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ABSTRACT

This document records the oral and written testimony of witnesses who testified at a Senate committee hearing concerning authorizing funds to states for worker reemployment and training programs. Witnesses included the following: Senators Claiborne Pell, Nancy Kassebaum, and Edward Kennedy; top officials from several major corporations; and several federal, state, and city officials involved in labor retraining and employment programs. The testimony generally supported the proposed legislation, which would create one-stop retraining and employment services for dislocated workers. An executive from a large private corporation headquartered in Germany testified that in Germany, all companies provide training, but that in the United States few companies provide training because trained workers could go to other companies that do not provide training. He supported one-stop employment centers and financial incentives for companies to provide training for workers to encourage more companies to do so. (KC)

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S. HRG. 103-744

REEMPLOYMENT AND RETRAINING ACT

ED 382 778

HEARING
 OF THE
 COMMITTEE ON
 LABOR AND HUMAN RESOURCES
 UNITED STATES SENATE
 ONE HUNDRED THIRD CONGRESS
 SECOND SESSION

ON
 EXAMINING PROVISIONS OF S. 1964, AUTHORIZING FUNDS TO STATES
 FOR WORKER REEMPLOYMENT AND RETRAINING PROGRAMS

MAY 12, 1994

Printed for the use of the Committee on Labor and Human Resources



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REEMPLOYMENT AND RETRAINING ACT OF 1994

THURSDAY, MAY 12, 1994

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 2:33 p.m., in room SD-430, Dirksen Senate Office Building, Senator Edward M. Kennedy (chairman of the committee) presiding.

Present: Senators Kennedy, Metzenbaum, Simon, and Kassebaum.

OPENING STATEMENT OF SENATOR SIMON

Senator SIMON. The committee will come to order.

I am chairing just temporarily. We have a meeting going on over in the Capitol where health care is being discussed and where Senator Kennedy feels, properly so, that he has to be there for that hearing.

This whole question of where we are going in reemployment and retraining and how we can do a more effective job obviously is something that we have to pay attention. The GAO has indicated that we have to do a better job, that we can do a better job, and I hope we will do a better job.

Senator Kassebaum has told us we have to do a better job, and I think this is an appropriate time to call on Senator Kassebaum for any opening remarks.

OPENING STATEMENT OF SENATOR KASSEBAUM

Senator KASSEBAUM. Thank you, Mr. Chairman.

I am sure we can do a better job, and I think that there is great interest in the committee on both sides to try and come up with the best job training agenda that we can put forward, both for initial training and retraining. I think everyone recognizes there are some wonderful opportunities here. I hope we can achieve the goals we all would like to see achieved.

Senator SIMON. We thank you.

We will now receive a statement for the record by Senator Pell.
[The prepared statement of Senator Pell follows:]

PREPARED STATEMENT OF SENATOR PELL

First, let me thank you Mr. Chairman for holding this important hearing this week. As my colleagues can confirm, this is a very busy time for this committee.

(1)

Mr. Chairman, we stand at a very important place in the history of our country. The industries and skills that have brought this Nation to where it is today, will not carry it in to the future. We must, therefore, change our way of thinking. Change the way we think about how we interact with other members of the world economy, change the way employee's and employers interact with each other, change the way we prepared the workforce of tomorrow, and change the way we help today's workers keep up with changes at the workplace. I might add that all of these changes are inextricably linked; better educated workers with higher skills make better employees that have more to contribute to a company. Which makes the company more successful.

For many years, i have had a particular interest in the issues of job retaining and defense conversion. In fact, I think I may have been one of the earliest Senate advocates of defense conversion assistance.

The Electric Boat Division of General Dynamics, one of two manufacturers of nuclear submarines in the United States and one of the largest private-sector employers in Rhode Island, has laid-off thousands of Rhode Islanders and in the near future, plans to reduce its workforce to a mere thousand employees.

Those Rhode Islanders who have been laid off by Electric Boat are highly skilled Americans. Unfortunately, there's not much of a call for submarines these days.

Those welders, electricians and pipe fitters are not alone. Workers all over the Nation are being confronted with the same problems—well paid to do a job nobody wants anymore.

The legislation before us today, S. 1964, takes a giant step toward a solution to that problem. Let me thank all the witnesses who are here to testify today, I look forward to your comments.

Senator SIMON. We welcome our first panel, taking a look at this problem from a business perspective. Our first witness is Albert Hoser, the President and CEO of the Siemens Corporation. We are pleased to have you with us, Mr. Hoser.

STATEMENTS OF ALBERT HOSER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, SIEMENS CORPORATION; JOHN H. ZIMMERMAN, SENIOR VICE PRESIDENT, CHIEF HUMAN RESOURCES OFFICER, MCI COMMUNICATIONS CORPORATION; WILLIAM H. KOLBERG, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL ALLIANCE OF BUSINESS; AND JEANINE BRANNON, CHAIR, TRAINING AND DEVELOPMENT COMMITTEE, SOCIETY FOR HUMAN RESOURCE MANAGEMENT

Mr. HOSER. Thank you very much, Mr. Chairman, for the privilege of speaking before the committee today. In order to have more time for discussion, I will make a brief statement and respectfully ask that my entire testimony, which has been submitted to you, be entered into the record.

Senator SIMON. Your full statement will be entered in the record. This applies to all the witnesses today.

Mr. HOSER. Thank you. My name is Albert Hoser. I am the President and Chief Executive Officer of Siemens Corporation. Before coming to this country three-and-a-half years ago, I had been President of Siemens in Japan and Siemens in India. For me, it is

actually the second time to have come to the United States. The first time was in 1951, when I received a scholarship from the 81st Congress of the United States to study as an exchange student in Ponca City, OK.

On behalf of the over 45,000 employees in the United States, I am pleased to share our views on training generally and the Reemployment Act of 1994 specifically.

Siemens' U.S. operations had, in 1993, a U.S. sales volume of about \$6.5 billion and exports of \$1 billion, and \$538 million was spent for research and development. Siemens' U.S. operations, I mentioned, employ about 45,000 people. We operate here in 73 U.S. manufacturing facilities.

Worldwide, the company is doing about \$50 billion in sales and has an employment of 400,000 people. We spend about ten percent of our sales in R&D.

Siemens has over 100 years of experience in training its workers through our dual apprenticeship system. From this history, it is fair to say we know a bit about job training, what works and what does not. I am proud to say that I am a graduate of the Siemens apprenticeship program myself, and so is my daughter, Bettina, meaning to say the apprenticeship program is still very much alive.

In today's environment, it cannot be expected that what you learn as a young person will be applicable throughout your entire life. You cannot expect to cling to the same company, or even the same kind of job, for your whole life. You have to constantly upgrade your knowledge and your skills. You have to remain trainable and thereby reemployable.

One of the problems I perceive in this connection is that even though many companies in the U.S. do have vocational training and skill upgrading programs, most of them do not. This leads to the fact that some train and have the expenses and others reap the benefits. This, of course, discourages investment in training and skill upgrade programs.

In countries where every company, be it large or small, trains, it does not matter whether you lose some of the people you trained. You may lose some workers to other companies, or even to your competitors, but some of those trained by them may join your company in return, so it balances out. As I said, this is not so here.

The basis in the U.S. is not yet broad enough. Companies who train may lose half their trainees or even more for good, and many, therefore, shy away from investing in human resources, in spite of all the talk about it. Here, the goals of the Reemployment Act and the initiatives of the Department of Labor should help to make training and skill upgrading a broad-based movement. As soon as everybody, or almost everybody, does it, it will be self-sustainable, and thus the support by the government will be less necessary.

We believe that it is crucial to train people to acquire the high level of skills and the problem-solving mentality that are necessary. Substantial private sector involvement is critical to the success of any job training endeavor. After all, the private sector knows what skills industry needs to have to be competitive, and therefore we in industry should be a full partner in training.

The Reemployment Act of 1994 addresses many of our concerns with the present system. It includes more private sector involve-

ment and it recognizes the rapidly-changing skills for the high-performance workplace. The Act notes the importance of something we firmly believe in, and that is the establishment of standards.

Finally, the Reemployment Act of 1994 eliminates overlapping and wasteful training programs to provide one-stop service for all applicants.

I look forward to answering any questions that the members of this committee may have. Thank you, Mr. Chairman.

Senator SIMON. We thank you very much, Mr. Hoser.

If I may just ask you one personal question, where are you from in Germany, originally?

Mr. HOSER. I am from the Southwest, Kaltzwer on the Rhine River, the Black Forest.

Senator SIMON. I know that area. I spent two marvelous years in the Army, quite a few years ago, in Germany and thoroughly enjoyed it.

Mr. HOSER. Thank you.

[The prepared statement of Mr. Hoser follows:]

PREPARED STATEMENT OF ALBERT HOSER

My name is Albert Hoser. I am President & Chief Executive Officer of Siemens Corporation. On behalf of the over 45,000 Siemens employees in the United States, I am pleased to share our views on training generally and the Reemployment Act of 1994, specifically.

Siemens Corporation, the management holding company for Siemens' U.S. operations, had 1992/93 U.S. sales of \$6.4 billion, export sales of \$904 million and \$538 million in research and development (R&D) expenditures (including non-consolidated companies OSRAM SYLVANIA, INC., Danvers, MA, and Siemens Nixdorf, Burlington, MA.). Siemens U.S. operations as I mentioned, employ approximately 45,000 employees and operate 73 U.S. manufacturing facilities. Worldwide, the company's fiscal 1992/93 sales were \$50.1 billion (DM 81.6 billion), R&D expenditures were \$4.7 billion (DM 7.7 billion), and earnings were \$ 1.2 billion (DM 2.0 billion).

Siemens has over 100 years of experience in training its workers through our dual apprenticeship system. From this history, it is fair to say we know a bit about job training—what works and what does not. I am proud to say that I, too, am a graduate of the Siemens apprenticeship program.

We believe that it is crucial to train people to acquire the high level of skills and the problem-solving mentality that are necessary in today's global market place. Private sector involvement is critical to the success of any job training endeavor. After all, the private sector knows what skills industry needs to have to be competitive and should be a full partner in training.

The Reemployment Act of 1994 addresses many of our concerns with the present system. It includes more private sector involvement and recognizes the rapidly changing skills for the high performance workplace. The Act notes the importance of something we firmly believe in—the establishment of standards.

Finally, the Reemployment Act of 1994 eliminates overlapping and wasteful federal training programs to provide "one stop" service for all applicants.

SIEMENS APPRENTICESHIP AND TRAINING VIEWS

I would like to thank the Chairman and the members of the committee for the opportunity to testify on the Reemployment Act of 1994.

Siemens Corporation, the management holding company for Siemens' U.S. operations, had 1992/93 U.S. sales of \$6.4 billion, export sales of \$904 million and \$538 million in research and development (R&D) expenditures (including non-consolidated companies OSRAM SYLVANIA, INC., Danvers, MA, and Siemens Nixdorf, Burlington, MA.). Siemens U.S. operations, as I mentioned, employ approximately 45,000 employees and operate 73 U.S. manufacturing facilities. Worldwide, the company's fiscal 1992/93 sales were \$50.1 billion (DM 81.6 billion), R&D expenditures were \$4.7 billion (DM 7.7 billion), and earnings were \$1.2 billion (DM 2.0 billion).

Siemens invests in its work force because it brings quality, and thus value, to our customers. We believe that the excellence of our work force will determine, in large

part, our company's success. That is why Siemens has consistently invested as much, or more, in its work force than perhaps any other multinational company.

We believe that the success of America in the global marketplace will depend on the skill level of its work force for when people buy a product, they buy, in effect, the education and training that generated it.

For more than 100 years, Siemens operations have relied heavily on apprenticeship programs to fill its employment needs. Today, Siemens trains apprentices in 20 countries, and has one of the largest corporate apprenticeship programs in Europe, graduating roughly 2,500 trainees each year. Many of our company's top management, indeed, more than 40 percent of that group, began their careers in apprenticeship programs. I, too, am an example of the benefits that this training offers since I am a graduate of the Siemens apprenticeship program.

In the United States, Siemens has established three pilot apprenticeship programs in Lake Mary, FL, Franklin, KY, and Raleigh, NC. I would like to capsule these three programs in order to give the Committee a picture of the practical application of our training philosophy.

In Lake Mary, Florida, Siemens Stromberg-Carlson is training (young) men and women as electronic technicians to specialize in telecommunications manufacturing, testing and installation. Integrating head and hands, the apprentices spend 20 hours per week in classes at Seminole Community College, and 20 hours per week on the factory floor. High school students spend two afternoons a week at the Apprenticeship Lab;

The Franklin, Kentucky apprenticeship program is a partnership between Siemens' Potter & Brumfield company, the Kentucky Advanced Technology Center and Western Kentucky University. Apprentices develop problem-solving skills in eight hours per week in the classroom, and apply them on the shop floor making dies and molds for both non-automated and automated equipment;

In Raleigh, NC, our employees master the challenges of upgrade training to ensure product quality levels before shipment to our customers. All apprentices are trained in our factory training facility built by our company and located in the local public East Wake High School. Our high school apprenticeship program is scheduled to begin in September 1994.

We have shown in all our pilot retraining programs, for adult apprenticeships and adult upgrade training, that our approach is designed to retain our existing workforce, prevent layoffs and provide skills for future employment.

All three pilot programs are adapted from the German dual system of apprenticeship, combining an academic curriculum with hands-on practical training and reinforced by on the job factory training. We also have a number of other sites under consideration where we hope to expand our apprenticeship programs. We have every expectation of moving from pilot phase to fully integrated programs. Presently we are training master craftsmen, or "succession trainers" to, in turn, train our American students.

With that background on Siemens' apprenticeship history and philosophy, let me say that our training people realized an important fact from the outset. We could not expect to bring our successful German apprenticeship program and establish it in the United States without modification. All three present Siemens apprenticeship programs were structured with four criteria in mind. The criteria were:

- the level of skills needed by each Siemens operating company;
- the role of the support institutions (i.e., community colleges) in the area;
- analysis of costs, and related long-term benefits to our customers;
- market factors, and results.

Individuals will finish programs not only with skill training, but also with an open-ended opportunity to later join the ranks of managers and engineers in our company.

One component of Siemens' apprenticeship system which we fully incorporated here in the U.S. was operating company involvement. We believe in the "duality" of apprenticeship—that is, academics must be combined with actual experience in the manufacturing process, as we find "a common language to describe knowledge and skills", as Arnold Packer has written.¹

Bringing apprentices into our manufacturing facilities accomplishes two important goals. First, it acclimates the trainees to our particular manufacturing processes. From this experience, they will know what will be expected from them if they become employees with the company. Second, having the trainees work on-site allows them to master skills that are in harmony with our operating company needs. We

¹Arnold H. Packer, "Earning and Learning Major Links to Better Living," HR Magazine, April 1993.

want trainees to become not just highly skilled, but highly skilled in the particular disciplines that are needed for the company.

It Won't Cost—It will Pay

A central issue in the consideration of the Reemployment Act is the "cost" of any legislation. Concerns about this issue are understandable and unavoidable, given the tight budgetary times the federal government faces. It has been our experience, however, that the right kinds of investments in the workforce pay dividends for years to come.

Siemens regularly invests an average of 22,000 per year to develop the skills of selected apprentices in Germany for up to four years before they become full-time employees of the company. Although to many Americans companies this would seem unjustified, we have found it to be quite the contrary. For over 100 years, apprenticeship has proven to be one of our best investments.

This investment has provided us with a workforce that is second to none in our competitive situation here and around the globe. Further, we believe our workforce is our most important asset both in America and overseas. Therefore, "spending" on the workforce is, in our judgment, the critically important investment in the future of the company.

For many companies, spending on the workforce is considered just another "cost." They spend enormous amounts on new technology, on the acquisition of new companies and on equipment, land and buildings. These are viewed as "investments" that will pay off with increased revenues profits and success for the company. Those who view such spending as providing an edge often overlook the critical ingredient to world-class competitiveness.

We believe that the word "investment" is very accurate for the Reemployment Act of 1994.

There are two ways to look at spending money.

1. What do we get for the expenditure?
2. What will happen if we don't spend the money?

Siemens believes that what America will get for the level of spending called for in the Reemployment Act is the following:

- the level of retraining that is necessary to assure that affected workers have the skills they need to get and keep a job over the long-term— not just a quick transition to "any" job that all too often leads to further unemployment;
- an effective means of more rapidly and more efficiently assisting and supporting workers into new work;
- much more rapid transition from one job to another that will result in individuals becoming, once again, tax-paying citizens;
- reduced costs of overhead and administration by the consolidation of the various laid-off worker programs;
- greater efficiency and effectiveness in both serving the affected workforce and reducing administrative overhead through the consolidation of the delivery of services to individual workers through the "one-stop" centers; and
- the establishment of a national reemployment system that will substantially reduce the long-term unemployment rate while further reducing the costs of unemployment benefits by helping individuals to find new work more quickly;

Speed is critically important here: the longer one is unemployed, the longer one is likely to be unemployed. Therefore, the quicker one can be assisted back to work, the lower the total cost of unemployment.

Now let us look at it from the other side: What will happen if we do not spend the money?

In Siemens' judgment, probably the single most catastrophic economic event is an unemployed person. The costs are multiple, they increase exponentially over time and they can be devastating to any economy.

Some of the other negative effects of unemployment include:

- cost of unemployment insurance;
 - loss of taxable income;
 - potential for expanded welfare costs/food stamps and other social support for those who cross the threshold into poverty as the result of the loss of their jobs; and
 - increased social unrest and crime caused by unemployment.
- There are other negative effects more difficult to quantify but, potentially, even more devastating:
- the tremendous social impact of unemployment that often leads to rising divorce, family abuse and violence and so forth; and
 - increased medical problems (the evidence is compelling that long-term unemployment leads to increased use of medical services).

In short, Siemens believes that both the programmatic features of the Reemployment Act and the proposed funding to support it are a good investment. This is an investment that will leverage, over time, substantial reductions of government costs and, as importantly, leverage increased tax revenues and social well being if the law is effectively implemented.

As a company with a long history of apprenticeship training in Europe and one which has recently begun its program in the United States, Siemens is pleased to go on record as supporting the Reemployment Act of 1994.

Although there are some questions that remain to be fully explored, the bill addresses the core issues at the heart of America's skills crisis.

It recognizes there are structural changes in our economy, engendered in large part by the increasing global nature of competition. These structural changes reflect the increasing importance of skills with a corresponding shift in favor of workers with high-level skills and against those without them. We heartily agree with Secretary of Labor, Robert, Reich when he says, "More than ever, what you earn depends on what you learn."

In the past, a high school student could realistically expect to join a company and claim a lifetime job with a middle-class standard of living. As I am sure the members of this Committee would agree, that expectation is becoming increasingly unrealistic and has been for some time. The earnings gap between the skilled and unskilled is widening, with potentially dangerous economic and political implications for our society.

The "one stop" service aspect of the Reemployment Act is to be lauded. The elimination of the confusing bureaucracy of federal job services that exists now can only improve the system. The Act also offers promising proposals on bringing the nation's work force information system up to modern standards.

The bill recognizes an important reality in the training area. Training that does not lead to a job cheats the worker. The Act makes significant progress in strengthening the links between training programs and the private sector.

We also applaud the mandate that requires a high-level business majority on the board overseeing local training programs. Though I might be viewed as somewhat partial, private sector involvement is crucial to the success of any training initiative. We seek employees who add value to our common enterprise, and to our customers.

There are some questions that will be answered as the bill winds its way through the Congress—on funding, for example. We sincerely hope that most of the funding will come through the consolidation of savings mentioned earlier.

Nevertheless, we believe the Reemployment Act of 1994 provides an effective overhaul of our country's training system, and will do much to help citizens get the skills that are required by companies such as Siemens.

I appreciate the opportunity to testify. Siemens stands ready to help the Congress and the President in supporting the American worker to help himself or herself through an effective job training program.

Senator SIMON. Mr. John Zimmerman, the Chief Human Resources Officer of MCI, a corporation I don't think we heard of 20 years ago. At least, I had not heard of it 20 years ago. We hear a great deal about it today.

Mr. Zimmerman.

Mr. ZIMMERMAN. Mr. Chairman, I appreciate this opportunity to testify before the Senate Labor and Human Resources Committee regarding the need for establishing the policies that are being proposed in the Reemployment Act of 1994.

I am John Zimmerman, a Senior Vice President for the MCI Communications Corporation and a former member of the SCANS Commission, which was established by the Department of Labor to study the skills necessary for our country's workforce.

MCI supports the public policy principles embodied in the Reemployment Act and we hope to work very closely with this committee to produce a meaningful piece of legislation this year.

For those who are forced to make career changes and for employers who have employment needs, this bill will establish a much-needed, comprehensive system for reemployment services. The establishment of integrated one-stop career centers will provide ac-

cess to employment counseling, education and training services on a coordinated basis. The focus will be on the requirements of employers and the skills needed to maintain a competitive workforce for our Nation. The increased involvement of employers and the provision for a national workforce information system will assure this.

MCI is a company that has not had major job dislocations. In fact, we have had over 25 quarters of steady job growth, to a current level of over 40,000 employees. However, this proposed legislation is significant for us, because MCI and other high-tech, high-skill employers are the providers of the Nation's most desirable job openings. We need an efficient system that effectively develops high-skill applicants for these openings.

I am going to give you a specific example from our experience at MCI that will illustrate why I think a better system of reemployment is critical. In 1991, MCI started a consolidation of our systems engineering operations in Colorado Springs. At that location, we have now built a workforce of 2,800 employees, a workforce that is very highly skilled. They are responsible for all of the systems development for our network and our services.

Fifty percent of this number were transfers from within MCI, and the remaining have been outside hires. To accomplish this outside hiring, we were forced to use contract employment specialists who sourced for us from coast to coast.

A more effective system of translating our employment needs to skill development programs, as proposed in this legislation, would have been very helpful to us, and more important, would have been very helpful to those unemployed who had the capability to benefit from targeted skill development so that they could have met our requirements.

It is our belief that this bill will be the beginning for addressing our Nation's employment problems, problems faced by both employers and employees, problems that have grown in complexity over the years.

Since the 1930s, the United States has accumulated many programs for specific workforce problems and programs for specific population groups. This has been done without careful attention as to how it all fits together to move toward the strategic goal of providing all Americans with greater job opportunities and providing America with a higher-skilled, more productive workforce.

This bill begins to consolidate current programs into a reemployment system that can better serve the needs of both employers and employees in the 21st century. It is my recommendation that this committee seek ways to go even further in consolidating education and training programs.

The role envisioned for business, to lead this new system at the State and local levels, is an important principle to establish in this legislation. The proposed State and local business-led Workforce Investment Councils can help ensure the relevance of these programs to future job needs, with a special focus on the necessary skill level.

In summary, America needs a comprehensive system to identify career opportunities and to develop the skill levels of our unemployed who seek these opportunities. The result will be a more

highly-skilled workforce for our Nation, one which will strengthen our competitive position in the global marketplace.

Mr. Chairman, I commend your committee for the leadership that it has provided through the years in moving workforce development issues to the forefront of public policy. This committee has a long history of bipartisanship in job training legislation, and I hope that this bill can be enacted before adjournment with similar bipartisan support.

I will be happy to answer any questions that you may have.

Senator SIMON. Thank you very much.

Bill Kolberg is no stranger to this hearing room. We are very pleased to have the President and CEC of the National Alliance of Business here again.

Mr. KOLBERG. Mr. Chairman, I thank you very much. It is nice to be back before the committee.

I appreciate the opportunity today to testify in support of the basic principles being proposed in the Reemployment Act of 1994. The Act provides the foundation to begin on real systemic reform of the delivery system for education and training-related programs in this country. The Act addresses a growing need to help with adjustments in the workforce.

As the committee well knows, in the last 5 years, we have seen the U.S. economy go through some very difficult changes. Throughout the economy, businesses of all sizes were forced to restructure operations with the unfortunate consequence of many permanent layoff. This trend is continuing and will be an issue throughout the decade of the 1990s.

Just since the first of this year, the Nation's major employers have announced job cuts of several hundred thousand employees. The Reemployment Act would ease the impact of these workforce transitions by helping workers gain new employment at a faster pace.

Systemic reform for the delivery of education and training-related programs is increasingly important to business. Public programs must be more closely linked to future job needs in each community and to the skill levels necessary to remain competitively employed. There is currently neither a single place for employers to go for skilled employees, as my colleague just testified to, nor is there one place that can effectively serve the workers in those communities.

The need to consolidate individual categorical programs and individual service delivery systems into one single integrated workforce investment system is central to our interest and employer interests in this bill. We would encourage the Congress to go much further than the Reemployment Act does and to consolidate many more education and training programs under this bill. I would strongly encourage the committee to transcend the departmental jurisdiction issues that seem to have limited the administration's approach and to expand the range of program integration under the bill.

I have had the opportunity to review Senator Kassebaum's bill, S. 1943, and other bills that go much further along this line, and we heartily support the direction they take. We agree with the direction the bills would go, to begin to consolidate the many separate categorical programs while investing the resources in a more comprehensive local system available to all individuals.

I believe that an effective piece of legislation to begin to shape such an integrated system can and should be enacted this year. We not only have 154 current employment and training programs by the GAO's latest count, but we also have the possibility in this Congress of adding further to that number.

For example, the crime bill would include another youth employment program, which would virtually duplicate the Youth Fair Chance program enacted in the 1992 amendments to JTPA. One version of the health care reform bill in the House would establish yet another categorical program to retrain laid-off health workers. The welfare-to-work system and the enhanced JOBS program that we keep hearing about is likely, one more time, to establish another separate system at the local level to handle welfare clients.

I would urge this committee to exercise leadership and to bring this variety of job-training programs under a coherent, integrated workforce investment system.

The role for business in leading a new system at the State and local level is an important principle in the bill and should be maintained. To ensure the relevance and effectiveness of these programs in local labor markets, the 12-year experience with Private Industry Councils under JTPA should be built upon as you design new State and local business-led workforce investment boards.

As my colleagues have testified, it is only employers who know the quality of the services and the training necessary to meet the skill needs of their companies.

State governments today are making workforce development activities a high priority, and many are moving ahead to establish their own integrated systems. In a recent survey, we identified 16 States that have already taken advantage of the recent law passed by this Congress which will allow them to establish State Human Resource Investment Councils.

Some of these States are moving into new, innovative models of coordinated service delivery at the local level, out of frustration, again, with the categorical nature that they find in every community.

Massachusetts has been in the forefront of this movement by the States. For about 6 years, again, under both Democratic and Republican governors, the Commonwealth of Massachusetts has had an effective State-level Human Resources Board and has made notable progress in expanding the purview of the local Private Industry Councils into effective Regional Employment Boards, covering a broad range of employment and education programs.

One important innovation proposed in the administration's bill would advance the abilities of States to move ahead with this movement on their part and build the comprehensive systems that are necessary. The waiver authority included in the administration's bill, in our view, is absolutely crucial to continue this movement that at least 16 States have already begun on, and we would strongly urge the committee to expand the waiver authority to allow this strong movement already taking place at the State and local level.

In summary, Mr. Chairman, the National Alliance of Business strongly supports bipartisan action by this Congress to establish the framework for a single national workforce investment system.

Given our continuing serious worker adjustment problems, this beginning framework should include at least the consolidation of the existing dislocated worker programs, and in addition should make significant progress in consolidating other programs.

It will, no doubt, be necessary to return to this subject in the next Congress or in future Congresses to go the rest of the way in building a single integrated system, but we should not lose the opportunity in this session to set the framework which will allow the States and the localities to continue the progress that they are making in building single comprehensive systems.

We do not minimize the heavy legislative load that this committee has this year, and we realize that time is, no doubt, the greatest enemy to what we would propose to you today. We stand ready to work with this committee in any way that would be useful to you in gaining bipartisan support for a bill that can be enacted this year.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Kolberg follows:]

PREPARED STATEMENT OF WILLIAM H. KOLBERG

Mr. Chairman, I appreciate the opportunity to testify in support of the basic principles being proposed in the Reemployment Act of 1994.

I am William H. Kolberg, President and CEO of the National Alliance of Business.

For over 25 years, we have represented business on workforce development issues. We welcome the chance to support a bill that proposes, for the first time, a framework for the development of a national workforce investment system which would be responsive to the needs of both employers and employees without regard to cause or location of a person's unemployment.

The Reemployment Act of 1994, introduced March 23 as S. 1964, provides the foundation to begin on real systemic reform of the delivery system for education and training-related programs in the United States. The Act addresses a growing need to help with adjustments in the workforce. In the last five years, we have seen the U.S. economy go through some difficult changes. Throughout the economy, businesses of all sizes were forced to restructure operations with the unfortunate consequence of permanent layoffs. This trend is continuing and will be an issue through the decade of the 1990s. Just since the first of this year the nation's major employers have announced job cuts of several hundred thousand employees. The Reemployment Act would ease the impact of these workforce transitions by helping workers gain new employment at a faster pace. Many of us in the business community recognize the importance of addressing workforce disruptions with the services, information, and coordinated delivery structures envisioned in this bill.

Systemic reform for the delivery of education and training-related programs is increasingly important to business. Public programs must be more closely linked to future job needs in each community and to the skill levels necessary to remain competitively employed. There is currently neither a single place employers can go for skilled employees nor one place that can effectively serve workers seeking skilled employment. Most employers do not rely on publicly-funded employment and training institutions to seek competent employees. Yet these systems cost billions of tax dollars each year for the ostensible purpose of assisting both workers and companies. This bill could begin to change that trend.

The need to consolidate individual categorical programs and individual service delivery systems into a single integrated workforce investment system is central to our interest in the bill. We would encourage the Congress to go much further than the Reemployment Act does and to consolidate many more education and training programs under this bill. I would strongly encourage the Committee to transcend the departmental jurisdiction issues that have limited the Administration's approach and to expand the range of program integration under this bill.

I have reviewed several proposed bills that go much further in consolidating programs, including Senator Kassebaum's bill, S. 1943. I agree with the direction these bills would go to begin to consolidate the many separate categorical programs, while investing the resources in a more comprehensive local system available to all individuals needing help.

I believe that an effective piece of legislation to begin to shape such an integrated system can and should be enacted this year. We not only have 154 current employment and training programs, by the U.S. General Accounting Office's latest count, but we also have the possibility in this Congress of adding to that number. For example, the crime bill would include another youth employment program, which would virtually duplicate the Youth Fair Chance program enacted in the 1992 Job Training Partnership Act amendments. One version of health care reform in the House would establish yet another categorical program for retraining health workers. The welfare-to-work system and the enhanced JOBS program apparently envisioned for welfare reform is likely to be established under yet another separate delivery system for employment and tag. I would urge this Committee to exercise leadership and to bring this variety of job training programs under a coherent, integrated workforce investment system at the state and local levels.

The role for business in leading a new system at the state and local level is an important principle in the bill that should be maintained. To ensure the relevance and effectiveness of these programs in local labor markets, the 12-year experience with Private Industry Councils under the Job Training Partnership Act should be built upon as you design state and local business-led Workforce Investment Boards. Only employers know the quality of the services and training necessary to meet the skill demands of competitive jobs.

As you know, Mr. Chairman, the National Alliance of Business has stressed the importance of public-private partnerships in workforce development policy since the passage of the Job Training Partnership Act and the creation of the Private Industry Councils. We have advocated that the federal government provide the policy framework for a business-led, integrated workforce investment system, particularly at the local level where services are delivered and jobs are obtained.

State governments today are making workforce development activities a high priority, and many are moving ahead to establish integrated systems. In a recent NAB survey, we identified 16 states that have already established State Human Resource Investment Councils or similar state-level bodies to oversee the broad system of education and training programs and to strategically reconfigure these programs. Some of these states are moving into new, innovative models of coordinated service delivery at the local level out of frustration with the categorical approach of federal programs.

As you know, Mr. Chairman, Massachusetts has been in the forefront of this movement by the states. For about six years, under both Democratic and Republican governors, the Commonwealth of Massachusetts has had an effective, state-level, human resources board and has made notable progress in expanding the purview of the local private industry councils into effective Regional Employment Boards covering a broad range of education and employment programs.

One important innovation proposed in the Administration's bill that would advance the ability of states to move forward with comprehensive systems tailored to the specific circumstances of their economies is the authority for the federal government to grant broad waivers of program requirements. This waiver authority would allow states to proceed with their own integrated system without waiting for specific federal authority. The dramatic actions of states over the past few years in reforming welfare under waiver authority has demonstrated the effectiveness of this approach in putting reforms in place.

In summary, Mr. Chairman, the National Alliance of Business strongly supports bipartisan action by this Congress to establish the framework for a single, national workforce investment system. Given our continuing serious worker adjustment problems, this framework should include the consolidation of the existing dislocated worker programs and, in addition, should make significant progress in consolidating other employment and training programs. It will, no doubt, be necessary to return to this subject in the next Congress to go the rest of the way in building a single overall system, but we should not lose the opportunity in this session to set the framework which will allow states and localities to proceed with systemic reforms.

Mr. Chairman, we do not minimize the heavy legislative load that you and this Committee are carrying this year, and we realize that time is the greatest enemy against accomplishing what we recommend. We stand ready to work with this Committee and the Administration in any way we can to be useful in devising a bill that can gain bipartisan support.

I would be happy to answer any questions you have.

Senator SIMON. We thank you, Mr. Kolberg.

Jeanine Brannon is the Chair of the Training and Development Committee of the Society for Human Resource Management. We are happy to have you here, Ms. Brannon.

Ms. BRANNON. Thank you. Mr. Chairman and members of the committee, my name is Jeanine Brannon and I am a training specialist with 20 years' experience in the human resource management field. I chair the Society for Human Resource Management's Training and Development Committee, and I am here to testify on behalf of SHRM, which represents 57,000 human resource managers in every State and 44 countries around the world.

Our members are responsible for ensuring that the workers of this Nation are treated fairly and are managed in a way that allows them to contribute to their companies' corporate goals, to contribute to the economy as a whole, and to enable their companies to maintain competitive positions.

SHRM applauds the many employers who have already understood the importance of investing in the skills of the workforce and have established a variety of effective and innovative training programs for their employees. SHRM believes that companies must take preventive measures to prepare their workers for the unfortunate and the unforeseen.

Unfortunately, economic projections indicate that employment downsizing is likely to continue in the decade ahead. Our Nation's current training programs need to be evaluated and streamlined in light of the growing reality of frequent job changes.

We must equip our Nation's citizens with transferable skills, and when the unfortunate and unforeseen occurs, assist unemployed workers to reenter the workforce.

We applaud President Clinton and this committee for your work on S. 1964, the Reemployment Act of 1994. However, we encourage you to go further in your efforts to consolidate the various employment and training programs. We recognize that politically, this is difficult, since each of the separate programs have different interest groups, but we firmly believe that a truly streamlined national effort will most effectively benefit each constituency in the long-term.

We urge the committee to consider the approach presented by Senator Nancy Kassebaum, whose bill, S. 1943, would establish a Commission on Employment and Training to completely overhaul the current myriad of programs in an effort to create a single one that works.

In order for a consolidation effort to work effectively, it must be bipartisan, it must be extensive, and it must have private sector involvement.

According to the General Accounting Office, the current system to help individuals find productive employment is plagued by the disarray of 154 separate programs administered by 14 different agencies, with an estimated cost of \$25 billion. The GAO indicates that most Federal agencies do not know if their training programs are working effectively.

The GAO found that only seven of 62 programs examined evaluated whether or not the programs made any difference for the participants. GAO found that only about half of the programs collected data on whether the participants got the jobs, and if they got the jobs, whether or not the jobs were even related to the training that was provided.

Unless we address these existing problems with measuring program effectiveness, how can we hope that yet another piecemeal effort will be any more effective at assisting our Nation's unemployed individuals to gain employment?

I believe that we should use the process of private sector reengineering as a model for overhauling and reinventing the myriad of Federal training programs. By reengineering, rest on the principle of rejustifying everything and starting from scratch. We must ask ourselves, if we were starting over and recreating the Federal delivery system of training, what would it look like?

The current system demands a fundamental rethinking and radical design of processes to achieve dramatic improvements in performance. Just as with private industry, our national training efforts must be viewed as an investment and the returns must be measured. Our national investment in employment and training programs is not yielding the desired returns for our Nation's unemployed.

The current national training situation is not unlike a company with a centralized training strategy, for example, a company with 14 subdivisions, each conducting independent, uncoordinated training efforts. A State of confusion would exist on the part of the employees seeking training as they attempted to work their way through overlapping programs. Employees wouldn't know where, when, or who to go to to find out about their available training options.

Separate administration and record keeping functions would not only present unnecessary costs and difficulties for the company, but would make the company's overall training effort nearly impossible to measure and would not ensure consistency in training for the employee.

I ask you, if you owned this company, how would you feel with the status quo of this training strategy and continuing to fund these fragmented programs when the effectiveness is unknown?

Just as under our current national training situation, conflicting goals and strategies exist among the various operating units. Nationally, we are not effectively and efficiently using the dollars to support those who we want so desperately to help.

Additionally, while we understand that this committee's jurisdiction does not extend to the financing of the proposal, I would like to mention that SHRM opposes an extension of the FUTA tax to fund the bill.

Finally, job retraining and outplacement starts with job creation, and we urge the committee to think long and hard before enacting additional regulations and record keeping requirements on the private sector. Unless there are existing jobs to train for, all of our efforts to assist dislocated workers may be ultimately wasted.

We stand willing to assist you in your efforts to train our Nation's workforce. Thank you for your time, and I will be happy to address any questions which you may have.

[The prepared statement of Ms. Brannon follows:]

PREPARED STATEMENT OF JEANINE BRANNON

Mr. Chairman and members of the committee, my name is Jeanine Brannon and I am a training specialist with over 20 years of experience in the human resource management field. I chair the Society for Human Resource Management's (SHRM's)

Training and Development Committee. I am here today to testify on behalf of SHRM, which represents over 57,000 human resource managers in every state and in 44 countries around the world. Our members are responsible for ensuring that the workers of this nation are treated fairly and are managed in a way that allows them to contribute to their companies' corporate goals, to contribute to the economy as a whole, and to enable their companies to maintain competitive positions.

SHRM believes it is critical that the U.S. maintain and improve the skills of its workforce. SHRM applauds the many employers who have already understood the importance of investing in the skills of the workforce and have established a variety of effective and innovative training programs for their employees. SHRM also believes that private sector commitment to worker training and retraining is a necessary long-term investment in not only employers' own interests, but also in the future economic competitiveness of the United States.

Effective, well planned and well coordinated use of employee training dollars can achieve both measurable and substantial results for both employers and employees. Companies must take preventive, proactive measures to prepare their workers for the unfortunate and the unforeseen; but government has an obligation as well—we must have a coherent, efficient system which effectively works to pick up where the private sector leaves off.

Unfortunately, economic projections indicate that the trend of employment downsizing is likely to continue in the decades ahead. While we once lived in an era when citizens worked in one job for fifty years, that norm no longer exists; now U.S. citizens often have multiple jobs, and even second or third careers. We must do everything possible to equip our nation's citizens with transferable skills and, when the unfortunate and unforeseen occurs, to assist unemployed workers to reenter the workforce. Our nation's current training programs for assisting unemployed workers need to be evaluated and streamlined in light of the growing reality of frequent job changes.

We applaud President Clinton and this committee for your work on S. 1964, the "Reemployment Act of 1994". However, we encourage you to go further in your efforts to consolidate the various employment and training programs. We recognize that politically, this is difficult since each of the separate programs have different constituencies and interest groups, but we firmly believe that a truly streamlined and consolidated national effort will most effectively benefit each constituency in the long-term.

In order for a consolidation effort to work effectively, it must be bipartisan; it must be extensive; and it must include private sector involvement.

We also applaud the President for promoting the concept of one-stop shopping. However, absent the streamlining and consolidation of current programs, there would be no assurance that the federal training dollars are well spent, that the administration of the programs would be simplified, or that ultimately, more unemployed workers would find productive and meaningful employment. We urge the Committee to consider the approach presented by Senator Nancy Kassebaum, whose bill, S. 1943, would establish a Commission on Employment and Training to completely overhaul the current myriad of programs in an effort to create a single one that works.

According to the General Accounting Office (GAO) the current system to help unemployed workers is plagued by the disarray of over a hundred separate programs administered by 14 different agencies with an estimated cost of \$25 billion to the federal government. For example, over 60 separate job training programs are provided for economically disadvantaged individuals and 34 different programs provide literacy assistance aimed at reaching the same group of people. The waste, duplication and conflicting requirements and procedures are not only a poor use of federal dollars, but make it very difficult for unemployed workers to navigate themselves around a complicated and disjointed system.

The GAO's March 1994 report indicates that most federal agencies do not know if their training programs are working effectively. The report found that only 7 of 62 programs examined even evaluated whether or not their program made any difference for the participants (i.e., whether participants would most likely have achieved the same outcomes without assistance). In addition, the study found that only about half of the programs collected outcome data on what happened to program participants after they received program services. As a result, administrators did not know if participants got jobs; and if they got jobs, whether the jobs were related to the training provided. Without this information, it is difficult to determine if program participants are actually gaining the skills that they need to meet employer requirements for local labor market opportunities. Unless we address these existing problems with measuring program effectiveness, how can we hope that yet

another piecemeal effort would be any more effective at assisting our nation's unemployed individuals to gain employment?

Before pursuing additional entitlements funded by employer taxes, we must streamline what we have and effectively empower training recipients to find productive jobs. Individual motivation and accomplishment are critical to success. Just as governments and the private sector need to acknowledge the likelihood of frequent job disruptions, so too must individuals. Individuals need to plan for lifelong education; save for employment disruption caused by job loss and unemployment; and plan strategically for career changes. Sole dependency on the government or an employer for protection against employment disruption is no longer effective or prudent career planning.

I believe that we should use the process of private sector "reengineering" as a model for overhauling and reinventing the myriad of federal training programs. "Reengineering" rests on the principle of starting from scratch. We must ask ourselves, if we were starting over and recreating the federal delivery system of training—given what we know now that every worker, regardless of demographic or economic characteristics may require assistance and retraining at some point—what would it look like? The current system demands a fundamental rethinking and radical redesign of processes to achieve dramatic improvements in critical measurements of performance, such as cost, quality, service and efficiency of operation. Just as in the private sector, we must set goals or standards and measure performances against these goals or standards.

Just as with private industry, our national training efforts must be viewed as an investment, and the returns must be measured. Our national investment in employment and training programs is not yielding the desired returns for our nation's unemployed.

The current national training situation is not unlike a company with a decentralized training strategy—for example, a company with 14 subdivisions, each conducting independent, uncoordinated training efforts. A state of confusion would exist on the part of the employees seeking training as they attempted to work their way through overlapping programs. Employees wouldn't know where, when or who to go to find out about their available training options. Separate administration and recordkeeping functions would not only present unnecessary costs and difficulties for the company, but would make the company's overall training effort nearly impossible to measure. Leadership would be fragmented, and a centralized, simplified, and consolidated strategy would be needed. I ask you if you owned this company, how would you feel with the status quo and continuing to fund these fragmented programs, when the effectiveness is unknown?

Similarly, under our current national training situation, conflicting goals and strategies exist among the various operating units (administrative agencies), with a need for overall economies of scale and a uniform policy. The economic benefits of a central administration are lost. In short, any time that we are not cutting back on duplication of efforts, confusion for the user will result. Nationally, we are not effectively and efficiently using the dollars to support those who we want so desperately to help. As drafted, we believe that the Reemployment Act of 1994 falls short of its stated goal to "establish a comprehensive system of reemployment services and retraining for permanently laid off workers."

Additionally, while we understand that this committee's jurisdiction does not extend to the financing of the proposal, I would like to mention that SHRM strongly opposes an extension of the .2 percent Federal Unemployment Tax Act (FUTA) surcharge because it represents a breach in the 1976 Congressional commitment that the tax would be temporary; it is an unnecessary increase since the unemployment trust fund is solvent; and a tax increase will be at the cost of job creation.

In closing, let me take off my business hat and get personal for a moment. I chose the area of human resources as an occupation because I care about people. I chose specifically the area of training because I enjoy helping others to grow and develop. I too have been a victim of restructuring, once after 18 years of service and twice as a contractor. I worked for a company who provided an excellent outplacement service, and because I am a self-motivated person, I have taken responsibility for my own future in the workplace.

Job retraining and outplacement must start with job creation. A well known, fundamental principle of adult learning is that new skills and knowledge must be applied immediately on the job, to be retained. Retraining without job creation would have no value. We urge the Committee to think long and hard before placing additional regulations and burdensome recordkeeping requirements on the private sector that will impede job creation. Unless there are existing jobs to train for, all of our efforts to assist dislocated workers may be ultimately wasted.

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We at the Society for Human Resource Management stand willing to assist you in your efforts to consolidate federal resources with the goal of assisting our nation's unemployed individuals to find productive and meaningful work.

Thank you for your time. I would be happy to address any questions which you may have.

Senator SIMON. We thank all of you.

The chairman of this committee has made a dramatic entrance here, and I am pleased to turn the gavel over to you, Senator Kennedy.

I will, if I may, take the prerogative, since I temporarily have the chair, of asking a question.

Mr. Hoser, you mentioned that in other countries, you have more training. As you say, it balances out. If somebody goes from your company to another company, you lose some but you pick it up when that person comes from the other company.

Why, in Germany or other countries, do you have greater stress on training by corporations than you do here?

Mr. HOSER. It may just be a matter of tradition over the hundreds of years. In Siemens itself, we have had vocational or apprenticeship training for more than 100 years, and we have at the moment, I think, about 3,000 trainees in our company. So it is just the tradition. I think many of these traditions have also come to the United States by the way of immigration over the last so many hundred years.

It may be, however, due to Taylorism, perhaps. Frederick Taylor introduced the systems in this country with splitting up the jobs, that then different kinds of qualifications were required. Now again, however, we feel that what we need is the understanding of the person of the whole job that he is doing, not only that little tiny, little piece, because these lowly-paid jobs, they have already left this country. They have gone to Malaysia; they have gone to Indonesia or maybe to Mexico.

What we need today is highly-paid jobs. Say, for instance, if I looked to Illinois, we have about 2,000 people employed in your State. The payroll is about \$100 million, meaning to say they have about \$55,000 income per year. So these are highly-paid jobs. Those you don't get if you are not trained. They have to be highly paid.

And, they have to change. You cannot expect that what you have learned 40 years ago—I am now 40 years with Siemens—that this is the same skills that I learned then that I require today. I need different skills today, so my skills have to be upgraded. I have to constantly be trained and retrained, and somebody has to pay for that.

In our case, the company is paying that, but it can do so because Dime LeBenz will also do it, Bosch will do it, and all the others will do it. So in case I leave, which I have not done, somebody else from their companies will join this company. In this country, however, it is not yet so.

When I introduced the training system in Siemens in the United States, the presidents of the operating companies told me that, sir, that will take 10 years, 5 years at least until we have the benefits of that, but you are expecting the dividends next year.

So what we have done is we have created the pool. I have said, okay, 0.1 percent of your value added will be put into a pool and

the pilot sites, which we are opening, will be financed out of this pool, in the first year 100 percent, the second year only two-thirds, and the third year one-third, and then you have to pay yourself fully. Something like this, perhaps, should be done here also.

Senator SIMON. But there is nothing in the law in Germany that specifically causes you to do that? It is tradition?

Mr. HOSER. It is tradition. We have found ourselves that it is beneficial to us, to the economy as a whole. It is not by force, even though the standards, they are by law. You are tested and you get a certificate after the training you have done by a body like the chamber of commerce, you would call it, perhaps. They test you at the end of the 3 years and they give you a certificate, which then is portable, also.

It's a little bit old now, it's 40 years old, but this is my certificate. It looks like a passport, but with this I can run around and I am certified wherever I go.

Senator SIMON. Does that indicate you passed? [Laughter.]

Mr. HOSER. Yes, I did.

Senator SIMON. All right.

The CHAIRMAN. Would the Senator yield on that?

Senator SIMON. Yes, of course.

The CHAIRMAN. We are delighted to have you here, all the panelists.

I thought, though, that in most of the European countries, they either have to train or they have to make a contribution to a training program, and that percent varies from country to country. I thought it was about a percent-and-a-half or two percent in the different countries. I thought that there were those kinds of requirements.

Mr. HOSER. In Germany, I don't think there is. I have been out of Germany now for 14 years. I have been in Japan and India, as I said. It is not so in my country, in Germany. We do it within the companies, and it is not only the large companies, mind you. The smaller companies train even more than the larger ones, because they have the benefit, also. Since they have not so many specialists, the small company has to train even more and have all-around people.

It is not so much that we are being forced to train, but it is our own conviction that training the workforce is our strength. If today, the average worker in Germany earns \$25, in this country, the average wage may be \$15. Germany shouldn't be competitive, but still it is competitive, in spite of paying \$10 more in wages than we are paying here.

Senator SIMON. I have just one more comment and question to you, and then I have taken more than my share of time here.

First, my staff handed me a note that you have an excellent school-to-work program in Florida.

Mr. HOSER. Yes.

Senator SIMON. One other thing, as you study the European experience in training by corporations, compared to the United States, we tend in our training programs to train the leadership in a corporation, to train those at the upper-income levels, while in Germany and the Western European countries, there tends to be a broader understanding of what you should do in training.

Do you have any reflections on that?

Mr. HOSER. When you start training somebody, you don't know what will come out after 40 years. When I started my own training in 1954, my wage in the first month was \$20. It is slightly more now, of course, but you don't know where you end, I mean to say.

What I say only is the path is open to you, and the path is also open to those that we are training today, say in Florida, in Kentucky, or in the Carolinas. We have several pilot programs. These boys and girls, they are so eager. Actually, after the first year, we found that those in Florida were the best in our worldwide system of training. When they had the final test, they were the best ones.

It is not so that they have to work with their hands for all their life. My daughter, I mentioned it earlier, has the Siemens vocational training system and she is now trying to become a doctor in physics, so this path is also open.

Senator SIMON. I had other questions, but I am going to have to get to another meeting here, too.

Thank you.

The CHAIRMAN. [Presiding.] At this point, I would like to insert my opening statement into the record.

[The prepared statement of Senator Kennedy follows:]

PREPARED STATEMENT OF SENATOR KENNEDY

Today marks the first hearing of the full committee on S. 1964—the Reemployment and Retraining Act of 1994

This legislation, which was developed by the Clinton administration after extensive consultation with key leaders throughout the country, addresses an issue of critical importance to our economic future—the need for an effective system to ensure that workers who are bearing the brunt of the rapid structural changes in the economy get the services they need to enable them to secure new jobs at decent wages.

We have all heard the encouraging news about the increasing pace of economic recovery. Unemployment is down, production and productivity are up, and nearly 2 million new jobs have been created in the last 13 months. The administration's economic program and deficit reduction strategy are clearly producing results.

But these positive signs of recovery exist side-by-side with other compelling signs that tell us that for working Americans, the landscape is still bleak.

Wages are stagnant—and in some sectors still falling. Large companies continue to “downsize”, laying off workers at a record pace. Long-term unemployment—the percentage of unemployed workers who have been out of work for more than 6 months—remains at a post-war high. More than three out of every four workers who lost their jobs last year were permanently—not temporarily—laid off.

Even those who were fortunate enough to keep their jobs and standard of living through the last recession remain deeply concerned about their economic future. Large numbers of employed Americans have very real fears that they too will lose their jobs or be forced to take pay cuts in the foreseeable future.

I commend the Department of Labor for taking the initiative to respond to these challenges. We are all well aware of the confusing array of current Federal job training programs.

The administration's bill would consolidate six separate dislocated worker training programs into a single initiative.

Clearly, this is a major step in the right direction. Many of us on both sides of the aisle who believe deeply in the importance of job training programs also believe that we can and should do more to consolidate them and make them more efficient.

This is the first of several hearings we will have on this subject.

We have today three panels of witnesses who represent the business community, State and local elected officers, and key stakeholder organizations in our job training system. I commend our witnesses for sharing their experiences with us, and I look forward to their testimony.

There are many important ideas in the pending legislation which deserve further discussion. I look forward to working with the administration and the members of this committee on this measure in the weeks ahead.

Senator Kassebaum.

Senator KASSEBAUM. Mr. Hoser, I might follow on what Senator Simon was asking, for just a moment. I read some articles, I think mostly in *The Economist*, that were commenting that perhaps Germany particularly, because it has lead the way in apprentice programs, was rethinking some of their job training programs now; that the employment picture there was changing and jobs were changing, just as they are elsewhere around the world, and that perhaps that locked companies in too much now.

Is that accurate? Do you care to comment?

Mr. HOSER. Senator, definitely, you are right. The requirements are changing. Right after the war, all the boys wanted to be a baker or a butcher because they were all hungry. They thought, you always need a butcher, you need a baker. But as it turned out after 20 years, that was not the priority anymore. There is a tremendous change, but the system has been flexible enough to accommodate this change.

I also do not want to say that you please import the system from Germany. What works over there definitely doesn't work over here. We had to adapt it here, also, very much. We brought over meisters, of course, from Germany to train the trainers here and to do the training maybe in the first and second year, and then the people from here take over the training.

It would be wrong to say what works over there works over here. No, that would not be what I suggest.

Senator KASSEBAUM. What perhaps I might ask of the rest of the panel, I know Mr. Kolberg and Ms. Brannon both spoke to what I have been trying to get at, which is a greater consolidation, and the fact that we have some 155, now, job training programs of various degrees and that the consolidation and better evaluation would help us a great deal to know which programs are working best.

From those of you who have had experience with any of the dislocated worker programs, because there have been some concerns about the dislocated worker programs, what do you think has

worked best? Have you had any experience using the TAA funding? Has anybody utilized that and what has been your experience with it?

Mr. HOSER. May I just say one thing, and then I will be quiet? Senator KASSEBAUM. Sure.

Mr. HOSER. Senator Kassebaum, I think you should be personally also commended on your interest of consolidating, because as the lady to my left said earlier, it is a wasteful way, in my opinion, as we are doing it today in this country. It can't be that if we have more than 150 programs that it is efficient. It has to be consolidated. It has to be more efficient. I think you are spending too many dollars for the bang you get. There must be more efficiency.

Senator KASSEBAUM. I certainly think so.

Mr. HOSER. It has to be more efficient that it is in the past. It can't be like it has been. I think you are just giving jobs to those looking after them that should have the jobs, meaning to say the bureaucracy is feeding itself to a very large extent.

Senator KASSEBAUM. Ms. Brannon, were you going to comment?

I know the chairman has shared my concerns about some of the initiatives, and I think the GAO report has certainly caused some very serious reevaluation and a desire to rethink our delivery systems, but let me just suggest that when we talk about this initiative that you are testifying about today, that it is only a consolidation of six dislocated worker programs.

Those six programs in the 1994 appropriations that we are operating under now cost \$1.18 billion—I am sorry, that is what they are asking for in the 1994 appropriations. That is a 100 percent increase from 1993, which was \$517 million. So with the consolidation of these programs, we are also increasing significantly the moneys for those programs. Again, I think this has not been carefully analyzed, we don't know what works and doesn't work within those six programs.

I strongly support Secretary Reich's desire to speak to consolidation and one-stop shopping. But again, if we don't know what we should be doing to really make them work, then I think we have missed an opportunity.

I appreciate the comments all of you made. I guess I would like to ask if all of you would think it would be a good idea if immediately we could give waivers so that States could begin to develop some flexibility in the programs.

Ms. Brannon.

Ms. BRANNON. The only concern I would have there on the flexibility would be issues such as companies that are located in multiple States, where that could be confusing to the employees who may be moved from State to State, or you may have an employee who lives in one State and works another.

Mr. KOLBERG. Senator, as I said in my prepared statement, it seems to me that as we have learned, and at the moment are learning in welfare reform, that the waiver authority given to the executive branch, used by almost every State now in very different ways in every State, is a very effective way to move us toward welfare reform. Yes, it is not lock step. Every State is doing it differently, has different policies that suit the citizens of that State, but isn't that wonderful?

That is certainly the direction, it seems to me, that we ought to be going in putting together this new system that puts together the 154 programs into a single integrated system. It is finally going to be done by the States and the localities, and it seems to me the Federal Government needs to set some kind of a general framework and then provide waivers and probably some money, gap-filling money, and urge the States on to get the job done.

Senator KASSEBAUM. Mr. Zimmerman, were you going to offer a comment?

Mr. ZIMMERMAN. Senator, I would support what Mr. Kolberg said. I think it is imperative that we build a structure or a system.

One of the problems with having 154 programs that often work ineffectively and in disconcert is that they don't fit within some common sense of direction, and that is what I think can come out of the so-called one-stop centers. I think that that has to be the core of it. I think it also brings input from employers into those centers as to what the job requirements are, the necessary skill levels, and it brings it into a hub, if you will, and I think that that is a system.

That is not to minimize the fact that all 155—I have the number now—

Senator KASSEBAUM. We just added one.

Mr. ZIMMERMAN[continuing]. Should eventually be pulled into that center. I just would hope that we could find some phase one that would get us started moving in that direction, but I strongly support that. I think the Federal Government has to provide the overall system, and this is an opportunity to do it.

Senator KASSEBAUM. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Thank you very much.

Let me just join in hoping that we can do that. We are very committed, at least I am, to trying to achieve that in terms of the consolidations.

I want to welcome Mr. Hoser very much for being here and commend you for the variety of different programs, the continuing training programs that you have. Reference has been made to the programs in Lake Mary, FL, also Franklin, KY, and Raleigh, NC, and some of the other programs in terms of literacy training as well.

Mr. HOSER. Thank you very much, Senator.

The CHAIRMAN. That is enormously impressive.

We have in my State, under the MassJobs Council, a very interesting effort to bring about these consolidations in terms of local programs. There is \$750 million currently being spent on workforce development programs in our State. We have 16 regional programs that are consolidating, or attempting to consolidate, both the Federal, State, and the local training programs. We have had bipartisan support for that. It started under Governor Dukakis and now Governor Weld. They are trying to coordinate the programs in there.

They have a remarkable number of volunteers. Sixty-five percent of the people that are associated are all volunteers. A good percentage of them are businessmen.

One of the interesting things, I spoke at a conference for these Regional Employment Board members last Saturday up in Massachusetts. There was extraordinary attendance, about 450 people spending the whole weekend down there. They were pointing out that the difference between being on a PIC board that maybe has some influence over \$1 million is one thing and if it has \$50 million, which is the purview of some of these REB's, it is another. It should make sense, and it is obvious, but they are able to get, really, a very different group of people that are involved in this program.

They were mentioning to me that they are doing a job corps program up in Fort Devons, Massachusetts, which will follow the traditional sort of job corps. They were trying to make sure that that is involved in terms of the other kinds of training programs in that part of our State.

There are a lot of things that are happening there, and it is very, very impressive. I am impressed with their attempt to identify some of the things that we can do and to make the programs more efficient and effective.

I just asked about what would the European experience be, because we just, as you know, passed the school-to-work program, which was one of the recommendations of "America's Choice" report. One of the other recommendations of the America's Choice report was the need to encourage more training programs in the companies and corporations.

They do, actually, in the European countries, at least according to that report, have contributions by the various corporations. The German corporations, according to America's Choice, contribute a total of 3.5 percent of annual payroll to public training and employment schedules through joint employer/employee-financed national unemployment insurance, the national system of apprenticeship, and the mandatory contributions to local chamber of commerce. In this system, employers are assessed 2.3 percent of annual payroll.

We find in Sweden an employer contribution of approximately 2.5 percent of annual payroll finances the National Labor Market Board, AMS, which operates the Swedish national employment and training program.

In Ireland, it is 2.5 percent of payroll into a levy grant system, creating a fund similar to Sweden's renewal fund for training, the national employment authority.

In Singapore, it is one percent, and so on. So there is, as I understand it—this is just the America's Choice report, which was co-chaired by former Secretaries of Labor, Bill Brock and Ray Marshall, and included Mrs. Clinton, as a matter of fact, and Ira Magaziner was the staff director of that program. It was my understanding that they have built into their whole kind of a process and system the training program, and that has strong support within the system. Australia has just moved toward that kind of a system.

One of the things that was amazing to me, the American companies that are over in these other countries have all endorsed this type of training financing mechanism, all support it, and they come back over here and they will express reservations about supporting a one percent tax in terms of payroll for a training program. It is interesting to me, while over there in that kind of tradition, in

terms of where they are going, they will support it, and back here we have difficulties again.

I had talked to the President about it, and they thought in the administration that it was just too much to expect to have that kind of a tax program to get that kind of a training and they were going to try to do it through a voluntary basis and through the consolidations. Hopefully, maybe we could.

I just thank you. I hope as we move through, in terms of the consolidations, we can call on you to help and assist. We are going to be serious about it, whether we can do all the things that we want to do around here in terms of health and some of the others before we get out this year. I think that we can find a consolidation plan that goes far beyond these particular programs in the Reemployment bill, and we are trying to work it out with our colleagues on the other side.

You have some of these programs, supportive housing, demonstration training programs, \$164 million in Veterans Affairs, the food stamp employment and training in Agriculture, \$165 million. So they are scattered all over and we have a lot of work to do in trying to bring those together, but I hear you, and I thank you all very much for being here. We are grateful to you for your recommendations and suggestions.

Thank you very much. It was nice to see you.

The CHAIRMAN. John Hudacs, the Commissioner of Labor for New York, representing the National Governors' Association, NGA, will lead off with a statement and support the broad goals of the REA, followed by a lengthy list of objections to specific provisions of the bill.

Pamela Anderson, Second Vice President of the Employment and Training Council of the U.S. Conference of Mayors will testify on behalf of the mayors. The mayors are particularly concerned about how REA, which is primarily designed to assist dislocated workers, will affect various hard-to-serve groups.

We look forward to your testimony.

STATEMENTS OF JOHN HUDACS, COMMISSIONER OF LABOR, STATE OF NEW YORK, ON BEHALF OF THE NATIONAL GOVERNORS' ASSOCIATION; AND PAMELA ANDERSON, SECOND VICE PRESIDENT, EMPLOYMENT AND TRAINING COUNCIL, U.S. CONFERENCE OF MAYORS

Mr. HUDACS. Thank you very much, Mr. Chairman, Senator Kassebaum. It is a privilege to have the opportunity to appear here today on behalf of both the National Governors' Association and Governor Mario Cuomo of New York State.

As you know, the Nation's Governors are among the strongest proponents of integrating and improving workforce development programs. Last August, the Governors adopted a strategic plan for workforce development policy that urged the Federal Government to take specific actions, which were to integrate existing Federal job training resources and to give the States more flexibility to streamline workforce development programs, to maintain the commitment to disadvantaged workers while focusing support on the development of the comprehensive workforce development system, and also to provide capacity-building grants to States and to help

them evaluate approaches, share information, and develop sources of practical labor market information.

Additionally, the Governors specifically asked the Federal Government to consolidate dislocated worker programs and to enact a number of reforms to those programs to improve their quality and responsiveness to the needs of workers.

The Governors believe that the Clinton administration's proposed Reemployment Act represents a very important step toward carrying out the agenda outlined in that strategic plan for workforce development. Particularly, there is very strong support from the Governors with regard to the bill's efforts to consolidate existing dislocated worker programs, to increase State flexibility by creating new waiver authority, to give capacity-building grants to States that are creating integrated workforce development systems, and also to provide Federal support to build national, State, and local labor market information systems.

But the Governors also believe that changes are needed in the Reemployment Act if it is to result in a workforce development system that really does provide higher quality, more comprehensive, and better-integrated services to all Americans who need them, and we hope to work closely with this committee to improve the proposed legislation in three areas. One is flexibility, the other is scope, and the other is in financing.

The Governors urge the committee to revise the Reemployment Act to make it less prescriptive with regard to how workforce development programs are administered and managed at the State and local levels. We believe that the School-to-Work Opportunities Act, which we strongly supported, is a good model in this regard. The Governors fear that the present bill will, in its proposed new administration and operational structures for worker adjustment and one-stop centers, actually add layers of bureaucratic controls and further costs without really resulting in improved services to clients.

For example, we believe that the mandate in Title I to choose by competitive bid the provider of local worker adjustment services would really undermine the gains that have been made to date in integrating services through collaborative efforts among the JTPA system, the employment service, the welfare systems, and other key agencies in the States.

The flexibility is especially important in the Title III one-stop career center. The Governors believe that the bill emphasizes co-location of different employment and training programs over other promising ways of improving client access to services, such as the "no wrong door" system of linking programs electronically so people can walk into a variety of locations and find out right away which services they are eligible for and where those services are provided.

The Governors are also concerned that States applying for one-stop career center grants would be required to give a better class of services to dislocated workers than to other more disadvantaged populations, unless they can manage to come up with the additional resources to provide intensive employment services to everyone at the one-stop center, an unlikely prospect.

The Governors believe that States and localities should have the flexibility to customize workforce development programs to meet

the unique needs of each community. Federal assistance to encourage integrated high-quality workforce development systems should allow for a variety of approaches.

For example, States and localities receiving grants might be required to provide basic employment services to everyone at one-stop career centers, but allowed the flexibility to target the more intensive services on the population most in need at a particular site. This could be dislocated workers in one neighborhood, welfare recipients in another, and perhaps disadvantaged youth in yet another.

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

The Governors wish to underscore the importance of adequately funding changes in the workforce development system. If funding is not sufficient, then States and localities will not be able to deliver the level and quality of services that clients are promised under the legislation that they deserve.

There are a series of reports which were referenced by Senator Simon earlier that the GAO has placed on the table with regard to the more than 150 Federal employment and training programs with multiple and conflicting requirements. It shows that the scope of this type of problem goes far beyond the Department of Labor programs and really beyond what States can hope to fix through limited waiver authority.

The GAO and others have identified numerous barriers to integrating programs, such things as conflicting eligibility definitions, reporting requirements performance measures, program terms, cost categories.

The Governors strongly urge Congress to seize this opportunity enact comprehensive reforms that include waiver authority for all relevant programs, but also go beyond waivers to consolidate and streamline the programs at the Federal level.

They believe that the scope of the Reemployment Act is currently too limited in three respects. First, that the waiver authority should include employment and training programs outside the Department of Labor. The Governors welcome comprehensive waiver authority in this area, but we believe that this will not be enough.

The Federal Government must also address the difficult task of developing a coherent integrated workforce development policy by consolidating or streamlining existing Federal job training programs. Except for the six dislocated worker programs, the bill neither consolidates Federal employment and training programs nor modifies these programs to ease the burden that there are many conflicting requirements placed on States, localities, and particularly those people who are most in need.

The bill should include mechanisms beyond waiver authority to give States and localities additional authority and flexibility to integrate programs. Because the bill does not consolidate or stand-

ardize these programs at the level, the primary responsibility for integrating the fragmented Federal workforce development program really falls on the States and the localities.

While new waiver authority is helpful, the Governors believe that, as a Nation, we will move very slowly toward the goal of an integrated workforce development system if each State has to apply to different Federal departments separately for permission to waive each rule blocking the integration of programs.

Where obstacles prevent nationwide integration of programs at the Federal level, better access to higher-quality job training and employment services can better be achieved by giving States the flexibility to integrate similar programs, to determine the appropriate governance structure for State workforce development systems, and to set high outcomes-based standards for services.

The Governors believe that a number of important ideas for increasing State and local flexibility to build integrated workforce development systems are contained in the bipartisan bill recently introduced by Senator Kassebaum and Bob Kerrey and the new legislation introduced today, as I understand it, by Representatives Bill Goodling and Steve Gunderson.

Finally, the Governors also ask Congress to link the action it takes in this area with whatever action it takes on all other relevant programs. For example, because the same disadvantaged adults are served by Federal welfare reform, student aid, Job Training Partnership Act programs, etc, Congress should look at the reform legislation currently being developed by the administration in such areas in a very holistic way in order to minimize problems for clients, States, and localities.

The administration has indicated that it is attempting to link these initiatives as they are developed, and we also urge Congress to do the same, because unless a serious effort is made to integrate these reform efforts as legislation moves forward, the Governors fear that we might lose an important opportunity to consolidate and to improve these programs in ways that benefit both the taxpayers and the customers of job training services.

Our concern on the Reemployment Act's cumbersome governance and funding structure is that it may lead to parochial and narrow approaches that will not be responsive to those global challenges facing our workforce.

In contrast, we urge that it be given consideration that the School-to-Work Opportunities Act approach be utilized. It set objectives, it benchmarked successful approaches and existence in a number of States and communities, and it also provides the resources to allow each State to develop a delivery system, and it would represent a much more flexible and responsive strategy for creating the needed changes to the employment and training system.

In sum, the Governors believe that efforts to reform and expand workforce development programs must recognize that these programs share many of the same providers and many of the same customers. We greatly appreciate the attention being paid to these issues by the administration and by Congress. We view the Reemployment Act as a very important first step toward comprehensive reform.

We would like to work closely with Congress and the administration to address the issues described and to enact comprehensive legislation to build a higher-quality, more accessible workforce development system.

Thank you very much.

[The prepared statement of Mr. Hudacs follows:]

PREPARED STATEMENT OF JOHN F. HUDACS

Thank you, Mr. Chairman, for the opportunity to appear here today on behalf of both the National Governors Association and Governor Cuomo. We appreciate the committee's interest in the Governors' perspective on workforce development programs and hope to work with you to build a comprehensive, high-quality workforce development system.

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

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

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

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

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

—*Flexibility.* The Governors urge the committee to revise the Reemployment Act to make it less prescriptive with regard to how workforce development programs are administered and managed at the state and local levels. We believe that the School-to-Work Opportunities Act, which we strongly supported, is a good model in this regard. The Governors fear that the present bill, with its proposed new administrative and operational structures for worker adjustment and one-stop centers, would add layers of bureaucratic controls and further costs without resulting in improved services to clients. For example, we believe that the mandate in Title 1 to choose by competitive bid the provider of local worker adjustment services would undermine the gains that have been made to date in integrating services through collaborative efforts among the JTPA system, the Employment Service, the welfare system, and other key agencies.

This flexibility is especially important in the one-stop career center title of the legislation. The Governors believe that the bill emphasizes collocation of different employment and training programs over other promising ways of improving client access to services. These other approaches include a "no wrong door" system of linking programs electronically, so people can walk into a variety of locations and find out right away which services they are eligible for and where those services are provided.

Governors are also concerned that states applying for one-stop career center grants would be required to give a better class of services to dislocated workers than to other, more disadvantaged populations unless they can manage to come up with the resources to provide intensive employment services to everyone at every one-stop center—an unlikely prospect. The Governors believe that states and localities should have the flexibility to customize workforce development programs to meet the unique needs of each community. Federal assistance to encourage integrated,

high-quality workforce development systems should allow for a variety of approaches. For example, states and localities receiving grants might be required to provide basic employment services to everyone at one-stop career centers but allowed the flexibility to target the more intensive services on the population most in need at a particular site. This might be dislocated workers in one neighborhood, welfare recipients in another, and disadvantaged youth in yet another.

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

Funding. The Governors wish to underscore the importance of adequately funding changes in the workforce development system. Both the worker adjustment title and the one-stop title of the Reemployment Act require that states and localities provide many more services to more clients through new delivery systems. In addition, states and localities will have a number of new responsibilities under the bill that have significant cost implications, such as expanding state and local labor market information systems and certifying the quality of education and job training providers. Sufficient federal funding must be available to carry out these responsibilities assigned to states and localities. If funding is not sufficient, then states and localities will not be able to deliver the level and quality of services that clients are promised under the legislation and that they deserve.

Scope. A series of reports by the General Accounting Office (GAO) on the more than 150 federal employment and training programs with multiple and conflicting requirements show that the scope of this problem goes far beyond Department of Labor programs and beyond what states can hope to fix through limited waiver authority. GAO and others have identified numerous barriers to integrating programs, including conflicting eligibility definitions, reporting requirements, performance measures, program terms, and cost categories, as well as the lack of a mechanism to track client outcomes across programs. The Governors strongly urge Congress to seize this opportunity to enact comprehensive reforms that include waiver authority for all relevant programs but also go beyond waivers to consolidate and streamline these programs at the federal level.

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

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

2. The Governors welcome comprehensive waiver authority in this area but we believe that this will not be enough. The federal government must also address the difficult task of developing a coherent, integrated workforce development policy by consolidating or streamlining existing federal job training programs. Except for six dislocated worker programs, the bill neither consolidates federal employment and training programs nor modifies these programs to ease the burden that their many conflicting requirements place on states and localities.

3. The bill should include mechanisms beyond waiver authority to give states and localities additional authority and flexibility to integrate programs. Because the bill does not consolidate or standardize these programs at the federal level, the primary responsibility for integrating fragmented federal workforce development programs falls on states and localities. While new waiver authority is helpful, the Governors believe that as a nation we will move very slowly toward the goal of an integrated workforce development system if each state must apply separately to different federal departments for permission to waive each rule blocking the integration of programs. In addition, many states may not be able to take full advantage of new waiver authority given the staff resources that are required to develop and submit waiver requests to all the different federal agencies that operate job training programs.

Where obstacles prevent nationwide integration of programs at the federal level, better access to higher quality job training and employment services can best be achieved by giving states the flexibility to integrate similar programs, to determine the appropriate governance structure for state workforce development systems, and to set high, outcome-based standards for access. The Governors believe that a number

of important ideas for increasing state and local flexibility to build integrated workforce development systems are contained in the bipartisan bill recently introduced by Senators Nancy Kassebaum and Bob Kerrey, and in new legislation introduced today by Representatives Bill Goodling and Steve Gundersen.

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

Allow me to put these critical issues into a context for the state of New York. In our state, we have several initiatives that have gained national prominence and have been benchmarked by other states as models for effective and innovative service delivery. Since 1988, our Community Service Centers have represented a one-stop shopping approach for a number of Department of Labor programs, including the complete integration of our Unemployment Insurance and Employment Service programs. These centers include the collocation of other state and local government programs, as well as community-based organizations, representatives of the educational community and other employment and training partners. They employ the latest technologies to provide electronic connections to our state university and city university systems, public libraries, elementary and secondary school systems, and others, to broaden our points of service to the public.

Our GATEWAY initiative represents the establishment of networks of local employment and training providers, including our Community Service Centers, into seamless systems of service delivery in a number of locations. The providers are linked through computer networks that allow for the sharing of data, job vacancies and information on customers. This network represents a "no wrong door" approach for customers, rather than a requirement that they deal with any single location. In the Rochester area, for example, over 100 providers will be part of one system which has already established a single community job bank.

These innovative and successful programs resulted from direction given by our Governor and their implementation and expansion have been made possible by the existence of strong statewide agencies and systems. Included in this direction was a mandate for an emphasis on a high degree of cooperation, collaboration and the elimination of duplication, rather than the undue reference to competition contained in the Reemployment Act.

The prescriptive nature of this Act will require New York to significantly alter these programs in order to comply. The delegation of budget authority to local Workforce Investment Boards will delete the role of the central agencies, along with the resources necessary to maintain cohesive statewide systems. The ability to respond to challenges that transcend individual labor markets, such as the massive staff reductions at IBM or the need to respond to international labor market competition, will require collaboration among a number of Workforce Investment Boards that may be difficult or at best time-consuming to achieve. Further, these initiatives currently involve many more programs than those affected by this Act—local government activities, secondary and post-secondary educational institutions, social services programs, independent community-based organizations, etc.

Our concern is that the Reemployment Act's cumbersome governance and funding structure may lead to parochial and narrower approaches that will not be responsive to those global challenges facing our labor force. In contrast, the approach of the School-to-Work Opportunities Act, which set objectives, benchmarked successful approaches in existence in a number of states and communities and provides the resources to allow each state to develop a delivery system, would represent a more flexible and responsive strategy for creating the needed changes to the employment and training system.

In sum, the Governors believe that efforts to reform and expand workforce development programs must recognize that these programs share many of the same providers and customers. We greatly appreciate the attention being paid to these issues

by the administration and Congress, and view the Reemployment Act is an important first step toward comprehensive reform. We would like to work closely with Congress and the administration to address the issues described above, and to enact comprehensive legislation to build a higher-quality, more accessible workforce development system.

The CHAIRMAN. Thank you, Mr. Hudacs.

Ms. Anderson.

Ms. ANDERSON. Chairman Kennedy and Senator Kassebaum, I am Pamela Anderson, Executive Director of the Private Industry Council of Louisville and Jefferson County, KY, and Second Vice President of the U.S. Conference of Mayors Employment and Training Council. I am pleased to have the opportunity to be here today and to address the committee regarding the Reemployment Act.

While we support the basic direction of the legislation, to encourage the development of one-stop career centers, specifically Title III of the Act, there are some provisions which we find concerning.

Representatives of the Employment and Training Council and of the Conference of Mayors did have the opportunity to meet with officials from the Department of Labor on numerous occasions as the legislation was being developed, and during that time, some of our concerns were addressed. However, we still have some issues that we would like to describe today and hope can be addressed during the legislative process, because we do view this as a vehicle for raising these concerns and we hope for improving the legislation.

I want to just spend a few moments indicating that in Louisville and Jefferson County, KY, over the last 6 years, we have put in place what we call Job Link centers, and our Job Link centers, of which we have three, are geographically distributed in our county. They do provide a one-stop point for both customers who are seeking training and employment services as well as for employers who are looking for trained workers. We have seven and we are just acquiring an eighth partner for our effort.

The Private Industry Council back in 1988 went through a strategic planning process, and as a result of that, decided that they wanted to be a vehicle for creating a workforce for Louisville and Jefferson County that could meet employer's needs. They felt like, rather than just having isolated programs, that if they could get a number of partners who also were involved in employment and training, many of whom are represented on the Private Industry Council, to come together to create these one-stop centers, that we would be able to serve both the needs of those who needed employment and employers much better. We could have a common access point and address multiple needs at the same time.

I might add, in doing this, it is not a situation where somebody walks in the door and you have the State Employment Service sitting over here and vocational rehabilitation over here and the JTPA/Private Industry Council over here. There aren't any labels like that. When somebody walks in the door, they don't really know which entity is providing the service. It is done in a transparent kind of way, with the idea that we are looking at the customer and his or her needs and doing as much as we can for that particular individual.

For those people that are qualified for more intensive services, they are going to receive more services, but everybody who walks in the door has the opportunity to at least receive some services.

Our partners include, of course, the Private Industry Council; the Kentucky Department for Employment Services; the Jefferson County Public Schools, which in our community provide the adult basic education programs, and we do have adult basic education and GED preparation on site; the Kentucky Department for Vocational Rehabilitation, which provides, of course, services for the disabled, and by doing it this way, we can, again, connect the services. So if people are eligible for more than one program, we can decide which provider ought to be paying for what, which really makes a lot of sense and I think is what we are talking about today.

We also have Community Coordinated Child Care, which is a not-for-profit agency which works with us to voucher child care services and also provides parenting classes for people who come into our Job Link centers. The Jefferson County Department for Human Services and the City of Louisville are also partners in this effort, and we are currently adding Kentucky Tech, the Jefferson State Campus, and they are going to be a part of our assessment consortium for providing comprehensive assessment for people who are coming into our Job Link centers.

We have done this as a locally-initiated effort, with both the leadership of our Private Industry Council, our mayor, and our chief elected county official, and we also have gotten good cooperation from our State agencies in putting this effort together and providing it.

I wanted to point—

The CHAIRMAN. May I just interrupt? We have a vote on, and have maybe four or five minutes before we will have to leave.

Specifically on that, you just brought those programs together, is that right?

Ms. ANDERSON. Yes.

The CHAIRMAN. Does the State provide some waivers to you to be able to get through various regulations which might have inhibited it, or did it just sort of work out? How did it come about?

Ms. ANDERSON. At this point, it has just basically sort of worked out. The State has been supportive in allowing staff from State agencies to be present in the centers.

The CHAIRMAN. Did we have prohibitions in terms of the rules and regulations in the Federal training programs that inhibited this whole process?

Ms. ANDERSON. I think it is the kind of thing that if people really want together and agree to do that, they find ways to get around some of the—

The CHAIRMAN. Maybe you could just—

Ms. ANDERSON. It would be much easier if we did have the same rules and regulations and we didn't have to figure out ways to get around those kinds of things. When I say that, I am certainly not talking about doing anything illegal. Don't misunderstand. [Laughter.]

The CHAIRMAN. No, not you, Ms. Anderson.

Ms. ANDERSON. We are just creative. [Laughter.]

The CHAIRMAN. If you would just maybe give us sort of an idea of some of the existing rules and regulations in some of the Federal programs that were the more difficult for you to get around or deal with that came to your attention during this process, if you found

that there were some, that would be helpful. Maybe there weren't any, but if you could give us some idea of some of those that we could look at, I would appreciate it.

Ms. ANDERSON. Right. One of the things that we are still working on is a common intake system. You probably hear about that kind of thing, but we all still have to have different data. Many times it is the same data, in a sense, but perhaps different kinds of forms that have to be filled out, different eligibility, etc.

So although we are trying to be transparent to the customer walking in the door, we still find that we have to collect various pieces of information. We are trying to do it in as uniform a way as possible and then share it among the different agencies that are involved so we can all have the "T"s crossed and the "I"s dotted, that kind of thing.

But we have worked out arrangements with our State, both so that the Department of Employment Services, the Labor Exchange, and the Department of Welfare or social insurance in Kentucky has allowed us to be automatically connected with them, through an automated system, where we can share in those data bases. That certainly has been extremely helpful.

In many places, I don't know that they are as anxious to do that because, again, you get into confidentiality kinds of issues and that kind of thing. So our State has been willing to waive some of those kinds of rules, but those are the kinds of things you tend to hear. Well, we have all these confidentiality requirements, so therefore we can't share this information with you in an electronic kind of way. But we have agreements now in place and so we are able to do that.

I would be very glad to provide more specific information to the committee on some of those kinds of things and ways we have been addressing them and trying to address them, but I think it does show the need for a consolidated system.

I want to make just a few points—

The CHAIRMAN. We are going to have to run.

Ms. ANDERSON. I didn't quite make my points about the Reemployment Act.

[The prepared statement of Ms. Anderson follows:]

PREPARED STATEMENT OF PAMELA ANDERSON

Chairman Metzenbaum, members of the Subcommittee, I am Pamela Anderson, Executive Director of the Private Industry Council of Louisville and Jefferson County, Kentucky and Second Vice President of The U.S. Conference of Mayors Employment and Training Council. I am pleased to have the opportunity to appear before you to discuss the Reemployment Act. While we support the basic direction of the legislation to encourage the development of one-stop career centers (Title II of the Act), there are several provisions which we find troubling. Representatives of the Employment and Training Council and of the Conference of Mayors met with officials at the Department of Labor on numerous occasions while the legislation was being drafted. Some of our concerns were addressed during that process. The ones I will discuss today we hope can be resolved during the legislative process. We see this hearing as an important vehicle for raising those concerns and, we hope, for improving the legislation by addressing them.

LOUISVILLE'S JOB LINK CENTERS

Louisville and Jefferson County have created three geographically distributed, one-stop career centers—Job Links—at which both job applicants and employers can find the full range of employment and training resources available through the

seven partner organizations that comprise Job Link (the Private Industry Council of Louisville and Jefferson County, Kentucky Department for Employment Services, Jefferson County Public Schools, Kentucky Department of Vocational Rehabilitation, Community Coordinated Child Care, Jefferson County Government/Department for Human Services and the City of Louisville).

Job Link is committed to providing the highest quality of service to maximize the potential of every resident who seeks its services and to assist employers in building a quality workforce for the City of Louisville and Jefferson County. It connects area employers with a ready pool of qualified workers and provides job seekers access to services needed to obtain employment: skills assessment, interest and aptitude testing, career counseling, labor market information, job search workshops, available job listings, educational and vocational training, transportation assistance, child care assistance and referral to other resources.

Job Link has had many accomplishments since it began in June 1989:

—During the first year of operation about 1,000 individuals, including both employers and job seekers, contacted the Centers for job and training information; over the past two years (1992-1993) the average number of contacts has exceeded 5,000 per year.

—Information, referral and counseling services were provided to 4,600 job seekers during the past two years.

—Comprehensive services are provided to individuals by Job Link partners in a coordinated and seamless approach. During 1992-93 more than 1,000 individuals received services from more than one Job Link partner in a joint effort to promote the job seeker's success.

—Many employers now seek referrals from Job Link to fill job openings. Employer services include applicant recruitment and screening, assistance in conducting job task analysis and preparing job descriptions.

—Job Link staff assist employers with referrals to the Louisville and Jefferson County Office for Economic Development, the Wage and Hour Commission, Enterprise Zone and Targeted Job Tax Credit Program.

—Classes are offered on-site in basic computer-skills, reading and math upgrade, GED preparation, career exploration and job search.

—Occupational skills training sponsored by the Private Industry Council has been provided to more than 1,300 clients through on-the-job training, individually vouchered institutional training and classroom-sized training projects.

—Each occupational skills trainee is supported by an individualized case management system. Trainees can access child care services, transportation, mental and physical health-related services, and financial help for dental care, eyeglasses and interview clothing, as well as for direct training expenses such as tools, books, testing fees, etc.

—Job Link is fully automated. Necessary information is instantaneously available to job applicants and employers at all three locations.

—Job Link's success must also be attributed to the growing number of "extended partners"—organizations and agencies in the City and County which coordinate their services with Job Link.

I have devoted a significant amount of time to describing Job Link to you because we are concerned that if the one-stop career center provisions included in the Reemployment Act become law, the future success of our program might be jeopardized. Job Link has been successful in great part due to the active involvement of the partner organizations—both in the governance and the operation of the centers. Under the Reemployment Act these relations would have to be severed and our partners would either have to be involved in the governing board or in service delivery, but not in both. The Reemployment Act should enable us to build on the successful system which is in place rather than force us to change it.

RECOMMENDED CHANGES IN THE REEMPLOYMENT ACT

We have several specific recommendations for changes in the legislation that, we believe, would address our concerns:

As a general comment, we support comprehensive, integrated delivery systems. The one-stop center provisions of the Reemployment Act, however, addresses only the intake services, which account for about 10 percent of the total service delivery system. Other components of that system include education, training, job search, job placement, and job retention, together with ongoing case management that facilitates a customer's progress through the components. Helping the customers move through the system is equally, if not more, important than intake. If this legislation is intended to promote customer satisfaction, then it must address the delivery of all services in the delivery system. Two things, in particular, work against develop-

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

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

LOCAL EMPOWERMENT IN DESIGNATING SERVICE DELIVERY AREAS

Because urban areas are so diverse, the involuntary consolidation of large cities into larger metropolitan sub-state areas can have a negative effect on services to customers in the central cities. The chief elected official, in conjunction with the Workforce Investment Board (WIB), should have the authority to determine whether the community's needs are better met if the city is its own service delivery area or if it is part of a consortium representing the larger metropolitan area.

LOCAL BOARD DETERMINATION OF ITS ROLE

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

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

FUNDING FORMULA

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

COLLABORATION NOT COMPETITION

Although the legislation still contains a competitive process as one option for selecting one-stop career centers, efforts have been made to accommodate our request to encourage collaboration in the development of one-stop career center systems. The governors and the chief local elected officials must agree whether each local one-stop career center system will be based on a collaborative model or a competitive one. We expect, however, that few states and localities if any will want to adopt a competitive model, especially because this may promote duplicative services, and additional administrative costs associated with multiple intake system operators.

SERVING THE ECONOMICALLY DISADVANTAGED POPULATION

Because a limited amount of funds will prevent one-stop career centers from offering intensive services to everyone, those who face the most barriers to employment may not get enough support services to help them successfully move through the delivery system and find and maintain employment. People who are not in the economic mainstream will find it even harder to find services that meet their needs. This is of particular importance given the current proposals for welfare reform which are going to require that jobs in either the public or private sector be found for welfare recipients. Career centers should have a key role to play in this effort, yet they may not have the resources to accomplish it.

I hope that our comments are helpful to the Subcommittee. I will be glad to expand upon them in the question and answer period and the Conference of Mayors' Employment and Training Council will be glad to work with the Subcommittee in drafting legislation which addresses our concerns. Thank you for the opportunity to appear before you this afternoon.

The CHAIRMAN. Senator Kassebaum.

Senator KASSEBAUM. It is impressive what you are trying to do in Kentucky. We don't have time, I guess, but how much—and the Commissioner of Labor in New York, maybe both of you—how much do you conduct evaluations of the programs there, whichever program they may be? Do you follow through for 6 months, someone that is in the system, or is it just impossible to do that?

Mr. HUDACS. We do follow through, but we are trying to find ways to follow through in a more comprehensive way. One of the issues that comes up is this confidentiality issue.

Senator KASSEBAUM. Yes.

Mr. HUDACS. What we are trying to do now, and we are working it out through State legislation, is to get access into our tax and finance departments, wage reporting system, so that we can track the individuals who have gone through our programs and gauge the progress they are making. But we do do other evaluations on a regular basis.

One thing I would mention—I know you have a busy schedule, but in my oral testimony, I did not get into two major projects we have in New York State. One is our community service centers, where we actually consolidate our unemployment insurance program and our employment service programs. We reach into the community and bring in other human resource providers to be co-located with us in each of our offices around the State.

When you walk into our offices and the person takes your unemployment insurance claim, that person is equally qualified to deal with you in terms of job services, so that we don't have an employment service person and an unemployment insurance person. It really stops a lot of the ping-ponging around that clients otherwise would have.

Plus, we bring in community college, Job Training Partnership Council entities, whether it be the PICs or service providers, community colleges, employment and training entities from the community to co-locate with us so that we can work within that environment.

The second element, which is not addressed in the proposal as effectively as it should be, that is before you, is the "no wrong door" concept, and this is one where we can link, and we have a gateway project in New York State where we can link up to 100 providers within a geographic area by electronics. By cross training all those people, interacting with one another, so that if you go into—even if it is the Labor Department or Catholic Charities or all of the entities that are a partnership in this and you sit down in front of them, you can get a full array of the programs that are available to you, know what you qualify for, and get appropriate references without having to be ping-ponged around.

The CHAIRMAN. We will have to just hold at that.

Senator KASSEBAUM. We are voting on the budget resolution.

The CHAIRMAN. We will recess very briefly. [Recess.]

Senator METZENBAUM. [Presiding.] Good afternoon.

I am very happy to welcome you, Mr. Richardson, Commissioner of the West Virginia Bureau of Employment Programs and President of the Interstate Conference of Employment Service Agencies; and Mr. Brown, President of Vermont Heating and Ventilating Company, Chair of the Vermont Consolidated Council for Employment and Training, representing the National Association of Private Industry Councils.

Why don't you proceed, Mr. Richardson. Go right ahead.

STATEMENTS OF ANDREW N. RICHARDSON, COMMISSIONER, WEST VIRGINIA BUREAU OF EMPLOYMENT PROGRAMS, AND PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES; AND GERALD BROWN, CHAIR, VERMONT CONSOLIDATED COUNCIL FOR EMPLOYMENT AND TRAINING, ON BEHALF OF THE NATIONAL ASSOCIATION OF PRIVATE INDUSTRY COUNCILS

Mr. RICHARDSON. Thank you, Senator.

Mr. Chairman, my name is Andy Richardson and I am President of the Interstate Conference of Employment Security Agencies and Commissioner of the West Virginia Bureau of Employment Programs. ICESA is the national organization of State officials who administer the Nation's public employment service job training programs, unemployment insurance, and labor market information programs.

On behalf of my colleagues from across the country, I want to take this opportunity to commend Congress and to commend the administration for recognizing the importance of the Nation's employment and training system to our economic future.

We believe that our system, which was designed many, many years ago to respond to a domestic economy of many years ago, must change in order to respond effectively to today's global economy, the dynamic changes in our workforce, and structural unemployment.

In recent years, many States have moved to redesign their unemployment insurance and employment and training systems to respond to local labor market conditions and to integrate services and to promote one-stop shopping and common intake and a seamless system. These changes have been designed to simplify access to employment and training opportunities for both the job ready and those workers in need of skill development.

We believe that these existing programs should serve as the basis and as the core for a redesign of any of the reemployment system, that we should build on these successes, similar to the philosophy underlying the School-to-Work Opportunities Act that seeks to build on successes that are existing throughout our Nation.

In 1993, ICESA developed a workforce development policy statement, and we share many of the philosophies that are outlined in the Reemployment Act of 1994, specifically consolidating dislocated worker programs into one comprehensive program for oil workers who have been permanently laid off, regardless of the cause of the dislocation; facilitating effective, high-quality training for permanently laid-off workers who need new skills; providing universal access to customer-centered, high-quality employment and training services; changing the fragmented employment and training system into a network of streamlined, one-stop career centers providing access to all Americans who want jobs; and building on those innovative efforts of States and communities to provide comprehensive, high-quality reemployment and training services; and, very significantly, creating a national labor market information system that provides high-quality and timely data on the local economy, on the labor market, and other occupational information.

The provisions of the Reemployment Act are consistent with ICESA's workforce development policy, and it begins to move us toward those articulated goals.

There is, in fact, the creation of a national labor market information system to ensure accurate, timely, and widely-accessible information on a national, State, and local basis.

Resource incentives are provided for States that want to establish one-stop career centers, with a universal access system to a core set of services.

There is the creation of a universal worker readjustment response that stresses early recognition and action and permits adequate income support for workers in training.

There is the commitment to uniform national measures of progress and performance, and that that national measurement system would be developed with State input and would place an emphasis on customer satisfaction.

And, there is waiver authority provided to address Federal statutory, regulatory, and administrative requirements that inhibit service integration and quality customer service.

In addition, ICESA strongly supports the commitment to capacity building and technical assistance to enhance service providers and program administrators' ability to develop and implement effective employment and training programs.

Still, there are basic elements in the proposed legislation where we have serious concerns and which we believe can impair the States' ability to achieve the articulated shared goals. Specifically, let me address some of those items where we disagree on the proposed legislation and where we propose to make adjustments in the proposal.

We believe that Title I, the dislocated worker proposal, simply circumscribes the Governors' authority to use reserve funds for statewide programs and initiatives. The Governors should have broad authority and flexibility to respond to statewide worker dislocations and reemployment needs.

We believe that the Reemployment Act should deal with the data gaps and the problems in the existing labor market information program, including but not limited to unfunded Federal mandates, clarifications of responsibilities among the involved agencies.

Senator METZENBAUM. Mr. Richardson, it is my understanding that Senator Kennedy announced early on that each of the witnesses would be expected to complete in five minutes. Are you aware of that?

Mr. RICHARDSON. I was not aware of that, but I will wrap up quickly.

Senator METZENBAUM. Would you, please? I think you have gone over a bit, but it is fine and I don't want to be difficult on you.

Mr. RICHARDSON. Thank you.

Senator METZENBAUM. If you could wrap up and make your points, your entire statement will be included in the record.

Mr. RICHARDSON. We believe that the Reemployment Act is an outstanding start. We do believe that it is too prescriptive in nature in the precise means to be pursued to achieve the ends. We would challenge the administration, we could encourage Congress to provide the goals and provide the States greater flexibility in the

achievement of those goals with less prescriptive design in the proposed legislation.

We believe that the waiver authority should be broadened. We believe that the Workforce Investment Authority Board should be carefully construed as it relates to its authority so that policy and planning and programming and budget isn't devolved to that level, but, in fact, remains with the States.

Thank you.

[The prepared statement of Mr. Richardson follows:]

PREPARED STATEMENT OF ANDREW N. RICHARDSON

Mr. Chairman, members of the Committee, my name is Andrew Richardson. I am Commissioner of the West Virginia Bureau of Employment Programs, and I am here today representing the Interstate Conference of Employment Security Agencies (ICESA). ICESA is the national organization of state officials who administer the nation's public Employment Service, job training programs, unemployment insurance laws, and labor market information programs.

On behalf of my colleagues across the Country, I want to take this opportunity to commend Congress and the Administration for recognizing the importance of the nation's employment and training system to our economic future. We in the employment and training profession believe that our system, designed many decades ago to respond to a domestic economy, must change in order to respond effectively to the demands of today's global economy, dynamic workforce, and structural unemployment.

In recent years, many states have moved to redesign their own unemployment, employment, and training systems to respond to local labor market conditions, to integrate services, to become more customer focused, and to build collaborations among human service providers. These changes have been designed to simplify access to employment and training opportunities for both the job-ready and those workers in need of skill development.

The Administration's proposed Reemployment Act of 1994 represents substantial progress in support of many of the changes that states have undertaken already. Furthermore, the proposed Act includes many goals and specific provisions that closely mirror key sections of ICESA's Workforce Development Policy, adopted in 1993 by all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands (copy attached as Addendum I). Briefly, the goals we wholeheartedly share with the Administration include:

- Consolidating all dislocated worker programs into one comprehensive program for all workers who have been permanently laid-off, regardless of the cause of dislocation;

- Facilitating effective, high-quality training for permanently laid-off workers who need new skills;

- Providing universal access to customer-centered, high quality employment and training services;

- Changing the fragmented employment and training system into a network of streamlined, one-stop career centers providing access to all Americans who want jobs;

- Building on the innovative efforts of states and localities to provide comprehensive, high-quality reemployment and training services; and,

- Creating a national labor market information system that provides high quality and timely data on the local economy, labor market, and other occupational information.

The provisions of the Reemployment Act and Retraining Income Support Act that are consistent with ICESA's Workforce Development Policy and begin to move us toward the above articulated goals are:

- Creation of a national labor market information system that will ensure accurate, timely, and widely accessible information on national, state, and local labor market conditions and trends;

- Resource incentives for states that want to establish a one-stop career center system with universal access to a core set of services and more intensive services for eligible dislocated workers;

- Creation of a universal worker readjustment response that stresses early recognition and action and permits adequate income support for workers in training;

- A commitment to uniform national measures of progress and performance, to be developed with state input, and to emphasize customer satisfaction; and,

—Waiver authority to address federal statutory, regulatory, and administrative requirements that inhibit service integration and quality customer service.

In addition, ICESA strongly supports the commitment to capacity building and technical assistance to enhance the service providers' and program administrators' ability to develop and implement effective employment and training programs. We also see this proposed legislation as an opportunity to reaffirm our shared commitment to the principles of equal opportunity in service to our nation's diverse workforce.

Still, there are basic elements in the proposed legislation about which we have serious concerns and which we believe could impair the states' ability to achieve the articulated, shared goals.

TITLE I COMPREHENSIVE PROGRAM FOR WORKER REEMPLOYMENT

Overall, we support consolidation of the array of specific programs for dislocated workers into a single comprehensive program for all workers who have been permanently laid off, regardless of the cause of dislocation.

At the state level as well, governors must be able to provide a comprehensive response to statewide dislocations. We are concerned that under Title I, Section 101, the amount of funds reserved for the governors to use for state level activity is reduced from the current 40 percent to 30 percent, and that the governors' authority is circumscribed. Currently, states use these reserve funds to support a wide range of activities including rapid response and reemployment project grants to respond to plant closings and large layoffs that cut across several service delivery areas. ICESA urges the Congress to ensure governors have both sufficient funds and the flexibility to respond to statewide worker dislocations and reemployment projects.

Section 117 of the legislation provides for the designation of substate areas for the delivery of program services under the Title. The section prescribes that except in very limited circumstances, the substate areas designated by the governor under the Act may not have a population of less than 200,000, although no justification has been provided for this number. This rule would virtually eliminate many already recognized entities that currently operate very effectively in rural counties in numerous states. ICESA strongly urges that this section be amended to give the governor the ability to designate smaller jurisdictions in order to meet the needs of the particular state.

We applaud the intent of the legislation to provide a comprehensive array of re-employment services to unemployed workers who have no hope of returning to their old jobs. Research, such as the New Jersey Unemployment Insurance Reemployment Project, has shown that job search assistance is the most cost effective way to help most dislocated workers return to the workforce.

The New Jersey study found that intensive job search assistance offered early in the spell of unemployment hastened reemployment for many UI beneficiaries who had characteristics associated with long-term unemployment. These services included assessment, counseling, and access to job search materials and resources. Those receiving intensive job search assistance were reemployed more quickly than those who were not offered these services with no sacrifice in wages.

For those workers for whom retraining is necessary, we believe that the emphasis should be on training for specific occupations or skills for which there are job openings in the community. In many instances, this training will be long-term, and many of these workers will need income support while participating. State unemployment benefits will be payable to these individuals for up to 26 weeks in most states; after which up to 26 weeks of retraining income support may be paid. An increase in participation in training by unemployment insurance beneficiaries, along with the prospect for additional income support payments, are expected to result in a longer average duration of unemployment claims, a higher rate of benefit exhaustion, and increased outlays from state unemployment trust funds. However, no analysis of the magnitude of this impact on state unemployment trust funds and state unemployment taxes has been provided by the Department of Labor.

Another concern is that the application of a tenure screen to determine eligibility for income support may result in unequal treatment of unemployed workers whose situations are very similar. For example, an individual who found a new job after lay-off from an employer for whom he had worked for many years, only to be laid off again after a short time, would not be eligible for income support payments. Meanwhile, his colleague who had no short-term employment after lay-off would be potentially eligible. The bill attempts to address many of these potential inequities by defining continuous employment to include periods of temporary layoff, disability, service in the military, etc. The result is that making a determination that an individual has or has not been "continuously employed" for a particular employer for

one year will be next to impossible to make with certainty and is likely to result in litigation initiated by those who believe they have been treated unfairly.

The supplemental wage allowances for older workers (Section 119 (g)) permits payment of wage supplements to eligible individuals who are age 55 or older and who accept full-time employment at less than their "preceding wage." In order for this subsection to be administered, the weekly wage in preceding employment must be defined. The simplest definition to administer would be the individual's average weekly wage in the base period used to determine his unemployment compensation claim.

The state unemployment compensation agency would administer both the supplemental wage allowance for older workers and the retraining income support payments under Title I on a cost-reimbursable basis. As we understand the bill, the cost of income support and wage supplements as well as the cost of administration of these initiatives would be reimbursable. Both are complicated and labor intensive, making them quite costly to administer.

Finally, while we are particularly pleased to see the emphasis in Title I and in Title III on developing and maintaining a comprehensive state and local labor market information system which will assist both jobseekers and employers in making informed decisions, we encourage the Congress to address needed improvements in the Nation's existing labor market information program. The state employment security agencies across the nation produce, broker, analyze, develop, and disseminate state and local labor market information. Currently, 23 federal statutes require labor market information at the state and local level, yet funding to support these mandates is virtually nonexistent. Section 113 should identify the entity responsible for management and implementation of the labor market information program, as well as clarify the roles of the state agency responsible for the Bureau of Labor Statistics federal/state cooperative programs and the state occupational information coordinating committee. We also recommend deleting the reference to "the state share" of funding in section 113(e)(3) related to matching cooperative agreements authorized in section 302. Section 302 requirements are federal mandates and should be funded by federal appropriations. Suggested language modifications to the labor market information sections of this proposed legislation are included with our written testimony as Addendum II.

TITLE II ONE STOP CAREER CENTER SYSTEM

The proposed legislation is intended to address the problems created by a lack of federal coordination of the wide range of employment and training programs, as well as removing the barriers to improved customer access and service. ICESA wholeheartedly supports these goals. As I mentioned earlier, over the last few years, many states have redesigned their service delivery systems and moved in the direction of either co-locating their employment, training and unemployment services under one roof or building electronic gateway connections among service providers. These offices or "integrated systems" are intended to be more user-friendly and easier to access for the individual.

In some states, staff have been cross-trained so that they can provide the customers with both unemployment insurance and employment service information, eliminating the need for the individual to see more than one person for basic reemployment services. In other states, various related agencies such as local and state social service agencies and vocational rehabilitation agencies co-locate in the same office or building, thus making it easier for the customers to obtain the services they need to return to the workforce. Some states are developing common intake procedures for employment and training programs.

The point I want to make here is that many states have made significant strides in implementing a statewide delivery system for employment and training services that is part of an overall national employment security system. ICESA has serious concerns with section 212's proposed divestiture of the strategic planning, program and budget authority to local workforce investment boards. We believe that implementation of the legislation as crafted could result in fragmented and multiple, rather than coordinated service delivery systems. The governance structure proposed for the one stop career center system precludes a governor's authority to develop and implement a statewide system.

ICESA believes local workforce investment boards can be vital to effective evaluation of local labor markets and effective planning and coordination. However, the role and authority of such boards should be developed within each state by the governor and local elected officials. The Administration and the Congress should give the states flexibility to propose a governance structure that will achieve the articulated goals of the legislation.

The requirement that local workforce investment boards review and approve the budgets of all participating programs is inappropriate and unworkable. Unemployment insurance budgets are developed on a state-wide basis and resources are deployed to a great extent based on the level of unemployment in local areas. In addition, UI services may be offered at locations in addition to the one-stop centers.

We commend the Administration for including in the bill a consortium model for one stop career centers as outlined in section 213 of the bill, but disagree strongly with the requirement to have at least two career centers in each local labor market. In many labor markets, this would be impractical and unnecessary, imposing duplicative administrative costs. States now have the ability to make decisions on where to establish offices based on the need for services, regardless of where the local labor market area begins or ends. In some cases, there may be a need to establish a temporary office during busy hiring seasons or it may be determined that additional access points are necessary in certain urban or rural areas of a state. These decisions should continue to be made at the state level, based on need and resources available.

ICESA has major concerns about the bill's inclusion of a "multiple independent operator" option or competitive process to select service deliverers. That process focuses on competition among program administrators instead of informed customer choice among services available. As just described, states have been moving to build partnerships and collaborations among service providers. New legislation should focus on expanding such collaborations or consortia to ensure a "no wrong door" environment for customers. We feel that the emphasis on competition in the legislation will undermine many of the collaborative efforts that have been established in states.

We are especially concerned about the potential for breaking the long-standing linkage between the state unemployment insurance programs and the Employment Service. The UI-ES connection is very strong; many states have not only collated these services but have integrated the programs substantially. The legislation requires that where states opt for one-stop centers, ES services can be provided only in the one-stop center. If the Employment Service is not the operator of the one-stop center, ES resources will be withdrawn from joint UI-ES facilities, creating serious problems for states that have enormous investments in infrastructures, (i.e., building, communications networks and equipment) that support a co-located, integrated UI-ES state-wide system. The result would be closing local offices in these areas and reducing UI services available.

The bill requires that assistance in filing unemployment insurance claims be provided in one-stop centers. It is not clear what that assistance would entail and whether it would be provided by staff other than employees of the state unemployment compensation agency. Before turning over any aspect of administration of the state unemployment compensation law to another entity, the risks and liabilities incurred by both the state and the one-stop operator must be considered very carefully.

Title II does contain several provisions that are critical to states' ability to provide high quality, integrated service to our employment and training customers. ICESA strongly endorses the provisions authorizing waiver of federal statutory and regulatory requirements that are barriers to program and service integration. For example, OMB Circular A-102 and the resultant Labor Department General Administrative Letter on real property present significant barriers to the co-location of employment and training programs. ICESA has sought relief from these rules for several years, without success. We do believe that Title II's waiver authority should not be limited to Department of Labor programs.

We also support the provisions allowing states to pool administrative funds to support one stop career center activities. The separate funding streams for an array of workforce development programs continue to create barriers to effective, cost efficient administration of integrated service delivery.

TITLE III NATIONAL LABOR MARKET INFORMATION SYSTEM

Again, we are delighted that this proposed legislation recognizes the priority we must place on a strong national labor market information program. However, Title III should be modified to ensure correction of one of the major shortcomings of the existing labor market information program—lack of state and local data and analysis. We also ask you to ensure that this legislation does not add to the unfunded federal mandates to produce state/local data for federal programs in current legislation, i.e., NAFTA, OFCCP Affirmative Action Data, Rural Loan Grants, as examples. Specific language should be included to ensure funding for the items listed as

product components in section 303. Among the language modifications suggested for Title III and included in Addendum II are:

—reference to building a program for a nationwide system of state and local labor market information;

—inclusion of employers as an important customer for labor market information in section 301(2);

—designation of the governors as a key consultant as the Department of Labor designs and implements the labor market information program;

—reference to the Bureau of Labor Statistics and the National Occupational Information Coordinating Committee as key supporters of labor market information.

As this bill is considered, we also look forward to the review of the nation's labor market information system being conducted by the Department of Labor as requested in the FY 1994 appropriations report language. The preliminary recommendations submitted to the Department of Labor from the states are supporting evidence for this investment in the labor market information program.

CONCLUSION

Obviously there remain some significant issues that must be resolved. However, in the spirit of cooperation and consultation that has marked these important deliberations, ICESA's members are prepared to continue to work with the Administration and the Congress in moving our shared goals closer to achievement.

ADDENDUM I

AN ICESA POLICY PAPER

BUILDING AN EFFECTIVE WORKFORCE DEVELOPMENT SYSTEM

Background

The interstate Conference of Employment Security Agencies (ICESA) recognizes that State Employment Security Agencies (SESAs) play a vital role in the workforce development network. ICESA has reviewed the work of other employment and training organizations and public interest groups in drafting this statement on workforce development and has been pleased to discover that there is much commonality among the groups. This suggests a growing consensus about the elements of an effective workforce development system and possibly even about the roles of the players.

Like the partners from whose policy statements ICESA has borrowed so liberally, ICESA has attempted to avoid parochialism. It is clear that development of the U.S. workforce is an ongoing process, not simply a project that can be finished in a given time period. Successful approaches will require continuous improvement. They also will require collaboration among agencies to make services not only effective but also easily accessible to customers, regardless of which door the customers walk through first.

In developing the ICESA policy statement, the following documents were reviewed. Their authors will note that ICESA's statement is consistent with theirs and will recognize their own ideas reflected in ICESA's statement.

—"Bring Down the Barriers," State Job Training Coordinating Council Chairs, December 1992

—"Developing our Human Resources Through an Effective Employment and Training System: Recommendations for Action," The New England Employment and Training Council, December 1992

—"Workforce Development Principles," National Governors' Association, December 1992 draft

—"Proposal for Workforce Development Legislation," America's Choice Working Group, January 1993

Introduction

ICESA acknowledges that there is a myriad of employment and training programs operated through a variety of federal, state and local agencies. These create a fragmented "system" of workforce preparation and "second chance" assistance which is bewildering and frightening to clients—and even, in some cases, confuses the professionals who operate the programs. It is tempting to say all the programs should be abolished and the United States should start over. However, practicality requires that public policy makers use and reshape what is available in a way that is simpler and more effective.

ICESA's recommendation for a more effective system would include the following elements.

Elements

1) Governance structure

National

The President should create a national body, composed of key cabinet secretaries, governmental leaders, and representatives of business and labor, charged with developing and articulating a national employment strategy that would provide both the basis for state employment policies and sufficient flexibility to ensure states' ability to respond to local labor market needs. This national employment strategy would include waiver authority over conflicting and over-lapping laws and regulations.

State

States should take steps to coordinate planning, development, and monitoring of a comprehensive workforce investment system with realistically attainable objectives for each of the participating programs.

The states should be enabled to grant incentives to encourage state and local collaboration, to sidestep regulatory obstacles, and to develop integrated reporting-based data collection, technical expertise and staff proficiency. Performance standards should be established which are consistent with state human resource policies.

Any new system should be customer-oriented. Since customers vary by state and by function, states should be responsible for determining who customers are, or how they are identified.

Local

The implementation of a workforce policy envisions locally-connected organizations capable of accurate labor market analysis and responsible employment training. Local boards could include individuals from business, labor, education, and government. The boards would participate in determining needs, developing plans and priorities, and evaluating progress. Innovative, experimental, precedent-setting rather than precedent-following methods should be fostered.

States could define the role of local boards to include such functions as:

- a. needs-determination based upon customer participation
- b. resource brokerage among local public and private sources
- c. cohesive delivery of services within a linked system
- d. matching competency-based training services with skills necessary for the local labor market
- e. expenditure of funds within the parameters of local plan objectives.

2) Customer-Centered Design

Customers should be included by the local boards in designing the workforce development system and in evaluating its success.

3) Workforce Development Information

Accurate, timely, widely accessible information regarding international, national, state and local labor market conditions, trends, processes and technologies is an essential component of an effective workforce development system. Customers must have access to information which enables them to select and acquire the scholastic and vocational skills needed for employment.

4) Scope of Service

The workforce development system must embrace the totality of the labor force and business community.

The systems must offer comprehensive, high-quality- up-to-date instruction to youth, directed to their full preparation to enter the workforce. Systems also must encourage and assist adults in acquiring new skills and knowledge necessary to meet requirements of a changing workplace. For such a delivery system to achieve its objectives, it should encompass career counseling and a diverse and thorough selection of educational and vocational programs from basic and remedial courses through advanced technical training.

Such an integrated service delivery system, which ranges from fundamental to advanced workforce preparation, can expect to garner and offer more job listings from more employers, ultimately providing more opportunities to its job seeking customers.

5) Open Access

One-stop shopping could be both effective and advantageous. Such a system would allow for multiple opportunities for entry, automated case management, and a smoothly flowing sequence of steps, along which the proper services are provided. The use of common intake and assessment, uniform terms and definitions, and competency-based curricula should be encouraged.

6) Access Equity

This new system should offer special outreach and assistance to the economically disadvantaged and those who are under-represented in labor force participation, but should be unrestricted in its acceptance of any individual requesting and in need of its services.

7) Common Eligibility and MIS

All programs in the service delivery system should be required to develop and use a core information system with a uniform structure which serves the recording and reporting needs of each. Open access to this information by all program personnel, as well as open entry of information, will eliminate overlap and duplication. Common intake and assessment and other more advanced services can be added as the members of the network gain experience in collaborative service delivery. A common automated system or shared data base is the only realistic and cost effective way to insure universal access. While confidentiality issues impact upon the systems' abilities to share information, most of the members of the various systems believe these issues can be resolved.

Programs requiring means tests and which serve similar customer groups should have identical eligibility criteria.

8) Workforce Investment

Workforce development programs should foster the development of high performance work organizations to improve the competitiveness of American business. The system should encourage and assist private sector investment and public sector involvement in increasing the ability of small and medium-sized firms to train their workers. These efforts may be based upon existing training and business assistance programs.

9) Readjustment Services

In order to respond effectively to more worker dislocations resulting from increased global competition and changes in technology and processes, the system needs a universal worker readjustment response that stresses immediate recognition and action and permits adequate income support for workers in process of training and job search.

10) Income Support System

Income support systems are an integral part of a workforce development system. The success of a workforce development system is dependant upon workers' access to income support while seeking employment, while in training, and while removing other barriers to employment. The nation's unemployment compensation and social welfare systems must receive as much attention as its training and education systems.

Income support systems should not include disincentives for self-employment, re-employment, and training for employment.

11) Performance Measures

Uniform national measures of progress and performance are necessary. State standards accurately based upon the knowledge and skills essential to the modern workplace should be the measures of training achievement. All standards should include measurement of customer satisfaction with the degree to which the customers' expectations have been met. All standards, to the extent possible, should be flexible enough to reflect local labor market needs and objectives.

12) State Authority to Transfer Funds Among Federal Programs

States should be allowed the flexibility to redirect resources among state and federal programs to meet specific state and local workforce development goals. Savings resulting from increased productivity should be available for reinvestment in the same or other workforce development programs.

13) Standardized Administrative and Fiscal Procedures

Fiscal and administrative procedures applicable to participating programs should be standardized and integrated.

THE ROLE OF STATE EMPLOYMENT SECURITY AGENCIES

SESAs recognize that each partner in the workforce development network has a critical role to play and that the system's strength lies in a collaborative approach that minimizes duplication and turf battles. In this spirit, SESAs are ideally situated to network with other partners in the development of this system. Core programs—the unemployment compensation system, the labor exchange function, and the gathering and dissemination of labor market information—give the SESAs access to both employers and workers. In addition, 36 of these state agencies administer the Job Training Partnership Act, and many run state job training programs, customized workplace-based training programs, apprenticeship programs, and major components of the JOBS program and other welfare-to-work initiatives. These programs require SESAs to work cooperatively with other state and local agencies and councils, service providers, and community based organizations on a daily basis.

Through the network of more than 1,700 community based local offices, SESAs have the early access to unemployed workers who are seeking temporary income support, a new job, career information and career counseling, access to training or

supportive services. At the same time, SESAs recognize employers as a primary customer and participate actively in employer organizations.

SESAs have a comprehensive computerized data base of information about individual workers and employers, and through their ability to track labor market transactions and trends, are positioned to generate the labor market information needed to support planning, guide the design of training programs, and develop a universal labor exchange. Through local offices, labor markets within a state are electronically linked, and the Interstate Job Bank provides a national and international automated labor exchange. These are platforms upon which regions and states can build sophisticated automated systems for common intake and assessment, case management, and performance measures, linking the diverse and varied partners in the workforce development network.

During this program year, SESAs will provide \$25 billion in unemployment compensation benefits to 10 million unemployed workers, plus an additional \$3-4 billion in Emergency Unemployment Compensation. These dollars have been critical in allowing dislocated workers to maintain their standard of living and to take advantage of training opportunities. In addition to income support provided from Unemployment Trust Funds, this administrative system should be examined as a vehicle to provide income support to those in long-term training who are not currently covered by the system.

Employment Service offices, which now register twenty million workers annually, could be used to provide assessment and referral for any or all of the other programs in the network. Regular contact with employers positions SESAs to provide a variety of business assistance services, including an analysis of training needs and the identification of training providers.

The variety and flexibility of programs along with a history of involvement with the other partners in the workforce development system allow SESAs to bring people and programs together, to serve as a catalyst or broker. They also call for SESAs to take a leadership role in areas where they have demonstrated effectiveness. At the state level, SESAs no longer are a collection of separate programs but are instead an essential component of an integrated system.

ADDENDUM II

ICESA LMI CHANGES TO S.1964

"REEMPLOYMENT ACT OF 1994"

TITLE - COMPREHENSIVE PROGRAM FOR WORKER REEMPLOYMENT

Section 112. DESIGNATION AND FUNCTIONS OF STATE
DISLOCATED WORKER UNIT

(4) COORDINATION. - The State dislocated worker unit shall exchange information and coordinate programs with:

(a) the appropriate economic development agency and job retention projects authorized under section 116, for the purpose of identifying potential layoffs and for the purpose of development strategies to avert plant closings or mass layoffs and to accelerate the reemployment of dislocated workers.

(b) State education, training and social services programs in collaboration with the State Occupational Information Coordinating Committee;

(c) State labor federations;

(d) State-level general purpose business organizations;

(e) The agency responsible for the Bureau of Labor Statistics federal/state cooperative programs, and

and (f) all other programs available to assist dislocated workers, including the Employment Service, the unemployment insurance system, one-stop career centers established under title III of this Act, and student financial aid programs.

Section 113. DEVELOPMENT AND MAINTENANCE OF A STATE
AND LOCAL LABOR MARKET INFORMATION
SYSTEMS PROGRAM

(a) IN GENERAL. - in furtherance of the national strategy described in section 302 of this Act to establish a nationwide system of effective state and local labor market information, the Governor shall identify, ~~or~~ ~~severely~~ ~~and~~ maintain a comprehensive labor market information ~~system~~ program in the State that-

(1) ~~promotes the collection, will collect, use, exchange, and dissemination of disseminate~~ quality labor market information that will enhance the employment opportunities available to permanently laid off workers and other individuals seeking employment, ~~and~~

(2) enhances the activities and products of the agency responsible for the Bureau of Labor Statistics federal/state cooperative programs and of the State Occupational Information Coordinating Committee, and

~~(2)~~ (3) ~~provides support for~~ will make needed improvements or adjustments in current labor market information systems programs and will integrate such systems changes into the program to meet local and State labor market needs.

~~(b) CONTENT~~ The labor market information described in subsection ~~(a)(1)~~ shall include the information specified in section 303(a) of this Act relating to the national labor market information system.

(b) RESPONSIBILITIES. - The Governor shall utilize the agency responsible for the Bureau of Labor Statistics federal/state cooperative programs, in coordination with the State Occupational Information Coordinating Committee, for management and implementation of a comprehensive nationwide program of state and local labor market information. Funds made available under this title shall be used for:

(1) Administration of core programs - State and local labor market information will be collected and disseminated for activities specified in Section 303(a) in accordance with technical standards specified in Section 303(b).

(2) State discretionary activities - Funds will be provided for other state and local LMI activities that support the purposes of this Act and to allow testing of data collection and dissemination activities specified in Section 303(a) that have not been adopted as core programs.

(3) State capacity building activities - Funds will be provided for the upgrading of human and technical resources to allow for more rapid implementation of core programs and increased capacity to innovate and share innovations among states and nationally.

(c) STANDARDS FOR INFORMATION COLLECTION AND DISSEMINATION. - The Governor shall ensure that data collection and dissemination systems are developed in accordance with the technical standards specified in section 303(b) of this Act relating to the national labor market information system program.

(d) COORDINATION OF DATA COLLECTION AND SURVEY CONSOLIDATION. - Consistent with the technical standards specified in section 303(b), the Governor shall ensure, to the extent feasible that:

(1) automated technology will be used in data collection and dissemination;

(2) the State dislocated worker unit, the substate grantees, and the career centers under this title have timely access to and exchange information relating to quality labor market information;

(3) administrative records are designed to reduce paperwork; and

(4) ~~available disclosable~~ administrative data and multiple surveys are shared or consolidated to reduce duplication of record-keeping of State and local agencies.

(e) DESIGN OF STATE SYSTEM. - The Governor shall designate ~~an agent within the State to be responsible for oversight and management of a statewide comprehensive labor market and occupational information system that~~

~~(1) through the agency responsible for the Bureau of Labor Statistics federal/state cooperative programs, be responsible for oversight and management of that state's program for a comprehensive nationwide system of state and local labor market information that -~~

~~(1) (a) meets the requirements of this section:~~

~~(2) (b) provides such training and technical assistance necessary to facilitate the collection of data and the dissemination of information through the programs assisted under this title:~~

~~(3) (c) provides utilizes funding for the State share of the cooperative agreements authorized in section 302; and~~

~~(4) (d) funds conducts research, evaluation, and demonstration projects designed to make improvements in the statewide labor market information system program.~~

(2) through the State Occupational Information Coordinating Committee, in cooperation with the agency responsible for the labor market information program cited in section 113(e)(1), be responsible for:

(A) coordinating various state agencies responsible for collection and dissemination of labor market, educational, occupational and other related information at the state and local level to support design, development and implementation of the comprehensive labor market information program; and

(B) ensuring agency collaboration in the design, development, utilization, and delivery of labor market and occupational information products and services, including training, that addresses the needs of federal, state, and local customers. Membership in the State Occupational Information Coordinating Committee may be broadened, as appropriate, to ensure that it is representative of users.

(f) COORDINATION OF RESOURCES. - The Governor shall coordinate the activities carried out under this title with the labor market information activities carried out, ~~in the State in collaboration with both the agency responsible for the Bureau of Labor Statistics federal/state cooperative programs and the State Occupational Information Coordinating Committee,~~ pursuant to other Federal laws and with the national labor market information program described in title III of this Act. In developing and maintaining the system program described under this section, the Governor may shall use funds that are

authorized otherwise available to the Governor under this Act for the Labor Market Information Program, under other Federal laws, and from programs such as the Job Training Partnership Act, the Wagner-Peyser Act, the School-to-Work Opportunities Act and the Carl Perkins Vocational and Applied Technology Act that require labor market information as noted in section 302(a). For purposes of consistency and efficiency, the Governor shall ensure that the comprehensive state and local labor market information program defined in Title III of this Act shall be used for all state directed programs of employment, education, and training programs that have a labor market information component.

(g) METHODS OF COLLECTION AND DISSEMINATION. -- in order to facilitate the collection and dissemination of the data described in subsection b), the Governor shall:

(1) Identify and utilize cost-effective methods for obtaining such data as are necessary to carry out this section which, notwithstanding any other provision of law, may include access to earnings records, State employment security records, records collected under the Federal Insurance Contributions Act (chapter 21 of the Internal Revenue Code of 1986), State aid to families with dependent children records, secondary and post-secondary education records, and similar records of measures, with appropriate safeguards to protect the confidentiality of the information obtained; and

(2) Publish and make available labor market and occupational supply and demand information and career information to State agencies, public agencies, libraries, employers, and individuals who are in the process of making career choices.

TITLE III - NATIONAL STATE AND LOCAL LABOR MARKET INFORMATION SYSTEM PROGRAM

Section 301. PURPOSE

The purpose of this title is to provide for the development of a national, state, and local labor market information system program that will provide locally-based, accurate, up-to-date, easily accessible, user-friendly labor market information, including--

(1) comprehensive information on job openings, labor supply, occupational trends, current and projected occupational wage rates ~~by occupation~~, skill requirements, and the location of and performance of programs designed to provide requisite skills; and

(2) labor market data necessary to assist public officials, employers, economic development planners, education/career planners, and public and private training entities in the effective allocation of resources.

Section 302. NATIONAL STRATEGY

(a) IN GENERAL - The Secretary shall develop, in coordination with the Governors and in cooperation with other federal, state and local entities, a strategy to establish a program for a nationwide system of state and local labor market information that accomplishes the purposes described in section 301 and carries out the activities described in sections 303 and 304. In addition, such strategy shall be designed to fulfill the labor market information requirements of the Job Training Partnership Act, Title I of this Act, the Wagner-Peyser Act, the School-to-Work Opportunities Act, the Carl Perkins Vocational and Applied Technology Act, and other appropriate Federal programs.

(b) IMPLEMENTATION. - In implementing the strategy described in subsection (a), the Secretary is authorized to enter into contracts and intergovernmental cooperative agreements, award grants, and foster the creation of public-private partnerships, using funds authorized under this title and funds otherwise available for such purposes. In addition, the Secretary may conduct research and demonstration projects to assist in such implementation.

Section 303. COMPONENTS OF SYSTEM PROGRAM

(a) IN GENERAL - The Secretary, in coordination with the Governors and in cooperation with federal, state and local entities, and public-private partnerships, shall develop a program for a system of national, state and local labor market information that makes available the following: ~~information-~~

- (1) information from both public and private sources on the local economy, including current employment opportunities and trends by industry and occupation;
- (2) automated listings of job openings and job candidates in the local, state and national labor market;
- (3) growth projections by industry and growth and replacement need projections by occupation and occupational cluster for national, state and local labor markets;
- (4) current supply of labor available with specific occupational skills and experience including current workers, job seekers and training completers;
- (5) automated ~~screening~~ systems to permit easy determination of ~~candidate~~ eligibility for funding and other assistance in job training, job search, income support, supportive services and other reemployment services;
- (6) consumer reports on local education and training providers including student satisfaction with programs, employer satisfaction with graduates, placement rates, wages at placement, and other elements of program quality;
- (7) results of customer satisfaction measures for the career centers and one-stop career centers and other providers of reemployment services;

(8) national, state and substate profiles of industries, including skills requirements, general wage and benefit information, and typical distributions of occupations within the industry;

(9) profiles of industries in a local labor market including nature of the work performed, skill and experience requirements, specific occupations, wage, hour and benefit information, pattern of hiring, and

(10) automated occupational and career information and exploration systems, which incorporate local labor market information, employer or industry profiles, listings of education, training and other reemployment service providers including program quality and customer satisfaction data, and available automated listings of current openings.

(b) **TECHNICAL STANDARDS.** - The Secretary, in cooperation with the Governors and labor market information users, shall promulgate standards necessary to promote efficient exchange of information between the local, State and national levels, including such standards as may be required to ensure that data are comparable. Such standards shall be designed to ensure that there is universal access to local, state and national data, subject to confidentiality constraints. In issuing such technical standards, the Secretary shall meet the requirements of chapter 35 of title 44, United States Code, and insure coordination and consistency with other appropriate Federal standards established by the Bureau of Labor Statistics.

The Bureau of Labor Statistics will be responsible for providing technical assistance and training to states to assure the statistical reliability and uniform standards for the statistical components of the national labor market information program.

(c) **CONSUMER REPORTS.** - The Secretary, in consultation with the Secretary of Education and other appropriate Federal agencies, the Governors and State and local governments, shall set standards for the required reports and create a mechanism for collection and dissemination of the consumer reports described in subsection (a) (6).

(d) **EVALUATION.** - The Secretary shall provide for the evaluation of the procedures, products and services under this title, including their cost-effectiveness and the level of customer satisfaction. Such evaluations may include analyses of the precision of estimates produced or collected under this title; examination of the uses of the data by job seekers, employers, educators, career counselors, public and private training providers, economic development planners, and public agencies and institutions; the appropriateness of such uses; and the relative costs and benefits of the data.

Section 304. COORDINATION

To ensure the appropriate coordination, implementation, and integration of labor market information ~~services~~ programs nationwide, the Secretary shall:

(1) coordinate the activities of Federal agencies responsible for the collection and dissemination of labor market information at the national, state and local level; ~~and~~ support in the

necessary collaboration will be provided by the National Occupational Information Coordinating Committee.

(2) determine, on an annual basis, the resources needed to establish and maintain the national, state, and local labor market information program and enter into a cooperative agreement with each state in a manner similar to that done between the Bureau of Labor Statistics and the state agency responsible for the federal-state cooperative statistical program; and.

~~(2)~~ (3) ensure the appropriate dissemination of results from research studies and demonstration projects, feedback from surveys of customer satisfaction, education and training provider performance data, and other relevant information that promotes improvement in the quality of labor market information.

Section 305. EFFECTIVE DATE.

The provisions of this title shall take effect on July 1, 1995.

Senator METZENBAUM. Thank you very much, Mr. Richardson. It was an excellent statement, and we appreciate it.

Mr. Brown, we are happy to welcome you from the great State of Vermont. Please proceed.

Mr. BROWN. I will try to get done in 5 minutes.

Senator METZENBAUM. You can take 6 or 7, even 8. We won't cut you off, but if you get up to 10, we might do something.

Mr. BROWN. I am Gerald Brown. I am President of Vermont Heating and Ventilating Company in Colchester, VT, and I am Chair of the Vermont Consolidated Council for Employment and Training.

For a bit of information, Vermont is a single State service delivery area under the Job Training Partnership Act. I am also a member of the Vermont Human Resource Investment Council, which is a newly-formed council that is sort of an umbrella over the training processes that we are trying to develop in the State of Vermont.

I am appearing here today on behalf of the National Association of Private Industry Councils, also known as NAPIC, on whose board I serve as chair on their policy committee. NAPIC is the only national membership organization representing Private Industry Councils, or PICs. PICs work to increase the education and skill level of a segment of our workforce, including disadvantaged and dislocated workers.

NAPIC's membership includes over 500 PICs and half of the State Councils. We seek to strengthen private sector leadership at the local level, to assist PICs in improving their ability to govern, and to represent the interest of PICs at the national level.

Mr. Chairman, I appreciate the opportunity you have given me today to comment on the goals of the Reemployment Act of 1994. NAPIC supports the goals of the Reemployment Act. In particular, we support the following central principles: Developing a mainstream system of employment and training built on a private-public partnership model, embodied in the Private Industry Councils; merging a variety of Federal programs for dislocated workers into one; and integrating Federally-funded training and employment services through the creation of one-stop career centers.

Current workforce trends suggest that Federal efforts in workforce development must expand beyond the narrow focus programs such as JTPA and JOBS, which are oriented primarily as second chance programs. The winds of change in the economy have created a new scenario, one that dictates directing our focus toward a system that promotes employment, training, and learning opportunities to all workers and offers hope and improved assistance to the economically disadvantaged.

In our view, this revised system will need to assist young people making transitions from school to work, and the School-to-Work Opportunities Act is an important step in that direction. The system will need to assist people who face significant barriers to a level of employment that lead to economic self sufficiency, and the system will need to assist experienced workers, including the dislocated workers who are in jeopardy because of them lacking transferable skills.

A competitive workforce demands a workforce investment system for the next century that will serve all these groups. Such a system

will offer a baseline of labor market information and education and training data base, assessment referral to appropriate education and training, and supported services and job placement services.

Mr. Chairman, this system can be built on the base of the successful private-public partnership represented by the Nation's 640 Private Industry Councils. PICs represent a cadre of some 17,090 community representatives, including over 10,000 committed business leaders, and a partnership among business, organized labor, local elected officials, government, education, and community groups.

PICs have proven that the private-public partnership works. Business leaders control the direction of PICs. Businesses know what is needed in terms of education and training to fuel their labor forces. And, PICs provide an experienced, in-place national mechanism on which to build a more encompassing public-private partnership.

The important points are that the training system that will meet the needs of the 21st century must be characterized by strong local autonomy, expanded private-public partnerships, private sector leadership, realistic performance measurements, flexibility and willingness to test new concepts, and finally and most important, the system must be customer-driven, and that is it must be easily accessible to any individual who wants or needs a job, education, or training. It must provide well-trained people for all employers and it must provide employers with assistance and support for offering lifelong learning and for the creation of a high-performance workforce.

The committee needs to consider the elements of a workforce development system as opposed to a large collection of programs. We believe you will find that the Reemployment Act takes a positive first step in advancing a workforce preparedness agenda that will provide tangible benefits to both workers and employers. We say first step, because we recognize that consolidating six programs, as this Act does, leaves to future legislation the coordination of more than the 100 other Federal programs.

Several proposals, most notably Senator Kassebaum's bill, would consolidate more programs and do so more quickly than the administration has proposed. We encourage the committee to move more aggressively on this front over the next few years. This committee is the only one in a position to promote consolidation and coordination, and we urge you to do so.

I think I will leave off with that, sir, because I believe I am over my five minutes. That was a buzzer that I heard back there twice, I am not sure.

Senator METZENBAUM. That is not applicable. Mr. Brown. I can keep on going, then, is that what you are saying?

Senator METZENBAUM. Take a couple of minutes more.

Mr. BROWN. Take a couple of minutes more?

Senator METZENBAUM. You are very thoughtful, and I appreciate it, but take a couple of minutes more.

Mr. BROWN. The major first test will come with the welfare reform legislation. This committee could lead the way in promoting integration of the revised JOBS program into the one-stop system,

and with the governance structure proposed in the Reemployment Act.

While more needs to be done, we believe that the Reemployment Act can be passed this year. By perfecting this bill and passing it, you will establish a policy base to make even more significant progress in the next Congress.

Mr. Chairman, while NAPIC supports the principles and goals of the Reemployment Act, you will not be surprised to learn that we have a number of concerns. I would like to reserve the remainder of my testimony to mention a few of our major misgivings. We will provide the committee with detailed comments on a variety of issues at a later date.

We are concerned that the bill is overly prescriptive in a variety of ways, including specifications for WIB membership, the structure of one-stop centers, and prohibition on service areas below 200,000 population.

We find that sub-state governance structure confusing and potentially a hinderance in the effective coordination at the local level.

While we can support competition in some cases, we believe that competition written into the bill has to be reviewed carefully to ensure that it promotes the goals of the workforce investment system.

Labor market information needs to be improved, as suggested in the bill, but we are not convinced that the current Bureau of Labor Statistics will develop information to serve the needs of workforce preparedness at the local level in the absence of clear direction from Congress.

Finally, the Reemployment Act as proposed would prohibit WIBs from directly administering programs. Let us be cautious in taking this step until we are certain that the capacity for innovation, research and development, and risk taking are built into the revised system.

Changes in the American economy are forcing a new approach to both public policy and education and workforce investment, and it is an approach based on a mainstream system rather than one devoted only to the poor.

There are many Americans who want to work to their full capacity but lack the skills to do so. Many companies are moving to high-skill work organizations, but they need assistance in making the transition, and many need help in developing a world-class workforce.

State HRICs and PICs already are beginning to develop a broader strategy to respond to the challenge. Through partnerships with other key organizations and agencies, they are promoting the creation of a true workforce development system based on an expanded PIC and a local policy and oversight body.

The Reemployment Act would replace PICs with Workforce Investment Boards, or WIBs, in those States that establish one-career stop centers under Title III of the legislation. We have talked to a great number of business people, and for the most part, they agree that the issue should not be the name; we can live with WIB. What does matter is the authority and the responsibility given to this governance body—who is on the board and how the membership are appointed.

In our view, the Reemployment Act has identified the correct functions for a WIB—strategy planning, policy guidance, budget approval, identification of occupations in demand and local training needs, and oversight of the system. We concur with the administration's view that WIBs should be comprised of a majority from the private sector.

A private-public partnership is the proven way to help people and business achieve these objectives. PICs must be the basis of the new system. The Nation must take advantage of the passion and commitment to workforce development among the 10,000 business people today serving on PICs and local support found in another 20,000 private sector people who have served on PICs over the past decade.

Mr. Chairman, I thank you for inviting NAPIC to comment on this bill. NAPIC looks forward to working with you further on the issues raised here. This concludes my prepared remarks, and I hope I haven't taken too much of your time.

[The prepared statement of Mr. Brown follows:]

PREPARED STATEMENT OF GERALD BROWN

Mr. Chairman, members of the Committee, I appreciate the opportunity to appear before you to discuss the Reemployment Act of 1994, S. 1951 and S. 1964.

I am Gerald Brown, President of Vermont Heating and Ventilating in Colchester, VT, and Chair of the Vermont Consolidated Council for Employment and Training. Vermont is a single-state service delivery area under the Job Training Partnership Act (JTPA). That is to say our council serves as both the Private Industry Council (PIC) and the state job training coordinating council (SJTCC) for Vermont. I am appearing today on behalf of the National Association of Private Industry Councils (NAPIC) on whose Board I serve as Chair of the Policy Committee.

NAPIC is the only national membership organization representing the nation's Private Industry Councils. Our membership includes over 500 PICs and half of the state job training coordinating councils (SJTCCs). Policy for the association is determined by an elected board of directors comprised principally of volunteers from the business community who are current or former chairs of local PICs and state councils. NAPIC seeks to strengthen private sector leadership at the local level, to assist PICs in improving their ability to govern, and to represent the interests of PICs at the national level.

The major goals of the proposed legislation are to (1) consolidate six existing federal training programs for dislocated workers; (2) establish statewide networks of one-stop centers for dislocated workers that streamline and improve the services and information available to eligible workers; (3) create a more flexible unemployment insurance system that promotes rapid reemployment yet provides income support for laid-off workers in need of occupational training; (4) improve the quality, reliability, and usefulness of labor market information; and (5) begin to develop, on a demonstration basis in states that volunteer to participate, a workforce investment system open to everyone built on the program concept of one-stop shopping and a governance structure of state human investment councils and local workforce investment boards.

Mr. Chairman, the National Association of Private Industry Councils supports the goals of the Reemployment Act of 1994. In particular, we support the following central principles of the proposal:

- Developing a mainstream system of employment and training built on the private public partnership model embodied in the Private Industry Councils;
- Merging a variety of federal programs for dislocated workers into one; and
- Integrating federally funded training and employment services through the creation of one-stop career centers.

THE NEED FOR A NEW DIRECTION

Current workforce trends suggest that federal efforts must expand beyond the target group, categorical focus of programs such as JTPA and JOBS, oriented primarily as second-chance programs for the poor and ill-educated. The winds of change in the economy have created a new scenario requiring a new response in public policy. This

scenario dictates redirecting our focus toward a system that offers employment and training opportunities to all workers while offering hope and improved assistance to the economically disadvantaged. This revised system will need to assist:

- Young people making the transition from school to work;
- People who face significant barriers to a level of employment that provides for economic self-sufficiency; and
- Experienced workers, including dislocated workers, who are in jeopardy because of nontransferable skills.

A competitive workforce demands a workforce investment system for the next century that serves all these groups. Such a system will offer a baseline of labor market information, an education and training data base, assessment, referral to appropriate education, training, and supportive services, and job placement services to all in need of such assistance. The public policy-setting process will need to sort out who will pay for various services among the federal and state governments, employers, and individuals. In this regard, a cost-effective system will need to include a local mechanism empowered to drive coordination or integration of programs and services for targeted populations that are currently funded primarily through the federal government. Finally, a private-public partnership at the labor market level must be authorized to ensure that education and training meet the current and evolving needs of employers for a skilled workforce.

Simply put, we must build a system that breaks down the barriers among education, job training, welfare, and other government agencies. And we must do so in a way which makes the private sector an active participant. It must be a system that builds on high schools and community colleges, and a system that encompasses the billions invested annually by the federal government. Those federal investments include JTPA, targeting \$5 billion in education and training services for economically disadvantaged youth and adults and dislocated workers; the JOBS program, which invests \$1.1 billion in education and training to assist welfare recipients in reaching economic independence; the Wagner-Peyser Act, which allocates about \$1 billion to states to establish a network of job placement offices; and the Perkins Act, which provides over \$1 billion to states for secondary and postsecondary vocational education. Furthermore, it is imperative that it be a system that is responsive to the mainstream as well as to the disadvantaged.

The creation of a workforce development system will require a combination of major reforms, better coordination, and clearer performance criteria. The issue before us is how to map out the needed changes and how to implement them. It is the view of NAPIC that significant change can occur most rapidly and most efficiently at the state and local levels through the establishment of policy boards to set goals, develop performance measures, approve budgets, and enforce decisions through oversight and evaluation. As the Reemployment Act recognizes, the experiences of the nation's Private Industry Councils Offer an ideal initial network to develop this local capacity. PICs represent a cadre of some 17,000 community representatives, including over 10,000 committed business leaders, and a partnership among business, organized labor, local elected officials, government, education, and community groups.

Under the federal Job Training Partnership Act (JTPA)—the parent of PICs—Private Industry Councils by and large have delivered on the promise that this partnership approach to building America's workforce is better than its public-sector-only alternatives.

PICs RESPOND TO THE OPPORTUNITY

The kind of system proposed by business leaders, public policy experts, elected officials, and others, can be created as a totally new program, or it can be built on the base of the successful private-public partnership represented by the nation's 640 Private Industry Councils. State governments and PICs already are beginning to develop a broader strategy to respond to the challenge. Through partnerships with other key organizations and agencies, they are promoting the creation of a true workforce development system based on an expanded PIC as the local policy and oversight body.

Why the PIC? PICs have proven that the private-public partnership works. Business leaders control the direction of PICs. Businesses know what is needed to fuel their labor forces; and PICs provide an experienced, in-place national mechanism on which to build a more encompassing private-public partnership.

The Reemployment Act would replace PICs with Workforce Investment Boards in those states that establish one-stop career centers under Title III of the legislation. We have talked with a great number of business people and for the most part they agree that the issue should not be the name, we can live with "WIB."

WHAT THE NEW SYSTEM SHOULD LOOK LIKE

A job training system to meet the needs of the twenty-first century should be characterized by:

—Strong local autonomy. Each labor market in the country has a unique combination of business and client needs and a different mix of education and job referral mechanisms to address these needs. To be responsive to its customers, a job training system must be able to make local decisions consistent with state and national goals.

—True private-public partnership accountable for results. A partnership requires independent decision-making authority vested in both public officials and the Private Industry Council coupled with performance requirements which insure the value of the public investment in education and job training.

—Private sector leadership. Job skills, current as well as projected, are the focus of a workforce investment system. As the source of most jobs, the private sector will bring this focus to an effective system. Therefore, private sector participation must be built into the governance of the system in order to ensure that employers hire workforce investment system trainees.

—Sensitivity to local market requirements for employment. An effective workforce development system requires accurate, timely labor market information to insure that training is appropriate and responsive to the needs of local employers.

—Requirements for cooperative efforts among the various federal, state, and local workforce investment-related agencies. PICs in partnership with elected officials and leaders in community service and education will set goals for coordination among various agencies at the labor market level; however, federal funding should flow to states and localities with clear requirements to implement these cooperative efforts. State councils and PICs should have the authority to mandate coordination as a condition of funding among the many agencies which will provide services under the systemic approach envisioned. In addition, federal and state legislation should provide for waivers of regulations in cases where cooperation is inhibited by such regulations.

—Willingness to test new concepts. Too often the incentives for public agencies work against innovation and the risk taking that innovation demands. PICs have shown a willingness to test new concepts and try new approaches. In this era of rapid economic and technological change, the workforce investment system must encourage experimentation or it will soon become outdated to the needs of the economy.

Finally, the success of the PIC as a workforce development council and the efficacy of the workforce system itself should be measured in very practical terms that the public can understand. A workforce investment system for the global economy must:

—Be easily accessible to any individual who wants or needs a job, education, or training;

—Provide well-trained people for all employers; and

—Provide employers with assistance and support for offering life-long learning and for the creation of a high-performance workforce.

The key to progress toward a national system of training and employment for all Americans lies in a coordinated approach initiated by state and local governments, supported by federal regulatory waivers where needed, and harnessed to private sector leadership at all levels. With appropriate action by the governor and state legislature, the process of integration of diverse funding sources can be undertaken and extended to the local level. This concept already is underway in the states of Connecticut, Maryland, Massachusetts, New Jersey, North Carolina, Oregon, Rhode Island, and Texas. Other states are considering similar approaches.

THE REEMPLOYMENT ACT—A SIGNIFICANT FIRST STEP

Mr. Chairman, as you consider the elements of a workforce development system as opposed to a collection of hundreds of programs, we believe you will find that the Reemployment Act makes a positive first step in advancing a workforce preparedness agenda that will provide tangible benefits to both workers and employers. We say first step because we recognize that consolidating six programs leaves for future legislation the coordination of more than one hundred other federal programs. Several proposals, most notably Senator Kassebaum's bill, S. 1943, would consolidate more programs and do so more quickly than the administration has proposed. We encourage the Committee to move aggressively on this front over the next few years. In point of fact, the Congress and federal agencies that administer job training seem more inclined to add new programs than to consolidate existing ones. This Committee is the only one in a position to promote consolidation and coordina-

tion, and we urge you to do so. A major first test will come with welfare reform legislation. This Committee could lead the way in promoting integration of the revised JOBS program into the one-stop system and the WIB governance structure proposed in the Reemployment Act.

While more needs to be done, we believe that the Reemployment Act can be passed this year. By perfecting this bill and passing it, you will establish a policy basis to make even more significant progress in the next Congress.

Mr. Chairman, while NAPIC supports the principles and goals of the Reemployment Act, you will not be surprised to learn that we have a number of concerns. I would like to reserve the remainder of my testimony to discuss a few of our major misgivings. In addition, we will provide the Committee with detailed comments on a variety of issues at a later date.

WORKFORCE INVESTMENT BOARDS

As I mentioned previously, it is of little significance whether PICs are now to be called WIBs. What does matter is the authority and responsibility given to this governance body, who is on the board, and how the members are appointed. In our view, the Reemployment Act has identified the correct functions for a WIB: strategic planning, policy guidance, budget approval, identification of occupations in demand and local training needs, and oversight of the system. We concur with the administration's view that WIBs should be comprised of a majority from the private sector. However, in the interest of making WIBs work effectively at the local level, we believe that it should be required that the WIB chair be from the private sector. Furthermore, the requirement that WIB business members be CEOs and plant managers unduly focuses on job title rather than community leadership, company support, and commitment to workforce preparation issues. As drafted, the bill runs the risk of eliminating major corporations from WIB participation. We recommend that the current JTPA language governing private sector appointments be substituted. Finally, it should be noted that NAPIC supports high-level, active participation by organized labor and community based organizations on the WIB. However, arbitrary minimum percentages, such as the 25 percent in the Reemployment Act, do not ensure leadership from these sectors but rather predetermine that other important sectors will be underrepresented. We would recommend that governors and local elected officials be given some flexibility in appointing WIB members who will perform the roles envisioned.

SUBSTATE GOVERNANCE AND DELIVERY AREAS

The Reemployment Act would prohibit substate areas with a population of less than 200,000 from administering the new dislocated worker program under Title I. This prohibition unduly constrains the flexibility of governors to establish dislocated worker programs that are coordinated with programs planned by the PICs and local elected officials. Current law (Title III of JTPA) allows governors to establish areas that make sense for each state. If substate areas of less than 200,000 are not effective for a particular state, the governor is not compelled to recognize smaller areas. This flexibility should be introduced into the Reemployment Act.

Title III of the Reemployment Act appears to lean in the direction of establishing one-stop career centers and Workforce Investment Boards according to labor market areas. From the perspective of the business community, substate organization in this fashion makes some sense in that employers do not base their hiring decisions nor do job applicants base their job search on political subdivisions. At the same time, many education, job training and supportive service programs are organized by city or county jurisdictions. To obtain maximum coordination, mayors and county executives need a strong voice in the setting of substate delivery areas. At a minimum, however, the service areas within major labor market areas need to do a better job of joint planning and coordination. In our judgment, further review of this issue by both this Committee and the Labor Department is warranted.

COMPETITION

The role of competition in selecting one-stop centers as proposed in the Reemployment Act has received a great deal of scrutiny and more than a little opposition. NAPIC would note that JTPA in many places uses competition in selecting service providers and that this seems to work, although we are unaware of any study that would prove any financial benefit from the process. As private sector people we believe in the virtues of competition. As PIC members we realize that a great deal of work has gone into building partnerships among JTPA agencies, Job Service, community based organizations, community colleges, and others. Nobody wants to

undermine these accomplishments in the name of an abstract notion of competition. Therefore, we were pleased to see that the Reemployment Act as ultimately drafted includes options for competition or collaboration as states and locals deem most desirable. This option appears prudent and we support it. Nonetheless, there are issues as to how the one-stop centers for dislocated workers would operate since a competitive process appears more or less mandated under Title I. NAPIC supports the option of competition, and an opportunity for PICs or WIBs to mandate competition in cases where existing agencies or partnerships fail to perform. We look forward to working with the Committee to resolve this thorny issue.

LABOR MARKET INFORMATION

NAPIC agrees with the Labor Department that we must upgrade the timeliness and usefulness of labor market information (LMI). This task will require funds for research and the testing of new data bases and user-friendly technologies. LMI as envisioned in the Reemployment Act would focus on developing and providing understandable, pertinent information upon which to base programmatic investments and individual career choices. Currently, the content of labor market data is driven by the statistical requirements and information needs of national users including the Bureau of Labor Statistics and the Congress. If you wish to develop a system that serves the workforce education and training requirements of individuals within a local workforce investment system, you must change the incentives so that LMI responds to the needs of local users.

PICS/WIBS AS PROGRAM OPERATORS

The Reemployment Act as proposed would prohibit WIBs from directly administering any programs. We understand the need for impartial planning and contracting under the system envisioned. At the same time, we find that incorporated, not-for-profit PICs have been the major source of innovation under JTPA. As noted earlier, a workforce development system needs to include the ability to experiment and innovate. Too often, public bureaucracies lack the incentives to serve this research and development role. We urge the Committee to include sufficient state and local flexibility to ensure that this operational role is not entirely eliminated before we are certain that the capacity for innovation and risk-taking can be preserved within the overall structure of local planning and program design.

CONCLUSION

Changes in the American economy are forcing a new approach to public policy in education and workforce investment; an approach based on a mainstream system rather than on one devoted only to the poor.

There are many Americans who want to work to their full capacity, but lack the skills to do so. Many compares are moving to high-skill work organizations, but they need assistance in making the transition, and many need help in developing a world-class workforce.

A private-public partnership is the proven way to help people and businesses achieve these objectives. PICs must be the basis of the new system. Otherwise, the United States will waste the valuable years of successful experience amassed by 640 PICs, 17,000 community leaders, including over 10,000 business volunteers, and the partnership among business, government, labor, education, and community groups represented by this effort.

Mr. Chairman, I thank you for inviting NAPIC to comment on this bill. NAPIC looks forward to working with you further on the issues raised here. This concludes my prepared remarks. I would be happy to answer any questions.

Senator METZENBAUM. Mr. Richardson, Mr. Brown, thank you very much for your testimony.

I would like to insert my prepared statement for the record.

[The prepared statement of Senator Metzenbaum follows:]

PREPARED STATEMENT OF SENATOR METZENBAUM

As the sponsor of the Reemployment and Retraining Act, I am happy to be here as we start to explore the issues involved in re-vamping our training assistance to dislocated workers:

—While we've learned a lot about what works and what doesn't work during 6 years of EDWAA, I think that its important that we listen to the experience of those who have worked with and been a part of our current system.

—A successful job training system can only be achieved through the cooperation of government, business, and labor. We have business and government represented here today and in the near future I plan to hold a hearing that will focus exclusively on the most important group—the workers.

—While we must work out the details of setting up a new system, this reform should remain focused on how we can best provide support and training to the unemployed. It is essential that we not lose sight of our ultimate goal—helping workers meet the challenges of our changing economy.

—I look forward to today's testimony and to working together to make the Reemployment Act a meaningful reform of the job training system.

Your comments have been very helpful, and I am sure you will be hearing from staff of the committee as we try to proceed forward on this legislation.

[Additional statements and material submitted for the record follow:]

PREPARED STATEMENT OF JOHN POLK

Mr. Chairman and committee members, thank you for allowing me to submit testimony on the Reemployment Act of 1994.

I am John Polk, Executive Director of the Council of Smaller Enterprises (COSE), the small business division of the Greater Cleveland Growth Association, Cleveland's Chamber of Commerce. COSE has more than 13,000 small business members who employ about 250,000 greater Clevelanders. As you might imagine, the issues surrounding finding and keeping good, productive employees are foremost in many of the minds of many small businesses people.

As the work place becomes more and more complex, workers are required to have an increasingly broad set of skills in order to maintain their current lifestyle. Many jobs of even twenty years ago are no longer in existence—and some who thought they were set for their entire professional careers have found themselves scrambling to find a new position.

While COSE has a great number of concerns, especially surrounding the financing of such a major new additional undertaking (outlined below), we believe there are a few general principles which should govern any government training or retraining effort.

First and most importantly, any new efforts must not place the federal or state unemployment funds in jeopardy. The primary goal of the unemployment compensation system must remain the temporary support of unemployed workers as they actively look for new employment.

Second, COSE supports the idea of training and retraining. However, the organization is not currently prepared to support the idea of income support for those in the process of being retrained. In supporting training and retraining, COSE supports the following ideas:

We agree that the "One Stop Center" concept is useful. Already in the state of Ohio, four pilot programs exist outside of metropolitan areas. However, ALL federal placement and training programs must be funneled through this center in order for it to be successful. This includes programs administered through agencies other than the Department of Labor, such as the Veterans' Administration. In addition, the centers must be responsive to the customers—unemployed workers and employers.

All training programs must be focused on the ability to make participants "job ready" through skill based training. Funding should be based on longterm, successful placement of clients in jobs. Funding based solely on the number of participants who successfully complete a training program does little to ensure that a person finds and keeps a job. Programs should be coordinated through a central "job match" service, so that employers are able to quickly find those most suited to their needs.

COSE generally supports the idea of a state and national system for exchange of information among centers and available to employers. All entries regarding jobs MUST be based on skills (as determined by Goals 2000 or another source). In addition, this data exchange system must be appropriately funded as a key element of any retraining system. Employers using the system should be provided with appropriate assistance in order to access the information and educated to the advantages of using the system.

Finally, there must be strong incentives for participation for both employers and workers. For example, employers who participate in the information exchange system not only would have access to a pool of job ready applicants, but might also be eligible for other incentives for hiring from that employee pool.

COSE CONCERNS

In reviewing the Reemployment Act of 1994, our members have a number of concerns which need to be addressed prior to further consideration. For the most part, the concerns are financial although some are programmatic.

First, The Reemployment Act must recognize that any training system or unemployment compensation system has TWO customers. The employer is only briefly recognized as tangential to the process as opposed to critical to the success of the system.

Second, the proposed legislation suggests a tremendous philosophical and practical shift. The current unemployment system changes from providing financial support while a worker is ACTIVELY seeking employment to providing financial support and paying for training for a person who has (because of the training component) taken themselves out of an active job search, and is unavailable for employment.

Third, the "sanctity" of the unemployment trust fund levels must be maintained. Are the current safe levels of accounts in jeopardy when business cycles turn down and more people are tapping into income support and seeking retraining? Will employers then be approached to make up the difference at a time when they are least able?

Fourth, the future obligations of small employers, if the trust level is threatened, must be discussed. What is the impact of the new income support and training programs on the current state trust accounts? What is the obligation of employers in repaying the state accounts as more and more dollars are funneled out? It must be understood that allowing states to mutualize the costs across the board does not mean that employers are not paying.

Fifth, local market information must be used to determine what skills and jobs are outdated and which are up and coming. In looking at the plan, the market information is crucial yet funding in this area is a fairly low priority item. The local and federal market information system should be the first program implemented. This allows individual and business clients to feed into the program and then the local governance organizations to pull information out in order to design necessary programs.

Sixth, since the focus of the system changes from one of active search for employment to income support while training, what if person get called back to work or offered a new job while they are in a training program? Are they required to go? If they do not go back, can they continue to receive assistance?

Finally, many large employers have already downsized and either eliminated their unskilled labor, or contracted out those jobs to smaller businesses. If that's the case, than a future economic downturn will cause employees of smaller companies to be more likely to access reemployment training programs. Since states currently charge back their costs to the companies that use the programs, there may be a disproportionate future impact on smaller employers.

CONCLUSION

There is no question that the time has come to comprehensively reevaluate the programs put in place to help the working and unemployed workers. Discussion after discussion with small employers has shown that the programs that have been put in place to assist them in finding workers, with occasional exceptions, do not work. COSE applauds the efforts of the Administration and the Congress to address these problems. We look forward to working the Congress as it reviews the current system of unemployment compensation and strives to design an even more efficient system for training productive workers.

Again, thank you for the opportunity to submit testimony.

With that, thank you again. The committee stands adjourned.

[Whereupon, at 4:41 p.m., the committee was adjourned.]

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