers

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

2. Costs to the Government

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

3. Decreased Economic Output Because Workers are Idle or Underemployed

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

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

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

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

4 A Reemployment Approach

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Effects of Government Policies on Worker Dislocation

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

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

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

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

U.S. Department of Labor

Office of the American Workplace
Office of Work and Technology Policy
Washington, D.C. 20210



DETERMINED TO BE AN ADMINISTRATIVE
MARKING Per E.O. 12958 as amended, Sec. 3.2 (c)

Initials: RP Date: 8-19-05

~~CONFIDENTIAL~~

MEMORANDUM FOR SYLVIA MATHEWS
NATIONAL ECONOMIC COUNCIL

FROM: ROB PORTMAN
DEPARTMENT OF LABOR *RP*

CC: TOM GLYNN
KITTY HIGGINS
JACK DONAHUE
LARRY KATZ
BONNIE DEANE

RE: HIGH QUALITY JOBS PAPER

DATE: FEBRUARY 22, 1994

Per our conversation this morning, I am enclosing a revised draft of the paper that compiles key Clinton Administration initiatives intended to spur the creation of high quality jobs. I have deleted jobs estimates tied to specific initiatives and included some FY 1995 budget numbers. We are still working on filling in gaps.

It is my understanding that you will be asking the NEC Committee on Education and Training (I assume this is the Paul Diamond/Bonnie Deane Working Group) and/or the G-7 Jobs Conference Committee to discuss this paper and its potential uses. You said you will not be raising this with the NEC Principals Committee. I am including a copy of my previous memo to you on this issue as background for others.

As you know, we are hoping to use this paper to support our campaign for the Reemployment Act and possibly in support of the G-7 effort as well. The sooner we can get feedback, the better. Thanks again for your help.

Enclosures

*Needs better framework
- lifelong learning
- job changes*

DETERMINED TO BE AN ADMINISTRATIVE
MARKING Per E.O. 12958 as amended, Sec. 3.2 (c)

Initials: R Date: 8-19-05

U.S. Department of Labor

Office of the American Workplace
Office of Work and Technology Policy
Washington, D.C. 20210



~~CONFIDENTIAL~~

MEMORANDUM FOR SYLVIA MATHEWS
NATIONAL ECONOMIC COUNCIL

FROM: ROB PORTMAN
DEPARTMENT OF LABOR *RP*

CC: TOM GLYNN
KITTY HIGGINS
JACK DONAHUE
LARRY KATZ

RE: HIGH QUALITY-JOBS PAPER

DATE: FEBRUARY 2, 1994

As we discussed yesterday, I am enclosing a copy of a draft paper we have been preparing that attempts to compile key Clinton Administration initiatives intended to spur the creation of high quality jobs. It does not include workforce development initiatives like school-to-work, skill standards, or the Workforce Security Act. This paper will be part of DOL's response to the "Where are the Jobs?" question. We are open to other possible uses. For the most part, the information on the initiatives, including budget numbers and job estimates, came directly from the various departments and agencies. BLS supplied some of the job estimates.

We would greatly appreciate it if Gene and others at the NEC could review and comment on this draft. We are particularly interested in feedback in the following areas:

- ▶ Is the introduction on the mark?
- ▶ Have we left out any key initiatives? Have we included any initiatives that should be omitted?
- ▶ Have we properly described the initiatives?
- ▶ Are there other policy areas that we have missed? Should we drop any of the policy areas covered?
- ▶ Should we include specific jobs estimates?

Any other comments or suggestions would be welcome and appreciated. As we discussed, Secretary Reich would like to tightly limit the circulation of this document for the time being. He has also asked that we turn this around as quickly as possible. Please call me at 219-6045 if you or others have questions. Thanks very much for your help.

DETERMINED TO BE AN ADMINISTRATIVE
MARKING Per E.O. 12958 as amended, Sec. 3.2 (e)

Initials: RW Date: 8-19-05

~~CONFIDENTIAL DRAFT~~

2/22/94

**INVESTING IN PEOPLE AND PROSPERITY:
A REVIEW OF KEY CLINTON ADMINISTRATION INITIATIVES
TO SPUR THE CREATION OF HIGH QUALITY JOBS**

INVESTING IN PEOPLE AND PROSPERITY:
A REVIEW OF KEY CLINTON ADMINISTRATION INITIATIVES
TO SPUR THE CREATION OF HIGH QUALITY JOBS

INDEX

INTRODUCTION	1
Meeting The High Quality Jobs Challenge	1
The Clinton Job Creation Strategy	3
KEY HIGH QUALITY JOBS INITIATIVES	6
A. Trade Policy	6
▶NAFTA	7
▶GATT	7
▶TPCC Export Promotion	7
▶Environmental Technologies Export Working Group	7
B. Technology Policy	8
▶National Science and Technology Council	9
▶Defense Technology Conversion	9
Civilian Technology Investment	9
Dual-Use Technologies/TRP	9
▶Technology Design and Deployment	10
Advanced Technology Development	10
Manufacturing Extension Partnership	10
▶The Information Superhighway	11
National Information Infrastructure	11
Telecommunications Restructuring	11
▶Cooperative Agreements	12
▶Energy Technologies	12

	▶Intelligent Vehicle/Highway Systems Program	12
	▶Next Generation High-Speed Rail	13
C.	Health Care Reform	13
D.	High Performance Work Practices	13
	▶Chicago Conference	14
	▶Office of the American Workplace	15
	▶National Workforce Assistance Collaborative	15
	▶National Center on the Workplace	15
	▶NSF Research	15
E.	Housing Policy	16
	▶Low-Income Housing	16
	MRBs/Tax Credits	16
	HUD Programs	16
	Rural Housing	17
	▶Step-Up Program	17
F.	Community and Economic Development	17
	▶Enterprise/Empowerment Zones	18
	▶Community Development Financial Institutions Fund	18
	▶Community Reinvestment Act Review	18
	▶Essential Community Facilities	18
	▶Pacific Northwest Forest Management Plan	19
G.	Small Business Assistance	19
	▶Low Documentation Loans	19
	▶Debt and Equity Capital Guarantee Programs	19
	▶Tax Incentives	20

	▶Defense Set-Aside Contracts	20
	▶Rural Business Development	20
H.	Infrastructure	20
	▶Highway Construction/Maintenance	21
	▶Airport Investment	21
	▶Transit System Investment	21
	▶Rail Service Investment	21
	▶Shipyards Revitalization	21
I.	Environment and Energy	21
	▶Clean Car Initiative	22
	▶NADBank	22
	▶Base Clean-Up Program	22
	▶Energy Conservation	23
	▶Water and Waste Disposal	23
	▶DOE Waste Reduction Program	23
CONCLUSION		23

~~CONFIDENTIAL-DRAFT~~

2/22/94

INVESTING IN PEOPLE AND PROSPERITY:

A REVIEW OF KEY CLINTON ADMINISTRATION INITIATIVES TO SPUR THE CREATION OF HIGH QUALITY JOBS

INTRODUCTION

Meeting The High Quality Jobs Challenge

At the time of the 1992 election, the U.S. economy was in the grips of a deep and persistent recession. Unemployment ballooned to 7.7 percent in June 1992, and job creation was at a virtual standstill. Economic growth was stalled by high interest rates and burgeoning federal budget deficits. President Clinton promised to turn the economy around, and he has kept his word.

Today, most of the leading economic indicators show the U.S. economy is on the road to recovery. The gross domestic product, a national scorecard of economic activity, grew at a 5.9 percent [update] annual rate in the last quarter of 1993 and 2.9 percent for the whole year. Residential construction rose 31.7 percent, personal consumption expenditures advanced 4.0 percent, and business investment surged 21 percent.

Most importantly, the jobs are coming back. The unemployment rate is down to 6.4 percent [update], the lowest rate since early 1991. With the creation of nearly 2 million jobs in 1993, the Clinton Administration is delivering on its pledge to create 8 million jobs by 1996. In fact, almost twice as many new private sector jobs were created in 1993 than during the entire four years of the Bush Administration. These job increases were widespread, with 57 percent of all industries expanding employment.

~~Most of the new jobs created last year were good jobs --~~ ^{The bulk} jobs that pay a family wage, help workers develop specific skills, and provide career opportunities. In fact, about one-half of the 1993 increase in employment occurred in high-paying managerial and professional occupations. The number of persons employed in these professions, and in the higher paying technical, sales, administrative, craft, and precision production jobs grew at more than 1-1/2 times the overall rate of employment growth.

Studies of ^{turnover} ~~changing~~ in the labor market offer more good news. Many good jobs arise from turnover, adding to the stock of high quality job openings, though not to the net increase. About 10 percent of jobs turnover in the manufacturing sector each

year, for example. This amounts to nearly 2 million openings in the manufacturing sector alone, indicative of the remarkable fluidity in job opportunities across industries and locations in the U.S. economy. About 40 percent of this turnover in manufacturing takes place in high wage industries -- fabricated metals, transportation, electronic machinery, and nonelectric machinery.

Notwithstanding the rapid growth of output and employment, inflation has remained subdued. After rising at an annual rate of 3.8 percent in the first quarter of 1993, CPI inflation slowed to a 2.7 percent rate for the year.

Despite this good news, many Americans are still anxious about their economic future. One cause of this anxiety is a growing gap between upper and lower-income workers. Wages and incomes in the U.S. have become more unequal since the early 1970s. They have risen for upper-income workers, remained stagnant for the middle class, and fallen for those at the bottom. In no other advanced industrialized nation is the income gap so wide between the managers and professionals and production workers.

This income disparity is closely tied to educational achievement. Through the 1980s, the incomes of the 70 percent of Americans who do not have a college degree were on a steeply sloping downward trend. The average hourly wage of high school graduates fell 12 percent from 1979 to 1991, after factoring in inflation, rose slightly for those with a college degree, and rose by 8 percent for Americans with at least two years of graduate school. The wages of those without a high school degree fell off the charts, decreasing by more than 20 percent in real terms.

Although white collar workers experienced a higher than usual level of unemployment during the most recent recession, the current unemployment rate for these workers is only 4.2 percent, compared to 9 percent for blue collar workers. The figures are even more distressing when education is brought into the picture. The current unemployment rate for college graduates is only 3.2 percent, less than half the 6.8 percent rate for high school grads that did not attend college. The unemployment rate for high school dropouts is a staggering 11.4 percent.

As previously noted, more than half of the new jobs created in the past year went to managers and professionals. By and large, these jobs require a college education or the equivalent. More than ever before, education is the ticket to prosperity and economic security in America.

Could this
around
WSP
you
you
you

The news is not all bad for non-college workers. The Bureau of Labor Statistics projects a 10 million increase in the number of job openings over the 1992-2005 period for higher-skilled, higher-paying jobs not requiring a college degree, or an annual average of 770,000.

Still, we can, and we must, do better.

The growing income disparity between college and non-college workers is due, in part, to the loss of relatively high paying jobs in the manufacturing sector. Technological advances and increased foreign competition have forced many American manufacturers to abandon high volume mass production in favor high value, higher-skilled, more flexible manufacturing methods. The new work in manufacturing requires people to produce goods and services with their minds, not their hands. Unfortunately, too many workers lack the skills and experience to compete effectively for these jobs.

The disappearance of lifelong jobs is further fueling American anxieties. American workers once took job security for granted. In the old days, if a factory worker were laid off, he or she could reasonably expect to be rehired by the same company after a short period of unemployment. Today, if such a worker is laid off, he or she faces the threat of long-term unemployment and the prospect of finding a new job in another field or industry requiring completely new skills.

This state of economic angst leaves the Clinton Administration with two related challenges. First, we must create a system of lifelong learning, skill development, and employment services that will give all workers, not just those who are college graduates, a legitimate opportunity to compete for high quality jobs in the new economy. Second, we must take steps to encourage the creation of high quality jobs and career paths for all Americans, not just the college educated.

The Clinton Job Creation Strategy

The Clinton Administration has developed and is implementing a comprehensive strategy to address both of these challenges. On the human investment side, the Administration has proposed the Goals 2000: Educate America Act to reform our education system and promote lifelong learning for all Americans. We simply must develop an educational system that adequately prepares American workers for the new jobs in our economy. We have also taken innovative steps to improve the existing system for school-to-work transition and to develop an occupational skill standards program for millions of Americans who choose not to attend

lifelong learning
Job Change
Skills

college. Likewise, the President has appointed a special task force to recommend changes in the welfare system to help public aid recipients get back to work. For those who lose their jobs, the Administration is preparing an improved and consolidated retraining and reemployment system to help workers enhance their skills and find new and better jobs more quickly.

On the jobs side, the Clinton Administration will continue to take steps to boost the macroeconomy. Continued budget discipline will keep interest rates down and employment growing. With the momentum of investment in business equipment, new homes, new automobiles, and other consumer durables, the economic recovery has become self-sustaining. Employment growth is on track to meet the President's goal of 8 million jobs over four years. And the unemployment rate is falling faster than economic forecasters have predicted.

But it is not enough simply to create new jobs; we must also create better jobs; jobs that pay a decent, family wage, help workers develop specific skills, and offer career opportunities. And we must create these jobs for everyone who is willing to work hard and apply him or herself, not just college-educated workers.

The Clinton Administration has taken major steps to meet this challenge, tailoring our domestic agenda around certain key policy spheres that have a proven track record for spurring high quality job creation. For instance, it is well-established that the majority of new, good jobs will likely be tied in some way to expanded foreign trade opportunities and the development and deployment of new technologies, particularly information technologies. There also is mounting evidence that policies to encourage the private sector to adopt flexible, participative Workplace practices are likely to lead to the creation of better jobs, as well as better business results. Public investments in housing, energy and environment, small business loans and loan guarantees, infrastructure, and tax credits will continue to be effective tools for stimulating the growth of high quality jobs.

The Administration's domestic strategy is focused on these key job-sensitive policy spheres. The President has developed an aggressive foreign trade strategy and a comprehensive technology policy designed to help the private sector deploy new technologies as quickly and efficiently as possible. The Administration has also undertaken steps to improve the quality of workplace practices and the related competitiveness of American businesses. Additionally, the Administration has made substantial investments in housing, economic development, the environment, and the nation's infrastructure that are expected to help create high quality jobs.

The remainder of this document focuses more specifically on the Administration's efforts to meet the high quality jobs challenge. It describes the key Administration initiatives to spur the creation of good jobs for all Americans. It is not intended to be an exhaustive listing or to provide a comprehensive summary of each initiative. Rather, it describes the major job-creation initiatives that have been started in the President's first year in office and gives some indication of the scale and impact of each initiative.

This paper demonstrates the Clinton Administration's commitment to creating a better economic future for all Americans. We're not all the way there yet. But the following initiatives show we have made an impressive start.

KEY HIGH QUALITY JOBS INITIATIVES

A. Trade Policy

Opening foreign markets and promoting exports of domestically produced goods and services is a central element of President Clinton's strategy for creating high quality jobs. The United States is already the world's largest exporter. Canada, Japan, Mexico and Latin America, and Western Europe are our leading export markets. Yet our potential export arena is vastly larger -- more than 3 billion people -- with new markets emerging in the Pacific Rim countries, Central and Eastern Europe, the newly independent states of the former Soviet Union, China, Africa and India.

Exports contribute substantially to our economic growth and employment base. Millions of Americans are employed in manufacturing and service businesses that depend on exports. These export-related sectors have become the fastest growing in the U.S. economy. One in five of our jobs today is tied directly or indirectly to international trade. Merchandise exports alone support more than 7 million jobs -- up over 40 percent since 1986, and exports of services create several million more jobs for American workers. The Commerce Department estimates that roughly one-third of U.S. manufacturing companies -- slightly more than 100,000 firms -- export manufactured goods.

Every \$1 billion in U.S. merchandise exports generates approximately 20,000 new jobs. The largest share of these new jobs generated by exports is in the manufacturing sector. In fact, export growth has accounted for nearly all new jobs created in the manufacturing sector since 1986.

For the most part, export-based industries provide good jobs. Workers in export-related jobs earn about 17 percent more than average.

The Administration has undertaken numerous initiatives to remove foreign trade restrictions, open foreign markets, stimulate export growth. These programs will help spur the creation of millions of new jobs by the year 2000. The sectors expected to benefit most from increased exports include trade, transportation, computer equipment, durable manufacturing, and a host of service industries including management and business services, finance, insurance and real estate.

The following is a sampling of the Administration's key trade initiatives:

▶ **NAFTA**

The President negotiated the side agreements for the North American Free Trade Agreement (NAFTA) and convinced Congress to approve it. By creating a free trade zone between Mexico, the United States, and Canada, NAFTA will enhance the ability of American manufacturers to compete in Mexico. NAFTA creates the largest and richest market in the world -- 360 million consumers and more than \$6 trillion in annual output.

▶ **GATT**

To further open world markets and create high quality jobs, the Administration completed the Uruguay Round of GATT negotiations on December 15, 1993. If all countries approve the pact, it will be signed in Marrakech, Morocco, in mid-April. A World Bank/International Monetary Fund study concluded that approval of GATT will result in global income growth of \$200 billion per year by the year 2002. Of that \$200 billion, the U.S. will account for \$20 billion.

▶ **TPCC Export Promotion**

The President released the first annual report of the Trade Promotion Coordinating Committee (TPCC), chaired by Commerce Secretary Brown. The Committee involved 19 different federal agencies with export promotion roles. Its report recommends 60 specific actions to strengthen U.S. export promotion efforts. The goal is to expand U.S. export of goods and services to \$1 trillion and create over 6 million new jobs by the year 2000.

An initial outcome of the TPCC is the lifting of export restrictions on some dual use (civilian and military applications) technologies, notably computers and telecommunications equipment. These restrictions affect industries where U.S. companies are the most competitive. One non-governmental study has estimated that these restrictions cost the U.S. economy \$10-20 billion in lost sales annually and approximately 200,000-400,000 jobs. Increasing the thresholds on computers alone could expand export sales by some \$35 billion and increase production and high quality jobs in these rapidly growing industries.

▶ **Environmental Technologies Export Working Group**

In conjunction with the TPCC, President Clinton created the Environmental Technologies Export Working Group, an interagency committee, to develop a national environmental export strategy to help coordinate public and private activities and enable U.S.

companies to take greater advantage of a world market for environmental services. The U.S. currently has 35 percent of this \$350 to \$380 billion market. World spending on environmental protection could grow to \$590-600 billion by the year 2000.

Many foreign environmental technology companies benefit from their governments' aggressive support through various forms of subsidized export financing. In September, 1993, President Clinton announced a new strategy to combat and ultimately reduce these subsidies, which should increase U.S. competitiveness. This strategy includes the creation of a \$150 million Capital Projects Aid Fund to counter tied aid offers.

B. Technology Policy

Technological innovation is central to economic and productivity growth, rising real wages, new and better jobs, and a better standard of living. In one landmark study, Edward Dennison found that education and technology (or advances in knowledge) explained almost 70 percent of the growth in output per worker, with technology alone accounting for about half. More recent studies estimate that about 80 percent of total factor (capital and labor) productivity growth stems from technology.

Federal programs can play a key role in supplementing private research in areas where returns on research investments are too distant or uncertain for private firms to bear. President Clinton is committed to the development of technology policies that contribute to America's economic growth, provide good jobs, and improve our standard of living. Within the first month after taking office, the President issued an aggressive plan for putting this commitment into action. The plan's focus is on helping move technologies more quickly from the laboratory to the marketplace. The Administration has also undertaken various initiatives to shift R&D spending from military to civilian purposes. The goal is to enhance the competitiveness of American business and the experience and expertise of American workers.

In the FY '94 budget, the Administration announced several major policy initiatives, including an increase of \$5.8 billion in civilian science and technology programs. [The comparable increase for FY '95 is \$ ___ billion.] These initiatives are expected to result in the creation of thousands of jobs in basic and applied science, and help speed up innovation and technological development to ensure that the U.S. remains

internationally competitive. The spin-offs generated through more rapid technological innovation will also contribute to higher productivity employment and job growth and stronger exports. [The economic sectors primarily affected by the Administration's technology commitment include....]

Some of the Administration's key technology achievements and initiatives are as follows:

▶ *National Science and Technology Council (NSTC)*

In responding to a key recommendation of the National Performance Review, the cabinet-level NSTC was created in November 1993 to coordinate Federal science and technology investments and policies. The NSTC will ensure that taxpayers receive the maximum benefit for the investment in science and technology. NSTC will spend the next year examining how to improve the integration of science and technology activities in a broad range of activities, including information technology, manufacturing, health, transportation, environment, fundamental science, and education and training.

▶ *Defense Technology Conversion*

The Administration has adopted a two-pronged strategy for defense technology conversion programs: invest in civilian high-technology conversion opportunities for defense firms, and promote dual-use technologies that have both a commercial and military application.

¶ *Civilian Technology Investment.* The multi-agency conversion program provides more than \$7 billion over five years for civilian high-technology investments. For example, NASA's aeronautics initiative helps defense firms and workers use defense expertise in civilian aircraft technology development. The Department of Commerce's Information Highways use defense-related software and hardware. These investments promote the creation and retention of high quality jobs for defense workers and firms, diversify the economy, and build overall competitiveness.

¶ *Dual-Use Technologies/Technology Reinvestment Project.* The defense technologies that make us the strongest military power can also promote industrial competitiveness. At the same time, dual use technology increases national security because the unprecedented advances in civilian technology benefit military systems. The President's budget seeks \$1.4 billion for dual use programs, including the Technology Reinvestment Project (TRP). The TRP is designed to stimulate the transition from defense to civilian

industrial capabilities, helping to create new technology products, new companies, new industries, and high quality jobs. Funding for the TRP is \$554 million in FY 1994. The Administration has requested \$600 million for FY 1995. The TRP received 2,850 proposals and requests for \$8.5 billion in awards in 1993. The TRP interagency coordinating committee awarded grants to 160 projects. One of the principal criteria for these awards was evidence of the ability to create of high quality jobs by promoting new, dual-use technologies.

• *Technology Design and Deployment*

Advanced Technology Development. The Administration has dramatically expanded the Commerce Department's Advanced Technology Program (ATP) to spur industry's development of high-risk, high-payoff commercial technologies. The Administration won approval for a \$200 million increase in the funding for this program in FY 1994, up from \$67 million in 1993. In 1995, the President's budget seeks \$451 million for this program. The Commerce Department's National Institute for Standards and Technology (NIST) will announce 60 new ATP awards in FY 1994, plus three first-time strategic program competitions. Money from the ATP will be matched by private funds on a dollar-for-dollar basis.

Manufacturing Extension Partnership. NIST is creating a network of electronically linked, manufacturing extension centers to improve the competitiveness of the nation's 350,000 small and medium-sized manufacturers to help them adopt appropriate new technologies, production methods, and management practices. The centers provide a national delivery system for information on and access to a variety of Federal programs, including activities and services of the Department of Labor, the Environmental Protection Agency, and the Small Business Administration. These firms employ some 6 million Americans, supply components to U.S. makers of higher-value added products, such as computers and automobiles, and are essential to the health of regional, State, and local economies. Yet, a sizable fraction of these critically important members of the manufacturing "food chain" have been slow to adopt modern, performance-enhancing equipment, production methods, and organizational techniques.

The Administration has committed substantial funding to this program. In 1993, the Department of Defense contributed \$87 million in new TRP funding to this manufacturing extension effort. NIST's manufacturing extension budget was increased by two-thirds in FY 1994, raising it to \$30.2 million. The President's FY 1995 budget seeks a doubling in this funding to \$60 million. This public funding is matched by State and local

government funds at rates ranging from dollar-to-dollar for new centers to one federal dollar for each three State/local dollars for older centers.

The program is expected to increase from seven centers to 100 by 1997, with approximately 23 new centers coming on-line in 1994. In addition, an expanded program should help companies retain existing jobs now at risk. Jobs outside the manufacturing sector also would be created. A study by the U.S. Chamber of Commerce shows that for every 100 manufacturing jobs created, an additional 64 jobs in the retail and other service sectors are generated.

► *The Information Superhighway*

¶ *National Information Infrastructure (NII).* All Americans have a stake in the construction of the communications network, computers, databases, and consumer electronic products that constitute the NII. This "information superhighway" is expected to create millions of high quality jobs for both college and non-college workers. The Computer Systems Policy Project estimates that the NII will result in as much as \$300 billion in new sales annually. The Economic Strategy Institute estimates that the NII could increase GDP by \$194-321 billion annually by the year 2007 and increase productivity by 20 to 40 percent. The NII has the potential to create large numbers of high quality, high skilled jobs. For example, experts believe that the Personal Communications Services Industry alone could create as many as 350,000 good jobs over the next 10-15 years.

While the private sector will build the NII, the Federal Government has a key role to play by investing in research and advanced communications, applications, and by becoming a leading-edge adapter of information technologies. The Administration has set an ambitious action agenda for building a National Information Infrastructure (NII) that clarifies private- and public-sector superhighway responsibilities and makes clear the fundamental requirements for universal citizen access and commercial sector benefits. An interagency task force, chaired by Commerce Secretary Brown, was created to coordinate this effort.

¶ *Telecommunications Restructuring.* The Administration is drafting legislation that would promote greater competition in the telecommunications industry and ensure universal access to the information superhighway. Legislation already introduced in the House and Senate will eliminate existing cross-industry regulatory barriers for telephone and cable companies seeking to invest in new markets, promote interconnection among service

providers, and increase the opportunities for investment in new markets. The bills will also promote the completion of a system of computer networks which will form the basis for the information superhighway. Wharton Economic Forecasting Associates projects that the lifting of regulatory barriers on the Bell Regional Operating Companies will create 3.6 million jobs over the next ten years.

► *Cooperative Agreements*

The Administration has dramatically increased the number of cooperative research projects between U.S. companies and federal laboratories. The goal is to more closely align federal R&D efforts with industry's technology needs. The Department of Energy has entered into 270 new cooperative research and development agreements (CRADAs) since January, an 82 percent increase in the agency's total number of CRADAs. NIST has entered into 110 new CRADAs since February 1993, about half with small businesses. The aeronautics program at NASA has increased the number of cooperative projects with industry to more than 400. Overall, there will be 3,200 CRADAs in FY 1995, a 453 (or 16 percent increase over 1994), with public and private cash and non-cash investments exceeding \$1.5 billion.

NASA also has recently established a New Technology Investments (NIT) program, focusing on industry-led projects, including industry-defined advanced technologies and small satellite technologies. The President's budget seeks \$67 million for this program, a 60 percent increase over the FY 1994 budget.

► *Energy Technologies*

DOD is assisting the private sector in developing markets for energy technologies (e.g., solar renewable products). As new markets arise, more high quality jobs will be created in the private sector to meet consumer demand for these technologies. The funding for this project will be \$983 million over five years. It is estimated that every \$1 million dollars spent on energy conservation translates into 40 new jobs.

► *Intelligent Vehicle/Highway Systems (IVHS) Program*

The Department of Transportation has embarked upon an ambitious program to create an automated highway system that will lead to safer, more efficient use of our surface transportation system. Working with state and local governments and private industry, new technologies will be developed that will enhance communication between drivers and traffic management agencies,

and in-vehicle navigation systems. IVHS is an area of major growth throughout the country, and is stimulating activity in the electronics, communications, and automotive fields, among others. The President's budget proposes \$289 million for this program, an increase of \$75 million or 35 percent over 1994 funding.

► *Next Generation High-Speed Rail*

The objective of this Department of Transportation program is to promote private industry investments in futuristic, cost-effective rail technologies through the use of existing infrastructure. The President's budget proposes \$33 million in 1995, a \$29 million increase over 1994. Where possible, the program will be administered in conjunction with Commerce's ATP program and the TRP.

C. *Health Care Reform*

The President's health care reform plan will spur high quality job creation in many respects. First, by limiting the employer contribution to 7.9 percent of payroll for most firms, the plan will substantially reduce health care costs for business, especially for small businesses. This will enable firms to hire more workers, increase wages, and enhance competitiveness. Second, by ensuring comprehensive, universal coverage, the President's plan will spur the creation of hundreds of thousands of new health care jobs, many of which will be career professional positions. Third, by providing portable health care benefits, the plan will allow workers to move to more satisfying jobs without fear of losing health care coverage. Likewise, non-working Medicaid recipients will be able to move into the workforce without fear of losing coverage, and workers under 65 who wish to retire early can do so without fear of being uninsured.

D. *High Performance Work Practices*

The new global economy requires companies to be leaner, more flexible, and more customer-oriented. The best-run firms have recognized that their greatest competitive advantage, and the only one that is not easily replicated by competitors, is a skilled, creative, and committed workforce. These firms, often referred to as high performance work organizations, invest in workers' skills and development, give them added responsibility and a financial stake in the performance of the firm, create safe and supportive work environments, and provide workers and their representatives with a meaningful voice in management of the

organization.

Preliminary empirical research and mounting case-based evidence shows that innovative workplace practices contribute to superior long-term operating results and financial performance. For instance:

- A review of 29 studies found that employee participation was associated with positive effects on productivity in 14 studies and negative effects in only 2 studies -- with the remaining 13 studies producing ambiguous results.
- A review of 27 studies found that the use of profit sharing was generally associated with 3.5 percent to 5 percent higher productivity in firms.
- A survey of 700 firms from all major industries found that companies utilizing a greater number of innovative human resource practices had higher annual shareholder return from 1986-91 and higher gross return on capital. For example, the top 25% of firms -- those with the greatest number of "best practices" -- had an 11 percent rate of return on capital, more than twice as high as the remaining companies.

In short, high performance work practices are not only good for workers, they are also good for the bottom line. Although some high performance companies may still need to cut jobs to remain competitive, an increase in the number of firms adopting best workplace practices is expected to have a positive long-term effect on the economy and create more high quality jobs as firms become more competitive and gain a greater share of world markets.

Here are some of the steps the Administration has taken to promote high performance workplace practices:

▶ *Chicago Conference*

President Clinton, Labor Secretary Reich, and Commerce Secretary Brown convened a conference in Chicago on The Future of the American Workplace to bring the national spotlight on best practice companies. The conference brought together leaders and experts from business, labor, academia, and government, as well as front-line workers. The participants discussed the benefits and barriers to high performance work practices and made recommendations for steps government could take to encourage companies to adopt these practices. A conference report and video were produced.

► *Office of the American Workplace*

The Department of Labor created the Office of the American Workplace (OAW) to encourage the development of high performance work practices and effective labor management relations. OAW has developed several initiatives to promote high performance workplace practices, including development of a best practices clearinghouse, partnerships with industry and labor organizations, a performance measurement project to study the bottom line benefit of innovative workplace practices, and a program to promote employee ownership.

OAW and Labor's Employment and Training Administration are also working closely with the NIST manufacturing extension program, the TRP, the Information Infrastructure Task Force, and other federal agencies to ensure that federal technology policies are directed at creating high wage, high skill jobs; that new technologies are integrated with innovative work systems and human resource policies; and that workers are involved in the design, development, and deployment of new technologies.

► *National Workforce Assistance Collaborative*

Labor also awarded a \$650,000 grant to establish the National Workforce Assistance Collaborative (the Collaborative). The purpose of the Collaborative is to develop products and provide technical assistance relating to issues of human resource development and implementation of management systems reflecting the characteristics of high performance work organizations. A primary concern will be the special needs of small and medium-sized firms (those with less than 500 employees).

► *National Center on the Workplace*

DOL has also awarded a \$1.1 million grant to a consortium of university researchers to create a National Center on the Workplace. The Center will coordinate and disseminate cutting edge research on high performance workplace practices.

► *NSF Research*

The National Science Foundation is spearheading a \$9 million research project on the effectiveness of total quality management and other high performance work practices. This initiative, funded from 1994-1996 by a consortium of private sector companies, the American Society for Quality Control and the NSF, should contribute to the competitiveness of American companies through the diffusion of knowledge regarding Total Quality Management.

E. Housing Policy

Historically, the housing sector has been a key to economic recovery and job creation. Initiatives to implement a strategy of urban revitalization and metropolitan growth in affordable housing and community economic development have positive cross-cutting effects throughout the entire economy. Housing production is also highly labor intensive, and the bulk of products used in new homes (lumber, flooring, roofing, and cement) comes from American firms and individuals.

Every 100,000 new units of housing create about 170,000 jobs, 40 percent of which are on-site and another 20 percent of which are in trade, transportation, and services, primarily from local markets. Many of the jobs require minimal specialized skills and provide a career ladder to higher paying, higher skilled positions. Few, if any, of the created jobs are subject to import leakages.

Here are some of the steps the Administration has taken to spur housing construction:

▶ **Low-Income Housing**

¶ **MRBs/Tax Credits.** As part of the 1994 Budget Reconciliation Act, Congress approved the Administration's proposal to make Mortgage Revenue Bonds (MRBs) and the Low Income Housing Tax Credit permanent features of the tax code. These two programs supported construction of 190,000 units in 1992 and are in-place proven delivery mechanisms.

¶ **HUD Programs.** The Department of Housing and Urban Development was awarded an additional \$2.1 billion for a number of low-income and other housing projects and Community Development Block Grants. [1995 funding?] These programs will contribute to the economic revitalization of low-income areas, build housing for low-income group, increasing the number of skilled trades and construction jobs.

[HUD's "Leveraged Investments for Tomorrow" program provides mixed-use development in distressed urban neighborhoods. Funding?

The President's request for public housing modernization funds will improve living conditions for many of the almost \$1.3 million families living in public housing -- and will support numerous job opportunities. Funding?]

HUD has established a partnership with the AFL-CIO to create

a \$600 million housing investment trust fund to be used to rebuild and create affordable housing. HUD has also granted \$300 million to the Urban Revitalization Demonstration Project to revitalize the most severely distressed public housing developments in the U.S.

Rural Housing. The USDA's Single Family Housing Direct and Guaranteed Loans program provides subsidized direct loans to low income families and guarantees loans made to moderate income families in the rural area for the construction or purchase of homes. Funding for this program was increased by \$920 million for FY 1994. [FY 1995 funding?]

• **Step-Up Program**

HUD has developed a bold and innovative program to create more jobs, training, and future high quality employment opportunities for disadvantaged youths, low-income young adults, welfare mothers, and others. In close cooperation with the Labor and Justice Departments and the National Association of Housing and Redevelopment Officials (NAHRO), HUD has established the "Step-Up" Program, providing participants with apprenticeship training in a construction trade, work experience, decent wages, and assistance in finding more permanent work in the construction industry, all in exchange for completion of a high school education. The program also provides essential support services, such as child care, transportation, and counseling. Under this program, \$400,000 will be provided to the NAHRO by HUD, Labor and Justice for the development, testing, and initiation of technical assistance and training to help implement Step-Up programs throughout the country. [FY 1995 dollars?]

F. Community and Economic Development

Job creation starts at the community level. President Clinton has made a strong commitment to building the capacity of communities to improve their economic condition and stimulate local job growth. The Administration proposes \$900 million in FY 1995 for new community and economic development initiatives to assist local governments to stimulate job creation and economic vitality within urban neighborhoods.

Here are a few of the Administration's key initiatives in this area:

▶ ***Enterprise/Empowerment Zones***

The Administration's proposed Enterprise/Empowerment Zones legislation has been passed, allotting \$2.5 billion over FY 1994-1998 to create 10 empowerment zones and 95 enterprise communities. This program provides for larger zones than contemplated under previous legislation and a greater emphasis on helping people in distressed areas. The Small Business Administration is developing a program for increasing access to capital in the empowerment zones and enterprise communities through the use of SBA financial and technical assistance programs and One Stop Capital Shops. Taken together, these programs will add Federal assistance to newly freed private resources, and stimulate economic activity and job creation in the parts of the country that need it most.

▶ ***Community Development Financial Institutions Fund***

The Administration has proposed to create a Community Development Financial Institutions Fund to provide assistance to qualifying community development lenders and improve job-generating credit availability. Funds will be targeted to specific areas and populations. It is expected that when fully leveraged, the \$2-2.5 billion invested will lower the barriers for lending in distressed neighborhoods and generate tens of thousands of jobs in construction and other fields. [Legislation to appropriate money for this program is still pending.] [FY 1995 funding?]

▶ ***Community Reinvestment Act Review***

In July of 1993, the President requested a comprehensive review and overhaul of interagency regulation implementing the Community Reinvestment Act. The review yielded a proposed revised regulation on December 21, 1993. With clearer guidance, reduced compliance burdens and greater flexibility, private lenders will be able to increase credit in distressed communities, aiding development and construction employment.

▶ ***Essential Community Facilities***

The Agriculture Department makes Community Facility Loans to communities and non-profit associations to construct, expand or improve essential community facilities such as hospitals, health care clinics, fire and rescue facilities, etc. An additional \$100 million in funding was awarded in FY 1994. [FY 1995 dollars?]

▶ ***Pacific Northwest Forest Management Plan***

The President issued his landmark Forest Management Plan in June to break the deadlock between timber workers and environmentalists in the Pacific Northwest. The Plan balances the long-term economic and environmental needs of the region. The measure contains over \$1.2 billion in economic assistance for communities in the Washington, Oregon, and Northern California. The Plan is expected to create 4,000-5,000 retraining opportunities annually and should result in the creation of 10-15,000 new jobs, a large portion of which will be in the secondary wood processing industry. [These numbers were publicly announced in the President's plan.] Several Administration agencies have already started implementing this assistance.

G. ***Small Business Assistance***

The Administration has put a high priority on business development, especially for small and medium-sized firms. These businesses are the primary source of job creation in the economy. The following initiatives are intended to spur small business development. The goal is to create thousands of new, high quality jobs in this sector.

▶ ***Low Documentation Loans***

The Small Business Administration is pilot testing a program for Low Documentation Loans. This project would reduce the paperwork involved in providing guarantees for small loans (under \$100,000) to start or expand businesses. It is expected that by reducing paperwork, lenders will be encouraged to make these small loans, providing working capital and creating jobs.

The SBA is also developing a Green Line program which will create revolving credit accounts for small businesses, providing dependable lines of credit for contracts, seasonal needs or growth periods.

▶ ***Debt and Equity Capital Guarantee Programs***

The Administration has proposed a 42 percent increase for debt and equity capital guarantee programs provided through the Small Business Administration in FY 1995. This increase will contribute to the creation of new employment opportunities through small business development and expansion and also help to maintain existing jobs.

*504 - some updates
for 2/22/94*

► ***Tax Incentives***

The targeted capital gains reduction for investment in small businesses and the 3-year extension of the R&D credit, recently signed into law by the President, will preserve and promote employment opportunities in small businesses, the sector that employs the majority of Americans and where most Americans get their first job and training.

► ***Defense Set-Aside Contracts***

The Department of Defense has proposed a change in the threshold for set-aside contracts. Under current law, most contracts under \$25,000 are set-aside for the small business community. DOD has proposed to increase this threshold to \$100,000, which would result in 99 percent of DOD contracts being eligible for set aside. This will dramatically increase the number of jobs created in the small business community. Hearings on this proposal were expected to start in January, 1994, and legislation implementing this relief is expected by the end of fiscal year 1994.

► ***Rural Business Development***

The USDA's Rural Development Administration received an increase in FY 1994 funding for its Business and Industry Loan Guarantees program from \$100 million to \$249 million. [FY 1995 funding?] This program underwrites loans made by private lenders to communities, non-profits associations, individuals and corporations for the purpose of providing working capital to create or save jobs in rural areas.

H. Infrastructure

Investments to maintain and improve our nation's vast infrastructure are critical to productivity growth, the competitiveness of American business, and the vitality of our economy. The President has made such investments a major priority in his economic plan. The Administration won an increase of \$1.1 billion in funding for transportation programs and water projects in FY 1994. [FY 1995 dollars?] An additional \$1.8 billion was authorized for the construction and repair of interstate highways and bridges in 1994. [FY 1995?] The Bureau of Labor Statistics estimates that increases in infrastructure spending of this magnitude are likely to create thousands of good jobs. Most of these jobs will be directly related to the construction industry, with engineering, architectural, and material manufacturing producers (steel, cement, concrete,

gypsum, plaster, etc.), also expected to share in the gains.

Here is a breakdown of key FY 1994 infrastructure spending initiatives:

- ▶ **Highway Construction/Maintenance.** The FY94 funding level of \$19.24 billion is a 10% increase over FY93. [FY 1995 numbers?]
- ▶ **Airport Investment.** The FY94 funding \$1.69 billion for airport infrastructure was a ___ percent increase. [FY 1995?]
- ▶ **Transit System Investment.** The FY94 funding level of \$1.612 billion was a \$ _____ increase of 1993. [FY 1995?]
- ▶ **Rail Service Investment.** The FY94 funding of \$420 million for Amtrak capital, for construction in the northeast corridor and on other routes throughout the system was a \$ _____ increase over 1993. [FY 1995]
- ▶ **Shipyard Revitalization.** Under the Title XI Loan Guarantee Program, \$300 million will be spent during FY94-97 on revitalizing American shipyards.

I. Environment and Energy

Increasingly, efforts to promote a better environment also create economic opportunities for business. Indeed, investment in the environment has far reaching impacts throughout the economy. Environmental initiatives affect technology, trade, infrastructure, and business development. They also help ensure a healthy population and a productive workforce.

As noted above (at p. ___), a promising export market for environmental technologies, including pollution measurement and control systems, is emerging in many areas of the world. Our domestic environmental industry is technologically advanced and is in an excellent position to take advantage of emerging export markets.

From an energy conservation perspective, policies to reduce consumption stimulate innovative technology and R&D programs as well as capital investment in facilities and infrastructure to improve energy efficiency.

The Administration has taken several steps to promote a better environment that are also good for the bottom line. Overall, \$1.9 billion was appropriated for environmental

infrastructure and conservation projects in FY 1994. The Administration's 1995 Budget provides substantial increases for water infrastructure projects, including Clean Water State Revolving Funds, Drinking Water State Revolving Funds, and loans and grants for rural water and wastewater disposal systems. [FY 1995 dollars?] These investments will lead to job creation new conservation and development facilities, infrastructure repair and improvement, engineering and architectural services, warehousing, and retail and wholesale trade.

The following are a few of the Administration's key environmental and energy conservation initiatives:

▶ *Clean Car Initiative*

On September 29, 1993, President Clinton and Vice President Gore joined with General Motors, Ford, and Chrysler to announce an historic new partnership. The Clean Car Initiative aims to strengthen U.S. competitiveness and create new jobs by developing a new generation of vehicles that are both safer and up to three times more fuel efficient (80 miles per gallon or better) than today's cars. Several agencies are involved in this project, including Commerce, Defense, Energy, Transportation, NASA, EPA, and NSF. Energy alone is proposing nearly \$270 million for clean car-related activities in FY 1995.

▶ *NADBank*

In conjunction with NAFTA, the Administration will create the North American Development Bank and the Border Environment Cooperation Commission to fund environmental clean-up and local support. NADBank will be authorized to make \$2 billion worth of loans and guarantees for environmental projects. An additional \$3.5 billion will be available from other government sources to support clean-up. It is projected that thousands of new, high quality jobs will be created by these programs in the wastewater treatment and municipal waste industries. Additional jobs will be created in component industries as a result of Mexican clean-up efforts.

▶ *Base Clean-Up Program*

In connection with its defense conversion efforts, the Defense Department has established a Fast Track Cleanup (FTC) program to ensure rapid environmental cleanup and reuse of closed base sites. About \$4 billion will be earmarked for this effort. This program will result in high quality jobs for environmental contractors. Faster cleanup will also spur job creation in the affected communities by ensuring more rapid commercial reuse of

the property.

▶ *Energy Conservation*

Under the Energy Policy Act of 1992, the Department of Energy has undertaken an energy and water conservation initiative that will direct funds and provide grants toward capital investments in energy efficient facilities. The program will require a 10 percent reduction in building energy use by 1995. Initial 1994 funding is set at \$6 million. This program will create new jobs for people researching, building, and installing innovative, energy efficient systems. [FY 1995 funds?]

▶ *Water and Waste Disposal*

The Department of Agriculture is increasing the funding for its Water and Waste Disposal Loans and Grants program. In 1993, an additional \$250 million was provided and in 1994, funding was increased by \$304 million. [FY 1995?] This program provides funding for rural communities to construct, expand or improve water distribution and waste water disposal systems.

▶ *DOE Waste Reduction Program???*

The Department of Energy has launched an Industrial Waste Reduction Program to encourage businesses to reduce the amount of waste they produce through improved work processes, better technology design, and energy conservation. [This \$ ___ billion program is expected to return \$2.43 million in benefits for every \$1 million in public investment???] It is anticipated that businesses will reap substantial financial gains from this program, freeing them up to create more jobs. As part of this program, DOE is also working with other agencies to develop programs to train workers in waste minimization and energy conservation. Once empowered with these skills, workers will be able to produce substantial savings for firms, thus further fueling the job creation potential of this program.

CONCLUSION

The Clinton Administration has made early and substantial progress in creating more and better jobs -- far beyond the expectations of most economists and job-market experts. With job creation at almost eight times the rate of the previous Administration -- almost twice the jobs in one quarter of the time -- the nation is on track to reach the President's 8 million job goal. The President's economic program and proposed investments will keep this job creation on the fast track.

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

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

Title III -- One-Stop Career Center System

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

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

Title IV -- National Labor Market System

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

Budget Overview -- the Reemployment Act of 1994

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

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

To: Bill Galston
From: Patrick Lester
Date: 3-3-94
Re: CHR's 3-10 speech to joint session of Interstate
Conference of Employment Security Agencies (ICESA) and
the Employers National Job Service Council (ENJSC)

=====

Nancy Kirshner at the Department of Labor (202/219-6141) says that a number of Labor people (perhaps including Secretary Reich) will be speaking at this event. She suggests coordinating Carol's remarks with Labor as we get closer to March 10, and the calendar and participants become clear.

In general, she suggests that, since the Labor people will be discussing the details of various Labor proposals, including the pending Reemployment Act proposal, Carol may want to focus on how employment and training fit into the larger domestic policy agenda.

(1) The attached memo from Rob Portman may prove valuable as a backgrounder on the "where are the jobs?" question. It outlines Administration policies across a broad spectrum of issues, and their net impact on the number of jobs in the economy.

A cautionary note - while a number of Administration policies and proposals have been praised for their job creation qualities, I think we are safest in stressing the following -

School to Work Program

Focuses on the school to work transition for the large fraction of the nation's youth that do not go directly to college.

Goals 2000

By establishing educational and occupational performance standards, Goals 2000 will increase accountability and results, thus improving the return on our substantial investment in education and training.

Reemployment Act: The primary components of this pending proposal are (for further information, see attachment):

- consolidate existing job training programs;
- create a one-stop shopping system that matches job seekers and employers;
- establish a national labor market system to provide universal access to timely, comprehensive information about where jobs are; and
- provide income support for workers in long-term training programs.

Welfare Reform

Will make work more attractive and accessible through job training and a variety of other incentives.

Enterprise/Empowerment Zones

The Administration's enterprise zones initiative allots \$2.5 billion over FY 1994-1998 to create 10 empowerment zones and 95 enterprise communities. This initiative should focus job creation in communities hardest hit by unemployment.

(2) Some policies described in the Portman memo whose job creation abilities are somewhat more controversial include:

Trade

Exports create jobs, imports eliminate them. Increased productivity and an increased standard of living result, but the net impact on jobs is less clear.

Deficit Reduction

Lower deficits lower interest rates, which spur interest sensitive spending (like housing purchases) and investment. This also lowers foreign investment, weakens the dollar versus foreign currencies, and lowers trade deficits. The combined impact of lower trade deficits and increased interest-sensitive spending, however, may not be sufficient to offset decreased spending due to higher taxes and/or lower government outlays, particularly in the short term while interest rates and the \$ fall.

Deficit reduction, in other words, has at best a mixed impact on job creation.

Health Care Reform

The Council of Economic Advisors said in their 1994 Economic Report of the President (p. 166) that the net effect of the President's health care reform package would likely be small - "at most plus or minus 1 percent of total employment".

Technology

Technology increases productivity and certainly increases our standard of living. It is also a source of high-skill, high-wage jobs.

Its net impact on the total number of jobs, however, is less clear. In the short term it is often a source of job displacement, often hitting high-wage, low-skill jobs the hardest.

Goals 2000: Educate America Act

Last Action: On February 8 the Senate passed a package containing Goals 2000, Safe Schools legislation, and the reauthorization of the Department of Education's Office of Educational Research and Improvement (OERI) by a vote of 71-25. The House passed its version of Goals 2000 in October.

Next Action: We have received commitments from House and Senate conferees that the Goals 2000 package, which in the Senate includes OERI and safe schools, will be through conference by March 11. This should ensure that we can get a bill signed by the April 1 appropriations deadline for releasing \$105 million in Goals 2000 funds for the current fiscal year.

Background: Goals 2000 authorizes roughly \$400 million in the program's first year for school reform efforts and up to \$27 million for national educational and occupational standards setting boards. Major differences between the bills include:

- o Standards = Mandatory/Discretionary: The House and current Senate versions of the bill require states receiving program funds to develop content standards, performance standards, and opportunity-to-learn (OTL) standards. The Senate substitute makes the development of such standards optional.
- o High Stakes Testing: The House bill restricts high stakes testing of students by prohibiting NESIC certification of tests for high stakes use for five years. Moreover, such tests may not be certified until state OTL standards are in place. The Senate bill omits the OTL linkage and contains only a three-year waiting period before NESIC certification is allowed.
- o Goals Panel Powers: Under the Senate bill the Goals Panel must review and approve NESIC-developed criteria and standards. Under the House version, they are considered approved unless the Goals Panel disapproves by a 2/3 majority vote within 60 days of receipt - a big difference on an evenly split bipartisan panel.

School-to-Work

Last Action: The Senate passed its version of the bill on February 8, 62-31. The House passed its version in November.

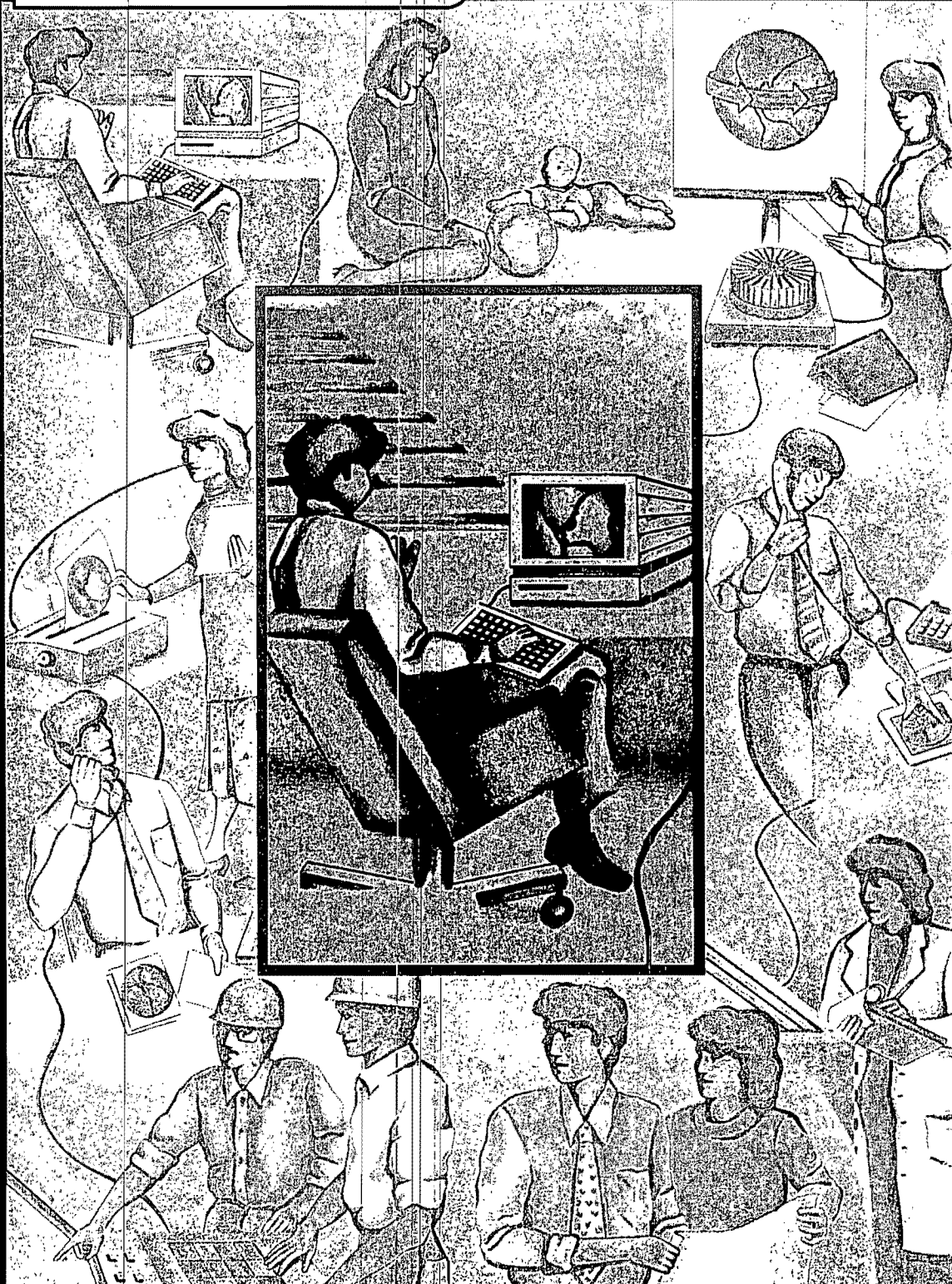
Next Action: House and Senate conferees are expected to develop a compromise by the end of the month. The Departments of Education and Labor have already issued planning grants under existing statutory authority and expect to make implementation grants by June.

Background: Authorizes \$300 million in FY 95 and such sums as necessary through 2002 to help states and localities launch school-to-work transition efforts.

Workforce

\$5.00

Fall '93



EMPLOYMENT

TRAINING

WORKPLACE

Clinton Presidential Records Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a publication.

Publications have not been scanned in their entirety for the purpose of digitization. To see the full publication please search online or visit the Clinton Presidential Library's Research Room.
