OVERSIGHT HEARING ON THE DEPARTMENT OF LABOR

HEARINGS

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

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OVERSIGHT HEARING ON THE DEPARTMENT OF LABOR

THURSDAY, MARCH 9, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HUMAN RESOURCES AND
INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:20 p.m., in room 2247, Rayburn House Office Building, Hon. Christopher Shays (chairman of the subcommittee) presiding.

Present: Representatives Shays, Morella, Davis, Chrysler, Martini, Scarborough, Towns, Lantos, Sanders, Barrett, Green, and Fattah.

Staff present: Lawrence Halloran, staff director & counsel; Christopher Allred and Robert Newman, professional staff; Thomas Costa, clerk; Doris Jacobs, associate counsel; and Cheryl Phelps, minority professional staff.

Mr. SHAYS. Mr. Secretary, it's wonderful to have you here. We have two members of our committee, and we're going to start. We're going to have a number of interruptions, but we're going to try very hard to accommodate your schedule. We're delighted you're here. You're an extraordinarily articulate spokesman for the administration, and we look forward to hearing what you have to say.

Our overall objective in this committee is to help you end up with a better department. Our primary task is to look at waste, fraud and abuse in the department, and to look at programs once they've been set in operation. We will also pass judgment on legislation dealing with how this department may be reorganized, both internally or if it's combined with others. We'll have a significant say in that process, and want to know how you feel about that issue.

We would like to know what you think the department is doing well; where you think the challenges are in the department; and what you think about the whole issue of reorganization. But the bottom line is, this is your hearing. We're delighted you've come before our committee. We look forward to hearing what you have to say. And I'm starting without my ranking member because he didn't make the elevator I was on. I don't know if Bernie Sanders would like to make a statement.

[The prepared statement of Hon. Christopher Shays follows:]

PREPARED STATEMENT OF HON. CHRISTOPHER SHAYS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

On behalf of the Human Resources and Intergovernmental Relations Subcommittee, let me welcome our witness today, the Secretary of Labor, Robert B. Reich. We asked him to launch our oversight of the Labor Department by describing the agency's mission, its successes and its challenges.

In this hearing, as with all the department oversight hearings we will conduct, our mission is to ask some very fundamental questions about the department and it programs. In some cases, these questions have not been asked for a very long time, but must be asked now if we are to meet both our budgetary and service goals intelligently and compassionately.

So today, we ask about every program and policy: What is the mission? Is it still the right mission? Is it still worth doing? Has the mission been accomplished? If we were not already doing it, would the federal government now go into it?

Today we will also focus on DoL's organization, operations, policies and programs. We will discuss the Secretary's plans for reducing costs, improving efficiency, and reinventing and streamlining the department.

We are particularly interested in exploring initiatives which coordinate and consolidate the multitude of overlapping DoL programs in education and job training areas. According to General Accounting Office (GAO) reports, there are currently 163 federally funded programs administered by 15 federal agencies which provide employment training assistance. These programs, according to the GAO, often target the same clients, share the same goals, and provide similar services; yet, the agencies have separate administrative staffs to oversee and manage duplicative programs.

The FY 96 budget request for DoL is $38.7 billion, up 14.5% or $4.9 billion over the budget authority for FY95. This includes a $14.2 billion request for discretionary spending, a rise of 27.9% or $3.1 billion over FY95 budget authority. DoL's employment level request would also rise slightly from 17,632 to 17,936. We hope to identify opportunities for substantial cost savings in these numbers as we carefully study existing and planned programs and activities.

Additional hearings are being planned on DoL. We will have as witnesses: the GAO; DoL's Office of Inspector General; Congressional Budget Office; and others from the public and private sectors familiar with DoL and its programs.

In the future, this Subcommittee will also examine proposals to consolidate the Department of Labor, Department of Education and perhaps other related agencies into a single department.

We look forward to the Secretary Reich's testimony and appreciate his time and views. His testimony will be most helpful to this Subcommittee as we discharge our oversight and reform responsibilities.

Mr. SANDERS. Before questions, or should we start questions?

Mr. SHAYS. No, if you have a statement to make, I'd be delighted to have you make a statement.

Mr. SANDERS. Sure.

Mr. SHAYS. Or we can put it in the record, that might be advisable.

Mr. SANDERS. Let me just open up by thanking Mr. Secretary Reich for being with us, and to tell him that I think he has certainly been one of the excellent members of the President's Cabinet. I think you need a pay raise; you're doing a great job. And I especially applaud your efforts in terms of fighting to raise the minimum wage. I appreciate what you're doing on this striker's—the replacement striker issue and so forth.

The concerns that I have, Mr. Secretary—and actually I communicated those to you in writing a while ago—is that I think it becomes, and I wanted to focus on the Bureau of Labor Statistics if I might for a moment—one small part of the overall work——

Mr. SHAYS. But in your questioning?

Mr. SANDERS. Should we wait for the questioning?

Mr. SHAYS. Yes, let's wait for the questioning.

Mr. SANDERS. OK, then that's all. Delighted to have you here.

Mr. SHAYS. Mr. Secretary, if I could, if you would stand up—we swear in all our witnesses, everyone who comes before the committee is sworn in.

[Witness sworn.]

Mr. SHAYS. Thank you. Mr. Secretary, before we ask you to begin, we have the ranking member of the committee, Mr. Towns. And, Mr. Towns, we're going to insert, without objection, any of the statements that Members have. But I'd love to have you make a statement before the Secretary if you'd like.

Mr. TOWNS. Mr. Chairman, what I would like to do is just get permission to include my statement in the record, and we just move right into the hearing. I'm so anxious and eager to see in terms of what the Secretary has to say. These are very difficult moments, and we're trying to reform welfare and we're trying to do a lot of things that I think it creates a tremendous burden on the Secretary of Labor because of the fact that when we do these things, that he will need a lot of support.

So I want to see in terms of some of the ideas and plans that he has, and see what we can do together to sort of soften the blow of people that need assistance. So I yield back, Mr. Chairman.

[The prepared statement of Hon. Edolphus Towns follows:]

PREPARED STATEMENT OF HON. EDOLPHUS TOWNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

I thank you, Chairman Shays, for scheduling this hearing which I know you have planned as a candid and balanced first look at department of labor operations and meaningful discussion of its future. For that reason, I am pleased to join you in welcoming the Secretary of Labor before this subcommittee.

The reinvention of government as it pertains to this agency will touch the lives of every American. The committee's oversight of D.O.L. operations, as well as any reform initiatives under consideration is critical to the social and economic vitality of this country.

However, Mr. Chairman, it seems to me that in light of the "Contract with America" and the underlying goals set out by the Republican leadership, whatever conclusions we reach here, and whatever recommendations we ultimately make will be meaningless.

We met with the HUD Secretary one day—then watched that agency's 1995 budget get cut by $7 billion a week later. We met with Secretary Shalala last week—when legislation ransacking critical programs for poor women and children was under consideration the week before.

Today, although we have invited Secretary Reich before us to testify about his agency's activities and plans for the future, the GOP-engineered rescissions package gutting his agency by $2.3 billion will be up for consideration on the floor before the month is out.

What reasonable body would develop a welfare reform plan, imposing a massive work mandate on States by requiring them to move 50% of their welfare recipients into jobs, and at the same time cut the employment and training programs providing these people the necessary work skills?.

Clearly, we don't need to waste any effort examining D.O.L.'s mission, Mr. Chairman. We would be much better served examining our own agenda.

Mr. Secretary, I appreciate your hard work and look forward to your views on the future of your agency and the population you serve, both as you have planned, and possibly as a casualty of the republican "Contract with America". I am particularly interested in your progress toward restructuring D.O.L., but invite your comments on how your progress can be advanced by this 104th Congress.

Mr. SHAYS. Thank you. Mr. Scarborough, do you have a statement that you'd like to make?

Mr. SCARBOROUGH. No, not at this time.

Mr. SHAYS. OK. Mr. Lantos.

Mr. LANTOS. Well, I just want to join you, Mr. Chairman, in welcoming our most distinguished witness. Secretary Reich has brought to this administration a degree of intellectual prowess which is awe-inspiring, and has done his job with exemplary distinction.

Mr. SHAYS. I thank the gentleman, and I'd like to ask the staff if they would try to anticipate when we're going to have votes. I'm going to suggest to some Members that we leave before the signal. And I'm happy to give the gavel to either side of the aisle so that we can proceed without interruption when testimony is given.

Mr. TOWNS. That means the Democrats might even have a chance to hold it?

Mr. SHAYS. We're checking it out. [Laughter.]

Mr. Secretary, I'd love to hear your statement.

STATEMENT OF ROBERT REICH, SECRETARY OF LABOR

Mr. REICH. Mr. Chairman, in the interest of time, with your permission, I will submit my formal statement for the record. Mr. Chairman, members of the committee, I applaud your efforts to look at how the government works and how to make it work better.

I want to assure you that we have been actively engaged for the last 2 years in making the Department of Labor work better and more efficiently for American workers. And we have to do that, because even given the resources we have right now, we are able to deal with only a small fraction of the problem that American workers are facing.

And if you bear with me, I thought it might be helpful for you if I went through a couple of very quick charts to kind of graph for you what we are up against. And, Michael Little, if you could just remove the first chart, please.

Mr. SHAYS. Mr. Secretary, I'm going to point out that we have no one else speaking today, and we don't want you to feel rushed in your testimony. So feel free to share with us whatever you'd like.

Mr. REICH. OK, thank you. This chart is a chart that shows, as graphically as I know how to show, what happened to American incomes between 1950 and 1978. I call this "growing together," because you can see for every quintile, the bottom 20 percent, the next 20 percent in terms of wages, the middle 20 percent of Americans in terms of wages, and even up to the top 20 percent, between 1950 and 1978, everybody's income at least doubled.

The people at the top went up just about double. Look at the people at the bottom, that yellow graph—the bottom 20 percent actually saw their incomes increase almost 140 percent. This is in inflation-adjusted terms. We're talking about real increases, real standard of living.

But, Mr. Chairman, members of the committee, I would like to take a look by contrast—and, Michael, perhaps you could put that chart right below the next chart you're going to show—look what has happened to American incomes between 1979 and 1993. Mr. Little, perhaps we could put the other chart just below this chart so we can see the contrast. The bottom 20 percent actually saw their incomes decline. I'm talking about inflation-adjusted incomes. This particular chart is in 1993 dollars. Their incomes declined by 17 percent, that yellow line.

Now, people at the top, they saw their incomes increase by 18 percent. But you see everybody in between is struggling. The top 20 percent did very well. The next-to-the-bottom 20 percent, that is the second from the bottom, they saw their incomes decrease substantially, 8 percent. Even the people in the middle suffered a 3 percent decline in their incomes, adjusted for inflation. In other words, if the period from 1950 to 1978 can be termed the period of growing together, the period from 1979 to 1993 can be termed the period of growing apart.

I submit, Mr. Chairman and members of this committee, this is one of the most serious social problems this country faces, because this trend toward more and more inequality, greater and greater inequality, is not decreasing. In fact, if anything, it is accelerating. We are growing apart at a remarkable rate.

The problem is not that the rich are getting richer. The problem is that so many people are getting poorer. Next chart, please.

Why has this occurred? Why is there a widening gap between people at the bottom and people at the top, and even people in the middle, who are seeing their wages over the last 15 years decline. Much of it—not all of it, but much of it—has to do with the chart that you are now taking a look at. Skills matter more.

This chart shows what has happened to incomes of people with different levels of education and training. As you can see from this chart, the top line, college graduates, they comprise roughly 25 percent of the work force.

Their incomes, over the past 15 years, have been heading upward. Not everyone, not every college graduate has enjoyed rising incomes, obviously. There are many young college graduates today who still find themselves living with their parents and still struggling to find a job, or find a good job. I don't mean to overgeneralize, but on average, college graduates are doing better and better. You see, they took a little bit of a hit in the last recession, but they're back on an upward trajectory.

Compare them with everybody else: people who just have some college; people who have only a high school degree; and people who have less than a high school degree. In fact, if you look at 1979, over on the left of the chart, you see that the gap between the high school graduate and the 4-year college graduate was about 40 percent. That is, the college graduate was earning, on average, 40 percent more than the high school graduate.

Take a look at 1993, and by the way, if we had 1994, preliminary indications are that these trends continue to widen. The gap is almost doubled. The college graduate, on average, is now earning 80 percent more than the graduate with only a high school degree. Again, this doesn't explain everything, but it does explain quite a lot.

Technology and globalization, like a tidal wave, have engulfed the American economy. Technology and globalization means that if you have skills, if you have education, you are prepared to deal with technology and globalization. If you don't, these trends are not your friend, they're your enemies. If you do have skills and education, these trends are on your side.

This is not to say that the answer is to hold back technology or to hold back globalization. This is to simply state, as a matter of

trend and fact, what is happening in America. And this is why investments in education, investments in job training, investments in skills are more important today than they have ever been in our history. Next graph, please.

At a time when Congress is struggling with the question of how to get people off of welfare and into work, this particular graph is particularly powerful and important. You see here that the hourly earnings at the bottom 10th percentile, between 1973 and 1993—and by the way, the 1994 figures are just being analyzed, but early indications are that the trend you see there, that downward trend, continues—those hourly earnings have been trending downward.

Adjusted for inflation—now, this is all adjusted for inflation—this is from the CPS, the current population survey of the Bureau of Labor and Statistics. In 1993 dollars, people are having a harder and harder time making ends meet. And in fact, the graph that I did not bring, but is also quite telling, the percentage of families who are working families—that is, where there is at least one full-time worker—the percentage of those working families that are in poverty is going up.

In the 1990's, over 11 percent of working families are not earning enough to keep out of poverty, as the government defines poverty: minimally adequate—minimally adequate—food and shelter and clothing. In the 1970's, it was only about 7 or 7.5 percent. In the 1980's, it was about 8.5 or 9 percent. Now, more than 11 percent of families with a full-time worker are not out of poverty. People are playing by the rules, they are working hard, and yet they are falling further and further behind.

Apropos of this chart, Michael, is the next one. You see the relationship between this chart, which shows the real minimum wage, the inflation-adjusted minimum wage and the chart that I just showed you, in terms of the bottom 10 percent. There's almost a direct relationship. Inflation adjusted, in terms of real purchasing power, the minimum wage has dropped by about a third since 1979.

You see in 1989 a majority of Republicans and a majority of Democrats voted for a 90-cent increase in the minimum wage, the same as the increase that the President is now proposing. But you also see that that increase that was voted on in favor and was passed into law has been eroding because of inflation. Indeed, at least half of that increase has already eroded because of inflation. It is, in my view and the President's view, vitally important that we make work pay.

If we are serious about getting people off of welfare and into work, we must, at the bottom, make sure that people can earn enough to get by. We are talking about the difference between $8,500 a year for a full-time worker and $10,300 a year for a full-time worker. These are not teenagers working part time from middle-class families. A majority of these people are adults; 60 to 70 percent are over 20 years old. And the average minimum wage worker—the average minimum wage worker—is bringing home half of family earnings.

But raising the minimum wage is not nearly enough. And by the way, I'm happy to get into the question with the committee as to whether raising the minimum wage has any negative job effects. It

does not, in my view and in the view of the administration. The studies show it does not, a modest minimum wage increase of 90 cents. And we can get into that if you will.

But let me just move on to the next issue, which is job training, because although the minimum wage may be helpful for people at the bottom, ultimately, as I pointed out before, there is a greater and greater correlation between your wages and also your level of skill.

For every level of formal education, this chart shows that median weekly earnings of young workers increased with some training, in addition to the level of formal education. And we can get into the details if you wish. I just want to make my point as graphically as possible: job training does work.

Now, it is true that there are certain occupations and there are certain groups, such as disadvantaged teenagers, for whom very short-term job training does not work, but longer term job training does work. And in general, job training does have a positive influence on wages. Next, please.

Mr. SHAYS. Could you define job training.

Mr. REICH. We are talking about job training as any vocational course of instruction, directly related to gaining job skills, outside of a formal degree program.

The President has proposed to consolidate more than 70 job training programs. Now, there are a lot of numbers flying around as to how many job training programs there are in the Federal Government. The GAO, General Accounting Office, has come up with one estimate. There are different estimates. Let me warn the committee, however, that there are apples and oranges in many of these estimates.

The GAO figure—and the GAO, by the way, has been enormously helpful to us. I don't want to in any way imply that the GAO has not been. But their figure does include every program you can imagine, such as vocational rehabilitation programs for veterans, such as small business assistance programs for entrepreneurial skills. There are many programs that really don't deal with broad-based, general job training. We're talking about the job training programs that are across the board.

Mr. CHRYSLER. How many programs is that?

Mr. REICH. Our estimate is that there are closer to——

Mr. CHRYSLER. Their estimate.

Mr. REICH. Oh, their estimate. They submitted one estimate, I believe, that was in the range of 140 or 150. They revised that estimate upward. Our estimate, with regard to core job training programs, is closer to 70.

And what the President is proposing to do is consolidate those 70 programs. Some of them are for adults, and you can see the two groups at the chart are the adult job training and the two groups at the bottom are the youth job training—those out of school youth, by and large; there are some in-school youth.

And what the President is proposing is a consolidation that would enable workers and young people out of school to get all of the training they needed in a far more streamlined way. We can get into the details of this.

But let me just say, one important feature with adults would be to turn the job training system into a system of one-stop career centers where you can get job search assistance, job counseling, good information about what jobs are available, but also what skills are necessary for those jobs and what institutions have provided the best record in terms of getting those skills.

That information would be computerized; it would be digitized. It would be available not only at one-stop career centers where you could pick up your unemployment check or your welfare check, but it could also be available—and we are doing private projects right now, making it available at shopping centers, at shopping malls.

And the President is also proposing that much of the adult job training be put in the form of skill grants, or vouchers. Armed with good information and skill grants or vouchers, we think that the market can work effectively and efficiently to provide good training. Or to put the matter another way, Mr. Chairman, members of the committee, we believe that we have to move job training out of job training programs and into purchasing power. And I want to underscore that.

We have seen over the past 25 to 30 years, job training programs going up and down the ladder of federalism—the Comprehensive Employment and Training Act; before that, the Manpower Development and Training Act; in the 1980's, the Job Training Partnership Act.

JTPA as originally drafted, was in effect a block grant formula funded to the States. In recent years, it has moved back a little bit toward Federal Government management because of the number of problems that were identified by many people, including the Inspector General, as to how those moneys were being used.

I would respectfully submit, it is a mistake to do this once again as a block grant. Instead, we ought to award vouchers. We have learned that bureaucracies are not going to be as responsive to market forces, when you're talking about job training, as a market would be. Armed with good information—computerized good information—some quality control, in terms of making sure that these institutions are accredited—that's not that difficult, most of them are community colleges, technical institutes—and some skill grant, the market would police itself, by and large.

I note that there is a great interest in block granting as much as can be block granted. In this area of adult training, when you have the problems you have getting people the skills they need, let us not simply follow the crowd and move in the direction that we have tried before on block grants. The stakes are too high; the needs are too great. We know that the analogy, the Pell Grant, works well, reasonably well. Adults—we can expect them to work even better. And if we had the information and job counseling and job search assistance in one-stop centers, this is a system that could help people get new jobs and get new jobs quickly. It makes the entire economy more efficient.

Mr. SHAYS. Mr. Secretary, I'm sure we're going to have a number of questions in this area. What I'm thinking about is when we're going out to vote, we can turn those charts on end and leave them up. That way a Member can ask you to bring one up and we can go back and refer to it.

Mr. REICH. OK, if we could go to the next one, please. And there are just a few more, and I'll get through these very quickly.

I want to go through the Department of Labor specifically, because this chart shows the number of employees in the Department of Labor, relative to the growth of the U.S. work force. As you can see, in 1980, there were almost 24,000 employees in the Department of Labor. Today we have a little bit more than 17,000. The U.S. work force, during the same period, has gone from roughly 95 million workers up to 125 million workers.

My suggestion to you is that we have got to do, and are continuing to do, a better and better job with the resources we have. Since I've been Secretary of Labor, FTE has dropped by 1,000. And we're going to continue to improve the quality of our services, provide customers the best service we possibly can, and do it more and more efficiently. Next, please.

Here we see staffing levels. Again, the Department of Labor, full-time equivalent and relative to U.S. employment. This is a slightly different way of putting it, but the same chart.

I will get into the details with you, but these are our reinvention savings that we are right now working at and developing—a 4-year savings, $832.6 million. You can see for fiscal year 97, 98, 99 and up to the year 2000, what we are aiming toward in terms of reinvention savings.

Some of the benchmarks, as I said, employment down since January 1993, 1,088; FTE reductions exceed targets in 1993 and 1994; senior level positions reduced by 116 since 1993. If we could just stop at that for one moment and just say that like any large, effective organization, we have been pushing responsibility and we've also been pushing responsibility outward to the field so that more and more staff can actually be serving customers and not serving bureaucrats. Headquarter positions reduced 242 since 1993; control positions reduced by 91 since just 1993.

Some other highlights in terms of improving customer service—the Bureau of Labor Statistics improves the timeliness of the consumer CPI information. The Occupational Safety and Health Administration's Main 200 program—let me just stop there and briefly explain that, and we can get into more detail. That's a program in which OSHA targeted those industries and employers with the highest injury and death and illness rate, and basically said to them, look, you can bring down your injury and illness rate if you will set up management labor committees, train your employees and come up with a health and safety program; and if you do that, you don't have to worry about inspections without complaints, you don't have to worry about nearly the amount of paperwork that you have to do; in other words, if you accept a different kind of structure for preventing accidents before they occur, we want to encourage you to do that.

The net results of that have been extraordinarily positive—injuries, illness rates, death rates down. We can give you more information about that. I think this is a direction we would like to go in in the future.

Also the Employment and Training Administration's Boeing Reemployment Project. I'll stop there for just half a second and just say there, with regard to defense downsizing and also major cor-

porate downsizings, we've developed an innovation which is a kind of S.W.A.T. team. That is, we have an interagency, interdepartmental effort led by the Department of Labor going in and helping people quickly get new jobs before they lose the old jobs. And that's been enormously effective in many base closing instances and also major corporate downsizings.

Pension and Welfare Benefits Administration case processing backlog has been reduced dramatically. The Office of Workers' Compensation programs—has streamlined our claim review process. We had a backlog going back 15 years, and we've cleaned up most of that backlog.

The Pension Benefit Guarantee Corporations Missing Participant Outreach Program—this is something we rarely think about, but in fact there are an awful lot of people who have pensions owed them who don't know they have pensions owed them by companies. And we've identified them and restored millions of dollars to people who didn't even know that they had paid into pension plans, that they deserve it and they are now getting it.

Seven Hammer Awards. Now, I don't know if this committee knows what a Hammer Award is. The Vice President has been giving out what he calls Hammer Awards to various agencies and departments for reinvention and innovation. We've got seven of them—I'm proud to say, the most of any department or agency in the Federal Government, in terms of the innovations that we have come up with up to date. And I'm proud of the department; I'm proud of the staff; I'm proud of the people who continue to make more with less.

I think that brings to a close my formal remarks, and I would be happy to answer any questions, Mr. Chairman, the committee may have.

Mr. SHAYS. Thank you again, Mr. Secretary. You've given us a lot of provocative information, and it would be nice to have you here even longer, but we're going to get you out by 3. What I'm suggesting to your staff—if they can turn the charts on end so they can fit more. Doris, maybe you can help them out. If you have them in groupings, each one does not have to be separate. But I don't need to use a chart right now. Can you hit the 5 minute. Thank you.

What I'd like to ask you first, in fairly brief terms, is where do you think you're having the biggest successes right now in the department, and where are you having your biggest challenges?

Mr. REICH. Mr. Chairman, some of the biggest successes, in terms of employment and training, have been most recently in establishing one-stop career centers, as I mentioned before. We have a competition going among the States—six States have been awarded grants to set these things up. They're spreading like wildfire.

The States understand that they are working—they're helping people not only get unemployment insurance and other benefits quickly, but they are also identifying people who are unlikely to get their old jobs back, and they are consolidating a lot of employment and training and job search assistance in one place.

We're also succeeding, I think, in the school-to-work opportunities area that is under a new piece of legislation. That, too, has

been distributed based on a competitive basis to the States. Educators, business, labor, community-based organizations have come together to come up with plans so that work-based learning and school-based learning is merged. For young people who are not likely to go on to college, but even for those who may go on to a 4-year college, we have found—the literature, the studies, the research shows—that if you can get to them early—I'd like to get them even earlier than 10th grade—but if you can get to them by 10th grade and show them the world of work and combine work-based learning with school-based learning, these people can get ahead.

That program is going like gangbusters. We've had other successes, I've mentioned, with reinvention; other successes with getting people, dislocated workers, jobs faster than they have ever gotten those jobs before. I'm enthusiastic about what we've done. I've got to say to you, and perhaps I'm anticipating your next question, that my greatest frustration is that the demand for help getting across the great divide from the old economy to the new economy is greater than it has ever been before.

People need help out there. I go around the country and I visit community colleges—40 percent of the attendees are adults. But they say to me, we can't afford the tuition; we can't afford getting this kind of skill; we need to get the good information about what skills are in demand. Again and again I confront average working Americans and the working poor who are trying so hard to get across that great divide. I call it a great divide, from the old economy to the new economy.

What I mean is that the old system of mass production, which used to provide good $18 to $24 an hour jobs, adjusted for inflation—$18 to $24 in 1994 dollars—that old mass production system is no longer generating those good middle-class jobs that are the gateways to the middle class.

Mr. SHAYS. Is the challenge trying to decide how you reorganize the department to meet that need? One of the things I appreciate, even though you divided up your timeline in terms of wealth and growth, starting 1950 to 1978 and then going from 1979 to 1993, is that it is a totally changed world environment.

Mr. REICH. It's a completely changed—and the change, it's almost a homily, Mr. Chairman, to say that the change is accelerating. But it is, indeed, accelerated. About 2 years ago, if I may just make one further point.

Mr. SHAYS. Sure.

Mr. REICH. Two years ago when I started talking about the skill needs of the country, the President started talking about it, a lot of people would say to me, well, training for what? There was a lot of skepticism about there being jobs out there for people who did not have a 4-year degree. I can tell you now, as we are seeing the economy pull back from recession, there are huge numbers—millions upon millions—of jobs requiring some technician type skill.

Automobile technicians—I don't know if you saw recently the data—we can't even supply nearly the number of automobile technicians the market needs, people who understand the electronics underneath the hood of a car. They need some training, usually 1 year to 18 months. But also sales technicians, people who can do

desktop publishing, physical therapists, occupational therapists, home health care workers, numerically controlled machine tool operators. I can go through a long list. These people are the new middle class.

If we can get people trained and give them some help—they're already trying, but given the trends, the odds are against them—if we can, as a society, get them some help to get across the great divide, there are the beginnings of a new middle class in America that can be sustained.

Mr. SHAYS. Before I call on Mr. Sanders to have his 5 minutes, I don't know if that clock is working, but I do want to introduce other Members who have been here while you have made your presentation. Mr. Chrysler from Minnesota—Michigan, I'm sorry.

Mr. CHRYSLER. I was born in Minnesota, so it's OK.

Mr. SHAYS. OK, from Michigan; Mr. Davis from Virginia; Mr. Martini from New Jersey; Ms. Morella from Maryland; also Mr. Fattah from Pennsylvania; Mr. Green from Texas was here; and Mr. Barrett from Wisconsin. We all are appreciative of your testimony.

I just would make a comment before Mr. Sanders asks you questions. You seem to be, in my own mind, reinforcing the general concept Steve Gunderson has made that we need to combine labor and education into one department. A lot of what you seem to talk about is education and labor needs. And it seems to me to be a very comfortable marriage. I'm not asking you to address that now, because my time is up, but maybe later you'll address that issue. Mr. Sanders.

Mr. SANDERS. Thank you very much, Mr. Chairman. I very much enjoyed the Secretary's presentation. I have basically two questions.

I appreciate his opening remarks because he raised issues that are not raised often enough in this country. And what he talked about is the growing gap between the rich and the poor. He talked about the decline in real wages facing ordinary American workers. He indicated the rise in low-wage jobs, which is certainly the truth in my State of Vermont. And he talked about the significant decline of the purchasing power of the minimum wage, which is to my mind a terribly important issue.

Mr. Secretary, I'd like to read for you a quote by a fellow economist, Lester Thurow, who I'm sure you know from MIT. And Mr. Thurow writes, he says, and this is May 8, 1994, it says "In the United States, if one adds together the officially unemployed, discouraged workers who have stopped actively searching for work and those with part-time jobs who want full-time work, 15 percent of the labor force, 19 million people, are looking for work."

Is he right?

Mr. REICH. That's approximately correct. Again, we do not have the February figures yet, but in January, although the official unemployment rate was down to 5.7, that official rate hides two things. No. 1, it hides the people who are working part time and would rather be working full time, and it also hides the people who are too discouraged to look for work.

I might also add that it hides the people who would like to work, but who, because there is no work that pays nearly enough to make

it worthwhile for them to work, would otherwise be in the work force. And finally, and this perhaps is the most important, it hides the fact that there are so many millions of people who are barely making it, whose wages, even though they are working, are not enough to support a family.

Mr. SANDERS. Right. In other words, if you work for 20 hours a week for $5 an hour, you are officially employed, if you had a college degree.

Mr. REICH. You are officially employed. What we are seeing around the country, and we saw this beginning 15 years ago and it is accelerating, many families have now two wage earners, but they also, in the family, you have a third shift.

Mr. SANDERS. Let me just jump in here, because we don't have a lot of time. And the second question that I wanted to ask you is, I get upset when every month these statistics come out—the economy is booming but presumably it's slowing down. And none of that makes sense to anybody in the State of Vermont. They don't believe it. Unemployment in the major city in the State of Vermont, Burlington, 3 percent. Nobody believes it.

I would urge you, in the strongest possible terms, to try to come up with statistics that reflect everything that you have already said. In other words, the economy is not doing well for ordinary people. We could talk about average income, right? You make a million dollars, I'm broke; we're averaging half a million dollars a year. Not bad. I'm not doing so well.

Can we come up with statistics which inform the American people about the well-being or the not-so-well-being of the average American worker, including a lot of the information you gave us today, so that people don't think they're crazy when they turn on the television—the economy is booming; gee, it's not booming for me. Can we come up with statistics that ordinary people can understand who don't have a Ph.D. in economics?

Mr. REICH. Congressman, the BLS now has started every month to indicate not only the number of workers who are part-time who'd rather be working full time, and also the number of workers who were too discouraged to look for work, but even that other category I mentioned. That is, workers who say that they might otherwise look for a job, but they don't see it presently worthwhile to look. In other words, the current reports, as they have been revised, provide all the information you seek.

Perhaps there is another way of displaying it. But the CPS has been revised. In fact, we——

Mr. SANDERS. I'm sorry, let me just interrupt you with something because I'm going to run out of time in a second. The concern that I have is the official statistic that gets most of the play in the papers back home is unemployment at 5 percent. What you are telling me, everything that you are saying to us is that there's a lot more that's going on in the economy than that. I would urge you to try to get that information out to at least as great a degree as the so-called official unemployment statistics.

Mr. REICH. Yes. I think that's a good point. Let me just add one further note, and that is that I think we can justifiably be proud as a country, as a government, as a society of the job growth that we've had over the past 2 years—5.7 million new jobs through Jan-

uary. That's net new jobs. And those jobs, by the way, are paying better than the average existing jobs.

The problem is the 110 or 115 million existing jobs are starting to split between a relatively few paying better and better and a much larger number paying worse and worse. And that's where you're getting a lot of the polarization in the work force.

Mr. SANDERS. Thank you.

Mr. SHAYS. Mr. Davis. I'd just like to say that I want the prayers and the protection of all my colleagues, because I asked the ranking member if he would anticipate the next vote, being a roll call vote. And he thoughtfully went to a roll call vote that was never asked for. So I'm going to give him 7 minutes when his turn comes. [Laughter.]

Mr. Davis.

Mr. DAVIS. Thanks. Thank you, Mr. Secretary, for your presentation. I was grateful to see the one about a college education and how much more income its average, because my son is here today—school day is off in Fairfax—and I wanted him to see that as we talk about the importance of education.

I've been really pleased about the establishment of two programs in your department—the Women and Apprenticeships in Non-Traditional Occupations Act and the Non-Traditional Employment for Women's Act Programs. They were both established with bipartisan support. I think they've shown real potential as we move forward on welfare reform.

But given the proposal for consolidating many employment and training programs into the G.I. Bill of Rights for American workers, I want to ask how these efforts are going to be continued at this point?

Mr. REICH. Yes, Congressman. Just quickly, two points. With regard to the fiscal year 96, the President, as I indicated in my remarks, has proposed consolidating the Women and Apprenticeships in Non-Traditional Occupations Program, as well as many other small programs, into the adult work force system that I outlined a moment ago. And that is part of what we are calling the new G.I. Bill for America's workers.

Now, in States that establish one-stop career centers, local communities can provide outreach for women and apprenticeship activities, along with many other activities. We would not support, this point, a set-aside for this or other small programs that are being consolidated because one of the problems we've had in the past is the proliferation of many of those small programs.

I just want to say one word about the Non-Traditional Occupations Program, as well. With regard to non-traditional occupations, there has also been a pilot project underway. And that pilot project has been funded out of our pilot project fund, but that fund has been caught in the current round of recisions. The Pilots and Demonstrations has been cut by $10 million, actually, in the current round of recisions. So we will need to examine our priorities with regard to non-traditional employment for women.

I'm hoping that we can continue to fund it, but given that very, very sharp cut in recisions that was passed by the House, we're going to have to really stretch to make sure that we do that.

Mr. DAVIS. As they move into some of these larger programs and if it goes down to the States, the authority will just move down to those levels of government, and they'll rise or fall on their own merits.

Mr. REICH. Some of the programs will rise and fall on their own merits. Again, the Non-Traditional Employment for Women—and I want to make sure that I distinguish between the apprenticeship program and the Non-Traditional Employment for Women. The apprenticeship program is right now a separate program. It's one of an abundance, I mentioned before, 70-odd separate programs we are consolidating.

The Non-Traditional Employment for Women, however, is not consolidated. That is funded out of the Pilots and Demonstration program. I'm hoping we can continue to fund that, but again, that has been cut by $10 million and we're just going to have to establish priorities there.

Mr. DAVIS. Let me just ask one other question. The Consumer Price Index and the definition of that, in terms of the basket—there's been a lot of discussion. Alan Greenspan, Congressional Budget Office and others seem to believe that it may be slightly overstated. That falls under your jurisdiction.

Any effort being made, are further resources needed to try to get a true line on what the actual number is? Because I think in fairness to everybody on both sides of this equation, we want to make sure we're dealing with accurate numbers because there are tremendous costs and benefits riding on that.

Mr. REICH. Oh, absolutely. Every 10 years, the CPI is revised. And it is going through its 10 year revision right now. We've requested additional funds to even speed it further. There are two issues—and I know that time is very limited—but let me just put on the table very quickly two issues that bedevil that revision. And as technology changes, those revisions become even more complicated.

One has to do with the fact that people inevitably substitute products when one product gets more expensive. This is the steak versus hamburger. If you're now buying more hamburger than steak, are you worse off, should you continue to measure steak in terms of its increase or should you start measuring hamburgers? The second has to do with the quality of products. Again, an issue that is even more difficult, given technological changes, if you buy a tire these days that's twice as good and lasts twice as long as the old tires, but costs not quite twice as much, how should that be counted in the CPI?

The BLS is doing the technical work, but what concerns me—and I want to repeat my concern for the record here—there should not be, in my view, any effort on the part of Congress to force the BLS to do something or to come out with results that the BLS does not feel is absolutely accurate. We need to make sure that politics does not intrude on BLS analyses.

Mr. DAVIS. Can I just take 10 seconds, Chris, to just follow?

Mr. SHAYS. Yes.

Mr. DAVIS. I would agree with that, and I think it makes the whole process suspect to do that. But I think if you need more resources and can get a quicker answer, it would behoove everybody to do that.

Mr. REICH. Yes, and that's why we've sought additional resources.

Mr. DAVIS. OK, thank you.

Mr. SHAYS. Mr. Towns, you have a very generous 5 minutes coming to you.

Mr. TOWNS. Thank you very much, Mr. Chairman. Mr. Secretary, let me also say that we appreciate the good work that you've done. And as I pointed out in my opening statement, there's probably some difficult days ahead. As we look at welfare reform legislation and all the legislation that's been forth, even talked about, we've talked about a nationwide work mandate, and, of course, I agree that work is extremely important to any kind of reform.

Does this legislation offer enough support for training and education services designed to move people from welfare into work?

Mr. REICH. Congressman, if you're talking about the legislation just recently submitted, I don't believe so, no. It is going to cost money to move people from welfare to work, in terms of job training, job search assistance, child care. Of the approximately 5 million adults on welfare—that is, you have a population on welfare, total population, somewhere in the range of 15 million—of the over 5 million adults, approximately 70 percent do get work now within 2 years, contrary to the popular mythology. But most of them then fall back onto welfare in the future.

You see, we're dealing with a whole stratum of society, of the work force, that is falling onto welfare, or if they get out, they fall back onto welfare. These are the very low, marginal working poor. They need help with job search assistance and job training and child care. They cannot simply be assumed to get off welfare and be on the street.

I don't want to overstate this, and I don't think I'm overstating it when I say that we want a welfare-to-work program, not a welfare-to-the-street program.

Mr. TOWNS. You know, I'm looking at this whole reform, and I think if there's one budget in town that should be left intact, if not increased, it's your budget.

Mr. REICH. Well, I would agree with you, Congressman. [Laughter.]

Mr. TOWNS. I'm telling you, I think that that point has to be made, because if you're serious about really putting people back to work, I think that job training—I looked at the charts—is very, very important. And I think that that's an area where we need a lot of help, and your agency would be the agency to provide that kind of leadership.

Mr. REICH. The most important social program we can come up with as a society is a job, and better than a job—a good job.

Mr. TOWNS. Many of the States' job services still face significant TJTC processing backlogs for 1994. Has the Department of Labor taken a position as to whether employers who hire TJTC eligible workers through December 1994 are entitled to have those workers processed by the local job service?

Mr. REICH. They could be processed, Congressman, the problem is that the funding literally runs out in December unless the TJTC, like other tax benefits, are extended beyond January. And there-

fore, although they may be technically certified, there will not be money. There simply will not be money behind them.

I am of the view that the Targeted Jobs Tax Credit, as currently designed, is not working. The Inspector General has repeatedly found—the Inspector General of the Labor Department has repeatedly found that as it is currently designed, most of the employers who hire Targeted Jobs Tax Credit recipients, that is, people who are eligible for the Targeted Jobs Tax Credit, would have hired those people in any event.

I am eager to work with Congress in refashioning a Targeted Jobs Tax Credit that would, in fact, help people get jobs and stay in jobs and get the training they need. And we have some ideas for how that could be accomplished.

Mr. TOWNS. Right. Well, let me say this, I'm concerned that many of the employers who follow the rules, play by the game and do what they were supposed to do—they will not get the credits they're entitled to. Many States indicate they will cease processing all requests shortly. So does DOL intend to instruct State job services that employers are entitled to have all TJTC hires through December 1994 processed? I mean, how do you plan to handle this?

Mr. REICH. Well, again, Congressman, it seems to me that if there is not going to be money there from the Federal treasury, that is going to be authorized and outlays that are going to be obligated beyond December, then although it may be permissible for States to go through the technical exercise, I think you're absolutely right—it would be somewhat misleading to employers to think that they are getting a TJTC eligible person when, in fact, there is no money behind that. And frankly, we haven't made a decision yet pending final decision by Congress.

But in the past, the TJTC has been renewed, and renewed retroactively, when the TJTC has run out. And as I said, until we get what looks like a final decision from Congress, it is very difficult what to do in terms of informing the States.

Mr. TOWNS. Right. Let me just raise this one question, and it might have been answered, but I was sort of like leaving and I did not hear the entire answer. And I asked my staff and, of course, she said, I don't think it was answered. So I'm going to have to rely on staff in this instance, as to whether it was answered or not.

Chairman Shays raised the question regarding Gunderson's proposal, that you were not provided an opportunity to answer fully for me as I was leaving. Does this proposal make sense to you?

Mr. REICH. If you're referring to the proposal to consolidate Education and Labor Departments, it does not make sense to me for a couple of reasons. First, the role of the Education and the role of primary and secondary education in this society has a great deal to do with citizenship. It has to do with a variety of education goals having little to do with narrow occupational skills. In fact, we have tried very hard in this country not to mix the two up.

Obviously, people who are well-educated and have a good primary and secondary school education do have a head start and have a foundation on which to build. But there are so many other purposes to primary and secondary school education. We have in our culture and our society a tradition of free public schools, pri-

mary and secondary schools, built around the notion of citizenship and community, of training and democracy.

The Labor Department's roles are very different. We are focusing upon preparing people for jobs and protecting them once they are in jobs. We are focused very specifically on occupational skills, on the transitions people have to make from one job to another, and also on the protections they need, with regard to pensions and safety and health. They're very, very different roles, very different responsibilities. And I think there are some downsides to mixing them up.

Let me say one final thing. I am skeptical, quite frankly of simply moving around organizational boxes in attempt to show that there is real, genuine reform. Secretary of Education Riley and I have worked very, very closely together on a few of the projects where there is overlap. Our two staffs, I'm proud to say, have worked in an exemplary way.

There is no substitute for that kind of interdepartmental, interagency cooperation, even if we were under one heading, even if those two departments were theoretically joined together. You still are making no progress unless staffs having different responsibilities are working effectively together. Simply changing the organizational boxes, as I said, is no substitute for genuine reform.

Mr. TOWNS. Thank you, Mr. Secretary.

Mr. SHAYS. Thank you, Mr. Towns. Mr. Scarborough, you, too, have a very generous 5 minutes coming to you.

Mr. SCARBOROUGH. Mr. Secretary, thanks for coming. I appreciate you being here and I certainly appreciate the setting, Mr. Chairman, that you set up so we can have an informal setting. And we all realize we're going through some difficult times, and it helps, I think, this process, I think, helps keep the edge off of it. So, I'll start with a softball question for you here. You don't like consolidation. What would you say to those that have been talking about abolishing the Department of Labor? And what specific crises would occur, in your mind, for the American work force if that were pursued?

Mr. REICH. Congressman, the Department of Labor exists as the core agency, the core department concerned with the number of jobs and the quality of jobs in the United States. Our training programs, our employment programs, our programs to ensure the safety and health of workers, the pension benefits of American workers, our programs to ensure that there is not discrimination at the workplace, to ensure, in short, that American workers have the fullest productive lives possible would be severely jeopardized by any effort, even to reduce in this day and age, given the changes that are underway in the American economy, to reduce the budget of this department.

Now, I know that every Cabinet Secretary, every agency head, every government head always says the same thing—don't cut. But I can sit here and tell you in all sincerity and all honesty, we are doing much more with far less. We have new responsibilities; the American work force is growing. And as I said in my opening remarks, the challenge today is so much greater than it was before because so many Americans are trapped into the old economy. They need to have pathways to the new economy.

It is not just a matter of preserving the Labor Department. It is a matter of providing pathways for Americans to better lives. It undergirds everything we want to do in government. It should not be a partisan issue. In fact, in the past, it has been a bipartisan issue. And I'm hoping and trusting that we can continue to make these goals that I've listed bipartisan goals.

Mr. SCARBOROUGH. I'm curious what you would think of Alice Rivlin's proposals a few years back when she was writing for Brookings, talking about moving some Federal functions back to the States. And you, of course, have stated that the safety net, in so many words, the safety net may not be provided for workers at the State level.

Would you agree with Ms. Rivlin that there are some things that we can move back to the States? In fact, she went far beyond saying some things; it was a very expansive view that, I believe, if you read her book, would include many things that the Department of Labor now heads.

Mr. REICH. I don't have her—unfortunately, I don't have her book in front of me, and I don't recall specifically what she suggested. But let me give you very, very quickly my views on block grants or on moving—or on devolution, and I think they're different. With a block grant, you are taking Federal tax dollars and giving it to the States.

Mr. SCARBOROUGH. Right.

Mr. REICH. The problem there is that you are not necessarily achieving accountability. In fact, you may be moving away from accountability. There's no reason to think that a State bureaucracy handling Federal dollars is going to be more responsive to taxpayers than a Federal bureaucracy handling Federal dollars.

Mr. SCARBOROUGH. OK. You had said in your testimony that what the Department of Labor has been trying to do is to "push responsibility downward and out into the field." Is that consistent with your approach here, where you're saying if we return it to the States—isn't returning it to the States actually pushing it downward and closer out into the field? With, of course, a Department of Labor or some agency making sure that minimum standards have to be met by the State.

Mr. REICH. Well, again, accountability is the word that comes to mind here. If we can figure, in any area of governments, a way of ensuring that the Federal tax dollars are being properly spent and that customers are genuinely being serviced, then I would be in favor. This is why a skill grant or voucher approach to job training seems to me to be so attractive, because we are doing the best of all worlds. We're giving to individuals the power to get the education and training they need. They are adults; they can make those decisions, armed with good information.

We don't have to choose between Federal or State bureaucrats. There is no reason to assume that State bureaucrats are going to be better than Federal bureaucrats in deciding what people should learn and what kind of job training they should get.

Mr. SCARBOROUGH. OK. Let me ask you another question. If we move away from abolishing the Department of Labor, and we move away from consolidating the Department of Labor, obviously, you realize—well, you'd agree with me that a $4 trillion debt and run-

ning $200 billion deficits each year could have a substantial impact on the American work force and jobs in the next 20 years, correct?

Mr. REICH. I do, but Congressman, put this in context. When we came into office, there was a $4 trillion debt.

Mr. SCARBOROUGH. Right.

Mr. REICH. That debt, in 1981, was $1.5 trillion.

Mr. SCARBOROUGH. Right.

Mr. REICH. We have brought the deficit-GDP ratio, which is probably the most important thing to keep your eyes on, down from 5 percent—where the deficit was 5 percent of GDP—down to about 2.5 percent, 2.6 percent. We're keeping it there; hopefully it's going to go down even further. But as long as we can get that deficit-GDP ratio down and continue to keep it down and maybe get it down further and get it on a downward trajectory, we are, it seems to me, exercising fiscal responsibility, fiscal prudence.

What I worry, frankly, is that we end up throwing out the baby with the bathwater.

Mr. SCARBOROUGH. Certainly, and I understand that. My only question, excuse me, my question was, though, you do see a threat, though. And this is taking Department of Labor and your budget completely out of it. You do see the debt and the deficit as causing a real threat to the American work force in the next 20 years.

Mr. REICH. If we had done nothing about it, if we had not already committed ourselves with detailed plans for $500 billion of deficit reduction, and got a major head start on doing that; plus another $140 billion, more recently, then I would worry.

But, Congressman, we are already on the road to major, major deficit reduction, control over the debt. I would worry that excessive zeal in cutting programs that help people become more productive in the future—and I'm talking now about job training, in particular—is a false economy, because if you cut programs that help people become more productive, then the denominator on the equation, which is economic growth, does not grow nearly as fast as it ought to.

What we want to shrink is the deficit-GDP ratio.

Mr. SCARBOROUGH. Which leads—all these questions, actually, are leading to a point, if you can believe it. And that is, if we aren't going to abolish the Department of Labor or consolidate, is it possible for the Department of Labor to come forward with a budget that spends no more the coming year than it spent last year, because I noticed in your budget summary and I saw your charts about how you all have been acting very responsibly since you took office, and you've been moving in the right direction. Is it possible in this year of tremendous budget crunches for you to—let's see, I think you're going up—spending increase is $5 billion and full-time staff increases by over 300 people. Is it possible for you to streamline and reinvent government to such a degree that you don't spend more money the coming year that you spent this last year?

Mr. REICH. Congressman, we are continuing to make every effort to reinvent, spend money in ways that go further and further with each tax dollar. But we are only dealing with the tip of the iceberg in terms of the growing problem of the gap between people with skills, without skills; the problems of people who are facing workplaces that are substandard; the emergence in this country of

sweatshop conditions and third-world working conditions like we haven't seen since the turn of the century. It is getting worse and worse.

Mr. SHAYS. Mr. Secretary, I'm sorry to interrupt you. I was hoping to have a colleague come back to replace me, but we have about 4 minutes until the clock runs out on our vote. Mr. Chrysler and Mr. Martini have left. They'll come back; as soon as they're back, whichever one is here can start. Mr. Fattah will also ask his round of questions, so just be at ease for a recess for a short period.

Mr. REICH. OK.

[Recess.]

Mr. MARTINI [presiding]. I'm back. I'm out of breath, but I'm back. Thank you, Mr. Secretary, and thank you for being here this afternoon.

I didn't hear the earliest part of your testimony, and I hope I'm not, therefore, at a disadvantage, but in just reviewing some of the materials in anticipation for today's hearing, and in listening to your testimony, you've repeatedly talked about consolidating some of these programs; and the one chart in particular where 70 programs are, I assume, going into four areas to be—from that point, I guess they'll be maintained in four programs, is that correct, Mr. Secretary?

Mr. REICH. Yes.

Mr. MARTINI. And in listening to other things in your testimony about streamlining and reinventing government, I therefore find what may be a contradiction. But the fiscal year budget seems to go up from 1995 to 1996. And then, even though you've shown a reduction in employees, I think, from 1993 to 1994, yet the fiscal year request for 1996 is an increase of employees. Could you first just——

Mr. REICH. Well, first of all, the numbers, the increase in our request has to do substantially with the G.I.—what we're calling the new G.I. bill. That is, making sure that there is even the barest adequate amount of money to provide the job search assistance, the job counseling and the job training for people who are losing their jobs and also for people who are low-wage.

As I started to say to the chairman, just before people had to leave, there is right now a very relatively small percentage of the work force getting the kind of assistance that they need in order to be more productive, in order to get quickly new jobs. The country benefits in terms of the taxpaying and more productive citizen, and we can more quickly get them new jobs. And so the President has chosen to take money out of elsewhere in his 1996 proposed budget which does reduce the budget. He overall continues on a course toward budget-deficit reduction, but he wants to take the money from elsewhere and maintain, enhance actually the amount of resources available for that sort of job training in the G.I. bill, for dislocated workers and also for low-wage workers.

Your second question, having to do with FTEs, the major increase in FTEs has to do with immigration, the problem of undocumented immigration. And the President is proposing that we increase the number of inspectors in the Wage and Hour Division. What we have found, after a lot of our investigations, is that some employers in major cities in the United States are willing to risk

the penalties associated with hiring illegal aliens for the sake of getting very—people who will be willing to work for extremely low wages inside the United States in squalid working conditions.

And if we can target those industries, those cities and those employers and enforce the laws as they are already on the books, in terms of minimum wages and working conditions, we can demagnetize that magnet for undocumented aliens in what I consider to be a very humane way of dealing with the problem. And the President agrees.

Mr. MARTINI. Then if I'm reading your last comment, your answer to my question correctly, you're saying the increase in the request in the budget is largely due to the G.I. bill for American workers and this new initiative on immigration enforcement.

Mr. REICH. Not entirely. We also are requesting additional, some additional FTEs for compliance assistance. What we're trying to do in the regulation and enforcement area—again, the context here is 6 million work places. We have 93 million workers covered by these employment laws. The number of workers is going up every day. What we are trying to do is provide employers with more and better assistance in preventing accidents and illnesses and pension problems and minimum wage and working and hours and other violations before they occur.

We call that compliance assistance. Actually, it's something that businesses appreciate a great deal. We are shifting resources in that direction, but we also have to maintain with that many workplaces, realistic enforcement authority as well, and that's why we are seeking additional compliance assistance. But again, the majority of those FTEs will go toward that immigration effort, which focuses on minimum wages, working conditions; an effort to root out sweatshops and sweatshop conditions.

Mr. MARTINI. In consolidating the—I see, if I'm correct in reading some of the statistics, you reduce approximately 163 programs to 70 programs and the next step will be to try to consolidate those 70 programs into four areas of programs, is that correct?

Mr. REICH. Well, that's roughly correct.

Mr. MARTINI. I'm looking at your chart, and let me just, if I may, just follow through. Just getting a glance at all the programs that are out there, and one of the problems out there, having served just for a couple of years on a county commission level of government, one of the major problems with all of the Federal Government programs is understanding which ones are for which, and how to find out what's out there. So your effort to try to consolidate them is one that I applaud.

But it would seem to me that in looking at those 70 programs, aren't they duplicitous with what is being proposed in the G.I. bill for America's workers, and therefore, why do we need to spend—have a bigger budget request for the two programs, which if we're really serious about streamlining government and cutting spending in government, I see an increase request of $4.8 billion and an increase in employees when I think the sentiment of the Congress today is to try to find areas where we can reduce government, streamline, make them more effective.

And that's what most of the language is in your proposals about flexibility, streamlining, consolidating, avoiding duplicity. And then

I see new programs coming up, yet we have 70 programs left on the board which are being consolidated.

Mr. REICH. This isn't a new program, and I apologize if I have been unclear. The President's proposed new G.I. bill for American workers is, itself, the consolidation. It's the use of the one-stop career centers around which the consolidation is built. It's slightly more funding to make sure that dislocated workers and workers who are low-wage can get the skills. But it's built around the consolidation. The consolidation is part of that plan.

Mr. MARTINI. Alright. Just one other question—I think you were probably answering it when I was asked to go vote, and you may have answered it, but you were beginning it. You talked about that it's the lower-end worker that's having problems getting into the system and advancing in the system, and it's largely due to education and skills and that many of the job opportunities out there require a higher or more advanced skill.

And the question came up, with respect to the merger of the Department of Education, and you were answering it when I left.

Mr. SHAYS [presiding]. It's going to have to be a short answer, though.

Mr. MARTINI. It just seemed to me that as these jobs require greater skills, there is a much closer alignment between these two departments—the Education Department and the Labor Department—in that area of education. To keep them separate, as we get to a level of society where the job market requires even greater skills, just—I haven't been convinced by your testimony that there's a need to keep them separate there. And I don't know if there's anything you could add to that to convince me, but——

Mr. REICH. Well, again, my two points are No. 1, that in my experience both in Washington and as a researcher of government, my experience has been that merely moving the boxes around or pushing different organizational units together and calling it something doesn't accomplish a great deal in and of itself.

But No. 2, that there is a different focus and a different mission. The Department of Labor is focused on specifically preparing workers for specific jobs, and also protecting their safety and health and pensions and many of their other needs. The Department of Education, with regard to most of the education programs, focuses on primary and secondary education which has local control, usually community control. It is free public education. Its goals go far beyond the workplace; have to do with citizenship, democracy, community. It is a fundamentally different operation, although there is obviously a relationship between the two.

Mr. SHAYS. Mr. Secretary, if I could, I see the sincerity in the way you are looking at each other and this could go on for a long time. It's a very important issue, but I know other Members are going to come back, and I'm going to try to honor my 3 o'clock commitment to you. Mr. Fattah has the floor.

Mr. FATTAH. Thank you, Mr. Chairman. Let me, first of all, compliment you, Mr. Secretary, for the work that you've done; it's good to see you again. As you have mentioned, there are a number of States who are moving forward with the one-stop centers, and Pennsylvania has been in the forefront of that work; along with the fact that we've realized early on through the Joint Jobs Initiative

in 1987, under Governor Casey and the legislature, we created a process in which the Welfare Department, the Labor Department and the Education Department worked together around some issues, collaborative efforts not by merging the departments, because there are distinct responsibilities, but pulling people together in ways in which it made sense. And the one-stop centers and some of the other innovations in Pennsylvania are a result of that.

I'm interested, however, in your comment on another matter at the moment—the Chamber of Commerce in Pennsylvania and a number of other entities, when conducting a study around issues of productivity in the State, indicated that one of the greatest challenges that they felt we faced in terms of the work force was the issue of diversity and having people have the ability to work together, coming from different backgrounds, races, religions, regions of the State.

And there is on the Hill now, and here in Washington, a great deal of debate about how much effort on the part of government is worthwhile to include women and under-utilized minority group members in the workplace. I'd be interested in your comments relative to affirmative action in this challenge in the American workplace.

Mr. REICH. Congressman, this administration—I, the President, the entire administration, believes firmly in the goals of affirmative action, ensuring that employers make every extra effort to find qualified people who don't look just like them. I think there's a natural human tendency, and I don't even suggest that there is explicit prejudice, racism, sexism, but there's a natural human tendency for people to want to replicate themselves when they hire and promote employees.

And it's necessary to make the extra effort to cast the net more widely. We're not talking here about quotas; we're not talking here about preferences. We're talking about goals and plans and efforts. Most of the laws and regulations that we are enforcing have to do with plans and goals and efforts. And we're going to continue to review those laws and regulations to make sure that they are achieving their ends. Obviously, we have to make sure that they're effective. But we are not going to retreat from the purpose, which is to end discrimination, to end sexism and racism to the extent possible in our society.

I'm going to be very shortly unveiling the results of what is called the Glass Ceiling Commission. Founded by Senator Dole and commenced under the inspiration of his wife, Elizabeth Dole, this commission has toiled for 4 years, coming up with data on the numbers and the percentages of minorities and women at the highest ranks, highest reaches of corporate America. The preliminary results I've seen are very discouraging.

Mr. FATTAH. Mr. Secretary, I'm sure once you get through with that analysis, you won't find it as diverse as the Olympic team that the United States fields. The question I have, however, is that as we looked at all your charts, there are a lot of challenges facing the American worker. Somehow it's been suggested recently that affirmative action is somehow at the top of this list of challenges. I didn't notice it on your charts. You talked about the decline in real incomes, to what degree is the whole issue one of some significant

merit in the public discourse at this point, relative to these other challenges?

Mr. REICH. Congressman, the challenge of ensuring that women and minorities get jobs and get good jobs and have equal opportunity with men and with white men is a major challenge for this society. And I could have gone on at some length with other charts I have, showing that the incidence of unemployment and low-wage employment among women and minorities is much, much greater than it is among white men.

Mr. FATTAH. OK, thank you. The chairman is urging me to come to some conclusion. Thank you, Mr. Secretary.

Mr. SHAYS. Thanks, Chaka, we might have more time at the end. Representative Morella is going to be given the floor at the courtesy of Mr. Chrysler.

Ms. MORELLA. I really appreciate that, Mr. Chrysler.

Mr. CHRYSLER. Sure.

Ms. MORELLA. I appreciate the courtesy of this committee. I'm going over to the Senate to testify on the airport bill to make sure that National Airport is safe for all of us.

Secretary Reich, it's a pleasure to be here with you, and I appreciate the work that you've done at Department of Labor and working with you. I thank the chairman for having planned such a very informative and important overview hearing for us.

I wanted to pick up briefly on a concept that was mentioned earlier. You know, the Non-Traditional—the Apprenticeship Program, I mentioned, was made, the Non-Traditional Employment for Women Program, which I certainly support. But the Apprenticeship Program, women in apprenticeships and non-traditional employment is my bill that became law, and it has been working very, very successfully. And I know that it is one of the items probably included within the recision list. However, I think it was originally on your targeted list, which is how it was looked at, I think, by the subcommittee in terms of the possibility for reducing. I am hoping that you will reiterate the fact that it will definitely be continued. I think it was a spin-off, also, to come up with a minority program, because that one was working exceedingly well. And I'm just wondering if you can give us the sense that you are going to continue with the program that I think is doing exceedingly well.

Mr. REICH. Yes, Congresswoman, our indications are that the program works exceedingly well. And I did not mean to imply in any way to the Appropriations Subcommittee or the Appropriations Committee that that should be rescinded; in fact, quite the contrary. Our goal here is to expand these kinds of opportunities for Americans.

My concern—and I have to be very candid with you and other members of this panel—is that the recisions that we are experiencing over a $2 billion recisions for the Department of Labor for 1995 are recisions that cut to the very heart of the mission of this country in preparing people for productive work in society. It is a false economy, in my view, to cut funds for dislocated workers; to cut funds for disadvantaged young people to get training; to cut funds for even summer jobs—1995 and 1996, as a result of the recisions that have been passed by the House, by the Appropriations Committee, in 1995 and 1996, there will be no summer jobs for dis-

advantaged young people—1.2 million young people, disadvantaged young people, will not have any opportunity to work.

These are kids who want to work, desperately, during the summer. Again, it may save some money in the short term. In the long term, society will pay the price.

Ms. MORELLA. The Women and Apprentices Program is only like $744,000, so it's a small amount. And since it's working well—and I understand what you're saying about the summer jobs program, and I agree with you—but I am hoping that you will do what you can to continue with that program as you do your consolidating. There are a lot of people relying on it. It has helped an awful lot of employers.

I wanted to just briefly also indicate, I'd be happy to work with you, too, as I know this committee will, and was already mentioned, your Targeted Jobs Tax Credit—I think it's a very important element that has expired. And I hope that we'll be able to put something together in that regard also.

Mr. REICH. Yes, Congresswoman, I said before—I'm not sure you were here at the time——

Ms. MORELLA. I think I heard you respond to the question that you'd be happy to work with us, is that it?

Mr. REICH. Yes, in fact, I'm eager to work with you to make that program work. Right now, I have some problems with it because the evidence we have suggests in its present form, it is not working.

Mr. SHAYS. If the gentlelady wouldn't mind, I'm going to ask Mr. Green be given 5 minutes and then we'll give Mr. Chrysler 5 minutes.

Ms. MORELLA. Absolutely.

Mr. SHAYS. And Mr. Barrett is leaving now to see if he can come back and ask you some questions. Mr. Green, you have the floor for 5 minutes here.

Mr. GREEN. Thank you, Mr. Chairman. If my colleague from Maryland has finished, I—have you finished?

Ms. MORELLA. I have finished, and if I might also submit some questions to you, Secretary Reich.

Mr. REICH. Oh, sure. And by the way, I'm very gratified to hear that you agree with me on summer jobs. I hope you persuade many of your colleagues.

Ms. MORELLA. I wish I had a magic wand for a lot of things. Thank you, Mr. Green.

[The prepared statement of Hon. Constance Morella follows:]

PREPARED STATEMENT OF HON. CONSTANCE MORELLA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

I would like to commend you, Mr. Chairman, for holding this important oversight hearing regarding the Department of Labor (DOL). I also welcome Secretary Reich and extend my appreciation for his willingness to enlighten me and other members of the Subcommittee about the important role of the DOL and efforts to make the Department even more effective and efficient.

The Department of Labor plays an essential role in helping American workers face the needs of a changing economy. Dramatic changes are occurring in the marketplace. Rapidly-evolving technologies, corporate restructuring and global competition all contribute to the challenges facing today's American workforce. Technology changes demand that workers develop the skills to match the needs of an ever-changing workplace. We must constantly improve training and retraining services to help Americans get better jobs and to help America prosper in a global economy.

One of the most significant trends in the changing face of our nation's workforce is the participation of women. Despite the increasing number of women entering the labor force, women continue to make less money than men and lag behind in benefits, status, and job security. Despite thirty years of equal employment opportunity policies, women continue to be concentrated in low-wage jobs, and continue to face barriers to equal opportunity in the workplace.

I have been pleased that the DOL has established two programs to increase low-wage women's access to high-wage jobs: the Nontraditional Employment for Women Act (NEW) and the Women in Apprenticeship and Nontraditional Occupations Act (WANTO) programs. I sponsored the Women in Apprenticeship and Nontraditional Occupations Act (WANTO) to help integrate women into nontraditional jobs which pay 30 percent more than traditionally female jobs. Senator Nancy Kassebaum sponsored the same legislation in the Senate, and with bipartisan support, Congress passed the bill. With the help of Senator Slade Gordon, WANTO was funded at $750,000 in 1994 and at $744,000 in 1995. As a result, the DOL has funded six community-based organizations to provide technical assistance to more than 75 employers and unions in 25 states. Eighty-nine additional employers and unions have requested this technical assistance. It is my understanding that the DOL was so pleased with WANTO, that a similar program was set up for minorities.

I am concerned, however, to learn that WANTO and NEW are currently listed among 27 programs to be consolidated under a new workforce program called the G.I. Bill for America's Workers. I am concerned that consolidation of WANTO and NEW in a system of job training block grants might eliminate the impact of these programs.

It is my understanding that the DOL rescinded the appropriation of $744,000 for Fiscal Year 1995 and decided not to go forward with the Request for Proposal that the Women's Bureau had developed for WANTO which was scheduled for release at the end of March.

WANTO is the only program in the country which focuses on integrating women into higher paying male-dominated jobs which pay a living wage for women and their families. I look forward to discussing with Secretary Reich how the purpose of WANTO, the recruiting, training and integrating of women into higher-paying jobs, will be addressed under the G.I. Bill.

Mr. GREEN. Mr. Chairman, I'd like to ask you now to consider to place in the record an opening statement, and I will try and talk as fast as a Texan can talk on some questions in my 5 minutes. One, I want to thank you for your comments about the one-stop centers. Doug Ross was in Houston, and we have created a one-stop center—not that quick—using both our community college, our Job Training Partnership Agency, and also our Texas Employment Commission, in doing it without Federal designation. We hope to relieve that; that's why we had Doug Ross there.

But that is working, and with some of the programs—and I hear we talk about in my other Committee on Education and Economic Opportunity, that the consolidation effort from some of the programs, and a lot of those programs are so small, they need to be consolidated so you can leverage that administrative cost anyway. But I appreciate the effort that you've done for 2 years in trying to do that and make sense of our job training programs.

I worry, just like you did and my colleague from Maryland, with the recisions in some of the job training recisions, the summer jobs program. I have 2,000 young people in my district, alone, in Houston who participate in that. And I know that it has success because I've watched them over the 2 years I've been in Congress and seen the success of these high school kids. And it does train them to go on and gives them some real job skills that they can take somewhere else.

But let me—and also the tech prep recisions that I'm concerned about, because moving that down to the seventh grade even, and if we rescind all that money—the proposals we have is moving it

down, but we don't even—we're losing money we have already from what we have. But let me talk about the general, overall, the block grant proposal, and ask you a question about it.

There are some proposals here that we want to block grant everything—food stamps, whatever, and job training. And there's a bill that's introduced by one of our colleagues that would block grant the employment training programs. And I heard today, and I jokingly call it some of our throw-down Governors that come in that talk about they want to block grant training programs to Wisconsin or Michigan. Could you respond to some of the questions about block granting, particularly training programs? I think if we have a duplication now in the Federal level, I worry that if we have 50 States doing it, no telling what we may come up with; plus with the verification and what they actually are doing.

Mr. REICH. Congressman, when we give State officials Federal money and rely on State bureaucrats to do with Federal money what Federal bureaucrats had been doing with Federal money, we may sometimes get good results. But in the job training area, we have tried before and we have not seen great results. The Job Training Partnership Act was envisioned largely as a State block grant proposal. And over the past 15 years, 14 years, we have learned that it doesn't work that way. Congress has had to amend it to provide more and more Federal guidance and guidelines.

We've been up and down the ladder of federalism in the job training area. As I said before, with CETA and the Manpower Development and Training Act, we have seen that Federal bureaucrats, State bureaucrats, local bureaucrats, job training works; it makes a difference. But if we want to make a real difference in people's lives, our suggestion is to give people skill grants. Adults—we're talking about adults now, who can make up their own decisions about the kind of training they need, armed with good information about what jobs are out there, what skills are in demand, and what institutions are doing the best job preparing people for those jobs and getting people those jobs.

That information can be computerized. We can use those one-stop career centers, like in Houston, that are working terrifically well around the country right now, and give people those skill grants. They can make the market work; they can create a market in job skills and in training, in job training, that's better than any set of bureaucratic guidance or guidelines.

Mr. GREEN. I guess the concern I have about block granting, and I know that duplication of the programs, but in some of our States and our local communities, we are actually combining these programs. They may come from Washington in separate grants, but they're actually being combined in the local community to serve, you know, unified instead of—they may be 100 and I don't know how many different—150 Federal employment grants or job training employment grants, some of them are so small—but they are also being combined in some of our one-step centers so we can access them.

Mr. REICH. At the street level. In fact, I've said, and what we are trying to create with our one-stop centers, as in Houston, is what might be called street level consolidation. And individual doesn't care whether that particular funding source comes from one cat-

egorical program or another; whether it comes through one committee jurisdiction or another; whether it comes from one department or another. If a person walks in off the street, needs some help getting a job, there's a counselor there, there's good information there. That person can get what that person needs. And that is street level consolidation. I think those one-stop centers already take us a far way in that direction.

Mr. GREEN. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

[The prepared statement of Hon. Gene Green follows:]

PREPARED STATEMENT OF HON. GENE GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Thank you, Mr. Chairman. The next two hearings this committee will hold cover issues that are very important to me: labor and education. The Administration is continuing with its reinvention efforts, to consolidate programs and target the most needy for assistance. I do not think the importance of this mission should be downplayed or underestimated.

From reorganizing job training programs to encouraging the development of school-to-work apprenticeships, the Labor Department has been in the forefront of the movement to get government to respond to current needs. And let us not doubt there is a need to be filled. I do not believe the federal government is all-powerful and all-knowing. I do, however, believe that the federal government can serve as a partner with the States and the private sector to encourage the kinds of programs that will help workers get job training and increase their lifetime earnings.

I applaud the Secretary's goal of making the the Department's programs more accountable, encouraging competition among service providers, and giving states flexibility to tailor the programs to local needs. We need to make this goal a reality and I will gladly work with the Secretary on this matter.

Mr. CHRYSLER [presiding]. Thank you. I have a couple of quick questions. The budget—you mentioned about the 70 job training programs that you're consolidating. What is the budget for those 70 programs, and how many employees to administer those 70 programs?

Mr. REICH. The total budget for those 70 job training programs, I will give you in half a second. Congressman, the—we have approximately $10 billion in these programs, in terms of the Department of Labor's portion of these programs. And that's a budget of about $135 million for oversight. And I think that's a very important point because the actual administrative oversight costs now being undertaken are actually a very, very tiny proportion of those costs. This gets to the point I was making before——

Mr. CHRYSLER. How many employees? I'm real close on my time, because I'm going to have to go vote.

Mr. REICH. OK. The total number of employees we have for all of these programs is, let's see, and I'll give it to you in one half second, let me just—OK, we will have to submit that for the record. I have an estimate, but I will have to get it back to you.

Mr. CHRYSLER. If you could send it to my office, I'd appreciate it, along with how many jobs we're going to create out of that group. Second, do you agree or disagree with the President's end run yesterday on the striker replacement bill of the Congress?

Mr. REICH. Congressman, I disagree with the characterization as an end run. Under the procurement——

Mr. CHRYSLER. We weren't allowed to vote on it.

Mr. REICH [continuing]. Authority of the United States, and this has gone back right the Franklin D. Roosevelt, all the way through

every President. President Bush also used the executive authority with regard to ensuring that government contractors maintained certain standards. This is not new; this is something that every President, to my knowledge, has done, in terms of using Executive orders to ensure that that Federal procurement and those Federal contractors maintained minimal standards.

Mr. CHRYSLER. Have you heard of an organization called the National Council of Senior Citizens?

Mr. REICH. I have heard of the organization, yes.

Mr. CHRYSLER. Do you view its $68 million in Federal grant money as an essential service of government?

Mr. REICH. I am sure that if they received $68 million, Congressman, that we had—if you're referring to the amount that they received from the Department of Labor, is that what you're referring to?

There's a highly competitive system for awarding grants, based upon whether the particular application gets people jobs; is a training program that is a pilot project or a demonstration grant; that is unique, original, has not been replicated before; that there's an evaluation component built into those. And I'm happy to share with you any of the details about that one.

Mr. CHRYSLER. Even though they only raise about $105,000 from their own membership?

Mr. REICH. Well, again, it has to do with the quality of the particular application. They must get the grant, by the way, under Title 5 of the Older Americans Act, with regard to that particular grant recipient.

Mr. CHRYSLER. Do you agree that the National Labor Relations Board ought to spend $20 million on the Teamsters' election next year?

Mr. REICH. Under the National Labor Relations——

Mr. CHRYSLER. Board—spend $20 million on the Teamsters' election for next year? Fund it.

Mr. REICH. Well, if you're referring to ensuring that labor elections are fair and that they are undertaken according to law, this is an appropriation that—this is a responsibility that government has maintained for decades, and it is a responsibility that Congress has asked the Department of Labor to undertake.

Mr. CHRYSLER. In 1991, they decided to do that. I guess I'd appreciate if you could provide to my office a full accounting of any and all the grants that the Labor Department provides to labor unions, public interest groups, a National Endowment In Democracy. And also, I understand, being on the Banking Committee, that the Labor Department also oversees pension funds.

Mr. REICH. Let me make sure I understand the request. Did you say National Endowment for Democracy, Congressman?

Mr. CHRYSLER. Grants that the Labor Department provides to labor unions, public interest groups, National Endowment for Democracy and your oversight on the pension funds.

Mr. REICH. And with regard to oversight on pension funds, you would like general information on the oversight of pension funds, or how we administer the oversight of pension funds?

Mr. CHRYSLER. Yes.

Mr. REICH. Sure, we can get that to you.

Mr. CHRYSLER. Thank you. I've got to run to vote.

[The information referred to follows:]

Transmitted herewith is the information that was requested concerning grants to labor unions and public interest groups in FY 1994 from the Department of Labor. Please note that in FY 1994 we did not provide any grants to the National Endowment for Democracy.

DISCRETIONARY GRANTS

Agency: Assistant Secretary for Policy—FY: 1994

Grantee	Award Date	Amount	Purpose	Subdivided Yes/No	% Direct
George Meany Center for Labor Studies, Inc.	9/6/94	$500,000	Establishment of Substance Abuse Institute	No	80

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION LIST OF CURRENT NON-GOVERNMENTAL DISCRETIONARY GRANTS & COOPERATIVE AGREEMENTS WITH PUBLIC INTERESTS GROUPS AND LABOR UNIONS

SINCE OCTOBER 1, 1993

Economic Dislocation Worker Adjustment Act (EDWAA)—Technical Assistance & Training

Projects Funded Under the Authority of Job Training Partnership Act (JTPA) Title III

RECIPIENT NAME/PURPOSE	DATE OF AWARD	EXPIRATION DATE	FY 1994 AMOUNT
Human Resources Development Institute	01-JUL-92	30-JUN-95	2,500,000
To solidify a working partnership among business, labor and government in support of JTPA programs. Some specific activities include encouraging labor involvement in the state and local councils established under JTPA and training of labor movement individuals to be knowledgeable and active members of the JTPA system.			
U.S. Steelworkers of America	10-MAR-95	10-JUN-95	150,000
Planning grant (Phase I) to conduct a survey to identify dislocated steelworkers in four States who have, heretofore, not been served by JTPA and to develop a project plan and program coordination agreements to provide services to these workers in Phase II. Phase II, if implemented will provide services to workers identified in Phase I.			

TECHNICAL ASSISTANCE AND TRAINING (TAT)

Projects Funded Under the Authority of Job Training Partnership Act (JTPA) Title IV Part D

RECIPIENT NAME/PURPOSE	DATE OF AWARD	EXPIRATION DATE	FY 1994 AMOUNT
National Association of Counties	15-MAY-93	30-APR-95	360,500*
National Conference of Black Mayors	15-MAY-93	30-APR-95	206,000*
National Conference of State Legislatures	15-MAY-93	30-APR-95	256,000*
National Governor's Association	15-MAY-93	30-APR-95	407,055*
U.S. Conference of Mayors	15-MAY-93	30-APR-95	257,500*
Funding for these grants to provide continued support by these Public Interest Groups (PIGs) to States, counties and cities in carrying out the requirements of JTPA. The basis of these grants is information exchange.			

* Additional funds to be provided from FY 1994 dollars.
Also partially funded with EDWAA funds.

Pilot and Demonstration (P&D)

Projects Funded Under the Authority of Job Training Partnership Act (JTPA) Title IV Part D

RECIPIENT NAME/PURPOSE	DATE OF AWARD	EXPIRATION DATE	FY 1994 AMOUNT
South Central Iowa Federation of Labor AFL–CIO	19-MAR-95	16-MAR-96	150,000
Program is designed to link students with workers who can demonstrate a realistic view of a challenging, satisfying, occupationally diverse workplace.			
Central Iowa Building and Construction Trades Council	17-MAR-95	17-SEP-97	500,000
To establish a Center for Advance Journeyman Education to identify contemporary skill standards for the mature journeyman worker in the construction industry.			

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

TARGETED TRAINING PROGRAM GRANTS DESCRIPTION FY 1994

LUMBERJACK RESOURCE CONSERVATION AND DEVELOPMENT COUNCIL

Lumberjack sponsors logging safety training conducted by the Forest Industry Safety and Training Alliance (FISTA). This is a continuation of an earlier grant program. The program provides basic in-woods safety training, follow-up safety training and advanced safety training for loggers in Wisconsin and other midwest states. Classroom sessions on the importance of safety and health programs are conducted for logging employers. Two training videos are being developed during the grant.

CHICAGOLAND CONSTRUCTION SAFETY COUNCIL

This grant program is developing and will deliver training on fall protection to the construction industry. Training targets workers who need basic hazard awareness training and supervisors and competent persons. A trainer's manual for both segments is being developed as well as two videos and student books. Awareness courses will be conducted in the Chicago area and trainer courses will be conducted in Chicago and throughout the United States.

PAINTERS AND ALLIED TRADES LABOR MANAGEMENT COOPERATION FUND

The Painters are developing a 12-hour safety and health course for its members. Instructors will be trained to deliver the course, including Spanish-speaking instructors. These instructors will provide training at locations across the country. In addition, modules from the course will be adapted as toolbox training kits and distributed to small painting contractors for use in training their employees.

NATIONAL SAFETY COUNCIL

The National Safety Council is developing and implementing a two-day comprehensive safety and health training course for employers and workers in small businesses in the Chicago area. Training content focuses on general safety topics as well as specific OSHA standards that address the high risk exposures of targeted small business groups. Emphasis is on employee involvement in the safety and health program and use of train-the-trainer approaches. The Chicago Urban League is co-sponsoring the training.

ALICE HAMILTON OCCUPATIONAL HEALTH CENTER

Alice Hamilton Occupational Health Center was awarded a grant to assist small business in a number of industries to develop safety and health programs. A program guide for establishing a safety and health program is being produced for each industry and will be shared with other businesses. In addition, employers, labor union locals, and others are receiving training and technical assistance.

AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES (AFSCME)

AFSCME received a grant to develop and deliver training on the lookout/tagout standard to members involved with the repair and maintenance of machinery, particularly those working with mechanical, electrical and fluid hazardous energy sources. It is conducting train-the-trainer session and worker awareness sessions. A pilot project will be conducted in Iowa using a statewide fiberoptic communications system to provide the worker awareness training to State maintenance workers.

OIL, CHEMICAL AND ATOMIC WORKERS INTERNATIONAL UNION

The grantee will conduct training to improve understanding and application of the process safety management standard by members and their employers. It is developing curriculum, and will train existing worker-trainers to train in process safety management, conduct training, and publish a process safety management training workbook.

UNITED BROTHERHOOD OF CARPENTERS HEALTH AND SAFETY FUND OF NORTH AMERICA

The grantee is expanding the delivery of an existing ergonomic program for apprentices by training United Brotherhood of Carpenters (UBC) apprenticeship instructors and business agents to deliver the program. These individuals will conduct training for apprentices and journeymen. The program will develop toolbox talks on ergonomics and provide these to supervisors. The toolbox talks will be available in both English and Spanish. The program will be incorporated into UBC's regular apprenticeship training.

LABORERS–AGC EDUCATION AND TRAINING FUND

The Laborers-AGC, with technical assistance from the National Constructors' Association and the Laborers' Health and Safety Fund of North America, is developing a core process safety management course specifically for contract employees. Affiliated training fund instructor staff will be trained as trainers and will provide process safety management training to workers engaged in construction at facilities covered by the process safety management standard.

MASSACHUSETTS COALITION FOR OCCUPATIONAL SAFETY AND HEALTH (MassCOSH)

MassCOSH, in conjunction with other COSH groups in New England, is providing training in ergonomics to clerical, construction, health care and industrial workers. Ergonomics specialists are assisting in developing training curriculums and materials. There are three types of training: training worker trainers, site-specific training, and general training. The latter two are offered in both English and Spanish. Union locals recruit trainees and provide training sites.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION TARGETED TRAINING PROGRAM GRANTS

FY 1994

Grantees	Start Date	FY 1994 Award Level	Amount of Indirect Cost Charged
Logging			
Lumberjack Resources	09/30/94	$220,000	0
Construction			
Chicagoland Construction	09/30/94	100,831	0
Painters	09/30/94	150,000	0
Small Business:			
National Safety Council	09/30/94	185,600	$17,078
Alice Hamilton	09/30/94	150,000	0
Lockout:			
AFSCME	09/30/94	150,000	0
Process Safety:			
Oil, Chemical	09/30/94	142,870	11,430
United Brotherhood	09/30/94	149,904	11,174
Laborers-AGC	09/30/94	150,000	14,471
Ergonomics:			
Mass Coalition	09/30/94	130,795	0
Other		280,000	68,352
Total		$1,710,000	$122,505

Authority: Section 21(c) of the OSHA Act 1970 (29 U.S.C. 670).

Mr. SHAYS [presiding]. You have about how many minutes left?

Mr. CHRYSLER. Two and a half.

Mr. SHAYS. Two and a half, and then they keep it open for two. Now, that's a compliment to you, Mr. Secretary, that this gen-

tleman would be willing to risk missing his vote to ask you questions. We've been doing a lot of running today.

The gentleman from Wisconsin, Mr. Barrett, you have the floor.

Mr. BARRETT. Thank you very much. As I was here the last time, you were touching briefly on the recisions package. And if you could help me a little bit, more specifically, I think you mentioned dislocated workers, summer jobs. Obviously, this is a time when we're going to have to prioritize; obviously, this is a time when there are going to be cuts. Which, to you, are the ones that you would least like to see happen, and why?

Mr. REICH. Well, as I mentioned before, I think it a terrible mistake to make cuts in areas where people otherwise could become more productive. Now, the $1.7 billion which were cut out of summer jobs, to me, is a false economy, Congressman, because these young people—young teenagers in disadvantaged areas, disadvantaged teenagers—often they face an implicit choice during the summer. They are either going to be heading down a road toward work and jobs and education, or they're going to be heading down another road; some of them are going to get into mischief.

And why in the world would we want to take money away from opportunities for them to get jobs when they are willing and able and eager to get a job. As I think I said before, last summer there were two young disadvantaged people seeking a job in the summer for every job slot we had available. And now suddenly, we have eliminated those jobs altogether. I frankly don't understand it. I think that in this area of job training and work, generally, we are making the most important investment society can make in our future, in the ability of people to be productive.

Mr. BARRETT. I wasn't in the hearings—what was the criticism of the program? Why was it chosen?

Mr. REICH. Well, I apparently wasn't in the hearings, either, because the Appropriations Subcommittee hearings that I attended, the issue never came up. This is one thing that surprised me so much. If an Appropriations Committee or Subcommittee is going to exercise the kind of jurisdiction that an authorization committee normally exercises in effectively eliminating a program, I would expect at the very least, that the Secretary who is responsible for that program would have been given an opportunity to talk about the benefits of that program. And there was not even that. This happened, I am told, at 1 a.m., in the dead of night, without so much as a question being asked of me as to the effectiveness of that program.

Mr. BARRETT. What kind of jobs are these? I'm trying to figure out where the criticism comes up. Are they make work jobs?

Mr. REICH. The Inspector General, the GAO, a separate consultant firm called Westats, have all in recent years—in the past 3 years—looked at the summer jobs program. They have found those jobs to be meaningful work experiences for these young people. In fact, they have been very complimentary of the Labor Department for how we're organizing that and how we tried to move those jobs into a work and learning experience, so that they were combined with some education, in many instances, for young people who otherwise lose the learning by September that they gained by June or May.

I don't want to suggest to anybody that a summer job is a critical, vital step on the way to learning a particular skill. No. But a summer job, for many of these young people, it is the first paycheck they ever have; the first time they are held responsible for being someplace on time and being accountable and being reliable and doing something that maintains a certain work experience. If they are not doing that, and they want to work, I worry that they may either be doing nothing—in fact, they're likely to be doing nothing—or else get into some mischief.

Mr. BARRETT. OK, so is that program the one that——

Mr. REICH. The Inspector—excuse me, I was just handed a piece of paper. One study by the Labor Department's Inspector General on a recent summer program in 1992 concluded that the work projects were worthwhile; the summer jobs were real, they were not make work; the typical ones were clerical positions, working maintenance work on public properties, recreation work at parks, supervising and tutoring children at daycare centers, serving as nurses' assistants in hospitals. The children, or the young people, were closely supervised. They learned new skills they could apply to their schoolwork. They took pride in their employment.

Now, this is the Inspector General of the Department of Labor. The Inspector General is independent in the Department of Labor. The Inspector General has minced no words when the Inspector General staff has found programs that do not work.

Mr. BARRETT. Sticking with jobs, very quickly—the welfare reform packages you've seen, are there enough job-related aspects to them?

Mr. REICH. No. There needs to be a standard, or there need to be standards for helping people get job training, job counseling, job search assistance, job placement and daycare.

Mr. BARRETT. I think my time is——

Mr. SHAYS. Yes, your time is up. Mr. Secretary, my credibility matters more to me than most things, and it is 3 o'clock. I'm just wondering if you might indulge both of us for another 5 minutes, would that be alright?

Mr. REICH. Certainly.

Mr. SHAYS. Do you mind staying for 5 more minutes?

Mr. BARRETT. No, go ahead.

Mr. SHAYS. Your charts—we could spend a lot of time on any of them, and I really appreciate that you went to the trouble of going through them. They're pretty straightforward, and I accept your basic contention that incomes for the poorest in our community have gone down. I think it's due to a combination of a lot of things—our own national policy, but clearly world competitiveness is a part of that and so on. It's exciting, but also scary, that people are going to have five separate careers in a lifetime, or more.

I'm just going to say for the record, that of all the programs, the youth jobs program, to me, would be the last you'd eliminate. So I don't know quite how some of us on our side of the aisle would deal with it; whether we come in with an amendment or how we proceed. But we'd like to deal with the issue that Mr. Barrett raised.

I have to tell you that your whole presentation to me speaks to the need to do what we did in what was Ed & Labor Committee.

We combined those two into one committee of Congress. You have job programs in the Department of Education; you have job programs in the Department of Labor. It seems to me that what we're talking about is that skills matter more than anything else for employment. And you've made a very clear statement that income is related to education. And so it ties in so neatly, to me, about the value of having these two departments closely coordinated, if not becoming one.

I know you can't put things in little boxes, but I just wonder if you can elaborate a little more on why it wouldn't be a good idea. I mean, I could see a single department with you running it, and I would be very comfortable——

Mr. REICH. Well, in that case, Mr. Chairman—[Laughter.] No, let me—I don't want to state once again the points I've already stated, but let me add one additional point. The Education Department, as you know, used to be part of HHS—it was the Department of Health, Education, Welfare; before that, the Education Department was part of another department. The Labor Department started out as part of the Commerce Department, or I should say, the Commerce Department started out as part of the Labor Department.

These departments have moved from place to place. There is a logical connection between Labor and Commerce. There's a logical connection between Education and Health and Human Services. There is, indeed, a logical connection between both of them and a lot of what HUD does, with regard to communities and community development in central cities.

Mr. SHAYS. You didn't bring up——

Mr. REICH. My point, if—I'm sorry, if I could just end the point, and that is only that, conceptually, the—every department has something to do with most other departments; even the Defense Department has a lot of training and education programs. We've been working very, very closely with them. The question is, what is the central mission of each of these departments?

Mr. SHAYS. Right.

Mr. REICH. And I would stipulate that there is something different about a central mission of a department of the American work force—the Labor Department—in terms of adults, adult training, adult jobs, adult work force development, adult job protection; and something quite distinct between that and other departments and other missions. Although we work very closely with other departments.

Mr. SHAYS. Let me just say, I think you make a very concrete and strong case that while there are connections with a lot of different departments, your presentation could be given by the Education Department or by the Department of Labor. They are very married together.

When I read the JTPA Title 2C program for disadvantaged youth, it talks about the whole issue of citizenship and skills. What I'm thinking is that we're learning that education happens now when you're an adult, whereas before, you went to college and you were done. And we know the Department of Labor is getting involved in youth programs. So I just want to tell you that I am conceptually very comfortable with the departments being put together.

What I'd love to suggest is that maybe some members of the committee could come and visit with you, on an informal basis. We could meet in your office or wherever and have a dialog about how we can do a better job of helping you with what you say is your most difficult challenge—this new world environment; and how we can make the Department of Labor really attuned to this new need.

Mr. REICH. I'd be delighted, Mr. Chairman. And let me add, if I may, just one additional point.

Mr. SHAYS. Sure.

Mr. REICH. One of the largest job training programs in the Federal Government is now the JOBS program, administered out of the Department of HHS, not the Department of Education, not the Department of Labor. So there are cross-references, there are points of integration and collaboration that need to be undertaken between many departments.

Also, when you said that wages are declining for people at the bottom, I want to make sure that for the record, I underscore the equally troubling fact, and that is that wages are declining for the average worker. Median wages, in particular, continue to be under great stress. And the early indications are that between 1993 and 1994, median weekly earnings dropped once again. We are in a recovery; the economy is showing every sign of continued buoyant growth. And yet median weekly earnings declined. This should be a cause for alarm across this Nation.

We have to be passionate about job training and skills.

Mr. SHAYS. Well, I think you have a—you're in charge of a very fascinating department with tremendous responsibilities. And this committee looks forward, in particular, to working with the people who work with you. You've honored us with your presence today, and we will be, I'm sure, interacting with your top captains and lieutenants during the next 2 years, and we look forward to that.

Mr. REICH. Great. Well, thank you, and I compliment you for holding these hearings.

[The prepared statement of Mr. Reich follows:]

PREPARED STATEMENT OF ROBERT REICH, SECRETARY OF LABOR

Mr. Chairman and Distinguished Members of the Subcommittee:

Thank you for this opportunity to discuss the operations and programs of the Department of Labor. I welcome the chance to engage in bipartisan dialogue on the critical choices facing us in ensuring the best uses of limited public resources.

Your review could not be more timely. The Department has already embarked on an extensive examination and reorganization of our programs and operations. We have made significant changes to ensure greater accountability and efficiency in what we do and how we do it.

And we have made a commitment: to fund what works, to fix or eliminate what does not, to improve workers' prospects and, with them, the prospects for our country's future.

Background

However, we cannot examine the Department's programs and operations in a vacuum—they must be examined in the context of the larger forces that are reshaping our economy. Five years from the turn of the century, America is facing enormous challenges. We won the Cold War, but now struggle to find a common purpose during peacetime. We hurtled into the age of information, but now wonder whether the communications revolution will bring us together or only deepen our divisions. We saw our fundamental principles—democracy and free markets—affirmed throughout the world, yet we are anxious about the resiliency of American values here at home.

The backdrop—and indeed the root cause—of these challenges and anxieties can be located, I believe, in the fundamental shifts now taking place in the global econ-

omy. We have entered an era in which, increasingly, skilled and well-educated workers are the ones who can expect to capture a growing portion of the economic gains. New technologies and global competition have rewritten the rules that govern our economic futures. Now more than ever, what you earn will depend on what you learn. For those with the right education and skills, this new economy means rising wages and widening prospects. But the wages of the rest of the workforce are stagnating or sinking, and their opportunities are shrinking.

The operations and programs of the Department of Labor must be scrutinized in the light of the central challenge our country now faces: to restore America's middle class. If we are to restore our heritage of shared prosperity, American workers need protection in the workplace and every bit of assistance we can give them in adapting to the new economy. And let me assure you that I agree with those of you who also say that Americans are rightly demanding that we provide for these needs as efficiently and creatively as possible.

But only some Americans stand ready to prosper in this new economy. These divisions aren't simply a threat to the incomes of working Americans; they also undermine our nation's economic competitiveness. Companies are discovering that their global competitors can replicate nearly every element of their operation, including machinery, technology, and state of the art processes. The only thing that can't be duplicated are American workers—their skills, abilities, and capacity to work together. For corporations and for nations, a skilled workforce is the only enduring competitive advantage.

Reaping the dividends

Our investment in America's workforce over the past two years is already paying dividends. We are experiencing an unprecedented economic recovery which has created 5.7 million new jobs, the vast majority in the private sector. At the same time, the deficit has been reduced from $290 billion in 1992 to $203 billion in 1994, to a projected $193 billion this year. It is expected that by 1999, the deficit will fall to its lowest level as a percentage of GDP since 1979. These indicators demonstrate, I believe, the continued wisdom of reducing the deficit without haphazardly cutting programs which have proven to be effective in helping all Americans find new and better jobs—including disadvantaged youth, dislocated workers, and other groups in need of job training assistance.

These investments have traditionally been bipartisan. Recognizing the need to invest resources to promote lifelong learning the 103rd Congress enacted, with bipartisan support, systems to enhance job opportunities for those entering the workforce and those seeking new jobs. The School-to-Work Opportunities Act promotes nationwide innovations in youth apprenticeships, which are especially important to low-income kids who frequently have little contact with the job market and often drop out of school. The creation of One-Stop Career Centers is transforming the unemployment system into a customer-driven reemployment system where state and local institutions are customizing the design and operation of these operations to meet their needs.

Transforming Job Training

The next step along the path to reform the existing array of job training programs—with their confusing requirements and bureaucratic barriers—is contained in the Administration's Middle Class Bill of Rights proposal. This proposal offers every American a chance to learn the skills needed to build a better future by putting resources directly into workers' hands so they can gain skills at the time, place and in the manner which makes sense to them—a plan very similar to the operation of the original G.I. Bill. The proposed new system focuses on workers, job seekers, labor market information, state and local flexibility, private sector partnerships and accountability. The G.I. Bill for America's Workers will replace the outmoded and confusing maze of federal job training programs by consolidating 70 job training programs. Many of these existing programs were designed to address a specific concern at a specific time but were never aligned with other programs.

For adults, skill grants of up to $2,620 will be offered to low-income and dislocated workers. Services will be provided through One-Stop Career Centers offering easy access to reliable, up-to-date information on where jobs exist, what skills are in demand, and the performance records of training institutions. For youth, reforms started under the School-to Work Opportunities Act will intensify. Work-based learning will be integrated with school-based learning for high-risk youth. Second Chance grants will empower local institutions to manage resources to assist youth likely to have the most difficulties in making a successful transition into stable employment and a career path. Disadvantaged youth need practical, effective opportu-

nities through access to a learning framework offering the prospects of solid returns in the form of jobs and higher earnings.

False economies

However, I believe the recent rescission of $2.3 billion by the House Subcommittee on Appropriations exhibits a disregard for the need to maintain this successful investment strategy. The severe cuts being proposed in programs that serve disadvantaged youth and additional reductions in training programs for adults and dislocated workers will eliminate or seriously undermine our ability to provide for Americans most in need of job training and job search assistance. The proposed rescissions will also damage our ability to enforce the laws that ensure worker protection in the areas of safety and health and labor standards.

We must recognize reality—beginning with the fact that all Americans are not equally well-poised to take advantage of the opportunities in today's economy. The unemployment rate among this nation's young people, particularly minorities, looms high above the overall unemployment rate. The proposed rescission of summer job funding will have devastating effects on the 1.2 million disadvantaged young people, who will be denied summer employment work experiences and desperately needed income. At a time when we are extolling the benefits of work over welfare, these priorities must seem incomprehensible to young people and their communities. States and municipalities will not only lose over $800 million in direct funding; they will also suffer a commensurate loss in consumer purchasing power.

Such decisions are not only false economies, they run directly contrary to mainstream American concerns, which evince a strong national commitment to assuring access for Americans to the skills and job protection that are increasingly required for a place in the middle-class.

Some suggest that education and job training are not federal responsibilities, and the solution is to provide block grants to states so they may determine how to invest in worker training programs. But the American people are not clamoring for public resources to be diverted from one bureaucratic structure to another. They are asking for less bureaucracy and more accountability.

Reinventing Health and Safety

Just as Americans who are ready to take responsibility to improve their own prospects can expect the government to support their efforts, so too can workers legitimately expect us to ensure that their workplaces are healthy, safe, and free from discrimination. Many critics have targeted the programs and regulations of the Occupational Safety and Health Administration as an example of a program gone awry—too many complicated, nonsensical, and overly intrusive regulations, as well as incompetent and confrontational inspectors who focus on fines rather than job safety and compliance assistance. Many horror stories are being cited to support this position. But they do not accord with the facts.

Since its creation in 1970, OSHA's standards and enforcement programs have helped to reduce the workplace fatality rate by over 50% percent and made significant inroads in reducing workplace injuries, particularly in high-risk industries like construction and manufacturing. The record is clear: sensible standards have made a difference between life and death for many American workers. For example:

- Strengthened trenching protections have reduced fatalities by 35%;
- Grain handling standards have helped cut fatalities by 58% and injuries by 41%; and
- Cotton dust standards in the textile industry have dramatically reduced "brown lung" cases from 40,000 cases to a few hundred.

In addition, OSHA inspections have helped make over 40,000 workplaces safer for nearly two million working Americans.

Every year, work-related accidents and illnesses take an estimated 56,000 lives and cost our economy over $100 billion. We have made significant progress in reinventing the way that OSHA does business and we are committed to continuing to make the necessary changes to maximize the impact on worker safety. These efforts include:

- measuring performance by real improvement in worker safety and health, not the number of inspections conducted;
- simplifying or eliminating outdated, vague, conflicting or duplicative regulations;
- helping businesses identify and abate hazards, through technical assistance free of citations or fines;
- targeting the most dangerous workplaces and hazards; and
- recognizing employers who have excellent safety and health records, exempting them from general inspections.

Our achievements in protecting American workers cannot be compromised by slashing resources at random or imposing unworkable, rigid rule-making requirements without regard to saving the lives of those that entrust us with protecting their health and welfare.

Reinventing DOL

The Department's budget and program priorities, such as those I discussed above, reflect our commitment to reinvention. It's important to recognize that the Department's employment levels have fallen from nearly 24,000 in Fiscal Year 1980 to approximately 18,000 in Fiscal Year 1993, a drop of 25%. At the same time, U.S. employment has grown from 90 million to approximately 125 million. But we've made great strides, not only in downsizing the department—with nearly 1,000 fewer employees over two years—but in changing the way we do business. When we started to take a good, hard look at what we could improve, we made some dramatic changes. For example:

- the Pension Benefit Guaranty Corporation developed a new program that enabled them to find 12,000 missing pension beneficiaries—people entitled to pensions they would not have gotten otherwise.
- Out in the state of Washington, the Department of Labor joined forces across agency and sector lines to make sure laid-off Boeing Aircraft employees got the help they needed to find new jobs. The one-stop career shop the partners set up on-site at Boeing was up and running even before the company laid off 19,000 people.
- Because people and communities facing base closings and loss of employment have enough to contend with as it is, they don't need long waits, bureaucratic red tape, and uncertainty about where to get help. So we sent in "swat teams" of job assistance counselors to communities where military bases were scheduled to be closed, giving people rapid, on-the-spot response to their reemployment needs. Last year alone, DOL helped an estimated 35,000 workers through defense conversion and diversification efforts.
- Here at DOL, we saved $66.4 million net by reviewing the rolls of federal employees on long-term workers' compensation. Through such "periodic roll management," we expect to save an additional $230 million from now through 2000.

We actively initiated reinvention efforts in each of our program areas by focusing on how we could improve existing work processes so as to more effectively serve the American workforce. By focusing on improving customer service, empowering employees, cutting red tape, and getting back to basics, the Department has been able to use resources more fully while at the same time eliminating unnecessary processes and burdens.

We have leveraged limited federal and state resources by forming federal-state partnerships and targeting investigations. For example, the State of Maine had incidence rates of workplace injuries and illness that were 71% greater than the national average. Through the use of workers' compensation data, the 200 most dangerous workplaces were identified and each was asked to cooperate with OSHA to improve their workplace safety and health programs. The vast majority of workplaces participated in this program and identified over 95,0000 instances of hazards, with 55,000 of these already eliminated. This number is more than twice the number of hazards OSHA has cited during 1,316 inspections performed during the previous eight years.

The Department is already ahead of schedule in reaching the National Performance Review targets of reducing the overall number of employees and redirecting resources from overhead to front-line, customer service positions. A cumulative reduction of 1,037 FTE has been achieved through FY 1996.

The Department is actively embarking on the second phase of the National Performance Review. We are closely reviewing our operations and seeking to improve the ways we carry out our varied missions—as with our new and varied approaches to ensure the safety and health of Americans in the workplace. Similarly, the Skill Grants contained in the proposed G.I. Bill for America's Workers would turn over decisions on job training to the customers themselves—American workers.

To complement our reinvention efforts, we are reviewing the manner in which we promulgate regulations with an eye to reducing or eliminating unnecessary regulations, and adopting different models for achieving our regulatory objectives with an emphasis on minimizing federal governmental intrusion. I have asked each agency head to review and evaluate all existing regulations to assess their impact on both employers and employees, and take the necessary actions to improve the regulatory process. Our answer to allegations of "regulatory-zeal" by enforcement agencies is to weed out overly specific and obsolete regulations, not to prevent those charged

with such workplace responsibilities as safety and health, from issuing necessary, common sense regulations.

Is there still room for improvement? Of course. That's why the Department of Labor is continuing to engage in a rigorous, methodical review of its mission and operations.

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

1950 to 1978

Real Family Income Growth By Quintile

Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%
138%	98%	106%	111%	99%

SOURCE: Bureau of the Census Department of Commerce. All data convened to 1993 dollars.

1979 to 1993—Growing Apart

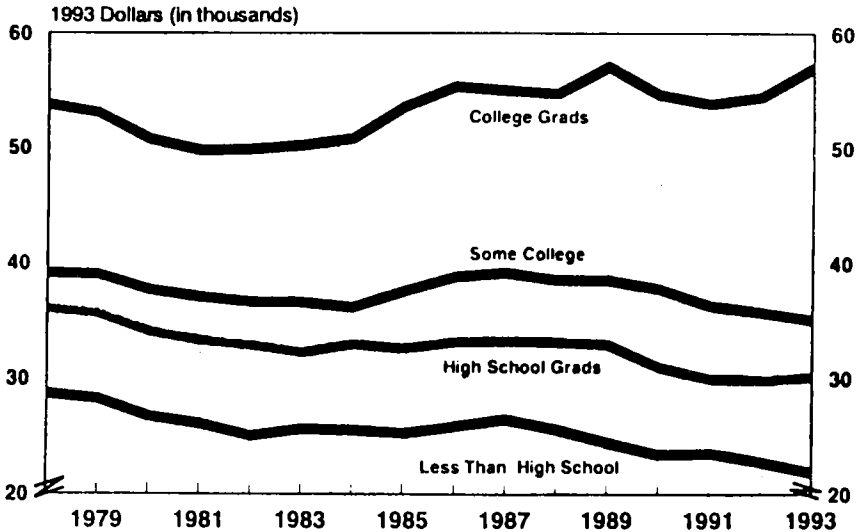
Real Family Income Growth By Quintile

Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%
-17%	-8%	-3%	5%	18%

SOURCE: Bureau of the Census, Department of Commerce. All data converted to 1993 dollars.

Skills Matter More: Earnings

Average Annual Earnings of Men by Educational Attainment



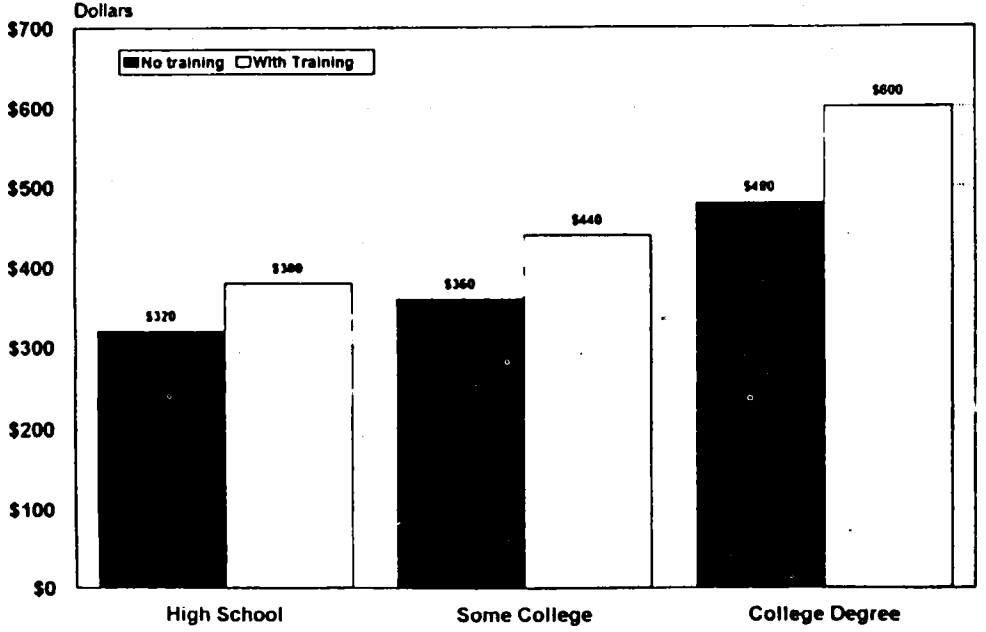
Note: Workers 25 years of age and older, working year round, full time. Data on educational attainment for 1991 through 1993 are not directly comparable to those from prior years. Numbers for 1993 used 1990 population weights, whereas data for other years used 1980 population weights.

Source: Bureau of the Census, Current Population Survey

Prepared By OASP 1/18/95

Job Training Pays Off

Median weekly earnings of young workers by educational attainment and training received, 1991



Source National Longitudinal Survey of Youth Median weekly earnings of workers aged 25 to 34, in 1991, by training received between 1986 and 1991

G.I. Bill for America's Workers

School-to-Work Opportunities (DOE/ED)
JTPA Title IV Disadvantaged Youth
JTPA Title IV Youth Year Ed programs
JTPA Title IV Youth Incentive Grants
JTPA Title IVB Summer Youth Employment and Training
JTPA Title IVB Summer Jobs Native Americans
Youthbuild
Youth Fair Chance
Youth Innovations

8 Programs

27 Programs

JTPA Title IIA Adult Training for Disadvantaged
JTPA Title IIA Training Programs for Older Individuals
JTPA Title III/EDWAA (Governors' 30% Discretionary)
JTPA Title III/EDWAA (Secretary's 20% Discretionary)
JTPA Employers and Training Pilots and Demos
JTPA Clean Air Employment Transition Assistance
*Employment Services - Governors' Discretionary Funds
*Employment Services - Wagner Peyser State Grants
JTPA Defense Conversion Adjustment
JTPA Defense Diversification Program
JTPA Title IIA State Education Grants
JTPA Title IIA State Incentive Grants
JTPA Title III/EDWAA (SDA Allotment)
Food Stamp Employment and Training
State Postsecondary Review Program (PSLL)
Labor Market Information
*One Stop Career Centers
Women in Apprenticeship
Federal Pell Grant Program
Federal Loan Program (Direct)
Federal Loan Program (Family Ed)
Labor Certification for Alien Workers
Interstate Job Bank
JTPA Employment and Training R&D
American Jobcorps
Rural LIPS
NEBS (LIHEAP Share)

School-to-Work: Second Chance

Adult Workforce System

One Stop/ES

School-to-Work: In School

Adult Education and Literacy

School-to-Work Opportunities (DOE/ED)
Voc Ed - Programs for Criminal Offenders
Voc Ed - Cooperative Demonstrations (tel Net programs)
Voc Ed - Opportunities for Indian & Hawaiian Natives
Voc Ed - Community Based Organizations
Voc Ed - Demo Centers for Dislocated Workers
Voc Ed - Consumer and Homemaking
Voc Ed - State Councils
Voc Ed - NOICC
Voc Ed - Smith Hughes Act
Workplace transition training for incarcerated youth
Native Hawaiian Ed - Community based Learning Ctrs
Voc Ed - Basic State Programs
Voc Ed - Tech-prep Education
Voc Ed - Demo for Integration of Voc and Academic Ing
Voc Ed - Ed Programs for Fed Correctional Institutions
Voc Ed - Ed Comprehensive Career Guidance and Counseling
Voc Ed - Blue Ribbon Voc Ed Programs
Voc Ed - Model Programs for Regional Training, Skill Trades
Voc Ed - Business/Education/Labor Partnerships
Voc Ed - Tribally Controlled Post Sec Voc Institutions
Voc Ed - State Program and Activities
Voc Ed - Single Parent, Homemakers, Programs
Voc Ed - Sex Equity

23 Programs

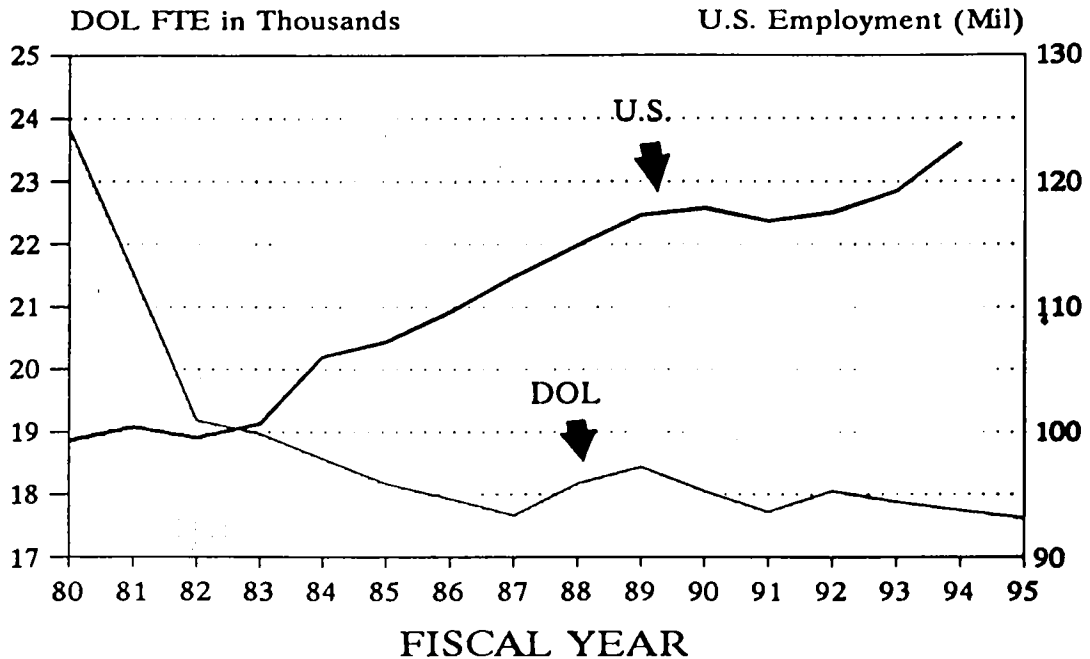
12 Programs

Adult Ed State Administrated State Grants
Nonprofit Adult Education Discretionary Program
State Literacy Resource Centers
State Description Literacy Program
Workplace Literacy Partnerships
Adult Education for the Homeless
Literacy Training for Homeless Adults
Literacy for Incarcerated Adults
Literacy Programs for Prisoners
Literacy State Task Educational Agency
Literacy Incentive Program Education
Literacy Services
Migrant Seasonal (JTPA Title IIA)

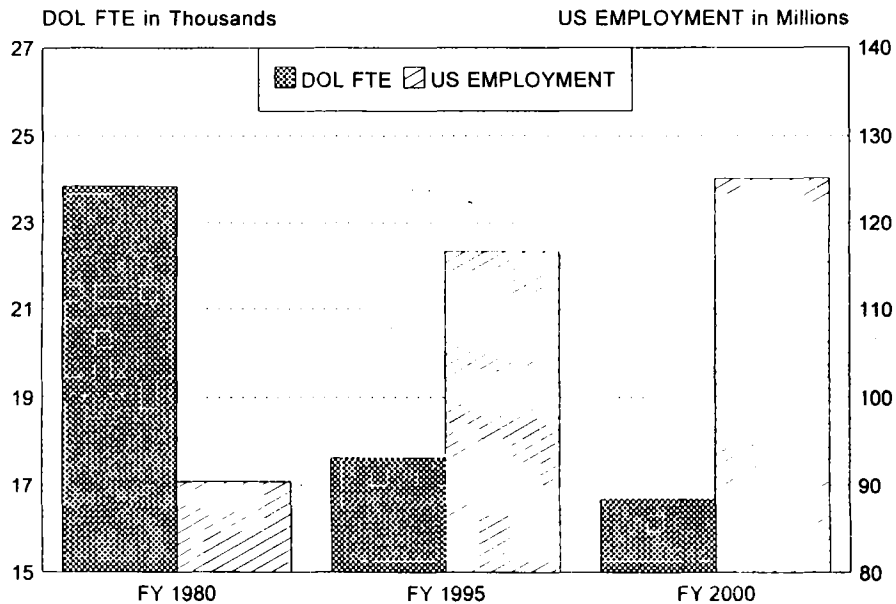
* ES will be retained as a separately authorized and funded program in the states, it will be an integral part of the One Stop Career Center System
One Stop implementation grants will be available only through 1999 and School-to-Work grants will be available only through the year 2000

OPA 1/95

U.S. DEPARTMENT OF LABOR
EMPLOYMENT HISTORY (FTE)

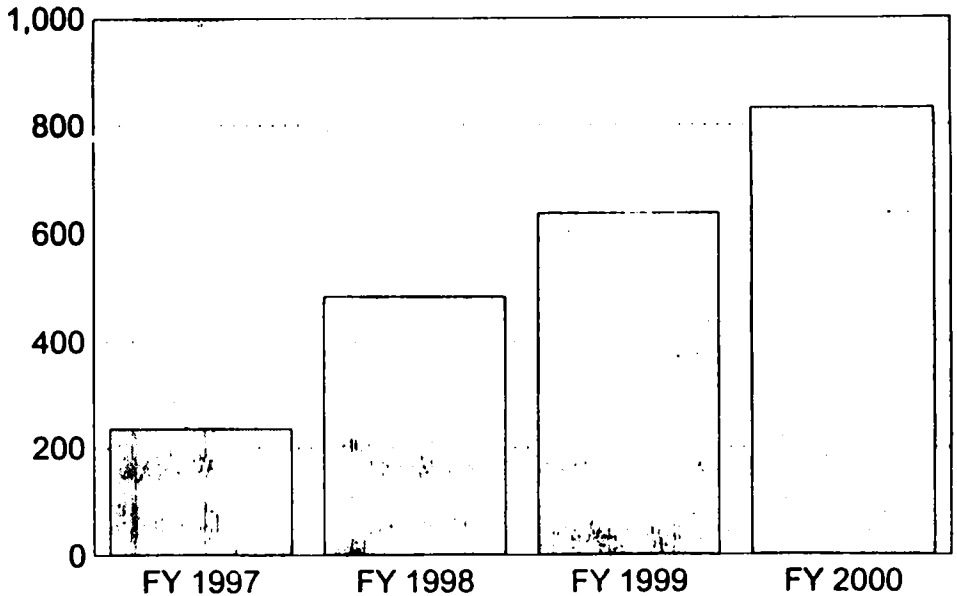


U. S. DEPART. ENT OF LABOR
STAFFING LEVELS



U.S. NON-FARM EMPLOYMENT PROJECTED FOR 1995 AND 2000
Source: Economic Report of the President, February 1995

U. S. DEPARTMENT OF LABOR REINVENTION SAVINGS



FOUR YEAR SAVINGS OF $832.6 MILLION

U.S. DEPARTMENT OF LABOR REINVENTION AND STREAMLINING

Streamlining—Progress on National Performance Review Goals of Reducing Staff Levels and Redirecting Resources to Front-Line and Customer Service Positions

- Employment down 1,088 since Jan 1993
- FTE reductions exceed targets in 1993 and 1994
- Senior-level positions reduced by 116 since 1993
- Headquarters positions reduced 242 since 1993
- Control positions reduced by 91 since 1993

Reinvention Highlights—Improvements in Customer Service, Employee Empowerment, Cutting Red Tape & Getting Back to Basics

- Bureau of Labor Statistics Improves Timeliness of CPI Information
- Occupational Safety and Health Administration's Maine 200 Program
- Employment and Training Administration's Boeing Re-employment Project
- Pension and Welfare Benefits Administration Case Processing Backlog Reduced
- Office of Workers' Compensation Programs Streamlines Its Claims Review Processes
- Pension Benefit Guaranty Corporation's Missing Participant Outreach Program
- Seven "Hammer Awards" from Vice-President Gore—the most to any agency

Mr. SHAYS. Well, thank you for coming. And this hearing is adjourned.

[Whereupon, at 3:10 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Additional information submitted for the hearing is as follows. Due to high printing costs this information can be found in subcommittee files.]

1. U.S. DOL FY 1996 Budget Briefing, Major Initiatives.
2. U.S. DOL FY 1996 Budget.
3. CRS Report for Congress, Job Training: Proposed Rescissions.

OVERSIGHT HEARING ON THE DEPARTMENT OF LABOR

TUESDAY, APRIL 4, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HUMAN RESOURCES AND
INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 2247, Rayburn House Office Building, Hon. Christopher Shays (chairman of the subcommittee) presiding.

Present: Representatives Shays, Souder, Chrysler, Scarborough, Towns, Barrett, and Green.

Staff present: Lawrence J. Halloran, staff director and counsel; Christopher Allred, professional staff; Thomas M. Costa, clerk; Liz Campbell, minority staff assistant; and Cheryl Phelps, minority professional staff.

Mr. SHAYS. I would like to call this hearing to order, to welcome our witnesses, to welcome our ranking member, and to welcome our guests as well.

The purpose of today's oversight hearing is to examine opportunities for cost savings within the Department of Labor with an emphasis on waste, fraud, abuse, and also mismanagement. We also will discuss possible cost reductions through consolidation or elimination of a multitude of employment training programs.

This is the second hearing we have had regarding the Department of Labor. The first hearing was on March 9, and our only witness then was Secretary of Labor Robert Reich. His testimony included a discussion of DOL's missions and his plans for streamlining the Department.

I consider this a hearing on oversight that will help this committee begin to focus its time and attention on the Department of Labor. We are going to try to get into specifics obviously, but we are going to try to get a taste today of where we should focus our time and energy. It is very likely that we will call our first two witnesses back again when we then highlight one particular part that we want to focus in on.

We are anticipating hearing testimony about the Job Training Partnership Act. According to the Office of Inspector General, the JTPA program is vulnerable to fraud and lacks accountability. We also anticipate focusing discussion on the Targeted Jobs Tax Credit, which offers tax incentives to corporations for hiring the disadvantaged. I'm fascinated by the nationwide audit of the program,

in which the IG found that 92 percent of those hired would have been employed regardless of the program.

So I just welcome our witnesses, and I know we will get into some other areas as well and now would just ask for unanimous consent that all witnesses' statements be included in the record, so that you don't have to read your testimony, that you can highlight parts; that Members' statements can be included in the record as well; that we have 3 days to include all our information into the record; and I also—without objection, that will happen, and I'll just call on our distinguished Member, Mr. Towns, the ranking member of the committee.

[The prepared statement of Hon. Christopher Shays follows:]

PREPARED STATEMENT OF HON. CHRISTOPHER SHAYS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Welcome to all our witnesses. The purpose of today's oversight hearing is to examine opportunities for cost savings within the Department of Labor, with an emphasis on waste, fraud, abuse and mismanagement. We will also discuss possible cost reduction through the consolidation or elimination of a multitude of employment training programs.

This is the second oversight hearing on DoL. In the first hearing held March 9, our witness was the Secretary of Labor, Robert Reich. His testimony included discussion of DoL's mission and his plans for streamlining the department.

To help the Subcommittee achieve the purpose of today's hearing, experts from both public and private organizations will testify. They include: DoL's Office of the Inspector General; General Accounting Office; Urban Institute; and the Institute for Policy Studies at Johns Hopkins University. We appreciate the time, interest and recommendations of each witness.

We anticipate hearing testimony about the Job Training Partnership Act (JTPA). According to DoL's OIG, the JTPA program is vulnerable to fraud and lacks accountability. The IG auditors continue to find over-billing, falsification of exam scores and other abuses in the program.

As for accountability, a 1993 IG audit of the JTPA Title II–A program found that of the participants who left the program, only 53% obtained jobs (of which almost half were paid $5 an hour or less), 14% achieved some "employability enhancements," and 33% received no "employability enhancements" or obtained a job.

Another issue to be discussed is the Targeted Jobs Tax Credit (TJTC) program which offers tax incentives to corporations for hiring the disadvantaged. A nationwide audit of the program by the IG found that 92% of those hired would have been employed regardless of the tax credit and in most cases employers sought to determine eligibility after they had decided to hire the employee. The tax credit, the IG report states, is a windfall for employers and does not induce hiring of the disadvantaged.

Laws regulating the workplace also need to be examined. The GAO states that there are 40 different laws and a multitude of DoL offices establishing regulations for the workplace. The GAO interviewed businesses and employees and found that the system is inefficient, complicated and difficult to understand.

We will also discuss the awarding of noncompetitive, discretionary grants. A 1994 GAO report states that DoL awarded 134 such grants of $25,000 or more to organizations other than state or local governments during the FY90–92 period. Many of those organizations have been receiving the same awards for more than 25 years. GAO notes that the noncompetitive grants often have high administrative costs and there is limited oversight on how the money is spent.

These are a few of the issues the Subcommittee will discuss today. We look forward to the testimony of our panelists.

Mr. TOWNS. Thank you very much, Mr. Chairman. Let me thank you for calling this hearing and also say that I really appreciate the fact that you have paid a lot of attention to these matters.

It should be a given though that the purpose of the agency is to foster, promote, and develop the welfare of the wage earner of the United States, to improve their working conditions, and to advance their opportunity for profitable employment. That is not my lan-

guage, that is the Labor Department statutory language, Public Law 426, which created the Department in the 67th Congress.

Do we need to debate this point? I don't think so. If you agree with me that Public Law 426 lays out core values that must be preserved, then any budget reduction or program termination or agency consolidation proposal that fails to satisfy the mandate should be discarded right away. For example, we all know that the opportunities available to low-skilled workers are in rapid decline. Manufacturing and production jobs which were once a wage earner's leg up into the middle class are moving offshore to low-wage economies.

Can we agree that if we are to stabilize and increase our middle class, this Nation must produce jobs and a work force to fill them?

Can we agree that we cannot get people off welfare and into jobs without effective job training programs? That makes a lot of sense to me.

Can we also agree that if we are to maintain our competitive advantage globally we must retain that work force to meet the highest skills, high-wage job opportunities?

Then clearly initiatives that arbitrarily cut employment and training programs are ill advised and counterproductive and should be discarded.

Mr. Chairman, I am convinced that the solution is out there somewhere floating around, and I'm equally convinced that we must work together to find that solution, Republicans and Democrats and Independents. The Congress and the administration need to find this and need to find it right away.

A first step, however, must be to find some common ground. Toward that end, I look forward to the testimony of our witnesses and I look forward to working with you to be able to find that common ground.

I yield back the balance of my time.

[The prepared statements of Hon. Edolphus Towns and Hon. Gene Green follow:]

PREPARED STATEMENT OF HON. EDOLPHUS TOWNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Chairman shays, thank you for scheduling this hearing concerning opportunities for cost savings and improved efficiency at the Department of Labor. Today's meeting follows Secretary Reich's testimony regarding the agency's 1996 budget request, streamlining and reinvention priorities, and efforts to correct program and operational deficiencies. The Secretary's presentation has given us a real sense of the commitment and insight of this administration. In addition, it provides us a yardstick with which to measure other proposals.

Mr. Chairman, I fully appreciate the subtleties of our consideration of this issue. And I wonder if it may be useful for us to first reconcile our priorities and ideals before attempting to overhaul the labor bureaucracy, or fundamentally transform federal policy on employment issues.

For one, it should be a given that the purpose of the agency is to "foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment." That's not my language. That's the Labor Department's statutory language—Public Law 426, which created the Department in the 62nd Congress.

Do we need to debate this point? I don't think so. If you agree with me that Public Law 426 lays out core values that must be preserved, then any budget reduction, or program termination, or agency consolidation proposal that fails to satisfy the mandate should be discarded.

For example, we all know that the opportunities available to low-skilled workers are in rapid decline. Manufacturing and production jobs which were once a wage-earner's leg up into the middle-class, are moving off-shore to low-wage economies.

Can we agree that if we are to stabilize and increase our middle-class, this nation must produce jobs and a workforce to fill them? Can we agree that we cannot get people off welfare and into jobs without effective job training programs? Can we also agree that if we are to maintain our competitive advantage globally, we must re-train that workforce to meet the higher skilled, high-wage job opportunities?

Then clearly, initiatives that arbitrarily cut employment and training programs are ill-advised and counterproductive, and should be discarded.

Mr. Chairman, I am convinced that the solution is out there somewhere, and I am equally convinced that we must work together—Republicans and Democrats, the Congress and the administration—to find it. A first step, however, must be to find some common ground.

Toward that end, I look forward to the testimony of our witnesses and welcome any recommendations they may have.

PREPARED STATEMENT OF HON. GENE GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Thank you, Mr. Chairman. I appreciate the opportunity to dig deeper into each federal agency and find out how effective our federal programs truly are. In the hearings we have held thus far, we have noted the overlap of several program within agencies and between them. Not all the programs are run effectively, and many of them are subject to abuse.

The key is to decide which programs must go and which ones should stay. Some programs may be effective beyond the price tag that they bring and serve goals that should be served. Two programs in particular, the summer jobs program and the Davis-Bacon Act may be two of those kinds of programs.

I believe we should consider which goals we want to promote and what may be best for society as a whole and not just look at narrow criteria such as cost without recognizing the context in which these programs are taking place.

I look forward to exploring these ideas with today's panelists. Thank you, Mr. Chairman.

Mr. SHAYS. I thank the gentleman.

Mr. Chrysler. Do you have a statement?

Mr. CHRYSLER. Yes, Mr. Chairman, I appreciate this opportunity to ask questions of this distinguished board.

You know, it is my belief that the solutions that we are looking for, certainly that my distinguished colleagues ask for, should really come from you, because you are the ones that are on the front lines of this issue, you are the ones out there talking to these people and listening to their issues, and they really do need to come from you. However we need our Federal Departments of Government to come to these committees and certainly come to Congress with those solutions. They can say to everyone in Congress that this is the way we need to conduct business, these are the things that we need to do to give the best service possible to our constituents, our customers, and certainly this is the way we can do it in the most cost-effective way.

So I believe that each and every hearing like this or each and every year that you would come through with more and better solutions and more cost-effective ways so that the American taxpayers can get a better bang for their buck, we can get better solutions for the people that truly need it, and they really need to come from you.

Thank you.

Mr. SHAYS. I thank the gentleman.

The practice of this committee is to swear in all of our witnesses, and if all three of you would stand—I'm going to encourage you to stand as well. Thank you.

[Witnesses sworn.]

Mr. SHAYS. Great. Nice to have you here.

Mr. Souder, do you have a statement you would like to make?

Mr. SOUDER. No, thank you, Mr. Chairman.

Mr. SHAYS. OK. It is nice to have you here in the committee and here today for the hearing.

We are joined by Charles Masten, who is the Inspector General for the U.S. Department of Labor—it is nice to have you here—also Clarence Crawford who is the Associate Director of Education and Employment with the GAO's office—and I find it interesting that you combine education and labor—and we are also joined by Joe Fisch, Assistant Inspector General. Nice to have you here as well.

Gentlemen, it would probably be helpful for you to summarize your testimony, but I do want to make sure though that we get the whole gist of your comments, so just feel free to give your testimony as you would like.

Mr. Masten, we will start with you.

STATEMENT OF CHARLES C. MASTEN, INSPECTOR GENERAL, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY JOE FISCH, ASSISTANT INSPECTOR GENERAL FOR AUDIT; AND CLARENCE C. CRAWFORD, ASSOCIATE DIRECTOR, EDUCATION AND EMPLOYMENT ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. MASTEN. Good morning. Thank you, Mr. Chairman and members of the subcommittee. Thank you for inviting me to appear before you in my capacity as Inspector General of the U.S. Department of Labor. I am accompanied by Mr. Fisch, as you stated, Mr. Chairman. He is our Assistant Inspector General in charge of our Office of Audit.

Before I get into summarizing my statement, I would like to state for the record that my comments here will be in my capacity as the Inspector General and may not be the official position of the Department of Labor.

Mr. SHAYS. Is that intended as a joke?

Mr. MASTEN. No, no, that is not a joke. If you notice in my testimony, that is a comment I put on the record.

Mr. Chairman, there is much discussion at all levels on the need to reform the employment and training system of which Job Training Partnership Act, JTPA, is the centerpiece. One of our main concerns with respect to JTPA is that the Department still has not instituted outcomes-based performance measures to show the return on investment for the JTPA program. Although the current performance measures have come a long way since the early days of JTPA, they still do not get to the fundamental issues of long-term economic self-sufficiency, increased employment and earnings, reduction in welfare dependency, and increased educational attainment and occupational skills as required by statute. Without such measures, the effectiveness of JTPA, which received a fiscal year 1995 appropriation of over $5 billion, cannot be properly evaluated.

Another area of concern relates to the current discussion of block grants as a funding mechanism for a one-stop delivery system. JTPA was amended in 1992 to improve JTPA procurement as well as program and cost accountability. The amendments were partially in response to problems and abuses identified by OIG audits. I am concerned that these reforms might be diminished or discontinued with a decentralized framework. Thus, we would recommend that in considering a block grant approach to job training, Congress ensure that the standards of accountability established by the 1992 amendments are preserved.

Another area where we have some concern is the consistent, relatively low performance of a number of Job Corps Centers. We are of the opinion that this needs to be addressed before the program is expanded. We are encouraged by the Job Corps management's recent commitment to conduct, in conjunction with the OIG, a comprehensive review of the best and worst centers to identify factors contributing to poor performance and to take corrective action. Job Corps has also significantly revised its performance standards for its centers in order to improve overall program performance.

Mr. Chairman, as you may recall, in my previous testimony before this subcommittee last September, as a result of our findings in a nationwide audit of the Targeted Job Tax Credit, the TJTC program, for the first time in the history of the OIG, my office called for the elimination of a program. Even though the tax credit was created to encourage employers to hire members of hard to employ target groups, our audit determined that 92 percent of the individuals in our sample would have been hired even without TJTC. We also found that hiring decisions were typically made before an individual's TJTC eligibility was determined. The Joint Committee on Taxation estimates that TJTC resulted in expenditures and lost Federal tax revenue of nearly $300 million in 1994 alone.

While the program expired last December, we remain concerned because, in the past, the program has been allowed to expire, but then it has been reauthorized. We are of the opinion that the high cost and ineffectiveness of this program place it squarely on the list of programs that should be eliminated.

Mr. Chairman, as you may be aware, the Federal Employee Compensation Act, FECA, is the basic workers' compensation program for Federal and other covered employees. During fiscal year 1994 Federal agencies spent $1.2 billion on compensation and $485 million on medical benefits. Over the years our investigations have uncovered many schemes by medical providers and claimants to defraud this program. The OIG is of the opinion that real savings may be achieved by the Federal Government if both Federal agencies and DOL effectively monitor FECA cases to detect and prevent fraud both from claimants and providers.

Mr. Chairman, in my full statement I also discuss our recommendations that ETA implement full cost recovery user charges to make the Foreign Labor Certification Program self-sustaining and some concerns and recommendations related to discretionary and noncompetitive grants, and indirect costs charged to the Government by contractors and grantees.

Mr. Chairman, this concludes the summary of my oral statement, and Mr. Fisch and I will answer any questions you or any member of the subcommittee may have.

[The prepared statement of Mr. Masten follows:]

PREPARED STATEMENT OF CHARLES C. MASTEN, INSPECTOR GENERAL, U.S. DEPARTMENT OF LABOR

Good morning, Mr. Chairman and Members of the Subcommittee. Thank you for inviting me to appear before you in my capacity as Inspector General of the U.S. Department of Labor (DOL). I am pleased to be here today to address the important topic of finding ways to maximize government services while containing costs. I am accompanied by Mr. Joseph Fisch, the Assistant Inspector General for Audit.

From the outset, I wish to emphasize that the views expressed today are mine as the Inspector General and may not be the official position of the Department.

BACKGROUND

The Office of Inspector General (OIG) was established at the U.S. Department of Labor by the Inspector General Act (IG Act) of 1978. Our mission is to provide independent and objective oversight of the Department. We do this by conducting audits and investigations of DOL programs and operations. We also conduct criminal investigations related to the influence of organized crime and labor racketeering in employee benefit plans, labor-management relations and internal union affairs.

My office is in a unique position to offer views on ways to maximize services while containing costs in DOL for two principal reasons. First, while I, as Inspector General, am under the broad supervision of the Secretary of Labor, the IG Act preserves OIG's independence from the Department. This organizational independence allows us to present fair and impartial conclusions and recommendations on the economy, efficiency and effectiveness of DOL programs and operations. Second, the DOL OIG "lives" in the Department of Labor, alongside other departmental components; this gives us an insider's knowledge of the Department's workings.

It is from this dual perspective that I suggest the following DOL programs areas and agencies for re-examination. In doing so, funds potentially can be freed up or better utilized to carry out the Department's fundamental mission of serving and protecting America's working men and women.

EMPLOYMENT AND TRAINING PROGRAMS

Job Training Partnership Act

There is much discussion at all levels on the need to reform the employment and training system. Programs operated under the Job Training Partnership Act (JTPA), the centerpiece of the current system, serve as a reference point for the debate.

Mr. Chairman, one of our main concerns with respect to JTPA, and which we have been reporting since 1988, is that ETA has still not instituted outcomes-based performance measures to show the return on investment for the JTPA program. The JTPA law itself provides that "it is essential that criteria for measuring the return on . . . investment be developed . . . to be measured by long-term economic self-sufficiency, increased employment and earnings, reductions in welfare dependency, and increased educational attainment and occupational skills." Although the current performance measures have come a long way since the early days of JTPA, they still do not get to the fundamental issues of long-term economic self-sufficiency, increased employment and earnings, reductions in welfare dependency, and increased educational attainment and occupational skills, as required by law. Without such measures, the effectiveness of JTPA, which received a Fiscal Year 1995 appropriation of over $5 billion, cannot be properly evaluated.

Another area of concern relates to the current discussion of block grants as a funding mechanism for a one-stop delivery system. The original JTPA program, although not enacted as a block grant, was implemented with some block grant principles under the "New Federalism" of the early 1980s. The OIG is of the opinion that many of the accounting, procurement, compliance and performance measurement weaknesses we have identified may, in part, be attributable to the way JTPA was implemented. Let me cite just a few examples from our audit findings over the past several years pertaining to the JTPA program prior to its being amended in 1992:

- Our March 1993 audit report on JTPA Title II–A Program Outcomes for Program Year 1990 found that, of the participants who left the program, 53 percent obtained jobs (of which almost half were paid hourly wages of $5.00 or

less); another 14 percent achieved some employability enhancements (that is, training which provided at least the potential for future employment); and the remaining 33 percent did not obtain a job or achieve an employability enhancement. We also found that individuals with educational and personal barriers, such as school dropouts, persons with disabilities, and substance abusers, were usually not assisted to the same extent as persons who lacked job skills, job search skills and labor market information. The audit raised questions about whether JTPA was sufficiently funded to carry out its legislative mandate and whether the program's focus should be narrowed.

• Our March 1992 report on Kentucky Industrial Incentives questioned $6.9 million of JTPA funds expended by the State of Kentucky to subsidize its industrial development program. The State reimbursed a portion of normal start-up costs incurred by the Toyota Motor Corporation and the Budd Company to recruit and train individuals who were highly qualified for the jobs and who were not in need of JTPA assistance.

• In a report issued in March 1994, we questioned $7.1 million in Program Years 1989 and 1990 expenditures by the Alamo Consortium SDA. We identified significant amounts spent on activities that provided marginal, if any, benefit to JTPA participants as well as unnecessary or undocumented costs for training and services. We concluded that the Consortium's problems were of such magnitude that we recommended that the Department take steps to classify the SDA as a high-risk subgrantee.

• Our March 1992 report on Computer Educational Equipment Usage in Florida questioned over $4.7 million for computer equipment purchased with JTPA funds by six Florida SDAs. We determined that 82 percent of the users were not eligible for JTPA and JTPA was never compensated for the costs of the non-JTPA users.

• Another audit report issued in March 1992 questioned almost $850,000 in unwarranted profits generated through the State of Florida's layering of fixed unit price, performance-based contracts. We questioned an additional $365,000 in unsupported administrative costs charged by a private non-profit organization.

Partially in response to OIG findings, as well as suggestions by the states themselves, after 4 years of public and legislative debate, the Job Training Partnership Act was amended in 1992. The JTPA Amendments incorporated strong provisions to improve JTPA procurement as well as program and cost accountability. The final rule implementing the amendments was published September 2, 1994, but will not be effective until June 30 of this year. We believe the amendments will significantly reduce incidents such as those cited above. Thus, I am concerned that these reforms, which took so long to be achieved, might be diminished or discontinued under a decentralized framework. Consequently, we would recommend that in considering a block grant approach to job training, Congress ensures that the standards of accountability established by the 1992 amendments are preserved.

Essentially, Mr. Chairman, the OIG believes services will not be maximized, nor costs minimized, without a valid measurement of return on investment and a level of accountability adequate to ensure that the investment of public monies is safeguarded and justified.

In addition to our audit work, over the years my office has devoted significant investigative resources to detect and deter JTPA program fraud. Our investigations continue to disclose serious endemic problems, as well as outright criminal schemes, such as billing for ghost participants, overbilling or embezzlement by consultants and contractors, falsification of participant scores, and/or abuses by brokers and other middlemen. For example:

• We conducted a criminal investigation of Quality Plus, an Atlanta secretarial school, in which we determined that operators and instructors were providing answers or fabricating test scores for JTPA participants and fraudulently collecting JTPA funds. Kathleen Bacon Miller pled guilty to charges of theft and embezzlement charges. Barak Miller pled guilty to two counts of embezzlement. They are awaiting sentencing, while a third defendant is awaiting trial. The criminal investigation also identified areas of program mismanagement. A September 1993 audit of this contractor resulted in almost $300,000 being questioned, primarily due to program mismanagement and other irregularities.

• We also conducted an investigation of New York's Project Rebound and several of its subcontractors. Operated by the National Association for the Advancement of Colored People, Project Rebound served as a major JTPA on-the-job training broker for many years and received multi-million dollar JTPA contracts to identify and place individuals in OJT positions in the New York City area. Our investigation found that Project Rebound executives and placement

counselors falsified participant placement and retention records to fraudulently obtain some $632,000 in JTPA program funds. The seven defendants in this case, including three subcontractors, individually pled guilty to numerous Federal charges.

• Another investigation, conducted jointly with the Internal Revenue Service, found that the former JTPA Director of the South Carolina Governor's Office, Ishmael M. Holley, conspired with James E. Dennis, a multi-million dollar JTPA contractor and Robert E. Scott, Jr., Dennis' Comptroller, to accept payments to influence business transactions affecting JTPA contracts. Holley and Dennis pled guilty to these charges. Scott pled guilty to misapplication of JTPA funds. They were sentenced to various terms of incarceration, home detention, and probation. In addition, Holley was ordered to pay $45,000 in restitution and a $9,000 fine. The investigation identified approximately $294,000 in misapplied JTPA monies. In addition, our Office of Audit questioned over $3 million in costs.

Needless to say, Mr. Chairman, the OIG is of the opinion that, in this era of diminishing resources, it is vitally important that all Federal, State, and Local agencies involved in the administration of the JTPA program exert leadership, in a concerted effort to ensure that JTPA resources are not mismanaged, squandered, or defrauded.

The Job Corps Program

Another area where we have had some concerns is the Job Corps Program. The Job Corps Program was created 30 years ago as a residential education and training program to assist disadvantaged youth to be more employable, productive citizens. It is authorized under Title IV of the JTPA and funded at over $1 billion per year. The Job Corps can be an important tool in helping disadvantaged young men and women to turn their lives around and increase their economic earning power. This important mission, coupled with its cost, makes ensuring the program's success vitally important.

Through congressional testimony and OIG audit reports, my office has called attention to "pockets of ineffectiveness" within the Job Corps Program that need to be addressed by DOL before it continues to seek to expand the program with additional centers. One of the most important areas that we have identified in our audits as requiring attention has been the consistent, relatively low performance of a number of centers. Using Job Corps' own data, the OIG has reviewed the individual performance of Job Corps Centers nationwide since 1987. Based on several performance indicators, the OIG has ranked the centers according to their overall performance. While a significant number of centers have sustained performance above the national average in all or most of the performance indicators, there are a number of centers that consistently perform below the national averages. The OIG has found that, for the most part, the bottom-ranked centers place a smaller proportion of their students upon termination, assist fewer students in obtaining their GED or in achieving learning gains, have fewer students who complete their vocational training, and have higher rates of students who have terminated the program but whose status is unknown.

Because of this wide variability in center performance, an individual student's chance to succeed may come down to "the luck of the draw." We need to ensure that every student who enters the Job Corps Program has an equal opportunity to succeed, regardless of which center he or she attends.

I believe that these problems must be resolved before any funds are spent on opening new Job Corps centers. We are encouraged by Job Corps management's recent commitment to conduct, in conjunction with the OIG, a comprehensive review of the best and worst centers to identify factors contributing to poor performance to take corrective actions. Job Corps has also significantly revised its performance standards for its centers in order to improve overall program performance. The OIG will continue to monitor these developments and report on Job Corps' progress, particularly as expansion of the program is considered.

Targeted Jobs Tax Credit Program

Mr. Chairman, as you may recall from my previous testimony before this Subcommittee last September, as a result of our findings in a nationwide audit of the Targeted Jobs Tax Credit (TJTC) Program, for the first time in the history of the DOL–OIG my office called for the elimination of a program.

The TJTC program was enacted in 1978 to encourage businesses to hire members of hard-to-employ target groups—predominantly the economically disadvantaged—in exchange for Federal tax credits. We audited TJTC to determine if the program is an effective and economical means of helping the target group members obtain

jobs. The OIG found that the great majority of employers made their hiring decisions even before determining an individual's eligibility for TJTC. We projected that 92 percent of the individuals for whom employers could have claimed a credit would have been hired even without TJTC. In other words, although TJTC was intended as a hiring incentive, the tax credit caused the employment of target group members in only 8 percent of the cases. In addition, we estimated that the program's costs exceeded its benefits by over $234 million over a 1-year period, resuming economic benefits of just 37 cents for each dollar of spending and foregone tax revenues.

Our audit found TJTC jobs were largely entry-level, part-time, low-paying, low-skilled positions. We found that:

- TJTC employment included jobs such as fry cooks, order takers, waiters/waitresses, cashiers, retail clerks and maids/janitors—the same types of jobs individuals held both before and after their TJTC employment;
- TJTC participants' starting hourly wages averaged only $4.96;
- 1 of 3 employees was paid no more than the minimum wage required by law;
- 2 of 3 employees worked part-time; and
- 2 of 3 employees were not offered any fringe benefits.

The data indicates that TJTC employment was usually in jobs for which no special qualifications were needed or for which applicants already possessed requisite skills. We also found that TJTC-covered employment was the first job for only 13 percent of the individuals we sampled.

The Joint Committee on Taxation estimated that TJTC resulted in expenditures and lost federal tax revenues of nearly $300 million in 1994 alone. Despite this substantial cost, our results led us to conclude that TJTC is nothing more than a windfall to employers. Accordingly, we recommended the Secretary encourage Congress not to renew TJTC after its expiration on December 31, 1994.

In addition to our audit work, we have also conducted several criminal investigations in which we have identified fraud in the program, particularly falsification of eligibility documents by contractors. We have found that at times contractors would impersonate participants in telephone interviews with state employment security agencies, and falsify and submit documents to the Government without the participants' knowledge.

While the program expired December 31, 1994, we remain concerned because, in the past, the program has been allowed to expire, but has then been reauthorized retroactively. We are of the opinion that the high cost and ineffectiveness of this program place it squarely on the list of programs that should be eliminated.

ALIEN CERTIFICATION USER FEES

The Office of Inspector General also has a long-standing concern that the Employment and Training Administration is not imposing sufficient user fees for processing and issuing labor certifications for foreign workers. In a January 1991 OIG audit report, we recommended that ETA institute full cost-recovery user charges for all foreign labor certification programs. Federal agencies can implement full cost recovery user charges by administrative action. We estimated at the time that costs of $100 million could be recovered over a 3-year period through collection of fees from employers requesting labor certifications from ETA. Although ETA agreed in principle with our recommendation, no action has been taken to date. Moreover, since our audit, ETA has assumed responsibility for administering several additional labor certification programs.

We continue to believe ETA should implement cost-recovery user charges to make the foreign labor certification program self-sustaining and shift the cost to its primary beneficiary—the employer.

The OIG has recently initiated an audit to determine the effectiveness of ETA's administration of its foreign labor certification and attestation programs. We expect to report our results later this year.

NATIONAL DISCRETIONARY AND NONCOMPETITIVE GRANTS

As you know, Mr. Chairman, DOL agencies fund numerous discretionary grants, contracts and studies in the course of carrying out their program responsibilities. In some cases, the award program itself may be at the discretion of the Secretary. In other cases, there may be some discretion in how the program is carried out. For example, the JTPA legislation permits—but does not require—the Secretary to make grants to national organizations and public interest groups that have special expertise in administering employment and training programs. Part of this money is used for ETA's Partnership grants. A large portion of these grants are awarded on a sole source basis, with the balance awarded competitively to community-based

organizations. In many cases, the Partnership organizations also receive funding from state and local JTPA recipients.

Based on some of our audit findings, I believe it would be very appropriate to reexamine these discretionary awards to identify areas of potential cost-savings. For example, the National Alliance of Business (NAB), a Partnership grantee, has received funding from the Department of Labor since 1968. Since 1982, the earliest period for which data is available, NAB has received some $96 million in funding, including $6.2 million for Program Year 1994.

We audited the NAB grant for Program Years 1988 and 1989, and issued our report in 1991. A major concern at the time of our audit was that the NAB grant had been awarded on a noncompetitive basis; NAB has since competed for part of the Partnership money it receives from ETA, and receives the balance on a noncompetitive basis. The audit also disclosed that NAB had several outside sources of income, including conference registration fees, publications sales, fee-for-services contracts, membership sales, and fund raising. However, income realized from these activities was not always reported as program income to DOL and, thus, was not used to offset expenses charged to the grant.

The question arises whether NAB and other organizations like it, some of which already receive funding through the regular JTPA service delivery system, should receive additional awards directly from ETA. From my perspective, anything that can be described as "discretionary" should be looked at as a possible source of cost savings. However, if it is determined that a continuing need for such Partnership grants exists, we believe greater use of competitive procurement methods should be made.

Another national program I wish to address is the Senior Community Service Employment Program (SCSEP). Of particular concern to us is the continued funding, year after year, of the same nine nonprofit organizations and the U.S. Forest Service to operate the national sponsors segment of SCSEP. The national sponsors funding equals 78 percent of total program funds and represents over $300 million for Fiscal Year 1995.

Audits we have completed on selected SCSEP grantees over the years have identified significant questioned costs. For example, our audit of costs claimed by the National Council on Aging (NCOA), an SCSEP national sponsor, for Calendar Years (CYs) 1988–1989, and a second audit of NCOA costs for CY 1990, resulted in an adverse opinion by the OIG on the costs claimed by NCOA and in ETA Grant Officer disallowances of nearly $800,000. A settlement agreement in the amount of $400,000 was signed on March 15, 1995, between NCOA and the Department. Preliminary indications from our ongoing audit of NCOA grants for subsequent years suggest that some of the deficiencies previously identified have continued.

Despite these problems, language from congressional appropriations reports clearly implies that ETA maintain the status quo in designating, without competition, the national SCSEP sponsors. We believe that setting these organizations up as presumptive deliverers of the SCSEP program not only shields them from the consequences of their own mismanagement, but also may preclude other organizations from participating as program sponsors.

INDIRECT COSTS CHARGED BY CONTRACTORS AND GRANTEES

Mr. Chairman, another opportunity for cost savings is in the area of indirect costs charged to the Government by contractors and grantees. In May 1994, I testified before the Senate Appropriations Committee, Subcommittee on Labor, HHS and Related Agencies, regarding persistent abuses by contractors and grantees in submitting improper indirect cost claims to the Government. I recommended that Federal civilian agencies be given the same authority as was then available to the Defense Department to assess penalties and interest against grantees and contractors. In response to long-standing concerns by Federal agencies, Congress enacted the Federal Acquisition Streamlining Act on October 13, 1994. The Act is a comprehensive reform measure that codifies and clarifies what costs contractors may submit to the Government.

The Act provides civilian agencies with the authority to assess penalties and interest against contractors for violations of the Federal Acquisition Regulation cost principles. However, the Act did not extend these sanctions to grantees. Extending the use of such sanctions to grantees would return more funds to the U.S. Treasury in the event of disallowed costs. Increased sanctions hopefully would have a deterrent effect as well.

In addition to increased sanctions, I believe new approaches to indirect costs should be explored. One such approach might be to reimburse grantees and contractors for indirect costs based on a flat percentage of their total direct costs. The per-

centage could be indexed to the type and size of the awardee. Such an approach would simplify and reduce the administrative burden associated with determining indirect costs, at the same time allowing recipients to recover non-direct costs applied to a Federal project.

FEDERAL EMPLOYEES' COMPENSATION ACT PROGRAM

Mr. Chairman, as you may be aware, the Federal Employees' Compensation Act (FECA) is the basic workers' compensation program that pays benefits to Federal employees and certain other covered workers who incur disability or disease through on-the-job injury or exposure. During FY 1994, Federal agencies spent over $1.2 billion on compensation and $485 million on medical benefits. Our investigative focus in the FECA program can be divided into two areas of concentration: medical provider fraud and claimant fraud. Over the years, our investigations have uncovered many schemes where doctors, clinics, pharmacists, physical therapists, medical technicians, and providers of medical equipment have billed the government for services that were not rendered, filed multiple bills for the same procedure, billed for nonexistent illnesses or injuries, or overcharged for services. For example:

- A recent investigation resulted in a Texas physician, Dr. Earl M. Stenger, pleading guilty to submitting false billings for services never rendered. Our undercover agent, posing as a patient, told the doctor she needed time off from work for personal reasons. The doctor had our agent return to his office periodically over a period of a few months. At each visit, he billed the FECA program for services such as physical therapy, biofeedback or family counselling, even though none of these services were actually provided. He is scheduled to be sentenced this month.
- In another case, a registered physical therapist and his wife, Leonard and Kathleen Vigliatore, pled guilty to conspiracy and mail fraud, respectively, in a scheme where they defrauded the Department by submitting fraudulent bills for treatment that was never rendered to FECA claimants. The defendants received approximately $1.4 million as result of the scheme. Kathleen Vigliatore was sentenced to 24 months of probation. Leonard Vigliatore was sentenced to 27 months in prison and 36 months of probation, and ordered to make restitution of $125,000.

With respect to claimants, we generally find two types of FECA fraud—either where the actual injury being claimed is falsified or where the claimant is injured, recovers, and then conceals or falsifies non-injury information, particularly unreported income, that could reduce or terminate benefit payments. For example:

- Following a joint investigation with the FBI, a former Treasury employee, Billy Clem Rae, was convicted in a scheme to defraud the FECA program. He tried to further the scheme by attempting to hire an individual to murder a key witness, who had information that Rae was not totally disabled and was, in fact, owner of four different corporations while fraudulently receiving over $188,000 in FECA benefits. He was sentenced to over 12 years in prison and 3 years of probation, and fined $175,000.
- A former Navy employee, Robert V. Suttle, who sustained a back injury in 1971, pled guilty after being charged with submitting false statements to fraudulently obtain FECA benefits. Our investigation found that, from 1980 through 1994, Suttle worked as a real estate agent without reporting his employment. Following his guilty plea to mail fraud, he was sentenced to 14 months in prison and 3 years of probation. He agreed to pay restitution of $257,000 and pay a fine of $50,000.

In addition to our investigative efforts, my office has coordinated with members of the IG community by providing training and technical advice on conducting FECA fraud investigations. Moreover, during the 103rd Legislative Session, we worked closely with the Congress and the Department to successfully secure passage of legislation that deters fraud and abuse of the FECA program. The legislation raised the violation of the FECA fraud statute from a misdemeanor to a felony. It also authorized the Department to permanently terminate the benefits of anyone convicted of defrauding the program.

The OIG has also been leading a review by the IG community to determine whether Federal employing agencies are efficiently and effectively managing their workers' compensation responsibilities under FECA. As a result of our findings at the Department of Labor, we have stimulated interest in the IG community to audit their agencies' FECA programs which, as I mentioned earlier, collectively account for billions of dollars in appropriated funds.

The OIG is of the opinion that real savings may be achieved by the Federal Government if both the agencies and DOL effectively monitor FECA cases to detect and

prevent fraud, both from claimants and providers. We also believe agencies need to ensure that able employees are resumed to work as soon as possible, including making arrangements for part-time or light duty employment.

Mr. Chairman, this concludes my prepared statement. Mr. Fisch and I would be pleased to answer any questions you or the other Subcommittee members may have.

Mr. SHAYS. I thank the gentleman. We will wait for questions and hear from Mr. Crawford.

Mr. CRAWFORD. Good morning, Mr. Chairman and members of the subcommittee. We are pleased to be here today to discuss ways to make labor a less costly, more effective agency.

Over the years the Labor Department has contributed much to the quality of life of American workers. However, the ever increasing rate of change in the economy has presented new demands and challenges in the way the Federal Government carries out its worker protection and work force development responsibilities, leading many to ask three questions about the Federal role, and I think it also addresses some of the concerns that you and Mr. Towns had mentioned, and these three questions are: What should the Federal role be in ensuring worker protection and work force development? How can the role be carried out in a less costly manner and at the same time enhance U.S. competitiveness? And, No. 3: What should be the Labor Department's role in this process?

Turning your attention to our big board, the workplace regulation board, there are 26 statutes and Executive orders that cover workplace regulation. The ones that labor has responsibility are in black, and EEOC has the next highest number, four, which are in the blue color. The interesting thing to note here—and we will come back to it——

Mr. SHAYS. Could the gentleman just tell me—I'm not colorblind—you said blue?

Mr. CRAWFORD. Blue or violet or whatever.

Mr. SHAYS. OK.

Mr. CRAWFORD. I'm not very good at—I know that it is different than black.

Mr. SHAYS. OK. Well, we will struggle with this.

Mr. CRAWFORD. OK.

Just as in the multiple employment training area where we identified a number of different players involved in the issue, when you look at the average employer in this country, they are covered by about nine statutes and there are eight agencies that they have to deal with in the workplace regulation issue. If you look at an organization like OSHA, it has about 1,000 enforcement employees and in the neighborhood of 100 field locations to carry out this responsibility.

Based on our study in 1994, employers and workers told us that they generally supported workplace regulation and they thought that there were benefits to having these regulations but they had concerns about the way the regulations were carried out. They believe that the agencies employed a "Gotcha" mentality, that enforcement was unfair and inconsistent, they didn't feel that they received sufficient credit for good faith efforts, and communications were poor. They suggest some new approaches that the Labor Department may want to consider, and with these approaches they tend to be less labor intensive, which could translate into less cost. The adoption of greater service orientation and greater reliance on

alternative regulatory strategies, more employer and worker responsibility in ensuring workplace protections. And the next area would be greater technical assistance, toll-free telephone numbers, better education programs for employers and educate—and for the workers.

Shifting gears to the employment training board, you will see as you begin to look at what to do with Labor and the programs, you will see that Labor has about a quarter of the programs and about a third of the dollars in the multiple employment program area. When we looked at those 163 programs, the consistent message we found was the programs confuse workers, employers, and administrators; they provide overlapping services; they waste resources; and little is known about whether or not the programs actually help people.

Taking a look at three programs—and I'll just cover them very quickly since the IG addressed much of this in his statement—they tell a very interesting story, and I'll just use some phrases. When you look at the youth programs, dislocated worker programs, and disadvantaged programs, these phrases come to mind: Ineffective, low program performance, inconsistent, little is known about results, modest gains at best.

We believe that there are also opportunities here to improve the quality and also save money. Through the consolidation of many of these employment training programs, we think that savings are likely to be derived. We would argue though that, as you work through this issue, Labor's role in this new process needs to be clearly defined.

In conclusion, there are opportunities to improve service and reduce cost in both the worker protection and work force development functions by rethinking Labor's role—rather, the Federal role, which includes defining Labor's part in the new system.

When you talk to private sector experts about redesign and change, one of the things that they say is that accompanying decisions to reduce costs is also a requirement that you begin to rethink what it is that you are doing and what your business activities are.

Mr. Chairman this concludes my oral statement, and I will be happy to answer any questions that you or other members of the subcommittee may have.

Thank you.

[The prepared statement of Mr. Crawford follows:]

PREPARED STATEMENT OF CLARENCE C. CRAWFORD, ASSOCIATE DIRECTOR, EDUCATION AND EMPLOYMENT ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to assist the Subcommittee as it looks for ways to improve the activities at the U.S. Department of Labor, while making the Department a smaller, more effective agency.

Over the years, the federal government and the Department of Labor have contributed significantly to work life quality in America by improving working conditions and worker-management relations and improving workforce skills. However, the ever increasing pace of change in the economy, the globalization of markets, the workforce's increasing skill requirements, and changing employer-employee relations have presented new demands and challenges to the federal government's traditional roles and approaches. This raises the questions: What should the federal role be today in ensuring worker protections and workforce development, and how can

that role be carried out in a less costly manner and at the same time enhance U.S. competitiveness?

To help you address these questions, you asked that we discuss our work on federal programs and activities, including the Labor Department's role, in the areas of (1) worker protection and (2) workforce development.[1]

In summary, our work suggests that although Labor has accomplished much over its history, its current approaches to worker protection are dated and frustrate both workers and employers. What is needed, according to the employers and employees we spoke with is a greater service orientation: improved communication, increased employers' and workers' accessibility to compliance information, and expanded meaningful input into the standard-setting and enforcement processes. By developing alternative regulatory strategies that supplement and in some instances might replace its current labor-intensive compliance and enforcement approach, Labor can carry out its statutory responsibilities in a less costly, more effective manner.

Similarly, in the workforce development area, the nation's job training programs have become increasingly fragmented and unclear. Rather than a coherent workforce development system, what exists today, spread across many federal agencies, is a patchwork of federal programs with similar goals, conflicting requirements, overlapping populations, and questionable outcomes. The roughly $20 billion appropriated in fiscal year 1995 for job training assistance to adults and out-of-school youth is disbursed to 15 agencies, including Labor, which supports 163 separate programs. The current situation suggests that a major overhaul and consolidation of programs is needed to create a more efficient, effective workforce development system.

BACKGROUND

The purpose of the Labor Department, which was established as a separate executive department in 1913, is to ". . . foster, promote, and develop the welfare of wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment." This purpose has evolved into two main Labor Department functions: ensuring worker protection, essentially through regulation issuance and enforcement and enhancing workers' skills through job training.

The bulk of Labor's budget ($25 billion of Labor's $33.8 billion fiscal year 1995 budget) is mandatory spending on income maintenance programs such as the unemployment insurance program. (See table 1.) About $8.2 billion of Labor's 1995 budget is for enforcement of worker protections and workforce development—$1 billion is for enforcing workplace standards for such areas as minimum wages, pensions, and occupational safety and health; and $7.2 billion is allocated to employment training activities. However, most—about 10,000 full-time equivalent (FTE) staff-years—of Labor's 17,600 FTEs are dedicated to its labor-intensive worker protection efforts, while about 1,800 FTEs are used to oversee its workforce development responsibilities.[2]

The Department has six units responsible for worker protections: the Employment Standards Administration, the Pension and Welfare Benefits Administration, the Office of the American Workplace, the Pension Benefits Guaranty Corporation, the Occupational Safety and Health Administration, and the Mine Safety and Health Administration. Together, they have 10,229 FTEs and a budget of $1 billion.

The Department's workforce development responsibilities are housed in the Employment and Training Administration and the Veterans' Employment Training Service. Together, they have a budget of about $7.2 billion and 1,800 FTEs. Labor Department employment training programs include 20 programs authorized by the Job Training Partnership Act (JTPA) for economically disadvantaged adults and youth, workers who lose their jobs due to plant closings or downsizing, and an intensive residential program for severely disadvantaged youth. Other activities include support for the Employment Service, Apprenticeship Training, and the Veterans Employment Program.

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[1] See appendix II for a list of GAO's work related to Department of Labor functions, workplace protection activities, and employment training programs.

[2] Labor has experienced a long-term decline in staffing, from over 24,000 FTEs in fiscal year 1980 to 17,600 in fiscal year 1995.

Table 1: Department of Labor Appropriations and Staff-Year Spending

Fiscal Year 1995

Category	Fiscal year 1995 appropriations (millions)	Full-time equivalent staff-years
Unemployment Insurance and Other Income Maintenance Expenses	24,998	0
Employment and Training	7,229	1,801
Enforcement	1,029	10,229
Employment Standards Administration	277	3,677
Pension and Welfare Benefits Administration	69	621
Office of the American Workplace	31	400
Pension Benefits Guaranty Corporation	138	687
Occupational Safety and Health Administration	313	2,323
Mine Safety and Health Administration	201	2,521
Bureau of Labor Statistics	351	2,543
Departmental Management	178	2,569
Office of the Inspector General	52	490
Total	33,837	17,632

Note: Totals may not add due to rounding.
Source: Department of Labor

DISSATISFACTION WITH LABOR'S CURRENT APPROACH TO WORKER PROTECTION

Despite Labor's many contributions over its history to protecting workers, the Department's approaches do not appear well suited to the demands and challenges of today's work world. Moreover, workplace laws and regulations have risen in number and complexity in the last 60 years. This, combined with Labor's approach to enforcing these worker protections through labor-intensive, on-site inspections and the imposition of fines and penalties viewed as "gotcha"-oriented, have created difficulties for employers. Concerns have arisen that this approach does not recognize "good-faith" efforts of businesses and questions have been asked as to whether this is the most effective means for improving working conditions today. For example, Labor continues to use on-site inspections to enforce OSHA regulations despite the addition of millions of new workplaces and employees in recent years. About 2,000 federal and state compliance officers are responsible for well over 6 million workplaces; this equals a ratio of 1 inspector for every 3,000 workplaces.

Last year, we released a report that identified the many federal statutes comprising the framework of federal workplace regulation and collected information about actual employer and employee experiences with worker protection regulations.[3] To obtain the experiences of those operating under federal workplace protection statutes, we used a case study approach and interviewed a broad range of 36 employers and employee representatives of organizations of large and small businesses in 24 different industries in different states. Six of the employers had less than 75 workers; 12 had more than 500 workers. Nine of the businesses had multistate operations, and nine had some workers represented by a union.

In our study we found that, although firms of all sizes supported the need for workplace regulations, employers and workers were more concerned with how regulations are carried out rather than with the aims of the regulations. For example, employers believed that

- regulatory agencies use a "gotcha" rather than a more collaborative approach;
- enforcement is unfair and inconsistent, in part due to lack of staff knowledge of regulations and business operations;
- regulators fail to acknowledge good-faith compliance efforts; and
- communication between agencies and firms and unions is poor.

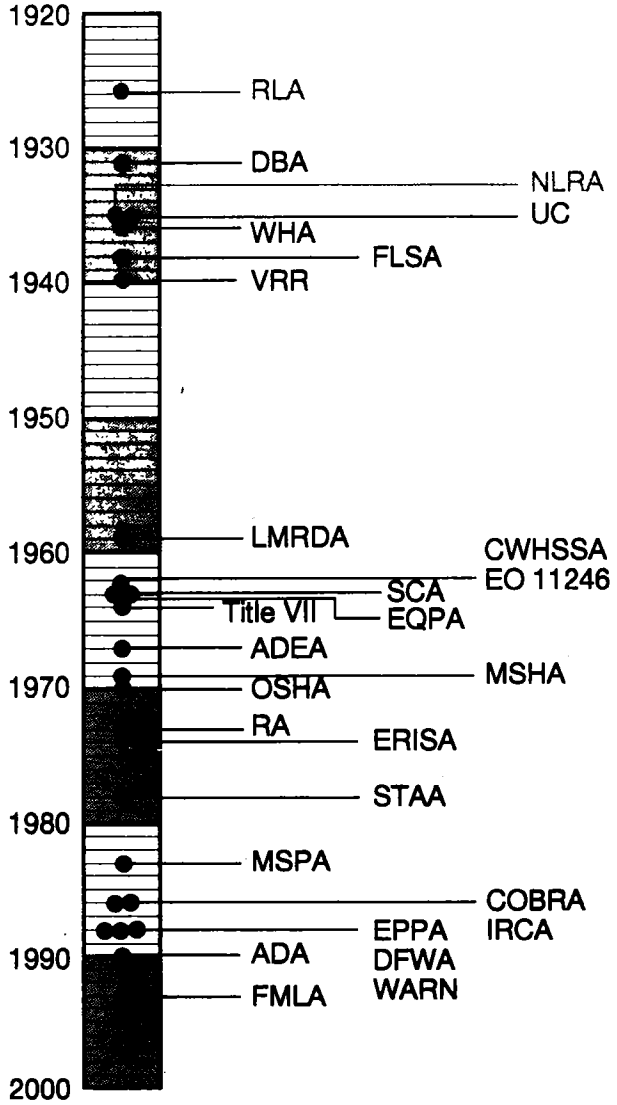
Only 8 of the 26 key statutes and one executive order that we identified as the core framework of federal workplace regulation—primarily covering areas such as labor-management relations, minimum wages, and unemployment insurance—were in place by 1960. The number of statutes almost doubled by 1970 and reached 19 by 1980. Today, Labor oversees 21 of these statutes, and the Equal Employment Opportunities Commission (EEOC) oversees 4. (See fig. 1 and app. I.)

[3] Workplace Regulation: Information on Selected Employer and Union Experiences (GAO/HEHS-94-138, June 30, 1994).

FIGURE 1: LEGISLATIVE CHRONOLOGY OF KEY WORKPLACE PROTECTION STATUTES

ADEA: Age Discrimination in Employment Act
ADA: Americans With Disabilities Act
COBRA: Consolidated Omnibus Budget Reconciliation Act of 1985
CWHSSA: Contract Work Hours and Safety Standards Act
DBA: Davis-Bacon Act
DFWA: Drug-Free Workplace Act
EPPA: Employee Polygraph Protection Act
ERISA: Employee Retirement Income Security Act
EQPA: Equal Pay Act (amendments to the Fair Labor Standards Act)
EO 11246: Executive Order 11246
FLSA: Fair Labor Standards Act
FMLA: Family and Medical Leave Act
IRCA: Immigration Reform and Control Act (amendments to the Immigration and Nationality Act)
LMRDA: Labor-Management Reporting and Disclosure Act
MSHA: Federal Mine Safety and Health Act
MSPA: Migrant and Seasonal Agricultural Worker Protection Act
NLRA: National Labor Relations Act
OSHA: Occupational Safety and Health Act
RLA: Railway Labor Act
RA: Rehabilitation Act—Section 503
SCA: Service Contract Act
STAA: Surface Transportation Assistance Act (Anti-retaliatory provision)
Title VII: Title VII of the Civil Rights Act
UC: Unemployment compensation provisions of the Social Security Act
VRR: Veterans' reemployment rights provisions of the Selective Training and Service Act
WHA: Walsh-Healey Act
WARN: Workers Adjustment and Retraining Notification Act

GAO Workplace Regulation Statutes



The growth in the Department's regulatory mandate has had important implications for the amount of workplace regulation with which employers must comply. Today, the magnitude, complexity, and dynamics of workplace regulation pose a formidable challenge for employers of all sizes. Such regulation has expanded and continually changed in the last 60 years, not only because of new laws but also because of judicial decisions and new and revised regulations. Many employers and workers may not be able to keep up with these dramatic changes. Smaller employers that we interviewed appeared to be the least aware of workplace requirements; larger employers felt unsure of all the rules that applied to their operations. This lack of awareness and confidence contributed to a widespread fear of noncompliance among the employers we interviewed. Union representatives that we talked to also discussed the difficulty of getting accurate information from some government agencies. They believed that this contributed to many workers' lack of awareness of their workplace rights.

In addition, employers we interviewed questioned whether Labor's agencies, as they currently operate, were really meeting the goals of the governing statutes, such as ensuring safe workplaces. They said that the agencies' approach was generally adversarial, characterized by poor communication and a lack of employer access to regulatory information, unfair and inconsistent enforcement, and vague laws and regulations that invited lawsuits. Some employers reported that the staff of some agencies such as OSHA and Office of Federal Contract Compliance Programs (OFCCP) often exhibited a "gotcha" attitude during their enforcement operations, failing to acknowledge employers' good-faith compliance efforts. For example, an official at a large hospital said, "OSHA has conducted several inspections at our facility, which we believe were done on a 'gotcha' approach. . . . The hospital is not allowed to interpret the regulations and standards for the situations at hand. The standards are enforced too rigidly."

OPPORTUNITIES TO REVAMP LABOR'S REGULATORY APPROACH

Today, a consensus is emerging that the federal government must change the way it ensures worker protections. Therefore, we have an excellent opportunity to reexamine and rethink Labor's operations to find a less costly, more effective means of ensuring worker protections.

Consistent with this perspective, many employers and union members we interviewed expressed a belief in the need for federal regulatory agencies to adopt a greater service orientation and in a greater reliance on alternative regulatory strategies. For example, our interviewees thought that greater employer and worker responsibility for ensuring worker protection and the use of more incentives would be a positive step, reserving strict enforcement to those individuals who deserve it. Under this approach there could be a greater reliance on mediation to resolve civil rights and other workplace conflicts to avoid the high cost of litigation.

From our past work,[4] we also believe that other regulatory approaches, such as placing greater responsibility on workers and individual employers to maintain a safe and healthful workplace, show great promise in enabling agencies to perform their statutory missions more effectively and at less cost to taxpayers. In our review of employer workplace health and safety programs,[5] we determined that the potential reduction in injuries and illnesses could likely justify the additional burden associated with their implementation, at least for high-risk employers. Although we did not review their effectiveness, we also noted that six states have required the formation of joint labor-management health and safety committees and that OSHA has issued voluntary guidelines on their formation.

Many employers and union representatives that we interviewed suggested that government agencies could foster greater compliance by increasing the amount of technical assistance they provide to employers and by educating workers more effectively about their rights. Some of the suggestions that employers and union representatives made included establishing toll-free hotlines and computer bulletin boards to help employers get compliance information and establishing information offices with staff who would answer questions, provide education and outreach services, and publish newsletters on regulatory developments. Some employer and union representatives also suggested that improved training of agency staff and increased

[4] Occupational Safety and Health: Worksite Safety and Health Programs Show Promise (GAO/HRD-92-68, May 19, 1992).

[5] Worksite safety plans are essentially management systems for overseeing and controlling safety and health in the workplace. Components of such programs can include development of a written plan addressing workplace hazards and the means to control these hazards, worker training and education on health and safety, and employee involvement in the development and implementation of the program.

staffing, based on Labor's current enforcement approach, could improve the regulatory process.

PATCHWORK OF FEDERAL PROGRAMS SUPPORT WORKER DEVELOPMENT

In addition to its worker protection responsibilities, the Labor Department historically has been the focal point for federal workforce development activities. Today, however, Labor is responsible for less than a quarter of the nation's job training programs (37 of the 163 programs), with a third of the $20.4 billion of federal spending on workforce development, as illustrated in table 2.

Table 2: Number of Employment Training Programs, Agencies, and Fiscal Year 1995 Appropriations by Target Group

Target group	Number of programs		Other agencies	Fiscal year 1995 appropriation (in millions)	
	Total	Labor		Total	Labor
Youth	19	7	5	2,848	2,441
Veterans	16	4	2	1,092	175
Dislocated workers	10	8	2	1,647	1,574
Native Americans	10	1	3	121	64
Economically disadvantaged	9	3	4	3,220	947
Women/minorities	6	0	3	69	0
Migrants	5	1	1	100	86
Homeless	5	1	3	11	0
Older workers	4	2	1	562	463
Refugees	4	0	1	109	0
Not categorized	75	10	10	10,635	1,094
Total	163	37	14	20,414	6,844

Our work has demonstrated that the federal government's patchwork of programs is characterized by overlap, duplication, wasted resources, and poor service quality and creates confusion for clients, employers, and administrators.[6] Additionally, many agencies do not know if the their programs actually help people get jobs. Thus, the effectiveness of these programs is also in question.

A SNAPSHOT OF LABOR'S WORKFORCE DEVELOPMENT PROGRAMS

We identified that many of the problems that plague the majority of workforce development programs also are present in Labor's programs. To illustrate, we will highlight a few programs from youth, dislocated worker, and economically disadvantaged groups. In doing so, we are also suggesting that these programs may warrant additional budget review. The programs all come under JTPA, which is funded on a program year basis. That is, fiscal year 1995 appropriations will not be available to states until July 1, 1995. Most of the programs experienced a budget increase during fiscal year 1995, despite the overall reduction in the Department's budget from 1994 to 1995. It is important to note that workforce development programs only provide assistance to a small minority of the eligible population—from about 6 percent for the JTPA Title IIA program for disadvantaged workers to about 30 percent for dislocated workers. Budget reductions in some of these areas would likely result in a reduction in services provided to these populations.

YOUTH TARGET GROUP

- The JTPA Title IIC youth training program provides training to in-school youth aged 14 and 15 and out-of-school economically disadvantaged youth, aged 16 to 21. Title IIC goals include helping youth increase long-term employability; enhancing occupational, educational, and citizenship skills; and increasing employment and earnings. The program's fiscal year 1995 budget totaled $549 million, $10 million lower than fiscal year 1994 levels. A recent evaluation of the earnings gains of out-of-school participants found the program to be ineffective.[7]
- The Job Corps program is primarily a residential program for severely disadvantaged youth. It targets youth aged 16 to 21 with severe economic and edu-

[6] Multiple Employment Training Programs: Major Overhaul Needed to Create a Nore Efficient, Customer-Driven System, (GAO/T–HEHS–95–70).

[7] The National JTPA Study: Title IIA Impacts on Earnings and Employment at 13 Months, Abt Associates, Inc. (Jan. 1993).

cational deficiencies (such as being a school dropout or lacking reading or math skills) and other employment barriers. The Job Corps funding for fiscal year 1995 is $1.1 billion, an increase of $59 million over 1994. The increased funding is earmarked primarily for program expansion—through increasing the number of Job Corps centers. However, the Department's Inspector General has pointed out in recent testimony relatively low program performance at some centers and the need for overall program improvements.[8]

• The JTPA Title IIB Summer Youth program targets disadvantaged youth aged 14 to 21 to expose them to the world of work, enhance basic education skills and citizenship skills, and encourage school completion. The program was appropriated about $1.06 billion in fiscal year 1995—an increase of $168 million—and, according to Department estimates, will serve over 620,000 participants. Two recent studies concluded that the program succeeded in providing participants with work experience but that the remedial education component was not being consistently applied throughout the nation.[9]

DISLOCATED WORKER GROUP

• At $1.3 billion, Labor's largest training program provides employment training assistance to dislocated workers. It received increases of $516 million in fiscal year 1994 and $178 million in fiscal year 1995. We determined that this program has had difficulty spending its allocations, carrying over funds of $54 million from fiscal year 1993 to 1994. However, little information is available on whether this program is making a difference—that is, we do not know if participants are more likely to find jobs than nonparticipants.

ECONOMICALLY DISADVANTAGED ADULTS GROUP

• The JTPA Title IIA program provides employment training services to economically disadvantaged adults to enable them to enter and advance in the labor force. The program was funded at $1.06 billion in fiscal year 1995, a $57 million increase over 1994. Although a recent study indicated that the program had generally positive, although modest, effects on the earning and employment of participants,[10] its growth alone may warrant revisiting the program.

OPPORTUNITIES TO SAVE MONEY AND IMPROVE SERVICE QUALITY

We are convinced that a major overhaul and consolidation of the 163 programs is needed to create a more effective workforce development system and that Labor's role in this new system must be clearly defined. Although the amount of money spent on administrating these programs cannot be readily quantified and is generally not even tracked by program, administrative costs are substantial. Therefore, comprehensive consolidation and streamlining of these programs could likely result in substantial budget savings in future years and improve the assistance provided to participants.

CONCLUSION

The Department of Labor's worker protection functions touch the lives of nearly every American. Its approaches to carrying out these functions may have met the needs of an earlier time, but today's work world presents new demands and challenges to the federal government's traditional role and approaches. Clearly the old ways of doing business are inadequate, and new, less costly, more effective means of ensuring worker protections are needed.

In light of the fragmented, duplicative workforce development programs that have evolved over time, we believe a concerted effort is needed to overhaul and consolidate programs to create an effective and efficient workforce development system. Moreover, as the Congress is considering proposals to convert many programs to block grants to streamline and achieve cost savings, we believe an opportunity exists to rethink and better define the federal workforce development strategy and Labor's role in it.

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[8] Statement by Charles C. Masten, Inspector General, U.S. Department of Labor, before the Senate Committee on Labor and Human Resources (Oct. 4, 1994).

[9] Audit of the 1992 Summer Youth Employment and Training Program, U.S. Department of Labor, Office of Inspector General, (Washington, D.C.: Feb. 24, 1993); and Study of the JTPA Title IIB Program During the Summer of 1993, Westat, Inc. (Apr. 1994).

[10] The National JTPA Study: Title IIA Impacts on Earnings and Employment at 18 Months, Abt Associates, Inc. (Jan. 1993).

Mr. Chairman, that concludes my prepared statement. At this time, I will be happy to answer any questions you or other members of the Subcommittee may have.

Appendix I—DESCRIPTION OF MAJOR STATUTES AND EXECUTIVE ORDERS GOVERNING WORKPLACE REGULATION

Statute	Description [1]	Principal enforcement agency
Labor Standards:		
FLSA	Establishes minimum wage, overtime pay and child labor standards.	Labor - WHD [2]
Davis-Bacon Act	Provides for payment of prevailing local wages and fringe benefits to laborers and mechanics employed by contractors and subcontractors on federal contracts for construction, alteration, repair, painting or decorating of public buildings or public works.	Labor - WHD
Service Contract Act	Provides for payment of prevailing local wages and fringe benefits and safety and health standards for employees of contractors and subcontractors providing services under federal contracts.	Labor - WHD
Walsh-Healey Act	Provides for labor standards, including wage, hour, safety, and health for employees working on federal contracts for the manufacturing or furnishing of materials, supplies, articles, or equipment.	Labor - WHD
CWHSSA	Establishes standards for hours, overtime compensation, and safety for employees working on federal and federally financed contracts and subcontracts.	Labor - WHD
MSPA	Protects migrant and seasonal agricultural workers in their dealings with farm labor contractors, agricultural employers, agricultural associations, and providers of migrant housing.	Labor - WHD
Benefits:		
ERISA	Establishes uniform standards for employee pension and welfare benefit plans, including minimum participation, accrual and vesting requirements, fiduciary responsibilities, and reporting and disclosure requirements.	Labor - PWBA,[3] PBGC,[4] Treasury - IRS [5]
COBRA	Provides for continued health care coverage under group health plans for qualified separated workers for up to 18 months.	Labor - PWBA Treasury - IRS
Unemployment Compensation	Authorizes funding for state unemployment compensation administrations and provides the general framework for the operation of state unemployment insurance programs.	Labor - ETA [6]
FMLA	Entitles employees to take up to 12 weeks of unpaid, job-protected leave for specified family and medical reasons such as the birth or adoption of a child or an illness in the family.	Labor - WHD
Civil Rights:		
Title VII	Prohibits employment or membership discrimination by employers, employment agencies, and unions on the basis of race, color, religion, sex, or national origin; prohibits discrimination in employment against women affected by pregnancy, childbirth, or related medical condition.	EEOC [7]
Equal Pay Act	Prohibits discrimination on the basis of sex in the payment of wages.	EEOC
EO 11246	Prohibits discrimination against an employee or applicant for employment on the basis of race, color, religion, sex, or national origin by federal contractors and subcontractors, and requires federal contractors and subcontractors to take affirmative action to ensure that employees and applicants for employment are treated without regard to race, color, religion, sex, or national origin.	Labor - OFCCP [8]
ADEA	Prohibits employment discrimination on the basis of age against persons 40 years and older.	EEOC
ADA	Prohibits employment discrimination against individuals with disabilities, requires employers to make "reasonable accommodations" for disabilities unless doing so would cause undue hardship to the employer.	EEOC

Appendix I—DESCRIPTION OF MAJOR STATUTES AND EXECUTIVE ORDERS GOVERNING WORKPLACE REGULATION—Continued

Statute	Description [1]	Principal enforcement agency
Section 503 of the Rehabilitation Act.	Prohibits federal contractors and subcontractors from discriminating in employment on the basis of disability and requires them to take affirmative action to employ, and advance in employment, individuals with disabilities.	Labor - OFCCP
Anti-retaliatory provision - STAA ...	Prohibits the discharge or other discriminatory action against an employee for filing a complaint relating to a violation of a commercial motor vehicle safety rule or regulation or for refusing to operate a vehicle that is in violation of such a rule or regulation, or because of a fear of serious injury due to an unsafe condition.	Labor - OSHA [9]
Occupational Health and Safety:		
OSHA	Requires employers to furnish each employee with work and a workplace free from recognized hazards that can cause death or serious physical harm.	Labor - OSHA
MSHA	Requires mine operators to comply with health and safety standards and requirements established to protect miners.	Labor - MSHA [10]
Drug Free Workplace Act	Requires recipients of federal grants and contracts to take certain steps to maintain a drug free workplace.	Labor - OFCCP
Labor Relations:		
NLRA	Protects certain rights of workers, including the right to organize and bargain collectively through representation of their own choice.	NLRB [11]
LMRDA	Requires the reporting and disclosure of certain financial and administrative practices of labor organizations and employers; establishes certain rights for members of labor organizations; imposes other requirements on labor organizations.	Labor - OAW [12]
Railway Labor Act	Sets out the rights and responsibilities of management and workers in the rail and airline industries and provides for negotiation and mediation procedures to settle labor-management disputes.	NMB [13]
Employment Decisions: Hiring and Separations		
Polygraph Protection Act	Prohibits the use of lie detectors for pre-employment screening or during the course of employment.	Labor - WHD
Veterans' Reemployment Rights Law.	Provides reemployment rights for people returning from active duty or reserve training in the armed forces or National Guard.	Labor - VETS [14]
Employment provisions of IRCA	Prohibits the hiring of illegal aliens and imposes certain duties on employers in hiring; prohibits employment discrimination against legal aliens; authorizes but limits the use of imported temporary agricultural workers.	Labor - WHD
WARN	Requires employers to provide advance written notice of plant closings and mass layoffs to individual affected employees, local governments, and other parties.	None [15]

[1] Many statutes are complex and contain a multitude of requirements, rights, and remedies. The information presented has been simplified for illustrative purposes.
[2] Wage and Hour Division
[3] Pension Welfare Benefit Administration
[4] Pension Benefit Guarantee Corporation
[5] Internal Revenue Service
[6] Employment and Training Administration
[7] Equal Employment Opportunity Commission
[8] Office of Federal Contract Compliance Programs
[9] Occupational Safety and Health Administration
[10] Mine Safety and Health Administration
[11] National Labor Relations Board
[12] Office of the American Workplace
[13] National Mediation Board
[14] Veteran's Employment and Training Service
[15] Although ETA wrote WARN's implementing regulations, there is no principal enforcement agency because the law is enforced privately through the courts.

Many Agencies Engaged in Job Training

Target group	Number of programs		Other Agencies
	Total	Labor	
Youth	19	7	6
Veterans	16	4	3
Dislocated workers	10	8	3
Native Americans	10	1	4
Economically disadvantaged	9	3	5
Women/minorities	6	0	3
Migrants	5	1	2
Homeless	5	1	4
Older workers	4	2	2
Refugee	4	0	1
Not categorized	75	10	11
Total	163	37	15

Mr. SHAYS. I thank the gentleman.

Mr. Masten, I would like you to just touch on briefly the last part of your statement dealing with—actually, it is not the last. I would like you to talk about the NAB and the National Alliance for Business as an example of—in your testimony of where they are receiving funds without having to compete for them.

Mr. MASTEN. Mr. Chairman, we audited the NAB grant for program years 1988 and 1989 and issued our report in 1991. The major concern at that time was that the audit of the NAB grant had been awarded on a noncompetitive basis. We feel that this is not the best way to award these types of grants.

Mr. SHAYS. Are they allowed to do that by law?

Mr. FISCH. Some of the appropriation language that comes off the Hill, Mr. Chairman, indicates to the program that some of these grants should be competed noncompetitively.

Mr. CRAWFORD. What you have also—we took at a look at some of those as well.

Mr. SHAYS. I just want to make sure—Mr. Crawford, I'm happy to have you respond. I just want to be clear. I'm not sure if the answer is yes or no.

Mr. FISCH. It is yes and no. I don't think that they have to be noncompetitive, but the agency and program management——

Mr. SHAYS. Can you not speak in a negative but speak in a positive. They don't have to be—say that again.

Mr. FISCH. They don't have to be awarded on a sole source basis.

Mr. SHAYS. Answer it this way——

Mr. FISCH. Do they have to be competed? No.

Mr. SHAYS. OK, and that is at the discretion of the Department.

Mr. FISCH. Yes.

Mr. SHAYS. And in most cases are these grants competitive?

Mr. FISCH. They could be competitive without any problem.

Mr. SHAYS. They aren't though.

Mr. FISCH. They aren't. They have had a long history of not being competitive.

Mr. SHAYS. OK. Since you made your findings in 1991, how has the Department responded?

Mr. FISCH. They have competed part of the grant to NAB. Some of it is awarded on a sole source basis, and other portions of it are competed, but it is not totally.

Mr. SHAYS. I guess I don't understand why they wouldn't be competitive. It just seems to me so logical. Why would they have a lock? We are talking gigantic dollars.

Mr. FISCH. Yes, sir, we are.

Mr. SHAYS. What do they do for those dollars?

Mr. FISCH. Well, NAB, itself, sir? NAB has run training programs around the country for JTPA.

Mr. SHAYS. So these are JTPA training programs, OK.

Mr. FISCH. Yes, sir.

Mr. SHAYS. I'm sorry, Mr. Crawford. You wanted to respond. I just wanted to——

Mr. CRAWFORD. Yes, I understand.

We looked at some of the noncompetitive discretionary grants as well, and we found that what you have in some cases is language in the appropriations conference reports that suggests that the Department award—continue to award these contracts. You will find that some of these groups have been receiving grants for up to 25 years.

Mr. SHAYS. This is the result not of language in the bills but of the conference report language encouraging the Department to continue—in other words, the money is appropriated, but it doesn't specifically say it will go to the NAB, it says in report language that it is expected that it would? Is that what you are saying?

Mr. FISCH. I think the language reads something to the effect that these grants should be awarded to such agencies or such businesses as, and they name specific situations in the language.

Mr. SHAYS. Mr. Crawford, in your report about job training, which really is a devastating report, I remember when we went over this last year and—was it last year or the year before last?

Mr. CRAWFORD. Last year, Mr. Chairman.

Mr. SHAYS. Yes. I mean it was absolutely devastating. I read this paragraph: "Our work has demonstrated that the Federal Government's patchwork of programs is characterized by overlapping, duplication, wasted resources, and poor service quality, and creates confusion for clients, employers, and administrators. Additionally"—as if there could be anything additional—"Additionally, many agencies do not know if their programs actually help people get jobs. Thus the effectiveness of these programs is also in question."

What is left to say that is good about it? I mean this, to me, is a real statement that cries out to us. I know other committees are also getting into this, but it seems to me to be crying out for our attention. What is being run well, or is the indictment pretty much universal as it relates to this?

Mr. CRAWFORD. I think from the programs we have looked at, I think the indictment is pretty much universal.

Mr. SHAYS. It is what, sir?

Mr. CRAWFORD. Universal.

Mr. SHAYS. Yes.

Mr. CRAWFORD. I think what you will find though are pockets of programs that are run well, and we are now in the process of con-

ducting a study that tries to get a better handle on some of those components, what are those components that make programs work well.

Mr. SHAYS. You point out that 37 of the programs are run by the Department of Labor. You are basically saying there are 19 youth age employment programs, of which the Department has 7.

Mr. CRAWFORD. Yes.

Mr. SHAYS. Is your sense that we should be consolidating these programs, joining them together, block granting them? What do you see as the general solution?

Mr. CRAWFORD. We think that one of the fixes that needs to be made is a structural fix. We think that there are too many programs, they are run by too many different organizations. What we would suggest that the Congress do and what we have said in the past is, in deciding whether to consolidate one program with another, we should be looking first at what is the principal focus of that program. If the principal focus is job training, then maybe we should look at it.

Within the youth area, we have job training programs. They fall essentially, as I recall, into three categories. One sort of deals more with in-school youth, another one deals with out-of-school youth, and a third one deals with youth that are preparing to go to college. Maybe as you look at the youth programs we should look at it in those three categories that we reported to the Congress.

Mr. SHAYS. As opposed to 19 programs, end up with three potentially?

Mr. CRAWFORD. You could move toward maybe three programs that seem to be—when you look at common goals, common objectives, common clients, they are very similar.

Mr. SHAYS. My time has ended, but we are going to go one more cycle through.

Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman.

Let me begin by talking about block grants, and I guess to sort of both of you, beginning with GAO's recent report entitled "Block grants: Characteristics, experience, and lessons learned," cited a number of specific limitations in previous block grant programs. In light of this report, how would GAO recommend we overcome these limitations in current block granting proposals before the Congress?

Mr. CRAWFORD. While I haven't had an opportunity to study the various block grant proposals that are before the Congress, I could offer some advice from our report, what we have learned.

One of the things that we would suggest—the first thing I guess we want to mention is that from our experience it looks as though most of the States were able to get up to speed and administer block grants.

The second thing there that we would mention as advice would be in the area of accountability and data. Many of the block grants in the early eighties did not have good data or good accountability, and what you found over time was a recategorization of programs in part because we didn't have data. Without data, you are not in a position to know who is being served, and you become very susceptible then to putting set-asides in.

We think there should be accountability not only for dollars but accountability for outcomes, and I think the chief tension that the Congress is working through or having to work through is, how do you construct appropriate accountability and at the same time assure sufficient local flexibility to carry out the aims of the block grants. That is a tension, we would argue.

You would also want to look maybe at the funding mechanisms. Many of the—I believe the early block grants, some of them had a hold harmless provision. You may want to look at funding formulas that would take into account not only what a community receives today but also look at issues of the community's ability to pay, what are the program goals, those kinds of things. I think that, in a nutshell, summarizes our suggestions to the Congress.

Mr. TOWNS. You know, you still didn't quite answer my real concern. That is, how can we ensure that the funds are spent on those most in need?

Mr. CRAWFORD. I think you would have to look at that on a block grant by block grant basis. I think in terms of—that is, that issue of accountability—what level of guidance would you want to offer.

I am not familiar with the welfare reform, but if you were to take the matter of, let's say, job training, perhaps the kinds of things that you would want to know from a job training standpoint would be: who was being served; what kinds of services did they receive; what kinds of jobs did they receive as a result; and what wage, those kinds of things having common data, but it is something that the Congress will have to work through on each of its block grants, and maybe one of the things that you would want to look at is, look at the Federal contribution. In the training area, the Federal contribution is close to 100 percent; in other areas, maybe in education, the Federal contribution is at 5 percent, 8, 9 percent. Maybe there is some flexibility there.

Mr. TOWNS. Yes, Mr. Masten.

Mr. MASTEN. Mr. Towns, I agree with everything Mr. Crawford has said. I think, to get right to the core of your question, there is a need to require that the States set some form of criteria for performance measures and for accountability in order to ensure that the program is doing what it is intended and that there is adequate data for the return on the investment.

Mr. TOWNS. Let me ask you, as we look at this whole problem in terms of welfare reform of course, and now we are dealing in terms of labor and cutbacks and all of that, I must admit that I become extremely concerned when I look at just cutting everything all at once in such a draconian kind of fashion. Have you had any conversations with the IG in terms—over at HHS and the Welfare Department in terms of—that basically looks at welfare reforms and handles these kinds of issues in terms of fraud and abuse in those areas?

Mr. MASTEN. I have not. In my capacity as IG, no, I have not done that. But in making recommendations on certain programs, as I have put in my testimony, I am not really recommending cuts with an axe. There are precise concerns that we have, based on the results of our audits.

For example, with Job Corps, we specifically pointed out that what we are really interested in is that before any more money is

expended on increasing the number of centers, we think the most effective and efficient way to proceed is to address the problems that we have already identified.

Mr. TOWNS. Yes, and I understand that and respect that, and I think that is wise, but I was just wondering, in all the areas, has there been this kind of communication between each other, because what we are talking about here is—I mean it is major. I mean this is not minor kinds of recommendations, you know, we are not patching something, we are just going to tear it down and put it back together, and I was just wondering, is everybody sort of talking to each other? That is what I am really concerned about. GAO might be able to give me a better——

Mr. CRAWFORD. I think within our organization the division which I am in is the division that also has responsibility for welfare and some of the health care kinds of issues, and we do talk about these. We have supported each other. We have looked at—supported them in looking at the JOBS program and other programs, and we work very closely together.

You raise legitimate concerns that—with block grants, our position has been that we just see block grants as a delivery strategy. You could use any number of different ways to deliver money to people, block grants probably just as good as any, they all have certain kinds of limitations, and, as the IG was saying, you have to take into account, whichever strategy you use, what are the strengths and weaknesses of that strategy and then put in place the kinds of safeguards that assure that the money is being spent in the way that the Congress intends.

Mr. TOWNS. My time has expired.

Mr. SHAYS. Thank you.

Mr. Souder, and I would just point out that we are joined by Gene Green from Texas. I probably didn't have to tell you he is from Texas. You can always tell a Texan.

Mr. SOUDER. First, I wanted to make a comment on the workplace regulation statutes. That is what happens when you have a Congress full of attorneys and not people who run a business. As somebody who has had a business, part of the reason you are getting the negative reaction that you hear is, you just give up unless you have enough money that you can hire a bunch of attorneys to manage you through everything. You look at something like that, and you just wait until somebody hits the door and hope you can scramble and hope you have been close enough to the law, because to follow the letter of every one of those laws or even to know what was in it would break your company, it is impossible to function, and if the Government really wants to bring the workplace more into line they need to streamline and manage this better because it is not workable for small or midsized businesses.

You need so many corporate attorneys, and even big companies are split into little units who have very little time to figure out whether they are following the letter of the law on that many statutes as opposed to trying to make a profit for their company, and it is just outrageous when you see it in chart form.

I wanted to get into the question a little bit of the block grants but more directly related to the JTPA, where you said that there should be or where you would need performance standards because

we don't really know whether they are working. Both of you kind of address that in your testimony. What type of performance standards would you have?

For example, if it is employment it obviously has to just be more than somebody got a job, because in your targeted jobs credit question you said most of those people would have been employed anyway. So what kind of standards could we put in that would actually enable us to see whether or not the programs are working?

Mr. MASTEN. I think the standards should be really geared toward the return on investment, and we just don't have those in place now. What are the taxpayers getting for their money? I think this is the ultimate question that we need to answer with all of our measurements.

Mr. SOUDER. So specifically by getting the return on the investment, would you measure whether they got placed in a job? How would you measure whether they would have gotten that job anyway? The amount of time of training? What type of data would you have to have, and where would we start to go with that?

Mr. MASTEN. I'll defer to Mr. Fisch.

Mr. FISCH. Congressman, when the JTPA law came off the Hill, there was a requirement in there for program managers in the Department of Labor to measure the return on investment, which included the cost of training as compared to reduction in welfare benefits, increased wages, et cetera. And the law was very specific and very clear as to what should be measured, to see whether the training was effective and whether the jobs that the people got were sustained over a period of time. I think it is something the Department has not——

Mr. SOUDER. So you are saying there is not even a basic estimate of how much it costs for each person?

Mr. FISCH. No. They know how much. They can pretty well tell you the cost now. They measure people. In 13 weeks they go out and look at a statistical sample of people 13 weeks out of the program to see what their earnings are. However, there is no long-term measurement as to the success of this program in place.

Mr. SOUDER. But back to the first part, you said that they need to have a cost of training versus the cost of the benefits that those people would have received had they not had it. Do they have that?

Mr. FISCH. They have it, but they haven't used it. They haven't put it out there in terms of measuring what the return on the investment was on the training.

Mr. SOUDER. So the primary thing they are missing is the long-term data because they have the short-term data.

Mr. FISCH. They have a short-term look, they do not have a long-term look at these folks.

Mr. SOUDER. Is your feeling that there has been some, quote, creaming like there has been in the targeted jobs credit?

Mr. FISCH. No. My guess is, from what we have seen and what we have looked at, we would not say that there is any creaming in the program.

I think to operate a training program today is one thing but to start dealing with the training program and then deal with education's failures is another thing. I mean you are getting people in the program today that have educational barriers, they have drug

abuse problems, and the training folks are not really up to speed with dealing with this type of person today. I mean to train someone to do something is one thing, but to deal with all the other baggage that a lot of these people come with is an entirely different problem.

Mr. CRAWFORD. One thing I would add on the accountability piece, the outcomes, I think in addition to having good performance standards, if you look at JTPA's performance standards today they are pretty good. They place—about 70 percent of their people complete and get jobs.

What the problem is and what is needed is more of what we would call an effectiveness review; in other words, look at what happens to a person that goes to JTPA and compare that to the person that looks similar to that JTPA person but doesn't go through the program, and that is when you find the modest gains in terms of income and employability. There is not much there, and I agree, many of these people do need the basic education, and that is a starting point.

Mr. SHAYS. I thank the gentleman.

I neglected to point out we are also joined by Tom Barrett from Wisconsin. I apologize to the gentleman.

Do either of you have statements you want to make, or shall we just go with the questions.

Mr. BARRETT. Just the questions, Mr. Chairman.

Mr. SHAYS. All right. We will go with your questions.

Mr. Barrett.

Mr. BARRETT. Perhaps you can help me—and I'm sorry I came a little late—with the graph on the left there.

Mr. SHAYS. It is a thermometer.

Mr. BARRETT. What was the purpose for having that here?

Mr. CRAWFORD. What we were showing was—it was in the context of understanding the Labor Department's role. It has two central roles. One is in workplace development—worker protection, and that includes the workplace regulation there, and the other one is in the job training worker development.

Mr. BARRETT. Are some of these going to collapse together? Is that what you are suggesting, or is this just to give you sort of——

Mr. CRAWFORD. We are suggesting the same kind of look that we have given to job training is probably merited in the area of workplace protections, and if I can just add, Congressman, when we went out and spoke with businesses, small and large, one of the messages that we came back with was, we don't know right now whether we are in compliance with all the rules that we are supposed to, and we are not even quite sure what all the rules are.

Mr. BARRETT. I'm going to ask you sort of an odd question. Could you quickly just run through what they all stand for?

Mr. CRAWFORD. Sure, and in fact what we also have in the testimony there for you—let me find the page—on page 5, we have the—of our testimony, I would be happy to run down that list.

Mr. BARRETT. That is OK.

Mr. CRAWFORD. OK. Page 5 of the testimony, and also at the very end of the testimony beginning on page 12, we have a little on what each of these regulations is supposed to accomplish, and

in that final column the agency responsible for enforcing those regulations.

Mr. BARRETT. OK. That is good.

You talked a little bit about the National Alliance of Businesses that is referred to in your testimony. I don't know what that is. Can you help me out as to what that is? What is the National Alliance of Businesses? I simply don't know what it is.

Mr. FISCH. It is an advocacy group that was put together to work with businesses throughout the United States and provide them with, I guess, some support here on the Hill. In that capacity they also sell their services to different providers in the States for training.

Mr. BARRETT. Is it a lobbying group?

Mr. CRAWFORD. That is one of their functions.

Mr. FISCH. Yes, it has got a portion of it to do lobbying.

Mr. BARRETT. They get $96 million from the Federal Government.

Mr. FISCH. Yes, sir.

Mr. BARRETT. To lobby?

Mr. CRAWFORD. I don't believe they can use——

Mr. FISCH. They don't use any of their Federal funding for lobbying. They make that very clear distinction.

Mr. BARRETT. And where are they located?

Mr. FISCH. They are located here in Washington, DC.

Mr. BARRETT. Do they have branch offices throughout the country?

Mr. FISCH. I'm not sure of that, sir, but their primary headquarters is here in Washington, DC.

Mr. BARRETT. And it says NAB has competed for part of the partnership money it receives from ETA and receives a balance on a noncompetitive basis. How much—can you break that down?

Mr. FISCH. I don't have a figure of what is competed and not competed at this point, but at one point it was all sole source. After our audit they did compete a portion of the grant.

Mr. BARRETT. If you could get—if I could ask, Mr. Chairman, for a breakdown as to what percentage they received, I would appreciate that.

[The information referred to follows:]

Agency: Employment and Training Administration (ETA), Office of Policy and Research.

Recipient Name/Address: National Alliance of Business, 1201 New York Avenue, N.W., Washington, D.C. 20005.

Type: Grant.

Amount: $5,230,000.

Authority: DLMS 2–833(f)(3)—one responsible source.

Purpose of Project: This project will enhance and promote participation of the business sector in the partnership program of the federally funded employment and training system. It will provide general support services to Private Industry Councils and state job training coordinating councils to strengthen their roles as employment and training coordinators toward maximizing the resources and expertise of the business sector.

Explanation of Recipient Choice: Services are available from only one responsible source, and no substitute will suffice. The recipient has unique qualifications to perform the type of activities to be funded.

Percentage Spent on Administrative Costs: Not available.

Agency: Employment and Training Administration (ETA), Office of Policy and Research.

Recipient Name/Address: National Alliance of Business, 1201 New York Avenue, N.W., Washington, D.C. 20005.
Type: Grant.
Amount: $648,167.
Authority: DLMS 2–833(f)(3)—one responsible source.
Purpose of Project: To provide a National Workforce Assistance Collaborative project to develop courseware and design curricula for incumbent worker training.
Explanation of Recipient Choice: Services are available from only one responsible source, and no substitute will suffice. The recipient has unique qualifications to perform the type of activities to be funded.
Percentage Spent on Administrative Costs: 23%.

Agency: Employment and Training Administration (ETA), Office of Policy and Research.
Recipient Name/Address: National Alliance of Business, 1201 New York Avenue, N.W., Washington, D.C. 20005.
Type: Grant.
Amount: $4,100,000.
Authority: DLMS 2–833(f)(3)—one responsible source.
Purpose of Project: These grants will provide technical assistance and training services for each organization's respective affiliate network, in the areas of program development, program and fiscal management, and staff training.
Explanation of Recipient Choice: Services are available from only one responsible source, and no substitute will suffice. The recipient has unique qualifications to perform the type of activities to be funded.
Percentage Spent on Administrative Costs: 26%.

Agency: Employment and Training Administration (ETA), Office of Policy and Research.
Recipient Name/Address: National Alliance of Business, 1201 New York Avenue, N.W., Washington, D.C. 20005.
Type: Grant.
Amount: $4,070,000.
Authority: DLMS 2–833(f)(3)—one responsible source.
Purpose of Project: This project will enhance and promote participation of the business sector in the partnership program of the federally funded employment and training system. It will provide general support services to Private Industry Councils and state job training coordinating councils to strengthen their roles as employment and training coordinators toward maximizing the resources and expertise of the business sector.
Explanation of Recipient Choice: Services are available from only one responsible source, and no substitute will suffice. The recipient has unique qualifications to perform the type of activities to be funded.
Percentage Spent on Administrative Costs: Not available.

Agency: Employment and Training Administration (ETA), Office of Policy and Research.
Recipient Name/Address: National Alliance of Business, 1201 New York Avenue, N.W., Washington, D.C. 20005.
Type: Grant.
Amount: $700,000.
Authority: DLMS 2–833(f)(3)—one responsible source.
Purpose of Project: To provide a National Workforce Assistance Collaborative project to develop courseware and design curricula for incumbent worker training.
Explanation of Recipient Choice: Services are available from only one responsible source, and no substitute will suffice. The recipient has unique qualifications to perform the type of activities to be funded.
Percentage Spent on Administrative Costs: 23%.

Agency: Employment and Training Administration (ETA), Office of Policy and Research.
Recipient Name/Address: National Alliance of Business, 1201 New York Avenue, N.W., Washington, D.C. 20005.
Type: Grant.
Amount: $2,000,000.
Authority: DLMS 2–833(f)(3)—one responsible source.
Purpose of Project: These grants will provide technical assistance and training services for each organization's respective affiliate network, in the areas of program development, program and fiscal management, and staff training.

Explanation of Recipient Choice: Services are available from only one responsible source, and no substitute will suffice. The recipient has unique qualifications to perform the type of activities to be funded.
Percentage Spent on Administrative Costs: 26%.

Agency: Employment and Training Administration (ETA), Office of Policy and Research.
Recipient Name/Address: National Alliance of Business, 1201 New York Avenue, N.W., Washington, D.C. 20005.
Type: Grant.
Amount: $394,077.
Authority: DLMS 2–833(f)(3)—one responsible source.
Purpose of Project: These grants will support participation and involvement of the public sector in specific new initiatives involving national employment and training programs—School-to-work, Skill Standards, and the strategy underlying the Remployment Act of 1994.
Explanation of Recipient Choice: Services are available from only one responsible source, and no substitute will suffice. The recipient has unique qualifications to perform the type of activities to be funded.
Percentage Spent on Administrative Costs: 26%.

Mr. CRAWFORD. Another example, Congressman Barrett, is the Older Workers Program in the Department of Labor. They also are noncompetitive discretionary grants, and the funding there, I believe, is—approaches $400 million.

Mr. SHAYS. $400 million nationwide—I'm sorry.

Mr. BARRETT. Go ahead.

Mr. CRAWFORD. Yes, sir.

Mr. SHAYS. $400 million per year?

Mr. CRAWFORD. Yes, in the CSEP Program, the Senior Citizens Employment Program.

Mr. BARRETT. Is that a decision that is made at the Department level? You talked about some of these suggestions being made at the appropriations level. Are either of those two suggestions that were made at the appropriations level, or are those strictly within the Department?

Mr. CRAWFORD. I would have to research the CSEP Program to answer that. I would be happy to do that and let you know.

Mr. BARRETT. If you could do that, I would appreciate it.

Mr. CRAWFORD. Sure.

Mr. BARRETT. I have no further questions.

Mr. SHAYS. I thank the gentleman.

I would just like to follow up quickly on this. I am trying to establish a principle in my own mind. Mr. Crawford, let me just respond first to your comment. On page 4 of your statement, you say that when businesses work with the Department of Labor the mentality of the Department seems to be "Gotcha" rather than a more cooperative approach. Do you find that with OSHA primarily, or do you find it with other offices as well? I have had people tell me they will invite OSHA in to ask it to tell them where they have made mistakes, and where they need to correct, and then they end up getting a fine. You know, a business invited OSHA in, and they get a fine of $5,000 or $10,000 or $15,000 because they haven't done something properly, and yet they are trying to identify what they haven't done properly to correct it. This seems to relate.

Mr. CRAWFORD. Yes, sir, it does.

When we spoke, again, what I wanted to mention is that we looked at 30—we met with 36 employers and employee groups. I want to put this in context. We also had an advisory group made

up of representatives of business and unions to work with us to help us construct this study, and what we generally found was that workplace regulation was important but it wasn't always the most important to a business.

Generally, what the business's principal function was, if it is a small diner, their most important concern was local licensing, health licensing, for their businesses. With that said, what you found, what we heard most was—concerns about OSHA and EEOC were the two that consistently were cited by employers.

Mr. SHAYS. I'm trying to look at it from the Department's standpoint. Do they think that businesses will use as an excuse, that they didn't know, and, if they think OSHA is on their trail, invite them in to come look and then say, "Tell us what we need to correct"?

Do you think the mentality of business is that they will just muddle through, and when it comes close to being reviewed, then they will ask for a review? I'm just trying to understand why the Department would approach it this way. Give me the best argument the Department has.

Mr. CRAWFORD. Well, I'll give you an argument. I'm sure the Department will have even a better one.

I think what you have is, over time the Department has done a good job, and its approach has evolved over time into one that has been primarily enforcement and regulation, and it has done a good job. What we are arguing about now is that the times have changed, it is time for the Department to change. They are trying to do things differently. They are trying to issue standards in clearer language. They are trying to improve the way they inspect. Our concern is that they may not be going quite far enough.

The employers would like a way—and union groups too—would like a way to have OSHA come in, or other parts of the Department, or EEOC, and advise them, as you say. Now the Department does have voluntary programs. It has the Voluntary Protection Program, which is generally a program that is—has large petrochemical companies in it. There are about, I think, 200 sites, 100,000 employees, where OSHA comes in, helps them work on their standards, helps them beef up their standards, and in return OSHA's role there is more technical advice and assistance as opposed to inspection and citation.

Mr. SHAYS. A theme that is kind of coming through, is that some of these laws were created in an industrial society. Then a whole new set of laws were created from the 1960's on. I mean a whole plethora of them. We are really into a new age of information, it is a whole different competitive environment out there, and it strikes me that one of the messages I'm hearing is that the Department has to get with it and adjust to this new environment.

I would like to ask you, Mr. Masten: A statement you made before the Appropriations Committee that you didn't focus in on in terms of your testimony here dealt with unemployment insurance fraud. I'm just curious. This was on January 11, Mr. Masten, when you were before the Subcommittee on Labor, HHS, and Education. You stated that over the past 5 years OIG investigations have uncovered more than a dozen separate fraudulent unemployment in-

surance schemes along the Mexican border. Has that been dealt with to your satisfaction?

Mr. MASTEN. No, it has not, but the Department is still working on it. There are a number of problems with respect to UI recipients. One of them is that I do not think that we are enforcing the requirement that UI recipients must be in the United States or in a country where a reciprocal agreement is held, that they be available and able to work.

Mr. SHAYS. You mean unemployment compensation would go to non-American citizens living outside the United States?

Mr. MASTEN. Based on our investigative findings, that is what has happened.

Mr. SHAYS. Legally? Is that legal? You can do a thumbs up or thumbs down.

Ms. HOROWITZ. It was improper.

Mr. SHAYS. OK. How delicately stated.

For the record, can you repeat that? Mr. Masten, can you respond to the question?

Mr. MASTEN. I will respond to that question. It is improper.

Mr. SHAYS. OK.

Mr. MASTEN. To give you an example of how severe that problem was, during one investigation, there were thousands of checks going to a post office box and the owners of that post office box would in turn get the checks, cash them, keep a portion of the funds and then redistribute the rest to the recipients who were in Mexico.

Mr. SHAYS. I see.

My time has ended.

Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman.

The recision package slashes the current DOL budget by $2.3 billion and targets specific programs that are currently operational. What impact will the recisions have on current operations? Can they be implemented in a way that enables Labor to fully carry out its mission? Anybody.

Mr. MASTEN. Mr. Towns, as the IG, we have not looked at the impact those recisions would have on the entire Department.

Mr. CRAWFORD. We have not either.

Mr. TOWNS. The reason I raise this, you know, let me tell you why I think it has great significance as we move to try to correct a lot of wrongs and to make these programs much more effective, and I think we should, but I don't want to see a situation where all of a sudden we cut $3.2 billion out of Labor and then all of a sudden the Bureau of Prisons comes in and asks for a $2.3 billion increase, you know. That is hustling backwards, and I'm concerned about this.

I think we need to make certain that we have enough resources to do the kind of job that needs to be done to get to where we want to go, and I think, we need to be very cautious and very careful about how we do this, and I can't stress that enough in terms of welfare reform. I'm for it, think it should happen, but at the same time we say people should go to work. At the same time, we are talking about eliminating some programs, and some of these programs—or cutting some programs that have been effective, and

there is no doubt about it, some of them have been. Others need to be strengthened, I think there is no doubt, I think we all agree with that, but I think we have to be concerned.

I come from New York City, and I just can envision that all of a sudden, based on what we are doing, that we will have a lot of people coming into the city trying to survive. And I think we ought to be very concerned about that because we have been down this road before, and when we talk about block grants, and if we do not have some kind of oversight and some kind of way to determine in terms of whether or not you are actually addressing the needs, we could have some big problems at the other end, and I know you have looked at that a little bit.

Mr. CRAWFORD. We have offered some suggestions to Congress as early as last year as it looks at reforming job training, and there were four pieces that we have said it would be easier to access. Many of these programs are hard to find and hard to access. More efficient use of resources in the area, and the area I think you are talking about concerns the variety of services.

We have suggested that whatever groups the Congress chooses to serve in its job training programs, that the services be tailored to the needs of individuals. We found in some cases where a person would end up going to a service provider and there wouldn't be an independent assessment.

For example, a person goes—sees an advertisement on T.V. at 2 a.m., for a truck driving school, goes to the truck driving school, is assessed, and guess what he is assessed to be? A truck driver. And he is trained as a truck driver. And what we would argue is that you need to have independent assessment so that whatever groups the Congress chooses to serve, people are served well.

And the last of the four points is one of accountability, making sure we know not only the dollars but also the outcomes.

Mr. FISCH. Congressman Towns, I think if a lot of the programs had, as we stated earlier here, some long-term measures as to the success rather than the numbers of people served and the number of people that went through the program, maybe we wouldn't be in a situation today where we are cutting this and cutting that and cutting this and cutting that. If the long-term measurements had been there, some of these programs would have been able to prove themselves out.

Mr. CRAWFORD. You find also, Congressman Towns, in one case we even had a—I had a conversation with a service provider who was telling me how well his program was functioning, and his measure of success was the number of people trained, not necessarily the number of people employed as a result of the training.

Mr. TOWNS. Let me ask, what happens if a State decides that, "I'm not going to get involved in any kind of employment and training, I'm not even going to get involved in the program?" What happens in a case like that?

Mr. CRAWFORD. I don't think we have had one.

Mr. FISCH. I don't think we have ever had anybody not take the money, sir.

Mr. CRAWFORD. No.

Mr. TOWNS. But you have had some people take the money and not do what they were supposed to do.

Mr. FISCH. Yes.

Mr. CRAWFORD. Yes.

Mr. TOWNS. And that bothers me too. Let me be right up front. I don't see the kind of regulatory constraints that would make me feel comfortable in terms of this whole block grant situation as to what happens at the other end when the State gets hold of the money. I just don't see—I just don't feel comfortable in terms of what I have seen and what I have heard up to this point.

Mr. FISCH. When JTPA was enacted, it came off the Hill as a block grant. Within 2 or 3 years, our investigative case load was eating up about 45 percent of our resources because of the fact that there was no accountability with the money that went down to the States.

Mr. TOWNS. We make mistakes up here, no question about it.

Mr. SHAYS. If the gentleman would yield.

Mr. TOWNS. Yes, I yield.

Mr. SHAYS. We are going to have a roll call vote, and I would like Mr. Souder to get his 5 minutes.

Mr. TOWNS. I would be delighted to yield to him.

Mr. SOUDER. I would point out that the criticisms you have had of the Federal programs are so devastating, while it is hard to imagine the States being much worse, but we need some kind of accountability at the State level, but overlap, duplication, wasted resources, poor service quality, confusion by clients, employers, administrators, and all that is a pretty devastating indictment of the Federal as well.

I merely would like to ask that—Mr. Crawford, you have a chart that then further elaborates on this one. Do you have and could you put together so we would have it for our information, you have the number of these programs that are in the Labor Department, where you could print out like you did on the supplementary material with the descriptions of what other departments have youth programs and what those are? Do you have that type of——

Mr. CRAWFORD. Yes, we have that type of information.

Mr. SHAYS. If the gentleman would yield, you have a report on this whole program that does exactly that?

Mr. CRAWFORD. Yes.

Mr. SHAYS. And it boggles the mind.

Mr. SOUDER. Yes, because we are trying to deal with the same thing over in the Education and Economic Opportunities Subcommittee on work force, and it is a nightmare trying to get a handle on this stuff.

Mr. SHAYS. We will get it for you.

Mr. CRAWFORD. We will give you a copy—make sure you get a copy.

Mr. SOUDER. Thank you for your testimony.

Mr. SHAYS. I would like to thank all three gentlemen for testifying. You have given us a tremendous amount to focus in on. The tax credit alone we could take a good look at, but every one of the areas would justify an independent hearing. Thank you for the work that you do for our country.

We will call our next witnesses after we have had an opportunity to vote, and we will be back shortly. So we are recessed.

[Recess.]

Mr. SHAYS. I would like to reconvene this hearing and call on our witnesses.

Do we have witnesses? If we do, I would like to call them. Please come up. While you are still standing, I'll save you the opportunity of sitting down. It is nice to have all three of your here.

Our witnesses are Burt Barnow, Nancy Pindus and Demetra Smith Nightingale. If you would raise your right hand.

[Witnesses sworn.]

Mr. SHAYS. Ms. Pindus, we will start with you. As has already been agreed to by unanimous consent, your full testimony will be included in the record, and you can summarize it, you can refer to parts of it, or you can do what you choose. We will start with you, Ms. Pindus.

STATEMENT OF NANCY PINDUS, URBAN INSTITUTE, ACCOMPANIED BY DEMETRA SMITH NIGHTINGALE, URBAN INSTITUTE; AND BURT S. BARNOW, PRINCIPAL RESEARCH SCIENTIST, INSTITUTE FOR POLICY STUDIES, JOHNS HOPKINS UNIVERSITY

Ms. PINDUS. Thank you to the subcommittee for the opportunity to speak today. I'm accompanied by Ms. Demetra Nightingale, a coprincipal investigator on the study that we are discussing today.

Mr. SHAYS. Let me ask a favor. Would you turn the mike down. Just bend it down more, and is it on?

Ms. PINDUS. Yes.

Mr. SHAYS. Sorry to interrupt you.

Ms. PINDUS. The recent focus on redesigning Government programs to be more responsive to the needs of their customers has encouraged initiatives to improve program efficiency. A related concern is whether, and by how much, consolidation of Federal funding streams would result in cost savings.

The Urban Institute has completed a preliminary study for the U.S. Department of Labor to identify potential administrative savings that might be expected from various program consolidation models. The conclusions presented here are considered preliminary and tentative mainly because of data limitations and differences in definitions across programs. For example, while most programs maintain data on administrative costs, the definitions of what activities are included in the administrative versus direct cost category vary. By sharing our findings with you today we hope to provide an understanding of the conceptual framework and operating assumptions that can be used to further examine this complex issue.

The policy decision about whether to consolidate or not should, ideally, begin with an assessment of the overall value of each program. Does it make sense to consolidate various existing programs? Does each program have a clear purpose and mandate? Are the existing mandates and objectives of individual programs compatible with, duplicative of, or inconsistent with other programs?

Administrative savings that result from consolidation can either offset costs of the overall program, thus resulting in real program cost reductions, or be redistributed from administrative activities to direct service activities. The benefits, then, can either be measured

in terms of cost reduction or in improved customer service and efficiency.

The majority of State integration initiatives identified in our study were motivated by the objective of improving efficiency, not reducing program costs. Federal decisionmakers should be clear about the relative priority of the two objectives, reducing costs or improving program efficiency.

We analyzed the following examples of consolidation: Consolidation of JTPA IIA and JOBS program for disadvantaged adults and welfare recipients; consolidation of JTPA IIA, JOBS, and the employment service; consolidation of JTPA IIA, vocational education, and adult basic education; and consolidation of six programs for dislocated workers under JTPA Title III. The bottom line implication is that potential administrative savings of Federal consolidation would depend on how much and what type of integration there already is across the Nation at base line. Savings result from streamlining paperwork, reducing administrative staff, and integrating computer systems personnel and fiscal procedures.

If most States currently operate programs separately, then the considerable up-front costs associated with implementing consolidation would exceed any savings. Any potential savings would only appear in the long run. If most States currently integrate service delivery but not administration, there could be some small savings in the short run.

Even under scenarios where there could be some administrative cost savings, though, the amount of savings is not likely to be great. Total Federal expenditures on administrative costs incurred at the State level represent a very small percentage of total program costs to begin with, generally only 1 or 2 percent of all Federal costs. Under the best case scenario there might also be some small Federal savings at the local level.

If JTPA Title IIA and the JOBS program were totally consolidated and if total administrative costs could be reduced by one-third, that would represent about $127 million in Federal budget savings.

There are some examples from the States in my written testimony that back up the fact that motivation for consolidation is mostly not for reducing budgets but for improving customer service. Savings at the Federal level resulting from consolidation will be mainly related to personnel and agency operations, not program costs. The amount of savings will depend on the number and types of programs combined, but since expenditures at the Federal level are generally less than 1 percent of program costs the potential savings are also low.

In conclusion, our analysis suggests that the potential for administrative savings is likely to be small relative to total direct program service costs. This does not mean that consolidation of programs should not be seriously considered. In fact, most State program administrators feel that some amount of consolidation and operational simplification is critical to improve program effectiveness and efficiency. Savings are expected in per customer costs, efficiencies that allow more individuals to be served with the existing level of resources.

That concludes my oral statement. We will be happy to answer any questions.

Thank you.

[The prepared statement of Ms. Pindus and Ms. Nightingale follows:]

PREPARED STATEMENT OF NANCY PINDUS AND DEMETRA SMITH NIGHTINGALE, URBAN INSTITUTE

INTRODUCTION [1]

The recent focus on redesigning government programs to be more responsive to the needs of their customers has encouraged initiatives to improve program efficiency. A related concern is whether, and by how much, consolidation of federal funding streams would result in cost savings. This is a complicated issue, requiring careful examination of current and future variations across programs in terms of operations, management, inter-program coordination, and fiscal reporting and budgeting.

The Urban Institute has completed a preliminary study for the U.S. Department of Labor to identify potential administrative savings that might be expected from various program consolidation models. The conclusions presented are considered preliminary and tentative, mainly because of data limitations and differences in definitions across programs. For example, while most programs maintain data on administrative costs, the definitions of what activities are included in the administrative versus direct cost category vary. By sharing our findings with you today, we hope to provide an understanding of the conceptual framework and operating assumptions that can be used to further examine this complex issue.

At all levels of government, increased attention has been paid to the benefits of program coordination and/or consolidation. There has been a proliferation of service integration models for employment and training beginning in the 1980s, coupled with a belief that, at least from a service delivery perspective, integrated programs are desirable. To date, much of the initiative for consolidating public programs has been taken at the state and local level. When state and local administrators and staff are asked about coordination, one of the main messages they send forth is that federal funding provisions and regulations are a barrier to effective coordination and integration of services. Several new federal initiatives by the Department of Labor and the Department of Education are designed to remove some of those barriers and encourage more integration. One-Stop Career Centers for employment, training, and education services have already been initiated, and more state and local efforts are expected in the next few years. Other agencies are similarly interested in removing federal barriers to integration, as evidenced through initiatives such as the Services Integration Demonstrations at the Department of Health and Human Services (HHS), the Welfare Simplification efforts at HHS and the Department of Agriculture, and the welfare reform waiver process authorized under Section 1115 of the Social Security Act.

A logical next step, then, to improve service efficiency, might be to formally consolidate federal funding streams along with federal regulations related to areas such as program reporting cycles, definitions, planning requirements, and fiscal monitoring. The block grant concept is one way to consolidate funding streams by "devolving" authority from the national government to the states or localities. Other consolidation models might include a more directive role for the national government to assure consistent attention to specific objectives.

CONCEPTUAL ISSUES

There are a number of conceptual issues that come to mind in considering the potential savings that might result from consolidating programs. First, the policy decision about whether to consolidate or not should, ideally, begin with an assessment of the overall value of each program: Does it make sense to consolidate various existing programs? Does each program have a clear purpose and mandate? Are the existing mandates and objectives of individual programs compatible with, duplicative of, or inconsistent with other programs? Such issues should be addressed before decisions are made about consolidation.

Second, there are undoubtedly some economies of scale associated with consolidation. If two or more programs share space, equipment, computers, and the like, costs

[1] The following views are those of the authors and are not to be attributed to the Department of Labor or to the Urban Institute, its officers, trustees, or sponsors.

will be lower than if each program has its own separate operation. However, there may also be a point beyond which no economies of scale result.

Third, public management and efficiency experts contend, to really maximize efficiency over the long run, public agencies should emphasize improving overall program services by focusing on customer service and optimal use of technology. Simply consolidating existing programs if they are not already operating at maximum efficiency and productivity is not likely to produce maximum efficiency in the newly created system.

Finally, administrative savings that result from consolidation can either (1) offset costs of the overall program, thus resulting in real program cost reductions; or (2) be redirected from administrative activities to direct service activities. The benefits, then, can either be measured in terms of cost reduction or in improved customer service and efficiency. The majority of state integration initiatives identified in our study were motivated by the objective of improving efficiency, not reducing program costs. Federal decision makers should be clear about the relative priority of the two objectives—reducing costs or improving program efficiency.

CANDIDATES FOR PROGRAM CONSOLIDATION

Congress and the General Accounting Office have focused attention on the number of employment-related programs across different agencies, raising new questions about the possible overlap of program services and program customers and about the feasibility of consolidating programs. The GAO has begun a useful process of identifying potential areas of overlap and opportunities for program consolidation by looking at target populations, goals, and administrative and service delivery structures of programs. But, the exact number of programs varies depending upon the specific criteria applied to characterize a "program" as well as the definition used for "employment and training." An accurate operational definition of an employment and training program is "a program that provides employment-related training or other direct assistance to individuals." Using this definition, the Department of Labor currently in fiscal year 1994 administers 20 programs that provide job training and/or employment assistance to individuals:

- Job Training Partnership Act (JTPA) Title IIA-Training for Economically Disadvantaged Adults
- JTPA Title IIB-Summer Youth Employment Program
- JTPA Title IIC-Year Round Training for Economically Disadvantaged Youth
- JTPA Title III-Economic Dislocation and Worker Adjustment Assistance (EDWAA)
- JTPA Title III-Defense Conversion Adjustment Program (DCAP)
- JTPA Title III-Defense Diversification Program (DDP)
- JTPA Title III-Clean Air Employment Transition Assistance Program (CAETA)
- Trade Adjustment Assistance
- NAFTA "Bridge" Program
- School-to-Work Opportunities Program
- Community Service Employment for Older Americans
- JTPA Title IVA-Migrant and Seasonal Farmworkers Program
- JTPA Title IVA-Native American Employment Program
- JTPA Title IVB-Job Corps
- Veterans Employment Program
- Homeless Veterans Integration Project (McKinney Act)
- Job Training for the Homeless Demonstration Program (McKinney Act)
- Employment Service
- Disabled Veterans Outreach Program
- Local Veterans Employment Representative Program

In addition to the DOL programs, important employment and training-related programs also are administered through other federal agencies, including:

- Vocational Education (U.S. Department of Education)
- Adult Basic Education (U.S. Department of Education)
- Job Opportunities and Basic Skills (JOBS) Program (U.S. Department of Health and Human Services)
- Food Stamp Employment and Training Program (U.S. Department of Agriculture)

FINDINGS AND CONCLUSIONS

We analyzed the following examples of consolidation, considering the potential for saving federal administrative costs incurred at the state and local level, and in a separate analysis, at the federal level:

- 1. Consolidation of JTPA IIA and JOBS for disadvantaged adults and welfare recipients;
- 2. Consolidation of JTPA IIA, JOBS and the ES;
- 3. Consolidation of JTPA IIA, vocational education, and adult basic education; and
- 4. Consolidation of six programs for dislocated workers under JTPA Title III.

Federal costs and savings of future consolidation policies will vary depending on the amount of integration that currently exists for the programs in question. Since there is no good source of information on the extent of integration at the state and local level, we assumed there are three different hypothetical baseline scenarios:

- Baseline Scenario 1: There is already total integration of administration and service delivery for the included programs, at both the state and local levels.
- Baseline Scenario 2: There is already integration of service delivery at the local level, but at the local and state levels administration is handled separately for the included programs.
- Baseline Scenario 3: There is currently no integrated service delivery or administration for the included programs.

The bottom-line implication is that potential administrative savings of federal consolidation would depend on how much and what type of integration there already is across the nation at baseline (i.e., before the implementation of any federal consolidation). If most states currently operate programs separately, then the considerable up-front costs associated with implementing consolidation would exceed any savings. Any savings would only appear in the long run. If most states currently integrate service delivery but not administration, there could be some small savings in the short run. It is not clear what time period should be used to determine the long run, but Iowa administrators estimate that even after several years, the projected savings are not expected to offset the costs of the initial up-front investments required to implement the consolidation that they are currently attempting.

One point is particularly important to note. According to officials in several states, it is possible that both the up-front costs and the long-run savings of reconfiguring computer systems may be significant (although states are not yet able to provide information on the range of potential costs or savings). However, given the rapid technological changes and the priority given to developing high performance workplaces, the total costs of upgrading computer technology and management information systems, even if initiated by a program consolidation, should not all be attributed to the consolidation. Public agencies, like private companies, are increasingly expected to maintain ongoing review, redesign, and upgrading of technology.

Even under scenarios where there could be some administrative cost savings, though, the amount of savings is not likely to be great. Much of the expected federal savings would occur at the state level, but total federal expenditures on administrative costs incurred at the state level represent a very small percentage of total program costs to begin with (generally one to two percent of all federal costs). Even if half of all administrative costs at the state level were saved as a result of federal consolidation, that would still represent only about one percent of total federal program expenditures for all programs consolidated. Under the best-case scenario, there might also be some small federal savings at the local level. If 20 percent of the local administrative costs could be saved, this might translate into a savings of 2–4 percent of total federal program expenditures for all programs consolidated. For example, if JTPA Title IIA and the JOBS program were totally consolidated and if total administrative costs could be reduced by one-third, that would represent about $127 million in federal budget savings, recognizing that some of this potential savings would be offset by investments needed to implement such a consolidation (e.g., computers, personnel policies, program reporting procedures). This conclusion of limited savings resulting from consolidation is consistent with the experiences described by state administrators. They generally indicate that the motivation for consolidation is not reducing budgets but improving customer service and overall operational efficiency. For example:

- West Virginia, by integrating and sharing staff in local employment service and unemployment insurance offices, reduced the total number of staff positions and the total dollars expended from the Unemployment Insurance Trust Fund.
- Iowa is integrating the services delivered by six state agencies that administer employment and training programs. This initiative has reportedly realized savings in terms of rent as a result of co-location (e.g., in one local community, rent was reduced by $48,000 per year); and savings of $350,000 are expected by consolidating and fully automating ten separate intake procedures and related forms. Up-front costs include about $500,000 for a professional contract called Business Transition Planning, and other costs associated with redesigning data and management information systems. Iowa expects that the costs per

client will decline considerably, allowing the state to use the savings to serve more individuals with the same amount of resources. However, they do not envision a reduction in total costs below the pre-integration level.

• In Indiana, where ES and JTPA programs have been fully merged, customer satisfaction surveys administered to job seekers and employers indicate an increase of 26% in overall satisfaction, a 10% increase in employer satisfaction, and a 53% increase in job seeker satisfaction between 1990 and 1992.

Much can be learned about efficiency and cost savings from the experiences of decentralization begun during the Reagan administration. During this period, program implementation and management responsibilities did devolve to the states, who were willing partners in efforts to contain costs through program restructuring. However, the evidence of actual administrative savings is meager. There were efficiency gains from combining parallel lines of administration, but in some cases state regulations were perceived by local agencies as more burdensome than the federal regulations they replaced.[2] In a recent report on block grants, the GAO notes that, while states reported management efficiencies under the block grants, they also experienced increased grant management responsibilities. GAO notes that cost changes could not be quantified due to the absence of uniform state administrative cost definitions and data, as well as a lack of comprehensive baseline data on prior categorical programs.[3]

Savings at the federal (national and regional) levels resulting from consolidation will be mainly related to personnel and agency operations (i.e., not program costs). The amount of savings will depend on the number and types of programs combined, but since expenditures at the federal level are only a small fraction of program costs (generally less than 1%), the potential savings are also low. For example, by totally combining the federal administration of JTPA Title II and Title III programs, if, say, one-third of the current combined costs ($26.2 million) might be reduced, that would translate into about $8.7 million dollars. This potential savings, though, would be reduced by the costs of any investments required for computerized data systems, program policies, personnel procedures and other administrative functions.

Our analysis suggests that the potential for administrative savings is likely to be small relative to total direct program service costs. This does not mean that consolidation of programs should not be seriously considered—in fact, most state program administrators feel that some amount of consolidation and operational simplification is critical to improve program effectiveness and efficiency. Savings are expected in per/customer costs—efficiencies allow more individuals to be served with the existing level of resources. But, the analysis here does suggest that the potential for administrative savings is likely to be very small relative to total direct program costs.

Mr. SHAYS. Thank you.

Ms. Nightingale, do you intend to have a statement as well.

Ms. NIGHTINGALE. No.

Mr. SHAYS. So you will be here for questions. Thank you.

Mr. Barnow.

Mr. BARNOW. Thank you. I would like to thank the subcommittee for providing me the opportunity to testify today.

I will first note a few areas where my interpretations differ from those of the General Accounting Office and the Office of the Inspector General. I will then turn to the broader area of agreement with their findings and discuss the implications of these findings. Finally, I will discuss how GAO and OIG reports of abuse of only on-the-job training programs have resulted in underuse of a strategy that is often one of the most effective we have.

First let me take on some of these findings. Finding No. 1 by GAO: There are 163 employment and training programs with substantial overlap among them. That is the chart over there. Basically, I think it would be scary if there really were 163 programs,

[2] See Peterson, George E. et al. 1986. The Reagan Block Grants: What Have We Learned? Washington, DC: The Urban Institute Press; and Peterson, George. 1984. "Federalism and the States: An Experiment in Decentralization," in Palmer, John and Isabel Sawhill, eds. The Reagan Record. Washington, DC: The Urban Institute Press.

[3] U.S. General Accounting Office. February 1995. Block Grants: Characteristics, Experience, and Lessons Learned.

but it is important to recognize that what they are counting there are really funding streams, some of them are not really programs at all. For example, the Title IIA program for JTPA as they count it includes four programs. The youth Title IIC, which was split off from IIA in the 1992 amendments, adds three additional titles. So that is a total of seven just for those two major programs. Their list includes demonstrations such as the Youth Fair Chance that are only temporary and were specifically added so that we might test out new promising events. In addition, there are some that are quite tangential to the employment and training area that would include the eight Small Business Administration programs in my opinion. So there may well be too many programs, but to just look at, focus on, that 163 number I think can be a bit misleading.

The Department of Labor staff has indicated that about three-quarters of the money is concentrated in 12 programs. In a study I did several years ago I identified about 14 major programs. That is where the money is, and that is where of course you have the most potential for savings. In addition, some of these programs that have been established are for specific target groups such as the elderly, migrants, refugees, Native Americans, and people with disabilities. The Congress needs to think clearly whether they wish to consolidate these programs or whether there still remains a need for separate programs for such individuals. In the meantime, in terms of major opportunities for cost savings and for consolidation, focus on the big programs like JTPA, JOBS, vocational education, and food stamps.

Finding No. 2: Most agencies do not know if their programs are working effectively and gains have been modest at best. This is a statement by Mr. Crawford that he made today as well as in previous testimony.

Most agencies may not collect data on participants and outcomes, but the JTPA Title II programs gather a great deal of information about their participants, and a major evaluation has recently been conducted. Mr. Crawford cites findings from the JTPA evaluation, but he only cites the impacts for youth, for whom the program does appear to be quite ineffective. He omits the findings for adult men and women, for whom JTPA has a statistically significant positive impact of about $9,900 per year in 1993 dollars, so if we converted that to 1995 dollars it would be even larger. My concern is that Congress may misinterpret Mr. Crawford's remarks to apply more generally than is warranted.

The third finding that I took issue with in my paper had to do with the administrative cost savings, and that was covered by Ms. Pindus.

I would like to turn now to impediments to programs identified by General Accounting Office and the Inspector General, and here we agree for the most part. Barriers that keep programs from working well together are one form that we have; and, second, we have barriers that keep eligible individuals from actively participating. In some instances these barriers arise because of decisions made by Cabinet departments.

A good example here is that the Departments of Labor and Health and Human Services have established different definitions of low reading levels for the JOBS and JTPA programs. In other

cases States or local governments are to blame. An example here would be the different geographic boundaries for programs such as JTPA, vocational education, K–12, et cetera.

In many cases, however, the Congress is the culprit often because the programs are established by different committees, and I would urge you to look into this. One example here is the difference in the program year concept used by JTPA which starts on July 1 each year and the fiscal year which starts October 1 and is used for the JOBS program and the voc-ed program.

In addition, as GAO points out in their studies and as we have pointed out in our previous work, the programs have different definitions for age for both youth programs and older worker programs, different concepts of job loss for dislocated worker programs, and different definitions for income. These are all serious barriers for the programs to work together.

Turning now to the individual level, I think that it is important—it has long been recognized as important for us to provide as seamless as possible a system for participants. A survey of the 50 States conducted in 1993 by the Urban Institute found that all but three States have implemented at least some form of one-stop shopping, and as part of its new middle class bill of rights initiative the Department of Labor has proposed establishing one-stop career centers. I have not seen the details of this initiative, but if it offers significant State and local flexibility and if the demonstrations work out I think it could be a step in the right direction.

In an important sense the 1992 amendments to JTPA may have used the wrong strategy to deal with problems uncovered by GAO and the OIGT. The amendments are very prescriptive about how local programs are to serve participants. Instead, Congress might consider giving State and local programs more flexibility but holding them more accountable for the outcomes, and I think this reiterates a point made by Mr. Crawford. The discussion of on-the-job training that I will turn to next provides an example of how the current system may be too focused on process rather than outcome.

I would like to conclude my testimony by briefly discussing the use of on-the-job training as an activity in JTPA. OJT has been one of the success stories in the employment and training field. The recent evaluation of JTPA found that for adults the impact on earnings for those assigned to JTPA was always statistically significant and of greater magnitude than the impact of any of the other activities, including classroom training. However, field studies by GAO and the Office of the Inspector General identified some abuses of OJT. In particular, in some instances OJT was used as a wage subsidy for low-skilled jobs where little, if any, training occurred, people being trained, for example, for 3 months to be dishwashers. My daughter might qualify for that.

Acting on the GAO and OIG reports, Congress added a number of additional requirements for OJT contracts which have resulted in the curtailment of OJT—I'm sorry—in the curtailment of OJT for adults and the virtual elimination of this activity for youth. Since the JTPA evaluation clearly indicates that OJT is one of the most promising strategies for adults, Congress and the Department of Labor should consider steps to encourage increased use of OJT while still avoiding the abuse that sometimes occurs.

Thank you.

[The prepared statement of Mr. Barnow follows:]

PREPARED STATEMENT OF BURT S. BARNOW, PRINCIPAL RESEARCH SCIENTIST, INSTITUTE FOR POLICY STUDIES, JOHNS HOPKINS UNIVERSITY

I would like to thank the Subcommittee on Human Resources and Intergovernmental Relations for providing me the opportunity to testify today on employment and training programs. There are many issues before the Congress this year regarding human resource programs, and the Congress will be making important decisions shortly on how the nation's human resource programs should be organized as well as the level of support that should be provided. I would like to use this opportunity to provide my observations based on research I have conducted as well as reviews of the reports of the Inspector General, the General Accounting Office, and others.

I will first note a few areas where my interpretations differ from those of the General Accounting Office and the Office of the Inspector General. I will then turn to the boarder areas of agreement with their findings and discuss the implications of these findings. Finally, I will discuss how GAO and OIG reports of abuse of a particular type of activity, on-the-job training (OJT) have resulted in too little use of a strategy that is often effective.

INTERPRETING THE GENERAL ACCOUNTING OFFICE AND OFFICE OF THE INSPECTOR GENERAL FINDINGS

Both the General Accounting Office and the Department of Labor's Office of the Inspector General have done an excellent job of bringing to light issues of concern regarding the nation's employment and training system. Before addressing the areas of agreement, I would like first to note some findings that I believe are subject to possible misinterpretation.

Finding #1: There are 163 employment and training programs with substantial overlap among them.

While it would certainly be noteworthy if there were actually over 160 federal employment and training programs, GAO's count is more accurately of funding streams rather than of actual programs. The Department of Labor's main training program for economically disadvantaged adults, Title II–A, is considered to be four separate programs by GAO because the funding stream reserved for rewarding good performance is considered as a separate program, and so is the set-aside for older individuals, which is usually administered as part of the regular Title II–A program. When Congress established Title II–C as a separate title for youth, three additional "programs" were created. The list also includes pilot programs, such as Youth Fair Chance, which is intended to test innovative or promising strategies, as well as programs with only limited connection to employment and training, such as the Small Business Administration's eight programs for owners of small businesses.

There may well be too many programs, and I am not arguing that we need to retain all the programs as they are currently constituted. My only point here is that Congress does not need to worry about all 163 "programs" identified by GAO. In a 1989 study for the Commission on Workforce Quality and Labor Market Efficiency, my colleague Laudan Aron and I identified 14 major employment and training programs.[1] Department of Labor staff have estimated that 12 of the 163 programs account for about 75 percent of the expenditures. Also, Congress may have had good reasons for establishing special programs for target groups such as the elderly, migrants, refugees, Native Americans, and people with disabilities. The most significant programs today include JTPA programs for disadvantaged youth, adults, and dislocated workers; the vocational education system; the food stamp employment and training program; and the Job Opportunities and Basic Skills training program for AFDC recipients. I recommend that Congress focus its oversight on these major programs rather than worrying about the myriad of smaller programs in existence today.

Finding #2: Most agencies do not know if their programs are working effectively, and gains have been modest at best.

These statements were made by Mr. Clarence Crawford, Associate Director for Education and Employment Issues for the General Accounting Office in his testi-

[1] Burt S. Barnow and Laudan Y. Aron. "Survey of Government-Provided Training Programs," in Commission on Workforce Quality and Labor Market Efficiency. Investing in People: A Strategy to Address America's Workforce Crisis Background Papers, Vol. I. Washington, D.C.: U.S. Department of Labor, 1989.

mony before the Senate Labor and Human Resources Committee on January 10, 1995. Most agencies may not collect data on participants and outcomes, but the JTPA Title II programs gather a great deal of information about participants, and a major evaluation has recently been conducted. Mr. Crawford cites findings from the JTPA evaluation, but he only cites the impact for youth, for whom the program appears ineffective. He omits the findings for adult men and women, for whom JTPA has a statistically significant positive impact of about $900 annually (in 1993 dollars).[2] My concern is that the Congress may misinterpret Mr. Crawford's remarks to apply more generally than is warranted.

Finding #3: Overlapping employment and training programs can add unnecessary administrative costs.

These findings are presented in a 1994 GAO report to the Senate Committee on Appropriations.[3] While the potential for administrative cost savings is real for overlapping programs, the report only speculates about such savings and presents no real evidence. Ms. Nancy Pindus and Ms. Demetra Nightingale of the Urban Institute will be testifying today about their investigation into this issue.

IMPEDIMENTS TO PROGRAMS IDENTIFIED BY THE GENERAL ACCOUNTING OFFICE AND THE OFFICE OF THE INSPECTOR GENERAL

I would like to stress that most of the concerns raised by GAO and OIG represent real impediments to operating efficient employment and training programs. In broad terms, there are two types of impediments to operating efficient programs: (1) barriers that keep programs from working well together, and (2) barriers that keep eligible individuals from actively participating.

Frequently participants will benefit by receiving services from more than one program; in fact the 1992 amendments to JTPA require programs to refer applicants and participants to other programs that may assist them. Unfortunately, there are a number of barriers that make it difficult for employment and training programs to work together in serving clients. In some instances, these barriers arise because of decisions made by cabinet departments (e.g., the Departments of Labor and Health and Human Services defining low reading skills for participants at different grade level equivalents). In other cases, states or local government are to blame (e.g., establishing different geographic boundaries for JTPA, post-secondary vocational education, local k-12 schools, economic development, and other workforce development activities). In many cases, however, the Congress is the culprit, often because programs are established by different committees. For example, although the rationale behind establishing a program year for JTPA beginning on July 1 makes perfect sense for JTPA, it causes difficulties when working with the JOBS program or vocational education which use a fiscal year beginning October 1; when one program is planning its activities and enrollments for the following year, the other program will be six months away from such efforts.

These barriers have been well documented in the literature. A study of coordination between JTPA programs and other human service programs conducted between 1988 and 1991 identified a number of programmatic barriers to coordination.[4] The JTPA Advisory Committee to the Secretary of Labor identified virtually the identical list of barriers in its 1989 final report.[5] Most of the barriers identified in these earlier reports remained a problem in 1994 when GAO issued its report titled Multiple Employment Training Programs: Conflicting Requirements Hamper Delivery of Services. Areas of concern include different definitions of qualifying job loss for dislocated worker programs, different age requirements for various youth programs youth and older worker programs, different definitions and restrictions on income for determining eligibility across programs, and different performance measurement systems in a variety of programs. Although there may be justification for maintaining some differences across programs, Congress and the Administration should closely examine these differences and eliminate such barriers wherever possible.

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[2] Office of the Chief Economist, U.S. Department of Labor. What's Working (and what's not): A Summary of Research on the Economic Impacts of Employment and Training Programs, U.S. Department of Labor, January 1995.

[3] U.S. General Accounting Office, Multiple Employment Training Programs: Overlapping Programs Can Add Unnecessary Administrative Costs, January 1994.

[4] See John Trutko, Lawrence Bailis, Burt Barnow and Stephen French. An Assessment of the JTPA Role in State and Local Coordination Activities, U.S. Department of Labor, 1991

[5] The Job Training Partnership Act Advisory Committee to the Secretary of Labor, Working Capital: Coordinated Human Investment Directions for the 90's., U.S. Department of Labor, 1989.

The Department of Labor's proposal to combine its dislocated worker programs is a first step in reducing such barriers.

At the participant level, it has long been recognized that it is important to provide services as seamlessly as possible to participants. A survey of the 50 states conducted in 1993 by the Urban Institute found that all but 3 states have implemented at least some form of "one-stop shop" for human service programs.[6] As part of its new Middle Class Bill of Rights initiative, the Department of Labor has proposed establishing one-stop career centers. I have not seen the details of this initiative, but if the initiative provides state and local flexibility and the current demonstrations prove effective, one-stop centers may make entry and participation in the employment and training system much easier for American workers and labor market entrants.

In an important sense, the 1992 amendments to JTPA may have used the wrong strategy to deal with problems encountered by GAO and the OIG. The amendments are very prescriptive about how local programs are to serve participants. Instead, Congress might consider giving states and local programs more flexibility but holding them more accountable for the outcomes. The discussion of on-the job training that follows provides an example of how the current system may be too focused on process rather than outcomes.

ENCOURAGING ON-THE-JOB TRAINING

I would like to conclude my testimony by briefly discussing the use of on-the-job training (OJT) as an activity in JTPA. OJT has been one of the success stories in the employment and training field. The recent evaluation of JTPA found that for adults, the impact on earnings for those assigned to OJT was always statistically significant and of greater magnitude than the impact of other activities (such as classroom training); a recently completed study has shown that OJT is the most effective activity for welfare recipients.[7] However, field studies by GAO and OIG identified some abuses of OJT. In particular, in some instances OJT was used as a wage subsidy for low-skill jobs where little if any training occurred. A few service delivery areas I visited recently told of how participants were "trained" for three months to become dishwashers. Acting on the GAO and OIG reports, Congress added a number of additional requirements for OJT contracts which have resulted in the curtailment of OJT for adults and the virtual elimination of this activity for youth. Since the JTPA evaluation clearly indicates that OJT is the most promising strategy for adults, Congress and the Department of Labor should consider steps to encourage increased use of OJT while still avoiding the abuse that sometimes occurred.

Mr. SHAYS. You all were here when the Inspector General and the GAO testified. They talked about specific kinds of programs, some of which cost a lot. You made reference to job training programs in particular, and both Ms. Pindus and Ms. Nightingale, you focused in on the whole issue of consolidation and can there be cost savings. You are talking about cost savings as it relates to all different kinds of programs, or as it relates primarily with the JOBS program? I'm trying to get a handle on your general point.

Ms. Nightingale.

Ms. NIGHTINGALE. We really focused on the potential for administrative cost savings.

Mr. SHAYS. With what?

Ms. NIGHTINGALE. At the Federal level in whatever combinations of programs might be considered, so that—we were asked by the Labor Department to try to come up with a framework that could be used to analyze the potential cost savings that might result from

[6] Pamela A. Holcomb, Kristin S. Seefeldt, John Trutko, and Burt S. Barnow, One-Stop Shopping Service Integration: Major Dimensions, Key Characteristics, and Impediments to Implementation, The Urban Institute, September 1993.

[7] Howard S. Bloom, Larry L. Orr, George Cave, Stephen H. Bell, and Fred Doolittle. The National JTPA Study: Title II-A Impacts on Earnings and Employment at 18 Months, U.S. Department of Labor, 1993; and Jodi Nudelman, The Impacts of Job Training for Women on AFDC: An Analysis of Title II-A of the Job Training Partnership Act, Unpublished Master's Thesis, Johns Hopkins University Institute for Policy Studies, April 1995.

program consolidation without having a particular consolidation program in mind.

Mr. SHAYS. Let's just take a case—I get the sense. So we are taking the job training

Ms. NIGHTINGALE. Right, JTPA.

Mr. SHAYS. Mr. Barnow, you are making a point, there aren't 163 programs so in some ways—so maybe there are 120. I mean give me a sense——

Mr. BARNOW. It depends how you count them, right. There are about 12 to 14 major programs, and, as I indicated, it has been estimated by the Department of Labor staff—I did not check—that about 12 programs account for three-quarters of all the money.

Mr. SHAYS. That is a very valid point. What I'm trying to get a handle on is, is it fair to say all 163 are separate budgeted items with their own bureaucracy?

Mr. BARNOW. I think they have funding streams for most of them.

Ms. NIGHTINGALE. No.

Mr. SHAYS. I'm just trying to understand what your funding streams—yes, Ms. Nightingale.

Ms. NIGHTINGALE. They don't all have separate bureaucracies. Some of the funding streams are administered together.

Mr. BARNOW. That is correct.

Mr. SHAYS. Did GAO use a little poetic license? Is this basically your point?

Ms. NIGHTINGALE. The General Accounting Office is used to looking at budget accounts, and that is what they did.

Mr. SHAYS. OK. So they looked at budget accounts. I'm trying to understand the significance of what you are trying to tell me.

Ms. NIGHTINGALE. We are looking at programs.

Mr. SHAYS. OK, and, of programs, how many programs, do you think?

Ms. NIGHTINGALE. We have identified 20 within the Labor Department that provide either job training——

Mr. SHAYS. Instead of 37.

Ms. NIGHTINGALE. Right. Either job training or employment assistance to individuals.

Mr. SHAYS. If GAO were here now and if I were to ask them, would they argue back and say yes, you have 20 general areas of activity but you really have different people—37 different decisionmakers in the process? Would they still contend it is very disjointed? Why do we have it? Let me back up. Why don't we just have 20 programs with 20 funding sources then?

Ms. NIGHTINGALE. I think that the point is that, whether it is 20 or 37, there are still a lot of programs there and there is still room for improvement and probably for consolidation.

Mr. SHAYS. Fair enough.

Now your general theme though is, you are not going to receive the kinds of savings financially but you are going to end up with a better program, more efficient, and so on. So if you are looking to find ways to balance the budget, don't look here in consolidation to balance the budget, but you will end up providing a better service. Is that your general thrust?

Ms. NIGHTINGALE. Yes.

Mr. SHAYS. OK. Let me just quickly go through, since you were here when the Inspector General and GAO spoke, JTPA you have basically touched on. Let me just ask you to focus on the Jobs Corps program in general. I would like to know what you thought about the tax credit program. I would like to know what you think about the whole issue of—if you have encountered this in your work—and maybe, Mr. Barnow, maybe you are the only one that has—the NAB getting funds without competition. Maybe you could just kind of respond to the testimony you have heard earlier.

Mr. Barnow, do you want to start.

Mr. BARNOW. OK. There have been a number of evaluations of the Targeted Jobs Tax Credit. I'm not familiar with the work that has been done by I believe it was the Inspector General's Office, or was it GAO, but most of them find small, if any, benefits, so that their findings were not inconsistent with other studies that I have seen.

Mr. SHAYS. So the general thrust of their testimony you would concur with.

Mr. BARNOW. Yes. There is some—there have been some studies that have found positive impacts but not as large as one would expect. My review of the literature a few years ago found that, on balance, it was not one of our best programs.

Mr. SHAYS. Was there anything they said you would have taken issue with either to say they understated it or they overstated it when you were listening?

Mr. BARNOW. Well, I would have to look at the study. I was a little surprised that they found as many as 92 percent of the people would have been hired anyway. That sounded a little high.

Mr. SHAYS. And I wish I had pursued how they determined that.

Mr. BARNOW. I haven't seen the study, but, again, most of the studies are not very positive on TJTC.

Mr. SHAYS. An yet we keep funding it.

Mr. BARNOW. Well, it keeps dying and coming back sort of like a vampire.

Ms. NIGHTINGALE. If I could add one thing?

Mr. SHAYS. Yes, definitely.

Ms. NIGHTINGALE. I think when you talk to employers out in the real world, there are some employers that feel that it is an effective tool for them for hiring, and when you talk to some job developers in programs, they feel that it is one more tool in their little black bag of tools that they can use to help get people hired, but overall the net impacts are not——

Mr. SHAYS. My recollection is that we had a hearing on this. And I recall the Marriott Corp. or some others said that they had found a way to have it be effective for them.

My time has come to a close.

Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman.

Let me begin by first thanking both of you for your testimony—all three—well, actually no testimony yet from Ms. Nightingale.

Mr. SHAYS. But she is teamed up with——

Mr. TOWNS. But she sure has given us a lot of thought around the questions, no question about that.

Let me just sort of begin by raising the question, I think you indicated that—well, let me back up and just talk about, the IG testified earlier that the effectiveness of the JTPA program he said could not be evaluated. Do you agree with that testimony?

Mr. BARNOW. No. He said that in conjunction with his statements about the performance standards and—I think I have somewhat of a different view of how you would do performance standards versus an impact evaluation, and I think the two activities can be separated although they should be linked.

Basically, the Department of Labor has conducted an evaluation of JTPA. It wasn't without its problems of course, but it was done, and it was done with random assignment of people to control status and experimental status, and it did in fact obtain long-term estimates of the impact of the program for the Nation as a whole, and they are continuing to follow people up to get even longer-term impact.

So I'm not quite sure. I didn't have a chance to ask him what he meant by that exactly.

Mr. TOWNS. OK.

I have so much to ask in terms of this timeframe, so I'm jumping around a bit here. I think it was in February there was a proposal to merge DOL and the Department of—Education and Equal Employment Opportunity Commission into a single Department, and of course—of Education and Employment. Do you agree with the proposal? And let me just ask you, what message does that send? I think that is really what I want to ask.

Ms. NIGHTINGALE. I think it is an important issue to look at because the message that it would send is that we are moving toward a national policy on work force development and the preparation of workers and also lifelong learning, and right now GAO is correct that the programs are scattered around in different agencies, sometimes for very good reasons, because of the target group that they are responsible for, and there is room for consolidating, and there is room for not necessarily sticking to the historic alignment of programs in different agencies, and we have to, as a Nation, decide what—whether the policies are on work force preparation and if, in fact, that is the case, what the appropriate administrative structure is for doing that, and consolidating the programs is one way to achieve that.

Mr. TOWNS. Yes. Do you want to add something, Mr. Barnow?

Mr. BARNOW. I think it is a very complex issue, and in one sense it sends signals to different groups whether you have a separate Cabinet agency for labor and education, and that is one part of why people propose either keeping them separate or consolidating them.

It is definitely important for us to look, as people have testified today, at the programs that are very similar like vocational education and like the JTPA. Those programs have very similar missions, and whether they are housed in the same Cabinet agency or not, I think there is definitely a need for Congress to think about whether they have distinct missions, whether we need to have separate programs.

Then when you get into these other areas, of course, they are quite distinct. EEOC is an enforcement agency. I guess its mission is in some ways similar to that of OFCCP, the Office of Federal

Contract Compliance in the Department of Labor. They have somewhat different mandates and somewhat different tools for enforcement, so I'm not sure whether they should be combined or not.

Mr. TOWNS. Thank you.

Are there advantages of a federally administered employment and training program? Are there advantages to have that kind of arrangement?

Mr. BARNOW. I would agree with what Mr. Crawford was saying, that it is very important that we have accountability in the system, and I would be concerned about if we moved to either a block grant or a voucher system, that if we abandon the Federal Government collecting the data and trying to see how effective the programs are, we will just—we won't know how well we are doing and we won't know if the taxpayers' money is well spent and we won't know which programs are working better than others. That would worry me a lot.

So I would stress the importance of the Federal role in oversight, monitoring, and accountability.

Ms. NIGHTINGALE. If I could add to that also, I think that the Federal role in employment and training has historically been to help the disadvantaged and the role of the Federal Government in targeting on those who are least likely to have informal networks for education. Identifying education opportunities, job training, and labor market information has been the mission of the Federal job training programs in general, and although there is some need for increasing flexibility at the State and local level we need to balance that with some accountability for targeting on the most disadvantaged, and I would think that continues to be the Federal role.

Mr. TOWNS. May I ask one more question?

Mr. SHAYS. Certainly.

Mr. TOWNS. I know my light is on.

Let's just switch roles for a moment, switch seats. How might Congress ensure that Federal standards of accountability are preserved in a block grant approach? How can we do that?

Mr. BARNOW. I guess I could take a crack at that. If we had a block grant type program, we could still require the States to report data back to the Federal Government on who is served, on what the outcomes are, similar to what we have now. I mean I think these things are a matter of degree in terms of how much flexibility we would give and who would do the oversight, but we would still require that uniform standard data be reported to the Federal Government so that we could compare the programs and see what the return on the investment is.

Ms. NIGHTINGALE. I think also that we may be at a point where we are rethinking what the role of the Federal agencies should be, and we may be in need of a stronger Federal agency role in providing technical assistance to the States and helping to develop the kind of data systems that Dr. Barnow was talking about.

There is a need for local capacity building, and the Federal Government—the Federal agencies can play a role there as well, and one of the things that we have learned through previous block grants is that we haven't done very well in making sure that accountability is assured and that particularly disadvantaged individuals are receiving an equitable amount of the services and that

with a—a change in sort of the mission and the statements that come out of the Federal Government are just as important as the performance standards, and that with leadership and direction about what the intent of the programs are, that plus technical assistance and capacity development could shift sort of what the objectives of the block grants are.

Mr. TOWNS. Fine.

Thank you, Mr. Chairman. I know my time has expired.

Mr. SHAYS. I thank the gentleman.

Mr. Scarborough has joined us for your testimony and has questions.

Mr. SCARBOROUGH. Thank you, Mr. Chairman.

I certainly appreciate you all having this important hearing, and I appreciate your testimony today. Let me ask you a question though. I was intrigued by comments saying that, in effect, these job training programs are so important, we have to have the Federal Government involved and, in fact, in some areas even getting more involved, and that it can't be trusted to the States or handled by the States, and I'm intrigued by that when GAO states our work has demonstrated that the Federal Government's patchwork of programs is characterized by overlap, duplication, wasted resources, and poor service quality, and creates confusion for clients, employers, and administrators. Additionally, many agencies do not know if their programs actually help people get jobs. Thus, the effectiveness of these programs is also in question.

And you balance that with the successes that the State of Iowa has had in successfully integrating employment and training programs together, and it certainly begs the question to be asked, if the Federal Government is the only one that can be trusted with this, then aren't we in pretty bad shape?

Ms. NIGHTINGALE. I would think that we have to trust everybody at the Federal level, State level, and the local level, and Iowa is to be commended for the work that they are doing, but even Iowa—and I think in our statement we say this—acknowledges that they are—they are investing a lot of money to improve their program, and it is that commitment, that political and public commitment to program improvement, that is needed at the State and at the Federal level, but it is not one that is costless, and Iowa is an example where they are investing substantial amounts of money on technical improvements, on data systems, on retraining staff, and on streamlining the entire service delivery system, which is exactly what we are talking about that is needed. Whether it is a Federal program, or State program, we still need that same kind of technical improvements.

Mr. BARNOW. I would add that if the Federal Government is paying for some of the training programs, then it has a responsibility to the taxpayers to try and see how well they are doing, and the fact that they may not be doing it in all the programs now doesn't mean we can't do a better job.

I think in my testimony I pointed out that in some programs, in the Job Training Partnership Act, they are tracking the clients, they are doing the evaluations, and so we do have a feeling of how well the program is performing, and I believe Mr. Crawford's comments apply to other programs than the main line JTPA program.

Mr. SCARBOROUGH. Do you have any comments as far as your confidence in the Federal Government's record in the past?

Ms. PINDUS. I don't think the tenor of any of the discussions I heard was that the Federal Government should do everything and not allow the States to have any responsibility here. In fact, most of our study was based on looking at what the States are already doing and what their experiences have been to date in integrating programs. I just think it is again the concern, based on the block grant experience, that there needs to be accountability when some of those responsibilities are turned over to the States.

Mr. SCARBOROUGH. Let's talk about when responsibilities are turned over to the States, and I would like to ask each of your opinions regarding something that Alice Rivlin wrote a few years back before she came to the administration, and the basic thrust of her work at the Brookings Institute in 1992 had to do with a book where she stated that job training and education and employment type work would be better handled at the State government and that the Federal Government should rapidly go into retreat in these areas.

Would you agree or disagree with Ms. Rivlin's assessment? And let's take it beyond what is possible in 1995, because obviously we can't turn the switch off in 6 months and get the Federal Government to retreat the way Ms. Rivlin stated she would like them to retreat. But would you all agree that that is a desirable goal, to move in the direction that Ms. Rivlin wrote about, and that is trusting the States with the important function of job training?

Ms. NIGHTINGALE. I have not read what you are talking about, but I think there is a difference in terms of whether Federal money is involved or removing the Federal investment in that area and depending on States to do it, and I think those are two different issues.

Mr. SCARBOROUGH. OK. Why don't we focus then on the Federal Government getting out of funding and freeing up the tax revenue to allow the States to raise money for job training, and let's take it from that perspective. Is that a desired goal as far as you all are concerned?

Ms. NIGHTINGALE. It raises a lot of concerns in my head, because I'm not sure that every State would in fact pick up and fill the gap where the Federal Government withdraws, and the burden of that will fall on those who are least able to gain access to the economic and education system. So I would be concerned about the equitable treatment across the country.

Mr. BARNOW. I would echo that concern. I have not read Dr. Rivlin's book so I would have to read that before I could fully understand it, but I think today we do have a number of programs that are run by States as well as some that are run by the Federal Government, and it is hard to say whether the State training programs are necessarily more effective or not. I certainly wouldn't rule it out, but at this point I just don't have enough information to say whether it makes sense to proceed to scrap the Federal system that she has apparently recommended.

Mr. SCARBOROUGH. OK. All right. Thank you. I appreciate it.

Mr. SHAYS. I just have one other question to ask, and then I would open it up for my colleagues to just go one round. I'm not

going to take 5 minutes. I just want to have a sense of your response to my feeling that Republican administrations view the Department of Labor one way. They give it a mission and appoint people who have that sense of what the Department of Labor is supposed to do under a Republican regime. I think it is very different under a Democratic regime. I think Democrats tend to think the role of the department is to look out more for the unionized employee, versus Republicans who tend to find out what labor is going to do to business and so on. You may not agree with that kind of general assessment, but I'm interested if you do think there is some truth to there being a different focus. What is its impact on the Department in terms of its mission?

And I might just preface my comment by saying that my sense is that—well, let me just have you answer the question. Do you agree that there is a different focus with the administrations, and what do you think its impact is?

Mr. BARNOW. I worked in the Department of Labor for about 9 years under both Democratic and Republican regimes. There does seem to be some differences, but I think it was more on the regulatory side than it was on the employment and training side. I think there were some different attitudes there, and that was the bigger change rather than in the employment and training side. It seemed to be more similar when the administration would change.

Mr. SHAYS. That is helpful. Thank you.

Would you all agree?

Ms. NIGHTINGALE. I agree. I have been doing research in and around the Labor Department for 20 years, and there is more consistency from administration to administration than there are differences.

Mr. SHAYS. On job training?

Ms. NIGHTINGALE. On job training—unemployment and training.

Mr. SHAYS. In terms of Mr. Barnow's comment about regulation?

Ms. NIGHTINGALE. That may be different. I have focused on employment and training.

Mr. SHAYS. Ms. Pindus.

Ms. PINDUS. I don't have anything to add.

Mr. SHAYS. OK.

I have concluded my questions.

Mr. TOWNS. Let me just raise a couple more.

In the IG's testimony he expressed concern that the JTPA reforms may be undermined under a decentralized framework. In your opinion, can States effectively administer this program?

Mr. BARNOW. In a sense they are—when they changed from CETA to JTPA, the States did gain a major administrative role, and I think the question is, was there—was the slack picked up by the States.

Mr. TOWNS. Right.

Mr. BARNOW. I think in the early years in particular there were some problems because the States weren't given as much guidance from the Federal Government as would have been desirable. I think that has changed—changed somewhat.

I think there has also been some concern that some people have expressed, notably the JTPA advisory committee that put out its report in 1989, that they would like to see more emphasis—this

was a group of people both from programs and Government who said they would like to see more emphasis on the accountability and the outcomes and less on just monitoring the process. So if that were done, I think there could be more of a role for the States and a little less for the Federal Government and it would work OK.

I think, again, you do need the Federal Government. As long as it is a Federal program with Federal funding, the Federal Government should be looking at how the States are doing, and if they are not doing a good job then it would be time for a change.

Ms. NIGHTINGALE. I'm not exactly sure what he meant by that comment, and one dimension of it could be that because there has been a lot of change, and whenever there is a lot of change what that causes is sort of ripples down through the system, and it takes the system a while to adjust to previous reforms, and then before you know it there is another set of reforms that are coming along. So those are sort of shocks to the system that don't have time to settle down and to reach a steady state of maturity from the last round of revisions and there were some changes. This has happened in employment and training for 30 years, that problems are identified, Congress and the Labor Department take steps to try to improve those changes, and before those new changes have had time to—for anybody to know if they have worked or not worked, then there is another round of changes that are imposed on top of that.

So I wasn't sure exactly what he meant in terms of undermining the changes in improvements that were introduced but——

Mr. TOWNS. Let me just sort of raise something else.

I think it was you, Ms. Pindus, said that we would not reach the kind of savings that we were looking to reach if we would do this and do it right. And before you answer, let me say I agree with you. But let me ask you, would I be in a position later on to say that as a result of what we have done that we are going to improve the quality of life for people and that more people now will be able to benefit as a result of what we are doing?

Ms. PINDUS. I think, based on some of the State experiences, in the long run that appears to be the case. The one thing to keep in mind is, there is a considerable amount of up front investment, in planning what programs ought to be consolidated and what is the best way to consolidate. Investments must be made in integrated computer systems, staff training, and many other things that are needed to really provide that seamless and efficient model. But to just give you a couple of examples of State programs—and I know Iowa was mentioned before. We got some information from Iowa, where they are integrating services from six State agencies. They have realized some savings already in terms of rent, because they have been able to colocate offices, and they are expecting savings by fully automating and consolidating their separate intake procedures for six different programs. So, there are definitely savings as well as investments that they have to make to do this.

But almost all the States we spoke to said that what they were doing was not cutting their budget based on those savings, but they were taking it and using it to serve more participants. They were finding it easier to reach participants, easier to provide access to

participants, and they were able to basically make their money go further to serve more people.

Mr. TOWNS. All right, and I agree with you wholeheartedly, but let me just ask you another question. How does a person like this Member get this across to his colleagues that this is the way—I mean, could you help me with that, because I agree with you wholeheartedly and I think you are so right, but it is just so difficult to convey that message. And I think you were here when I made the point earlier that what we will do is cut $2.3 billion from over here and then all of a sudden the Bureau of Prisons will come in and demand $2.3 billion and we will have to give it, and there is no doubt about it, and I just say to you that is not a solution to the problem.

Mr. SHAYS. You don't have to answer that. [Laughter.]

Mr. TOWNS. Can you sort of help me with that a little bit?

Ms. NIGHTINGALE. One way you could do it—I mean one of the ways we were able to do this study is, because we know what happens out in the field, we have done a lot of work around the country in different communities, and if you had local program administrators come here and speak and you asked them how they would improve their system, and every one of them will say we need some streamlining and consolidation to make our jobs easier. I think that is where you can convince your colleagues of the value, because out in the field in terms of the service delivery and the—where individuals and employers are working, that is where the difference will be made.

Mr. TOWNS. Right. I'm embarrassed to ask this question, but I want to make certain because it is on my mind and I can't leave this room without asking. Are you the same Nightingale in terms of welfare reform, in terms of the article——

Ms. NIGHTINGALE. Yes.

Mr. TOWNS. OK. Thank you. I think that is something that everybody should read.

Thank you very much. I have no further questions.

Mr. SHAYS. You triggered a question. When I tried to summarize what I thought your message was, that there would not be any real cost savings but we would see enhanced programs, better programs, better delivery, and so on, I didn't really delve into the question why because it conceptually made sense to me, but what I'm hearing come through is that you would have more participants.

Ms. NIGHTINGALE. Well, you could either have more participants or——

Mr. SHAYS. Because it is a better program.

Ms. NIGHTINGALE. Or a broader range of services, some of what the previous panel talked about in terms of a variety of services, better targeted services.

Mr. SHAYS. Well, you have made an incredible argument then for consolidation. I mean it just shouts from the rooftops. It is not an argument not to consolidate, it is an argument to consolidate but don't expect a lot of savings but—correct?

Ms. NIGHTINGALE. And that there may be up front investments as well, so that it is not costless to consolidate.

Mr. SHAYS. Right, and so payback is long term.

Ms. NIGHTINGALE. Right.

Mr. SHAYS. So you are actually saying there might be increased costs.

Ms. NIGHTINGALE. In the short run.

Mr. SHAYS. That is almost a killer, unfortunately, in this environment.

Ms. NIGHTINGALE. I think Iowa has some estimates of their projections on how long it will take them to recoup their up-front investments. What was it? Seven years?

Ms. PINDUS. Yes, 7 years is what their projections are, and they still don't have that much back in the way of cost data.

Ms. NIGHTINGALE. Before they would break even.

Mr. SHAYS. We kind of covered the waterfront with our two previous witnesses, so it may more apply to Mr. Barnow, my question, I feel like a kid in a candy store in one sense. I mean wherever you go, you have got something you can consume here.

If you were in our shoes, where would you put the primary focus in terms of the reduction of waste, fraud, abuse? What area seems to cry out for attention more than others? Because I think a lot of areas cry out for attention.

Mr. BARNOW. I have to say I'm not an expert on waste, fraud, and abuse, I'm sorry.

Mr. SHAYS. You worked for the Department?

Mr. BARNOW. Pardon?

Mr. SHAYS. You worked for the Department? That is not comforting.

Mr. BARNOW. Well, that was a long time ago.

Mr. SHAYS. Well, use your general intelligence and tell me what programs do you think, just when you were there. I mean I can just tell you, candidly, I have a friend who ended up buying a house from someone who worked for the Department of Labor, and he had renovated the downstairs and the basement and put in a kitchen and put in an apartment. He did it on Government time. He went to work at 10, read the newspaper for 2 hours, and at 12 he went and worked—came back. Now this was just one example, and maybe it was a total vignette—I mean a totally isolated example. But I got the sense that he was—the administration simply didn't believe in his task so they didn't give him any responsibility.

Mr. BARNOW. That is a broader Government-wide question. At one point when I got a new job I had four secretaries and I even did my own typing, so I mean I didn't know what to do, so I didn't promote them, and one by one they left. But those days I think are pretty much gone. They have been reinventing like crazy over there, if that is the right term, and a lot of—I think they are actually ahead of schedule on the staff reductions. So in that particular area there may still be some people who are not carrying their load, and there is no question there were people like that then and it was very difficult. I mean you could do it, but it was very difficult to discipline people who were what we used to call retired on the job. So that was a problem. Now I go over there and there has been such drastic cuts in a number of areas that a lot of the people are working very long days.

Mr. SHAYS. That is why we do some cutting, sir, to try to get at those who are retired on the job.

Mr. BARNOW. So it is a lot leaner than it used to be, and I don't know if there is that problem so much as there used to be.

Mr. SHAYS. We have opportunities to make a contribution, and you all have made a contribution by your testimony and by your studying——

Mr. TOWNS. Let me just ask half a question.

Mr. SHAYS. You may ask a third of a question, or three-quarters.

Mr. TOWNS. You know, I was thinking about the whole process in terms of reform. You mentioned that we would be able to serve some folks that may be not getting the kind of service that they need, and I would sort of think about in terms of a district of—actually, most urban areas in particular, especially the age group between 16 and 19 in terms of Hispanic and black youth in particular. You know, if we could sort of find a way to target this population, I think that that would be a wise way to spend the dollars rather than to just sort of get caught up and you are sort of like cutting down the amount, and I think somewhere along the line if we could begin to target and to focus, then I think we would be able to serve that difficult population, which now in many instances is not served, that had the lack of education, which is also a problem, and drug abuse is a problem, and we just have not been able to reach that group in a major kind of way.

Ms. PINDUS. I think that is an important thing to think about in consolidation, that certain priorities you may want to keep in place because there is a danger, if you consolidate too much, then things that are targeted to specific groups might get lost, and so there is a real need to maintain that emphasis of things that one wants to consider priorities.

On the other hand, if things are streamlined and managed better and really a more integrated service delivery system is in place, those kinds of groups could presumably be served better because there would be more integration with social services needs, health care needs, and other needs that that population might benefit from.

Ms. NIGHTINGALE. For that particular population too, that is another example where some consolidation of programs that might be in the Education Department and in the Labor Department might make sense, because we know that it is the adolescents and young teenagers, that there is a disjuncture there between the Head Start years and the summer work—summer employment years, and that we need to do something to help prepare young people for the world of work before they hit 14 or 15 and have serious problems already in the labor market. So there we need a seamless system that goes to younger age groups in terms of the work force development strategies.

Mr. TOWNS. Let me say I certainly appreciate your testimony, and I'm hoping that you can some way help us to sort of not to focus on one isolated situation that occurred and bring up national legislation to deal with it. You know, you have one person that was able to sort of beat or cheat the system, and then of course we have had thousands and thousands and thousands to benefit from what we are doing, but because of that one isolated situation or example, that we come up with national legislation that we spend more money on, you know, just dealing with that issue than we do in

terms of actually addressing the problem, and so thank you very, very much for your testimony.

Ms. PINDUS. Thank you.

Mr. SHAYS. Can I ask you, is it one isolated individual? I mean you think that——

Mr. TOWNS. You only gave one example.

Ms. NIGHTINGALE. Did you say—what?

Mr. SHAYS. I mean the terminology you used blew my mind, "retired on the job." I didn't make that up, that is a phrase that is used. It is a mentality, and it isn't an isolated individual. That is the problem, it is simply not isolated, and the terminology used, "retired on the job," is something you said was a problem and is no longer a problem. And, you know, I consider that a very candid but honest remark.

We adjourn this hearing, and thank you all for coming.

[Whereupon, at 12:17 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record is as follows. Due to high printing costs this information can be found in subcommittee files.]

COST SAVINGS AT THE DEPARTMENT OF LABOR

ATTACHMENT INDEX

Attachment 1 Office of Inspector General, Semiannual Report to the Congress. April 1, 1994 - September 30, 1994

Attachment 2 Office of Inspector General, Semiannual Report to the Congress, October 1, 1993 - March 31, 1994

Attachment 3 Office of Inspector General, Semiannual Report to the Congress, April 1, 1993 - September 30, 1993

Attachment 4 Office of Inspector General, Semiannual Report to the Congress, October 1, 1992 - March 31, 1993

Attachment 5 GAO testimony before the Subcommittee on Postsecondary Education, Training and Lifelong Learning, February 6, 1994, "Multiple Employment Training Programs, Major Overhaul Needed to Create a More Efficient, Customer-Driven System"

Attachment 6 GAO report, February 1994, "Department of Labor, Noncompetitive, Discretionary Grants"

Attachment 7 Urban Institute Report, coauthored by Nancy Pindus and Demetra Smith Nightingale for the Department of Labor, November 1994, "Administrative Cost Savings Resulting From Federal Program Consolidation"