

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

MAR 1 1994

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WR-Reemployment

MEMORANDUM FOR THE PRESIDENT

FROM: Robert B. Reich *Bob*
THROUGH: Robert Rubin *Rub*
SUBJECT: The Reemployment Act of 1994

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

The Proposal

The Re-Employment Act will have these key features:

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

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

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

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

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

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

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

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

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

7. Implementation phase-in. Your FY 1995 budget includes \$1.465 billion for dislocated workers--an increase of nearly one-third over the FY 1994 base of \$1.118 billion. It also includes \$250 million for the first round of grants to States ready to build one-stop career center systems to serve all workers. When fully implemented (in FY 2000) the system will serve 1.3 million dislocated workers yearly--the entire population we expect to need reemployment services--at an annual cost of \$1.4 billion. The phase-in schedule is summarized on the attached chart.

Introduction Strategy

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

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

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

Issues to note

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

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

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

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

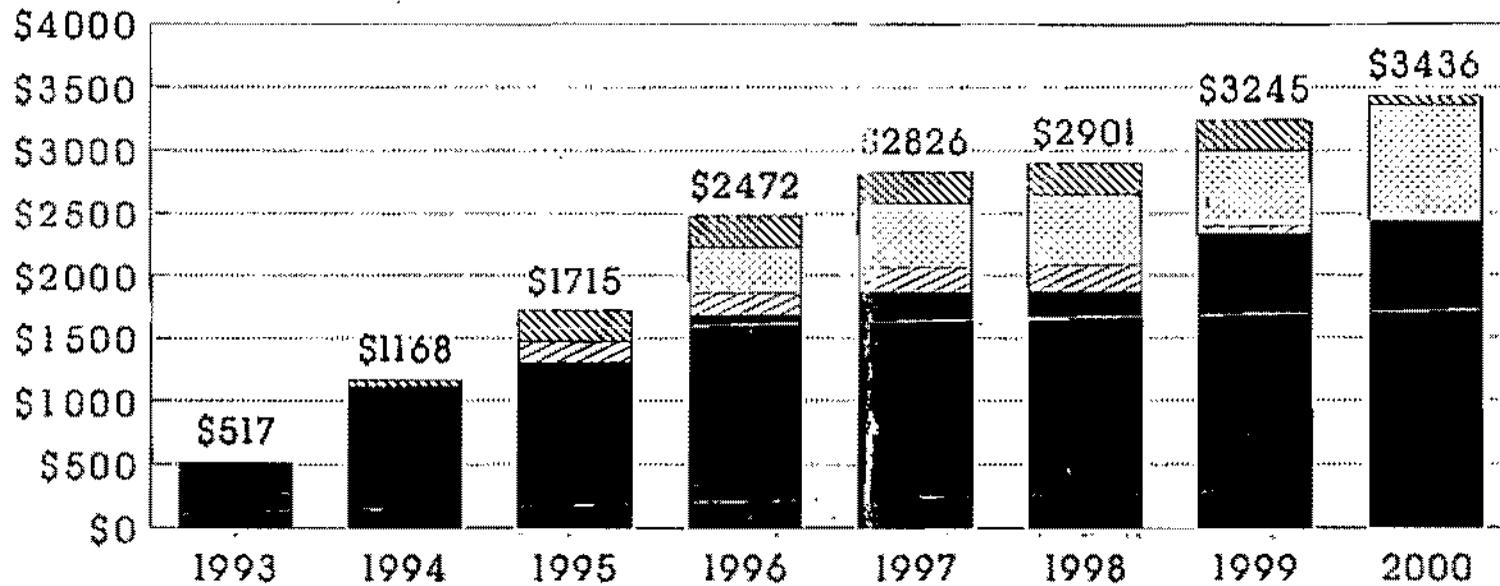
■ 0.2 percent FUTA: Business and Republicans may resist devoting the 0.2 percent FUTA tax to pay for retraining income support following its scheduled 1999 expiration, even though the tax has been extended repeatedly since its original 1987 expiration date, and another extension is widely anticipated.

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

THE REEMPLOYMENT ACT OF 1994

Funding by Category*

Mandatory or Discretionary



 Discretionary Servs	 Discr Income Support
 Mand Income Support	 One-Stop Funds

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

BARBARA B. KENNELLY
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March 9, 1994

WR legis.

President William J. Clinton
The White House
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Dear Mr. President:

I cherish the memory when our paths first crossed here on Capitol Hill when we worked together to pass the Family Support Act in 1988. I know how dedicated you were to the effort to help poor families in this country move from welfare to work. That law was a major step forward but we all know there is much more to be done. The present system no longer works for America.

Difficult as the 1988 effort was, it pales in comparison to what we are facing today. I regret to say the mood in the Congress is less generous, and the demands for "toughness" not always well-motivated. In 1988, the thrust of the opposition was to increase requirements for JOBS and workfare. This year, by contrast, the debate includes cutting off welfare benefits for some families forever, even families who have "played by the rules" and have no other means of support. The debate has the potential to divide Democrats along racial and ethnic lines with lasting damage to our ability to work together.

To make matters worse, fiscal constraints are far more severe today. After all, in 1988 there was little controversy over funding the FSA primarily through revenue increases. As a member of the House Budget Committee and the Ways and Means Committee, I fully appreciate the difficulty of identifying financing for any new spending this year. It appears the Administration is focusing largely on identifying cuts in means-tested benefits in order to finance this bill. I am troubled by the scenario of paying for welfare reform by reducing the incomes of similarly poor families.

Mr. President, I share your vision of a welfare system that promotes parental responsibility, strengthens families, and rewards work. But I am concerned that good policy may be traded away for political reasons, compromising the goals of this initiative. This makes it all the more important that your initial package stand firm in its defining principles. I applaud

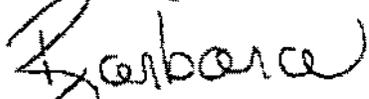
President William J. Clinton
March 9, 1994
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your consistent emphasis that families who play by the rules should not be poor. The bill that is forwarded to Congress must hold true to this promise. Many of us in Congress want to pass a bill that makes a positive difference for children and families. This is not possible if the public debate focuses on measures that harm families. We face a battle here in Congress to pass such reform. This was underscored for me last week during the House Budget committee mark-up by the narrow defeat of an amendment to include the Republican welfare proposal in the budget resolution.

I ask you not to deliver a divisive, non-constructive bill in the name of taking a tough stand on welfare. Truly, the toughest stand would be one that defies today's negative rhetoric and proposes a tough but workable, humane alternative to the existing welfare system. I fully understand where the concerns of your political advisors lie, but their decisions may dramatically reverse the very good work you have done in the past on this issue.

It is my deep hope that you will become involved in making the philosophical decisions that will guide us down the path to a reform proposal of which the Democratic Caucus and the American people can be proud. I stand ready to work with you on this important effort.

Sincerely,


BARBARA B. KENNELLY
Member of Congress

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For Your Information