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Before the Committee on Appropriations

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97th CONGRESS, FIRST SESSION

PART 1—(Pages 1–691)
DEPARTMENT OF LABOR

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

PART 1 (Pages 1–691)

DEPARTMENT OF LABOR

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

TUESDAY, FEBRUARY 3, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 1224, Everett McKinley Dirksen Senate Office Building, Hon. Harrison N. Schmitt (chairman) presiding.

Present: Senators Schmitt, Rudman, Specter, and Burdick.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

STATEMENT OF LAWRENCE E. WEATHERFORD, JR., ACTING DEPUTY ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING

ACCOMPANIED BY:
- DENNIS R. WYANT, DEPUTY ASSISTANT SECRETARY FOR VETERANS' EMPLOYMENT
- ROBERT ANDERSON, ADMINISTRATOR, OFFICE OF COMPREHENSIVE EMPLOYMENT DEVELOPMENT
- TIMOTHY M. BARNICLE, ACTING DIRECTOR, OFFICE OF YOUTH PROGRAMS
- DOUGLAS G. COCHENNOUR, ACTING DIRECTOR, SPECIAL REVIEW STAFF
- ROBERTS T. JONES, ADMINISTRATOR, OFFICE OF MANAGEMENT ASSISTANCE
- WILLIAM KACVINSKY, ACTING ADMINISTRATOR, OFFICE OF NATIONAL PROGRAMS;
- WILLIAM B. LEWIS, ADMINISTRATOR, UNEMPLOYMENT INSURANCE SERVICE
- JAMES P. MITCHELL, DEPUTY ADMINISTRATOR, BUREAU OF APPRENTICESHIP AND TRAINING
- FRED E. ROMERO, ACTING DIRECTOR, OFFICE OF POLICY, EVALUATION AND RESEARCH
- T. JAMES WALKER, ADMINISTRATOR, OFFICE OF ADMINISTRATION AND MANAGEMENT
- DAVID O. WILLIAMS, ADMINISTRATOR, U.S. EMPLOYMENT SERVICE
- JANICE M. SAWYER, ACTING COMPTROLLER FOR EMPLOYMENT AND TRAINING
- SANDRA T. KING, BUDGET OFFICER FOR EMPLOYMENT AND TRAINING
- MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

SUBCOMMITTEE PROCEDURE

Senator SCHMITT. The Subcommittee will come to order, such as we are this morning. We can expect other Senators here as the morning progresses.

Today, the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies of the Senate Appropriations Committee, begins hearings on the fiscal 1982 budget requests and appropriate considerations for the fiscal 1981 rescissions and deferrals as they may be proposed.

The major Departments that we will consider are Labor, Health and Human Services, and Education. Other Related Agencies will also be covered later in our hearing schedule.

We have set the stage for these hearings with a very comprehensive economic overview conducted by the full committee last week. The purpose of the overview hearings was to provide insights into what types of appropriations should be emphasized and which should be deemphasized, in order to reduce the rate of growth of Federal spendings and improve the delivery of necessary services.

In addition, the overview hearings provided the initial insights for the committee for any recommendations that it may decide to make to the authorizing committees for improvements in basic law.

Now we intend to examine in detail the specific appropriations requests not only for fiscal 1982 but for fiscal year 1981 supplementals, rescissions, and deferrals.

Although the Reagan administration proposals are not yet before us, these hearings will provide the background necessary to evaluate those proposals when they arrive on the Hill, hopefully within the next 2 weeks.

This year we have asked the principal witnesses to highlight in their prepared statements, in addition to other matters, the regulatory aspects of programs under their jurisdiction, estimating both Federal administrative costs and the private sector economic costs of complying with the regulations.

Each principal witness has also been asked to provide a brief oral summary of the programs under his agency's jurisdiction before we get into the specifics of written opening statements.

We will begin with the Labor Department's Employment and Training Administration, which administers the multibillion dollar CETA program, as well as the even more costly unemployment benefits programs of various kinds.

Mr. Larry Weatherford is here as Acting Administrator, to be the chief witness.

I hope, Mr. Weatherford, that you will introduce your associates, and then proceed with a brief overview description of the major employment and training programs for which you are responsible.

I should add that the Secretary's overview will be deferred for a few weeks so that he can develop his own windage on all of the programs that we will discuss. Nevertheless, I think we can make a great deal of progress by beginning now with your testimony.

I also hope that when questions and answers begin, that you and your associates will keep your answers as brief as possible, and if you

feel extensions of those remarks are required, do so for the record, with notification to the Senator asking the questions.

Mr. Weatherford, would you introduce your associates and then begin.

INTRODUCTION OF ASSOCIATES

Mr. WEATHERFORD. Thank you, Mr. Chairman. We have, starting on the right, Mary Ann Wyrsch, who is the Budget Officer for the Department.

Next, Dave Williams, who is the Administrator for the U.S. Employment Service; next, Bert Lewis, the Administrator for the Unemployment Insurance Program; on my immediate left, Jim Walker, who is Administrator for Administration and Management. Next is Bob Jones, the Administrator for the Office of Management Assistance. Next is Tim Barnicle, Administrator for the Youth Program, and next, Bob Anderson, who is the Administrator for our CETA program.

PROGRAM HIGHLIGHTS

Thank you for the opportunity to be here today. We would like to go into a brief discussion of the programs that the Employment and Training Administration operates. We have charts prepared, after working with the staff, and Ms. King, who is the Budget Officer for the Employment and Training Administration, will assist me in this.

Mr. Chairman, the Employment and Training Administration is responsible for two basic thrusts: First, the employment and training programs which are authorized under the CETA, Comprehensive Employment Training Act, and older American program, under title V of the Older Americans Act.

We are responsible for part C of title IV of the Social Security Act, which is the WIN program, or work incentive program.

In addition to that we operate income maintenance and employment security programs, under which we administer Federal unemployment compensation laws, the Trade Act of 1974, the Redwood National Park Expansion Act; we also operate programs under the Social Security Act and the Wagner-Peyser Act, which authorizes the Public Employment Service.

SYNOPSIS OF CHARTS

Our first chart, Mr. Chairman, deals with the employment and training program, and they are basically funded through four different appropriations. The first is the employment and training assistance.

The second is the older Americans.

The third is the temporary employment assistance.

And the fourth is the WIN program, work incentive program.

The grand total of the requests for all four of these appropriations for fiscal year 1982 is $9.2 billion.

I would like to take a minute to highlight the activities of each one of those areas, and give you some idea of the size of the program and the amount of funds involved in each one of them.

To begin with, the employment and training assistance, the comprehensive employment and training program authorized under title II, provides financial assistance primarily by formula to 476 State and local

prime sponsors who define and operate comprehensive employment and training programs to meet the needs of their specific areas.

These programs include insitutional and on-the-job training, work experience, vocational education and counseling, remedial education, job placement services, public service employment under title II–D of CETA, and in 1982, Mr. Chairman, we estimate that we will provide between 325,000 and 375,000 years of service under this particular title, titles B and C, which is the same level as the current year, fiscal year 1981.

PUBLIC SERVICE EMPLOYMENT

Under title II–D, public employment service title, we expect to have 240,000 PSE jobs, which is the same level that we should end fiscal year 1981 with. The request for this particular area totals $4.9 billion.

YOUTH PROGRAMS

The second area are special programs for youth. These programs provide employment training assistance for unemployed youth, particularly economically disadvantaged and out-of-school youths, through a summer youth employment program, the Job Corps and the Young Adult Conservation Corps.

Our summer program provides jobs for economically disadvantaged youth during the summer months, and funds here are also allocated primarily by formula to State and local prime sponsors and to Indian organizations who design and operate those programs.

In 1982 we expect and estimate that we will provide 800,000 to 900,000 employment opportunities in the summer program, which is about the same level as 1980 and 1981.

Our request in this area totals $766 million.

The next area under the youth program is the Job Corps, which provides severely disadvantaged youth with comprehensive programs of basic educational-vocational training, job placement and medical support in a residential setting.

These Job Corps centers, the civilian conservation centers, are operated by the Departments of Agriculture and Interior. The other nonconservation centers are operated under a contract with business firms, with nonprofits organizations, unions, State and local governments, or Indian tribes.

In 1982 we expect to provide 44,000 years of service to Job Corpsmen, which is the same level that we expect to end fiscal year 1981 with. Currently we have 40,800 corpsmen on board.

The request in this area is for $749 million.

The final program under the special youth programs is the Young Adult Conservation Corps, where young people engage in useful conservation work, and they assist in completing other projects of a public nature on Federal and non-Federal public funds, such as flood control, park maintenance and forestry. These centers are operated by the Departments of the Interior and Agriculture.

Mr. Chairman, our proposal in this budget would phase out this program by the end of 1982. As no request for new budget authority, we would rather carry out $70 million into 1982 to phase the program out.

Mr. Chairman, there are three other youth programs which have operated for the last 3 years under the Youth Employment Demonstration Projects Act. That act expired in 1980. The authority for these three programs, which are: the youth community conservation and improvement project, the youth employment and training program, and the youth incentive entitlement pilot projects, will have to be dealt with somewhere legislatively if they are to continue after this year.

The first two have been extended by the continuing resolution through 1981. The legislation has been considered by the Congress, Mr. Chairman, and passed by the House for new youth legislation. The Senate Labor Committee took the proposal up; however, the Senate did not act.

Our proposal in President Carter's budget provided for a youth program of $1.1 billion, and these numbers are not included in the charts.

NATIONAL PROGRAMS

The next area is the category headed "Other national programs," which provides additional employment and training assistance to special segments of the population who have particular disadvantages in the labor market. It also provides the activity for program support and for special demonstration projects that the Employment Training Administration takes on. Among the groups that are served are Indians and other native Americans, migrant and other seasonal farmworkers, veterans, middle-aged and older workers, displaced homemakers, criminal offenders, persons with limited English-speaking abilities, and workers who are dislocated due to increases in imports of goods from other countries.

The program support activity includes basically our technical assistance and training effort, Mr. Chairman, for the Federal, State, and local personnel who are involved in planning and administering employment training programs as well as the comprehensive labor market information program that is operated by the Department.

Of the two special demonstration programs that have been included in this proposal one is the welfare reform demonstration pilot project, to test the concept of assisting persons to find employment in the private and public sector for approximately 32,000 participants. This proposal is to continue 12 demonstration sites that are in place now, and the request is for $174 million.

The other special demonstration program is for positive adjustment assistance. It is a program to test new approaches to deal with workers—experienced workers, primarily—who are displaced or unemployed as a result of economic structural changes. A good example is the automobile industry and the steel industry.

Our request here is for $50 million for fiscal year 1982.

PRIVATE SECTOR PROGRAMS

The final area is the private sector program which is a new program that has been part of title VII of CETA for the past 1 or 2 years. It includes two basic thrusts. The first is a private sector initiative program where we are trying to improve the effectiveness of involving the busi-

ness community and the private sector in employment and training activities through the use of private industry councils who will advise CETA prime sponsors and local elected officials to provide comprehensive employment training programs.

The second area is a targeted jobs tax-credit program where the Employment and Training Administration and the Department of Labor, along with Treasury, designate local agencies to certify workers to employers who would become eligible for tax credits under this particular program.

In 1982 we expect to certify 220,000 to 227,000 individuals.

OLDER AMERICANS PROGRAMS

The next area is the older Americans program, under the Older Americans Act. It provides grants to State governments, public and private nonprofit national organizations, to provide part-time work opportunities and community service activities for lower income persons who are 55 years of age and older. A total of 54,200 slots was requested again, which is a continuation of the 1981 level, and the request is for $277 million.

TEMPORARY EMPLOYMENT ASSISTANCE

The next area is the temporary employment assistance program, which is provided for under title VI of CETA. It is countercyclical public service jobs. In 1982 the request is for 100,000—an average of 100,000, which will be the level which we anticipate ending fiscal year 1981 with.

The request here is for $1.1 billion.

WORK INCENTIVES

The final employment training activity is the work incentive program, which encourages and assists recipients of AFDC to achieve self-support through programs of training, work experience, and employment, emphasizing direct placement and labor-market exposure. These funds are appropriated to the Health and Human Services Department, but they are admninistered jointly by the Departments of Labor and Health and Human Services.

We in the Employment and Training Administration administer the employment and training activities and HHS deals with child care and supportive services.

In 1982 we expect a total of 280,000 individuals to enter employment through this particular program.

Mr. Chairman, that summarizes the first chart, and as I indicated to start with, the basic request for 1982 totals $9.2 billion for these activities, and if you add the proposed new youth initiative of $1.1 billion, it gives a total of $10.3 billion.

[The chart follows:]

EMPLOYMENT AND TRAINING PROGRAMS

[In billions of dollars]

Activity	1980	1981	1982
Employment and training assistance:			
Comprehensive employment and training programs	3.6	4.3	4.9
Special programs for youth	2.1	2.5	1.5
Other national programs	.5	.3	.6
Private sector programs	.3	.1	.3
Subtotal	6.5	7.2	7.4
Older Americans	.3	.3	.3
Temporary employment assistance	1.6	.7	1.1
Work incentives:			
Grants to States	.4	.4	.4
Program direction	(1)	(1)	(1)
Subtotal	.4	.4	.4
Total obligations [2]	8.8	8.6	9.2

[1] Less than $500 million.
[2] May not add due to rounding.

INCOME MAINTENANCE PROGRAMS

Mr. WEATHERFORD. I'm turning to the income maintenance part. These are basically unemployment insurance benefits, provided through State unemployment insurance programs, but there are several unemployment insurance programs that are authorized by Federal law, and the Federal unemployment benefits and allowances account, which we call the FUBA account, provides for the payment of unemployment compensation benefits and allowances authorized under those Federal laws.

These include the payment of unemployment benefits to former Federal employees, including civilian workers, ex-servicemen, and postal workers. This account provides for the payment of the trade adjustment assistance under the Trade Readjustment Act, and it provides for the funds to pay public service employees unemployment benefits when public service employees are discharged from their jobs.

The final activity is the payment of benefits under the Redwood National Park Expansion Act.

Mr. Chairman, in December, with the passage of the Reconciliation Act, there have been several changes in this account. Basically the change is that after January 1, 1981, Federal agencies will have to fund the unemployment benefits for their own individual workers as opposed to using a lump-sum or a pool approach under this account.

The second thing is that wages paid to public service employees after December 5 will no longer be reimbursed out of this particular account, and those benefits will have to be covered under the regular CETA grants.

The appropriation for this account, Mr. Chairman, is generally a direct appropriation. We also have a capability for receiving additional resources from an advances account when the funds run below the estimated levels. We also have two or three other means whereby emergencies can be taken care of, and we will deal with one of those when we talk about the next chart on the advances account.

[The chart follows:]

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

[In billions of dollars]

	1980	1981	1982
Source of funds:			
Appropriations	0.9	3.3	1.9
Receipts from advances	1.3	.4	.....
Receipts from postal services	(1)	(1)	.....
Unobligated carryover	(1)	(1)	.....
Advances from subsequent year appropriation	.3	-.3	
Total	2.5	3.4	1.9
Obligations:			
Former Federal personnel	.5	.4	.4
Trade adjustment assistance	1.7	2.7	1.5
Public service employment	.3	.2	(1)
Redwoods	(1)	(1)	(1)
Special unemployment assistance	(1)	.....	.....
Federal employment compensation account	(1)	.1	.....
Total	2.5	3.4	1.9

[1] Less than $500 million.

PAYMENTS OF INCOME MAINTENANCE

Mr. WEATHERFORD. All of the income maintenance payments that are provided through the Employment Training Administration programs are legal obligations and by law must be paid timely. With the uncertainty of the economic forecasting business, we have in the past several years had available to us an account called advances to the unemployment trust fund and other funds.

This general fund advance to several trust funds and general accounts for the purposes authorized occurs whenever the balances in the account prove insufficient. We have several areas where this account provides advances, first, the FUBA account, the one I just described, for the payment of unemployment compensation benefits to former Federal employees or trade recipients; should that account be depleted, the advances account can provide advances to that.

The second area is the black lung disability trust fund for the payment of black lung disability payments, which is a repayable loan to that fund, with interest.

Advances are made when necessary to the Federal unemployment account, which is a loan fund, for State employment security agencies whose trust funds have been depleted, for the purpose of paying regular benefits. This is a repayable loan without interest.

Advances are also made when necessary to the extended unemployment compensation account for the payment of the Federal portion of the extended benefit program. That is a repayable loan without interest.

And then finally, a new account which has been set up—Federal employment compensation account—which is a new account in the trust fund for the payment of Federal and Postal Service workers. Those agencies, as I said, will reimburse that fund. We will not have that account in this display in the future.

Currently, Mr. Chairman, we have outstanding loans in all of these accounts of $13.7 billion.

[The chart follows:]

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

[In billions of dollars]

Activity	1980	1981	1982
Budget authority	1.7	3.3	4.2
Obligations:			
Federal unemployment benefits and allowances	1.3	.4	.....
Black lung disability trust fund	.5	.6	.5
Unemployment trust fund:			
Federal unemployment account	.....	1.8	3.3
Extended unemployment compensation account	.....	.5	.4
Federal employment compensation account	.....	.1	.1
Subtotal	.....	2.4	3.8
Total	1.8	3.4	4.2

[1] Totals may not add due to rounding.

STATE ADMINISTRATION GRANTS

Mr. WEATHERFORD. We turn next to the administrative funds for the employment security agencies. This is grants to States for the administration of the unemployment insurance programs and the public employment service.

It provides funds to State employment security agencies for the administration of both State and Federal unemployment compensation laws and for the administration of 2,400 local public employment offices around the country.

The unemployment insurance staff pays unemployment compensation to eligible workers and collects State unemployment taxes. They also pay the benefits for Federal employees, ex-servicemen and make payments under the trade adjustment assistance program.

The employment service provides services to help to obtain suitable employment and to assist employers in resolving their employment problems. The basic thrust of that program is a referral to jobs for placement purposes.

The third category is an account—line account—called a "Contingency fund," which assures that in those cases where claim loads exceed the anticipated level, this fund is available to provide administrative money to State employment security agencies for processing those claims. It is also, under the statute, available for dealing with changes in State law that require additional administrative money during the course of a year, and for changes in State salary compensation plans which cannot be handled through normal budgetary adjustments.

Mr. Chairman, the funds for this particular program are basically trust funds that are collected under the Federal Unemployment Tax Act. However, for the employment service operation. 97 percent of the funds comes from the trust fund and 3 percent comes from general revenues. That is—that reflects the fact that 97 percent of the workers in the country are covered under the unemployment insurance program. The remaining part was not covered, so it is funded out of general revenues.

In total, Mr. Chairman, as reflected on the bottom of the chart for fiscal year 1982, this budget will provide 63,000 employees for the un-

employment insurance program, of which about two-thirds of them are permanent employees, and the others are contingency-type workers that are hired to handle changes in claim load, and for the Public Employment Service, a level of 30,000 staff years.

[The chart follows:]

GRANTS TO STATES FOR UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICES

[In billions of dollars]

Activity	1980	1981	1982
Unemployment insurance services—trust funds	1.1	1.0	1.1
Employment services:			
General funds	(1)	(1)	(1)
Trust funds	.7	.7	.8
Contingency—trust funds	(1)	.5	.5
Total obligations	1.8	2.2	2.4

STATE STAFF

[In thousands]

	1980	1981	1982
Unemployment insurance services	49	66	63
Employment services	30	30	30
Total staff	79	96	93

[1] Less than $500 million.

FEDERAL PROGRAM ADMINISTRATION

Mr. WEATHERFORD. Our final chart reflects the employment programs that are operated by State and local workers, by workers in community-based organizations, nonprofit organizations, and the Federal Government does not operate generally the programs that we are responsible for. This does reflect the Federal staff.

The responsibility for the Federal administration is broken down into eight different budget categories as reflected. Planning, evaluation and research, which gives us the opportunity for long-term planning and legislative support for the operation of the labor market information program and our research and development effort, provides for a staff of 121 individuals in 1982.

The second comprehensive employment development program encompasses the CETA activities as well as the work incentive, welfare reform demonstrations, and so forth. That provides for staffing of 1,030.

Our apprenticeship program is one that we operate as a national program. It has 459 staff. The U.S. Employment Service provides the leadership, policy direction, and technical assistance to State employment and security agencies—301.

They also, Mr. Chairman, handle the alien certification program under the Immigration and Naturalization Act for the admission of alien workers into the country. They provide the leadership in our agency for the target jobs tax credit program.

The Veterans Employment Service is 229. It identifies policies and programs to serve and meet the employment needs of our veterans.

The unemployment insurance staff provides the leadership, policy direction, and technical assistance for State employment security agencies

for the administration of all of the Federal and State unemployment compensation programs.

Our special review staff is responsible for the compliance program to insure that Federal laws and regulations in the operation of State agencies in CETA programs are carried out throughout the country. They also provide for the conduct of reviews in response to allegations and accusations of questionable activities. They also coordinate the activities of our agency with the Office of the IG and the General Accounting Office.

The executive direction and management area provides the overall direction and supervision of all of the program areas and monitors the progress toward achieving the Secretary's goals. It also includes our personnel, administrative, financial, and management information as a part of that category.

The final area, Mr. Chairman, that is included in that is our management assistance program, which is a comprehensive program to provide management and technical assistance to the operators of the employment and training program.

[The information follows:]

PROGRAM ADMINISTRATION

[In millions of dollars]

Activity	1980	1981	1982
Planning, evaluation, research	$5.2	$4.8	$5.1
Positions	118	121	121
Comprehensive employment development	$41.1	$43.3	$46.7
Positions	962	1,030	1,030
Apprenticeship services	$14.3	$15.1	$15.1
Positions	459	459	459
U.S. employment services	$11.1	$11.4	$12.2
Positions	294	301	301
Veterans employment service	$7.2	$7.8	$8.4
Positions	225	229	229
Unemployment insurance services	$9.4	$11.6	$12.6
Positions	224	232	232
Special review	$4.4	$2.1	$2.5
Positions	121	64	64
Executive direction management	$32.5	$37.4	$43.8
Positions	782	811	811
Federal fund obligations	$90.0	$94.1	$105.3
Trust fund obligations	$35.3	$39.2	$41.5
Total positions	3,185	3,247	3,247

OVERVIEW COMPLETION

Mr. WEATHERFORD. This completes our overview of the activities which we have. We can turn now to the——

Senator SCHMITT. It looks like I could follow your overview through your statement very nicely, so why don't we include your statement for the record, and if there is anything you would like to cover that you did not cover in the overview, please feel free to do that.

[The statement follows:]

STATEMENT OF LAWRENCE E. WEATHERFORD, JR.

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you. The budget you have under consideration was prepared and presented under the direction of the Administration of former President Carter. President Reagan and his appointees are now reviewing that budget carefully and preparing alternative recommendations in many areas, including major spending programs, and salaries and expense budgets. I am prepared today to outline for you the Carter budget recommendations, but I must tell you that substantial revisions are not only possible but very likely.

Employment and Training Assistance

For Fiscal Year 1982, this budget requests a total Employment and Training Assistance appropriation of $7,374.1 million which is a net increase of $128.3 million over the 1981 level of $7,245.8 million. This amount excludes a request for $1,125 million for a Youth Initiative which is proposed and will be transmitted to Congress at a later date. The initiative was first proposed in the Fiscal Year 1981 budget. Although the proposal successfully passed the House, and was approved by the Senate Human Resources Committee, the Senate was unable to complete action in the post-election session of the 96th Congress.

The Employment and Training Assistance appropriation has four activities: comprehensive employment and training programs; special programs for youth; other national programs; and private sector programs.

Comprehensive Employment and Training Programs

Comprehensive employment and training programs are authorized by Title II of the Comprehensive Employment and Training Act (CETA). Title II, Parts B and C provide financial assistance, primarily by formula, to over 475 State and local prime sponsors to design and provide comprehensive employment and training services to ease barriers to labor force participation encountered by economically disadvantaged persons and to help these persons increase their earned income. Activities include institutional and on-the-job training, work experience and other services needed to enable persons to obtain unsubsidized employment. The Fiscal Year 1982 request for Title II, Parts B and C is $2,117 million, the same level provided in Fiscal Year 1981. This will allow a range of 325,000 to 375,000 service years to be provided, thereby maintaining approximately the same level projected for 1981.

The other part of this activity, Title II-D, provides public service employment opportunities for the structurally unemployed. The 1982 request totals $2,813.6 million, an increase of $618.4 million over the Fiscal Year 1981 level of $2,195.2 million. The increase is comprised of $338.9 million to provide sufficient funds to maintain the 1981 end of year enrollment level of 240,000, and $279.5 million for higher unit costs resulting from cost increases as well as an increase in the level of training to be provided as required by the CETA amendments.

Special Programs for Youth

The request for special programs for youth, including the Job Corps and the Summer Youth Employment Program, is $1,515.6 million, a net decrease of $959.1 million from the Fiscal Year 1981 level of $2,474.7 million. Of the net decrease, $875 million is related to the youth initiative, which is proposed and will be transmitted to

the Congress at a later date, in the amount of $1,125 million. The $1,125 million, together with the above Fiscal Year 1982 youth request, represents an increase of $165.9 million above the Fiscal Year 1981 level.

The Job Corps provides severely disadvantaged youth, aged 16 to 21, with a comprehensive program of basic education, vocational training, job placement, medical support, and other services in a residential setting. The 1982 request of $749.5 million for Job Corps is $188.8 million over the 1981 level of $560.7 million. The increase reflects $126.4 million to complete the enrollment buildup to 44,000, at a higher unit cost resulting from inflationary increases. In addition, $62.4 million is included for capital improvements relating to deferred maintenance, safety and health needs, energy conservation, and accessibility for the handicapped.

The request for the Summer Youth Employment Program which provides jobs for economically disadvantaged youth aged 14 to 21 during the summer months, is $766.1 million, and reflects a decrease of $72.9 million over the 1981 level of $839 million. The 1982 request, together with a proposed deferral from Fiscal Year 1981 of $39.5 million, will provide $805.6 million, and will maintain 800,000 to 900,000 summer job opportunities for disadvantaged youth, the same level expected for 1981.

The budget recommends that the Young Adult Conservation Corps be phased out through attrition by the end of 1982. No budget authority is requested in Fiscal 1982, but a proposed deferral of $58.1 million in Fiscal 1981 funds will be utilized to phase the program down from the expected beginning of year participant level of 11,200, averaging 5,600 for the year.

Other National Programs

Other National Programs include a wide range of efforts that are intended to fulfill a number of special Federal responsibilities by strengthening and augmenting the federally supported network of State and local employment and training programs. Authorized under Title III of CETA, the programs and activities include: employment and training programs for migrants and other seasonally employed farmworkers; employment and training programs for Indians and other Native Americans; special national programs and activities; welfare reform demonstration pilot projects; program support activities; and positive adjustment assistance programs.

The request for other national programs is $603 million, a net increase of $294.1 million from the Fiscal Year 1981 level of $308.9 million. The increase includes $46.2 million for a new Positive Adjustment Assistance Program; $34.1 million in program increases for program support and special national programs and activities; and $213.8 million for financing adjustments to replace funds available in Fiscal 1981 which are not available in Fiscal 1982 for welfare reform demonstration pilots and special national programs and activities.

The request includes $81 million for employment and training programs for Native Americans and Indians, and $83.2 million for migrant and seasonal farmworkers to maintain the 1981 funding levels.

A total of $174.5 million is requested for welfare reform demonstration pilot projects. This will enable the continued testing of job search and employment strategies for welfare eligible persons in 12 locations providing an estimated 8,000 years of service.

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A total of $151.3 million is requested for special national programs and activities to provide employment and training assistance and essential supportive services for special population segments as authorized under Title III. This represents a net increase of $59.3 million above the Fiscal Year 1981 level of $92 million, and includes program increases of $20 million for several special national programs and activities and a financing adjustment of $39.3 million to replace funds available in Fiscal 1981 which are not available in Fiscal 1982. The $20 million increase would provide an additional $2 million each for Targeted Outreach, National OJT, Community Based Organizations, Promotion and Development, management information systems and Veterans programs; $6 million for Trade activities; and $1 million each for displaced homemakers and middle aged and older worker programs.

The request for program support activities is for $63 million, an increase of $14.1 million from the Fiscal Year 1981 level, and includes $22.3 million for technical assistance and training; $12.8 million for labor market information; and $27.9 million for research, development and evaluation.

The increase in program support is comprised of several pieces. An increase of $7.3 million is requested for technical assistance and training to provide timely, quality technical assistance to prime sponsors. Coupled with this effort will be an increased emphasis on research, development and evaluation functions. An increase of $6.6 million over the 1981 level is requested for these functions. In addition, a net increase of $0.2 million is requested for labor market information to cover salary and personnel benefit costs resulting from statewide compensation plan changes for state personnel involved in labor market information activities.

The budget also includes $50 million to fund a new Positive Adjustment Assistance Program in Fiscal 1982 to test approaches to retraining, relocation and employment assistance for persons displaced from jobs by changing financial and economic conditions. Approximately 10 pilot programs are anticipated to be funded in 1982 in localities which have experienced severe economic dislocation. This program is being started in one location in Fiscal 1981 with $3.8 million reprogrammed from Title II-D of CETA. The first project is in Wayne County, Michigan.

Private Sector Programs

The Private Sector Programs activity is comprised of two segments: the Private Sector Initiatives Program and the Targeted Jobs Tax Credit Program.

The Private Sector Initiatives Program is intended to increase the involvement of the business community in employment and training activities and the number of private sector jobs for economically disadvantaged persons. Under this program, 450 Private Industry Councils (PIC's), made up of representatives of management, labor and community based organizations, have been established and are located in almost every major labor market area.

The Targeted Jobs Tax Credit (TJTC) program is designed to facilitate the hiring of certain target groups of disadvantaged individuals in the private sector by providing tax credits to employers. The State Employment Security agencies provide overall management of the program, and State and local elected officials, working primarily through State ES agencies, CETA prime sponsors, and the Private Industry Councils, promote the program through their existing media outlets. A variety of cooperating agencies, such as welfare and vocational education agencies, determine the eligibility of persons whose hiring would entitle employers to a tax credit.

The 1982 funding level requested for these programs is $325 million, an increase of $175 million from the 1981 level in order to replace carryover available in 1981 which is not available in Fiscal 1982. It is anticipated that the request level will be sufficient to sustain the program at approximately the 1981 availability level.

The 1982 request will provide an estimated 17,000 - 21,000 service years of training in the Private Sector Initiatives program, and the certification of between 220,000 and 227,000 persons as eligible for the TJTC programs.

Temporary Employment Assistance

The Temporary Employment Assistance program is the counter-cyclical public service employment program authorized by Title VI of the Comprehensive Employment and Training Act. A total of $1,141.9 million is requested to maintain the 1981 planned end of year level of 100,000 jobs. This is a net increase of $412.9 million from the Fiscal Year 1981 level and is due to increased unit costs and changes in carryover balances.

Community Service Employment for Older Americans

The Community Service Employment for Older Americans appropriation provides a program of part-time job opportunities in community service activities for unemployed, low-income persons aged 55 and over. The program is authorized under Title V of the Comprehensive Older Americans Act Amendments of 1978.

This program is currently funded through June 30, 1982 at 54,200 jobs. The Fiscal Year 1982 request will fund the same jobs level through June 30, 1983.

The request for Fiscal Year 1982 totals $277.1 million, which is the same level as that for Fiscal Year 1981, and anticipates an extension of the authorizing legislation proposed, since the legislation authorizing appropriations for this program expires at the end of Fiscal Year 1981.

Work Incentives

For the Work Incentives Program in Fiscal Year 1982, the budget requests $385 million, an increase of $20 million over the 1981 level. These funds are appropriated directly to the Department of Health and Human Services, Office of Human Development Services. Funds for the program's employment and training activities are then transferred to the Department of Labor. The Department of Health and Human Services retains a portion of the appropriation to administer the child care and supportive services activities of the program.

This program is the major resource of employment and training services for recipients of Aid to Families with Dependent Children. The program's primary emphasis is on placing the maximum number of participants in self supporting employment, thereby reducing the cost of welfare assistance.

The $20 million increase requested for 1982 will enable the program to maintain or increase workload and related placement levels achieved in 1981 when 280,000 individuals entered employment, thus reducing welfare grants by approximately $589 million.

Grants to States

A Fiscal Year 1981 supplemental of $112.2 million is included to meet the costs of additional unemployment insurance workload

anticipated as a result of an upward revision to the unemployment assumptions for the Fiscal Year from 7.3 percent to 7.8 percent.

The Fiscal Year 1982 budget request for Grants to States for Unemployment Insurance and Employment Services provides an availability of $2,443.3 million which is an increase of $176.4 million over the revised 1981 availability of $2,266.9 million. Of this increase, $159.1 million is related to mandatory changes. These funds finance the administrative costs of Unemployment Insurance and Employment Service activities in the State Employment Security agencies, and are comprised of $2,417 million in trust funds and $26.3 million in general funds.

The request includes additional funds for random audits and internal security units in State agencies to detect overpayment of benefits or employee fraud, for State agency audits, and for improving accessibility for the handicapped.

Federal Unemployment Benefits and Allowances

This account finances unemployment compensation to ex-service members and trade adjustment assistance to individuals. It also provides for reimbursements to States for Unemployment benefits paid on the basis of public service employment performed prior to December 5, 1980, and for benefits paid under the provisions of the Redwood National Park Expansion Act of 1978.

The budget request for Fiscal Year 1982 provides for an availability of $1,893 million which is a net decrease of $1,524.5 million over the revised 1981 availability of $3,417.5 million.

The decrease between Fiscal Year 1981 and Fiscal Year 1982 is primarily due to an anticipated reduction in the level of trade adjustment assistance of $1,243.5 million. This program is now projected to reach $2,743.5 million in 1981 before tapering off to $1,500 million in 1982. The remainder of the decrease is the result of the Omnibus Reconciliation Act of 1980 provisions which eliminated reimbursements to States for unemployment benefits paid on the basis of public service employment performed after December 5, 1980, and transferred the financing of benefits paid to former Federal civilian personnel and Postal Service employees to a new account in the Unemployment Trust Fund.

Advances to the Unemployment Trust Fund and Other Funds

This appropriation provides general revenue advances to several funds or accounts for the purposes authorized under various Federal and State compensation laws whenever the balances in these funds prove insufficient. The 1982 request of $4,248 million is based upon the anticipated requirements of the Unemployment Trust Fund of $3,770 million and the Black Lung Disability Trust Fund of $478 million.

Of the total requested for the Unemployment Trust Fund, it is projected that $3,300 million will be required for the Federal Unemployment Account to provide States with repayable loans for the purpose of paying regular State unemployment insurance benefits; $400 million for the Extended Unemployment Compensation Account to pay the Federal share of extended benefit programs; and $70 million for the new Federal Employee Compensation Account established by the Omnibus Reconciliation Act of 1980 to provide for the payment of unemployment compensation benefits to former Federal and Postal Service employees.

Program Administration

This appropriation provides for the Federal administration of all Employment and Training Administration programs except the Work Incentives Program.

In Fiscal Year 1981, two supplementals are being requested in the Program Administration account: (1) a program supplemental of $1,297,000 and 118 positions; and (2) a pay supplemental of $7,918,000 to cover the cost of Federal pay increases effective October 5, 1980.

The additional positions requested would be used primarily in the areas of monitoring, technical assistance and financial management to increase the management and technical assistance role of ETA and handle workload increases.

The budget for Fiscal Year 1982 is $146,829,000 and 3,247 positions. This represents a net increase of $13,437,000 over the Fiscal 1981 adjusted appropriation level of $133,392,000 and 3,247 positions and includes built-in changes of $6,762,000 and program increases of $6,675,000.

This concludes my statement, Mr. Chairman. My staff and I will be happy to answer any questions you, or Members of the Subcommittee, may have.

BUDGET RECOMMENDATIONS

Mr. WEATHERFORD. I would like to say that the budget that we have here was prepared and presented under the direction of the administration of President Carter. President Reagan and his appointees are now reviewing the budget carefully and are preparing alternative recommendations, including major spending programs as well as the salary and expense categories.

We are prepared here today to outline for you and talk to the Carter budget recommendations, but I must tell you that substantial revisions are not only possible but are very likely.

Senator SCHMITT. The committee understands that. I think the most important thing we can do through our questions, is to try to get a better feeling for how the various programs and projects are working and be prepared for the recommendations of the Reagan administration when they come forward.

Did you have anything else to add before we begin?

Mr. WEATHERFORD. One other thing. I believe you mentioned in opening, you had asked us to address the cost of regulatory activities. We in the Employment Training Administration do not engage in any activity that regulates the workplace. There are other agencies in the Department that do, but our regulations are designed to implement those programs, and we don't have a projection with respect to that.

Senator SCHMITT. In your oversight responsibility of State-run programs, do you provide regulations that the States must adhere to?

Mr. WEATHERFORD. We have regulations, yes, sir, but basically most of our programs are operated under regulations. It is program, rather than regulation of the workplace. For example, the CETA program——

Senator SCHMITT. They are administrative regulations. Is it possible to break out what the States are obliged to comply with in the management of your programs?

Mr. WEATHERFORD. Yes, sir, I think so. I can furnish that for you. I don't have that available here now, but I think it may mean, for example, the CETA program itself, the total program is regulated by regulations. We will work with your staff.

Senator SCHMITT. What we are trying to get at and our respective staffs can dig into this, is the regulatory cost of administering the various programs, not only to the private sector, but also to the State and local governments that work under your jurisdiction or at least under your auspices. You do have some private sector employment programs which presumably, must adhere to certain guidelines or regulations in order to participate in those programs; is that correct?

Mr. WEATHERFORD. Yes, sir; we will attempt to get that to the staff.

[The information follows:]

We estimate that the regulatory burden on the Employment and Training Administration's grantees was approximately 69,000 burden-hours in fiscal year 1980.

EFFECTIVENESS OF CETA PROGRAMS

Senator SCHMITT. We understand that you haven't been trying to make this breakout in the past. Obviously the new administration is looking at the regulatory burden or budget, depending on how you look at it, of the Federal Government, and for this committee to evaluate their recommendations appropriately, we need to have better insight into what that burden actually is.

Senator Burdick, I will ask 5 minutes of questions, defer to you for 5 minutes, and then we will get back into the basic questions for the subcommittee. If you have other questions you would like to ask, we will do that.

Senator BURDICK. Proceed.

Senator SCHMITT. Mr. Weatherford, I am sure you are aware of the frequent and severe criticism directed at the CETA program overall, often very generalized. Critics point out that the CETA has made no noticeable dent in the number of hardcore unemployed. They charge that the program has wasted billions of dollars on ill-defined and hastily executed relief programs and that the slackness of CETA management has been an invitation to widespread fraud and abuse throughout the country. As a result, a number of Congressmen and others have come to the conclusion that sizable portions of the CETA program should be abolished.

Now what is your general comment on these criticisms, and what changes do you think we ought to consider in the CETA program?

Mr. WEATHERFORD. Mr. Chairman, the proposal that we have here does propose to eliminate one program, the Youth Adult Conservation Corps. I think the effort has been made to address criticism by trying to improve the management of the program.

We made a major effort over the last 1 or 2 years to improve the management as well as trying to ferret out inappropriate programs—fraud and abuse, if you will. This budget does not provide for the elimination of any program other than the Young Adult Conservation Corps.

Senator SCHMITT. Do you personally have any other candidates that the committee should look at for possible reduction or elimination?

Mr. WEATHERFORD. No, sir; I am assuming that the current administration is taking a look at that. There may be something forthcoming, but not here, sir. No, sir.

Senator SCHMITT. The National Association of Counties quoted as a solid achievement, that 41 percent of those terminations from public service jobs and the private sector initiative program had found unsubsidized employment. Another 13 percent, returned to school or enrolled in the military, raising the rate of positive terminations to 54 percent.

Would you agree that these statistics hardly demonstrate solid success of CETA, in at least the two programs I have mentioned, when almost half of the enrollees fail—that is, have negative terminations?

Mr. WEATHERFORD. I think it is appropriate to recognize that with the 1978 amendments in CETA where we now deal—54 percent is a good figure—with the hardcore structurally disadvantaged individuals in the country, I suspect it would be fine to have a higher percentage than that, but when you end with half of the people going into those positive terminations, I'm not sure that is that bad, sir. It certainly should be better.

SUCCESS OF JOB CORPS PROGRAM

Senator SCHMITT. What do you understand is the success of other aspects of your employment and training activities such as the Job Corps? I understand it has a much higher success rate.

Mr. WEATHERFORD. There are a number of programs that have a higher termination rate. The Job Corps does; it is one of the better ones. We have had some good experience in recent months moving toward a job-search type of an effort in the welfare reform demonstration projects, and we are trying some similar type activities in the employment service and in the CETA program.

I think Job Corps is a good example and one in which we show a positive termination rate of 89.9 percent.

Senator SCHMITT. What is the main contrast between the programs? Why is the Job Corps basically successful and other programs are only half as successful?

Mr. WEATHERFORD. Job Corps is one of the programs that has, I guess, some of the best training or better jobs, if you will, of any of the programs we have. Job Corps' experience over the last 2 or 3 years has been exceptionally good in developing people and giving them—they have a lot more than classroom training. They are in a residential setting. They have counseling onsite.

Senator SCHMITT. Is it geared more to the local job environment than the other programs?

Mr. WEATHERFORD. No, sir, not so. I think the Job Corps is a residential center where they come to the center from other places. I think it is probably the level of training that goes into it.

Senator SCHMITT. We will get back to this in a moment, particularly with respect to, say, the cost per individual—successful terminations and also performance centers. I will now defer to Senator Burdick.

ELIMINATION OF THE YOUNG ADULT CONSERVATION CORPS

Senator BURDICK. Mr. Weatherford, you stated that the Youth Adult Conservation Corps is the only program that could be eliminated. We happen to have an active YACC residential camp in North Dakota. As you know, we had the ABM site up there, and it was abandoned after we spent quite a few billion dollars, and it left a lot of problems in its wake. This program is located almost in the heart of the ABM—where the ABM complex was, and I wasn't aware of any fraud or waste up there.

Can you be more specific as to why the program is being eliminated and why the North Dakota camp must be closed?

Mr. WEATHERFORD. Yes, sir. Senator Burdick, I think our position on the Young Adult Conservation Corps—it is a well-run program. This program is a very high-cost program as is the Job Corps. It is one in which we do not target only disadvantaged individuals. Only one-third of the individuals in the Young Adult Conservation Corps are economically disadvantaged, and as we try to use the money that we have better, that is the reason. It is not that it isn't managed well. It is a matter of priorities.

CONSOLIDATED YOUTH PROGRAM

Senator BURDICK. Is there any program you might substitute for that area?

Mr. BARNICLE. I think the proposal by the Carter administration for expansion into a new consolidated youth program would provide additional resources as requested. That could be used for the kinds of needs that exist by some of those young people, particularly the economically disadvantaged ones who live in your State. I think that would be the answer that the Carter administration would have for that question.

Senator BURDICK. Do you want to be specific about what other programs might be available?

Mr. BARNICLE. The youth employment training program and the initiative the Carter administration proposed would consolidate many of the existing programs, in effect, including the Youth Adult Conservation Corps; the YETP, the youth employment training program; the YCCIP program, and the YIEPP program. With all of the gobbledygook out of the way, it means that it takes the existing type programs and puts them into one category, gives the money to the local prime sponsors, and enables the local prime sponsor, on the basis of its definition of need and employment opportunities in the community, to design the kind of programs it wants. Many of them, the kinds of programs run in the YACC program now, would be consistent with that direction.

Senator BURDICK. You can well understand what happens when you abandon a multibillion project. What happens to the communities? That's why I'm trying to make an effort to give them some kind of a program that will blend these people back into normal life again.

Mr. BARNICLE. There would be that kind of an option under that proposal.

Senator BURDICK. As you know the American native employment program is included in different program titles. I am told the total amount of money for all titles under the Indian programs was $173 million. Can you tell me or provide for the record what the fiscal 1982 request is for each title as compared to the previous fiscal year and what the projected allocation in dollars would be for each eligible and participating tribe in North Dakota? What, if any, consideration has been given to consolidating these titles?

Mr. WEATHERFORD. I think we do. We can provide it for the record. But the figures I have, it would be $180 million, 1982.

Senator BURDICK. Not $173 million. Can you break it down as I requested?

Mr. WEATHERFORD. Yes.

[The information follows:]

CETA FUNDING FOR NATIVE AMERICANS

	Fiscal year—		
	1980	1981	1982
Employment and training assistance:			
Title II–D, public service employment	$36,555,130	$45,556,349	$56,272,000
Title III, special Federal responsibilities	78,566,000	80,975,000	80,975,000
Title IV–A, youth employment demonstration programs	16,521,880	17,500,000	
Title IV–C, summer youth program	13,942,394	13,942,394	13,942,394
Title VII, private sector programs	6,220.000	2,720,000	6,194,000
Total	151,805,404	160,693,743	157,383,394
Temporary employment assistance	45,972,271	17,885,169	22,838,000
CETA total	197,777,675	178,578,912	180,221,394

CETA ALLOCATIONS FOR NORTH DAKOTA INDIAN TRIBES

	Fiscal year—	
	1980	1981
Devils Lake Sioux Tribe, Fort Totten, N. Dak.:		
Title III	$252,455	$260,521
Title II–D	191,960	219,053
Title VI	241,412	85,999
YCCIP	13,955	12,289
YETP	72,070	71,067
SYEP	61,381	[1] 61,381
Total	833,233	710,310
Standing Rock Sioux Tribe, Fort Yates, N. Dak.:		
Title III	431,395	445,156
Title II–D	345,840	1,002,303
Title VI	434,934	393,499
YCCIP	25,141	56,230
YETP	129,843	325,177
SYEP	168,775	[1] 168,775
Total	1,535,928	2,391,140

CETA ALLOCATIONS FOR NORTH DAKOTA INDIAN TRIBES—Continued

	Fiscal year—	
	1980	1981
Three Affiliated Tribes, New Town, N. Dak.:		
Title III	174,253	179,798
Title II–D	156,689	185,572
Title VI	197,055	72,855
YCCIP	11,391	10,411
YETP	58,828	60,205
SYEP	84,721	[1] 84,721
Total	682,937	593,562
Turtle Mountain Band of Chippewa Indians, Belcourt, N. Dak.:		
Title III	635,476	655,704
Title II–D	252,201	432,408
Title VI	317,172	169,761
YCCIP	18,334	24,259
YETP	94,687	140,286
SYEP	141,126	[1] 141,126
Total	1,458,996	1,563,544
United Tribes—Educational Technical Ctr., Bismark, N. Dak.:		
Title III	193,248	199,383

[1] This is a preliminary estimate. Allocations for SYEP will be made in March 1981.

Allocations to native American tribes and associations are determined by levels of unemployment. Since this data is not available now, we are unable to provide planning estimates at this time. Planning estimates for CETA prime sponsors are provided, according to law (section 104(e)(1)), in May of each year. We will be happy to provide that list to the committee when it is completed for fiscal year 1982.

DISPLACED HOMEMAKER PROGRAM

Senator BURDICK. The fiscal 1982 budget includes $1,125,000 for displaced homemakers. I have had several inquiries about the distribution of these funds. Can you explain how these funds would be awarded, the criteria involved, and the application process, the size of the grant and so forth? Are you familiar with that program?

Mr. WEATHERFORD. Yes, sir, I certainly am. I am not sure that we have here how those funds will be distributed in 1982. Let me ask Mr. Kacvinsky who handled that.

Mr. KACVINSKY. Under the displaced homemakers program, we had made available grants to the States of $5 million last year, and under the present fiscal 1982 program, I believe we have approximately $2 million.

Senator BURDICK. I have $1.2 million. I'm interested in the criteria for distribution. Do you have that worked out?

Mr. KACVINSKY. We had a competitive bidding process, Senator, last year in which we put out, I believe it was six proposals throughout the country, and we had put that out under an RFP, which we call a request for proposal. It is a competitive bidding process.

Senator BURDICK. Do you think the program will be retained?

Mr. KACVINSKY. When these proposals were funded it was with the understanding that we were going to do an evaluation on each of the programs to see which of these programs were the best, and we plan at

the moment to disseminate this information throughout our various prime sponsors, and also to see what we can do on a national level to continue the program.

Senator BURDICK. I think this comes under one of those programs that is being evaluated now under the new Administration.

Thank you, Mr. Chairman.

Senator SCHMITT. Thank you, Senator Burdick.

PROPOSED EXTENDED UNEMPLOYMENT BENEFITS TRIGGER CHANGE

Senator Proxmire would like the following question to be answered: The Carter budget proposes a legislative change and the trigger mechanism for extended unemployment benefits that will save $1.3 billion. How sensitive is this estimate to changes in the unemployment higher than the rate assumed in the budget?

Mr. WEATHERFORD. Would you repeat that and see if I understand it? I know about the proposal.

Senator SCHMITT. The unemployment rate assumed in the budget is 7.4 percent and there are some estimates by CBO that it may be one-fourth of 1 percent higher. The question is, if we make a change in the trigger mechanism as proposed in the Carter budget for extended unemployment benefits, how sensitive is the estimate of $1.3 billion to changes in the unemployment rate?

Mr. WEATHERFORD. It is based on our projection. I believe it is 7.6 percent. And the projection of the amount of money is based on that particular rate. The proposal would make the trigger mechanism more sensitive to changes in economic conditions.

If I understand what Senator Proxmire is talking about, actually what this would do in changing the formula would eliminate the count of people that were drawing extended benefits in determining what the rate was. It would have absolutely no impact on when a State triggered on.

But the program, as it goes now, when it triggers on, the individuals that are in that program are counted as unemployed. So you will have a different mechanism triggering off than you do for triggering on. So we believe that this change would make it more responsive to the economic condition within the State.

Senator SCHMITT. But you have assumed that the change will save $1.3 billion, at the assumed unemployment rate. What Senator Proxmire would like to know is if it is one-quarter of 1 percent higher what would be the cost?

Mr. WEATHERFORD. We can provide that.

Mr. LEWIS. We would have to provide that for you later.

At the 7.6-percent rate, which is the basis for the Carter budget, translating into an insured unemployment rate of 4.2 percent it is true that one of the bases for the large savings is that that would keep the trigger off in 1982. I don't have a calculation that would say whether that would occur at 8 percent or not. We would have to provide that.

It still goes without saying, however, that whatever the projected unemployment rate is there would be substantial savings leaving the claimants out of the calculation than it otherwise would be.

Senator SCHMITT. If you could provide for the record some estimates of how the trigger would work at different increasing employment rates it would be, I think, a help to Senator Proxmire and the subcommittee in answering this question. Senator Rudman.

[The information follows:]

The following table reflects the reduction in extended benefits outlays in fiscal year 1982 which would occur at various unemployment rate assumptions from those otherwise anticipated if legislation was approved to alter the extended benefits trigger calculation methodology.

IMPACT OF EXTENDED BENEFITS CALCULATION CHANGE

[In millions of dollars]

	Carter budget assumptions	Alternative assumptions		
		1	2	3
Unemployment rate (percent)	7.6	7.4	7.95	8.5
Total benefit outlay reduction	$2,088.0	$1,029.9	$1,437.9	(1)

[1] No change from extended benefit outlays anticipated under current law.

EVALUATION OF PROGRAMS

Senator RUDMAN. I have looked at your statement and read some of the data that your agency provided the committee. My concern, as a new member of this committee, in trying to determine your subsequent appropriations is having some quantitative data that somehow states what your success ratio has been in terms of the impact of these programs on this entire sector. I think this document is singularly lacking in the kind of evaluation material that someone ought to have to make any kind of intelligent decision on weighing one program against the other.

Now I recognize that in a program of this type that is not particularly easy to do, but I wonder what attempts have been made to do that; and whether or not this committee will have data before we make our final decision, that will show us a relative evaluation of the various programs, how they have impacted on their basic goal set forth in the authorizing legislation.

Mr. WEATHERFORD. I am not sure there is any in the budget document—I am sure it is not in this statement but we have material that would reflect that. We also have some other things. We will provide you with some materials.

Mr. JONES. Senator, you are correct in suggesting it is difficult to project a success in some of these programs, but there are probably three levels that we attempt to gather data and to make some relative judgments about.

Probably the easiest to obtain is the success rate as people come through the programs. Do they get jobs, as Senator Schmitt asked a few minutes ago? Upon leaving the program do they have some success? We attempt to gather that data. There is some in the budget summary suggesting the rates of claimants for most of the CETA programs as well as most of the other programs that are there. That data only reflects for you, however, what happens to those people immediately upon leaving the program, and only then if we have been able to find that out. Frequently, as you know, they will leave and not say a word to you, and you don't have any way to track that down.

Second, we attempt to study on a longer term basis control groups, what happens to these people after 3 or 4 years in returning to the labor market.

There is a series of data not presented in this book which we can make available to you from a continuous longitudinal study that tracks where these people have gone, what their experience in the labor market has been in the long run.

The third and most difficult, our capabilities to evaluate data are almost impossible at this point, is the ultimate test, the determination of whether or not having served in the CETA program or any other employment and training activity ultimately increases the earnings that people achieve in a labor market down the road.

We will provide for the record what we have on this.

[The information follows:]

EVALUATION OF CETA PROGRAMS

Senator Schmitt and Senator Rudman asked whether evaluation data have been developed on success with participants in the different types of CETA programs.

ETA has developed an effective system for gathering such data reliably on a national sample basis. The system, the Continuous Longitudinal Manpower Survey (CLMS), is described very briefly in the following material, which also presents selected relevant summary data.

In brief, the CLMS tracks a national annual sample of participants in the CETA decentralized programs to determine in detail who is served and what happens to them. The data are collected by the Census Bureau and analyses are developed primarily by an independent research organization, Westat, Inc. Descriptive materials are available on its design and periodic reports present the data gathered.

One basic type of information it provides is on the actual employment and earnings experience of the participants after they leave the programs, for up to approximately 2 years, and how that compares to their experience in the year before they entered the programs. This gross information on before-to-after change reflects a combination of program effects and effects of other factors such as cyclical shifts in the economy, advances in general wage levels, and local employment opportunities.

The CLMS data is also used to develop estimates of net impact on earnings, that is, how much of any earnings changes from before to after the program are due to the program rather than to other factors.

Gross change

Looking first at the gross information, the CLMS data establish clearly that, on average, employment and earnings of CETA participants after the program (1) are substantially greater than before the program and (2) improve steadily in the first 2 postprogram years, rather than slumping back to preprogram levels.

This pattern is consistent across almost all types of participant groups and for all types of programs, although there are notable differences in size of the gains. The most significant difference is that participants who had limited earnings the year before entering CETA register very considerable gains, while those that had relatively high earnings in the pre-entry year tend to recover on that level rather than to achieve appreciable further gain.

Tables 1 to 3 at the end of this descriptive summary present specific selected before-and-after data for the participants who entered CETA in the first half of 1975. (This is the only group for whom full data are now available on at least two years of postprogram experience. Data for FY 1976 entrants, available now for only one postprogram year, show similar patterns; data for their second postprogram year will be available by July.)

In brief, the CETA participants were employed only 44 percent of the time in the year before they entered the programs (largely in the early months of that year), but their time in employment rose to 60 percent in the first year after termination and 67 percent in the second year. The pattern of sharp postprogram upturn was evident for each type of program activity, although there are differences in levels (see Table 1).

The employment upturn was matched by a decline in unemployment and time not in the labor force. In terms of labor force status at selected times, about half of all participants had been employed at 12 months before CETA entry, but that proportion fell to 25 percent employed at 1 month before entry. After the program, however, at 1 month after termination, the proportion employed recovered to 50 percent and steadily improved to 68 percent at 24 months after termination. (Data are in Table 2, which also shows the variation by type of program activity.)

Unemployment of course moved in the opposite direction. It rose during the pre-entry year as more participants lost employment and headed toward CETA entry: 25 percent were unemployed at 12 months before entry and 50 percent were at a month before entry. But it declined steadily after the program; 1 month after termination 27 percent were jobless and by the 24-months postprogram point that was down to 16 percent.

The proportion not in the labor force was 25 percent at 1 month before entry. A month after termination, this proportion not actively seeking a job was down to 21 percent, as some participants returned to school, went on to other programs, or did not seek employment because of ill health, family responsibilities, or other reasons. The proportion not in the labor force went down further to 15 percent by 24 months after termination.

As to the key annual earnings measure, which reflects the combination of gains in employment, weekly hours worked, and wage rates, the gain from the year before entry to the second year after termination was about 100 percent (see Table 3).

This overall average gain obscures major differences, however. Men had a larger absolute gain, an average of some $2,800 vs. $2,200 for women participants, but the percentage gain for women, who had a lower preprogram earnings base, was larger, about 130 percent vs. 60 percent for the men.

Generally, participant groups with low pre-entry earnings registered large postprogram gains, well about the overall average gains, while groups who had higher pre-entry earnings tended to have smaller gains or only to recover to prior levels, and thereby depressed the overall average gain.

Thus, for a third of the participants, who had little or no pre-entry-year earnings (under $1,000), the average gain by the second postprogram year (despite some still at zero earnings) was $3,800, a huge percentage gain. Over a third more of the participants made only $1,000 - $4,000 the year before entry and their average gain by the second postprogram year was $2,700 (about 110 percent).

But for the quarter of participants who had earned more in the pre-entry year, from $4,000 to $8,000, the gain by the second year after termination averaged only some $1,300 (24 percent). And for the small number, some 5 percent, who had relatively high pre-entry-year earnings, over $8,000, but lost their job and entered CETA, some did not fully recover by the second postprogram year, so that their average earnings were still 10 percent short of their preprogram level.

In terms of variation by type of program activity (also in Table 3), the greatest absolute dollar gains were by participants in on-the-job training and in public service employment programs, but classroom training participants, who had the lowest pre-entry earnings, had the largest percentage gain. Those in adult work experience programs had the smallest gains.

Net impact on earnings

Since most participants would have obtained some employment even without the CETA programs, and their earnings improvement is affected by general advances in wage levels, a basic question is whether any of their gains are caused by the programs and, if so, how much.

The first formal estimates of the net effects of the CETA programs have now been developed. In essence, the method used has been to select comparison groups, whose characteristics are matched as closely as feasible to those of the CLMS sample of CETA participants, and to regard their earnings (from Social Security records), as indicating what CETA participant earnings would be in the absence of CETA. The difference between the earnings gains of the comparison groups and the participant groups are the net gains attributable to the program. 1/

The initial estimates are for just one postprogram year, 1977 (the most recent year for which necessary Social Security earnings data have been available), for FY 1976 CETA entrants who left the programs before the end of 1976.

The estimates find that CETA has a positive effect on participants' postprogram earnings. Specifically, the participants in all the program activities combined gained 8 to 10 percent ($300 - $400) more in the first year after leaving the CETA programs than did the matched groups of nonparticipants.

Within this average net gain there was considerable variation by type of program activity and by the type of participant group (see Table 4).

Among the four broad types of CETA program activities, the greatest net gains were achieved by on-the-job training (OJT) and public service employment (PSE).

1/ The methodology and details of the estimates are presented in "Net Impact Report No. 1: Impact on 1977 Earnings of FY 1976 CETA Enrollees in Selected Program Activities," prepared by Westat, Inc., December 1980.

OJT participants gained some 22 percent ($850) more than their comparison group in the first postprogram year. PSE participants gained from 9 to 20 percent ($350 to $750), the estimate depending on the method of correction for undercoverage of Social Security earnings for those who went into State and local government employment after termination from the PSE program.

For classroom training participants, the first postprogram year's net gain was smaller, about 9 percent ($350). For work experience participants, there was not statistically significant difference from their comparison group.

Probably the most significant finding is the consistent pattern of major difference in net gains between participants who had low earnings backgrounds and those who had higher-earnings histories.

The participants with low earnings backgrounds--those who made less than $2,000 a year in 1973 and 1974--had very large gains over their counterparts, gaining about 25 percent ($550) more than the comparison group in the postporogram year 1977.

By contrast, those who had higher-earnings backgrounds tended to equal rather than register gains over their comparison groups. There is reason to believe that there were "selection biases" which made their comparison groups not wholly comparable, with earnings somewhat higher than would be expected of the participant group in absence of the program. However, it appears that, even if it were feasible to develop a more comparable comparison group, any net gains for the higher-earners would be quite modest as against those of the low-earners group.

The evidence of these findings suggests strongly that CETA serves to improve significantly the postprogram earnings of the more disadvantaged chronically unemployed or new entrants to the labor force, while for groups which had held steady employment before losing their jobs and entering CETA programs, it serves more as a recovery aid than as a vehicle for postprogram net gains.

This appears to be confirmed further by the estimates calculated separately for race/sex subgroups (also in Table 4). The net gains for women, among whom low earnings backgrounds were more prevalent, were substantially larger than for men. The women's gains were on the order of 20 - 25 percent ($500-600) as against about 5 percent ($200) for men. Minority women did particularly well, but minority men fared only about as well as white men.

Two related additional findings of the net impact analyses warrant note. Since the overall estimates include dropouts and brief stayers as well as those who completed the programs and are placed into jobs, efforts were made to estimate differences in impact by length of stay and by presence or absence of placement.

The findings indicate that those who leave the programs in 10 weeks or less do not have any net gain over their comparison group, and depress the overall estimates, while those in the programs more than 20 weeks have substantial net gains, well above the overall average.

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As to placement, those reported by the CETA sponsors as placed into jobs upon termination from the program register strikingly larger net gains, about $1,500 a year more, than the participants who were terminated without a placement being made.

Looking ahead, Social Security earnings data have just been obtained from 1978, so it will be possible shortly to extend the analyses to determine how the 1977 impacts carry forward into a second postprogram year. Such longer-term estimates should be developed this May. In addition, the 1978 earnings data will make possible one-year-postprogram estimates for another CETA group, those who entered the program in FY 1977; these estimates are planned for this June.

Table I

Average Percent of Time Employed: One Year Before and Two Years After CETA Participation For CETA Entrants of January - June 1975 1/

Time Periods	All Programs 2/	Type of Program Activity: Classroom Training	On-the-Job Training	Adult Work Experience	Public Service Employment
Estimated Total Participants	332,200	78,900	34,700	44,600	148,800
Year before CETA entry	44%	37%	51%	43%	47%
First year after CETA termination	60	51	74	56	63
Second year after CETA termination	67	59	77	62	71

1/ These are CETA terminees who entered CETA decentralized programs run by local governments between January-June 1975, were in the programs at least 8 days, and had been out of the programs at least 24 months at the time of the CLMS followup 36 months after entry (and thus in the programs 1 year or less).

2/ Covers the 4 types of program activity shown in table; does not include youth work experience or summer youth programs; includes 15,300 terminees, who were in 2 or more activities, not shown separately.

Source: Continuous Longitudinal Manpower Survey.

Table II

Distribution by Labor Force Status, At Time Points
Before and After CETA Participation
For CETA Entrants of January - June 1975 1/

Labor Force Status, at Points in Time	All 2/ Programs	Type of Program Activity: Classroom Training	On-the-Job Training	Adult Work Experience	Public Service Employment
Estimated Total Participants	322,200	78,900	34,700	44,600	148,800
Employed					
12 Months Before CETA Entry	52%	44%	55%	53%	55%
1 Month Before CETA Entry	25	21	36	29	22
1 Month After Termination	53	42	75	48	55
12 Months After Termination	64	57	76	59	68
24 Months After Termination	68	61	78	59	73
Unemployed					
12 Months Before CETA Entry	20%	25%	16%	23%	18%
1 Month Before CETA Entry	50	47	40	47	56
1 Month After Termination	27	33	15	32	24
12 Months After Termination	21	23	13	23	20
24 Months After Termination	16	20	9	19	15
Not in Labor Force 3/					
12 Months Before CETA Entry	28%	31%	29%	24%	27%
1 Month Before CETA Entry	25	32	23	24	22
1 Month After Termination	21	25	10	21	21
12 Months After Termination	15	21	11	18	12
24 Months After Termination	15	19	13	22	12

1/ These are CETA terminees who entered CETA decentralized programs run by local governments between January-June 1975, were in the programs at least 8 days, and had been out of the programs at least 24 months at the time of the CLMS followup 36 months after entry (and thus in the programs 1 year or less).

2/ Covers the 4 types of program activity shown in table, does not include youth work experience or summer youth programs; includes 15,300 terminees, who were in 2 or more activities, not shown separately.

3/ Includes persons whose main activity was school or a training program, even though they may have held or sought part-time employment, and persons who were in the armed services or institutes.

Source: Continuous Longitudinal Manpower Survey.

Table III

Average Annual Earnings: One Year Before and Two Years After CETA Participation For CETA Entrants of January-June 1975 1/

Type of Program 2/	Estimated Total Participants	Average Annual Earnings Year Before CETA Entry	Average Annual Earnings Second Year After Termination	Earnings Change Dollar	Earnings Change Percent
All Programs	322,200	$ 2,760	$5,350	$2,590	+94%
Sex					
Male	197,700	3,440	6,270	2,830	+82
Female	124,500	1,730	3,950	2,220	+128
Earnings in 2/ Pre-entry Year					
Less than $1,000	112,800	200	3,980	3,780	+1,890
$1,000 - $3,999	114,900	2,420	5,100	2,680	+111
$4000 - $7,999	79,900	5,450	6,780	1,330	+24
$8,000 or more	14,700	10,370	9,180	-1,190	-11
Classroom Training	78,900	2,110	4,490	2,380	+113
On-the-Job Training	34,700	3,380	6,540	3,160	+93
Adult Work Experience	44,600	2,430	4,290	1,860	+77
Public Service Employment	148,800	3,120	5,900	2,780	+89

1/ These are CETA terminees who entered CETA decentralized programs run by local governments between January and June 1975, were in in the programs at least 8 days, and had been out of the programs at least 24 months at the time of the CLMS followup 36 months after entry (and thus in the programs 1 year or less).

2/ Covers the 4 types of program activity shown in table; does not include youth work experience or summer youth programs; includes 15,300 terminees, who were in 2 or more activities, not shown separately.

Source: Continuous Longitudinal Manpower Survey.

Table IV

Estimated CETA Net Impacts on Annual Earnings, 1/ in Dollars and Percent Gains, (1) Type of Program Activity, (2) Level of Preprogram Earnings, and (3) Race/Sex Subgroups (uncorrected for Social Security earnings undercoverage) 2/

Participant Groups	All Programs 2/	Type of Program Activity: Classroom Training	On-the-Job Training	Public Service Employment 2/	Work Experience
All groups	$300a (7%)	$350a (9%)	$ 850a (22%)	$250b (7%)	$-150 (-4%)
Preprogram Earnings					
Low earners	550a (24%)	600a (26%)	1,300a (56%)	900a (39%)	0
Intermediate and mixed earners	50 (1%)	0	450a (10%)	0	-200 (-4%)
Higher earners	-50 (1%)	250 (3%)	300 (4%)	-250 (-3%)	-800 (-11%)
Race/Sex Subgroups					
White males	200 (4%)	400c (7%)	750a (14%)	100 (2%)	-450c (-8%)
Minority males	200 (5%)	200 (5%)	1,150a (28%)	-50 (-1%)	0
White females	500a (19%)	550a (21%)	550b (20%)	950a (35%)	50 (1%)
Minority females	600a (25%)	500a (20%)	1,200a (50%)	650a (27%)	300 (12%)

1/ Estimates are for net gains in 1977 by FY 1976 entrants to CETA decentralized programs who were in the programs at least 8 days and terminated before the end of 1976. Covers participants in in 4 types of program activity shown in table plus those in 2 or more of these activities (not shown separately).

2/ These estimates do not include correction for undercoverage of Social Security earnings data for State and local government employees and therefore understate the impact for public service employment participants, many of whom go into such employment after leaving the program. Rough estimates are that correction for this understatement would increase the $250 (7%) impact shown for PSE participants, by $100 to $500, to make it $350 to $750 (9 to 20%), and would raise the overall impact for all programs by up to $100 (to make the percentage gain 8 to 10%).

Note: a, b, and c denote statistical levels of significance: a is significant at the 0.01 level, b at 0.05 and c at the 0.10 level.

Source: "Net Impact Report No. 1: Impact on 1977 Earnings of FY 1976 CETA Enrollees in Selected Program Activities," Westat, Inc., December 1980.

The preceding summary material on selected CLMS data has not discussed any of the complex problems of interpretation for policy purposes or for efforts to compare the differing types of programs in light of differences in their objectives and target populations.

We believe it would be desirable for the Committee to become more familiar with the significant CLMS evaluation data and its potential uses. Further, we believe it would be helpful to the Committee to become more familiar with the performance measures of specific programs such as WIN and the Employment Service. We therefore will seek to have our Department of Labor staff meet with appropriate Committee staff to provide a more specific briefing and to respond to questions about the extensive available evaluation and performance data.

IMPROVED EVALUATION OF PROGRAMS

Senator RUDMAN. How much effort has gone into determining what better ways and means could be found to improve the evaluation of what you do?

Mr. JONES. A great deal of effort has gone into it. We have a continual series of efforts underway to try to determine what the best ways of measuring success or failure in these programs are, as well as the indicators themselves.

The problem is twofold. At the local level it is relatively easy. We are now engaged in developing performance standards for each individual program, continuing to increase the level of expectation in those areas. But on a larger level, national level, it is purely cost. To gather data, track people, determine what happens to them over a period of time, it is a very, very heavy investment.

There is a balancing factor you are in engaged in. There is no question that the trade-off in some cases is data which is not as reflective as it should be.

Senator RUDMAN. I for one would like to see more data gathered, in terms of the traditional methods you are referring to or innovative

methods to be determined, that could tell us whether or not these programs are doing what they are supposed to do, or whether the programs ought to be changed.

We are spending very substantial sums of money in programs which have been widely criticized for political and other reasons, some sound. It seems to me that if we are going to continue these programs we ought to know what they are doing. Maybe there ought to be a higher allocation for evaluation for some interim period of time so as to give this committee and other interested parties guidance as to whether these programs are going where they are supposed to go or whether we should change them radically and try some other direction.

Senator SCHMITT. Senator Rudman, you might be interested in information provided by Senator Proxmire in that regard. In April of 1973, 7 years ago, almost 8 years ago, 2.2 percent of all youths between the ages of 16 and 19 who were in the labor force were unemployed for longer than 15 weeks. This is the general definition of "hard-core unemployed."

By April of 1979, 6 years later, that number had increased to 2.4 percent, in spite of the well-intentioned efforts of the CETA program.

So on the gross measure of evaluation, clearly we have not solved the problem. Now the argument, I am sure, will be made that the problem could have been much worse had we not done anything. So you never can measure what you didn't do, which is an unfortunate aspect of—failure of logic.

Mr. JONES. We can measure how many of those people we served during that period of time and what took place with them. I think that is an important aspect of it.

Senator SCHMITT. As I was indicating earlier, one thing the subcommittee would like very much to have is a detailed breakdown of individual types of unemployment programs with respect to their success, to the degree that you have been able to measure that success, and we understand the difficulties, and very often measurement of success or failure is neither well funded or a very popular part of your program. Our staffs can work together to see how detailed a breakdown we get.

It is pretty obvious, at least it seems obvious, based on the information we have, that the Job Corps program is a successful program. It would be hard to argue with that, although I am aware of local difficulties, local residents and communities have had with the Job Corps; discipline problems, some law enforcement problems, and so forth.

Based on the information we have it has overall been successful, far more successful than other programs. Now if we can make those kinds of relative judgments as we get into this difficult budget time ahead of us maybe we cannot only save some money but, increase the success ratios of the program.

PERFORMANCE STANDARDS FOR CETA PROGRAMS

Now, have you specifically set any performance standards for the major CETA programs for yourself?

Mr. JONES. Yes, sir; under the 1978 amendments in CETA we were required to move ahead with the establishment of performance standards for the basic CETA programs. We have had national work groups

developing those standards, and we are scheduled—we thought we were scheduled here—to publish those standards on approximately February—the first week of February, this week.

I would assume that the freeze on regulatory publishing will hold that up, but only slightly. They will be implemented and they will be effective. We would hope beginning 1982 fiscal year program that will be a first step for the basic CETA program title II–B–C, as indicated in your book, and the PSE title II–D, and we will move into the other aspects of the CETA program in a sequential nature.

The performance standards are ones which have been developed with a great deal of input from academic communities and several other research areas that are based on the performance expectations which take into account local unemployment economy types of programs, types of people that are being served, and other substantial elements that are there.

That will be the first time in the employment training history that we have moved to a relatively scientific based set of performance criteria.

PRIME SPONSOR INCENTIVES

Senator SCHMITT. Is there any mechanism for incentives for local prime sponsors to do a good job? Any rewards or competitive aspects to it?

Mr. JONES. Today there is not. The applications of those centers, that is one of the criteria we built into it, the expectation that very probably in the 1982 reexamination of CETA by the Congress that we would be moving to examining the feasibilities, since you would have a performance judgment capability, to examine using funds for an incentive basis. And it will be possible under that kind of an approach.

SELECTION OF PRIME SPONSORS

Senator SCHMITT. We have had some examples reported in the press—I am sure you are aware of them, and all of the Senators would be in their own areas—of CETA prime sponsors who might not have been the best choices as prime sponsors.

What efforts are you making, have you made or might make to improve the selection of prime sponsors with respect to those that have a proven track record of good management and successful operation of their programs?

Mr. JONES. There are two sides to that, Senator. The first is that the selection of who is a prime sponsor is not a discretionary selection. That is established by law. We have no ability to change that.

Senator SCHMITT. You have the ability to make recommendations with respect to problems that you encounter.

Mr. JONES. We have the ability, sir, after they have managed the program to determine whether in effect they have been an effective manager of the program and put that into question. Even then you would be engaged in a relatively long series of hearings and other things protected by the law before we could in effect remove a prime sponsorship. Now we have done that. It is important to understand at the first step, at least the beginning of this process is one that is mandated by the law, and we have relatively little discretion over it.

Now what we do to deal with this question of evaluating the successful management of local programs is we have an annual assessment of every prime sponsor in the country, a rather detailed, lengthy process, public process that has been published every year. The entire system goes through it every year, and we do rank all of our prime sponsors based on that assessment in terms of those we think are doing a relatively good job, those who have some kinds of problems and those who are in serious management question.

The impact then is not once we have identified those with serious management problems to simply get rid of them, but to move with a very heavy structured technical assistance program to bring them out of that kind of situation into a more acceptable situation.

Our major administrative efforts are directed at that on an annual basis.

Senator SCHMITT. Are there any generalized recommendations that come out of this kind of evaluation such as, it is just not possible for a particular category of prime sponsor to provide adequate services? I can think of obvious qualifications, for determining potential good prime sponsors, one being organizations in the business already. They have a proven and long track record of vocational training success or have other successes that you could generally use to form a basis for determining whether they would be good prime sponsors. And I can also think of others that have succeeded in getting into this program where they have been created solely for the purpose of being a prime sponsor. They do not have any track record or any experience to base a determination that they will be successful.

Mr. JONES. There is no question. If we have a jurisdiction that has heretofore not been a prime sponsor and by population now qualifies but has not been running their own program, they will have some difficult times in the first year or two. I don't think there is any question about that.

There is a second category of special circumstance prime sponsors which is authorized by the law. The Department has been extraordinarily frugal in granting prime sponsorship under that category.

I don't recall the total—11 or 12 was the last number, I think. It has been increased only by four since the beginning of the program. And some of those smaller jurisdictions generally have tended not to be the best operating systems in the world. I would expect that the ultimate answer to your questions is that the Congress and administration reexamine CETA in 1982; that the qualifications for what constitutes a prime sponsor will be one of the issues that will come under some severe examination. We don't have the data today to assess that.

Senator SCHMITT. You are not prepared at this time to make any suggestions on what legislative changes might be appropriate?

Mr. JONES. No, sir.

PRIME SPONSOR RANKING

Senator SCHMITT. Let me ask the staff. Can we have access to the statistical data that he referred to, the ranking and assessments of prime sponsors?

Mr. JONES. Yes, sir; we would be happy to provide that.

[The information follows:]

We are sending to the subcommittee, under separate cover, a copy of the final report on CETA formal performance assessments for fiscal year 1980 programs. The report presents an analysis of ratings by program, prime sponsor, and region, and includes a description of the principal causes for serious problems ratings assigned to sponsors as a result of assessment findings.

An analysis of the national totals reveals the following:

—28 sponsors, or 5 percent of the total, received a serious problems rating in all titles;

—80 sponsors, or 16 percent of the total, received a serious problems rating in at least one title;

—Title II–D and title IV (YCCIP) had the highest percentage, both 11 percent, of sponsors with a serious problems rating;

—Title VII (PSIP) had the lowest percentage of sponsors, 8 percent, with a serious problems rating; and

—Eight States received a serious problems rating in both Governors' grants.

The Final Ratings Report on the Formal Performance Assessment of the Comprehensive Employment and Training Act (CETA) Program for Fiscal Year 1980

Attached is a report on the final ratings for the Fiscal Year 1980 formal performance assessment.

Rating	Number of Sponsors	Percent
Title II-B/C		
-- Eligible for Immediate Funding	326	69
-- Problems Identified	100	21
-- Serious Problems	46	10
	472	100
Title II-D		
-- Eligible for Immediate Funding	327	70
-- Problems Identified	91	19
-- Serious Problems	53	11
	471	100
Title VI		
-- Eligible for Immediate Funding	332	71
-- Problems Identified	89	19
-- Serious Problems	50	10
	471	100
Title IV (YETP)		
-- Eligible for Immediate Funding	337	73
-- Problems Identified	85	18
-- Serious Problems	41	9
	463	100
Title IV (YCCIP)		
-- Eligible for Immediate Funding	250	60
-- Problems Identified	131	30
-- Serious Problems	45	10
	436	100
Title VII		
-- Eligible for Immediate Funding	408	88
-- Problems Identified	22	5
-- Serious Problems	34	7
	464	100
Special Grants to Governors - Title II-B/C		
-- Eligible for Immediate Funding	42	74
-- Problems Identified	4	7
-- Serious Problems	11	19
	57	100
Special Grants to Governors - Title IV (Youth)		
-- Eligible for Immediate Funding	42	75
-- Problems Identified	4	7
-- Serious Problems	10	18
	56	100

An analysis of the National totals reveals the following:

-- 28 sponsors, or 5 percent of the total, received a serious problems rating in all titles;

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-- Title II-D and Title IV (YCCIP) had the highest percentages, both 11 percent, of sponsors with a serious problems rating;

-- Title VII (PSIP) had the lowest percentage of sponsors, 8 percent, with a serious problems rating; and

-- eight States received a serious problems rating in both Governors' Grants.

Attachment I to this memorandum provides a brief description of the formal assessment process and a description of the criteria used to determine the ratings.

Attachment II provides a summary of major problems for those sponsors that received serious problems ratings in all titles.

Attachment III lists the ratings for each prime sponsor for Titles II-B/C, II-D, VI, YETP, YCCIP, VII, Special Governors' Grants Titles II-B/C and IV.

ATTACHMENT I

The formal performance assessment is a review of each prime sponsor's performance in the past fiscal year.

Performance is reviewed with regard to the implementation of required management systems and controls, achievement of program goals and objectives and the attainment of positive numerical outcomes. This review of systems, outcomes and project activities is required prior to the approval and funding of grants for the new fiscal year. This year's assessment was developed by a work group of National and Regional Office staff and issued by Field Memorandum No. 117-80, on January 14, 1980.

The assessment process this year emphasized the prime sponsor's performance in accomplishing major program goals established for individual titles in the sponsor's Comprehensive Employment and Training Plan (CETP). This year's assessment also was directed more towards the operation of systems and their effectiveness as opposed to the Fiscal Year 1979 focus on the implementation of newly required systems. The systems examined in this year's assessment included the independent monitoring unit (IMU), eligibility determination and verification, management information, financial management, planning, subgrant management, equal employment opportunity, and complaints.

.e "Key Program Management Areas" comprised Section I of this year's assessment package, and were reviewed for each title. Section II of the package, "Selected Program Design Requirements," constituted a review of specific program requirements and an examination of selected program activities in terms of design and compliance for each title or program. Selected program elements were assessed for Titles II-B/C, II-D, VI, Youth Employment and Training Program (YETP), Youth Community Conservation and Improvement Projects (YCCIP), VII, and the Special Governor's Grant Titles II-B/C and IV. Section III measured actual numerical performance against planned performance through selected performance indicators. Performance indicators were grouped in three clusters, which varied slightly by title. The clusters for each title included terminations, resource utilization and cost per termination.

Training was provided by Employment and Training Administration (ETA) Regional Offices to field staff in the use of the assessment document. A team approach was recommended as the most effective method for completing onsite work, and Regional Offices were directed to again use a panel process to review and check assess-

ment findings before ratings were finalized. This year a comprehensive scoring guide was also provided to assist assessors in determining how to assign points to individual rating categories and to ensure rating consistency across Regions. It was also ETA policy that, where possible, two assessment visits be made, one earlier in the assessment process to gather initial findings and a second followup visit to determine the extent to which corrective action had been taken on initial findings, and to give sponsors an opportunity for improvement before final findings were submitted to the panels.

As in last year's assessment process, a point rating system was used, although the scores for the performance indicators were handled separately from the overall point score received for Sections I and II. A composite score of at least 25 out of a possible 50 points for the numerical indicators (Section III) determined whether the sponsor fell into an acceptable range on the performance indicators. If the sponsor was within an acceptable range on the basis of Sections I and II, acceptable Section III performance had no impact on the final rating for the title. On the other hand, if the sponsor was not in an acceptable range (i.e., below 25 points), the combined rating for Sections I and II was lowered one rating category.

The standard rating categories were:

Eligible for Immediate Funding. The prime sponsor has substantially achieved the goals and objectives in its program narrative and the quantified goals in its approved plan, and is substantially in compliance with the Act and regulations. (70-100 points for Sections I and II and acceptable performance under Section III)

Problems Identified. Problems have been identified that, although significant, are not of sufficient severity to warrant an unsatisfactory rating. The nature of the problems is such that the Regional Office anticipates they can be substantially overcome by October 1, 1980, or that acceptable long-run corrective measures can be agreed to and initiated prior to October 1, 1980. (50-69 points for Sections I and II and acceptable performance under Section III for two or more ratings, or a one point score in any of the key management areas or selected program design requirements)

Serious Problems. Very serious performance problems or major operational inadequacies have been identified that cannot be expected to be corrected or substantially alleviated by October 1, 1980. These problems are of the type and severity that present major barriers to the accomplishment of program goals and/or to the capability of the sponsor to carry out its legal responsibilities. (below 49 total points for Sections I and II or a zero point score in any key management area or selected program design requirement)

ATTACHMENT II

Region I

Connecticut Governor's Grant

Overall sponsor management was found weak. The critical areas were contract management, equal employment opportunity (EEO) and affirmative action plan, internal management and corrective action plan development and use. Severe deficiencies were also found in the participant tracking system and eligibility verification. There was also a substantial weakness in this sponsor's fiscal management. The sponsor had problems not only with accruals, but

drawdowns as well. The State Employment and Training Council still showed signs of weakness. There was very poor performance data as well, with dramatic underenrollment and underspending in both the Title II-B/C and the Title VI programs.

Bridgeport Consortium, Connecticut

This sponsor was found deficient in several areas. Some of the critical problem areas were planning, personnel, EEO and subgrantee audit resolution. Subgrant management continues to be poor in general. Further, in public service employment (PSE) neither the 15 percent training mandate nor the 50 percent projects requirement were being met. The sponsor was having problems with resolutions of problems identified by the independent monitoring unit (IMU). With regard to the eligibility determination and verification system, the critical deficiency was the lack of a tracking system. An audit now in process has revealed the lack of a clear audit trail. In addition, employability development plans (EDPs) were not acceptable, the youth maintenance of effort was not being met, and there was inadequate attention to serving those most in need. The sponsor's fund utilization was poor across the board, except PSE, and outcome rates were below plan.

New Haven Consortium, Connecticut

Though improving slightly, this sponsor showed weak performance across the board. Critical problems were in the eligibility determination and verification system and serious shortcomings existed in the tracking system. The recruitment and selection system needs improvement as does the intake system. Though there has been a slight improvement in enrollment levels and spending, outcomes are still well below plan. The review showed labor consultation to be weak and the contracting process to be extremely deficient. The sponsor also had a problem in eliminating duplication and overlap in many of its operations.

Massachusetts Governor's Grant

This sponsor has been characterized as having very poor overall performance. There had been no financial monitoring undertaken on resolution of audits to date, nor did an ongoing audit program exist. There was a severe underutilization of vocational education, 4 percent funds and 1 percent funds, and significant overspending of administrative funds. The assessment also showed that programs had been funded without signed contracts, and there were no property controls. The Special Grant had no monitoring plan and no onsite monitoring of vocational education. The sponsor's management information system (MIS) was fragmented, there was no statewide system for eligibility determination and verification, and no tracking system existed.

Region II

Bergen County, New Jersey

This sponsor had critical deficiencies in both management information and financial management systems. In all titles the sponsor failed to generate internal reports necessary to manage programs. This was particularly apparent in PSE, where funds were exhausted 3 months before the end of the fiscal year.

Region III

RAMPS Consortium

This sponsor had severe deficiencies in its management systems. There were problems identified in the financial management system, and the tracking system was found to be not in compliance with the regulations. The IMU had not developed a monitoring plan and had inadequate procedures for distribution of monitoring reports. The EEO review system was poorly structured while the complaint system was not in compliance. In Title II-B, problems were identified in service to significant segments, inadequate EDPs, work experience, participant assessment, and subgrant management. In PSE, the 15 percent training requirement was not being met, there was no system in place to track average and maximum wages or supplementation. Also, performance indicators were unsatisfactory in II-D and YCCIP. Chronic underenrollment occurred in YETP along with placement services not being provided. Finally, there was no tracking of the 22 percent Local Educational Assistance requirement in YETP.

Region IV

Buncombe County, North Carolina

This prime sponsor had not implemented corrective action requiring establishment of the IMU and bonding of appropriate administrative staff. In addition, staff had not been hired into the IMU and IMU monitoring had not begun.

Florida Balance of State

The prime sponsor had not implemented a system to ensure a review of all applications within 30 days of enrollment and had not developed or implemented a system to verify a sample of enrollments each quarter. A system to track participation and ensure compliance with the time limits had not been implemented. Further, management systems had not been established which would enable the sponsor to assess all programs as required.

Florida Governor's Grant

The sponsor had not implemented the eligibility determination and verification system nor a participant tracking system as required. Management systems which would allow the sponsor to assess all programs had not been established.

Region V

Illinois Balance of State

This sponsor was found to be critically deficient in EEO and followup to corrective action in the management section. The EEO function was so understaffed that it was essentially not being performed. Further, the sponsor failed to develop an affirmative action plan for the handicapped and had not taken any positive action regarding research, training or advancement of the handicapped. The sponsor had failed to take required action regarding a number of significant problems identified during the Fiscal Year 1979 assessment and had not eliminated outstanding Fiscal Year 1980 grant funding conditions.

Illinois Governor's Grant

This sponsor received serious problems in both titles. As in the case of the balance of State program, this sponsor was critically deficient in EEO. It was essentially not fulfilling its EEO responsibilities.

Ottawa County, Michigan

This sponsor was also critically deficient in EEO. Specifically, the sponsor had no one performing the EEO functions, and it had not submitted an affirmative action plan for the handicapped. The sponsor also had not taken any corrective action regarding outreach, training and advancement of the handicapped.

St. Clair County, Michigan

This prime sponsor had critical deficiencies in a number of key management areas, including financial management. Auditors have been unable to reconcile cash expenditures; to date, auditors have questioned $29 million in costs.

Dayton, Ohio

This sponsor was found to be critically deficient in virtually all management areas, including IMU, eligibility determination and verification, subgrant management, planning, financial management, complaints and followup. In Title II-B/C, it was critically deficient in assessment and EDPs. In Title II-D, there were problems with the 15 percent PSE training requirement, supplementation, and followup to corrective action. Title VI deficiencies were noted in participant assessment and the 50 percent projects requirement. Participant assessment was also found to be critically deficient in YETP and YCCIP.

Montgomery - Preble Consortium, Ohio

Critical deficiencies in most management areas were cited for this prime sponsor. In addition, in Title II-B/C it was deficient in recruitment and selection, services to youth and followup to corrective action. In Title II-D, it was critically deficient in assessment and EDPs. Title VI deficiencies included participant assessment, job development and transition services, and the 50 percent projects requirement. In YCCIP, it was critically deficient in job development and transition services. In Title VII, Private Industry Council (PIC) establishment, composition, function and followup to corrective action were found to be inadequate.

Ohio Balance of State

The sponsor was critically deficient in eligibility determination and verification. The required quarterly verification had not been conducted for the first three quarters. Further, followup to corrective action was cited as critically deficient in the management section.

Region VI

Baton Rouge, Louisiana

This sponsor received serious problems rating in several major areas for all titles. Deficiencies were found in its MIS, IMU, eligibility determination system, procedures in the complaints system, and the planning council, SESA agreement areas were unacceptable as well.

New Orleans, Louisiana

Sponsor had problems with EEO procedures, the IMU, along with the client tracking system and the planning council.

Louisiana Balance of State

This sponsor's weaknesses were in the MIS, IMU, subgrant management, eligibility determination system, and planning council procedures.

South Plains, Texas

Sponsor's performance was unsatisfactory in EEO procedures, the IMU, financial management, planning council, and the complaints system.

Texas Panhandle Consortium

Deficiencies in the IMU, EEO and the planning council were the basis for the serious problems rating.

Region VII

Wichita, Kansas

Under Title II-D, sponsor was not in compliance with the 15 percent training expenditure requirement. Sponsor had inadequate procedures for establishing an inventory of potential delivery agents and did not provide community-based organizations with individual notice of fund availability and opportunity to apply. Section III performance was unacceptable for Title II-D and YCCIP.

Kansas Governor's Grant

Sponsor was not in compliance with subgrant audit requirements of the financial management system or participant tracking requirements of the MIS.

Application form for eligibility determination was inadequate, and the sponsor was not in compliance with 30-day review and eligibility verification procedures.

Region VIII

None

Region IX

Berkeley, California

This sponsor's critical deficiency was related to eligibility verification for all programs.

Oakland, California

Deficiencies in eligibility verification, MIS, IMU, financial management, planning, subgrant management, and complaint procedures were the basis for the serious problems rating.

Stanislaus, California

This sponsor had problems in followup to corrective action in all titles. In addition, there was a severe underenrollment in Title II-D.

Monterey, California

Complaint procedures, IMU, planning and youth councils and the PIC, recruitment and selection were all found to be inadequate for this prime sponsor.

San Diego, California

This prime sponsor's complaint procedures were found to be critically deficient.

Guam

Problem areas included eligibility verification system, planning, Titles II-B/C and II-D performance indicators and Title VI projects.

American Samoa

Serious difficulties were found in the MIS as well as the financial management system.

Trust Territories of the Pacific Islands

Overall, this sponsor's performance was very poor. Serious problem areas were IMU, MIS, eligibility verification, financial management, planning, EEO, and complaints.

American Samoa Governor's Grant

The sponsor was found critically deficient in MIS and financial management system.

Trust Territories of the Pacific Islands Governor's Grant

This sponsor had problems in several major areas contributing to the serious problems rating. The IMU and eligibility verification procedures were found to be inadequate. Other deficient areas were MIS, financial management system, planning, EEO, and the complaint process.

Region X

Anchorage, Alaska

This sponsor did not establish an affirmative action plan for handicapped and failed to provide final decisions to complainants within the 60-day prescribed time frame of the complaint system.

King-Snohomish, Washington

Sponsor had difficulty in operating the eligibility verification system as approved in the CETP and failed to complete sample verification for each quarter of the fiscal year.

Jackson/Josephine, Oregon

This sponsor failed to maintain an eligibility determination and verification system which included a review of applications within 30 days after enrollment in CETA.

ATTACHMENT III

E -- Eligible for Immediate Funding
PI -- Problems Identified
SP -- Serious Problems

FISCAL YEAR 1980 ASSESSMENT RATINGS

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
REGION I									
CONNECTICUT								SP	SP
Bridgeport Consortium		SP	SP	SP	SP	SP	SP		
Hartford Consortium		E	E	E	E	PI	E		
New Haven Consortium		SP	SP	SP	SP	SP	SP		
Stamford Consortium		E	E	PI	PI	E	E		
Waterbury City		E	E	E	E	E	E		
Balance of Connecticut		E	E	E	E	E	E		
TOTALS:	E	4	4	3	3	3	4	0	0
	PI	0	0	1	1	1	0	0	0
	SP	2	2	2	2	2	2	1	1
MAINE								PI	PI
Cumberland County		E	E	E	E	PI	E		
Kennebec County		E	E	E	E	E	SP		
Penobscot/Hancock Consortium		E	PI	E			E		
York County		E	E	E	E	E	E		
Balance of Maine		E	E	E	E	E	E		
TOTALS:	E	5	4	5	4	3	4	0	0
	PI	0	1	0	0	1	0	1	1
	SP	0	0	0	0	0	1	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
MASSACHUSETTS								SP	SP
Boston City		E	PI	E	E	PI	E		
Brockton Consortium		PI	E	E	E	PI	PI		
Cambridge (EMHRDA Csrt.)		E	E	E	E	E	E		
Fall River		E	E	E	E	E	E		
Lowell Consortium		E	E	PI	E	E	E		
New Bedford Consortium		E	E	E	E	E	E		
Pittsfield		PI	SP	SP	SP	SP	SP		
Springfield		E	E	E	E	E	E		
Worcester Consortium		PI	SP	SP	E	SP	E		
Balance of Massachusetts		SP	SP	SP	PI	PI	PI		
TOTALS:	E	6	6	6	8	5	7	0	0
	PI	3	1	1	1	3	2	0	0
	SP	1	3	3	1	2	1	1	1
NEW HAMPSHIRE								E	E
Hillsborough County		E	E	E	E	E	E		
Balance of New Hampshire		E	E	E	E	PI	E		
TOTALS:	E	2	2	2	2	1	2	1	1
	PI	0	0	0	0	1	0	0	0
	SP	0	0	0	0	0	0	0	0
RHODE ISLAND								E	E
Providence City		E	E	PI	E	PI	E		
Balance of Rhode Island		PI	PI	PI	E	PI	E		
TOTALS:	E	1	1	0	2	0	2	1	1
	PI	1	1	2	0	2	0	0	0
	SP	0	0	0	0	0	0	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
VERMONT									
Vermont Statewide Csrt.		E	E	E	E	E	E	E	E
TOTALS:	E	1	1	1	1	1	1	1	1
	PI	0	0	0	0	0	0	0	0
	SP	0	0	0	0	0	0	0	0
REGION I TOTALS:	E	19	18	17	20	13	20	3	3
	PI	4	3	4	2	8	2	1	1
	SP	3	5	5	3	4	4	2	2
REGION II									
NEW JERSEY									
Atlantic County		E	E	E	E	E	E	E	E
Bergen County		SP	SP	SP	SP	SP	SP		
Burlington County		E	E	E	E	E	E		
Camden City		E	E	E	E	E	E		
Camden County		E	PI	E	E	E	E		
Cumberland County		E	E	E	E	E	E		
Elizabeth City		E	E	E	PI	E	E		
Essex County		PI	PI	E	PI	PI	E		
Gloucester County		E	E	E	E	E	E		
Hudson County		E	E	E	E	E	E		
Jersey City		E	E	E	E	E	E		
Mercer County		E	E	E	E	E	E		
Middlesex County		E	E	E	E	E	E		
Monmouth County		PI	PI	PI	E	E	PI		
Morris County		E	E	E			E		
Newark City		PI	E	E	E	E	E		
Ocean County		E	E	E	PI	PI	E		
Paterson City		SP	E	E	E	PI	E		

Prime Sponsor	Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
NEW JERSEY (continued)								
Passaic County	E	E	E	E	E	E		
Somerset County	E	E	E	E	E	E		
Trenton City	E	E	E	E	E	E		
Union County	E	E	E	E	E	E		
Balance of New Jersey	E	PI	E	PI	E	E		
TOTALS: E	18	18	21	17	18	21	1	1
PI	3	4	1	4	3	1	0	0
SP	2	1	1	1	1	1	0	0
NEW YORK							E	E
Albany City	E	E	E	E	E	E		
Albany County	E	SP	PI	SP	E	E		
Broome County	E	E	E	E	E	E		
Buffalo City	E	E	E	E	E	E		
Chautauqua Csrt.	E	E	E	E	E	E		
Chemung County	E	E	E	E	E	E		
Dutchess County	E	E	E	E	E	E		
Erie County	E	PI	E	PI	E	E		
Monroe County	E	E	E	E	E	E		
Nassau County	E	E	E	E	E	E		
Niagara County	E	E	E	E	E	E		
Oneida County	E	SP	E	PI	PI	E		
Onondaga County	E	E	E	E	E	E		
Orange County	E	E	E	E	E	E		
Oswego County	E	E	E	E	E	E		
Rensselaer County	E	E	E	PI	PI	E		
Rockland County	PI	PI	E	E	PI	E		
Rochester City	E	E	E	E	E	E		
St. Lawrence County	E	E	E	E	E	E		
Saratoga County	E	E	E	E	E	E		
Schenectady County	E	E	PI	E	E	E		
Steuben County	E	E	E	E	E	E		

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
NEW YORK (continued)									
Suffolk County		E	E	E	E	E	E		
Syracuse City		E	E	E	PI	E	E		
Town of Hempstead		E	E	E	E	E	E		
Ulster County		E	E	E	E	E	E		
Westchester/Putnam		PI	PI	E	E	E	E		
Yonkers City		PI	SP	SP	E	E	PI		
New York City		E	E	E	E	E	E		
Balance of New York		SP	PI	PI	SP	SP	E		
TOTALS:	E	26	23	26	24	25	29	1	1
	PI	3	4	3	4	3	1	0	0
	SP	1	3	1	2	1	0	0	0
PUERTO RICO								E	PI
Bayamon Municipality		PI	PI	E	PI	PI	E		
Caguas Municipality		E	PI	PI	E	E	E		
Carolina Municipality		PI	E	E	E	E	E		
Mayaguez City		E	E	E	E	E	E		
Ponce Municipality		E	E	E	E	E	E		
San Juan Municipality		PI	PI	E	E	E	E		
Balance of Puerto Rico		PI	E	E	E	E	E		
TOTALS:	E	3	4	6	6	6	7	1	0
	PI	4	3	1	1	1	0	0	0
	SP	0	0	0	0	0	0	0	0
VIRGIN ISLANDS								SP	SP
Virgin Islands		PI	E	E	SP	SP	E		
TOTALS:	E	0	1	1	0	0	1	0	0
	PI	1	0	0	0	0	0	0	0
	SP	0	0	0	1	1	0	1	1
REGION II TOTALS:	E	47	46	54	47	50	58	3	2
	PI	11	11	5	9	7	2	0	0
	SP	3	4	2	4	3	1	1	1

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
REGION III									
DELAWARE								E	PI
Wilmington		E	E	E	E	E	E		
Balance of Delaware		PI	E	E	E	E	E		
TOTALS:	E	1	2	2	2	2	2	1	0
	PI	1	0	0	0	0	0	0	1
	SP	0	0	0	0	0	0	0	0
DISTRICT OF COLUMBIA		SP	PI	SP	PI	SP	E	PI	SP
TOTALS:	E	0	0	0	0	0	1	0	0
	PI	0	1	0	1	0	0	1	0
	SP	1	0	1	0	1	0	0	1
MARYLAND								E	E
Baltimore Consortium		E	E	E	E	E	E		
Montgomery County		E	E	E	PI	PI	E		
Prince George's County		E	E	PI	E	PI	E		
Western Maryland		PI	E	E	E	E	E		
Baltimore County		E	E	E	E	E	E		
Frederick County		E	E	E	E	E	E		
Balance of Maryland		E	E	E	E	E	E		
TOTALS:	E	6	7	6	6	5	7	1	1
	PI	1	0	1	1	2	0	0	0
	SP	0	0	0	0	0	0	0	0

Prime Sponsor	Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
PENNSYLVANIA							E	E
Lehigh	E	E	E	E		E		
Southern Alleghenies	E	E	E	PI	PI	E		
Erie City	PI	E	E	E	E	E		
Erie County	PI	E	PI	E	PI	E		
Susquehanna	PI	E	PI	PI	PI	E		
Bucks County	SP	SP	SP	E	E	E		
Chester County	E	E	E	E	PI	E		
Delaware County	E	E	E	E	E	E		
Montgomery County	E	PI	E	E	E	E		
Philadelphia	E	E	E	E	PI	E		
Allegheny County	E	E	E	E	PI	E		
Pittsburgh	E	E	E	E	E	E		
Beaver	PI	PI	PI	E	E	E		
Washington County	E	E	E	E	E	E		
Westmoreland County	E	E	E	E	E	E		
Berks	PI	PI	E	PI	PI	E		
Lackawanna	E	E	E	E	E	E		
Scranton	E	E	E	E	E	E		
Luzerne	E	E	E	E		E		
York	PI	PI	PI	PI	SP	E		
Lycoming-Clinton	PI	E	E	E	E	E		
Tri-County	PI	E	PI	E	PI	E		
Fayette	E	E	E	PI	E	E		
Franklin	SP	PI	PI	E		SP		
Lawrence	SP	SP	SP	PI		PI		
Mercer	E	E	E	E	E	E		
Schuylkill-Carbon	E	E	E	PI	PI	E		
Centre County	E	E	PI	PI	PI	E		
Northumberland	PI	SP	SP	E	PI	PI		
Lebanon	E	PI	PI	E	E	E		
Lancaster	E	SP	SP	E	PI	E		
Balance of Pennsylvania	PI	PI	PI	E	E	E		
TOTALS: E	19	21	19	24	15	29	1	1
PI	10	7	9	8	12	2	0	0
SP	3	4	4	0	1	1	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
VIRGINIA								E	E
Peninsula		E	E	E			E		
STAMA		E	E	E	E	E	E		
RAMPS		SP	SP	SP	SP	SP	SP		
Henrico		E	E	E	E	E	E		
5th District		E	E	E	E	E	E		
Arlington		E	E	PI	E	PI	E		
Northern Virginia		E	E	PI	PI	PI	E		
Prince William		PI	E	E	PI		E		
Alexandria		E	PI	PI	E	PI	E		
Balance of Virginia		PI	E	E	E	PI	E		
TOTALS:	E	7	8	6	6	3	9	1	1
	PI	2	1	3	2	4	0	0	0
	SP	1	1	1	1	1	1	0	0
WEST [illegible]IA								SP	E
Balance of West Virginia		PI	PI	PI	SP	PI	E		
TOTALS:	E	0	0	0	0	0	1	0	1
	PI	1	1	1	0	1	0	0	0
	SP	0	0	0	1	0	0	1	0
REGION III TOTALS:	E	33	38	33	38	25	48	4	4
	PI	15	10	14	12	19	2	1	1
	SP	5	5	6	2	3	2	1	1

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
REGION IV									
GEORGIA								E	E
Atlanta		E	E	PI	E	E	E		
CSRA		E	E	E	E	E	E		
Clayton County		PI	E	E	E	E	E		
Cobb County		PI	PI	PI	PI	PI	PI		
Columbus Area		E	E	E	E	E	E		
DeKalb County		E	E	E	E	E	E		
Fulton County		E	E	E	E	PI	E		
Gwinnett County		PI	E	E	E	E	E		
Middle Georgia		E	E	PI	E	PI	E		
Savannah/Chatham		E	E	E	E	E	E		
Balance of Georgia		PI	E	E	E	E	E		
TOTALS:	E	7	10	8	10	8	10	1	1
	PI	4	1	3	1	3	1	0	0
	SP	0	0	0	0	0	0	0	0
ALABAMA								PI	PI
Birmingham		E	E	E	E	E	E		
Huntsville/Madison		E	E	E	E	E	E		
Mobile		PI	PI	PI	E	PI	E		
Montgomery		PI	E	E	E	E	E		
Tuscaloosa		E	E	E	E	E	E		
Balance of Alabama		E	PI	PI	PI	PI	E		
TOTALS:	E	4	4	4	5	4	6	0	0
	PI	2	2	2	1	2	0	1	1
	SP	0	0	0	0	0	0	0	0
MISSISSIPPI								E	E
Gulf Coast ETA		E	E	E	E	E	E		
Capitol Area		PI	PI	E	PI	PI	E		
Balance of Mississippi		E	E	E	E	E	E		
TOTALS:	E	2	2	3	2	2	3	1	1
	PI	1	1	0	1	1	0	0	0
	SP	0	0	0	0	0	0	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
KENTUCKY								E	E
Bluegrass		E	SP	SP	PI	PI	E		
Eastern Kentucky CEP		E	E	PI	E	PI	E		
Kenton County		E	E	E	PI	PI	E		
Louisville/Jefferson		E	E	E	E	E	E		
Balance of Kentucky		E	E	E	E	E	E		
TOTALS:	E	5	4	3	3	2	5	1	1
	PI	0	0	1	2	3	0	0	0
	SP	0	1	1	0	0	0	0	0
TENNESSEE								E	E
Chattanooga		E	PI	E	E	PI	E		
Knoxville/Knox		E	E	E	E	E	E		
Memphis/Shelby		PI	PI	PI	PI	PI	E		
Hamilton County		E	E	E	E	E	E		
Nashville/Davidson		PI	PI	PI	E	E	PI		
Sullivan County		E	E	PI	E	PI	E		
Balance of Tennessee		E	E	E	E	E	E		
TOTALS:	E	5	4	4	6	4	6	1	1
	PI	2	3	3	1	3	1	0	0
	SP	0	0	0	0	0	0	0	0

Prime Sponsor	Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
NORTH CAROLINA							E	E
Alamance County	E	E	PI	E	E	E		
Buncombe County	SP	SP	SP	SP	SP	SP		
Charlotte	E	E	E	E	E	E		
Cumberland County	E	E	E	E	E	E		
Davidson County	E	E	E	E	E	E		
Durham	E	E	E	E	PI	E		
Gaston County	E	E	E	E	E	E		
Greensboro	E	E	E	E	PI	E		
Raleigh	PI	PI	PI	SP	SP			
Robeson County	PI	E	E	E	PI	E		
Wake County	PI	PI	PI	PI	PI	E		
Winston-Salem	E	E	E	E	E	E		
Balance of North Carolina	E	PI	PI	E	E	E		
TOTALS: E	9	9	8	10	7	11	1	1
PI	3	3	4	1	4	0	0	0
SP	1	1	1	2	2	1	0	0
SOUTH CAROLINA							E	E
Balance of South Carolina	E	SP	E	E	E	E		
TOTALS: E	1	0	1	1	1	1	1	1
PI	0	0	0	0	0	0	0	0
SP	0	1	0	0	0	0	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
FLORIDA								SP	SP
Alachua County		E	E	E	E		E		
Brevard County		E	E	E	E	E	E		
Broward County		E	E	E	E	E	E		
South Florida		E	E	E	E	E	E		
Escambia County		PI	E	PI			E		
Heartland		E	PI	PI	E	PI	E		
Hillsborough County		E	PI	PI	E	PI	E		
Lee County		E	E	E	E	E	E		
Leon/Gadsden		E	E	E	E	E	E		
Manatee County		PI	PI	PI	E	E	PI		
Marion County		E	E	PI	E	E	E		
Northeast Florida		PI	PI	PI	PI	PI	E		
Okaloosa County		E	E	E	E	E	E		
Orange/Orlando		E	E	E	E	E	E		
Palm Beach County		E	E	PI	E	E	E		
Pasco County		E	PI	PI	PI	PI	PI		
Pinellas/St. Petersburg		E	E	E	E	E	E		
Sarasota County		E	E	E	E	E	E		
Seminole County		E	E	E	E	E	E		
Tampa		E	E	PI	E	E	PI		
Volusia County		E	E	E	E	E	E		
Balance of Florida		SP	SP	SP	SP	SP	SP		
TOTALS:	E	18	16	12	18	15	18	0	0
	PI	3	5	9	2	4	3	0	0
	SP	1	1	1	1	1	1	1	1
REGION IV TOTALS:	E	51	49	43	55	43	60	6	6
	PI	15	15	22	9	20	5	1	1
	SP	2	4	3	3	3	2	1	1

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
REGION V									
ILLINOIS								SP	SP
Champaign Csrt.		E	E	E	PI	E	E		
City of Chicago		PI	E	PI	PI	PI	E		
Cook County		E	E	E	E	PI	E		
DuPage County		PI	PI	E	E	E	PI		
Kane County		E	E	E	E	E	E		
Lake County		PI	E	E	PI		E		
LaSalle County		E	E	E	E		E		
Macon County		E	E	E	E	PI	E		
Madison County Csrt.		E	E	E	E	E	E		
McHenry County		E	E	E	PI		E		
McLean County		E	E	E	E	E	E		
Peoria Csrt.		E	E	E	PI	E	E		
Rockford Csrt.		E	E	E	E	E	E		
Rock Island County		E	E	E			E		
St. Clair Csrt.		E	E	E	E	E	E		
Sangamon/Cass Csrt.		E	E	E	E	PI	E		
Shawnee Csrt.		PI	E	E	E	E	E		
Tazewell County		E	PI	E	PI	E			
Will-Grundy Csrt.		E	E	E	E		E		
Balance of Illinois		SP	SP	SP	SP	SP	SP		
TOTALS:	E	15	17	18	12	10	17	0	0
	PI	4	2	1	6	4	1	0	0
	SP	1	1	1	1	1	1	1	1

Prime Sponsor	Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
INDIANA							E	E
Delaware/Blackford Csrt.	E	E	PI	PI	PI	E		
Elkhart County	E	PI	E	PI	PI	E		
Fort Wayne Area Csrt.	PI	PI	PI	SP	SP	E		
City of Gary	PI	E	E	PI	PI	E		
City of Hammond	E	E	E	PI		E		
City of Indianapolis	E	E	PI	PI	PI	E		
Lake County	E	E	E	E	E	E		
LaPorte County	PI	PI	PI	PI	PI	PI		
Madison County	PI	E	E	E	E	E		
St. Joseph County	SP	SP	SP	SP				
City of South Bend	E	E	E	E	E	E		
Southwestern Csrt.	E	E	E	E	PI	E		
Tippecanoe County	E	PI	PI	E		E		
Vigo County	PI	E	E	PI	E	E		
Balance of Indiana	E	E	PI	E	PI	E		
TOTALS: E	9	10	8	6	4	13	1	1
PI	5	4	6	7	7	1	0	0
SP	1	1	1	2	1	0	0	0
MICHIGAN							E	E
City of Ann Arbor	E	PI	PI	PI	PI	E		
Bay County	E	E	E	E	E	E		
Berrien County	E	E	E	E		E		
City of Dearborn	E	E	E	E	E	E		
City of Detroit	E	PI	E	E	E	E		
GLSF Csrt.	E	E	E	E	E	E		
Grand Rapids Csrt.	PI	E	E	E	PI	E		
Kalamazoo County	E	E	E	E	E	E		
Lansing Tri-County Csrt.	PI	PI	PI	PI	PI	PI		
City of Livonia	E	E	E	E		E		
Macomb County	E	E	E	E	E	E		
Mid-Counties Csrt.	PI	PI	E	E	E	PI		

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
MICHIGAN (continued)									
Monroe		E	E	E	E	E	E		
Muskegon/Oceana Csrt.		E	PI	E	E	E	E		
Northeast Michigan Csrt.		PI	E	E	E	PI	E		
Oakland County		E	E	E	E	E	E		
Ottawa County		SP	SP	SP	SP	SP	SP		
Region II Manpower Csrt.		E	E	E	E	E	E		
Saginaw County		E	E	E	E	PI	E		
St. Clair County		SP	SP	SP	SP	SP	SP		
City of Warren		PI	E	E	E		E		
Washtenaw County		E	E	E	PI	PI	E		
Wayne County		E	E	E	E	E	E		
Balance of Michigan		E	E	E	PI	E	E		
TOTALS:	E	17	17	20	18	13	20	1	1
	PI	5	5	2	4	6	2	0	0
	SP	2	2	2	2	2	2	0	0
MINNESOTA								E	E
Dakota County		E	E	E	E	E	E		
City of Duluth		E	E	E	E	PI	E		
Hennepin County		E	E	E	PI	PI	E		
City of Minneapolis		E	E	E	E	E	E		
Quad Counties Csrt.		E	E	E	E	E	E		
Ramsey County		E	E	PI	E	E	E		
Region III Csrt.		E	E	E	E	E	E		
Rural Minnesota CEP		E	E	E	E	E	E		
City of St. Paul		E	E	E	E	E	E		
Balance of Minnesota		E	E	E	E	E	E		
TOTALS:	E	10	10	9	9	8	10	1	1
	PI	0	0	1	1	2	0	0	0
	SP	0	0	0	0	0	0	0	0

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Prime Sponsor	Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
OHIO								
Akron Summit Medina Csrt.	E	E	E	E	PI	E	E	E
Allen County	E	E	E	E		E		
Ashtabula County	PI	E	E	E	E	PI		
Butler County	E	PI	E	E	PI	E		
Canton Stark Wayne Csrt.	PI	E	PI	E	E			
Central Ohio Rural Csrt.	E	E	E	E	E	E		
City of Cincinnati	E	E	E	E	E	E		
Clark County	E	E	E	E	E	E		
Clermont/Warren Csrt.	E	E	E	E	E	E		
City of Cleveland	PI	PI	PI	E	E	PI		
Columbiana County	E	E	E	E	PI	E		
Columbus/Franklin Csrt.	PI	PI	E	E	E	E		
Cuyahoga Csrt.	E	E	PI	PI	E	E		
City of Dayton	SP	SP	SP	SP	SP	SP		
Greene County	E	PI	E	E	E	E		
Hamilton County	PI	E	E	PI	E	E		
Lake County	E	E	E	E	E	E		
Lorain County	PI	PI	E	PI	PI	E		
Mahoning County	PI	E	E	PI	E	E		
Montgomery/Preble Csrt.	SP	SP	SP	SP	SP	SP		
Portage County	E	E	E	E	PI	E		
Richland/Morrow Csrt.	E	E	E	E	PI	E		
Scioto County	E	E	E	E	E	E		
Toledo Area Csrt.	E	E	E	PI	PI	E		
Trumbull County	PI	PI	E	E	PI	E		
City of Youngstown	PI	E	PI	E	E	E		
Balance of Ohio	SP	SP	SP	SP	SP	SP		
TOTALS: E	15	18	20	19	15	21	1	1
PI	9	6	4	5	8	2	0	0
SP	3	3	3	3	3	3	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
WISCONSIN								E	E
Madison/Dane Csrt.		PI	PI	PI	E	PI	E		
Marathon County		PI	E	E	PI		E		
Milwaukee County		SP	PI	SP	PI	SP	E		
Northwest Wisconsin CEP		E	E	E	E	E	E		
Outagamie County		PI	E	E	PI	E	E		
Rock County		PI	PI	PI	PI	PI	PI		
TRICO-CETAC		E	E	E	PI	PI	E		
Winne/Fond Csrt.		E	E	E	E	E	E		
WOW Csrt.		E	E	E	E	E	E		
Balance of Wisconsin		E	E	E	E	E	E		
TOTALS:	E	5	7	7	5	5	9	1	1
	PI	4	3	2	5	3	1	0	0
	SP	1	0	1	0	1	0	0	0
REGION V TOTALS:	E	71	79	82	69	55	90	5	5
	PI	27	20	16	28	30	7	0	0
	SP	8	7	8	8	8	6	1	1
REGION VI									
ARKANSAS								E	PI
Central Arkansas		E	PI	PI	PI	PI	E		
Texarkana		E	E	E	E	E	E		
Balance of Arkansas		E	PI	E	E	PI	E		
TOTALS:	E	3	1	2	2	1	3	1	0
	PI	0	2	1	1	2	0	0	1
	SP	0	0	0	0	0	0	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
LOUISIANA								SP	E
Baton Rouge		SP	SP	SP	SP	SP	SP		
Calcasieu		E	E	E	E		E		
Jefferson		E	E	E	E		E		
Lafayette		E	E	E	E	E	E		
New Orleans		SP	SP	SP	SP	SP	SP		
Ouachita		E	E	E	E	E	E		
Rapides		PI	E	E	E	E	E		
Shreveport		E	E	E	E	E	E		
Balance of Louisiana		SP	SP	SP	SP	SP	SP		
TOTALS:	E	5	6	6	6	4	6	0	1
	PI	1	0	0	0	0	0	0	0
	SP	3	3	3	3	3	3	1	0
NEW MEXICO								E	E
Albuquerque		E	E	E	E	E	E		
Balance of New Mexico		E	E	E	E	PI	E		
TOTALS:	E	2	2	2	2	1	2	1	1
	PI	0	0	0	0	1	0	0	0
	SP	0	0	0	0	0	0	0	0
OKLAHOMA								E	E
Cleveland		E	E	E	E	E	E		
Comanche		E	E	E	E	PI	E		
Oklahoma City		SP	SP	SP	SP	PI	E		
Oklahoma County		E	E	E	E		E		
Tulsa		E	E	E	E	PI	E		
Balance of Oklahoma		E	E	E	E	PI	E		
TOTALS:	E	5	5	5	5	1	6	1	1
	PI	0	0	0	0	4	0	0	0
	SP	1	1	1	1	0	0	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
TEXAS								SP	E
Alamo		E	E	E	E	E	E		
Cameron		PI	E	E	PI	PI	E		
Capital		E	E	E	E	PI	SP		
Central		E	E	E			E		
Coastal Bend		E	E	E	E	SP	E		
City of Dallas		PI	SP	E	PI		E		
Dallas County		E	E	E	E	PI	E		
East Texas		E	E	E	E	E	E		
El Paso		E	E	E	E	E	E		
Fort Worth		SP	SP	SP	PI	SP			
Galveston		E	E	E	E	E	E		
Gulf Coast		E	E	E	E	PI	E		
Hidalgo		E	E	E	E	E	E		
Harris		E	PI	E	E	E	SP		
Houston		E	PI	SP	PI	SP	E		
Permian Basin		PI	E	PI	E	PI	E		
Nortex		E	E	E	E		E		
Pasadena		E	E	E	E	PI	E		
Region XI		E	E	E	E	E	E		
Southeast Texas		E	E	PI	E	E	E		
South Plains		SP	SP	SP	SP	SP	SP		
Tarrant		E	PI	E	E	PI	E		
Panhandle		SP	SP	SP	SP	SP	SP		
Webb		E	E	E	E	E	E		
West Central		E	E	PI	E	E	E		
Balance of Texas		PI	E	E	PI	PI	E		
TOTALS:	E	19	19	19	18	10	21	0	1
	PI	4	3	3	5	8	0	0	0
	SP	3	4	4	2	5	4	1	0
REGION VI TOTALS:	E	34	33	34	33	17	38	3	4
	PI	5	5	4	6	15	0	0	1
	SP	7	8	8	6	8	7	2	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
REGION VII									
MISSOURI								E	E
Springfield		E	E	E	PI	E	E		
Kansas City Csrt.		SP	SP	SP	SP	SP	PI		
Independence		PI	PI	PI	E	E	E		
Jackson County		PI	PI	PI	E	PI	E		
St. Louis		E	PI	PI	E	E	E		
St. Louis County		PI	PI	PI	PI	E	E		
St. Charles County		PI	E	E	PI		E		
Jefferson/Franklin		E	E	E	E		E		
Balance of Missouri		PI	PI	PI	PI	PI	PI		
TOTALS:	E	3	3	3	4	4	7	1	1
	PI	5	5	5	4	2	2	0	0
	SP	1	1	1	1	1	0	0	0
KANSAS								SP	SP
KCK/Wyandotte Csrt.		PI	PI	PI	PI	PI	E		
Topeka/Shawnee		PI	E	E	E	PI	E		
Wichita		SP	SP	SP	SP	SP	SP		
Balance of Kansas		SP	PI	E	E	E	E		
TOTALS:	E	0	1	2	2	1	3	0	0
	PI	2	2	1	1	2	0	0	0
	SP	2	1	1	1	1	1	1	1
NEBRASKA								E	E
Omaha		E	PI	PI	E	PI	E		
Lincoln		PI	PI	PI	E	PI	E		
Balance of Nebraska		SP	SP	SP	PI	PI	E		
TOTALS:	E	1	0	0	2	0	3	1	1
	PI	1	2	2	1	3	0	0	0
	SP	1	1	1	0	0	0	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
IOWA								PI	E
Black Hawk		E	E	PI	E	E	E		
CIRALG		PI	PI	PI	PI	SP	E		
Davenport		E	E	PI	PI	PI	E		
Linn County		PI	PI	PI	E	PI	PI		
Woodbury County		E	PI	E	E	E	E		
Balance of Iowa		E	PI	PI	E	PI	E		
TOTALS:	E	4	2	1	4	2	5	0	1
	PI	2	4	5	2	3	1	1	0
	SP	0	0	0	0	1	0	0	0
REGION VII TOTALS:	E	8	6	6	12	7	18	2	3
	PI	10	13	13	8	10	3	1	0
	SP	4	3	3	2	3	1	1	1
REGION VIII									
COLORADO								E	E
Adams County		E	E	E	E	E	E		
Arapahoe County		PI	E	E	PI	E	E		
Boulder County		E	E	E	E	E	E		
Colorado Springs		E	E	E	E	E	E		
Denver		PI	E	PI	E	PI	E		
Jefferson County		E	E	E	PI	E	E		
Larimer County		E	E	E	E	E	E		
Pueblo County		E	E	E	E	E	E		
Weld County		E	E	PI	E	E	E		
Balance of Colorado		PI	E	E	E	E	E		
TOTALS:	E	7	10	8	8	9	10	1	1
	PI	3	0	2	2	1	0	0	0
	SP	0	0	0	0	0	0	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
MONTANA								E	E
Montana CEP		E							
Balance of Montana		E	E	E	E	E	E		
TOTALS:	E	2	1	1	1	1	1	1	1
	PI	0	0	0	0	0	0	0	0
	SP	0	0	0	0	0	0	0	0
NORTH DAKOTA								E	E
Balance of North Dakota		E	E	E	PI	E	E		
TOTALS:	E	1	1	1	0	1	1	1	1
	PI	0	0	0	1	0	0	0	0
	SP	0	0	0	0	0	0	0	0
SOUTH DAKOTA								E	E
Minnehaha County		E	E	E	E	E	E		
Balance of South Dakota		E	E	E	E	E	E		
TOTALS:	E	2	2	2	2	2	2	1	1
	PI	0	0	0	0	0	0	0	0
	SP	0	0	0	0	0	0	0	0
UTAH								E	E
Balance of Utah		E	E	E	PI	PI	E		
TOTALS:	E	1	1	1	0	0	1	1	1
	PI	0	0	0	1	1	0	0	0
	SP	0	0	0	0	0	0	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
WYOMING									
Balance of Wyoming		E	E	E	E	E	E	E	E
TOTALS:	E	1	1	1	1	1	1	1	1
	PI	0	0	0	0	0	0	0	0
	SP	0	0	0	0	0	0	0	0
REGION VIII									
TOTALS:	E	14	16	14	12	14	16	6	6
	PI	3	0	2	4	2	0	0	0
	SP	0	0	0	0	0	0	0	0
REGION IX									
CALIFORNIA								E	E
Alameda		PI	PI	E	E	PI	E		
Berkeley		SP	SP	SP	SP	SP	SP		
Contra Costa		E	E	E	E	E	E		
Marin		E	E	E	E	E	E		
Oakland		SP	SP	SP	SP	SP	SP		
Richmond		E	E	E	E	PI	E		
San Francisco		E	E	E	E	PI	E		
San Mateo		E	E	E	E	E	E		
Solano		E	E	E	E	E	E		
Sonoma		E	E	E	E	PI	E		
Butte		E	E	PI	E	PI	E		
Humboldt		E	E	E	E	PI	E		
Placer		E	E	E	E	PI	E		
Sacramento		E	SP	SP	E	E	E		
Santa Clara		SP	SP	E	E	E	E		
Shasta		E	E	E	E	E	E		
Stanislaus		SP	SP	SP	SP	SP	SP		
Stockton		SP	E	E	E	E	E		
Sunnyvale		E	E	E	E	E	E		
Yolo		E	E	E	PI	PI	E		
Fresno		E	PI	PI	E	PI	E		

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
CALIFORNIA (continued)									
Imperial		PI	E	E	E	PI	E		
Inland Manpower		PI	PI	PI	SP	SP	E		
Kern		E	E	E	E	E	E		
Merced		E	E	E	E		E		
Monterey		SP	SP	SP	SP	SP	SP		
San Diego		SP	SP	SP	SP	SP	SP		
San Luis Obispo		E	E	E	E	E	E		
Santa ~~Clara~~ Cruz		E	E	E	E	PI	E		
Tulare		E	E	E	E	PI	E		
Glendale		E	E	E	E	E	E		
Long Beach		E	E	E	E	E	E		
Los Angeles City		PI	E	E	PI	SP	PI		
Los Angeles County		E	E	E	E	PI	E		
Orange		E	E	E	E	E	E		
Pasadena		PI	PI	PI	PI	E	E		
Santa Barbara		E	E	E	E	E	E		
Torrance		E	E	E			E		
Ventura		E	E	E	E	E	E		
Balance of California		E	E	E	E	PI	E		
TOTALS:	E	28	29	30	30	17	34	1	1
	PI	5	4	4	3	14	1	0	0
	SP	7	7	6	6	7	5	0	0
ARIZONA								E	E
Maricopa		E	PI	E	E	PI	E		
Phoenix		E	E	E	E	E	E		
Pima		E	PI	E	PI	E	E		
Tucson		E	PI	PI	E	E	E		
Balance of Arizona		E	E	E	E	PI	E		
TOTALS:	E	5	2	4	4	3	5	1	1
	PI	0	3	1	1	2	0	0	0
	SP	0	0	0	0	0	0	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
NEVADA								E	E
Las Vegas/Clark		SP	SP	PI	SP	PI	E		
Washoe		E	E	E	E	E	E		
Balance of Nevada		E	E	E	PI	E	E		
TOTALS:	E	2	2	2	1	2	3	1	1
	PI	0	0	1	1	1	0	0	0
	SP	1	1	0	1	0	0	0	0
HAWAII								E	E
Honolulu		E	PI	E	PI	E	E		
Balance of Hawaii		E	SP	SP	E	PI	E		
TOTALS:	E	2	0	1	1	1	2	1	1
	PI	0	1	0	1	1	0	0	0
	SP	0	1	1	0	0	0	0	0
GUAM								E	SP
Guam		SP	SP	SP	SP	SP	SP		
TOTALS:	E	0	0	0	0	0	0	1	0
	PI	0	0	0	0	0	0	0	0
	SP	1	1	1	1	1	1	0	1
AMERICAN SAMOA								SP	SP
American Samoa		SP	SP	SP	SP	SP	SP		
TOTALS:	E	0	0	0	0	0	0	0	0
	PI	0	0	0	0	0	0	0	0
	SP	1	1	1	1	1	1	1	1

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
NORTHERN MARIANAS								E	E
Northern Marianas		PI	PI	PI	E	E			
TOTALS:	E	0	0	0	1	1		1	1
	PI	1	1	1	0	0		0	0
	SP	0	0	0	0	0		0	0
TRUST TERRITORY								SP	SP
Trust Territory		SP	SP	SP	SP	SP			
TOTALS:	E	0	0	0	0	0		0	0
	PI	0	0	0	0	0		0	0
	SP	1	1	1	1	1		1	1
REGION IX TOTALS:	E	37	33	37	37	24	44	6	5
	PI	6	9	7	6	18	1	0	0
	SP	11	12	10	10	10	7	2	3
REGION X									
ALASKA								E	E
Anchorage		SP	SP	SP	SP	SP	SP		
Balance of Alaska		PI	E	E	E	PI	E		
TOTALS:	E	0	1	1	1	0	1	1	1
	PI	1	0	0	0	1	0	0	0
	SP	1	1	1	1	1	1	0	0
IDAHO								E	E
Balance of Idaho		E	E	E	E	E	E		
TOTALS:	E	1	1	1	1	1	1	1	1
	PI	0	0	0	0	0	0	0	0
	SP	0	0	0	0	0	0	0	0

Prime Sponsor		Title II-B/C	Title II-D	Title VI	YETP	YCCIP	Title VII	Gov. II-B/C Grant	Governor Statewide Youth Grant
OREGON								E	E
Jackson/Josephine		SP	SP	SP	SP	SP	SP		
Clackamas		E	SP	SP	E	E	E		
Portland		E	PI	PI	PI	E	E		
Multnomah/Washington		E	E	E	E	E	E		
Mid-Williamette		E	E	E	E	E	E		
Lane		E	E	E	E	E	E		
Balance of Oregon		E	PI	E	E	PI	E		
TOTALS:	E	6	3	4	5	5	6	1	1
	PI	0	2	1	1	1	0	0	0
	SP	1	2	2	1	1	1	0	0
WASHINGTON								E	E
King/Snohomish		SP	SP	SP	SP	SP	SP		
Yakima		PI	SP	SP			SP		
Tacoma		PI	PI	E	E	E	E		
Clark		PI	PI	PI	E	E	E		
Thurston		E	PI	E	E	E	E		
Spokane		E	E	E	E	E	E		
Pierce		E	E	E	E	E	E		
Kitsap		E	E	E	E		E		
Balance of Washington		E	E	E	E	E	E		
TOTALS:	E	5	4	6	7	6	7	1	1
	PI	3	3	1	0	0	0	0	0
	SP	1	2	2	1	1	2	0	0
REGION X TOTALS:	E	12	9	12	14	12	15	4	4
	PI	4	5	2	1	2	0	0	0
	SP	3	5	5	3	3	4	0	0
NATIONAL TOTALS:	E	326	327	332	337	260	408	42	42
	PI	100	91	89	85	131	22	4	4
	SP	46	53	50	41	45	34	11	10

Senator SCHMITT. It has been argued that the work incentive program duplicates services to welfare recipients provided under the Comprehensive Employment and Training Act. This has especially been a criticism since enactment of the 1978 CETA amendments, which shifted the focus of services to the most severely disadvantaged, such as those on public assistance.

My question is why should Congress continue to fund two separate manpower programs serving welfare recipients, both WIN and CETA?

Mr. WEATHERFORD. I think that is a continuing discussion. One of the things we have tried to address in dealing with welfare recipients is to increase the number and participation of them in the regular CETA program. I guess it is a legitimate question to raise, since both programs are designed to do the same thing.

The WIN program is more—as I indicated in the briefing a while ago—more targeted toward direct job involvement, direct placement, as opposed to preparatory work. The WIN program has a very good success rate in terms of reducing welfare costs and making placements.

I think there are two different programs designed to work at the same type of activity, focusing on different types of individuals.

Senator SCHMITT. What distinguishes generally the types of individuals that would be guided into one program versus the other?

Mr. WEATHERFORD. I think they both qualify, but the WIN recipients probably could qualify for a CETA program. Basically, you must be receiving aid to families with dependent children to go into the WIN program. The CETA program is much broader, and in its application the same type of individual likely could qualify for the CETA program; the WIN recipient likely could qualify for CETA.

Senator SCHMITT. Many CETA recipients would not be able to qualify for WIN.

Mr. WEATHERFORD. That's right. The WIN program in most States is limited to those families where you have only one head of the household. Our CETA program is not restricted in that sort of fashion; it is broader.

Senator SCHMITT. Can you conceive of the WIN program assuming a greater level of responsibility, broader criteria for participation?

Mr. WEATHERFORD. It could; yes, sir.

Senator SCHMITT. Presumably, like the Job Corps, it has a higher success ratio. The question is: Is there something we should build on or is it now serving the only constituency that it really can serve successfully? And if we broadened it will it reduce the success ratio?

You see what we are struggling with?

Mr. WEATHERFORD. Yes; this would be one of those issues that the folks are taking up now and trying to deal with, but I think one of the things that would be terribly important is to look at the activities or the approaches used in the WIN program.

One particular approach that has, as I said a while ago, been meaningful is the job search activity, where we are concentrating more on helping people find their own jobs. WIN has been a leader in that program.

Senator SCHMITT. There was a well-publicized and apparently quite successful effort underway and is underway working with, I believe,

AFDC recipients in San Antonio. "60 Minutes," or one of the news magazine programs, did an excellent—apparently excellent—program on it.

Is that part of the WIN program, or is that a CETA program?

Mr. WEATHERFORD. We believe that was a CETA program.

Senator SCHMITT. That program seemed to have taken off and done very well in San Antonio. Why would it not compete well with the WIN program? It sounds like it is trying to do the same thing.

Ms. SNYDER. The "60 Minutes" TV program of which you spoke happened to be a CETA-funded program, but that same technique—group job-search technique—was initiated in WIN, and it is the technique that Mr. Weatherford spoke of.

We are doing group jobseeking techniques to lower the cost for such ultimate placements.

Senator SCHMITT. Would it make any administrative difference in terms of costs if those kinds of activities were focused under the WIN program, and CETA was left to other types of activities?

Mr. WEATHERFORD. It would make sense to take that technique and put it into the CETA program as well. I guess the basic question is whether you merge them or not, and I guess that is to be determined.

One of the things that has helped in all of our program areas—and we are experimenting with this in even the Employment Service—is a new approach toward finding better ways to find jobs.

Another factor with respect to what WIN programs have—they have child care and supportive services that are not readily available in the CETA program. It has more resources available to help people prepare for work and actually take jobs than we do in the CETA program.

Senator SCHMITT. The breakdown I asked for earlier, where we try to relate specific programs and subprograms to the success of those programs, would that break out the kind of CETA program that we just discussed?

Mr. WEATHERFORD. Yes, sir.

Senator SCHMITT. That is an individual initiative within the CETA program by one prime sponsor?

Ms. SNYDER. Yes, sir; you have to keep in mind the CETA program with 475 prime sponsors is dealing with some 50,000 subcontractors and probably many other subprograms beyond that. We have no way of tracking that kind of individual data on a national basis.

Senator SCHMITT. We may have some more questions for the record on that subject. It is always good to look at successful programs and try to find out why they are successful and see if you can't make everything else conform.

WELFARE REFORM DEMONSTRATION PILOT PROJECTS

In the welfare demonstration projects, why is $174 million being requested to continue 10 of these projects, pilot projects, despite the fact that President Carter did not resubmit his proposed welfare reform legislation before leaving office?.

Mr. WEATHERFORD. Mr. Chairman, the welfare—I believe there are 12 projects. This is a continuation; that program is building up. There was a decision made not to come forward with welfare reform in this par-

ticular budget, but there was a decision at the same time to continue to experiment with it and try to learn what we might do from that.

But the proposal here, $174 million, we would be completing our buildup this year. The 1982 level is to carry on the 12 projects that are in place.

Senator SCHMITT. Do any of these pilot projects deal with what has been generally termed "work-fare" concepts? I am sure that is too broad a definition; my main exposure to work-fare, it appeared to be a successful program 4 or 5 years ago when I discussed it with Governor Dukakas of Massachusetts.

How would you define work-fare, and if so, do any of these demonstration projects deal with that?

Mr. WEATHERFORD. I would like to ask Mr. Cottrell about that. I think we understand work-fare to be where you work off part of the grant, where you actually perform services for part of the grant.

We do not have work-fare in any of the 12 projects.

Senator SCHMITT. Is there any particular reason for that? How would you characterize the demonstration projects?

Mr. WEATHERFORD. I would characterize—the past administration had not supported that concept as a general rule as we addressed ourselves to employment and training strategies.

Senator SCHMITT. What types of welfare reform are the demonstration projects attempting to demonstrate?

Mr. WEATHERFORD. There are different types, such as in the WIN program, and the types of administrative structure that is set up in the communities. Those are the two basic differences—what sort of a mix you have between training and job search and job placement.

Each one of them takes on somewhat of a different character. We would expect that in the near future we should begin to get some evaluation from those, having time to measure the experience of the people that have been in there for long enough periods to see.

We have people who have been there nearly a year now in those projects. It is time we can begin to get some information that might be helpful.

Senator SCHMITT. Is there any interim information?

Mr. WEATHERFORD. Not yet. If I recall my notes, I think that will be coming forth within the next 30 or 45 days.

Senator SCHMITT. Please keep the subcommittee informed as soon as you have some tangible evaluations.

Mr. WEATHERFORD. Yes.

Senator SCHMITT. Are any of the prime sponsors dealing with any work-fare concepts? It is not a very great leap of the imagination from the self-help type project, San Antonio effort, to a work-fare type of concept.

Mr. WEATHERFORD. I don't believe we have a prime sponsor.

Mr. ANDERSON. There are prime sponsors who are involved in work-fare, but not necessarily as part of the overall CETA activity. They may be using work-fare as part of their welfare system. It would not be part of their employment and training system.

WORK-FARE PROGRAMS

Senator SCHMITT. Is it possible to identify for the subcommittee those prime sponsors that conduct work-fare projects, so that we can have a better understanding of how successful they have been?

Mr. ANDERSON. We can give that a try. I'm not quite sure how we'd go about that; we can look at it.

[The information follows:]

WORKFARE PROJECTS

There have been several pilot projects exploring the feasibility of the workfare approach. These work-oriented programs have ranged from requiring recipients to work at the minimum wage to cover welfare benefits (commonly referred to as workfare), to the provision of various forms of transitional paid work experience, and a few projects have provided public service employment as a job of last resort. The three workfare projects include an ongoing 14-site test requiring Food Stamp recipients to work off their benefits at the minimum wage; the Massachusetts Work Experience project, for long term AFDC unemployed fathers who were required to work 3 days per week for 13 weeks, also without wages to be eligible for welfare; and a similar project titled the Work Assistance Project operated in Milwaukee, Wisconsin, for the general assistance population. The Employment Opportunity Pilot Projects are testing the feasibility of providing public service jobs and/or training for welfare recipients who cannot find unsubsidized jobs after intensive job search.

The Supported Work project is another work-oriented project for long-term unemployed welfare recipients which emphasizes the provision of workplace skills and the subsequent transition to unsubsidized employment. Funding for this formal experimental project utilized a unique mechanism converting AFDC grants to wages. Supported Work is a wage-paying transitional work experience program. Participation in Supported Work led to an increase in the employment rate, hours worked, and earnings with a concomitant reduction in welfare dependency for participants compared to a randomly assigned control group of AFDC recipients. The Total Registrant Involvement Projects (TRIP) of the WIN program and the Minnesota Work Equity Project (MWEP) are additional demonstration projects which have emphasized the provision of work instead of welfare. MWEP was originally conceived to test the demand for and costs of providing guaranteed jobs as a last resort for unemployed welfare recipients. As the projects became operational, it became clear that the number of guaranteed jobs originally estimated to be necessary were too high. Larger than expected numbers of clients have been able to find jobs in the private sector as a reuslt of the group job seeking activities they are required to participate in before taking subsidized jobs. Additionally, the projects have experienced some implementation difficulties placing participants in subsidized jobs, and significant numbers of clients have indicated unexpected problems which required attention before they could participate in the programs. The TRIP project is testing in six sites the feasibility and impact of fully funding existing WIN sites to serve all their registrants. Present resource constraints preclude most WIN sites from providing the necessary services to all clients. The objective is to determine the capability of the WIN model to serve the total registrant caseload.

The following is a description of the workfare related projects undertaken by the Office of Research and Development in the Employment and Training Administration.

Massachusetts Work Experience Project

Brandeis University recently completed an evaluation of a workfare-oriented program run by the State of Massachusetts for long-term unemployed males receiving Aid to Families With Dependent Children (AFDC). The program involved 1) a screening process for registrants to reassess their needs, 2) the assignment of those found suitable to

a work experience program; and 3) an incentive to find regualr employment by both waiving the 100 hours work/month restriction on AFDC eligibility and entitling the men to the disregarded earnings ($30 + 1/3 of the remainder earned) which are used in calculating AFDC benefits. Work experience consisted of 13 weeks of work without wages for 3 days per week, with the remaining 2 days devoted to job search. The program was plagued by welfare rights organizations' opposition and court injunctions, and there was a great deal of local agency unwillingness to implement the program. Of the 2,000 clients the State estimated to be served in this program, only 1,015 were actually found to be appropriate and of these only 256 ever reported to work sites. The researchers concluded that the program did not have any statistically significant effect on the rate of job finding of the clients nor could any reduction in welfare payments be attributed to the project.

Food Stamp Workfare Demonstration Project

The Food Stamp Workfare Demonstration Project (FSWDP) operated in conjunction with the U.S. Department of Agriculture, is a 14-site project testing the feasibility and net impact of having employable food stamp recipients perform work in a public service capacity in return for the food stamp benefits to which the household is entitled. The research contractor, Ketron, is evaluating the project on the basis of both operational feasibility and economic impacts on program participants, job sponsors, administering agencies, and taxpayers. The impact of this workfare program on public agencies is being assessed in terms of the costs in money and time expended within the agencies and the extent to which food stamp payments are reduced. The evaluation will also assess the value to the public of the work performed, and the impact of the program on the employment, earnings, and welfare dependency of participants.

Total Registrant Involvement Projects

The Office of Work Incentive (OWIN) program has funded six local sites to participate as Total Registrant Involvement Projects (TRIP). TRIP means a WIN project providing the full range of traditional WIN services to all registrants, which is not possible in other WIN areas. The projects are expected to appraise the entire WIN caseload and provide individual or group job seeking to all unemployed registrants, followed, if necessary, by exposure to work experience, training, or subsidized employment using WIN and other available resources.

OWIN intends to measure the impact of the TRIP projects over a 2-year period, determining cost-benefit, the ability of the WIN model to serve the total registrant caseload, and the deterrent to AFDC eligibility.

Six sites have been funded: Kent County, Michigan (Grant Rapids); Atlantic County, New Jersey (Atlantic City); Harris County, Texas (Houston); Richland County, South Carolina (Columbia); Claiborne, Yazoo, and Warren Counties, Mississippi (Vicksburg).

Minnesota Work Equity Program

The Minnesota Work Equity Program (MWEP) is a major demonstration project that is testing the administrative feasibility, net impact and cost effectiveness of developing jobs or training opportunities for all employable AFDC, General Assistance, and Food Stamp

recipients in St. Paul and several CETA balance-of-State areas. The project is also testing a more integrated delivery system involving CETA, the Employment Service, WIN, and welfare agencies. The research, conducted by Abt Associates, will assess the feasibility and effectiveness of MWEP. The research is thoroughly documenting and analyzing MWEP's administrative process, especially the public job creation component, and the impact of the program on the participants and the community. The research design is longitudinal and the data collection period covers the time from a year before application to 1 year after program participation. The research will also provide information on the savings or cost to the welfare system and the impact on welfare rolls.

CETA GUIDELINES

Senator SCHMITT. Is there anything inherent in the CETA guidelines that would prevent prime sponsors from instituting a work-fare program with Federal assistance? Anything in the basic law or regulations to implement that law?

Mr. ANDERSON. The supposition for work-fare is that you must work off your grant. In that case I would imagine a detailed set of rules or regulations may prove to have problems.

Senator SCHMITT. Would it be possible for an unemployed individual participating in a CETA project, who would be unemployed if they were not involved in the project, to contribute to the fund that provided that CETA training once they became employed?

Mr. ANDERSON. They would no longer be receiving the welfare.

Mr. WEATHERFORD. We don't have any grants that I know of that would be affected by this.

I might add that we have some—several areas where, with the WIN program, there is some effort to test—I know we have a couple in Florida where we are trying to use the WIN—the work-fare approach—that is not the right way to say it, but it is basically the same sort of principle there, of combining the WIN payment and converting it to wages on a specialized basis, on an individualized or experimental sort of basis, not widespread.

CONTINUATION OF WELFARE REFORM DEMONSTRATION PILOT PROJECTS

Senator RUDMAN. Maybe this question has been answered; if it has, inform me. On page 4 of your statement, the area you were just talking about, you have $174.5 million for continued welfare reform demonstration pilot projects at 12 locations.

My question is: Of the $174.5 million, how much of that is continuing existence of present programs? How much of that money is for new programs?

Mr. WEATHERFORD. All of it is for existing, the 12 existing programs, and no new projects are envisioned in the $174 million.

Senator RUDMAN. You are talking about continuation of existing programs; how long have those programs in those 12 locations been ongoing? Was this past year the first year for those 12?

Mr. WEATHERFORD. I may need some help on this, but as I recall, I believe the first enrollees in the program started in late 1979, fiscal 1979. We did have a year last year, with considerable activity. It has

been building up; we have not added any new sites to the demonstration.

Senator RUDMAN. When you talk about a pilot project, I suspect that means that it is under consideration for future expansions. If it is not successful, then it would be discontinued. How long do pilot projects work? How many subsequent appropriations do you seek before advising the committee that this pilot project is no longer pilot and is now permanent or whether it ought to be junked?

Mr. WEATHERFORD. I will give you a horseback answer on that. It would appear that we need to have 1 year or maybe 18 months of time to put people through a training course and find out their experience after they got through. I think you would look at probably a minimum of 2 or 3 years in there before you finally had something that you would make your basic decision on The buildup takes time. And then you need to put them through the training course or work experience, and then you need to track them somewhat after they get through to see did they get jobs and were they able to hold those jobs.

Senator RUDMAN. How many pilot projects in this general area are presently going on in addition to these 12?

And the second part of my question: How many pilot projects, in fact, have been tried heretofore and have been discontinued?

Mr. WEATHERFORD. Presently we have several, as I indicated to you a while ago—several innovations, if you will, in the WIN program, that have been tried. I guess we could study it and see if we couldn't recall as—I don't recall offhand.

Senator RUDMAN. I would particularly, for my own information, tying in with my earlier question of evaluating what these appropriations ought to be, take a look at these pilot programs that have been tried since the inception of the program, and with an open mind try to determine for my own satisfaction what these pilot programs have proved or not proved.

I would very much appreciate it if you could furnish the staff some detailed information on the pilot programs. I am particularly interested to see how they track and see how, after the money was given for the pilot programs, whether or not they were really looked at closely, or whether they became part of the bureaucracy and the establishment. I can only speak from my own level of experience at the State government level, where we had pilot programs in a variety of areas which people forgot that they were pilots. Shortly after the funding was received they became very comfortable and very permanent.

I would very much like to see whether that has been the Federal experience with this program. If you would furnish that for the staff, I would like to look at it.

Mr. WEATHERFORD. We have had experience going on back since the early 1970's in several areas, and maybe we can pull that together——

Senator RUDMAN. It would be interesting to look at from a historical perspective.

[The information follows:]

USE OF PILOT PROJECTS IN EMPLOYMENT AND TRAINING PROGRAMS

The Employment and Training Administration (ETA) has operated an extensive program of experimental, demonstration, and pilot projects since the inception of manpower programs in the early 1960's in a continuing effort to develop more effective approaches to achieving the overall goal of self-supporting employment for its program participants. Indeed, many of the services and components included within the field of "employment and training programs" were initially developed and tested in pilot projects.

The Office of Research and Development (ORD) of the Office of Policy, Evaluation, and Research (OPER), ETA, has overall responsibility for conducting a research, experimentation, and demonstration program in support of ETA's component agencies. Generally, these projects have included a rigorous research and evaluation component to determine as precisely as possible their effectiveness, as a basis for determining whether to implement the tested approach on a broader scale.

In a given year, ORD will initiate up to five new projects as well as continue to support ongoing efforts funded previously. The following is a description of a number of important experimental, demonstration and pilot projects. A comprehensive inventory of ORD's projects is available in the Research and Development Projects book (published yearly) and the Annual Evaluation Report submitted to Congress.

The National Supported Work Demonstration

The national Supported Work demonstration was designed to test whether the direct provision of work to groups of people who had not been able to get or keep jobs would help them make the transition to regular employment. The demonstration was started in 15 locations across the country. It was a work program rather than a training program and concentrated on four population groups: women who had received welfare payments for a long time; former drug-addicts; former offenders; and young school drop-outs, many of whom had histories of delinquency. It provided individuals with employment for a limited time--up to 12 or 18 months--after which they had to leave, whether or not they had found jobs elsewhere. An important feature of the program is that participants initially are provided with special services to help them adjust to the world of work and over time their work responsibilities were increased and the services were decreased.

Supported Work programs were operated by nonprofit organizations established specifically for that purpose. They obtained funding through the demonstration, but also had to generate local revenues, which typically came from local CETA agencies, welfare diversion payments, and from the sale of goods and services produced by supported workers.

To operate the complex program, a national management organization, the Manpower Demonstration Research Corporation (MDRC), was set up to oversee both operations and the research effort. MDRC was organized in 1974 as a nonprofit organization with the assistance and encouragement of the agencies that decided to fund the supported work effort--U.S. Department of Labor, the U.S. Department of Health, Education and Welfare, the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Ford Foundation.

Early in the exploration, a consensus was reached among the senior officials of the funding agencies and members of the Advisory Board that the key requirement for the effective conduct of the supported work demonstration was a major research effort integrated into the basic program structure. Only in that way could reliable information be developed about the program's performance and its potential contribution in shaping national employment and social policy.

All enrollees were volunteers. The principle of random assignment was followed in selecting one person to participate, the other as a control. A total of 6,616 individuals made up the research sample for the impact study; 3,214 were participants and 3,402 were controls. Each person in the sample received a baseline interview and up to four successive interviews at 9-month intervals. Information collected in the interviews was checked for accuracy against appropriate social security, welfare, and criminal justice records.

Evaluation findings indicate that supported work offers a viable approach to alleviating one of the most intractable welfare-related problems. Of all target groups in the project, the AFDC mothers have shown the most consistent and dependable work record, with only 10 percent of their numbers fired from the program, compared with 30 percent for the other target groups.

The AFDC participants earned seven times as much money during 9 months in the program as did their control group counterparts. In addition, there was a significant welfare reduction of $1,147 per enrollee. For the full 18-month period, experimentals averaged $4,959 more in earnings and received $4,142 less in welfare and food stamp benefits than did the controls. Also, during that time, over twice as many experimentals as controls (33 percent vs. 14 percent) moved completely off welfare.

Many of the AFDC group sought and obtained jobs and remained employed even though their earnings were substantially offset by loss of welfare benefits. Many female heads of household are willing to work for very small financial gains in preference to the social opprobrium of continuing on welfare and suffering the governmental interference in their lives associated with being on public assistance.

The cost-benefit calculation for the AFDC group reveals that, primarily because of the employment and earnings gains of participants after they leave the program and because of the value of the goods and services produced by them while they are in supported work, the net benefit to society is considerable. Moreover, the benefits to the taxpayer from reductions in welfare payments, the taxes paid on earnings, and the reduced use of food stamps, housing subsidies, and Medicaid exceed the cost of providing the supported work jobs.

During and after the time when the ex-addicts were in the supported work program, they were involved in substantially less criminal activity than the control group. This impact of supported work on ex-addicts is unusual among interventions aimed at ex-addicts, many of whom have reverted to crime to pay for their drugs after participating in other types of programs.

The program had a marginal impact on ex-offenders, who did not show less criminal behaviour, and whose rate of employment and earnings was only slightly better than those of ex-offenders who did not participate.

The program did not yield long-term positive results for the youth group.

Twenty-three prime sponsors are currently providing approximately 40 percent of the funding for this demonstration. Several others have indicated an interest in operating supported work programs if additional National funding was available.

Standard Assessment System

The Office of Research and Development initiated a study with the Educational Testing Service to develop an assessment instrument that would reveal the attitudes, interests, and knowledge of work for low-income youth who had low reading levels. The successful result of that project was an assessment battery validated for measuring program participant characteristics, attitudes and knowledge.

The Battery, now called the Standard Assessment System (SAS), is employed in the measurement of the effectiveness of the Office of Youth Program's discretionary projects. The Battery is used in over 50 projects with a total of approximately 80,000 participants. The SAS was introduced experimentally in the Youth Career Development projects, and the results of the first year of operations are now available.

Minoirity Women Employment Program

The Minority Women Employment Program (MWEP) was funded as a demonstration project and run by Recruitment and Training Program, with a subcontract to the Univeristy of Texas to undertake the research. It achieved highly successful results in placing unemployed college-educated minority women in managerial, professional, and technical jobs. The MWEP was initiated in Atlanta, replicated a year later in Houston, and then expanded to five other cities: Dallas, New Orleans, Tulsa, Cincinnati, and Los Angeles.

By identifying well-qualified minority women, coaching them to produce favorable interview and test results, instructing them in resume preparation, and making them available for job openings developed by the project, significant penetration was achieved in companies which previously had little or no minority female representation among their better-paying jobs. Minority Women Employment Program placements experienced striking improvements in occupation and salary. For example, women who had been clerks, cashiers, receptionists, waitresses, and part-time secretaries are now auditors, corporate recruiters and trainers, programmers, sales representatives, and accountants.

Since 1978, the Minority Women Employment Program has been supported as an ongoing activity by the Employment and Training Administration's Office of National Programs.

Cooperative Demonstration to Improve Occupational Regulation (Educational Testing Services

This recently completed demonstration project helped initiate State-level occupational licensing reform by providing technical assistance to State legislatures, department administrators, and State attorney general offices. The technical assistance included the

preparation of a handbook on occupational licensing, a guidebook for administering licensing statutes, training materials for public members of licensing boards, and guides for drafting legislation for improving or eliminating licensing statutes. As a result of this project, legislative reform in occupational licensing has been initiated in 27 States.

Youth Incentive Entitlement Pilot Project

The Youth Incentive Entitlement Pilot Project, as mandated by Congress, is a guaranteed jobs program. It is targeted to youths aged 16-19 from low-income households who have not yet graduated from high school. Its primary feature is an offer of a guaranteed, Federal minimum wage job, part-time during the school year and full-time during the summer, on condition that the youth remain in or return to a recognized program leading to a high school diploma.

The Entitlement demonstration offers a coherent design and focused attack on the joint problems of youth joblessness and school dropout behaviour. The program is operating in 17 prime sponsor sites under the administration of the Manpower Demonstration Research Corporation with a subcontract to Abt Associates to evaluate the project.

In the Entitlement sites 48 percent of the eligible youths held jobs, while in the comparison sites only 23 percent of the youths were employed. Preliminary findings indicate that the Entitlement program significantly reduced the dropout rate and increased the rate of dropouts returning to school who otherwise would not have returned. Planned research will assess the net impact of Entitlement on the subsequent employment and earnings of the participants.

Laboratories on the Work Incentive Program (WIN)

The WIN Research Laboratory Project consists of local WIN projects developing and testing innovative approaches to WIN's delivery of services. The projects were conceived as a means of designing new approaches which were responsive to the needs of local program operators, that would be tested under actual conditions by those local operators and thus more likely to be utilized by the WIN system if successful. Four sites initially participated in the effort, each testing different approaches with the broad focus of the effort being on the employment needs of female heads of households on welfare. Louisville, Kentucky, experimented with an immediate job search program for applicants to welfare; St. Louis, Missouri tested a job development technique which relied on an SBA-funded business development center; Madison, Wisconsin, tried a new on-the-job training program approach designed to get women jobs paying a minimum of $4 per hour; and Denver, Colorado, experimented with a recruitment and service delivery strategy for WIN volunteers with children under 6. The Louisville model has been continued in a second phase using an improved job search model expected to improve on the early success of the first round. Denver has continued to use a variant of the recruitment model as have some other States in the Denver region. During the second round of efforts, Denver is experimenting with a post-placement model to reduce the dropout and low retention figures that plagued the first round effort. St. Louis decided not to pursue the job development effort in its present form, choosing instead to have the employment service job development unit pursue a similar approach. For its second round, St. Louis is testing a model for

institutionalizing the successful supported work experiment. Madison was unsuccessful in generating enough employer interest to justify the continuation of its approach, and the site has been phased out. Gains from these laboratory efforts have been slow but systematic. A decision on proceeding with a third round will have to await the final summary of experiences in the first two rounds of efforts.

Job Finding Clubs in WIN

A grant was provided to the Anna Mental Health and Development Center of the State of Illinois in 1977 to conduct a five site test of a new job search program for welfare recipients in the Work Incentive Program. Existing WIN counselors were trained in this intensive group jobseeking activity and clients were assigned randomly to the new program or to a control group which received more traditional one-on-one job search services from WIN. The experimental program was twice as effective as the regular program (65% vs. 33%) in placing welfare recipients. As a result, the WIN program undertook a major program initiative to encourage State programs to begin implementing at least one group job seeking approach in each State. Presently, over 50 WIN programs have adopted this new technique, and many are expanding it to other local WIN units in their States.

High Quality Training for Welfare Recipients

The Bureau of Social Science Research (BSSR) and the Education Division of Bell and Howell, Inc. are testing the feasibility and effectiveness of providing long-term, high paying jobs ($13,000) in the electronics industry, which would permit AFDC recipients to leave the welfare rolls permanently. BSSR is conducting the research and Bell and Howell is providing the training at two of its electronics schools. Most current training efforts are generally short-term in nature preparing welfare recipients for jobs in low paying occupations like clerical and service occupations. As a result, the graduates frequently do not earn enough money to actually move off of welfare. This project is concerned with the design and operation of a unique training program requiring a higher investment but yielding a correspondingly higher payoff. To date, 24 of 28 graduates have been placed in electronics industry jobs at a starting average wage in excess of $13,000 per year. Longer term follow-up data will not be available until mid 1982.

Job Search and Relocation Assistance Pilot Project

This project is designed to test the feasibility of providing assistance to job seekers who are unable to find suitable employment within reasonable commuting distance of their homes and are willing to relocate. The services are rendered through local offices of the Employment Service in eight Southeastern States, with several local offices in each State taking part. The selected offices were provided funding for necessary staff to adminster the services offered to applicants, together with information about job openings listed by employers in the Job Banks throughout the country. Some of the offices were authorized to provide limited financial assistance, by means of advances or reimbursement, to applicants travelling out of their home areas for scheduled interviews. Still others could, in addition to assisting with job search, pay some or all of the costs of relocating an applicant and his or her household to a new community

to accept a bona fide job offer. One major objective of the project has been to determine whether or not some form of job search and relocation assistance to applicants who cannot be placed locally, but who possess skills that are in demand elsewhere, might be made an integral and normal part of the labor exchange function of the Job Service/Employment Service. A related purpose is to measure the potential benefits of such assistance in relation to the costs of providing it. The evaluation of the project is being conducted by Westat, Inc.

Overall, the project has demonstrated the operational feasibility of the procedures developed for JSRA. It is a system which could be implemented nationally with few changes. The project enrolled 6,130 applicants, of whom 2,390 received some kind of service. Of the 2,390 participants, 1,741 went on a job search and 1,710 actually relocated.

The estimated average cost per relocation is $1,085. A final report with estimates of the benefits and costs of the project is due in April 1981.

Transitional Aid Research Project for Ex-Offenders (University of Massachusetts)

The Transitional Aid Research Project (TARP) for Ex-Offenders was undertaken in cooperation with the States of Georgia and Texas and the Law Enforcement Assistance Administration (LEAA). The American Bar Association (ABA) coordinated the effort, and the University of Massachusetts performed the research.

TARP was based on an earlier pilot experiment conducted in Baltimore that had found that income assistance, on a regular basis, had a significant impact on the rearrest rate of ex-offenders. The TARP project represents a test of whether financial and/or job placement assistance, in the more restricted context of an ongoing institutional setting, could reduce recidivism.

The TARP project involved 4,000 newly released ex-felons in Georgia and Texas who were randomly assigned to groups receiving different types of assistance, or to a control group that received no aid, between January and July of 1976. Participants were followed for a year after their release from prison, being interviewed at the 3, 6, and 12-month junctures.

The ex-offenders who received weekly financial assistance got up to $70 in Georgia and $63 in Texas through the Unemployment Insurance offices in the two States. The money was made available for up to 26 weeks. Benefits were reduced by either 100 or 25 percent of earnings when participants were employed.

Contrary to the results of the Baltimore test, the TARP findings revealed no significant differences between the recidivism rates of the experimental and control groups. In fact, TARP payments seemed to have some negative effects, since ex-offenders receiving benefits tended to be unemployed for a greater portion of the post-release year than those in the control group, who received no payments. This negative effect apparently reflects the fact that TARP payments compared favorably with the wages of the jobs to which the ex-prisoners had access and because TARP payments were reduced when employment was obtained.

Although TARP payments may have contributed to lengthier spells of post-release unemployment, they also enabled ex-offenders to find jobs which, on average, paid higher wages than the jobs of those who did not receive payments--probably because they were able to take longer to look for a better job.

The analysis of post-release factors that affected rearrest indicated that (1) employment, in terms of the number of weeks employed, reduced the likelihood of arrest on any charge, probably because the ex-offenders had less idle time and were assured of regular income, and that (2) those released on parole were less likely to be arrested, possibly because the conditions of parole included supervision by a parole officer and employment.

While the evidence is only correlational (that is, circumstantial), the pattern of findings suggests that financial payments might reduce the return rate to prison if the unfavorable impact of payments on employment could be reduced. Consequently, in September 1980, an experimental project was launched to test the impact on job retention and recidivism of providing PSE jobs to 200 newly released ex-offenders. This project is being administered by the Baltimore Metropolitan Manpower Commission. Blackstone Associates of Washington, D. C. is conducting the research.

Other significant pilot projects which should be mentioned are the Minnesota Work Equity Program, the Food Stamp Workfare Demonstration, and the Massachusetts Work Experience Project.

YOUTH PILOT PROGRAMS

Senator SCHMITT. Thank you, Senator.

Mr. BARNICLE. If I could comment on that, in the youth area there are substantial numbers of pilot projects that have been operating for the last 3 years. A lot of them—and I haven't got the exact data—a lot were experimental, have concluded their useful lives, and have terminated. We have a policy, there is a transition plan for each pilot program.

For instance, there are a series of programs that have been going on for the last 2 years; this year they will operate at a 50-percent rate of what their funding level was last year. Once successful, and they can demonstrate that, then the program can be encouraged to combine with local resources to do more creative things.

That same basic 50-percent policy is being applied to all of the rest of the youth demonstration pilot programs. That kind of policy responds to the question and concern that you raised, and I think it is a valid one.

Senator RUDMAN. Since we are looking for evaluation techniques, maybe we will never get the empirical data, because it is so spread out across the countryside. I can understand the difficulty in keeping track of these things with the number of people you are dealing with, but maybe there is another way to evaluate it. Maybe the way to evaluate it is to see what you have done with the pilot programs. That is what I would like to look at.

Senator SCHMITT. If the Senator would yield on that same point, it might also be useful to know which of these pilot programs have subsequently been picked up and funded by local, State government, or entities. Is that information available?

Mr. WEATHERFORD. It would have to be anecdotal. Maybe we can do a survey of our regional offices and see if we can. We wouldn't have that in a clearly tracked system.

Senator SCHMITT. Is there an attempt to evaluate the likelihood of State funding before a pilot project is initiated?

Do you see what I am saying?

Mr. WEATHERFORD. Yes, sir; we tried to minimize the risk on nonsuccess. We built in a pretty good evaluation component into each one of our demonstration projects. I suspect out of that we might go back and see what was envisioned at the beginning of that, to see if there is any factor in there on relative likelihood. We would be glad to do that, sir.

APPRENTICESHIP TRAINING

Senator SCHMITT. One prime sponsor I have dealt with in New Mexico is really a cooperative effort between the craft unions and the local general contractors. They provide an apprentice program that moves into a journeyman's effort in carpentry, masonry, and so forth. Have those kinds of programs generally been successful? We find this one working very well in New Mexico.

Mr. WEATHERFORD. Yes, sir; one of the efforts we have been working on the last 2 or 3 years is to see if we can't do some innovative and different things with our apprenticeship and training in trying to improve—sometimes the word "linkage" gets misused, but trying to see if we can't——

Senator SCHMITT. This is the Appropriations Committee, not Foreign Relations. [Laughter.]

Mr. WEATHERFORD. We're trying to improve and increase the participation and apprenticeship programs of CETA enrollees. We think we have made some successes. Jim Mitchell is here. Do you have any numbers, Jim?

Mr. MITCHELL. Ninety percent of the programs of a direct linkage effort, tutoring preparation for work, or actual transition from that kind of preparation into an apprenticeship job slot.

Mr. JONES. That is directly concerned with the formal programs. There are twice that many that are not into a formal apprenticeship program but are in the craft area. The answer to the question is very strongly affirmative. Those programs are in the increase, and proving to be very successful.

Senator SCHMITT. If you were trying to set up an arbitrary, nonarbitrary, list of successful prime sponsors versus those that are not so successful, these types of efforts would appear near the top.

Mr. JONES. Wherever you have an effort that involves a joint planning and operation between some labor unions and some business people who are in the job market, and the Government programs, you will have the basic seeds of a successful program. This proves that rule. We're finding it in the private sector program and other areas as well.

Senator SCHMITT. The CETA title II–D public service job programs provides a significant level of training and enrolls only the structurally unemployed, those who would be out of work even in the best of economic times. By contrast, title VI jobs program was designed to provide countercyclical assistance, helping those temporarily out of work during periods of high unemployment.

The question is: Isn't it true, that for the last 2 years, 90 percent of the enrollees in the CETA title VI public service jobs program have been economically disadvantaged, so that it has become nearly identical with the title II–D jobs programs? That is not countercyclical, but structural.

Mr. WEATHERFORD. You are right about the numbers, I think, but the requirements, eligibility requirements, are slightly different, and they are not that different, so the economically disadvantaged is a category that houses both—that is housed in both programs.

Mr. ANDERSON. The basic difference is the fact that title VI, to the extent that it is a countercyclical approach, in the 1978 amendments it was more targeted. But there are—we still like to think that there are vast differences between the title VI enrollees and the title II–D. For one thing, the eligibility criteria still maintains a continued period of unemployment for entrance into the II–D activity, while there is a shorter period of unemployment for the title VI activity.

Senator SCHMITT. How can it be argued that the title II–D program provides training and upgrading, when the unit cost of the program is only 2 percent higher than the title VI program?

Mr. ANDERSON. Basically, the approach that title II–D takes is to provide public service employment as a feature of employment preparation. We usually look to provide the structurally unemployed individuals with classroom training, on-the-job training, or some sort of remedial education. This provides public service employment as another medium by which we prepare structurally unemployed individuals for entrance into the labor force.

You will find that II–D has an emphasis on training. Some 20 percent of the dollars allocated for title II–D are to be used in supportive training for the individuals who are in II–D PSE. That means that during the course of a week or a training period, a considerable amount of hours are spent in a classroom setting or in an on-the-job training setting, along with the regular PSE work experience type of activities.

Senator SCHMITT. In contrast, title VI does what?

Mr. ANDERSON. In contrast, we would expect title VI individuals to be virtually on the job for the entire period of time that they are enrolled in title VI activities.

Senator SCHMITT. You are building on previous work experience in title VI, whereas you are trying to create a work experience, the first work experience, in title II–D.

Mr. ANDERSON. That's right. The theoretical approach taken with regard to title VI was that title V was a program activity for individuals newly disaffected from the labor market, so that they had skills in many instances, or had some prior work experience. The II–D individual does not necessarily have either skilled training or long periods of time in the labor force.

Senator SCHMITT. Thank you. I think that helps clarify my understanding, at any rate, of the differences.

PHASE OUT OF PUBLIC SERVICE EMPLOYMENT PROGRAMS

There are currently 300,000 enrollees in CETA public service jobs, and roughly 600,000 additional employment and training opportunities funded under other titles of CETA, not counting the summer youth jobs. Current statistics indicate half of the public service jobs participants find permanent jobs or go into the military or back to school, as we discussed earlier.

How long would it take for the remaining 150,000 public service job enrollees to be absorbed into programs under other titles of CETA, such as those providing vocational training?

Mr. WEATHERFORD. How long?

Senator SCHMITT. Is it feasible to consider absorbing the remaining job enrollees into programs under other titles of CETA?

Mr. JONES. Yes; if you are asking some of those people who do not get jobs upon leaving the program, can they go into other aspects of the CETA program, the answer is "Yes," but many of them don't. That is again dealing—the statistic of 50 percent that we are talking about, again, is one that is determinant upon immediately leaving the program.

Research will indicate that many of those people whom we indicate here as not having received a job, when you check 2, 3, 6 months later, they are fully employed in the labor market. You can move them, and in some cases they do move, into vocational training or other aspects of the program. In many cases, they would rather not.

Senator SCHMITT. What I am asking is, would it be possible to phase out the public service job program and still serve at least as many of the enrollees in the current public service jobs?

Mr. JONES. The most difficult problem you have in expanding your II–B, C programs, your basic training or vocational education, is the creation of new class opportunities: physical structures, teachers, class outlines, and enrollment capacity. There is a leadtime. I don't know what that might be, probably 3 to 6 months at a minimum, to be able to move that into a phase.

COST PER ENROLLEE IN PSE VERSUS OTHER TRAINING PROGRAMS

Senator SCHMITT. Do you have an estimate on what the cost per enrollee would be in such an effort, versus what it is now in the public jobs program?

Mr. JONES. In title II–B, C, the basic training program, it is $6,000 in 1980, versus around $10,000 for PSE programs per unit slot.

Senator SCHMITT. That is $10,000 per individual in the normal CETA public jobs?

Mr. JONES. Per annual slot. Not individual.

Senator SCHMITT. Per annual slot.

Mr. JONES. Yes, sir.

Senator SCHMITT. In the CETA public service job program?

Mr. JONES. Yes, sir.

Senator SCHMITT. What is the main reason for the difference?

Mr. JONES. Most of the training programs are on a very fixed timeframe. They are shorter. People are only in them for a certain length of time. And they are paying an allowance, a minimum wage allowance. That's the only Federal cost, along with the teacher costs or any supplies. Public service jobs, you are paying a commensurate, ongoing wage, $4 or $5, $6 an hour, in many cases, for an 8-hour day. Training might be for half a day, or 3 or 4 days a week, for the classroom; plus fringe benefits and other kind of things in a public service job, none of which you have in a training situation.

The Congress, in creating public service jobs, in effect, said those jobs must be the same as other employees in that jurisdiction. That means retirement, all fringe packages, everything. Training gets none of those things. When you are in training you get an allowance which is a minimum wage for the number of hours you are in training. That's it. The only other Federal cost is the instructor and the facility or whatever.

EXPANSION OF PRIVATE SECTOR PROGRAMS

Senator SCHMITT. Are there difficulties in expanding the private sector programs to absorb a greater level of participation?

Mr. WEATHERFORD. We are in the process of building up our private sector program. I think that this will be the first year that we have had a full year of operation in there. I guess there is some concern about what the job market is in hiring people. Basically, that is an on-the-job training program, not strictly because title VII funds under the private sector that—can be used in any title of CETA, if the community so chooses.

I think the secret is having job opportunities for people to go into. There is no real prohibition or limitation.

Mr. ANDERSON. No, there is no real prohibition. We have come forward, under the broad banner of private sector job creation, experimenting with several other strategies to make better impacts on provision of private sector jobs for the structurally unemployed individuals, one which you have probably heard about, the employment initiatives, and one other, broader category that we roughly refer to just as economic development linkages. The employment initiative is an attempt to garner the job-creating capacity of other Federal agencies and use CETA participants and CETA resources to insure that individuals are trained to go into those jobs.

A case in point would be the granting of UDAG in city X. The provisions for the UDAG would include the hiring of *x* number of CETA-type individuals in that long-range activity. If it were for the purchase of a factory or rehabilitation of a factory, then we would attempt to enter into an agreement with the provisions of the rehabilitation, the provider of the rehabilitation of funds at *x* percent of the jobs that would be created as a result of that activity, which would incur to CETA participants.

The CETA prime sponsor would then use II–B, C, title VII, or other CETA resources, to train individuals to go into those projects.

Under the broad banner of the economic development linkages activity, we have attempted to use such tools as negotiated investment

strategies, where we could get the city fathers, the city mothers, to collaborate in planning out what economic development activities were going to take place in that community over a long-term period, and given that planning activity, link in the job training skill development activities to be supported by CETA participants, and therefore insure jobs created in that particular community will to some degree coordinate, and to insure that the resources make for realistic private sector jobs for those individuals.

Senator SCHMITT. We will have more detailed questions for the record.

PRIVATE INDUSTRY COUNCILS

The issue of private industry councils, how are those councils working generally, and are there any specific suggestions you might have to improve the relationships?

Mr. WEATHERFORD. I think we have a spotted record on it up to now. We spent a good amount of time last year getting them organized, and getting the placements. I think you will find in some places that you might not have the types of individuals or levels of individuals that we envisioned, but we have characterized it as being a good start.

Private industry councils now are getting involved in what is going on in the CETA program in the communities. They are making some input. I think our best assessment now is that we are moving along nicely. I think it is terribly important—it is probably at the heart of CETA—becoming much more responsive to the real needs of the community, as well as individuals in it. I would characterize it as being successful up until now. Certainly we have places where we had difficulties.

Mr. JONES. It is important to say that we effectively implemented those councils in every jurisdiction throughout the country, and they are operating. As you well recognize, those relationships depend on the local relationships between business and labor and government.

In some places they are very creative and very good. We would suggest to the Congress that the key to that program is going to be, "Does it succeed in some places?" and not worry about the failures, because you will have those no matter where, based on those local relationships, and we have to grow through those.

Senator SCHMITT. Are you discovering that some human beings can't work with other human beings? [Laughter.]

Mr. JONES. We did notice that. [Laughter.]

Senator SCHMITT. Do you have any preliminary feeling—and I realize that you are obligated to be somewhat positive about a program that you started—I hope you can be objective about it also. Do you see a growing enthusiasm within the councils as they progress? Are you even close enough to see that?

Mr. JONES. Yes, sir; I think it is very clear in those parts of the country, those parts of the business community and the labor communities, that there is a high degree of enthusiasm where that match is working out. There is no question about that.

Senator SCHMITT. Do you have any generalizations on where it seems to work and where it doesn't? Is it working better within the craft areas than within broad, unskilled employment areas, or what?

Mr. ANDERSON. Depends upon the economics, conditions, of the local labor market; the interest of the business community; the politics of the community.

Senator SCHMITT. Labor-management relations.

Mr. ANDERSON. Yes; the private industry councils are taking major steps forward to accommodate all of those different variables, in order to better participate in the CETA activities in those communities.

Mr. WEATHERFORD. If we can get the business community to pay attention, and at least share with us what we ought to do, what areas we ought to train in—get people from labor unions to tell us about the status of their work force and so forth. I think we have got to do a better job if we know what to do.

Senator SCHMITT. Do you have any mechanism by which you are garnering those types of inputs from industry and labor?

Mr. WEATHERFORD. Not on a reporting sort of a basis, other than our anecdotal sorts of things, from our regional offices and our staff that visit.

Mr. ANDERSON. Our principal methodology for getting that, Mr. Chairman, is contractual relationships that we have with the National Alliance of Businessmen and with HRDI, Human Resources Development Institute of the AFL–CIO. In order to assure that we get organized labor and the business community actively involved, we contract with those two entities; those two entities through their affiliates encourage local union participation as well as local business participation in the prime sponsors activities in each prime sponsors area.

Mr. JONES. They meet with us and feed that information back. There are quite effective pressure groups on this.

RELATIONSHIPS WITH BUSINESS AND LABOR

Senator SCHMITT. Is there any intention to expand your relationships with other business and labor groups? I realize the AFL–CIO is a large group, but there are others that are involved in different sectors of the economy as well as other business groups that are involved.

Mr. ANDERSON. Under the private sector initiative program, we have developed a plan that virtually allows us to piggyback on the industrial organizations in the greater Washington community, so we have small contractual relationships with the Television Installers Association, with a variety of other associations, truckstop proprietors organizations, and many of these organizations do publish on a monthly basis a newsletter that talks about their involvement with the private sector initiative program in particular and with CETA in general. So the word goes out to their affiliates and to their membership, as it were, encouraging participation at the local level by those entities in the local level of CETA activities.

We have a promotional effort that we are about to get underway with the National Alliance of Businessmen where we will, under the auspices of NAB, be promoting advertising, encouraging business activity, business participation in the overall CETA activity. There is a broad strategy. I would be happy to provide you with that strategy.

ASSESSMENT OF THE PRIVATE SECTOR INITIATIVE PROGRAM

Senator SCHMITT. We would like to have that and also any assessments that you might be willing to make, realizing the program has just begun, or at least it is only a few months old, of what you think its potential might be. Is there the potential to take over, for example, management of a significant share of CETA programs through the council mechanism?

Mr. ANDERSON. My colleague just reminded me, and I think this has some impact on some of Senator Rudman's concerns. We have a contract with Ohio State University. That is our principal contract for monitoring and evaluating the private sector initiative program through its implementation process. We provide the Congress with reports on a quarterly basis on the status of the private sector initiative program. I believe that there is a report due now that roughly keeps the Congress apprised of how well the program is going and also where we are having problems.

Senator SCHMITT. Do you see an upswing in volunteerism in this effort? You mentioned contracts with this organization and that. Are you getting anybody coming forward and saying, "We want to help out. We think it is a good investment of our time and energies"?

Mr. ANDERSON. You find that at the local level. I have been at a variety of private sector-type meetings, and most people who sit on those councils are volunteers. Most are there because they have an interest in employment and training. They have an interest in using the individuals who may be graduated from some other programs. They have an interest in their community as such, and I think in broad general terms you can consider that a type of volunteerism, perhaps self-serving or enlightened self-interest.

Senator SCHMITT. Which is the best motivation for volunteering.

Mr. JONES. We are also obligated to suggest that the more we reach into the business community and the labor union community and bring those people into a program like this, the more we also experience a high rate of frustration on the part of those people when they get to dealing with both local governments and the political process, decisionmaking, the Federal Government, in the process of transferring funds back and forth and expending them. The more the Congress and the administration agree to expand these types of efforts, also the more pressure we are going to get back on the both of us for the kinds of regulatory and legal sanctions that we have involved. We see that clearly in some of the businessmen that we have managed to bring into the program.

INCREASED INVOLVEMENT OF MINORITY-OWNED BUSINESSES

Senator SCHMITT. In that regard—and Senator Rudman, don't hesitate to interrupt at any point you want to—but in that regard, are we finding it possible to increase the participation of small- and minority-owned businesses in the various private sector initiative programs? Obviously it is the small business and particularly the minority-owned business that suffers most from the tax, regulatory, and unskilled structurally unemployed situations that we face today. As Senator Hayakawa referred to, they are the ones that have less or are unable to reach the

bottom rungs of the ladder of success, that we chop off with our various tax and regulatory programs.

Are you able to get them involved in these programs?

Mr. JONES. Yes, sir; the strange phenomenon in this business is that most of the employment growth rate is in those small- to medium-size businesses at the local level. While you find a wide-ranging number of people, you will find the majority of the contract dollars, whether it is OJT training or whatever, is in small- to medium-sized businesses.

As far as sitting on boards, it proves to be a problem. A minority or small business person who is starting out doesn't have time to spend days and evenings sitting in planning council sessions. They will express support. They will take contracts, work with you.

One of the requirements under this program that we established was that some 50 percent of those business representatives had to be small businesses. The problem that each community has had is: Who represents the small business community, how do you get somebody there who can effectively serve, and who can spare the time and effort away from their business.

Senator SCHMITT. Should we relax that requirement so that local associations can represent the local small business interests?

Mr. JONES. The problem is the lack of associations that do that at a local level. On the national level, there are several that we have worked with, but the local level, they have experienced problems in trying to identify——

Senator SCHMITT. I can understand that. People who are struggling in this economy right now are the small and particularly the minority-owned businesses.

Mr. JONES. Yes, sir.

CONSOLIDATED YOUTH PROGRAMS

Senator SCHMITT. I want to ask a question to make sure I understand what is happening with the youth program. There is an effort to basically create a block grant program for the various youth programs; is that correct—where the local prime sponsors would have the option, with good accounting hopefully, to determine where they need to emphasize the use of the funds?

Mr. BARNICLE. I think essentially that is correct. It is called a consolidation. It is a consolidation of some of the programs that I mentioned earlier. The design of it is to make it easier, both administratively and programmatically, to run the program.

Senator SCHMITT. Is there any point in looking at other types of specialized job programs and including them in that effort—for example, the older Americans, where in some communities probably the problems of the elderly is a bigger problem than youth employment. Is there any reason to include that effort in the block grant program? I call it that; I know you don't—the consolidated program.

Mr. BARNICLE. You are suggesting consolidating youth under the regular CETA training program and making that basic CETA grant training to the local community available to a variety of different kinds of uses.

I think that the basic title II–B program that provides training to local communities gives it that kind of flexibility with a substantial portion of funds in terms of deciding which target groups are most in need and get served in that community. I think the special problems of youth has led the Congress in the past administrations to believe that substantial additional money should be provided to the local communities because of the severity of that need.

In terms of dealing with the problems of the elderly, the employment problems they have, that based on their need in the community, a substantial portion or whatever portion the community determines of their regular CETA training dollars, can go for that purpose.

I think it is highly desirable to make the rules and regulations, procedures and information systems, and financial management systems for any youth program that Congress should enact in the next year as close and as consistent as possible to those same kinds of systems for the regular CETA training programs.

Senator SCHMITT. Am I correct in noting, as Senator Proxmire has noted, that even though you are reorganizing and consolidating these youth programs, you are asking for an increase of $250 million in the budget over the 1981 level? Why is this necessary?

Mr. BARNICLE. I think in 1977 when Congress passed the Youth Employment Demonstration Projects Act, the desire was to spend some money in a variety of different kinds of programs to derive from that experience the lessons that Senator Rudman referred to, to put it then into a full and operating program to respond to the needs that young people have, particularly economically disadvantaged minority youth. The number of young people who need this kind of help has declined.

The success in some of the programs that have been run is such that we feel both the need to expend these numbers of dollars. The administration felt the need to expand the number of dollars going into this program over time, and with these additional resources to encourage innovation in the local CETA programs, relationships with the educational systems, with the private sector, et cetera.

If they did make these investments, they had confidence that the transition of young people from schools or unemployment to work would be improved. The disproportionate rate of unemployment among young people for the last 6 or 7 years has been about 2½ times the average unemployment rate. The increased dropout rates in the school systems of more and more young people has put them on the street. In some cases, even among the graduates of the schools, the need for remedial education to make them an attractive commodity to the employer seems to argue for an increased allocation of resources.

Senator SCHMITT. Senator Rudman?

Senator RUDMAN. No.

CETA DISCRETIONARY FUNDS

Senator SCHMITT. Under various titles of CETA, the Secretary has discretionary funds in excess of $600 million over and above the $603 million requested for national programs, most of which is discretionary under title III of CETA. Why shouldn't all of these discretionary funds be consolidated so that Congress can get a comprehensive picture of how the money is used?

Mr. WEATHERFORD. Why should it be——

Senator SCHMITT. Consolidated. You were talking about two programs, generalized programs, each of $600 million apiece. Why shouldn't we consolidate the discretionary aspects of both CETA and the other discretionary funds that the Secretary of Labor has?

Mr. WEATHERFORD. If it is a matter of providing you with the information about what we do with it, we certainly can do that. The discretionary money, $600 million in there, is not truly discretionary money. There are several areas where there is a requirement that it be used, for example, for grants to native Americans, migrant, and seasonal farmworkers.

Senator SCHMITT. We tend to attach some requirements on just what kind of discretion the Secretary is supposed to exercise. Nevertheless, I hope you will provide us for the record some historical information on how the discretionary funds have been used, either truly in discretionary ways or under the direction of the Congress.

Mr. WEATHERFORD. Yes, sir, we can do that; the amounts of money that appear to be discretionary are not quite that. There is a goodly amount of money in there, and we are doing some review of that now. I think it might be helpful to share that with you.

Senator SCHMITT. It certainly will.

[CLERK'S NOTE.—The information was not available in time for inclusion; once transmitted it will be kept in the committee files.]

USE OF DISCRETIONARY FUNDS

Senator SCHMITT. I don't understand and I doubt if the subcommittee does, how these discretionary moneys are actually used, even though we may have been sitting on the subcommittee when a certain direction was given to the Secretary to use them. That tends to happen fairly rapidly without any rhyme or reason other than what an individual Senator or Congressman may need to have taken care of in his particular State or district.

Is it true that a good share of the discretionary funds are used for contracts with the organizations that have commonly sprouted up around the beltways—the so-called beltway bandits?

Mr. WEATHERFORD. I'm not sure if I know how to describe that.

Senator SCHMITT. You don't have to concur in the expression, beltway bandits; I'm not sure if I do either, but nevertheless, aren't we doing a lot of research and evaluation, rather than direct services to the unemployed with these discretionary funds?

Mr. WEATHERFORD. Mr. Chairman, there are a number of contracts both in the CETA discretionary funds as well as in the youth program for research, evaluation, and so forth. The bulk of the dollars, particularly in the CETA program, contracts with individuals, either nationally based organizations or organizations that do provide direct service to individuals such as targeted outreach programs or OJT programs. We do a good amount of business with national unions or business associations which provide direct training to individuals, so most of the money is not put into contracts that don't go to people. There is some in there where we contract for evaluation.

Senator SCHMITT. Do you have any idea of what proportion of the discretionary funds is spent in these two areas?

Mr. WEATHERFORD. I think we will have that shortly, and we will share that with you. We can go back and do—we are in the process of doing some evaluation of our so-called discretionary funds. We will be able to share that with you.

Senator SCHMITT. Is this looking at both the areas of discretionary funds that I mentioned earlier—that is, those that come under various titles of CETA versus those that come under title III of CETA?

Mr. WEATHERFORD. Yes, sir; because of the formula, you end up with an amount of money that is allocated for the various titles of CETA that is classified as discretionary. I think we can clearly show you what happens to that, because basically we have had a general rule of providing—just adding to the amount going to prime sponsors for services. We do have information that we can provide for you that would show exactly what those funds are used for.

Mr. BARNICLE. On the youth discretionary money, it is basically 10 percent that goes for what we would classify as pure research—85 percent of the money goes for demonstration projects—the lion's share of that money pays stipends to youngsters in training programs, and another 5 percent goes to technical assistance in training programs themselves.

Senator SCHMITT. Do you get anything useful out of the 10 percent that goes for evaluation and research?

Mr. WEATHERFORD. It is like anything else. Some of it, you get more out of it than others.

RESULTS OF PROGRAM EVALUATIONS

Senator SCHMITT. We have asked several questions here about evaluation, and you have had a very difficult time answering those questions. I am wondering whether we are really getting any good results out of the evaluations.

Mr. WEATHERFORD. Much of the evaluations of the type where you undertake massive evaluation programs, like the welfare reform demos, and so forth, we can provide that sort of information to you. The evaluation of our program performance is pulling data out of our regular system.

Senator SCHMITT. Do you have consultant contracts to assess your performance and performance standards and so forth?

Mr. WEATHERFORD. I believe we are doing that ourselves on the performance standards. We don't have a contract on that, no, sir.

Mr. BARNICLE. There are several very significant evaluation activities that have been funded as part of the youth program that I think have gotten the kinds of results that both you and Senator Rudman have been asking about. One was the major evaluation that has been ongoing for the last 2 years of the entitlement program by MRDC in New York. I will provide the results of that for the committee. I think they are very significant. They show among other things that under this particular type of program, that compared to a control group, the capacity to attract youngsters back to school who have dropped out, basically from disadvantaged families, is substantially greater than youngsters who

aren't provided with this opportunity. In fact, 65 percent are more likely to go back to school.

Senator SCHMITT. Is that one we are phasing out?

Mr. BARNICLE. That's one we are phasing out. It deals with the structure of that program, the program impact, et cetera over time. It is highly credible research.

Senator SCHMITT. There may be a disadvantage to being evaluated.

Mr. BARNICLE. The results have only become available within the last 30 to 60 days. Sometimes actions get taken before results are in.

EVALUATION OF JOB CORPS AND OTHER YOUTH PROGRAMS

The mathematical evaluations of the Job Corps program are one of the reasons, I'm sure, that the attitude toward Job Corps is what it appears to be in the committee in general—a very detailed, structured evaluation over the last 2 years of what has happened to young people in the program, and terminated in 1977. The results of that show placement rates that are outstanding, back-to-school and completion rates that are better than—substantially better than control groups.

Employment experiences over the next 2 years is substantially better. The specific data is there for all of this. Earnings that are substantially better. We have program evaluations, again highly structured program evaluations, for instance, on the value of the work that is produced by young people in the YCCIP program and the YACC program and other programs we are running—what is the value of the work. We have the same thing on the summer program so that we can get some sort of a cost/benefit judgment on the basis of solid data.

My intention is to send all of that material to you on all of those evaluations. This is the kind of material that our research dollars have funded, and I think that the results are indicative of how we should move in these programs in the future.

Senator SCHMITT. I hope that next year in your prepared testimony you give us more information on the evaluation history and the pluses and minuses of the various programs. Your staff can provide that information to our staff this year, but next year I hope it can be done somewhat more systematically.

EARMARKING OF CETA FUNDS

The CETA law has numerous earmarks which guarantees specific percentages of fundings to special groups, such as Indians, migrants, Governors' grants for vocational education, Governors' grants for coordination, special services, and so on. Why should special groups and programs be protected from the decisions of the annual appropriations process? Is there any inherent reason for that? Do you see any advantage to such protection?

Mr. WEATHERFORD. Protection from review? Is that the question, Senator?

Senator SCHMITT. Even though we have control over the basic funding level, the percent is earmarked. It is an entitlement. We have no control, except over the overall level. If we want to reduce the 2 percent that the Governors receive, we have to reduce the whole program in order to do so.

Mr. WEATHERFORD. Or change the law.

Senator SCHMITT. Should we change the law? Is there any advantage to having this kind of earmarking, other than the fact that Congress likes to do it?

Mr. WEATHERFORD. I think it is subject to review. And while I am sure that part of the review that is going on for the next round of submittals would take that into consideration, I think it probably would be better considered during the reauthorization hearings which would come up next year.

Senator SCHMITT. You aren't willing to say what your experience has been with the benefits of such earmarking? We earmark and then you have to administer, essentially in an arbitrary way. You may feel that rather than the Indian tribes getting 2 percent, they ought to get 6 percent. We ought to cut the Governors down, or vice versa.

What have you learned from the earmarking? We earmark and you have to administer. What have you learned from that experience?

Mr. WEATHERFORD. I think on the front end, the Governors' grant is designed to provide for the necessary coordination that needs to occur on the statewide basis. That flexibility that the Government has, has been beneficial.

Senator SCHMITT. Why shouldn't the Governors provide it? Why shouldn't they go to their State legislature and say that I need this money in order to work with CETA, which is of benefit to this State because it reduces our unemployment?

Mr. WEATHERFORD. That is an option that can be taken. We found it to be beneficial in terms of having some flexibility, for example, in developing statewide training efforts or training institutes or technical assistance; strategies, if you will, within the State. I think that flexibility, and leaving it with the Governors, has proven to be good.

Bob, you may want to add to that.

Mr. JONES. You have to look at the functions. The Governors' grant performs a service that I think the Congress and the Federal Government think needs to be in the midst of the CETA program. So you have the question of whether you want to have situations where that doesn't exist.

Other earmarkings, like the Indians, is a guaranteed minimum program activity. Prime sponsors in some cases can add more money to those funds. There is a protection to insure that certain groups get a minimum. That is a political decision. That's all it is. There is nothing, I think, that the Department is ever going to do on a statistical and objective basis—Congress gets into dealing with it.

I would add one piece of history. In 1972 and 1973 when the CETA program was first implemented, some of the major national contractors were federally funded. Under CETA they were told to revert to compete for funding out of the CETA system on a local level. There was obviously great fear in moving from an affected earmarking to a free market system. Those three major contractors today are operating about three and four times the level they ever did when there was, in fact, the earmarking.

There is some argument that can go the other way, at least in some cases, to suggest a quality program will defend themselves on their own

basis at any level and the earmarking may not be necessary. Part of that is strictly a political decision.

Senator SCHMITT. Senator Specter, would you like to ask some questions?

Senator SPECTER. Yes, thank you.

Some of this may have been covered during the period when I was unable to be here, and if so, please tell me.

PLACEMENT RATES

One line of inquiry which I am interested in turns on which of these programs, if you know, has best been able to train people for private sector or for a permanent job opportunity?

Mr. WEATHERFORD. We talked about placement rate. We have certain programs that have a better track record with respect to the positive termination into an unsubsidized job. We used the Job Corps as one example that we talked about. I think that there are also wide variations between local or prime sponsorships, in terms of that performance.

We find, if we use the term "employment rate," which denotes the fact that an individual in the program has gone into employment, that ranges widely between communities. We do have some indication that some programs are better than others, but the CETA program is designed so that local communities can pick and choose what they need to do.

Other than the Job Corps, I guess, which is one of the outstanding examples—over 90 percent placement——

Senator SPECTER. Where does the Job Corps fit into the chart?

Mr. WEATHERFORD. Special programs for youth.

Senator SPECTER. What is the placement rate from the Job Corps into permanent private sector employment?

Mr. BARNICLE. Sixty-five percent. Approximately 65 percent do go into unsubsidized employment. Another 25 percent, we find, go into other sorts of terminations, such as returning to school or entering military service, positive termination. So it is around a 90-percent positive termination rate.

SUCCESS OF JOB CORPS PROGRAM

Senator SPECTER. What is the nature of the training in the Job Corps which would account for that success story?

Mr. BARNICLE. Basically the Job Corps is a residential program, highly intensive training program which includes basic education, intensive counseling, skilled training programs, work readiness, and experiences in the world of work. And it counsels in job placement activities, when the youngster leaves the program. It is more intensive than the other kinds of training programs that we run in the Employment Training Administration. I think that has something to do with its success ratio.

Senator SPECTER. With that kind of success for the Job Corps, why has its share decreased from 1981 to 1982?

Mr. WALKER. The special programs for youth cover a wide variety of programs, in addition to the Job Corps. The Job Corps appropriation——

Mr. BARNICLE. That actually increases by $103 million between 1981 and 1982. The figure up here shows the total decline, but it is based on the fact that those figures do not include the Carter administration's proposal to be transmitted later, as the budget terminology goes, for the consolidation and expansion of the other youth programs. The Job Corps program itself goes up.

Senator SPECTER. How large is the Job Corps segment of those items listed under special programs for youth in each of those 3 years?

Mr. BARNICLE. The Job Corps program has been increasing the current size of 41,000 people—41,000 people are in Job Corps slots.

Senator SPECTER. Can you give me a dollar figure?

Mr. WALKER. Fiscal year 1980, $416 million; fiscal 1981, $561 million. And projected in this budget for fiscal 1982 is $750 million.

PRIVATE SECTOR PROGRAMS

Senator SPECTER. What is the general nature of the category under private sector programs?

Mr. JONES. That is $400 million on an annualized basis. It is part of the CETA program and it, in effect, at the moment, is not a different kind of program. It is simply operated under the jurisdiction of a board made up of labor union people, business people, government people. The city of Philadelphia, for example, making the decisions as to exactly what occupational areas they will train or provide OJT in.

It provides the same kind of services as under the regular CETA program, but it is more targeted to the local labor market by having those people make the decisions, rather than the bureaucratic structure that may be doing it in the rest of the CETA program.

Senator SPECTER. When you have a category, private sector programs, that doesn't mean that those who are in that program are being trained for private sector jobs?

Mr. JONES. No, sir; they probably are, but not as opposed to the other parts of the CETA program. Most of the other CETA program, if not all of it, are being trained for private sector jobs. The only thing is that in this program that the Congress passed a couple of years ago, it was to try to make sure that it is even more closely targeted to the available job market in that jurisdiction.

Philadelphia, for example, has a large number of hotel and other kinds of growth activities. There is a specific training program going on preparing people for those jobs, and a high success rate is coming out of placing those people directly, the labor union and business people doing it; but the basic training itself is still vocational training or on-the-job training types of activities.

Senator SPECTER. Do you know what the success percentage is of those who obtain permanent employment from the category denominated private sector programs?

Mr. JONES. No; that was just started last year, and is just now coming up. We don't have a success rate yet that would allow you to compare the outcomes of it versus the regular CETA program, or Job Corps or something else down the road. That is clearly one of the questions that everybody is going to want to look at. There is no data available yet.

Senator SPECTER. The chart lists the private sector programs as having been in effect last year—the first year was 1980?

Mr. JONES. Yes; it started in 1979, but that's when the legislation passed. Just bringing people out of the program now. It is too soon to study whether there, in fact, is a difference. It is our hope, clearly, that there will be a higher success rate of not only placement in a permanent job, but staying rate in that job.

SUCCESS RATE OF PRIVATE SECTOR PROGRAMS

Senator SPECTER. Are there statistics available for the success rate in each of those categories on your chart, as to how many trainees ultimately or immediately after completing that program, get a job?

Senator SCHMITT. If the Senator would yield, we asked for considerable detail on those matters, and the staff will make sure that you get a chance to see it.

Senator SPECTER. All right.

One final question. Would any of you gentlemen have any idea as to the substitution value, so to speak, of an enterprise zoned program which is currently being considered by the Congress as a way of taking some of the burden off of these training programs that are on your chart?

Mr. WEATHERFORD. I guess I am not familiar with what is being considered. I know generally what has been said in the papers.

KEMP-GARCIA BILL

Senator SPECTER. It is also known as the Kemp-Garcia bill. It would isolate targeted areas where there is an unemployment rate of 30 percent or more. It would give special tax incentives to those areas to provide work for people in those areas.

I think that one of the things that the Congress will be looking toward is, what kind of policy, in a variety of directions, would be best suited to provide job opportunities for people of all ages, but perhaps with special emphasis on youth. One of the options would be programs which are identified on your chart. Another option would be to give tax breaks through the so-called enterprise zoned program. And I think that one of the things that many of us would like to have some idea about would be some projection as to what kinds of results we might expect on a success story from the programs you have talked about here today contrasting with what your expectations would be. Since you have substantial experience in the field, although it is not on the enterprise zoned program, would you also give us some idea as to what we might expect if certain tax breaks were given for enterprise zones?

Mr. WEATHERFORD. I have two comments, Senator Specter. First, by tying that sort of an effort into training people to get ready to take those jobs, it would improve our placement rate that we talked about earlier, which is around 54 percent. That certainly would help us there.

The second thing I might mention is we have, over the last 18 months now, been active in terms of targeted jobs tax credit programs, which is, as I understand it, maybe similar to this. And we have been successful in certifying—finding the qualified individuals to report to

employers. We have not evaluated the full impact of that program that is going on now, but we do know that it has helped us to try to find jobs for people to be able to have a tax credit, and we have made a major effort to try to make it work using the CETA eligibles, using a number of other categories, including veterans, Vietnam-era veterans. We believe it has helped us to get them into jobs.

TARGETED JOB TAX CREDIT PROGRAM

Senator SPECTER. The tax credit program isn't anywhere on the chart.

Mr. WEATHERFORD. It is part of the private sector initiative. Basically what we have there is a small amount of funds that we provide for the certification process. We view it in our business as being another tool to use to find jobs for people, both our CETA eligibles as well as our people in the public employment offices. We spend about $14 million a year just to pay the cost of certification and make those certifications so the employers can get the tax credit.

The major impact of that program is in the Treasury, where there is a reduction in the tax receipts.

Senator SPECTER. Thank you.

Thank you very much, Mr. Chairman.

Senator SCHMITT. Thank you, Senator.

EFFECT OF A YOUTH MINIMUM WAGE DIFFERENTIAL

If there is a youth differential, say, a 6-month youth differential, 80 percent of the minimum wage adopted by the Congress, what effect would that have on your youth programs?

Mr. WEATHERFORD. Mr. Chairman, we have not evaluated that. We have had some work, I think, that has gone on as part of the youth demonstration effort. As you well know, the administration and the Labor Department prior to the change, was actively opposed to that.

Senator SCHMITT. I understand, and this is a hypothetical question. I don't know what the Congress is going to do, but as the chairman of this subcommittee I am very interested in what effect will a minimum wage youth differential have on your programs. You are tied in some direct and indirect ways to the minimum wage; right?

Mr. WEATHERFORD. Tim, you can share what came out of the research.

Mr. BARNICLE. There has been research that has gone on. As Larry said, our responsibility is not development of the policy within the Department, in terms of wage-rate policy, but in terms of the impact on employment. There has been conflicting evidence——

Senator SCHMITT. I am asking an objective accounting question about your budget. How will the youth differential impact the administration and budgeting of your programs?

Mr. WEATHERFORD. It would lower the unit cost rate in everything where we have minimum wages involved, and the allowances in training programs are predicated on minimum wage rates.

Senator SCHMITT. It wouldn't affect any other programs?

Mr. WEATHERFORD. It would also affect enrollees paid near the minimum wage rate.

Mr. JONES. We have youth in many of our programs.

Senator SCHMITT. Wherever youth would qualify for the differential, it might or might not; I don't know how the law would be written.

Mr. JONES. If you have that potential, you have a ratchet potential that would affect other jobs in the one step-up range that would be affected.

Senator SCHMITT. The argument for the youth differential is that it opens up employment for young people who otherwise would be employed if the wage were at that position. Possibly it would not have any significant impact on you at all unless the law was written that you had to adhere to the youth differential for your program.

If you have any other thoughts on that subject, we would be happy to have them for the record, particularly the specific impact for various types of differential programs that might be considered by the Congress.

If you can put it together in some kind of a chart form, the types of proposals that have been talked about, and take three, four, or a half a dozen of those, and indicate how they might impact your youth program budgets, or your general budget.

UNEMPLOYMENT TRUST FUND DEBT

In recent years, employer tax collections have been insufficient to pay benefits, forcing the unemployment trust fund to borrow from the Treasury. Total Federal unemployment trust funds owe the Treasury about $13 billion, of which $5 billion is due to a shortfall in State unemployment tax revenues—$8 billion is due to a shortfall in Federal unemployment tax revenues.

Under present law, when will the present Federal trust fund debt of about $8 billion be paid to the general fund?

Mr. WEATHERFORD. We projected that, Mr. Chairman; it is in the outyears. We have not got a precise estimate of when that would be repaid under the present set-off. There has been some projection made about when it would be paid out, if you did different things.

Much of this debt occurred during the last recession. There has been a change—there was a change in 1976 in the law to pay those debts back, but the subsequent recession has created an inability to pay them back. In fact, the debt will increase, as we have it in our projections now.

Senator SCHMITT. What about the States? Do you have any indication that the 18 States that owe money to the trust fund have a schedule for payback, or is that flexible?

Mr. WEATHERFORD. It is flexible. Particularly because a State has an option of making larger payments than is required under the payback provisions of the Federal law, so that is one that is hard to predict.

We have some States where we have—who are continuing to borrow; other States, during the last recession, have had 25 payback and borrow, and finally 10 of them did pay back. I believe we got down to where we had maybe—at least 10 or 12 of them, I believe, paid back all that they had borrowed. We are back up to where we expect that we will have probably in 1982, 22 that will owe money.

REPAYMENT OF DEBT BY STATES

Senator SCHMITT. What leverage do you have to see that these programs, first of all do pay back their debt, and second of all, prevent insolvency in the future?

Mr. WEATHERFORD. We don't have any program for insolvency. If a State borrows money, the Federal tax is increased each year until such time as the State loan is repaid. We are familiar with the fact that part of the Federal tax comes into the Federal Government for purposes of administering the program and paying the Federal part of the extended benefits. The remainder is collected by the States.

The provision in the Federal law requires that this amount that comes to the Federal Government is increased as long as a State has a Federal debt, and it is progressive. The tax rate is increased by three-tenths the first year—it is a 2-year lapse before we start collecting, and then it is six-tenths the second year, and it continues to increase until it reaches a pretty heavy tax burden.

The Federal law envisions collecting the money back; most States choose, however, to go as quickly as they can to pay back on their own.

Senator SCHMITT. I don't see an incentive for them to pay it back.

Mr. WEATHERFORD. Not because of the interest, but there is an incentive in most States, because when we collect it back we charge every employer the same amount, and under the State provisions, if they choose to pay it back on their own, that is experience rating, so an employer with a good tax rate in a State, because he manages his employment well and has a very low—even a zero—tax rate, is going to have to pay back the same as anybody else.

Senator SCHMITT. You're saying this brings political pressure on the States because the tax rate starts to rise?

Mr. WEATHERFORD. Yes.

CAUSE OF STATE INSOLVENCY

Senator SCHMITT. What do you think is the cause of insolvency? Is recession the principal problem?

Mr. WEATHERFORD. I think so. Each State sets its own tax rates and taxing provision—how much wages are covered. We have a minimum that is required by the Federal law, but many States go above that. They do set their own tax rates. It is pretty well up to a State, but during the past recession we were hard hit in industrial States; that's where the big borrowing is. That's where we still have high unemployment.

Senator SCHMITT. A number of States have been reducing their taxes for the last few years.

Mr. WEATHERFORD. Yes, sir; the States automatically reduce under the experience rating as they accumulate——

Senator SCHMITT. The Senator from Wisconsin—is Wisconsin one of the insolvent States?

Mr. WEATHERFORD. I'm sure it's not.

Senator SCHMITT. Good. [Laughter.]

How about New Mexico?

Mr. WEATHERFORD. As Mr. Lewis says, we expect Wisconsin to borrow in 1982. We anticipate they would have to borrow in 1982.

Senator SCHMITT. Could you provide the present status of States for the record, each individual State?

Mr. WEATHERFORD. Yes.

[The information follows:]

STATUS OF STATE TRUST FUNDS

The following table displays the status of State UI trust funds at a particular point in time, September 30, 1980. This relative measure indicates what percent of FY 1980 regular UI benefit outlays the trust funds held at the end of that particular fiscal year.

Over the course of any given year, the relative level of the trust fund varies significantly. Thus at different points in time the indicator could show quite different results.

While the idea of trust fund solvency depends on the relative flow of funds as well as account balances at any given time, it could be said that those States with percent factors greater than one are in relatively good shape while those with factors less than .50 are not. For those States with factors between .50 and one the results are inconclusive.

Percent of Fiscal Year
Benefits Available in State Trust Funds
(Dollars in Millions)

	Trust Fund Balance End of FY 1980	Trust Fund Outlays FY 1980	Trust Fund Balance as Percent of Outlays
Alabama	$ 97.2	$ 175.5	.55
Alaska	82.1	47.0	1.75
Arizona	261.3	64.3	4.06
Arkansas	6.5	110.2	.06
California	3,094.9	1,313.6	2.36
Colorado	136.3	80.6	1.69
Connecticut	124.1	158.0	.79
Delaware	9.3	42.9	.22
Dist. of Columbia	24.8	63.4	.39
Florida	783.1	153.8	5.09
Georgia	474.8	177.8	2.67
Guam	-	-	-
Hawaii	102.9	40.2	2.56
Idaho	86.7	54.5	1.59
Illinois	239.9	1,146.2	.21
Indiana	266.2	316.7	.84
Iowa	136.0	168.4	.81
Kansas	239.3	100.7	2.38
Kentucky	77.5	244.4	.32
Louisiana	237.4	202.0	1.18
Maine	35.7	60.1	.59
Maryland	391.1	175.9	2.22
Massachusetts	492.3	326.1	1.51
Michigan	123.6	1,154.0	.11
Minnesota	17.7	250.8	.07
Mississippi	239.4	81.0	2.96
Missouri	176.9	265.5	.67

	Trust Fund Balance End of FY 1980	Trust Fund Outlays FY 1980	Trust Fund Balance as Percent of Outlays
Montana	26.4	40.5	.65
Nebraska	81.9	41.1	1.99
Nevada	125.7	46.9	2.68
New Hampshire	82.4	26.9	3.06
New Jersey	193.8	657.3	.29
New Mexico	94.4	33.0	2.86
New York	585.1	1,077.9	.54
North Carolina	609.3	204.6	2.97
North Dakota	18.0	30.6	.59
Ohio	30.5	1,025.4	.03
Oklahoma	193.1	63.0	3.07
Oregon	342.3	196.3	1.74
Pennsylvania	34.4	1,156.3	.03
Puerto Rico	43.1	91.0	.47
Rhode Island	26.9	82.0	.33
South Carolina	210.6	113.3	1.86
South Dakota	12.3	14.4	.85
Tennessee	233.0	225.8	1.03
Texas	318.1	240.1	1.32
Utah	62.8	59.3	1.06
Vermont	19.8	29.8	.66
Virginia	83.2	149.4	.56
Virgin Islands	2.1	4.0	.53
Washington	368.9	277.5	1.33
West Virginia	6.5	147.4	.04
Wisconsin	323.9	422.7	.77
Wyoming	72.6	11.2	6.48

Status of Outstanding Loans by State
as of January 31, 1981
(Dollars in Millions)

State	Outstanding Loans
Arkansas	$ 40.7
Connecticut	370.9
Delaware	45.8
Dist. of Columbia	65.5
Illinois	1,118.0
Maine	36.4
Michigan	842.0
Minnesota	45.1
New Jersey	651.9
Ohio	367.1
Pennsylvania	1,387.2
Puerto Rico	88.7
Rhode Island	121.2
Vermont	40.7
Virgin Islands	7.4
West Virginia	62.3
Total	$5,290.9

FACTORS THAT LEAD TO STATE INSOLVENCY

Senator SCHMITT. Mr. Weatherford, we are going to have to recess here in a moment. There will be additional questions from the subcommittee for the record, all of them, I hope, substantive, and the answers will help us to come to grips with the problems we face in this fiscal year and in the next.

I hope that you will provide the answers at the same time you return the corrected hearing transcript.

Senator Specter?

Senator SPECTER. Before we adjourn, I would like to ask another question or two, or another line or two, if I may, Mr. Chairman.

On the subject of the trust fund debt, my own State, Pennsylvania, has a very substantial obligation. I would like to explore with you for a moment the overall factors which lead to that kind of an indebtedness, and the ways that it is computed, as a general proposition.

Mr. WEATHERFORD. You are talking about Pennsylvania's trust fund specifically or generally?

Senator SPECTER. I am not directing attention to Pennsylvania alone, but to the general considerations which lead any State—one of which would be Pennsylvania—to have this indebtedness, and how it works out, how it is calculated.

Mr. WEATHERFORD. There are two factors that enter into it: One is economic factors. The level of unemployment in the State. We had States in the last recession who were at the top of the list in terms of fund adequacy and solvency who, within a short period of time, because of the tremendous increase in unemployment, had to borrow funds.

Basically, the level of unemployment is a major factor—the major factor, we think, rather than what goes on within a State. You can't isolate the fact that the allotted benefits paid, the tax structure within the State, and how much tax the State legislature chooses to collect——

Senator SPECTER. What is the differential between the State that pays the greatest benefits and the State that pays the least?

Mr. WEATHERFORD. We think it is Ohio, with $202 maximum weekly benefit, and Mississippi is down around—I think it is less than $100. There is a wide differential between those; basically, there is also a wide differential between the average wage in the States. Some States operate on a flexible maximum which changes periodically; other States have a fixed maximum that has to be changed by the legislature.

RELIEF OF STATE DEBT

Senator SPECTER. To your knowledge, what, if any consideration has been given, to revising the Federal law which might take a little easier line on States like Pennsylvania, which, for a variety of factors, have this tremendous indebtedness compared to some of the other States which have lesser unemployment problems and, therefore, have none at all?

Mr. WEATHERFORD. There has been a goodly amount of work. We had a national study commission which the Congress authorized in 1976, and they have just issued their report which deals with financing in many areas.

In addition to that the Congress had before it last year several changes in the financing provisions of the Federal law to include placing a cap on the amount to be paid back and a waiver in certain years when unemployment in the State is high.

So there has been a goodly amount of consideration of that. However, there have been no changes since back in the late 1950's when this provision was put in; except during the last recession, we had a period of 5 years where we deferred the repayment. Congress changed the law.

Senator SPECTER. Would you care to express an opinion as to having a modification in Federal law to change these rules to give some consideration to States like Pennsylvania?

Mr. WEATHERFORD. There is a desirability to study that and I think how you come out—I don't know that we have had to say what actually should happen. The previous administration had taken some position on making some alterations, but right now we are not sure what will come out of the consideration.

We expect, as you generally would expect, that once unemployment goes up, when many States start borrowing, you get a lot of intense consideration of that in the Congress.

PROPOSED BUDGET CUTS

Senator SPECTER. One last question, Mr. Chairman, if I may.

We do not yet know what proposals are going to come from the new Presidential administration on proposed cuts. We are being briefed this afternoon by Mr. Stockman, and I presume that you don't know either.

Mr. WEATHERFORD. That's true.

Senator SPECTER. I noticed in your prepared statement that the cuts are coming, but you don't know what they are. I think it would be helpful to this subcommittee and to the Congress generally to have your evaluation—if you are at liberty to give it to us—when we have the proposed cuts by Mr. Stockman and by the administration, to see what you think about it.

As the process goes, are you at liberty to disagree with Mr. Stockman in giving us your unvarnished opinions? [Laughter.]

Mr. WEATHERFORD. The process in the past has called for any testimony that we give, formal testimony, be cleared by the Office of Management and Budget before we would give it or before we send it out, so we would have to consult with Mr. Stockman and his people.

Senator SPECTER. I am new at sitting in this very comfortable and luxurious chair. The thought crosses my mind that it would be very helpful to us, or at least to me, to have a candid opinion from people who are in a position to know, in addition to what will be given to us from the top. I hope that is not unduly heretical.

Senator SCHMITT. If you will yield for a moment, I will guarantee you that this subcommittee, through whatever means necessary—public witnesses, questioning of the administration officials, opinions of various offices of the Congress, will do everything we can to understand the impact of the budget cuts that clearly are going to be proposed by the administration. That is our responsibility not only to ourselves but to our constituents. We will ferret out whatever we can.

Senator SPECTER. I was thinking, Mr. Chairman, about the process as to whether the vast army of experts who are available might be—might find it appropriate to give us the benefit of their expertise?

Senator SCHMITT. You will find that there are ways. [Laughter.]

I wouldn't be surprised if we have to have some makeup hearings here as soon as we know what the packages are. We certainly will have the Secretary of Labor and witnesses he wishes to bring forward, to talk to.

I think we can ferret out that information.

Senator SPECTER. With that assurance from the distinguished chairman, I will defer any further questions to a later date.

Mr. WEATHERFORD. Senator Specter, we would be happy to work with you in terms of providing information in addition to what policy decisions we have background data on, and we are available to meet with your staff on any occasion.

Senator SPECTER. Thank you.

Senator SCHMITT. Thank you, Senator. Thank you, gentlemen.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR SCHMITT

PRIVATE SECTOR ROLE IN CETA

Question: Although four out of five jobs in the American economy are in the private sector, why is it that only 10 percent of CETA participants are in private sector programs?

Answer: The goal of CETA is to improve the employability of economically disadvantaged persons. Permanent unsubsidized employment in either the public or the private sector, is the primary objective of all CETA titles. It is inappropriate to look only at Title VII, as other CETA programs also prepare people for private sector placement.

We are pleased that the proportion of private sector placements, compared to total placements, has been increasing steadily in all CETA titles. At the end of FY 1980, the rate was 71 percent for title II B/C, 38 percent for Title II-D and 37 percent for Title VI.

More than 3 million persons were served in CETA programs in FY 1980. More than one-third of these were in Title IV youth programs. While the majority of these youth are enrolled in work experience programs, this experience is designed to ultimately enhance their employability so that they may obtain employment, including employment in the private sector. It is also misleading to look only at participation in classroom and on-the-job training as an indicator of private sector activity. Other program activities including exposure to the world of work, improvement of future employability, work experience, assistance in gaining a GED, et al., have as an ultimate goal unsubsidized placement in the public or the private sector.

Question: What has the Department learned about the most promising ways to increase the role of the private sector in the CETA system?

Answer: The general philosphy of the Private Sector Initiative Program (PSIP) has been warmly embraced by the business and industry community. Rather than devising program guidelines and criteria nationally, the Department purposely provided this authority to local representatives of the private sector. Private Industry Councils (PIC's) have accepted the flexibility offered through this demonstration program and shaped local programs to meet local needs.

Approaches vary from one community to the next, and what would be promising in one area may be inappropriate in another. The Ohio State University is conducting an evaluation of PSIP; in two-thirds of the 25 sites where it has been tracking the program, a measurable degree of innovation is taking place in devising improved methods for placing people in unsubsidized jobs. We view this as an affirmation of PSIP's broad purpose--to increase private sector employment opportunities for the economically disadvantaged by providing the private sector with the flexibility needed to devise locally-appropriate solutions to this pressing national problem.

PRIVATE INDUSTRY COUNCILS

To receive Private Sector Initiative Program funds each prime sponsor must establish a Private Industry Council (PIC). PICs are supposed to be the driving force of the Private Sector Initiative Program and to have authority equal to that of prime sponsors in planning programs and spending program funds.

Question: How is that relationship working? What problems have the two encountered in working together as a partnership?

Answer: In 45 percent of the sites reported on, PIC's were involved in programs funded under CETA titles other than Title VII. This suggests that the relationship is working surprisingly well. Similarly, private sector placements are increasing in other CETA titles. Although we cannot attribute this directly to the presence of the PIC, we know that PIC's have been effective in influencing CETA program operations in many areas.

This is not to say that conflict has not occurred. Indeed, it would be unusual for conflict not to occur. A new institutional presence, involved in only a limited way in the past, has been introduced into local CETA planning, operations and decisionmaking. Some tension, largely centered around "turf" and role clarification, was necessary in the instituion-building phase of PSIP.

A longer range issue centers around "flexibility" and accountability. Business and industry will necessarily be concerned about "red tape," while public officials will be concerned about accountability to their constituencies. A particular issue in this regard applies to questioned costs, allowable activities, and the role of auditors in CETA programs, generally.

Question: How many prime sponsors now have PICs operating programs using CETA funds from other titles?

Answer: A recent report on 453 areas found that 205 (45 percent) involved PIC's in CETA programs other than Title VII. By title, involvement was as follows:

II-B	177 (39 percent)
II-C	87 (19 percent)
II-D	30 (9 percent)
IV	51 (11 percent)
VI	43 (9 percent)

GREATER PRIVATE SECTOR INVOLVEMENT IN CETA

Question: Why shouldn't local administration of all CETA programs be turned over to the private sector?

Answer: ETA strongly agrees that the private sector should play a role in all of CETA. Increasingly greater involvement by the private sector will lead to more suitable CETA training and thus more private sector placements. The public sector, local educational agencies, organized labor and community-based groups still have a major role to play in solving the nation's under and unemployment problems.

Clearly, our goal must be to get local business, local unions, and local government into a tight partnership which jointly have the role for administering CETA programs. The net result of CETA must be employment in unsubsidized jobs and only those actively involved in the labor market even can accurately direct the types of training programs which can best result in jobs.

Also local business and labor people should direct what kinds of activities CETA should spend funds for in order to prepare people best for jobs in their areas.

It is clearly our intent to bring local business and labor into a more active role in the CETA program.

Question: Couldn't the Private Industry Councils be expanded to administer a greater share of CETA programs?

Answer: Yes, and in many areas they are doing so. In almost half of the CETA system, Private Industry Councils (PIC's) are involved in programs funded under titles other than Title VII. Even in areas where such direct involvement is not taking place, PIC's are having an effect on local CETA programs. Labor market analyses are being conducted that provide useful information to the entire local delivery system, and not just the PIC. The PIC's involvement in community and economic development activities provides social and economic benefits to a population broader than Title VII participants. In some areas, PIC's have taken on broad responsibilities for the entire CETA system locally--as in performing job development and placement functions, or marketing the program to local employers. PIC's are involved in a considerably broader role than simply as Title VII program planners and service deliverers.

TYPES OF BUSINESSES

Question: What types of firms and industries are involved in the Private Sector Initiative Program?

Answer: Virtually all industries are involved in the Private Sector Initiative Program (PSIP). There is a great deal of variation due to local economic circumstances and regional variations. For example, high technology firms are involved in the Northeast, while energy-related occupations, including mining, are involved in the Rocky Mountain States. The Northwest includes training in the lumber industry; the involvement of electronic components firms is common in Central California; participants are being trained for aerospace jobs in Southern California.

Foundryworkers are being trained in Milwaukee. In Florida, PSIP participants are learning how to establish their own small businesses, primarily in the service industry. Banks, the stock exchange, and the airline industry are involved in New York City. In Connecticut, insurance companies are participating. Apprenticeship and apprenticeship programs, often operated by labor unions, are producing machinists, welders, and heavy machine operators in several areas of the country.

Small and minority-owned firms are involved to a considerable extent. Some of the smallest businesses, however, find it difficult to participate because limited staffing precludes close supervision of trainees and compliance with reporting and financial requirments. In such instances, some programs have formed consortia of such small firms to handle the administrative details.

Many of the largest firms do not participate directly in the program, preferring to train disadvantaged workers without government assistance. Among the major corporations that are involved are IBM, Dupont, Texas Instruments, B.F. Goodrich, Consolidated Edison, Western Electric, 3M, Price Waterhouse and General Telephone.

Question: What is the breakdown of the number of small businesses participating in the Private Sector Initiative Program?

Answer: Though we do not yet have any formal report on the breakdown of small businesses participating in PSIP, a survey of PIC's in 10 prime sponsor areas shows a total of 57 percent small business representation on PIC's with 70 percent of these PIC's having a majority of small business represented. This small sampling may not have national significance but given the variety of businesses and industries identified from FY 1980 PIC membership lists and the "500 or less employees" definition of small business, we feel certain that a larger majority of PIC business members fall into this category as do minority business representatives.

PIC membership around the country includes representatives from the following businesses or industries:

airlines
auto dealerships
banks
brewing companies
cleaners
capacitor manufacturers
construction
caterers
digital equipment
electronics
fast food chains
furniture
funeral directors
financial consultants
grocerty stores
hotel/motel industry
hospitals
jewelry industry
lamp companies
mortgages companies
nursery and landscaping
optical projects
printing
pattern companies (clothing)
plumbing companies
recreation equipment and vehicles
real estate
attorneys
bakeries
barber shops
candy companies
casket companies
communication firms
camera companies
chemical firms
department stores
electric companies
floor products
flour companies
florists
glass companies
heating and cooling
hospitalization companies
ice cream
life insurance
lumber companies
newspapers
oil companies
pots and pans
pet shops
plastics
pharmaceuticals
restaurants
rubber companies

service stations
tobacco industry
tool manufacturers
utilities (gas, water)
shipyards
tuna fish
TV and radio stations
women's apparel

Sample of Unions represented:

Unions

International Association of Machinists and Aerospace Workers

Operating Engineers

Amalgamated Meatcutters and Allied Workers

Hotel and Restaurant Employees and Bartenders International Union

Building and Trades

Bricklayers

Sheet Metal

National Education Association

IBEW - International Brotherhood of Electrical Workers

ILGWU - International Ladies Garment Workers Union

Central Labor Council

Teamsters

Carpenters

UAW - United Auto Workers

Ironworkers

U.S. Steelworkers

Tobacco Workers

etc.

Community-based Organizations:

OIC - Opportunities Industrialization Center
SER - Jobs for Progress
Urban League
United Way
Jewish Employment and Vocational Service
WOW - Wider Opportunities for Women
Goodwill Industries

National and Local Organizations:

Chamber of Commerce
National Alliance of Business
Human Resources Development Institute, AFl-CIO
Education to Work Councils
Social service agencies

Branches of Government (all levels):

Bureau of Apprenticeship and Training
State Employment Security Agencies
Housing and Urban Development
Economic Development Administration

Note: This list is not all-inclusive.

Question: What are you doing to encourage greater participation of small and minority-owned businesses in the Private Sector Initiative Program: (Background: An estimated 75 percent of new jobs created in the private sector are in small firms - and minority-owned firms might be more likely to assist disadvantaged minorities targeted for special help.)

Answer: We have contracted with the National Business League (NBL) to promote small and minority businesses to increase their interest and participation in PSIP and CETA. This organization has national prominence as the leading advocate for Black business. In addition, NBL has developed and disseminated a brochure on PSIP to its members and other attendees at their 80th annual convention. Also, trade associations have been used to publicize PSIP and the Targeted Jobs Tax Credit to their memberships which would naturally include large numbers of small businesses. As a result of a limited survey in a number of prime sponsor areas, we expect to determine some of the factors that will encourage small and minority businesses to participate in PSIP or other CETA programs.

In addition, the Title VII regulations mandate a majority of the business representatives be from small businesses with 500 or fewer employees. Regulations also state that minority businesses must be represented in proportions at least equal to their representation in the local business community.

UNREALISTIC HIRING GOALS FOR WOMEN AND MINORITIES

Question: The Office of Federal Contract Compliance (OFCCP) has been criticized for setting unrealistic hiring goals for women and minorities, without taking into account that certain industries, such as the construction trades, may have a shortage of qualified applicants. What are you doing to see that Federal employment and training programs provide sufficient numbers of qualified minority and female applicants, instead of simply imposing unrealistic hiring goals?

Answer: In program planning and design, CETA prime sponsors must determine areas where a specific need for training or skill shortages exist, as well as the needs of expanding industries for additional skilled workers. This effort provides CETA participants with the maximum opportunity to use CETA acquired skills in unsubsidized employment. Business and labor organizations play a major role

in helping to make these determinations, and have become increasingly involved in program planning and program operations. Sponsors rely on the effective participation of these groups in the planning process.

Further, the Employment and Training Administration (ETA) is committed to increasing participation of minority group members and women in skill training, and prime sponsors are required to plan and design program operations in efforts to eliminate sex stereotyping and any other work bias based on age, race, sex or national origin. This effort, having won the support of the business and labor community, results in increased numbers of women in non-traditional jobs, and increased participation of minority group members in skilled occupations.

As an additional resource, the OFCC/ETA linkage program, implemented in FY 1979, provides an opportunity for Federal contractors to draw upon Federal employment and training programs in hiring veterans, women, and other minority group members primarily served by the CETA system. This voluntary program benefits both the CETA participants, by providing increased access to private sector jobs, and the Federal contractors by providing additional recruitment sources and assistance in meeting their affirmative action goals.

NONDISCRIMINATION IN CETA

Question: A recent GAO report, "Need to Ensure Nondiscrimination in CETA Programs," found that despite the fact that State and local governments acting as prime sponsors of CETA programs are required to ensure that programs are free of discrimination based on race, color, national origin, sex, or handicap, those prime sponsors which GAO visited generally did not adequately serve women, the handicapped, people age 45 and older, or some minorities, especially in on-the-job training and public service employment activities. What has the Department done to ensure compliance with the nondiscrimination provisions of the CETA programs?

Answer: The Department published in the Federal Register on January 23, 1981, several amendments to the CETA regulations, dealing with nondiscrimination/equal opportunity, equitable service and affirmative action. In fact, the CETA regulations published on May 20, 1980, after the GAO review also reflected definitive guidance in the area of equal opportunity/equitable service. The January 23, 1981, amendments implement modifications proposed by the Equal Employment Opportunity Commission (EEOC) pursuant to its review and coordination responsibilities, with respect to equal employment regulations under Executive Order 12067.

For example, the present CETA regulations in Section 676.52(d)(3) require that tests or selection procedures which have an adverse impact on any race, sex or national origin group in the selection of participants or staff must be validated in accordance with the Uniform Guidelines on Employee Selection Procedures. EEOC noted that validation is only one alternative under the Uniform Guidelines; that employers/sponsors may eliminate or modify the tests or procedures in question to remove or minimize the adverse impact.

The Department agreed that (1) the regulation should reflect the existence of this option and amended 676.52(d)(3) to indicate that tests and selection procedures shall be used only in conformity with

the Uniform Guidelines; and (2) such tests or procedures which have been validated in accordance with the Uniform Guidelines shall not be considered artifical barriers to employment.

With respect to affirmative action to increase levels of service to previously underrepresented groups (676.54(c)), the Department considered the observations and recommendations of EEOC. EEOC proposed that the "groups" in question be identified specifically in terms of age, race, sex, and national origin. The Department considers this change unnecessary since the phrase "previously underrepresented groups" is well understood among recipients to include age, race, sex and national origin and may also include other groups, such as handicapped persons.

In the area of equitable service, EEOC proposed that recipients be permitted to provide service to target groups beyond their representation in the eligible population where such special consideration is necessary because of employment disadvantages faced by such groups, as in the case of past exclusion or discouragement from seeking certain types of employment. The Department noted that the 15 percent variance is designed to permit prime sponsors to provide service to target groups beyond their representation in the eligible population, but that this or any planned variance from the target group's representation in the eligible population must be justified in the prime sponsor's plan. To clarify the intent of the 15 percent provision, the Department amended Section 676.53(c) to indicate that it is to be read in conjunction with the above-cited plan provisions, which require justification of any variations in planned service levels. The amendment also clarifies that corrective action is mandatory if there is more than 15 percent variance in service levels, but is also permissible if a prime sponsor cannot adequately justify a variance in service of less than 15 percent.

On October 28, 1980, by Secretary's Order 8-80, an Office of Civil Rights (OCR), in the Office of the Secretary was established in the Department of Labor. It has delegated authority and assigned responsibility for enforcing equal opportunity in programs and activities receiving or benefiting from financial assistance.

In regard to CETA, this office was delegated authority for enforcing Section 132 of CETA and other nondiscrimination requirements applicable to CETA and other programs receiving financial assistance from the Department of Labor.

Specifically, OCR has authority to conduct pre- and post-award compliance reviews and complaint investigations and to issue determinations of compliance/noncompliance and conduct negotiations, including application, where necessary, of appropriate remedies and sanctions.

Question: What has the Department of Labor done to reemphasize that prime sponsors consider the race, sex, etc., characteristics of the unemployed population when designing and developing their on-the-job training and public service employment programs to allow all segments equal opportunities to participate to improve their skills?

Answer: The final amendments to the May 20, 1980, CETA regulations, published on January 23, 1981, address equal opportunity and equitable service.

There are specific requirements that the Prime Sponsor's annual plan must include to ensure that significant segments of the population get their fair share of opportunities. Generally, the requirements are as follows:

Title II - Part B and C

Identification of those groups that have been determined for priority of service and most in need.

Titles II Part B & C, Title II Part D, Title VI, and Title VII

A breakout of the eligible population by race, sex, national origin and age, and the planned level of services to be provided these groups in terms of the percentage each group will constitute of those to be served. Where the planned level of service to any significant segment varies above or below the group's incidence in the eligible population, a justification must be provided.

Annually, there is an assessment of the Prime Sponsor's Annual Plan to determine whether the Sponsor is in compliance with the regulations. Violation of these regulations could result in the termination of funding.

ABSORBING PUBLIC SERVICE JOBS ENROLLEES INTO OTHER PROGRAMS

Question: There are currently about 300,000 enrollees in CETA public service jobs, and roughly 600,000 additional employment and training opportunities funded under other titles of CETA, not counting summer youth jobs. Current statistics indicate roughly half of public service jobs participants find permanent jobs or go into the military or back to school. How long would it take for the remaining 150,000 public service jobs enrollees to be absorbed into programs under other titles of CETA, such as those providing vocational training?

Answer: There is currently no way of assuring that the remaining 150,000 public service jobs enrollees would be absorbed into programs under other titles of CETA. Undoubtedly, some of the 150,000 public service employees could and would be absorbed into other CETA programs if public service employment were terminated. Individual prime sponsors would be responsible for determining the most reasonable and equitable ways for dealing with former public service employees, based on the prime sponsors' program plans and resource availability in other CETA titles. The Department could issue guidelines requesting prime sponsors to transfer as many Public Service Employment (PSE) participants as possible into programs funded under other CETA titles.

Question: How many enrollees in public service jobs would be eligible for transfer to the Title VII Private Sector Initiative Program (PSIP), or to vocational training programs under Titles II-A, B, and C of CETA?

Answer: To be eligible for programs under Titles II-A/B and VII, an individual must be economically disadvantaged and unemployed. All participants in PSE jobs would meet these requirements.

For Title II-C there are two sets of requirements, one for upgrading and one for retraining. It is possible that some of the PSE participants would have met the eligibility requirements for II-C at the time of original enrollment, especially for upgrading. There are no data available to use for drawing a firm conclusion, but it is likely that very few would meet the II-C requirements.

Question: How much would it cost to serve an additional 75,000 enrollees in each of the CETA vocational training and Private Sector Initiative Programs?

Answer: In Fiscal Year 1982, serving an additional 75,000 persons under Title II-A, B, C vocational training programs at an estimated unit cost of $5,971 would cost $447,825,000.

Serving an additional 75,000 persons in Fiscal Year 1982 under Title VII's Private Sector Initiative Program, at an estimated average unit cost of $9,218, would cost $691,350,000.

RESULTS OF PRIVATE SECTOR PROGRAM

Question: How many private sector initiative program participants have completed training?

Answer: In Fiscal Year 1980, more than 55,000 persons participated in Title VII programs. Approximately 26,000 persons were terminated from the program. The positive termination rate was 66 percent, meaning that roughly two-thirds or more than 17,000 participants, achieved the program objectives. In most but not all cases, this means that they completed training. Other program objectives may have been determined locally, however; for example, more than 1,000 persons returned to school full-time after participation.

Question: How many obtained jobs after completing training?

Answer: A total of approximately 13,000 persons entered unsubsidized employment after participation in Title VII programs and activities.

Question: Of those who obtained jobs, how many obtained jobs related to their training?

Answer: Our reporting system does not collect this data.

Question: In view of the operational experience to date, what judgements can be made about the scale and scope of PSIP?

Answer: One should keep in mind that PSIP is a relatively modest effort, despite the attention it has received. Funds available for PSIP approximated 5 percent of total CETA funds available to local CETA prime sponsors in FY 1980.

The program has produced some notable successes. The private sector has become involved in CETA in a variety of ways; that participation is greater than before PSIP's enactment, and has resulted in improved program operations in many areas. PSIP's performance compares favorably to other CETA titles on most performance indicators.

There was substantial operational progress in FY 1980. The institution-building phase was concluded, and the program is now fully operational. Ohio State University, which has been tracking PSIP in 25 sites, has repeatedly warned against any premature judgments about the programs success. In its most recent report, it notes that ". . .at present it would be inappropriate to judge impact in any way but highly tentative because programs and activities have not been underway long enough to have any impact . . ."

Although funding has been limited in scale, the scope of PSIP is considerably broader than simply providing services and training to CETA participants with Title VII funds. FY 1981 should be the year to assess the effectiveness of PSIP.

EFFECT OF ECONOMY ON PRIVATE SECTOR PROGRAMS

Question: What effect has the current economic situation had on the development of CETA private sector programs?

Answer: Surprisingly little. Private sector placements have increased for all CETA titles, and Title VII completed its institution-building phase and entered into a fully operational role more quickly than we had anticipated. Enrollments and expenditures doubled from quarter to quarter during FY 1980, and end-of-year outlays figures for Title VII exceeded our projections.

The reason for this may be that the preponderance of Title VII program activity has been in classroom training, rather than on-the-job training as many had thought it would be. Longer term occupational training in areas of skill shortages would fare well regardless of economic circumstances.

PRIVATE SECTOR STUDIES

In March 1980, the Department testified that 11 organizations were being funded to either study or provide technical assistance and training for the Private Sector Initiative Program.

Question: What organizations are currently under contract to assist labor in its efforts to increase private sector involvement in employment and training programs?

Question: What specifically are these organizations contracted to provide and at what cost?

Answer: The following chart lists the organizations currently under contract. It also displays their funding levels and purposes.

Contractor	Purpose
1. National Alliance of Business $13,700,000	To promote CETA to the business community and in particular to assist CETA prime sponsors and Private Industry Councils to implement CETA Title VII.
2. United States Employment Services $2,322,429	To provide staff for NAB METRO offices. The METs serve as account executives who find jobs for the economically disadvantaged in the private sector.

Contractor	Purpose
3. National Governors' Association $97,147	To provide technical assistance to Balance of State prime sponsors on CETA Title VII implementation and to provide documentation of state strategies for linking CETA to economic development efforts.
4. National Association of Farmworker Organizations $9,900	To translate CETA/PSIP fact sheets and other private sector program brochures into Spanish.
5. Vermont Small Business Intern Demonstration Program $100,000	To test the effectiveness of a small business in program increasing private sector employment opportunities for the economically disadvantaged.
6. Pierce/Takoma Small Business Intern Demonstration Program $100,000	To test the effectiveness of a small business intern program increasing private sector employment opportunities for the economically disadvantaged
7. CUED $104,719	To research and analyze economic and manpower development coordinate efforts in large cities populations of over 50,000.
8. OMEGA, Inc. $125,000	To study small and minority business involvement in the Private Sector Initiative Program.
9. Construction Apprenticeship Program $110,000	To coordinate apprenticeship recruitment efforts; provide support services and job referral and placement opportunities to the economically disadvantaged; and seek greater contractor, union, state and local agency cooperation to provide apprenticeship opportunities.
10. Cambridge, MA Prime Sponsor $100,000	To develop an upgrading, research, demonstration and training package.
11. Ohio State University Research Foundation $350,000	To evaluate the Private Sector Initiative Program.

Contractor	Purpose
12. (MDC) Manpower Development Corporation $200,000	To determine the types of activities being undertaken in the newly established Title VII category-employment generating services.
13. (MDC) Manpower Development Corporation $86,262	To develop appropriate technical assistance and promotional materials for use by Balance-of-State CETA prime sponsors in the operation of their Private Sector Initiative Programs.
14. Management Assistance Group, Inc. $85,010	To research, write and design a magazine describing spotlight sites for Title VII programs. To design posters, reference booklets and pamphlets.
15. John J. Prescott and Associates $18,000	To produce a slide/tape program which gives an overview of CETA and the Private Sector Initiative Program.
16. Central Ohio Rural Consortium Small Business Intern Demonstration Program $100,000	To test the effectiveness of a small business intern program in increasing private sector employment opportunities for the economically disadvantaged.
17. John J. Prescott and Associates $86,626	To produce a film which will focus on successful demonstration program models under the PSIP programs.
18. Birmingham Area Manpower Consortium PIC $80,000	To conduct a series of seminars specifically for small and minority business enterprises within Birmingham-Jefferson County area.
19. Washington State Employment Security $36,500	To develop three public service announcements to focus on innovative successful projects developed through the Private Sector Initiative Program to develop PSA's brochures.
20. CSR $162,000	To develop technical and training assistance; training materials for two workshops; To study rural economic development.
21. Aurora Associates Inc. $60,000	To research, write, design leaflets which give brief decriptions and pictures of successful linkages with local school

Contractor	Purpose
	systems and advertise impact of PSIP on other CETA programs.
22. National Business League $100,000	To assist the Department of Labor to increase minority business participation.
23. Deborah A. Holmes $9,000	To write articles that are suitable for use in various publications as support for PSIP's technical assistance and publicity or public relations efforts.
24. National Association of Counties $100,000	To provide technical assistance and provide original publications/materials focusing on private sector facts, programs and materials.
25. National League of Cities $100,000	To provide technical assistance to prime sponsors.
26. U.S. Conference of Mayors $94,492	To provide technical assistance to prime sponsors.
27. MACRO Systems $98,760	To develop an On-the-Job Training Technical Assistance Guide.
28. Jeffayln Johnson and Associates $1,000,000	To engage a contractor to design and operate a project that will address the processes involved in providing employment and training services to female offenders and to increase their participation in CETA programs. The goal is to reduce the number of women returning to crime by promoting personal stability and self-sufficiency through counseling, training and employment.
29. National Urban Coalition $325,000 1/	This program was funded March of 1979 to provide outreach, assessment, orientation counseling, skill training, basic education, GED preparation, job development and placement for ex-offenders. Since its inception, a total of 435 ex-offenders have been placed into jobs after participation in the project activities.

1/ This is contingent upon approval of modifications now pending.

PRIVATE SECTOR PROGRAMS

Question: What data results have been received and evaluated regarding the participation of small and minority-owned businesses in the Title VII programs?

Answer: Based on a limited survey in 10 prime sponsor areas, small and minority businesses are more concerned about motivated workers, their perception of excess government paperwork and delay in payments for expenses incurred as a result of PSIP/CETA training or hires than in OJT reimbursements or tax incentives. This data is not conclusive but is mentioned and supported by studies underway on PSIP and TJTC.

Question: What types of employment-generating services and labor market analyses have been initiated by private industry councils?

Answer: Studies identifying EGS projects in 40 prime sponsorships show activities falling into four major categories - labor market surveys and analyses, marketing and public relations, community economic development, and job development or creation. In 15 of these sites, specific projects initiated or planned include: 1) the identification of job openings in a community; 2) assessment of employers training need for new workers; 3) development of employer task forces to work directly with high schools and community colleges to improve the character and design of local course offerings; 4) orientation of junior and high school youth to the skilled trades; 5) identification of business opportunities for small and minority contractors and target minority CETA clients for the jobs that are created; 6) PSIP conferences; 7) analyses of occupations that could be performed by the physically or mentally handicapped; 8) attraction of new industry to an area including foreign industry; and 9) linking with community or economic development.

Question: What procedures have been developed for the successful development of private sector initiative programs in Balance-of-State areas and for the conduct of economic development activities?

Answer: A study of technical assistance needs for PSIP in Balance-of-State areas will soon be completed. A preliminary paper on the study shows that some of the problems apparent in BOS areas--such as better planning techniques, defining the role of the PIC, relating CETA services to a broad and diverse geographic area--can be addressed by the prime sponsors and PICs themselves. Upon completion of the study report, ETA will be able to determine what procedures we need to follow to assist BOS areas develop and operate successful PSIP programs and conduct economic development activities effectively.

PSIP REPORTING

Question: What type of reporting system does the Department have in place to track PSIP performance?

Answer: PSIP is subject to the same reporting requirements as the other CETA titles. Prime sponsors submit quarterly reports to our Regional Offices covering areas such as program expenditures, participant outcomes, and characteristics data for PSIP participants.

In addition, we have received periodic reports on an ad hoc basis from the National Alliance of Business, which has been providing technical assistance and services through its field staff. Other reports are provided by contractors conducting research and evaluation studies of PSIP, such as the Ohio State University.

Question: What specific criteria has the Department developed to measure the various performance outcomes inherent in a demonstration effort such as the Private Sector Initiative Program?

Answer: Because of the various performance outcomes inherent in a demonstration effort such as PSIP, which reflect the multiple purposes of the program as mandated by the Legislation, the Department is relying on several methods of measurement. The first is the annual CETA Formal Performance Assessment. This document is used to assess individual prime sponsor/private industry council (PIC) achievement of planned activities in order to determine eligibility for the following fiscal year's funding. Sections within the document address PIC composition, responsibilities, and activities; recruitment and selection of participants; job development and transition services; program activities; and numerical performance indicators of terminations, resource utilization, and costs.

The second method is now being developed in response to the Department's directive to develop a series of in-depth monitoring guides, which, when completed and instituted, will change the complexion of the assessment process by replacing the once-a-year formal assessment with an on-going process over a two-year schedule. A Title VII Program Review and Assessment Work Group was formed to develop the in-depth guide for PSIP. Representatives from public interest groups, the National Alliance of Business, the Human Resources Development Institute, private industry councils, and a prime sponsor have met with ETA National Office and Regional Office staff to discuss criteria by which the success of PSIP may be measured, the format of the final product, and the specifics of the various components that will comprise the final product.

In addition to the two methods cited above, the Department will include PSIP as part of the Continuous Longitudinal Manpower Survey (CLMS), which looks at the long-term effects of CETA program participation on individuals completing the program.

PSIP

The Department's analysis of PSIP activities through June 30, 1980, revealed that 55 percent of the program's expenditures are being used to support classroom training, whereas only 16 percent are being used for on-the-job training.

Question: What types of classroom training activities have been funded by PSIP?

Answer: Virtually all possible types of classroom training activities are being operated under PSIP in some area of the country. In its most recent report covering 25 sites, the Ohio State University found 12 sites operating occupational skills training programs in a classroom setting, 10 operating preemployment and motivational training programs, 8 sites with occupational skills training coupled with on-the-job training, 7 sites operating upgrading training programs, and

Question: How do the length of training provided and the skill level of training for these PSIP activities compare to that normally provided under Title II of CETA?

Answer: In some instances, the training provided under Title VII would be very similar to that provided under Title II. In other areas there would be significant differences.

Some Title VII programs have expanded successful Skill Training Improvement Program (STIP) training programs which, although permitted under Title II, are often not funded because of the higher skill levels, greater length of training, and higher cost than most programs funded under Title II. Other Title VII training is relatively short term in duration, such as preemployment motivational or entrepreneurial training.

The Corporation for Public/Private Ventures noted that some Private Industry Councils (PIC's) have formed consortia of small and medium-sized businesses to design and conduct skill training. It found that "most PIC's are breaking new ground with respect to participating industries, occupations, or training methods."

The ideal situation, which we have been encouraging, is to have the PIC assist in the design and conduct of training in Title II as well as Title VII. This is happening in 39 percent of the CETA system, according to a recent report from the National Alliance of Business. An interesting design, found in some localities, involves Title II paying participants' allowances while Title VII funds the training expenses.

CONTROLS OVER SUBCONTRACTORS

Question: What management controls does the Labor Department have over prime sponsors' subcontractors and subgrantees?

Answer: The major controls are as follows: The Department of Labor may disapprove all or any portion of a prime sponsor's annual plan if it finds that the use of funds for a particular contract or subgrant would be grossly inefficient or fail to carry out the purposes of the Act. The Department may also take actions such as terminating or suspending financial assistance in whole or in part where it finds that a prime sponsor has not taken appropriate action against contractors or subgrantees which are failing to comply with any provision of the Act or regulations. The Department may also require unified audits of prime sponsors and subgrantees and contractors.

Question: How much of the program money is spent at this level?

Answer: The Department does not collect financial information below the prime sponsor level. Therefore, it is not possible to state with any certainty how much of the available funds are actually expended by subgrantees and contractors. However, given the estimated number of such entities (somewhere around 50,000) it is reasonable to project that a substantial portion of the funds are expended by subgrantees and contractors.

CETA VOCATIONAL EDUCATION EARMARK

Current law requires that 6 percent of CETA funds appropriated under Title IIA, B and C be earmarked for grants to governors for vocational educational services. In Fiscal 1982, this would amount to $127 million.

Question: What is the rationale for a separate CETA appropriation for vocational education, over and above the $562 million for Vocational Educational basic State grants in the Department of Education budget?

Answer: The initial CETA legislation of 1973 served to replace existing categorical manpower programs including the Manpower Development and Training Act (MDTA). MDTA contained requirements for cooperative efforts between the Department of Labor and the State vocational education boards and included a provision for a set aside of MDTA money to be used for vocational education programs. This provision was viewed as a generally positive arrangement, fostering effective programs through linkage and cooperation. The CETA 6 percent setaside was therefore included in the CETA legislation in order to allow for the continuation of similar programs.

Question: What is the magic of a 6 percent vocational education earmark, instead of a 3 percent, for instance - which would save $63.5 million?

Answer: The amount of money originally allocated through the 6 percent vocational education earmark roughly mirrored the amount of money which comprised the MDTA set aside for vocational education activities. This allowed for the continuation of such activities at the previously established MDTA level.

Question: Don't prime sponsors have the option of using a portion of the $2.1 billion budgeted under CETA Title A, B, and C for vocational education, if they so choose?

Answer: Yes. Many prime sponsors have found vocational education training to be an effective means of both responding to the occupational demands in their labor market areas and also of successfully placing participants into unsubsidized jobs upon completion of training. The 6 percent vocational education money is often used to pay tuition costs for participants while the Title II money is used to pay allowances to participants. The ability to use both sources of money allows more persons to be served in these programs.

Question: What is the difference between CETA's vocational education program and the vocational education program in the Department of Education?

Answer: CETA's vocational education programs are targeted to the economically disadvantaged. Education's programs are generally available to the entire population.

Question: Do these programs interrelate, or cooperate or share information and ideas?

Answer: Yes. The CETA State Employment and Training Council (SETC) consults with Education's State Advisory Council on Vocational Education (SACVE) in identifying employment, training, and vocational education needs for the State. CETA requires that a representative of the SACVE be a member of the SETC.

On the local level, the prime sponsor must enter into a non-financial agreement with the State Vocational Education Board regarding the utilization of the 6 percent vocational education funds in the prime sponsor area

CETA FUNDS FOR GOVERNORS

Question: Why shouldn't States be asked to provide matching funds in order to receive these Federal grants?

Answer: There are no requirements for matching funds in any part of CETA, although certain aspects of the program might lend themselves to this approach. This could be true in the case of the 1 percent of Title II A, B, C, and D money earmarked for coordination and establishment of linkages with education agencies. Requiring a match in this instance might be a beginning in serving the purpose of coordination by making it necessary for the parties to agree upon goals, strategy, etc.

Question: How would you assess the performance of the CETA-funded State Employment and Training Councils?

Answer: Each State Employment and Training Councils is reviewed annually as part of the Department's Formal Performance Assessment of CETA programs. The purpose of this review is to determine whether each SETC is satisfactorily performing its oversight and coordination responsibilities. A review of the findings of the FY 1980 Assessment indicate that most of the SETCs are performing satisfactorily.

Question: Why should the Federal government pay the entire cost of State administrative staff overseeing local CETA program operations?

Answer: A general consideration in requiring States to provide partial support for this purpose would necessarily be the ability of a State, with its limited budget to provide the same quality of services as currently provided.

Question: What would be the impact of requiring States to pay at least half the cost of operating the State Employment and Training offices.

Answer: It is difficult to predict the impact, but it cannot be assured that the Federal employment and training services have became institutionalized to such an extent that if Federal support were partially withdrawn, a State would continue to operate the program bearing half the cost itself. The reaction of States would differ based on their budgets, support of the program at the local level, etc.

SUCCESS OF JOB CORPS

Question: Last year the Labor Department cited a research study that showed Job Corps graduates earned more than a comparison group. While this is nice and the earnings gains may be directly attributable to Job Corps, the question still remains: are former Job Corps participants earning enough money to break the poverty cycle?

Answer: A second follow-up survey conducted for the research study referred to in the original question found that former corps-members 12 to 18 months after termination from the program were earning an average of $4,273 per year. This is above the 1980 OMB single-member family poverty level of $3,790. The comparison group's average was 3,767 slightly below the poverty line. (It is appropriate to use the single member family poverty index because approximately 70 percent of the Job Corps participants were single and childless at the time of the latest survey.)

If military service is included as employment, the Job Corps participants' average earnings rise to $4,400.

STATUS OF JOB CORPS EXPANSION

Question: What is the status of the Job Corps expansion that began with funding from the Economic Stimulus Appropriations Act of 1977?

Answer: In response to the Economic Stimulus Appropriations Act of 1977, Job Corps began increasing its capacity by 1,525 during 1977, reaching a capacity of 22,225. During 1977 planning was underway to double the size of the Job Corps to a level of 44,000 slots. Presently Job Corps has 100 operational centers with an additional seven centers nearing final development. These seven centers will open during FY 1981 and will complete the expansion effort. At the beginning of February 1981, the current enrollment in Job Corps was about 41,000.

Question: How many Job Corps Centers are there?

Answer: A total of 100 Job Corps Centers are now operational, with another seven to be opened in fiscal year 1981.

Question: Do you have any current plans to increase or reduce the number of centers?

Answer: Seven centers are now under development to bring the capacity of Job Corps up to its authorized level of 44,000. Beyond opening these remaining centers, we have no plans for expanding or reducing the number of centers.

ELIGIBILITY FOR JOB CORPS

Question: The Congress intended Job Corps to be a unique, last resort for severely disadvantaged youths. Does Job Corps still require an applicant to meet two of four factors that are so broadly defined that nearly any disadvantaged youth can qualify?

Answer: Job Corps now requires that an applicant meet three of the four environmental factors described in the authorizing legislation.

Question: If Job Corps has not tightened its eligibility guidelines, (meaning nearly any disadvantaged youth qualified) don't you operate a program that is not being implemented according to Congressional intent?

Answer: Job Corps has consistently drawn its recruits from the most severely disadvantaged young people. The socio-economic characteristics of its corpsmembers have not changed markedly over the fifteen years of Job Corps' existence. We feel that Job Corps is meeting congressional intent with regard to the population the program serves.

JOB CORPS PLACEMENT STATISTICS

Question: GAO reported that Labor computes the Job Corps placement rate in a manner that depicts the program in a very favorable light by including placements for youths (1) who have spent a minimal amount of time in Job Corps and (2) who have been out of the program for extended periods before they meet the placement criteria. The Labor Department has not revised the placement definition nor has it broken out such placements from the normal type of placements. Don't you think Congress and Department Managers need to know how many placements fall into the different categories?

Answer: (1) The Job Corps, by law and regulations, has a responsibility to attempt to place each terminating corpsmember in (1) a job, (2) military service, or (3) educational and/or training programs regardless of length of time the corpsmember has participated in the program. This mandate is cited in the CETA Amendments of 1978, Title IV-B, Section 461 and in 20 CFR 684.40. For internal management purposes and to aid the policy formulation process, Job Corps has chosen to collect placement data based on terminees' length of stay in the program. Having data based on corpsmembers' length of stay allows Job Corps managers to assess the impact of length of stay on corpsmember outcomes, i.e., employment rates, wage rates, etc.

To accomplish the above, Job Corps identifies terminees by program completers and non-completers and their corresponding lengths of stay. The data collected on non-completers does identify those corpsmembers who spent less than 90 days in the program. Data on these individuals is included in the data base in order that program managers have available for their use, a total placement profile of all youths terminating the Job Corps program. To this end, Job Corps placement data is compiled in a manner that allows data to illustrate placement statistics by length of stay from less than 3 months to over 15 months (see attached copy of Job Corps in Brief, FY 1979, pages 13-14).

AGE OF ENTRY*	MALE	FEMALE	TOTAL
16 and Under	26.1%	20.1%	24.3%
17	24.3	20.1	23.0
Under 18	50.4	40.2	47.3
18-21	49.6	59.8	52.7
AVERAGE AGE	17	18	18

The youthful aspect of the Job Corps population, and the significant proportion of the 16-year-old enrollees in particular, account for the importance of school and training placements for younger enrollees.

MINORITY STATUS*	
White, excluding Spanish-speaking	31.0%
Black	53.5
Spanish-speaking	10.0
American-Indian	3.6
Other	1.9

Total minority enrollment approximates 70 percent. The unemployment rate of disadvantaged minority youth is considerably above that of the general population (greater than 40% for Black inner-city youth), and represents the areas of greatest need for Job Corps' full-service program.

*Percentages based on data from the first six months of FY 79. Data for the entire fiscal year are not available.

YEARS OF SCHOOL COMPLETED*	MALE	FEMALE	TOTAL
8 years or less	19.4%	13.6%	17.6%
9 to 11 years	70.4	62.1	67.9
12 years or over	10.2	24.3	14.5

The average enrollee dropped out of school after completing the ninth grade. Although a significant proportion of female enrollees were high school graduates, their lack of vocational skill training and inadequate preparation in basic education left them unprepared to compete in the labor market.

ENTRY READING LEVEL*	
Less than 3rd grade	12.3%
3rd to 6th grade	40.3
6th to 8th grade	26.2
8th grade and above	21.2

The average enrollee entered Job Corps with a sixth-grade reading ability, and required intensive training in basic education to become qualified for placement.

FAMILY SIZE*	
1 person	20.5%
2 - 4 persons	31.0
5 - 7 persons	34.2
8 and over	14.3

*Percentages based on data from the first six months of FY 79. Data for the entire fiscal year are not available.

(2) The Job Corps has a stated policy that "placement agencies are to complete a placement document for terminees (MA Form 6-78) not later than 90 days after terminees' placement forms are sent to the placement agencies." Often, placement agencies do in fact not return the MA 6-78 within the 90-day time frame because of their continuing efforts to place corpsmembers. This has resulted in some completed forms not getting entered into the Job Corps placement data system for extended periods.

To combat the above situation, in 1978, Job Corps issued a policy which put a "12 month lid" on the computer system. This meant the computer would not accept any placement form for which the corpsmember's termination date and the date the form was completed by the placement agency exceeded 12 months. In order to further tighten the placement reporting process and insure the integrity of the placement data, Job Corps issued Job Corps Bulletin No. 80-42, dated September 10, 1980, which reduced the "12 month lid" to six months. This means the form must be completed by the placement agency within six months of the corpsmember's termination date. Further, the form must be entered into the computer system within nine months after the corpsmember's termination. A placement record will not be accepted by the computer if either time limit is not met.

It is Job Corps' opinion that our present data system, as described in Parts 1 and 2, provides the Congress and Department Managers with sufficient information regarding the placement status of terminees regardless of their length of stay or completion category.

GAO REPORT ON JOB CORPS

Question: GAO has recommended that Labor monitor to see that Job Corps recruiters properly determine eligibility and give applicants a full understanding of the program. Although Labor concurred with this recommendation, it did not plan to start monitoring until May 1980. Did the monitoring begin and, if so, what are the results of the monitoring efforts?

Answer: Regional office staff have the responsibility to monitor the activities of Job Corps recruiters. Plans were developed to intensify this monitoring by the regions. In addition, plans were developed for the National office, as part of its oversight of the regions, to monitor independently the activities of recruiters. Reductions in the amount of funds available for Federal staff travel have severely limited the amount of monitoring that can be done.

JOB CORPS PLACEMENTS

Question: GAO has reported that the reliability of Job Corps placement data is questionable. Has Labor started to randomly validate Job Corps placements in its efforts to improve the quality of placement data?

Answer: At the time that GAO was reporting its findings, Job Corps performed a random validation of Job Corps placements in all regions. This validation showed that 88 percent of all placements could be verified. This percentage is much higher than that reported by GAO and was in line with other internally-generated data which demonstrated the validity of Job Corps placement data. Since this study and the GAO report were done, Job Corps has taken a number of actions to improve the quality of its placement system. For example, Job Corps has instituted a number of new programs, and expanded others, which provide a guarantee or near guarantee of long term, training-related placement. Further, the expansion of Job Corps has been designed so that enrollees are attending centers near their homes so that the opportunity for centers to place terminating corpsmembers in high-demand jobs has been greatly increased. Finally, Job Corps has made the administration of the placement system a high priority. Several actions are currently under active consideration, and a number of others, such as making placement reporting quality part of Job Corps Regional Directors' merit pay standards, have already been instituted. On-going random validation of placement reports is one option that could be instituted.

Question: Last year, Labor said that due to cost considerations any placement validation efforts would not yeild "tracking" information such as the length of time in initial placement. Since Labor plans to put validation in the hands of those reporting (and getting paid for reporting) placements, should Labor independently monitor or verify the accuracy of reported placements on at least a sample basis?

Answer: The Department agrees that an independent monitoring of reported placements on a sample basis is desirable. As was discussed in the preceding response Job Corps is currently considering a number of options designed to strengthen the Job Corps placement system. Independent monitoring is one such option. However, random sampling of placement data is a relatively costly and cumbersome operation, requiring a great deal of scarce Federal staff time. Such random sampling is also generally resented by the business community. The Labor Department will do all possible to ensure the reliability of Job Corps placement data in the most cost-effective manner possible. If random sampling must be done to ensure reliability, then it would be instituted, at least on a limited basis.

Question: Isn't Labor concerned with the length of time a former participant remains in the initial placement?

Answer: The initial placement of a former corpsmember is a most important step toward economic self-sufficiency. However, research in this field has consistently shown that young people have much greater job mobility than do older workers. The first job for most labor market entrants, and especially for those of the age served by Job Corps, is a stepping stone to a more highly skilled position. Thus, Job Corps is not unduly concerned with the time a former participant remains in initial placement. Rather, the Job Corps is more concerned that its former corpsmembers have a strong labor market attachment.

JOB CORPS INTAKE PROCESS

Question: At this time last year, the Job Corps review of the feasibility of a uniform intake process was still in the developmental stage. What is the current status of the review? What are the results?

Answer: Although initial developmental work on a uniform intake process was done in 1980, technical problems have delayed implementation considerably. A computerized demonstration project regarding the Job Corps intake process is planned for implementation within the next few months. Development of a uniform intake process for Job Corps and other CETA youth programs has been delayed pending congressional action on new youth program legislation, which could considerably change the intake process for CETA youth programs.

Question: In connection with the above question, if Job Corps recruiters continue to be paid separately for Job Corps recruiting efforts, what incentive do they have to refer applicants to alternative programs that may better suit their needs?

Answer: Individual Job Corps recruiters are not paid based on the number of persons recruited. Job Corps recruiters, who are mainly local Employment Service staff, are salaried. While contracts exist for the recruitment of several hundred youth by SESAs, these contracts cover an entire State. Further, most of the alternative programs, such as local CETA youth programs, also receive new applicants through local employment service offices. To assist Job Corps applicants in understanding the program better, a booklet called "Your Guide to Job Corps" has been developed which is distributed to applicants which indicates that (1) Job Corps is not for everyone, (2) there may be local programs better suited to the youth's needs, and (3) to ask the recruiter about these programs.

CETA DISCRETIONARY FUNDS

Question: Under the various titles of CETA, the Secretary has discretionary funds in excess of $600 million -- over and above the $603 million requested for national programs, most of which is discretionary, under Title III of CETA. Why shouldn't all these discretionary funds be consolidated, so that Congress can get a comprehensive picture of how the money is used?

Answer: The consolidation of discretionary funding would involve legislative change. Under Secretary Donovan's leadership the Department will be examining this proposal along with a number of others in the development of reauthorizing legislation for CETA.

Question: If the CETA program is to be scaled back, wouldn't this be a good place to begin?

Answer: Special Federal responsibilities enumerated in CETA Title III include:

- The provision of additional training and employment-related services and opportunities to members of groups experiencing particularly severe disadvantages in the labor market, including handicapped people, persons with limited English-speaking ability, offenders, displaced homemakers, women, and middle-aged and older workers.

- The administration of training programs in job markets that are more easily accessed through national-level organizations such as employer associations and labor unions.

- The promotion of new or improved linkages between Federal, State, and local employment and training agencies and components of the private sector (e.g., the business community, the labor movement, and community based organizations) whose cooperation and assistance would serve to further the basic objectives of CETA.

- The administration of programs aimed at reducing disruptive skill shortages in the Nation's economy.

- The provision of special services to workers who become unemployed as a result of large-scale losses of jobs in a locality.

- The administration of programs providing special training and employment opportunities to disabled veterans and veterans of the Vietnam era.

- The provision of a variety of technical assistance and program support activities in addition to those conducted under the appropriation for CETA Title III, Part B.

Within these parameters, criteria are being developed to determine an appropriate level of funding.

Question: Why does the Congressional budget justification provide so little information on how these funds are used?

Answer: With respect to Special National Programs and Activities under CETA Title III, the budget request for Fiscal Year 1982 contains what we view as a reasonably thorough discussion as to how these funds are used. This same issue was raised during the congressional hearings on the Fiscal Year 1981 budget request, so pains were taken to prepare a more complete presentation in the Fiscal Year 1982 request. We would, of course, be pleased to provide the Committee with whatever available information they might request.

Question: Isn't it true a good share of these funds are used for contracts with so-called "beltway bandit" organizations -- and spent for research and evaluation instead of direct services to the unemployed?

Answer: With respect to Special National Programs and Activities under CETA Title III, it is indeed true that a substantial portion of each year's appropriation is used for program support activities, i.e., activities that do not provide direct training or employment-related services to CETA clients but which are aimed, rather, at improving the general effectiveness of the service delivery network. The table appearing below compares the recent allocations of resouces for Special National Programs and Activities as between program support activities and direct service delivery programs ($ in millions):

	Actual Obligations		Planned Obligations	
	1979	1980	1981	1982
Program Support.....	$74 (41%)	$69 (40%)	$59 (38%)	$50 (33%)
Direct Service Delivery.....	$109 (59%)	$104 (60%)	$97 (62%)	$101 (67%)
Total.....	$183	$173	$156	$151

It must be emphasized that only a small fraction of the funds allocated for program support activities are used for contracts with private, for-profit firms. These funds are mainly used for contracts with nonprofit groups such as the National Alliance of Business, the Human Resources Development Institute of the AFL-CIO, and the national headquarters of a number of community based organizations (e.g., OIC's of America, the National Urban League, and SER-Jobs for Progress) for activities that enhance the effectiveness of CETA prime sponsors at the State and local levels. It should also be noted that the Department of Labor is in full agreement with new governmentwide policies and practices aimed at limiting and clarifying the roles that may be performed by private consulting firms in connection with the administration of Federal assistance programs.

CETA EARMARKS

Question: The CETA law has numerous earmarks which guarantee specific percentages of funding to special groups, such as Indians, Migrants, Governor's grants for vocational education, Governor's grants for coordination and special services, and so on. Why should special groups and programs be protected from the decisions of the annual appropriations process?

Answer: The earmarks which guarantee specific percentages of funding to special groups, such as Indians, Migrants, Governor's grants for vocational education, and Governor's grants for coordination and special services, do not totally protect these groups from the decisions of the annual appropriations process insofar as the funding level for these programs is determined by the overall appropriations level for the several CETA titles. However, it should be understood that these earmarks were established during the legislative process.

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Question: Wouldn't it be better to authorize "such sums as may be necessary" for all CETA programs, leaving exact funding recommendations to the discretion of the appropriations committees? What would you think of the idea of retaining these percentage earmarks, but at reduced percentages, giving the appropriations committees flexibility to increase funding for specific groups and programs, based on merit?

Answer: The percentage earmarks are contained in the CETA statute; therefore these are issues that will have to be dealt with during the reauthorization process. We intend to carefully examine all provisions of the current CETA legislation prior to developing our legislative proposal, and we will be addressing these issues at that point in time.

EVALUATION OF JOBS FOR ELDERLY PROGRAM

The Older Americans Act jobs Title V program has experienced significant growth since 1974, from $10 million in 1974 to $277 million requested for 1982.

Question: Has the Department undertaken evaluation of this program to determine its impact on older persons?

Answer: To date, the Department has not undertaken an evaluation of the Title V program to determine its impact on older persons. However, the Federal Council on Aging, FCA, is required under the Comprehensive Older American Act Amendments of 1978 to complete a thorough evaluation of the fundamental purposes and effectiveness of programs under the Older Americans Act. As the result of an October 1979 preliminary review of the Title V program, the FCA decided that a limited, short-term evaluation of the efficiency, effectiveness and responsiveness of Title V programs was needed as part of the FCA mandated study. Consequently, FCA contracted with Morgan Management Systems, Inc., Columbia, Maryland, to conduct a study and prepare a report, due March 1981, which will assess the effectiveness and responsiveness of Title V programs in attaining program objectives related to the legislative goals. Information obtained from the study will be used to help the Council formulate policy recommendations regarding the program to the Congress and to the Department of Labor. The Department has cooperated with the contractor throughout the study. Hopefully, the report will indicate whether the Department should undertake a separate long-term, in-depth study of the Title V program.

Question: If not, is the Department planning an evaluation of the program?

Answer: The Department's original plan to evaluate the Title V program was postponed until after the Federal Council on Aging's study could be completed and examined. In this way, duplication of effort could be avoided. Therefore, we will await the findings and recommendations of the Federal Council on Aging's study. If a more in-depth evaluation is recommended and if the FCA is not in a position to undertake such a study, the Department would certainly be interested in undertaking a program evaluation.

Question: How many of the enrollees under the program are transferred to private or other unsubsidized employment?

Answer: During the last program year, which ended June 30, 1980, a total of 6,269 participants or approximately 12 percent of the enrollment of 52,250 were transferred to private or other unsubsidized employment.

Question: How many of the program sponsors have met the proposed 15 percent goal for transition of enrollees to unsubsidized employment?

Answer: Eight sponsors, 1 national sponsor and 7 State sponsors, reached or exceeded the 15 percent transition goal. However, 13 sponsors, 1 national sponsor and 12 State sponsors, achieved a placement rate of 10 percent or better. The 10 percent goal was raised to 15 percent in an attempt to serve more people. Each time an enrollee is placed into an unsubsidized job, a new person can be hired on the program. However, the Department realizes that there are legitimate considerations which make the achievement of the 15 percent placement goal extremely difficult. For example, in rural-high unemployment areas, it is very difficult to place elderly poor people into unsubsidized jobs. There are other situations, of course, which make placing the elderly in unsubsidized jobs very difficult, therefore the reason for making the transition goal a target and not a requirement.

Question: Couldn't a much greater impact be made on reducing unemployment of the elderly by simply raising the outside earnings restrictions now placed on recipients of social security so that more retired people would be motivated to work without losing their benefits?

Answer: According to an information paper prepared by the Special Senate Committee on Aging entitled, "Emerging Options for Work and Retirement Policy," June 1980, the recent trend has been toward reduced labor force participation among the 65 to 69 age group and increased withdrawal from the labor force for the pre-65 age group. In recent years, about half the men and 2/3 of the women who have become retired-worker social security beneficiaries have done so under early retirement provisions. Indications are that among those early retirees relatively few could be induced to return to work. However, uncertainties of pension programs, the high rate of inflation and concomitant increased importance of earnings as a source of retirement income might reverse this trend. On the other hand, with regard to the impact of wage rates on retirement decisions, the Committee found a positive relationship between wages and the decision to remain in the labor force--that the probability of accepting a pension benefit declines as wages increase. In general, this would seem to indicate that with increased earnings more retired people would be motivated to stay in the labor force, particularly if there was less fear of losing their benefits.

However, the unemployed elderly in the program are persons who would be unemployed if they were not participants in the Title V program or other subsidized efforts. The enabling legislation requires that the program serve those who are most in need. Title V participants are mostly those persons whom no one else would hire and who perform jobs that are created for them based on their skills, aptitudes, work histories, etc. These jobs are designed to strengthen existing community services or to create new ones--jobs that otherwise would not be available. It is important to note that the Title V program is currently serving less than 1 percent of the total eligible population. Many, if not most, program participants would be unemployed, and probably on welfare, were they not employed in the Title V program because of their inability to compete in the regular workforce due to severe health and transportation difficulties, employer discrimination, public opinion, and the unavailability of jobs, particularly part-time jobs. In view of these factors, we believe that if outside earnings

restrictions were raised to permit more retired persons to work without losing their benefits not much of an impact would be made on reducing unemployment.

COORDINATION BETWEEN COMPONENTS OF JOBS FOR THE ELDERLY PROGRAM

The 1978 Older Americans Act amendments contained a provision which was intended to improve coordination between national organization sponsors and the State agencies on aging.

Question: What is the status of coordination and cooperative actions between national contractors and State agencies on aging? (Background: The 1978 amendments required that when a national contractor proposes to establish a project within a given State, the contractor must submit a description of the project to the respective State agency on aging 30 days prior to the implementation of the project. This provision was enacted to respond to complaints within some States that national contractors and State agenices on aging were establishing job opportunities without coordination, resulting in inequitable job distribution within a given State.)

Answer: The provision in the 1978 amendments which requires a national organization or other project sponsor conducting a project within a State to submit to the State Agency on Aging, 30 days prior to undertaking the project, a description of the project for review and comment was a requirement of the Department prior to the 1978 amendments. It was implemented through an Older Worker Bulletin dated March 16, 1978, and has subsequently been a part of all project agreements. In addition, the Department requires all project sponsors within a State to meet and provide for the equitable distribution of Title V programs within the State. This policy was also disseminated through Older Worker Bulletins and is a part of all project agreements.

It should be noted that the realization of an equitable distribution of Title V resources is a very difficult concept to achieve since there are currently only 52,250 authorized slots available nationwide, or only enough to serve less than 1 percent of the estimated 8 to 9 million persons eligible for the program. Under this condition, an exact mathematically equitable distribution of slots within a State would likely be neither administratively nor programmatically practical. Thus, the Department stresses an equitable distribution of programs within a State which will:

a. Provide reasonable access to the program in both urban and rural areas;

b. Be devised in such a way as to prevent displacement of participants in authorized slots; and

c. Utilize funds that become available through an expansion of the program or through the attrition of participants.

OLDER AMERICANS ACT JOBS PROGRAM

Question: Do participants under the Older Americans Act Title V program receive wages for work which is similar to tasks performed by other older persons who work in a voluntary capacity under Federally sponsored volunteer programs?

Answer: Yes, with a number of significant variations. Both the Foster Grandparents and Senior Companion Programs are more restrictive in that eligible enrollees must be 60 years and older and workers are limited. For example, Foster Grandparents' enrollees render support services in health, education, welfare, and related residential settings to children having special or exceptional needs; Senior Companion Program enrollees render services opportunities on a person-to-person basis to persons, other than children, with special or exceptional needs. The Older Americans Act SCSEP or Senior Community Service Employment Program enrolless must be 55 years and older. They provide services within the community to all individuals. For example, enrollees may work in senior or day-care centers, schools, hospitals, or programs for the handicapped, and beautification, conservation or restoration projects. One other difference between the SCSEP and the volunteer programs lies in the eligibility. The SCSEP requirement is that a potential enrollee's income must be at or below 125 percent of the poverty guidelines, with first preference being given to those at or below the 100 percent level. This is in keeping with the regulation which states as first priority in selecting applicants ". . .top priority shall be given to those applicants who are the most needy. . ." The volunteers can either meet the 125 percent requirement or be at or below levels set by the Director of Action. The latter indicates that OASI income would be the determinant, which is usually higher than the 125 percent level, especially in urban areas where the needs are great. This indicates that emphasis is not placed on enrolling those most disadvantaged, as it is in the SCSEP.

Question: Are Title V participants and volunteers compensated differently for similar tasks?

Answer: SCSEP enrollees are paid no less than the Federal or State minimum wage or the local prevailing rate of pay for similar work performed, whichever is highest for an average of 20 hours per week, not to exceed 1,300 hours within a 10-month period. Orientation and training, and in some cases transportation, are provided. Volunteers receive a stipend of $2.00 per hour for a maximum of 20 hours per week, meals and transportation from and to place of residence.

1978 AMENDMENTS TO JOBS FOR THE ELDERLY PROGRAM

Question: What is the status of the Department's regulations to implement provisions of the 1978 amendments to the Older Americans Act jobs program? (Background: Regulations to implement provisions of the 1978 amendments to the Senior Community Service Employment Program were published as proposed regulations on March 25, 1980, (Federal Register, Vol. 45, No. 59, P. 19530) almost one and one-half years after passage of the Older Americans Act amendments of 1978. To date the Department has not promulgated these regulations in final form.)

Answer: Proposed regulations were published in the Federal Register on March 25, 1980, for a 60 day comment period. Only minimal comments, approximately 70 letters, were received since the three changes mandated in the 1978 amendments had already been administratively implemented. The comments were analyzed, and the regulations task group, composed of national and State agency project sponsors, reconvened in November 1980, to discuss changes for the final regula-

tions. A few minor changes were recommended; however, the regulations must be converted from Title 29 to Title 20 of the Code of Federal Regulations as a part of ETA's consolidation of all its program regulations into Title 20.

The lack of final regulations has caused no confusion and few, if any, problems among project sponsors. As stated previously, the three legislatively mandated changes in the 1978 amendments were implemented administratively, and these, along with the few programmatic changes provided in the proposed regulations, have been the subject of intensive project sponsor training. This training has been provided through national and regional workshops, technical assistance and training visits, and the older worker bulletin system. All of these changes have been incorporated into all project agreements.

Question: What has caused the delay in issuance of these regulations?

As discussed previously, the three requirements mandated in the 1978 amendments were implemented administratively as soon as it was practicable. These requirements and the few programmatic changes contained in the proposed regulations have caused project sponsors no problems due to intensive training, administrative bulletins and incorporation into all project agreements.

Question: In the interim, how has the Department communicated guidance to the field with respect to requirements contained in the 1978 amendments?

Answer: The 1978 amendments mandated three substantive changes in the Title V SCSEP. These requirements were implemented quickly by the Department.

The first of these changes in SCSEP increased income eligibility criterion from the OMB poverty level to 125 percent of the OMB poverty level. The changes were implemented by publication in the Federal Register shortly after the reauthorization.

The second change required a national organization or other project sponsor conducting a project within a State to submit to the State agency on aging, 30 days prior to undertaking the project, a description of the project for review and comment. This procedure was a requirement of the Department prior to the 1978 amendments and was implemented administratively through an Older Worker Bulletin dated March 6, 1978. It has subsequently been a condition of all project agreements.

The third change required the national organizations to be held harmless at their Fiscal Year 1978 level of activity, and that any amounts in subsequent years which exceed this level, that is, growth funds, shall be divided with 55 percent going to the States and 45 percent going to national organizations. This requirement was implemented immediately beginning with the Fiscal Year 1979 appropriation which was allocated to projects beginning July 1, 1979, since the program is forward funded.

SENIOR ENVIRONMENTAL EMPLOYMENT CORPS

Question: What actions has the Department taken over the last year to implement the Senior Environmental Employment Corps authorized by the 1978 amendments to the Title V program?

Answer: The Department has not, for a variety of programmatic considerations, funded a separate SEE program. The primary consideration being the level and manner of funding Title V activities. Section 506 of the authorizing legislation requires that funds be distributed among the States and territories according to a statutorially defined allocation formula, and thereafter apportioned between national nonprofit organizations and States with the major share of the funds awarded to the former. There is, also, a statutory requirement that Title V resources be suballocated within the States in an equitable manner, which fragments further available Title V resources for special projects such as SEE. It should also be noted that Title V sponsors were strongly encouraged to subsume SEE projects during Fiscal Year 1980. Unfortunately, it was thereafter established that most SEE participants did not meet the Title V eligibility criteria. For example, it was estimated that as many as 50 percent of the SEE participants were not economically eligible for Title V enrollment. The Department is, nonetheless, interested in having older workers engage in jobs related to improving the environment and has arranged several meetings between officials of the Environmental Protection Agency and national Title V organizations, such as the National Retired Teachers Association. At the present time, EPA and these organizations are exploring SEE-type projects within the funding constraints defined above and in recognition of the age and economic enrollment eligiblity requirements defined in the statute. Further, we have encouraged the Governors of the States, in their capacity as Title V sponsors, to consider utilizing their allocation for environmental projects in coordination with their State EPA agencies.

Question: How many of the Title V sponsors employ older persons in areas related to environmental improvement?

Answer: There are currently 25 Title V sponsors employing older workers in the specific field of environmental quality. Approximately 1,000 have been placed in jobs in the environmental improvement area.

In other related areas, 39 Title V sponsors have placed approximately 5,000 older persons in recreation, parks and forests.

It should be noted that the Department's thrust over the past 2 years has been in weatherization, for example, utilizing Title V enrollees in weather-proofing homes of poor elderly persons.

JOBS FOR ELDERLY

Question: What percent of total Title V funds are being directed to minority contractors at the present time?

Answer: Currently the national minority organizations which directly operate this program, The National Urban League, The National Center on the Black Aged and The National Association for Spanish Speaking Elderly, receive approximately 4 percent of all available funds. A number of other minority organizations receive funds in-

directly through the other sponsoring organizations on a subrecipient basis. Unfortunately, there are no figures available on the total funding level of these latter organizations.

During the past 2 years, the Department has given a disproportionate share of the available new, growth funds to the national minority organizations. Although they represent only 4 percent of the program, the Department provided them with 25 percent of the new monies. Of course, pursuant to the authorizing legislation most new, growth funds must be given to State governments. Thus, the overall availability of funds for national sponsors has been somewhat restricted and as a result the minority national sponsor organizations are given a smaller share of the total appropriation.

Question: What steps is the Department taking to implement the requirement for development of alternatives for innovative work modes and technical assistance for work sharing?

Answer: Due to the fact that there are no discretionary funds available under Title V, no action has been taken to carry out the requirement for the development of alternatives for innovative work modes, such as work sharing. The Department has, however, initiated a number of special older worker projects pursuant to Section 308 of CETA. In Fiscal Year 1980, $2 million was awarded to support four employment and training model projects to: (1) demonstrate the effectiveness of providing traditional skills training in a nontraditional setting - $500,000; (2) Green Thumb, to demonstrate the effectiveness and timeliness of providing second career opportunities for rural older workers in energy conservation efforts - $500,000; (3) National Urban League, to demonstrate the effectiveness of delivering a comprehensive and coordinated array of services to older workers. Additionally, to demonstrate the effectiveness of seminars geared to sensitize employers to the capability and virtues of hiring older workers - $500,000; (4) Steelworkers, to assist the reentry of affected workers into the labor market - $500,000.

In addition, the Department is preparing solicitations covering several areas of research affecting older workers. For example, research will be conducted on part-time work experience and patterns of older workers thus providing information as to the extent to which people who change to part-time work tend to remain in the same occupation, industry, or elsewhere; and research related to employment/retirement patterns and behavior, thereby gaining some knowledge as to job seeking behavior among older workers, retirement practices, and trends in local and State governments, etc. One study of particular interest is designed to measure the impact of job sharing on productivity.

NATIONAL CONTRACTORS VIS-A-VIS STATES

Question: What was the percentage distribution of funds and job slots to national contractors and to states for fiscal years 1978, 1979, and 1980?

Answer: I would like to point out that several Governors relinquish their share of the SCSEP allocation to national sponsors which operate within their State. Consequently, the actual distribution to State governments vis-a-vis national sponsors differs slightly from

the allocation of funds made by the Employment and Training Administration. The chart indicates the amounts allocated to State governments and national sponsors in accordance with the legislated formula.

Year	Percent National Sponsors		Percent State Sponsors	
	Funds	Slots	Funds	Slots
1978	80	80	20	20
1979	79	77	21	23
1980	77	77	23	23

During Program Year 1979, the SCSEP enjoyed a slight increase in funding beginning in February 1980. The result was that the States received an increased slot level for 5 months but their dollar level for the entire period was slightly less than their portion of the positions since they did not operate at this level for a full year.

One final point, all SCSEP funds are allocated to the States and territories pursuant to the legislated formula. The division of funds between State governments and national organizations does not effect the total amount available in a particular State.

Question: With respect to the 1981 appropriations, how will job slots now administered by States be affected when 80 percent of the appropriations are directed toward national organizations and 20 percent directed toward States?

Answer: The reinstitution of the 80/20 division of funds, which was in place prior to program year 1979, would adversely impact upon the State sponsors. We estimate that implementation of this division of funds would result in a shift of 1,258 slots from State governments to national sponsors. This would cause a number of program problems as slots--often representing people--are moved from sponsor-to-sponsor. I would like to point out however, that the SCSEP planning estimates for the next program year are not based on the 80/20 split. On the contrary, these estimates were prepared in accordance with the authorizing legislation, Title V of the Older Americans Act of 1978. This results in both State and national sponsors operating at a new slightly higher level and avoids any disruption of program participants. The planned division of slots and dollars between State and national sponsors is 24 percent for the State governments and 76 percent for the national organizations. This division incorporates the Older Americans Act requirement that growth funds be split on a 45/55 basis with the major share going to the States.

Question: Provide for the record a State-by-State breakout of jobs and funds for each of the national and State components of the Older Americans Act jobs program.

Answer: The charts indicating a sponsor-by-sponsor State breakout of jobs and dollars have been provided to the committee under separate cover.

NATIONAL PROGRAMS

Question: How does the Office of National Programs determine what locations are most in need of special programs for the various target groups?

SCSEP/SLOTS BY SPONSOR FOR PE[illegible] TERM JULY 1, 1980 - JUNE 30, 1981

	GREEN THUMB	NCBC	NRTA	NCOA	U.S.F.S.	NIC	ANPPM	NCBA	TOTAL NATIONAL	STATE GOV'TS.	TOTAL JOB SLOTS
NATIONAL TOTAL	14 052	9 044	6 897	4 812	3 128	848	534	481	41 795	10 453	52 250
REGION I											
Connecticut	30	390				71			491	136	627
Maine	34		93	186	8				263	69	332
Massachusetts	317	683	79			61			994	294	1 288
New Hampshire	66		135		36				227	(56*)	227
Rhode Island		75	143						218	56	274
Vermont	28			185	22				235	56	284
REGION II											
New Jersey	700	258		590		71			1 619	1502	1 619
New York	1 023	476	450	742		86			2 977	681	3 658
Puerto Rico	333		204		31				557	1 914	557
Virgin Islands										106	106
REGION III											
Delaware											
DCMSA	138	100	6							317	317
Maryland	63	477							240	56	296
Pennsylvania	375	519	238	597	81	54			591	169	708
Virginia	459		174	101	77	63			2 254	668	2 922
West Virginia	38	142		231	64				872	430	1 302
REGION IV									436	130	566
Alabama	196	619		69	53			54	941	(2181)	941
Florida	759	371	1 238	156	96		70	58	2 701	(604)	2 701
Georgia	224		951	91	81	60			847	186	1 033
Kentucky	353		140	164	67			72	796	197	993
Mississippi	84	185			130			58	457	144	633
North Carolina	159	523		88	318			86	1 074	291	1 365
South Carolina	161	115	101	50	56				484	147	631
Tennessee	269	340		93	96			83	981	350	1 331
REGION V											
Illinois	777	444	225		46	80	54		1 586	476	2 062
Indiana	651	520	67		54	63			1 136	254	1 390
Michigan	605	428	119		85				1 298	367	1 665
Minnesota	714	305			114	93			1 122	193	1 315
Ohio	519	445	492	305	17	83			1 307	545	1 852
Wisconsin	453	343			86	63			1 145	340	1 485
REGION VI											
Arkansas	606		159		76				841	147	988
Louisiana	207	118	119	84	68		43		653	194	847
New Mexico			84		103				187	57	244
Oklahoma	489		83		30		43		645	145	790
Texas	951	361	437	951	34		84		2 818	572	2 812
REGION VII											
Iowa	231	113	173						518	156	674
Kansas	430						108		538	(111)	538
Missouri	649	78	164	54	104				1 048	275	1 323
Nebraska	311		78		5				395	22 (65*)	417
REGION VIII											
Colorado	96	137	67		79				379	105	484
Montana	182		54		37				274	56	330
North Dakota	279		34		3				316	(56)	316
South Dakota	323		38		10				371	(56)	371
Utah	149				116				286	56	322
Wyoming	98		35		50				183	56	239
REGION IX											
Arizona	17			298	80				395	122	517
California	448	879	656	718	294		119		3 113	894	4 006
Guam										108	108
Hawaii										217	217
Nevada	36		110		36				167	56	223
REGION X											
Alaska										217	217
Idaho	33		44		101				183	56	239
Oregon	316		105	50	150				621	125	746
Washington	109	112	190		123				536	162	698
American Samoa Trust Territory										108	108
										108	108

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*) Numbers in brackets are non add and represent unfinished slots.

U.S. DEPARTMENT OF LABOR—EMPLOYMENT AND TRAINING ADMINISTRATION
OLDER WORKER PROGRAM
FY 1980 TOTALS

OWE 2/11/80

	OWEN Indian	NCUA	NCSC	NHTA/ AARP	FOREST SERVICE	NEW SPONSOR	STATE SHARE	TOTAL
ALABAMA	524,074	340,335	1,982,060	0	256,984	467,042	1,077,530	4,650,000
ALASKA	0	0	0	0	0	0	1,072,000	1,072,000
ARIZONA	85,540	1,474,091	0	0	395,311	0	604,098	2,559,000
ARKANSAS	2,996,980	0	0	788,503	375,190	0	725,327	4,886,000
CALIFORNIA	2,205,743	3,549,902	4,345,707	3,244,043	1,946,780	587,567	4,421,258	20,301,000
COLORADO	475,828	0	874,644	334,276	391,926	0	517,302	2,394,000
CONNECTICUT	140,794	0	1,928,172	0	9,196	349,320	473,518	2,099,000
DELAWARE	0	0	0	0	0	0	1,072,000	1,072,000
DIST OF COLUMBIA	682,825	0	495,441	29,898	0	0	278,836	1,487,000
FLORIDA	3,021,706	350,581	1,420,633	4,544,821	449,628	577,929	2,987,722	13,353,000
GEORGIA	1,109,638	448,433	0	1,990,793	400,158	235,564	1,238,426	5,403,000
GUAM	0	0	0	0	0	0	536,000	536,000
HAWAII	0	0	0	0	0	0	1,072,000	1,072,000
IDAHO	183,939	0	0	219,559	500,087	0	278,415	1,182,000
ILLINOIS	3,842,828	0	2,193,076	1,103,313	193,379	565,647	2,351,757	10,252,000
INDIANA	3,226,539	0	1,560,494	332,514	78,149	299,953	1,296,349	6,774,000
IOWA	1,141,864	0	998,778	856,263	0	0	773,084	3,330,000
KANSAS	1,722,569	0	0	0	0	335,638	599,793	2,658,000
KENTUCKY	1,743,978	809,975	0	690,657	331,011	354,716	973,663	4,904,000
LOUISIANA	1,021,371	413,301	571,210	587,301	334,869	299,971	998,977	4,189,000
MAINE	187,536	920,777	0	172,481	41,407	0	336,799	1,661,000
MARYLAND	309,443	0	2,356,429	0	0	0	833,128	3,499,000
MASSACHUSETTS	894,068	0	3,376,295	383,923	0	300,012	1,451,132	6,376,000
MICHIGAN	3,016,362	0	2,117,511	848,409	431,028	0	1,816,690	8,232,000
MINNESOTA	3,529,637	0	994,664	0	562,436	458,831	953,212	6,499,000
MISSISSIPPI	423,888	0	915,706	0	643,687	437,029	709,690	3,130,000
MISSOURI	3,204,948	268,422	385,020	810,246	511,947	0	1,359,797	6,540,000
MONTANA	900,143	0	0	269,015	182,792	0	279,050	1,631,000
NEBRASKA	1,214,771	0	0	389,998	25,284	0	431,345	2,061,000
NEVADA	188,538	0	0	544,903	170,144	0	278,415	1,182,000
NEW HAMPSHIRE	325,372	0	0	339,199	179,374	0	279,055	1,123,000
NEW JERSEY	3,461,883	1,278,079	1,275,322	0	0	349,266	1,640,270	8,004,000
NEW MEXICO	0	0	0	415,606	507,149	0	284,245	1,207,000
NEW YORK	5,059,494	3,669,381	3,344,462	2,223,534	0	423,235	4,355,894	19,076,000
NORTH CAROLINA	786,547	434,460	1,586,329	0	1,574,602	423,234	1,448,828	6,254,000
NORTH DAKOTA	1,099,006	0	0	168,777	14,942	0	278,275	1,561,000
OHIO	2,529,781	1,021,960	2,179,252	2,375,227	86,193	497,157	2,692,430	11,382,000
OKLAHOMA	2,420,069	0	0	404,948	99,995	299,983	834,003	4,059,000
OREGON	1,552,352	245,940	0	517,481	743,727	0	617,500	3,487,000
PENNSYLVANIA	4,820,245	1,963,620	2,585,418	1,128,924	301,113	349,700	3,302,980	14,448,000
PUERTO RICO	996,812	0	0	1,006,730	102,287	0	647,171	2,753,000
RHODE ISLAND	0	0	370,149	708,096	0	0	278,755	1,357,000
SOUTH CAROLINA	797,438	248,073	569,176	501,108	275,913	0	728,292	3,120,000
SOUTH DAKOTA	1,319,667	0	0	187,252	50,576	0	278,515	1,836,000
TENNESSEE	1,329,184	479,923	1,187,998	0	474,406	409,492	1,233,797	5,115,000
TEXAS	4,704,563	1,490,776	1,292,803	2,161,783	126,435	299,995	2,834,645	12,911,000
UTAH	139,121	0	0	0	577,394	0	276,435	1,541,000
VERMONT	130,489	915,208	0	0	111,459	0	278,754	1,404,000
VIRGIN ISLANDS	0	0	0	0	0	0	536,000	536,000
VIRGINIA	2,271,943	499,644	0	859,450	372,138	299,980	1,138,215	5,441,000
WASHINGTON	534,411	0	592,763	941,024	604,644	0	832,142	3,444,000
WEST VIRGINIA	144,591	1,139,872	700,930	0	315,943	0	545,614	2,947,000
WISCONSIN	3,227,535	0	1,646,122	0	427,378	300,021	1,197,944	6,841,000
WYOMING	486,364	0	0	172,331	244,870	0	278,415	1,182,000
AMERICAN SAMOA	0	0	0	0	0	0	536,000	536,000
PACIFIC ISLANDS	0	0	0	0	0	0	536,000	536,000
NATIONAL TOTAL	76,704,925	21,962,773	43,216,799	32,251,958	15,439,149	8,937,284	59,811,912	258,324,000

Answer: The Office of National Programs (ONP) has been charged with implementing and administering four major groups of programs:

o Employment and Training Programs for Indians and Other Native Americans (CETA Title II-D, III--Section 302, IV, VI, and VII).

o Employment and Training Programs for Migrant and Other Seasonally Employed Farmworkers (CETA Titles III--Section 303 and IV).

o Special National Programs and Activities under CETA Title III--Sections 301, 306, 308, and 314.

o The Senior Community Service Employment Program under Title V of the Older Americans Act.

In the case of the programs for Native Americans, the funds are apportioned for use on reservations and in other localities according to population-based formulae reflected in law and Federal regulations. The only exception to the formula approach is in connection with the Native American Private Sector Initiatives Program (NAPSIP) under CETA Title VII. NAPSIP grants are awarded to tribes and other groups through a competitive grant application process. In selecting these grantees, the Department does give consideration to statements of need expressed in the grant applications, but the most important selection criteria relate to assurances of cost-effective program design and operation.

With regard to programs for migrant and seasonal farmworkers, most of the funds (no less than 80 percent of each year's appropriation under CETA Section 303) are allocated for use within the several States according to a farmworker population-based formula set forth in the Department's regulations. The remaining funds (no more than 20 percent of the Section 303 appropriation) are allocated on a discretionary basis by the Department for a variety of special programs for farmworker, including demonstration programs, farmworker housing assistance programs, and technical assistance and evaluation activities designed to strengthen the general effectiveness of farmworker program operators. While many project funding decisions are made in a way that gives important consideration to the relative needs of farmworkers in various localities, it is more often the case that the key factors in the decision-making process go to assurances of effective program design and operation. ONP's farmworker programs also incldue the award of project grants to assist farmworker youth under CETA Title IV. These grants are awarded through a competitive grant application process. In selecting the grantees, the Department gives very serious consideration to statements of need appearing in the grant applications as well as to assurances of effective program design and operation.

In the case of Special National Programs and Activities under CETA Title III, it should be noted that while ONP administers a considerable nubmer of training and other employment-related projects that fall within this budget category, there are many projects and programs that are administered by other offices within ETA. The following discussion, then, is limited to those programs that are under ONP's jurisdiction, which now include:

o The Targeted Outreach Program, which is a major component in the Federal Government's effort to help minorities and women overcome artificial barriers to employment in the skilled construction trades and in other highly skilled occupations.

o The National On-the-Job Training Program (OJT), which provides disadvantaged people with training and employment opportunities in job markets more easily accessed at the national level. For the most part, National OJT projects are under the stewardship of organizations that have direct influence over the employment and training practices of major industries. These organizations include several national and international labor unions as well as national employer associations.

o Funding for the national headquarters of Community Based Organizations (e.g., the National Urban League, the Opportunities Industrialization Center (OIC) and SER), thus enabling them to conduct technical assistance and training activities intended to strengthen the service delivery capabilities of their many local affiliates.

o Promotion and Development Programs intended to foster new or improved working relationships between the network of Federal/State/local employment and training agencies and the labor movement, and other public and private entities that are in a position to further the purposes of CETA and kindred legislation.

o Programs for Persons with Limited English-Speaking Ability.

o Programs for the Handicapped.

o Programs for Displaced Homemakers.

o Programs for Middle-Aged and Older Workers.

o Programs for Offenders.

o Programs for Youth.

Despite the diverse nature of ONP's Special National Programs and Activities, it can be said in general that the identification of the localities most in need of these programs is largely based on information furnished by the program grantees and contractors. However, in choosing the localities where these programs are to operate, the primary consideration is usually given to the prospects for successful program outcomes. For example, in considering possible sites for a program to train and place bricklayers, serious attention will be paid to the demand for bricklayers in the localities being considered.

With respect to the Senior Community Service Employment Program, the funds are allocated for use within the several States according to a formula prescribed in the authorizing legislation. In addition, the allocation of resources to areas within each State is determined in accordance with procedures established in the law and explicated in Department of Labor regulations and guidelines. These procedures require joint planning by officials of State government and program operators to ensure that there is an equitable distribution of program resources within each State.

Question: Does the Office of National Programs intend to reassess the extent of usage of sole source procurement and awarding of grants?

Answer: The majority of program grants and contracts awarded by the Office of National Programs are indeed issued on a noncompetitive basis--and properly so. More specifically, Indian tribes and other Native American entities are entitled to receive CETA grants in the same way and under nearly the same conditions that State and local prime sponsors are entitled to receive CETA grants. Under the Senior Community Service Employment Program authorized by Title V of the Older Americans Act, the enabling legislation and the attending legislative history require the Department to implement the program through grants to States and to a clearly defined group of national-level organizations. We would like it noted, though, that when the Department received a congressional mandate to expand the number of national-level grantees under the Senior Community Service Employment Program, the three additional grantees were selected through a formal, competitive process.

ONP also renews several contracts and grants each year without competition by virtue of the requirement stated in CETA Section 301 that the Department continue funding for programs of demonstrated effectiveness. The criteria for determining whether a grant or contract may be renewed without competition by virtue of this statutory provision have been clearly explicated by the Department's Assistant Secretary for Administration and Management.

Other types of non-competitive awards are made by ONP only upon prior review and case-by-case approval by higher or independent authority. Approval is dependent on adequate justification that a non-competitive award is clearly in the public interest.

A brief examination of ONP's record will also show that competitive award procedures are extensively employed and used wherever practicable. For example, grants for employment and training programs for migrant and seasonal farmworkers are issued on a competitive basis. Grants to Indian tribes and other Native American entities under CETA Title VII are issued competitively--as contrasted to the non-competitive award of Title VII funds to State and local prime sponsors. When called upon to implement new programmatic initiatives, ONP's track record shows a clear preference for competitive award procedures. Recent examples include economic stimulus grants for Native Americans and farmworkers, grants for displaced homemaker programs, and grants for employment and training programs aimed at middle-aged and older workers.

OFFICE OF NATIONAL PROGRAMS

Question: Why has the Office of National Programs continued to award grants and contracts to national organizations without evaluating the past effectiveness of these organizations?

Answer: We are not aware of any instance where ONP issued a grant or contract where the grantee or contractor's past effectiveness had not been examined by responsible program officials. We would be most interested to learn of any cases where this actually happened so that corrective action could be taken.

Question: Why has the Office of National Programs continued to accept incomplete and untimely information from its grantees or contractors which is necessary to effectively monitor the programs?

Answer: Given the complexity of the reporting requirements that have been established for CETA grantees, some degree of delinquent and inaccurate reporting by the grantees is unavoidable. This is the case for all CETA programs and not just those administered by the Office of National Programs. Indeed, the problems experienced by the Office of National Programs in this area are not substantially greater than those experienced in connection with other programs. It should be pointed out, however, that the technical assistance that the Office of National Programs provides to its grantees has a heavy emphasis on improving the quality and timeliness of required reports.

Question: Is the Office of National Programs staffed sufficiently to allow for proper control and administration of its assigned responsibilities?

Answer: The Department believes that current staff resources are adequate to safeguard the basic integity of these programs. The Office of National Programs (ONP) currently has a staff ceiling of 98 and an on-board strength of 106. Of these 106 employees, approximately 70 are professional personnel who work primarily as "Federal Representatives" who are charged with the responsibility to monitor the operations of ONP grantees and contractors. Since there are nearly 500 different grantees and contractors that ONP is responsible for monitoring, the caseload for these Federal Representatives averages between 7 and 8 grantees and contractors each. Since ONP is based in Washington, D.C., it is also important to note that its grantees and contractors are located in literally every State and Territory of the Nation.

Question: What would be the advantage /disadvantage of making the Division of Contracting Services a separate office outside of the Office of National Programs, possibly within the Office of the Assistant Secretary for Administration and Management?

Answer: This matter has indeed been the subject of active debate within the Department for a number of years. The case that has been made for transferring the Division of Contracting Services (now the Office of Contracting Services) out of the Office of National Programs (ONP) has been founded on the premise that the current arrangement does not provide adequate separation between program responsibilities and procurement responsibilities. This issue has to do with the fact that the ONP Administrator has authority not only to design and develop employment and training programs but authority to execute the funding agreements that serve to implement these programs as well.

ONP, it should be noted, serves as the "contracting shop" for a number of other ETA National headquarters units. This function requires the ONP Administrator and the Deputy to perform as Contracting Officers not only in connection with ONP programs, but in connection with grants, contracts, and other funding offices as well. In this regard, ONP executes a considerable number of contracts on behalf of the Office of Youth Programs, the Office of Management Assistance, the Office of Comprehensive Employment Development, the Veterans Employment Service, the Bureau of Apprenticeship and Training, and the United States Employment Service. In addition, ONP's Office of Contracting Services

prepares contractual documents for signature by Contracting Officers located in other offices, including the Unemployment Insurance Service, the Job Corps, the National Commission on Employment Policy, and the National Occupational Information Coordinating Committee. Other supportive functions performed by ONP's Office of Contracting Services involve the provision of technical assistance to other ETA units on procurement-related matters, the close-out of expired grants and contracts, and assistance in the resolution of audit findings relative to expired grants and contracts.

Question: For Fiscal Years 1978, 1979, and 1980 can you provide the total dollars cited, by each Office of National Programs division, for the questioned costs, disallowed costs, and recovered costs for any contract or grant that has such costs?

Answer: Grants and contracts are generally audited within eighteen months after they have expired; however, in the past it frequently took a number of years to resolve these audits and recover any disallowed costs. In Fiscal Year 1980, in order to accelerate this process, the Department established a contract closeout task-force. This taskforce, which has responsibility for resolving audit reports and recovering disallowed costs, has already substantially reduced the backlog of unresolved audits.

Although the Department's data are not available in the precise format suggested, the following is provided as an indication of the relationship between amounts questioned, disallowed and collected. All disallowances were established in Fiscal Year 1980, but relate to audits conducted during the past several years.

Total Inventory of Questioned Costs	Amounts Questioned in 283 Resolved Audits	Amounts Disallowed in 283 Resolved Audits
$63,028,314	$11,775,255	$4,727,861

Due to the fact that the $4.7 million has only been recently established and that $1.1 million is still in appeal, cash recoveries currently total approximately $305,000. Negotiations are underway with all organizations holding outstanding debt claims for either cash or in-kind repayments.

Question: What were the major reasons for these cost violations? What is the Office of National Programs doing to ensure that these factors do not reoccur?

Answer: The major reasons for questioned costs in audits of Office of National Programs grants and contracts have been insufficient documentation, improper allocation of administrative costs, unallowable contract costs, improper contracting and procurement, overexpenditure of budget and ineligible participants. In order to help alleviate these problems and to ensure better management under its grants and contracts the Office of National Programs has mounted a major effort to provide financial management technical assistance and training to its grantees and contractors. In Fiscal Year 1981, for example, this effort will result in direct onsite technical assistance by qualified certified public accountants to 75 migrant and seasonal farmworker grantees and workshops for all migrant and seasonal farmworkers grantees. In addition, as a part of this effort all 195 Native American CETA grantees will receive on-site technical assistance during Fiscal Year 1981.

Question: What steps has the Office of National Programs taken to ensure that funds for the training of migrant and seasonal farmworkers reach American citizens only and not illegal aliens?

Answer: Section 132(e) of the CETA Act requires CETA (Farmworker) Title III, Section 303 grantees to offer services to all U.S. citizens and nationals, lawfully admitted permanent resident aliens, and lawfully admitted refugees and parolees who also fit the definition of seasonal farmworkers. Section 121(p) of the Act states that grantees shall not knowingly serve aliens who have not been admitted lawfully to this country.

In order to comply with both sections, all Section 303 grantees do extensive advertising of their programs and recruitment in areas with large concentrations of seasonal farmworkers. Once recruitment is accomplished, the grantees put all applicants through an intake process which includes a determination of the applicants citizenship status. The grantees ask the applicants if they are U.S. citizens; if the applicants answer affirmatively and give a social security number, the grantees are not required to take further action at this time. If the applicants say they are not citizens, they must produce documents showing their alien status.

To follow up on the initial intake process, and in accordance with Section 676.75-3(b)(3) of the CETA regulations, the grantees must do a sample verification of about 10 percent of all participants enrolled during the preceding three months of the program. At this point the grantees require individuals included in the sample to produce proof of eligibility. If participants do not have the appropriate documents, grantees are required to contact other sources for confirmation of the participant's status.

Beyond these precautions, all grantees have a responsibility for investigating suspicious circumstances immediately. For example, recently a Section 303 grantee noted that the serial numbers on certain alien registration cards did not agree with the numbered series issued by the Immigration and Naturalization Service (INS). Telephone calls to INS and further investigation established that more than one hundred participants were carrying counterfeit registration cards. The grantee terminated all offenders and made a full report to Office of Farmworker Programs. As a result of this incident, Section 303 grantees have redoubled their efforts to screen out ineligible applicants.

Question: For various reasons, (often lack of travel funds), the Office of National Programs Federal Representatives often have been unable to perform on-site monitoring. The representatives consequently have to rely on reports from contractors and grantees which are often late and sometimes incomplete as the basis for their monitoring. Does the Office of National Programs plan to increase on-site monitoring of contractors and grantees? If not, why?

Answer: The Office of National Programs (ONP) currently has a staff ceiling of 98 and an on-board strength of 106. Of these 106 employees, about 70 are professional personnel who work primarily as Federal Representatives. Since there are nearly 500 different grantees and contractors that ONP is responsible for monitoring, the caseload for these Federal Representatives averages between 7 and 8 grantees and contractors each. Since ONP is a Washington, D.C.,

based organization, it is also important to note that its grantees and contractors are located in literally every State and Territory of the Nation.

Given these constraints, it is not possible to assure that there will be an increase in the onsite monitoring activities.

CETA STAFF RETRAINING

Question: Are CETA staff trained to review administrative and management procedures?

Answer: The preponderance of the training offered to Prime Sponsor staff via the ten ETA Regional Training Centers is on administrative and management procedures.

Question: How much training do they have?

Answer: The following is a summary of administrative and management training provided to Prime Sponsor staff mainly via the ETA Regional Training Centers and by other organizations (Public Interest Groups and Community Based Organizations) funded by ETA.

Functional Area	Number of Grantee Staff Trained	Number of Trainee Days
1. Program Management and Legislative Briefings	3,508	10,524
2. Financial Management	1,660	4,980
3. Grant and Subgrant Management	1,353	4,059
4. Monitoring, Compliance and Evaluation	1,124	3,372
5. Management Information Systems and Reporting Procedures	2,469	7,407
6. Generic Management	9,907	29,721

Question: Has this been adequate in the past?

Answer: No. The need for staff training is enormous due to three factors:

- Approximately 50,000 Prime Sponsor staff are spread over 473 State and local jurisdictions.
- Turnover in key areas such as financial management ranges from 25 percent to 60 percent. Thus the need for training new staff is continuous.
- Frequent changes in programs and funding levels create new training needs.

Question: Why haven't more efforts been put into training?

Answer: With the establishment of the Office of Management Assistance in October 1979, a major effort was mounted to revitalize the training function. The National and Regional Offices have been reorganized and a task force has developed the detailed plan contained in the attached MATS: Blueprint for Action. The Blueprint calls for a system in which Prime Sponsors participate in the development of a series of core courses to boost staff competencies. These courses will be delivered on a decentralized basis via State and Local Training Centers.

UNRESOLVED AUDITS

Question: The Supplemental Appropriations Act for 1980 requires that pending unresolved audit findings be resolved by September 30, 1981. At that time about $284 million in Labor Department audit findings were in question. What action has been taken to resolve these findings? Will the September 30 target be met?

Answer: The Employment and Training Administration (ETA) has taken decisive action to make audit resolution a high priority objective. Performance standards pertaining to this problem have been made a part of almost every Regional and National office manager with any responsibility for audit resolution. Additionally, ETA has established a Task Force to deal exclusively with the National office backlog.

With respect to the September 30, 1981, target, ETA will make every effort to accomplish this important objective.

Question: What criteria are being used to resolve the audits?

Answer: The criteria being followed in audit resolution are primarily those found in the Code of Federal Regulations, specifically Titles 4, 20, 29 and 41.

Question: When are questioned costs removed from control records?

Answer: The questioned costs are removed from control records when a grant officer issues a final determination allowing or disallowing all questioned costs.

Question: What is the cumulative amount of debt collection compared to questioned costs for the last three years?

Answer: This data is being gathered and will be available when completed.

Question: Why are disallowed costs significantly less than questioned costs?

Answer: Questioned costs represent the opinion of the auditors regarding their findings as to whether certain costs are in possible violation of applicable statutes and regulations or are not properly supported by documentation. In the process of resolving the questioned costs, grantees often locate missing source documentation or it may be determined that the auditors misinterpreted the regulations. This results in allowing some costs that were questioned.

More specifically, grantees are often unaware of what is involved in preparing for audits. Therefore, when audits are conducted, many grantees' records are incomplete and/or unavailable which result in the auditors questioning costs which may be allowable. However, the audit resolution process allows grantees the opportunity to respond to questioned costs in an effort to justify the amount questioned as allowable expenses. In responding to the audit report and the questioned costs therein, grantees usually update their records or locate missing source documentation which provides justification for allowing some of the questioned costs as proper expenses.

Additionally, large dollar amounts of costs are sometimes questioned in areas where the only requirement for resolution may be an accounting adjustment. Costs questioned as misclassified can be corrected very easily. These and other factors lead to the relatively large gap experienced between amounts questioned and amounts disallowed.

DOWNRIVER MICHIGAN REPROGRAMMING

Question: Last December, the Appropriations Committees approved a $3,825,000 reprogramming to begin a pilot project in Michigan to retrain and relocate laid-off workers. What is the status of this project?

Answer: The Employment and Training Administration provided $1,200,000 of CETA Title III Special National Programs and Activities funding, in combination with $520,000 contributed by the Wayne County Michigan prime sponsor from its Title II B, C grant, in August 1980 to initially address the problem of two plant closings in the Downriver area.

Of the 1,800 workers from two shutdown plants who were initially eligible for the pilot program in Downriver, 510 had enrolled in reemployment services by January 1, 1981. Of those enrolled, 197 are participating in the job search club, 157 are taking classroom training, and 106 have entered employment. Enrollment from the additional targeted plants in the Downriver area, to be funded from the $3,825,000 reprogramming, will commence in April 1981.

Question: Is funding being limited to just this one project, rather than a series of others as originally requested?

Answer: Yes. The series of positive adjustment assistance demonstration projects has been suspended pending review by the new administration. All planning and design work have been stopped.

Question: Since the Committee denied funding for the research aspects of this project, has this component indeed been deleted?

Answer: Yes. Research work has been suspended pending review by the new administration.

CETA INDIAN FUNDING

Question: There are six specific earmarks in the CETA legislation guaranteeing certain percentages of virtually every major CETA program for Native American grantees. For Fiscal Year 1981, this amounted to grants totalling $173 million that were not specifically subject to the appropriations process. These totals do not count whatever additional grants might have been awarded by CETA prime sponsors or through discretionary funds available to the Secretary. Is it a good idea to guarantee certain percentage levels of funding, regardless of the quality of grant applications?

Answer: It is our experience that setting funding levels for Native American programs under CETA according to statutory earmarks has proven to be a judicious way for allocating CETA resources to serve Indians and Native Americans. This process is similar to the process followed in awarding funds to State and local CETA prime sponsors; it allows for continuity in the delivery of services; and it ensures that Native Americans are treated equitably under CETA.

As far as the quality of applications is concerned, we would like the Committee to be aware that the Department has developed a rigorous process to ensure that the applications on which grants are based measure up to a high standard. On March 1 of each year, parties interested in applying for Native American CETA grants are required to file an application with the Department's Office of Indian and Native American Programs (OINAP) in Washington, D.C., in accordance with the provisions of the CETA regulations. An extensive amount of information is required to be filed, so that OINAP staff can determine applicants' suitability to be grantees. If an applicant does not have an existing grant, an OINAP Federal Representative visits the applicant's office to interview prospective top staff and determine if the applicant appears to have the staff, facilities and capabilities to carry out an effective program. Where an applicant has an existing grant with OINAP, no site visit is necessary. The application package is examined to determine the applicant's previous experience in managing employment and training type programs, the competency of its staff, its location vis-a-vis the area it is to serve, the support it has from Native American organizations and other similar items. Native American applicants are always given preference over other applicants, if it can be determined that the Native American applicant has the competency to effectively administer the program. A small number of non-Native American organizations are designated. It is very rare that an Indian reservation is not designated to serve its residents. Almost all current grantees apply to be grantees in the next year and they are usually redesignated, barring evidence of poor operations or strong, substantiated complaints of poor performance. In exercising its judgement in selecting grantees, the Department relies heavily on the recommendations of its staff working with Indian and Native American Programs.

Once an applicant is selected to serve as a CETA Native American grantee, its application is subject to careful review by OINAP staff to ensure that it conforms with the governing regulations, the authorizing legislation, and meets the standards set by OINAP staff.

Based on this review, each designated grantee is given technical advice on the quality of its proposal and requested to revise any sections that do not conform with the requirements set forth by the Department or the Congress. No grant is awarded before it has been subjected to this review process.

STATUS OF INDEPENDENT MONITORING UNITS

Question: The 1978 Amendments require that each prime sponsor establish an Independent Monitoring Unit (IMU) to monitor CETA programs operated under the sponsor's jurisdiction. What has the Department done to assure that these IMUs (1) are adequately staffed and trained, and (2) are independent, and (3) are objective in their monitoring practices and methods?

Answer: (1) The Department of Labor/ETA Regional offices placed major emphasis in FY 1979-1980 regarding the organization, responsibilities, operational procedures of the IMU. Training was provided by National and Regional office staffs and was completed in early 1980. 472 prime sponsors (or 100 percent) had operational IMUs by October 1, 1980; (2) the Monitoring Units are independent. The IMU director reports to the Chief Elected Official, the CETA director, or a person high enough to ensure appropriate action on findings and recommendations; and (3) in the FY 1980 Formal Performance Assessment (FPA) a thorough review of the IMU monitoring reports and follow up action was conducted by the FPA team.

The FPA deals largely with whether the prime sponsor is in compliance with the requirements of the regulations, and with its Master Plan. In addition to ensuring such compliance, the Secretary has the responsibility to annually assess the effectiveness of the IMU. (676.76)

After completing the assessment, the team determined whether there were any major compliance deficiencies noted elsewhere in the assessment which the IMU had not identified and/or had not made recommendations for corrective action. Taking into consideration the nature of such compliance violations and the schedule of the IMU, the team discussed any deficiencies in the organization, staffing or training of the IMU or in the scope, objectively or frequently of its monitoring activities which results in the failure of the IMU to identify these compliance violations.

SCOPE OF MONITORING

Independent Monitoring Units are required to review subcontracts which are $50,000 in size or larger and 20 percent of those under $50,000.

Note: The statement that IMU's are required to review 20 percent of the subcontracts which are under $50,000 is not in line with Field Memorandum 8-80 (dated October 10, 1979). Interpreting section 676.75-2 of the Rules and Regulations, FM 8-80 states:

"All prime sponsor functions and activities, except subrecipients will be monitored at least once during the grant year. Subrecipients and contractors shall also be monitored at least once a year where administratively feasible. Otherwise, each subrecipient providing activities or services funded at a level of $50,000 or more during the grant year shall be monitored at least once and subrecipients providing activities and services under $50,000 per grant year shall be monitored on a sample basis. The sample selected should be at least 20 percent of the total dollars involved in all such contract agreements."

Question: Have IMUs had adequate resources to meet this standard?

Answer: Since the implementation of the CETA reauthorization, many issues involving the management of the administrative cost pool have been raised. Some of these issues are IMU's audits, training, LMI and client tracking.

A review of the current operations of the administrative cost pool and the possible development of new procedures for handling administrative costs has been under study by National, Regional office and prime sponsor staffs. If upon completion of these two studies and the recommendations of the Department are accepted, adequate resources should be available for IMU's to meet the standard.

Question: If not, should the standard be changed?

Answer: Any change to the standard would need to be considered along with other proposals by the new Secretary and his staff.

Question: How are the Federal Representatives using the results of the IMU audits?

Answer: The Federal Representative (FR) is encouraged to use the IMU chief as a point of contact on each visit to the prime sponsor. The contact serves two purposes: one, it adds support to the IMUs operations and the implementation of IMU's corrective actions; and two, the IMU contact serves as an information source on problem areas which need the FR's attention.

Question: Has the establishment of IMUs made the Federal Representative's job easier in regard to evaluating the adequacy of prime sponsors internal controls and grant performance?

Answer: The IMU assists the Federal Representative by reviewing PS and sub-grantees activities which due to the excessive workload a FR would have difficulty monitoring. As serious problems are discovered the FR and prime sponsor staff person or IMU staff can then concentrate on problem areas.

Question: Why hasn't Labor provided information on priority areas of audit concern to the prime sponsor independent monitoring units?

Answer: The Department agrees that it is not only useful but necessary to provide information of priority areas of audit concern to the prime sponsor IMU's. The Department is in the process of developing a system to identify problem areas and will forward this information to the primes immediately upon completion.

STATUS OF INDEPENDENT MONITORING UNITS

Question: How have the new requirements resulting from the 1978 CETA amendments affected charges to the programs administrative cost?

Answer: The new requirements resulting from the 1978 CETA amendments have affected charges to the programs administrative cost. Added administrative costs are necessary to comply with the statutory requirements such as client tracking, LMI, training, audits and IMU's.

Question: Have primes been able to remain within administrative cost limitations?

Answer: Prime sponsors have to, by law, remain within administrative cost limitations.

Question: Is the administrative cost ceiling realistic?

Answer: The cost ceiling is severely strained.

Question: Should administrative costs for the independent monitoring unit be included in the prime's administrative cost pool or should there be a separate outlay for this?

Answer: Until the review of current operations of the administrative cost pool, and the possible development of new procedures for handling administrative costs has been completed, the IMU administrative costs should be included in the prime's administrative cost pool.

CETA FEDERAL REPRESENTATIVES

Question: The CETA Federal Representatives are responsible for monitoring prime sponsor activities. How many prime sponsors is a CETA Federal Representative responsible for?

Answer: The CETA Federal Representative is responsible for an average of two prime sponsors and 16.7 grants.

Question: What is the average amount of money which the Federal Representative oversees?

Answer: Approximately $24.2 million.

Question: Besides reviewing administrative and management responsibilities of primes, what other duties do Federal Representatives fulfill?

Answer: CETA Federal Representatives are responsible for processing grants and modifications on a timely basis. The Federal Representative ensures that grants and modifications are prepared to meet statutory requirements and are also consistent with the needs of the prime sponsor's area. The grants management process also includes grant closeout activities. This area of responsibility requires more of the Federal Representative's time than any other activity.

Federal Representatives also provide operational program assistance, which is defined as short-term, operationally-oriented assistance and can take a variety of forms, such as onsite assistance or telephone assistance. For example, operational assistance often involves the interpretation of regulations and policies. The Federal Representative has the responsibility for identifying the nature of the operational problem, its probable cause, and making judgements regarding the appropriate source of assistance for the prime sponsor.

In addition, Federal Representatives carry out Federal oversight activities which ensure that prime sponsor operations comply with the CETA Act, regulations, and other requirements. Onsite reviews, including routine monitoring and the annual performance assessment, are necessary for each grant. Federal Representatives also may assist in investigating complaints and other allegations.

Finally, a Federal Representative spends time on various administrative activities such as answering correspondence, preparing management reports, and attending and arranging meetings and conferences to promote coordination and linkages between prime sponsors and related groups.

Question: Can Federal Representatives fulfill these other responsibilities adequately, given the depth of review needed?

Answer: While the complexity and number of CETA grants create problems of adequate coverage, the Federal Representatives are generally meeting the basic responsibilities.

RESEARCH, EVALUATION AND CONTRACTS

Question: For each of Fiscal Years 1980, 1981 and 1982, list the amounts for research and evaluation under all titles of CETA.

Answer: The following are the amounts under CETA for (a) research and development and (b) evaluation, for each of the three years, with a breakdown by source of funds. (Data for FY 1982 are those projected by the prior Administration's budget request.)

(a) Research and Development

	Fiscal Year ($ in millions)		
	1980	1981	1982
Total	$116.4	$83.0	$80.6
Research and Development	13.0	13.0	17.6
Title III: Special National Programs and Activities Account (SNPA)	11.8	3.9	0
Welfare Reform	23.0	Not Determined	Not Determined
Title IV: Youth Programs	66.1	66.1	63.0
Title VI: Countercyclical Public Service Employment Program	2.5		

(b) Evaluation

	Fiscal Year ($ in millions)		
	1980	1981	1982
Total	$10.8	$10.0	$11.0
Evaluation	8.3	8.3	10.3
Title III: Special National Programs and Activities Account (SNPA)	1.0	.4	0
Title IV: Youth Programs	1.5	1.3	.7

Question: How much do Prime Sponsors spend for research and evaluation?

Answer: No federal allocations are made to the Prime Sponsors expressly for research or evaluation, but they may conduct such work within the program grants under the various CETA titles.

There is no formal reporting or study of such Prime Sponsor expenditures against specific criteria for what constitutes "research and evaluation". Estimates depend very much on the definitions used for research and evaluation. The sponsors rarely develop a separate budget for such work.

If we exclude from a definition of evaluation the costs of monitoring, performance reviews, and management information system activities, then sponsor expenditures for evaluation and formal research are generally quite limited or nonexistent. From our efforts to identify significant sponsor formal research or evaluation activities, we estimate that sponsor expenditures for them are substantially less than one-tenth of 1 percent of their total budget.

Question: What is your overall plan for research and demonstration activities in fiscal 1982?

Answer: Overall research efforts will continue to address the high priority policy and program issues developed by the Department and ETA. Issues of specific Departmental concern include the improving unemployment/inflation tradeoff, increasing productivity growth and improving program management throughout the employment and training system. Additional research initiatives will focus on the operational aspects of employment and training programs, the problems of special target groups, and major social issues and trends affecting the labor force. If funds are available, one to two medium scale demonstrations would be undertaken in support of high priority Administration employment concerns.

Question: Give some specific examples of research conducted through various organizations outside the Employment and Training Administration.

Answer: The Office of Research and Development (ORD) of the Office of Policy, Evaluation and Research (OPER), Employment and Training Administration (ETA), has overall responsibility for conducting a research, experimental and demonstration program in support of ETA's component agencies. These agencies include the Office of Comprehensive Employment Development (OCED), the U.S. Employment Service (USES), the Bureau of Apprenticeship and Training (BAT), and the Office of Youth Programs (OYP).

Annual R&D program plans are developed around a series of broad goals and objectives established for the Department by the Secretary and the Assistant Secretary for Employment and Training and the specific areas of research responsibility defined by the Comprehensive Employment and Training Act (CETA).

The R&D program has two major objectives: (1) To help improve the effectiveness of programs for the development and use of human resources; and (2) to strengthen the bases of knowledge of the demand

for labor, the supply of labor, and the operation of labor markets. In its attempts to satisfy these major objectives, ORD also pursued two related goals: (1) To develop innovative or improved R&D techniques, including those for promoting the use of R&D findings; and (2) to promote and nurture the development of professional research competence in the field of employment and training.

Support for research and development projects is not limited to particular types of organizations. Academic institutions, State and local government units, community, private, and other organizations and individuals with research or experimental and demonstration capabilities in the employment and training area may apply for project funding.

The following is a selected list of major research initiatives which have been undertaken for ORD. For more details on these and other undertakings of our office, one may consult our annual yearbook, Research and Development Projects, and the "Employment and Training Evaluation Report" contained in the 1980 Employment and Training Report of the President.

National Longitudinal Surveys of Labor Market Experience (NLS)
(Ohio State University)

The National Longitudinal Surveys (NLS), initiated in 1966, provide crucial employment and related information on four samples of 5,000 persons each, representing subsets of the population at critical transition stages of working life: young men and young women (ages 14-24) entering the labor force; women, 30-44, who are likely to be returning to the labor force; and men, 45-59, in their pre-retirement and retirement years. In 1979, a new cohort was added to the NLS: over 12,000 youth, ages 14-21, with overrepresentation of blacks, Hispanics and poor whites. The NLS, which collects information from the same group of people over an extended period of time, provides information on the process of change, has predictive value, and is effective in pinpointing when and how employment related problems arise. The NLS data set and research have frequently been used for answering policy related questions. The surveys are directed by the Ohio State University's Center for Human Resource Research, with the field work for the original cohorts conducted by the Bureau of the Census.

The field work for the new youth cohort is conducted by the National Opinion Research Center.

To date, several hundred research and policy articles related to employment and training issues have been published based on the NLS data set. Following are some examples of findings from the NLS research:

Older Men. Most retired men are satisfied with their retirement decision: they feel they made the right choice and would do so again if the opportunity arose. Contrary to popular opinion, only a small minority of men are forced out of their jobs by mandatory retirement policies. Most men who retire early do so because of poor health.

From the mid-1960's to the mid-1970's the hourly earnings of black men relative to whites increased substantially. However, a weakened economy slowed down the rate of improvement.

Women. For women, employment outside the home is increasingly obligatory. An estimated 50 percent more families would be in poverty if women did not work. Substantial proportions of women are at least transitionally in a position where they are heads of households which include children. Most young women now plan a lifetime of work, yet a disproportionate number still limit their occupational choices to traditional lower-paying "women's jobs."

Youth. NLS data show higher overall rates of youth labor force participation, unemployment, and employment to population ratios than the Current Population Survey (CPS). NLS/CPS differences may be partly attributed to the fact that the NLS interviews are with the youth themselves, whereas the CPS interviews are with any available adult in the household. The NLS data also show that many unemployed youth would be willing to accept jobs at or below the prevailing minimum wage.

A large proportion of youth unemployment reflects an adjustment to the world of work. For the most part, only that small proportion of youth who are unemployed for an extensive period of time suffer long-term economic and psychological difficulties.

Government Records and Illegal Immigrants: Their Participation in the Labor Market and Social Service Programs (New TransCentury Foundation)

This ongoing project examines government files recording the labor market, tax, and unemployment insurance behavior of 580 illegal aliens apprehended in 1975. Among the preliminary findings are that most of these persons, including 77 percent of the California group of 192, returned to jobs in the U.S. after their apprehension, many working in the U.S. in 1979. Further, almost 50 percent sought unemployment insurance and 35 percent received it. Immigration and Naturalization Service data indicate that about 90 percent of these aliens were still in illegal status in 1980.

Analysis of the Earnings, Employment and Impact of Immigrants to the U.S. (University of Illinois)

Using 1970 census data, the researcher analyzed the earnings, employment, and labor force participation of the foreign-born and their native-born children. Separate analyses were undertaken for men and for women and for race/ethnic groups. The study showed that after 11-15 years in the U.S., the earnings of most male immigrants equal those of the U.S. native born of the same race/ethnic group and of the same ages and level of schooling. In subsequent years, the immigrants have higher earnings. Also, the native born sons and daughters of immigrants earn 5 percent to 10 percent more than the sons and daughters of their native counterparts.

Job Search Training (JST) and Its Impact on Youth Job Seekers (Olympus Research Centers)

This national study examined a rapidly growing strategy for clients in CETA, WIN, ES and Youth programs who are trained, in groups, to acquire skills in getting their own jobs. Preliminary

findings suggest that this is a very robust, low cost, high return type of intervention. However, more experimentation with different models, content, time and participant mixes is clearly indicated. Moreover, program operators need technical assistance, a clearing-house for program materials and institutional support.

Employment Services to Disabled Veterans (Human Resource Research Organization--HumRRO)

The objectives of this study are to determine the current employment needs and problems of disabled Vietnam-era veterans, to assess how well certain national employment efforts are meeting the needs of disabled veterans and restrictions upon the operation of these programs, and to recommend needed changes in national employment programs serving disabled veterans.

The study design includes a survey of a random sample (10,000) of service-disabled Vietnam-era veterans. In addition, an assessment is being made of two specific employment programs focusing on disabled veterans: the Disabled Veterans Outreach Program administered by the U.S. Employment Service and the Urban Leagure Disabled Veterans program.

Research Monograph on Local Occupational Forecasting (Columbia University)

This research project, now ready for distribution to local government officials, is aimed at informing local officials on occuptional forecasting techniques, and helping protect them from unnecessary expenditures. Over the past several years, econometric models have been developed for use in projecting local occupational needs. State and local officials have been approached by private consulting firms offering to develop sophisticated econometric models for their local areas. This monograph describes for local officials the costs and benefits of such models over available BLS occupational projections, and suggests guidelines for when and if such local models should be developed. This research should, over the next several years, help local governments save money that would have been spent on unnecessary forecasting projects.

The National Supported Work Demonstration (Manpower Research Demonstration Corporation)

The national Supported Work demonstration was designed to test whether the direct provision of work to groups of people who had not been able to get or keep jobs would help them make the transition to regular employment. The demonstration was started in 15 locations across the country. It was a work program rather than a training program and concentrated on four population groups: women who had received welfare payments for a long time and had no children under 6 years of age; former drug-addicts who had recently been in drug treatment programs; former offenders who had recently been released from prison; and young school drop-outs, many of whom had histories of delinquency. It provided individuals with employment for a limited time--up to 12 or 18 months--after which they had to leave, whether or not they had found jobs elsewhere.

While they were in the program, participants earned relatively low wages but were given an opportunity to increase their earnings through bonuses and promotions for good performance and attendance. Standards for performance and attendance gradually increased over time until they resembled those of regular jobs. Support was provided through work assignments in crews of peers and through close supervision by technically qualified people who understood the work histories and personal backgrounds of the crew members and who enforced the standards of attendance and performance. Supported Work programs were operated by nonprofit organizations established specifically for that purpose. They obtained funding through the demonstration but also had to generate local revenues, which typically came from local CETA agencies, welfare diversion payments, and from the sale of goods and services produced by supported workers.

To help answer a number of questions about the effectiveness of Supported Work, researchers from Mathematica Policy Research (MPR) and its subcontractor, the Institute for Research on Poverty at the University of Wisconsin, designed an extensive evaluation. Between April 1975 and July 1977, eligible applicants in 10 sites were randomly chosen for participation in Supported Work and were randomly assigned either to an "experimental" group (in which case they were offered the opportunity to get a Supported Work job) or to a control group (in which case they were not). All those who went through this random assignment process were administered a detailed interview by MPR staff at the time the assignment took place and subsequently at 9-month intervals. Interviewing ended in March 1979, when the earliest sample enrollees had been assigned four follow-up interviews covering 36 months (this group was called the 36-month cohort). The latest sample enrollees had two follow-up interviews covering 18 months (the 18-month cohort). For the intermediate group, there was 27 months of follow-up data.

The program has proved most effective in preparing for employment a substantial number of women who have been on welfare (AFDC) for many years. This is important in view of the large number of women in this category and their dependence on public assistance.

The program also has had an impact on a significant segment of the ex-addict population, who did better in getting jobs and in earnings than members of a control group who were not in the program. In addition, the ex-addicts in the program were less likely to commit drug-related and other crimes than those who were not.

The program had a marginal impact on ex-offenders, who did not show less criminal behavior, and whose rate of employment and earnings was only slightly better than those of ex-offenders who did not participate.

The program did not yield long-term positive results for the youth group.

A Follow-Up Study of Recipients of Federal Supplemental Benefits
(Mathematica Policy Research)

During every major recession since the late 1950's, Congress has extended the eligibility duration for Unemployment Insurance (UI) benefits. Most recently, during the 1974-75 recession, the Federal Supplemental Benefits (FSB) program extended the maximum weeks of benefits from 39 to 65.

This research project by Mathematica Policy Research (MPR) evaluated the overall performance of the FSB program. It concluded that the desirability of programs like FSB is questionable. Emergency extensions satisfy a number of needs that existing policies may not meet. For example, they provide increased unemployment protection to workers, and temporarily maintain the income of those individuals who have exhausted their regular UI and extended benefits (EB) entitlements. But such extensions are inevitably costly because benefits are typically extended in an all-inclusive "shotgun" fashion and may provide substantial work disincentives. The regular EB program may be sufficient to keep UI exhaustion rates from rising during mild recessions. During 1974-75, the FSB program actually reduced exhaustion rates below their pre-recession levels. It appears then, that with the exception of severe recessions, emergency extensions of the FSB-type should be used but sparingly. Existing regular UI and benefits payable under the permanent extended benefits program should remain the primary means for meeting the needs of the unemployed.

The Effects of Department of Labor Programs on Productivity (Mathematica Policy Research)

The ultimate objective of the project is to define a research strategy that would enable the Department of Labor to identify how its programs affect productivity trends at the industry and firm levels. This study will suggest how potential modifications of programs and policies might increase productivity gains where that is an explicit objective. For other programs and policies, the research would be able to suggest how potential modifications might mitigate productivity losses with no corresponding sacrifice to their main objectives. Within the next couple of months this research project will produce a policy paper that will (1) evaluate and describe what can be learned about DOL program impacts on productivity from previous studies, (2) develop a microeconomic framework through which we can hypothesis and categorize specific impacts, (3) define specific hypotheses which lend themselves to empirical investigation, and (4) derive and summarize any current empirical evidence on these hypotheses.

An Institutional Analysis of the WIN Program (The Urban Institute)

The Urban Institute conducted an organizational study entitled "An Institutional Analysis of the Work Incentive Program: Implementing Welfare Employment Programs," which examined the organizational and environmental factors influencing WIN Program performance at the State and local level. After controlling for client characteristics and labor market factors over which program operators have no control, the study compared the organizational, managerial and service delivery characteristics of high and low performing WIN programs, the objectives was to learn what differentiates high performing WIN programs from low performers and then to translate those systematic differences into specific prescriptions for improving the performance of low performers. Specific changes recommended for low performers included: developing improved evaluative, analytic, and monitoring capabilities in the State Central office, better dissemination of program goal information and the measured factors in the WIN allocation formula, expanded training activities-especially on management functions, reporting system operation and planning, improved Separate Administrative Unit/ Employment and Training (SAU-E&R) sponsor coordination and a new emphasis on certain service delivery approaches. As a result, the WIN program has begun a pilot performance improvement program which

addresses the needs of low performing WIN programs and is developing new monitoring and technical assistance procedures. Changes are also being considered in the performance based WIN allocation formula.

Links to the Private Sector (The Conference Board)

A Conference Board study of nine CETA prime sponsors found that particular strategies utilized by prime sponsors to link CETA programs and the business community did make a difference in the extent to which private employers participated in hiring, training, and planning programs. Other findings were as follows: (1) greater subsidies or tax incentives were the primary recommendation of employers for increasing business participation, with smaller employers favoring the subsidy approach and larger employers desiring tax incentives; (2) employers with on-the-job training (OJT) contracts reported that their major reasons for CETA participation were labor shortages and assistance in job placement of OJT graduates, while equal employment goals and feelings of community responsibility were less important factors in business participation; (3) employer concerns focused on paper work and the need to acquire additional training facilities and personnel; (4) prime sponsors differed in their access to employers because of variations in sensitivity to employer needs, innovativeness in training and job development, and linkages with local business organizations; (5) larger businesses, with 500 or more employees, were markedly under-represented among CETA OJT employers; and (6) nonwhites and the economically disadvantaged were not as well represented in OJT as in other title I components.

CETA and Economic Development Program Coordination: A Practical Guide for Local Officials and Administrators (National Council on Urban Economic Development)

There appear to be substantial differences in the problems and opportunities faced in merging CETA and economic development investments in urban versus rural areas. These differences stem from differing population densities and give rise to differences in the amount and quality of technical and financial resources available.

This study is examining the extent of cooperation between the CETA and economic development agencies in urban areas, the mechanisms that have been used to bring about linkages, and the economic development "packages" that have resulted from cooperative planning. The project discovered, through a telephone survey, that 59 percent of the 80 major cities contacted had some form of linkage ranging from separate but cooperative to completely integrated departments of economic development and employment.

Preliminary findings show that there are some barriers impeding linkages, but that the barriers can almost certainly be overcome by issuance of a clear national policy, provision of quality technical assistance and training at the local level, and by revision of regulatory constraints.

Rural Job Creation--A Study of CETA Linkage with Economic Development (CSR, Inc.)

In order to provide CETA program operators with a better understanding of the problems and opportunities of investing CETA resources with economic development resources, this study examined 20 ongoing

local efforts. In the 20 programs examined, 7,000 private sector and private nonprofit jobs had been created at modest cost to the CETA sponsors. The study identified four approaches to local economic development through CETA, with each model having a characteristic approach to establishing agency linkages, such as involving the private sector, creating roles for community leaders, locating sources of venture capital, and resolving problems related to implementation.

The study showed that prime sponsors find it difficult to carry out successful economic development programs based solely on CETA resources. Instead, effective coordination among a number of agenices with different funding sources is essential.

The project produced a guidebook outlining step-by-step procedures for linking employment and training and economic development ventures and a set of case studies containing information on how each successful linkage had been carried out. Study findings are presently being translated into a training program that will teach CETA staff specialists how to begin the process of linking their programs with economic development.

Study to Determine Work Test Costs and Outcomes (Abt Associates, Inc.)

The objectives of this project which began in June 1979, are to provide Employment Service (ES) policymakers with an understanding of the legal and administrative context in which current work tests for the Food Stamp, WIN, and UI programs are carried out, the variations among the work test procedures, the reasons for which these variations occur, and the different levels of intensity of enforcement involved. Through an understanding of the current experience with work tests, this study will develop a set of models of the administration of work tests under a variety of assumptions regarding the procedures to be used and the extent to which they are enforced. It will be the purpose of such models to provide bases for estimating the costs and level of effort associated with different types of procedures and enforcement norms. Particular emphasis will be placed on developing valid and reliable estimates of costs to the ES associated with various levels of work test enforcement. These models can then be assessed in terms of their appropriateness in cost and in managerial feasibility for future welfare reform efforts.

Development and Testing of Employee Productivity Incentive for Local Offices of the U.S. Employment Service (The Urban Institute)

This study, which was begun in July 1978 is testing the effects of group monetary awards on placement productivity of local office staff in virtually all of the Job Service Offices in New Jersey (32 offices) and Kansas (31 offices). The experimental phase, which ends March 31, 1981, includes three 6-month incentive award periods. At the end of each 6-month period, local offices are ranked according to the number of job placements made per staff-year and awards are made to the highest performing local offices. The usefulness of the incentive award program is being evaluated in terms of productivity comparisons of performance prior to, and during, the implementation of these State-wide monetary award programs. Local office employee job satisfaction and employer satisfaction, as well as the quality of job placements, are being monitored during the course of the experiment. The draft final report of the study is expected July 1, 1981.

A Survey of the Cause of Retention and Attrition in Apprenticeship Programs with Emphasis on Minorities and Women (CSR, Inc.)

This project will examine the reasons for apprentices completing and dropping out of apprenticeship programs. The knowledge to be acquired is particularly important in view of the high cost of society and employers of apprentices who fail to complete their apprenticeship programs. A 2-year study, this project will be completed in September 1982.

Development of a Benefit-Cost Methodology for Apprenticeship (Mathematica Policy Research)

This project, completed in December 1980, documents the procedures for the actual performance of a benefit cost analysis in the field of apprenticeship. It presents an accounting framework for estimating the benefits and costs to society, apprentices, and employers. The study concluded that it is feasible to measure such benefits as output of apprentices and former apprentices, the reduced use of alternative programs, increased tax payments, the reduced use of transfer programs, and reduced employee turnover. Measureable costs would be resources used to operate apprenticeship programs, such as training time spent by co-workers and instructors, materials, supervisory inputs, and central administrative inputs. The study also proposed a research agenda for a benefit-cost evaluation apprenticeship.

TARGETED JOBS TAX CREDIT

Question: Provide for the record a breakdown of how many individuals certified as eligible for the Targeted Jobs Tax Credit program fall into each of the major categories, such as cooperative education students?

Answer: By definition under the TJTC Program, a certification means the individual has been hired. Vouchered individuals are those that meet one of the seven target group criteria but may not have secured employment. Below is a chart of how many individuals determined eligible for the Targeted Jobs Tax Credit Program fall into each of the seven target groups for FY 1980:

Eligibility Determinations (Vouchers) Issued by Target Groups

	FY 1980				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total FY 1980
Youth	40,368	55,515	67,603	79,084	242,570
Vietnam-era Veterans	5,934	8,976	10,404	10,813	36,127
Ex-Convicts	6,745	9,597	11,135	10,808	38,285
Handicapped	6,330	8,221	8,722	7,782	31,055
Co-op Education	43,964	52,015	20,613	11,525	128,117
General Assistance	6,723	11,070	7,366	14,170	39,329
SSI	577	776	416	374	2,143
Total	110,641	146,170	126,239	134,556	517,626

Question: How many of those certified eligible in each of these categories find jobs?

Answer: By definition under the TJTC Program, a certification means the individual has been hired. Vouchered individuals are those that meet one of the seven target group criteria but may not have secured employment. Below is a chart showing the number of individuals that were certified (hired) under the Targeted Jobs Tax Credit Program by target groups for FY 1980.

Certification Issued by Target Groups

	FY 1980				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total FY 1980
Youth	18,601	22,739	24,585	28,585	94,510
Vietnam-era Veterans	2,203	3,109	3,064	3,232	11,608
Ex-Convicts	2,492	3,513	3,498	3,266	12,769
Handicapped	5,315	3,990	3,915	3,274	16,494
Co-op Education	43,964	51,015	20,613	11,525	127,117
General Assistance	918	1,180	1,558	1,795	5,451
SSI	217	257	168	132	774
Total	73,710	85,803	57,401	51,585	268,723

Question: What percent of the cooperative education students certified eligible fit the definition of "disadvantaged"?

Answer: No data have been collected on the economic status of cooperative education students certified for TJTC. Further, the Department of Education has not collected these data nor are data available on the number of disadvantaged students enrolled in cooperative education programs nationwide. However, the Education Amendments of 1976 (Public Law 94-482) state in Section 122(E) that priority for funding cooperative vocational education programs through local education agencies be given to areas that have high rates of school dropouts or youth unemployment.

Question: What is the time limit an employer has to seek certification for individuals hired, under the Targeted Jobs Tax Credit programs?

Answer: Under the Revenue Act of 1978, there is no limit on the amount of time an employer has to seek certification for individuals hired. An employer can request certification for all eligible employees hired after September 26, 1978. The absence of a time limit allows employers to claim tax credits for individuals hired without prior knowledge of the Targeted Jobs Tax Credit Program.

Question: Do you think the program should be expanded to permit refunded tax credits, to widen participation to business that inadequate tax liabilities to offset with a credit?

Answer: The Departments of Labor and Treasury will address this issue in a joint report to Congress due not later than June 1981.

DISPUTE OVER NEW JOBS CREATED BY TAX CREDIT PROGRAM

Question: What is the Department's position on each of the administrative and legislative changes which the Institute recommended in its report?

Answer: The Departments of Labor and Treasury are reviewing these and other recommendations for possible changes and will make its final recommendations in a joint Report to Congress due no later than June 1981.

Question: How many PICs are emphasizing the Targeted Jobs Tax Credit program?

Answer: During FY 1980, we surveyed PIC involvement in emphasizing TJTC and of the 453 PICs roughly 80 percent or 360 had included TJTC in their marketing efforts.

JOBS TAX CREDIT PROGRAMS

There are three separate programs giving employers tax write-offs for hiring certain groups of unemployed persons: The General Jobs Credit; the Targeted Jobs Tax Credit; and the Work Incentive Program.

Question: Explain the differences in these programs, and how they are administered.

Answer: The Department of Labor did not administer the New Job Credit referred to as the General Jobs Credit and therefore we are unable to provide substantive information on this program. However, the differences between the Targeted Jobs Tax Credit and the WIN/Welfare Tax Credit are displayed in the following chart. The Employment and Training Administration (ETA) has overall authority and responsibility for administration of the TJTC Program as delegated by the Secretary of Labor. ETA issues implementing instructions, provides for program management and oversight, and coordinates with other Department of Labor components, Federal agencies, and national organizations, as appropriate. In this capacity, ETA has developed cooperative agreements with the Internal Revenue Service, the Veterans Administration (VA) and the Department of Health and Human Services (DHHS) to provide for participation of their local units which serve several of the targeted groups.

The program is administered locally by the State Employment Security Agencies (SESAs) by written agreement with the Department of Labor. The SESAs have oversight responsibilities for the program at the local level. These functions include but are not limited to: (a) Forms Production and Processing, (b) Employer Relations and (c) Interagency Relations.

	Employment Tax Credit	
	WIN	Targeted Jobs (TJTC)
1. Amount of Tax Credit	Amount of credit is equal to 50% up to $6,000 in wages paid by business employers during first year	Same

		beginning on day the eligible employee begins work for the taxpayer, and 25% of the first $6,000 of the second year wages.	
		For non-business employers the tax credit is equal to 35% of the first $6,000 in wages during the first year only, for no more than $12,000 in wages.	N.A.
2.	Limitations	The only ceiling on the amount of credit that may be claimed by a business is the amount of its tax liability and unused portions may be carried back 3 years and/or forward 7 years.	A. Qualified first year wages during a taxable year cannot exceed 30% of aggregate FUTA wages for all employees during the calendar year ending in that taxable year.
		For non-business employment the credit claimed is limited to $12,000 in wages.	B. The amount of an employers deduction for wages paid is reduced by the amount of this credit.
		The amount of an employer's deduction for wages paid is reduced by the amount of tax credit claimed.	C. The credit limit is 90% of tax liability after this liability is reduced by other applicable credits.
3.	Eligible Population	Applicants for and recipients of Aid to Families with Dependent Children (AFDC) who are registered with the WIN program.	A. Recipients of Supplemental Security Income (SSI) payments. B. Handicapped persons undergoing vocational rehabilitation. C. Youths 18 but not yet 25 who are members of economically disadvantaged families. D. Vietnam-era veterans under age 35 who are members of economically disadvantaged families. E. Recipients of general assistance for 30 or more days.

			F. Youths of ages 16 to 20 who are participants in a qualified cooperative education program. G. Ex-convicts who are members of economically disadvantaged families provided they are hired within 5 years after release from prison or date of conviction.
4.	Retention Requirements	For credit to be claimed the qualifying employee must be retained by the employer for 30 consecutive days.	No retention requirement.
5.	Recoupment	None	None
6.	Expiration Date	None	The credit may be taken on wages paid qualifying individuals during calendar years 1979, 1980 and 1981 only who were hired after September 26, 1978.
7.	Certifying Agency	WIN sponsor	Local Job Service
8.	Use of OJT when tax credit is claimed	OJT points are not affected by claims for WIN tax credits.	No credit may be claimed with respect to the wages of employees for whom employers receive OJT points.
9.	Limitations on types of tax credits that may be taken.	Only one of the 2 tax credits may be taken on any one employee.	
		However, an employer may elect any of the credits for various eligible employees.	Same

Question: How do the results of each compare to their costs, counting both direct appropriations and tax expenditures?

Answer: This response assumes that "direct appropriations" refers to the use of appropriated funds used for administration. (The administrative costs of TJTC come from the CETA Title VII appropriation).

TJTC: The FY 1980 appropriation for the administrative costs of TJTC was $14 million. Based on the 268,700 certifications issued during that year, it represents a per-certification administrative cost of $52. The exact tax expenditure cost per certification is not known; it depends on wages received, length of stay, and effective rate of the employer, none of which are known at this time. Because of differing rates of certifications, between calendar years and employers' tax years, delays in filing, and the provision of the tax code for carrying credits forward and backward, certifications in any one year cannot be compared with estimated tax expenditures for that year. A rough estimate of the cost per certification would fall in the range of about $1,200-1,500. A more precise estimate will be given in the joint report by the Department of Labor and Treasury due no later than June 1981.

WIN/Welfare Credit: Direct costs of administering the WIN/Welfare credit are not budgeted or reported separately but may be presumed to be very small. The Treasury Department estimate that the tax expenditure per WIN/Welfare hire will be about the same as for a TJTC certification. During FY 1980, persons were certified for the WIN/Welfare credit. The net hire resulting from this credit is not known.

New Jobs Credit: Because the credit was essentially self-administered, direct costs for administration were minimal. It is estimated that over the life of the credit it involved a tax expenditure cost of about $4.5 billion. Evaluation estimates are still underway to determine employment impacts. Early estimates by academic scholars indicated significant net employment impacts--about 250,000 to 400,000 in the construction, retailing, and wholesaling industries alone between mid-1977 and mid-1978. New impact estimates are being prepared using new data from employer tax returns, these estimates will be included in the aforementioned joint report.

DISPUTE OVER NEW JOBS CREATED BY TAX CREDIT PROGRAM

In a September 1980 report on the Targeted Jobs Tax Credit Program, the Northeast-Midwest Institute (referenced report attached) reported that "evidence suggests that a large portion of the credits authorized under the program are 'windfalls' to employers and are not creating new jobs." This finding obviously runs counter to the Department's view of the program as spurring private sector employment of the economically disadvantaged.

Question: What specific actions has the Department taken to correct this problem?

Answer: "Windfalls" occur when an employer is able to claim a credit for employing a person who would have been hired even without the credit. This problem arises in two main instances: in the hiring of cooperative education students, and through the ability of employers to claim the credit retroactively, i.e., for workers hired before the credit was claimed and perhaps before the employer knew of its existence. The Northeast-Midwest Institute specifically singled out the potential for windfalls in the hiring of cooperative education students, most of whom they felt would be hired anyway.

Regarding the cooperative education students, the legislation specifies that this portion of the program be administered by the local school systems and the Internal Revenue Service. The Department of Labor's only responsibilities are to collect program data and coordinate publicity activities for this target group. No action has been taken by the Department of Education (the de facto administrator) or the Internal Revenue Service to address the "windfall" issue.

It is the Labor Department's view that legislation would be necessary to remedy both sources of the windfall problem. It is the authorizing legislation which identifies cooperative education students as an eligible target group for the TJTC. Further, the legislation does not require that tax credit jobs be new jobs or involve new hires into existing jobs. Indeed, the retroactive provision of the law ensures that eligible persons hired without prior knowledge of the tax credit, or hired without explicit consideration of their TJTC eligibility, can be certified after the fact in effect entitles their employers to "windfalls." Should the Administration seek to reauthorize TJTC, these features of the law will be addressed.

Question: Are there any assurances (protections) that the targeted Jobs Tax Credit Program is not displacing already employed persons in order for employers to obtain a Tax credit?

Answer: In order to prevent existing employees from being displaced, the legislation has a 30 percent rule. The 30 percent rule is designed to constrain the likelihood of significant substitution. Under the 30 percent rule, the amount of qualified first-year wages an employer can claim for any tax year cannot be over 30 percent of the combined Federal Unemployment Tax Act (FUTA) wages paid to all employees during the calendar year. Therefore, the employer cannot benefit from TJTC by significant displacement of already employed persons.

Question: How many people were hired under the Targeted Jobs Tax Credit Program during Fiscal Year 1980?

Answer: During FY 1980, 268,700 people were hired under the Targeted Jobs Tax Credit Program.

Question: What was the net jobs creation impact as a result of the hires during Fiscal 1980?

Answer: Although the Department is sponsoring a variety of evaluation efforts to estimate net job creation impact, no results are available at this time. This is a particularly difficult question to address and it can be expected that different methodologies will produce different estimates.

Question: Why are you expecting a drop in employer tax credit under the Targeted Jobs Tax Credit Program from $225 million in Fiscal 1981 down to $150 million in Fiscal 1982?

Answer: The figures for tax expenditures in the above question only refer to corporate tax liability for that period. The total tax expenditures estimated by the Department of the Treasury are $305 million for Fiscal 1981 and $180 million for Fiscal 1982. The drop in Fiscal 1982 reflects the program termination date of December 31, 1981.

As the legislation is currently written effective January 1, 1979, private-for-profit employers were allowed a tax credit for two years from the date of hire (after September 26, 1978) but not past December 31, 1981, against wages paid to members of the TJTC target groups. This means that all hires after January 31, 1980, will provide employers with a credit for less than two years. As we come closer to the termination date employers are apt to participate less because they can only take the credit wages paid or incurred prior to December 31, 1981.

Question: Of the 207,000 workers certified eligible in Fiscal 1981 for their employers to claim Tax Credits, how many do you estimate would not have been hired without the Tax credit program? Background: In Fiscal 1981, tax expenditures of $255 million and direct administrative costs of $15 million meant that it costs $270 million to certify 207,000 workers, a unit cost of $1,300 per worker certified. If only one in eight of these workers represented additional hiring that would not have occurred in the absence of the tax credit program, the cost per job would be $10,400--about the same as a public service job.

Answer: The answer to the question of how many workers would not have been hired without the tax credit is being addressed in an impact study currently underway by the Department. With regard to the cost, reliable data are not available to determine "additional hiring that would not have occurred in the absence of the tax credit program." Therefore, we cannot calculate the cost per job for additional hires resulting from the tax credit program. Further, it should be noted that the open-ended retroactive provision of the law allows for credits to be claimed for hires that occurred without prior knowledge of the tax credit.

Note: A revised estimate shows that 300,000 workers will be certified in FY 1981.

ECONOMIC DEVELOPMENT/EMPLOYMENT INITIATIVES

The CETA Amendments of 1978 specifically require CETA involvement in economic development activities. One economic development effort in which the Labor Department is involved is known as Employment Initiatives--an interagency effort to secure jobs for CETA eligibles through local economic development activities funded by a variety of Federal agencies.

Question: How well is the Employment Initiatives program working?

Answer: Since the beginning of the Employment Initiatives Program, 5 interagency bilateral agreements have been signed with the Department of Labor for the purpose of establishing national employment goals. Subsequent to the signing of the bilateral agreements, the following events have occurred:

1. Employment initiatives coordinators have been appointed in each Region by each of the Federal agencies participating in employment initiatives;

2. Local CETA offices have appointed employment initiatives coordinators and received instructions from ETA on how to carry out the program;

3. Regional training seminars have been conducted with CETA directors regarding employment initiatives;

4. The U.S. Conference of Mayors has developed case studies and conducted special workshops with public officials on employment initiatives; and

5. A detailed update report on employment initiatives has been prepared describing the level of coordination that has occurred on the local level with regard to employment initiatives.

Grantor Agencies involved in Employment Initiatives and their level of commitment include:

Federal Agency	Designated Program	Employment Goal
Economic Development Administration (EDA)	Public Works Grants and Business Development Assistance	10-15% of permanent jobs created by its programs.
Housing and Urban Development (HUD)	Urban Development Grant Program (UDAG)	10% of permanent jobs created by its programs.
Community Services Administration (CSA)	Economic Development Programs (EDP)	25% of permanent jobs created by its programs.
Department of Transportation (DOT)	Urban Initiatives Programs	10-15% of permanent jobs created by its programs.

Federal Agency	Designated Program	Employment Goal
Farmers' Home Administration (FmHa)	All Development programs	20% of permanent jobs created by its programs.

Information from 3 of the participating agencies reveals that 37,000 projected permanent jobs have been set aside for CETA eligibles. The actual data for these 3 agencies is as follows:

EI CETA Targeted Jobs

	Projects FY 1980	Dollars Funded	Estimated Total Permanent Jobs	Percent and number of Targeted Jobs for CETA eligibles
EDA	110	$105,000,000	62,000	17 (10,000)
DOT	19	79,000,000	46,000	10 (5,000)
HUD	416	781,000,000	101,000	22 (22,000)
Total	545	$965,000,000	209,000	18 (37,000)

To date, no information has been provided yet from CSA, or FmHa regarding the number of CETA set-asides created under the economic development programs over the past fiscal year.

Question: How many employment plans have CETA prime sponsors entered into with the participating agencies and their grantees?

Answer: Under the bilateral agreements, the DOL is responsible for reporting, on a bi-annual basis to OMB, information concerning the number of employment plans, the number of setasides targeted for CETA eligibles and the number of jobs actually filled. The reporting format and procedures are currently under review by OMB. Therefore, there is not yet a standardized reporting form available to transmit this information. There is also no procedure by which the information can be collected without this reporting system.

Question: How many jobs are being projected for CETA eligibles for each of Fiscal Years 1981 and 1982, based on the agreement that a percentage of the local jobs generated by each agency's programs will be made available to CETA eligibles?

Answer: Based on known performance from only 3 agencies in Fiscal Year 1980 and without the knowledge of each agency's funding level for Fiscal Year 1982, this is a difficult task. However, we are confident that the performance of Fiscal Year 1980 for HUD, DOT, and EDA (37,000 permanent jobs set aside) will be met during Fiscal Year 1981. We are unable to make any projections for Fiscal Year 1982 until budget levels are set.

Question: How many CETA eligibles have actually been placed in private sector jobs as a result of the agencies' economic development programs?

Answer: Under the bilateral agreements, the DOL is responsible for reporting, on a bi-annual basis to OMB, information concerning the number of employment plans, the number of set asides targeted for CETA eligibles and the number of jobs actually filled. The reporting format and procedures are currently under review by OMB. Therefore, there is not yet a standardized reporting form available to transmit this information. There is also no procedure by which the information can be collected without this reporting system.

Question: What types of jobs have CETA eligibles obtained through the Employment Initiatives effort?

Answer: Unfortunately, information relative to this question is unavailable at this time. We are involved in the developmental phase of 2 activities which will provide information on this subject at a later date. The first of these is an in-house review of several sites with completed projects. Information gathered will give us our first indication of the type of actual permanent jobs created. A larger evaluation study, proposed for funding through HUD, will study the performance of the initiative in 10 cites. If funded, information will not be available for the end of the current Fiscal Year. We do know however from the performance of previous projects that jobs will probably include maintenance, security, clerical, sales, industrial and other positions located at the entry level.

ASSESSING CETA MANAGEMENT

The 1978 CETA Amendments established the Office of Management Assistance. A component of this Office is the Division of Performance Assessment.

Question: What new efforts will be made in assessing/categorizing primes as a result of this Division's efforts?

The Office of Performance Management (OPM) will play a major role in the assessment of prime sponsor performance. OPM is responsible for the development of an ETA program and management review system which will apply to CETA at the Regional and local levels. That responsibility includes the establishment of performance standards and other assessment criteria against which the effectiveness of the program, especially program outputs, can be uniformly measured. To date, OPM has prepared, for publication this month, proposed rules to establish the Secretary's performance standards for selected program measures for Title II-B, II-D and VI of the Act. These standards will become effective for FY 1982.

Standards are planned to be established for Title II-B and II-D for the following measures:

1. Participant Outcome Measures

   (1) Entered employment rate
   (2) Positive termination rate
   (3) Average wage at placement

2. Cost Effectiveness Measures

   (1) Cost per entered employment
   (2) Cost per positive termination

The measures proposed for Title VI performance standards are:

(1) Postive termination rate
(2) PSE slot utilization rate
(3) Cumulative expenditure rate

Individual standards will be established for each local prime sponsor to take into account the influence of varying local factors--enrollee characteristics, program mix and economic conditions--and recognize that performance potential is influenced by the different local conditions. An analytical model using statistical analysis techniques has been constructed to assess the influence of local conditions and employ a consistent methodology in establishing individualized prime sponsor performance standards.

The measures listed above were selected for the establishment of initial performance standards because they can be put in place for FY 1982 within the present constraints imposed by the existing management information system and the availability of historical data. In the future, OPM will establish other performance standards for longer term program outcomes, as well as program management and operations.

The new performance standards will be used as a basis for reviewing and approving annual plans. An assessment of actual performance against performance standards at year end will be used to develop or modify corrective action plans and focus management assistance activities on priority problems.

STREAMLINING MANPOWER PROGRAMS

Clearly, we can no longer affort the luxury of duplication and overlapping manpower programs administered by a variety of agencies: the proliferation of CETA programs, the Work Incentive program, vocational education, rehabilitation agencies, the Employment Service, and Community Action Agencies.

Question: What effort has the Labor Department made to streamline the employment and training system? (Background: The Labor Department controls funding for the Employment Service, CETA, and the Work Incentive programs, and should, therefore, be able to at least streamline these components of Federal employment and training programs.)

Answer: The various programs administered by the Employment and Training Administration (ETA) are authorized by separate pieces of legislation, requiring certain distinct administrative structures and methods of operation, even though to some extent they overlap in target groups to be served and services to be provided. To the extent such structures are required by legislation, ETA has limited ability to effect consolidation. For example, both WIN and the Job Service are State grant programs, while CETA by law has municipalities and counties, as well as States, as prime sponsors.

Nevertheless, it has long been a top priority of ETA to reduce overlap and duplication as much as possible, and to encourage linkages between the various programs in order to achieve the maximum outputs from limited program resources in terms of self-supporting employment

for the various client groups. These efforts have included special experimental, demonstration or pilot projects, as well as efforts between the operating programs themselves. Since the enactment of CETA, ETA has continued to strive for better program linkages and the rationalization of program activities. Significant in this regard have been the arrangements between CETA and the Job Service for the purchase of JS services for CETA clients, the sharing of JS Job Bank information with all local employment and training agencies, and the WIN-CETA linkages to augment WIN work and training resources for WIN clients. More recently, a workgroup consisting of representatives from the various program offices was convened in ETA in order to examine the streamlining question vis-a-vis the forthcoming reauthorizations of various ETA legislation, e.g., CETA, Wagner-Peyser, TRA.

Question: What can be done administratively at the Federal, State, and local levels to consolidate employment and training programs?

Answer: Additional administrative efforts are planned to enhance the compatability of grant planning cycles in order to provide for a more meaningful development and exchange of local plans for implementing the various ETA programs among the grantees. In addition, based on the work of an earlier ETA workgroup, formed to compile a glossary of terminology for all ETA programs, a number of definitional conflicts were identified. Further review of these conflicts is planned in order to determine whether administratively, we can redefine any of the conflicting definitions.

CONSOLIDATING ADVISORY COMMITTEES

Question: How much could be saved if the law were revised to eliminate the various advisory committees established under different title of CETA, in favor of one Advisory Committee for the entirety of CETA? (Background: The CETA law currently requires Advisory Committees under each of titles II, IV and VII. It appears one main Advisory Committee could combine the best features of the existing separate Committees--such as insuring membership was at least 51 percent from the private sector, as required under the CETA title VII program.)

Answer: Costs for advisory committees are allowable administrative expenditures. All administrative costs for the operation of all CETA programs are charged against a single administrative cost pool and a single administrative cost expenditure figure is reported to the Department. Costs for various types of administrative activities, such as advisory committees are not broken out separately.

However, such a combination would undoubtedly save funds. Overall there would be fewer people involved, fewer meetings, less staff support, and other such reductions.

PRIME SPONSOR ADMINISTRATIVE COSTS

Question: What is the total administrative cost of operating the CETA prime sponsor system?

Answer: Preliminary information for Fiscal Year 1980 shows total administrative costs of $1.1 billion. This represents 12.4 percent of total Fiscal Year 1980 outlays of $8.9 billion.

Question: Do you have any suggestions for how CETA administrative costs can be reduced?

Answer: The Department has not developed any specific suggestions for reducing administrative costs except with respect to reviewing and revising as appropriate, procedures and requirements which impose time and staff requirements on prime sponsors, thereby adding to administrative costs. In this respect, the Department has implemented the Master Plan/Annual Plan concept which conceivably reduces paperwork. The Department developed the administrative cost pool concept which greatly reduced recordkeeping requirements. The Department is now in the process of reviewing the current Master Plan/Annual Plan requirements with a view to reducing or eliminating certain requirements and duplications. Such actions will also reduce the time and effort in preparing grant plans and, therefore, reduce costs.

Other options would include:

- combining all current advisory committees into a single advisory committee;

- where possible, combining the eligibility requirements of the various titles;

- having a single limitation on participation rather than different ones for each program.

Question: For instance, are there any mandates now in the law which may be unnecessary, such as limiting reporting requirements?

Answer: It is always appropriate to review existing reporting requirments to assure that the information being collected is both necessary and appropriate. Since information needs and interests do change, reporting requirements can and should change from time to time. This is especially true where there is a change in the basic purpose of a program. The Department would not suggest any changes in reporting requirements until it is satisfied that the basic reason for the establishment of the requirement is no longer valid.

Question: Is it really necessary--especially in small offices--to have staff designated solely for such functions as equal employment opportunity or independent monitoring unit specialists?

Answer: With respect to the Independent Monitoring Unit (IMU), there are requirements that the unit be independent of all the areas which it is required to monitor and must answer directly to the prime sponsor director or the chief elected official. The responsibility for monitoring must be clearly defined and assigned to a particular individual or individuals. These persons cannot monitor any program or function for which they have duties or responsiblities. Flexibility in structure is allowed in the case of small sponsors.

With respect to equal opportunity (EO), the CETA regulations require that sponsors assign EO responsibilities on a full-time basis to an individual or staff. However, the regulations also allow for

flexibility where a full-time assignment is not practical, as would be the case in a small prime sponsor office.

SMALL BUSINESS INVOLVEMENT WITH CETA

A recent study by the Conference Board noted that employers favored greater subsidies or tax incentives for increasing business participation in CETA. Small employers typically favored large subsidies while large employers emphasized greater tax incentives.

Question: In light of this and the experience to date with subsidies to the private sector, what strategy does the Department have for bringing small businesses--the source of 75 percent of jobs in the American economy--into the fight against unemployment?

Answer: ETA is implementing a nationwide marketing campaign effort on PSIP to sell businesses on the benefits of utilizing CETA services. The activity will emphasize the provision of materials and marketing assistance to local prime sponsors and PIC's supplemented and reinforced by national level activity. The targeted audiences are past CETA users and small and medium sized businesses.

SUBMINIMUM WAGE

Question: As part of its massive youth research and evaluation efforts in recent years, has Labor targeted any research to an evaluation of the subminimum wage issue? What is the position of the Department of Labor on the subminimum wage issue?

Answer: The Office of Youth Programs has contributed to the funding of a number of studies investigating the effects of minimum wage on teenage employment and unemployment. However, demonstration projects geared to direct examination of the subminimum wage issue have not been launched. Several of our programs can be considered exploratory research that while, lacking the hard conclusions of a definitive study, will certainly contribute to a greater understanding of the issue. A notable example is the Entitlement program. As part of this effort, the Manpower Development Resources Corporation (MDRC) is looking at the impact of varying subsidy levels upon private sector's willingness to employ youth. A report on these findings will be completed next month. On the other side of the equation, youth's willingness to work, as described in a recent National Longitudinal Survey report indicates a large number of youth are willing to accept jobs for pay below minimum wage. It must be made clear that the thrust of the Youth Employment Demonstration Programs Act (YEDPA) has been to maximize the employability of youth through a variety of innovative strategies. In other words, long before the current vogue of supply side economics, DOL's youth programs have stressed the supply side of the supply/demand balance. The Office of Youth Programs (OYP) has worked to make youth qualified to participate in the existing labor market. Our research and demonstration programs reflect that orientation.

Secretary Donovan has pledged to review the question of a subminimum wage, and its relationship to the reduction of youth unemployment. The Department will work closely with the Congress as these issues are studied prior to arriving at final recommendations on the issues.

WAGE SUBSIDIES

In a December 8, 1980, report on the Youth Entitlement program, GAO said that achieving a net increase in private sector jobs for youth is difficult. It estimated that about 45 percent of 4,000 private sector jobs held by youths during its fieldwork were with employers who normally employ youths for those jobs anyway.

Question: Does the Department view this as a problem in using wage subsidies as an incentive to involve the private sector?

Answer: Sufficient data is not yet available to adequately answer this question. The GAO report on this subject indicates that an in-depth review of the extent to which Entitlement participants displaced currently employed workers was not conducted. While it is altogether possible that the GAO report's figures will eventually prove accurate, it is clear that the level of analysis conducted by GAO is not sufficient to justify such sweeping conclusions. The Department is currently funding a major study of this issue and, at its conclusion, we will be better informed on this subject. We expect results of this study to be available in May 1981.

Question: How can the Department minimize the potential for employers to substitute Federal funds for private funds that would have been spent anyway?

Answer: Regulations preventing such substitution should be maintained. Careful monitoring of compliance with these specific regulations could be undertaken with a national sample of prime sponsors to determine if additional monitoring has lessened the potential problem.

UNDER-ENROLLMENT IN YOUTH ENTITLEMENT PROJECTS

As a condition of the guaranteed Entitlement job, youths had to meet minimum academic and attendance requirements. As GAO has reported, however, this requirement never received a fair test often due to administrative problems and a desire not to reduce already low enrollments.

Question: What is the position of the Department of Labor regarding the desirability of an academic and attendance requirement in a guaranteed job program?

Answer: The Department would likely consider that any future guaranteed job program for youth require the establishment of academic and attendance standards. Experience with the Youth Entitlement Projects suggests that although lengthy negotiations between the schools and prime sponsor operators were required to establish the standards in the first place, all parties have come to believe that standards and attention to enforcement can serve the youth and the program better.

YOUTH ENTITLEMENT PROJECTS

GAO reported (HRD-81-1, December 8, 1980) that prime sponsors involved in the Entitlement demonstration encountered serious operational problems which persisted throughout the demonstration. Perhaps the most disturbing aspect of this finding is that prime sponsors charged with operating Entitlement were those considered best able to

meet the needs of the program.

Question: If the best sponsors encountered serious operational problems, what can we expect if the program is continued or expanded to other sponsors?

Answer: The GAO report points out that the Entitlement program was rapidly implemented in response to the Congressional mandate. One of the things that this demonstration proved was that new programs, particularly large, complex undertakings, will face implementation problems regardless of the quality of the operators. In order to minimize these problems in future endeavors, implementation must take place on a gradual level in order to allow the development and testing of new systems required for ongoing smooth operations.

Question: GAO also reported that Entitlement prime sponsors received intensive oversight, monitoring, and technical assistance at a level not normally provided for other CETA programs. Even so sponsors encountered serious problems. If the program is continued or expanded to other sponsors, what level of oversight, monitoring, and technical assistance can we expect the Department of Labor to provide?

Answer: The Department of Labor will provide the same level of oversight, monitoring, and technical assistance to a continued or expanded Entitlement effort as it does for other formula funded programs. In addition, a continued effort would be built on the knowledge and experience of the past three years so that many of the initial problems that surfaced as part of a new demonstration project would be anticipated and eliminated.

Question: Is it practical from a financial or management stand point to expect the same level?

Answer: It would not be practical from either a financial or management standpoint to provide the same level of oversight because any expanded effort would not involve the research requirements. Although the initial development of an expanded effort would require careful guidance from the Department, after the new sites become operational, they could function under the same level of oversite as regular, ongoing, formula funded youth programs.

YOUTH ENTITLEMENT PROJECTS

The Youth Incentive Entitlement Pilot Projects were designed to test whether guaranteed part-time jobs during the school year and full-time jobs in the summer would induce economically disadvantaged youths to remain in or return to school.

Question: Has this program been successful in getting dropouts to return to school?

Answer: According to a report, "The Effects of Youth Entitlement on Participation, Schooling, and Work" which is part of the research conducted by the Manpower Demonstration Research Corporation, the Entitlement program has been an effective vehicle for increasing the school enrollment rate of disadvantaged youth, especially out-of

school youth. The rate at which dropouts returned to school increased by 62.5 percent, going from an estimated 22.4 percent in the absence of the program to 36.4 percent under Entitlement. This increase may be conservative because the report period covers only an early time in the demonstration when many youth had not had an opportunity to join or participate for a very long time.

Question: Do you think this demonstration has shown that Entitlement is the proper vehicle for handling the school dropout problem?

Answer: Experience suggests that the Entitlement approach is at least one way to handle some dropouts. An increase of 62.5 percent in the rate at which former dropouts return to school under Entitlement indicates that it is an excellent vehicle for handling the school dropout problem. The cost for a youth for a full year of participation is approximately $4,749. However, there is no difference in costs between in school and out of school youth because all youth are confined by the same program parameters that limit hours of work to a maximum of 20 hours during the school year and 40 hours during the summer. Until the post program effects on a range of programs funded under YEDPA are in, we are not able to compare and make a valid determination whether Entitlement is more effective in handling the school dropout problem than other youth programs.

UNDERENROLLMENT IN YOUTH ENTITLEMENT PROJECTS

GAO cited underenrollment as a major cause of high program management cost rates for the Entitlement Pilot Projects. Further, it has been estimated that approximately 40 percent of the total eligible population participated in 1979 and 50 percent in 1980.

Question: In light of the apparently staggering youth unemployment rates, why does underenrollment occur?

Answer: The original projected enrollment rates were very general estimates that varied from site to site. Experience with other "Entitlement" type programs such as food stamps, cash welfare programs, etc., indicates that the take-up rate increases as the program matures. Therefore, since the data from Entitlement only covers the first eighteen months of operation, it is reasonable to expect that underenrollment would decrease the longer the program was in operation. There are, however, other factors that influence a youth's decision to participate. These factors include a youth's perception of the net benefits from the project, job counseling, and alternative educational opportunities, as well as the net costs or drawbacks associated with school enrollment requirements and constraints on allowable hours worked during the school year.

USE OF PRIVATE ORGANIZATIONS IN YOUTH PROGRAMS

In implementing youth programs, the Department of Labor made extensive use of private nonprofit "intermediary" organizations because of their special expertise in evaluation, research, and demonstration.

Question: Is there a role for such organizations in <u>operational</u> programs?

Answer: "Intermediary" organizations played an important and valuable role in the knowledge development aspects of the youth legislation. However, as we move toward knowledge utilization and the

further implementation of youth programs "that work," their role will most likely diminish. We will have to move toward systems that are capable of dealing with youth needs in all areas. To the extent that demonstration efforts are operational, we would plan to continue the utilization of intermediary organizations.

Question: If so, what are the advantages and disadvantages of using such organizations as program delivery agents?

Answer: The advantages of using intermediaries are: Intermediaries can secure, in a timely fashion, skilled operational expertise.

o The groups developed for specific objectives within the Knowledge Development Plan were able to draw onto their boards persons with special expertise which represented balance of labor, business and education.

o The intermediary by design was able to synthesize and integrate activities in a subject area, in effect an "umbrella" organizational approach. This structure provided a way to subsequently integrate the lessons learned or interpret them for policymakers.

o Utilizing intermediaries may prove to be a cost effective means for delivering youth programs on a limited basis.

The drawbacks of the intermediary approach are as follows:

o Since experience prior to the establishment of the intermediaries was limited and these groups were designed with a specific purpose in mind, there is some concern that if we expand the scope of the delivery effort, these groups may have difficulty making the transition.

o The Department has yet to determine if these groups are willing to respond to the changing policy or direction given political requirements. Where the focus had been directed toward Voc/Ed or OJT, now the emphasis is on private sector involvement, and at this point, we have no way of assessing how these groups might respond.

o Public response to the use of intermediary nonprofit organizations has the potential of being negative. Existing community based groups, other contractors, as well as players within the ETA system, may continue to resent the intrusion of outside parties.

PROGRAM SUPPORT

Question: What is the rationale for the increase in "Program Support" recommended under CETA Title III National Programs funding?

Answer: Program Support includes labor market information, technical assistance and training, research, demonstration, and evaluation. The net increase of $200,000 in labor market information was to provide for increases in salary and personal benefit costs which are due to changes in Statewide compensation plans. The requested increase of $5,950,000 in technical assistance and training will be used to upgrade the capabilities of prime sponsor staff who administer ETA programs. In the area of Research and Development an increase of $4,600,000 is requested to permit greater emphasis on macroeconomic labor studies and to replace discretionary funding of research in high priority departmental and ETA issues, which is no longer available. An increase of $2,000,000 for evaluation purposes is requested to enable study of program impacts.

Question: Why isn't this request included as part of the Program Administration budget?

Answer: The Program Administration budget includes costs of federal staff and related expenses. The program support area does not pay for federal salaries but rather the auxiliary costs of implementing employment and training programs. Most of these funds go directly for field activities, such as TAT or LMI, or for contractual work, such as R&D or evaluation, which support the main CETA delivery system.

DIFFERENCES IN PUBLIC SERVICE JOBS PROGRAMS

The CETA Title II-D public service jobs program supposedly provides a significant level of training, and enrolls only the structurally unemployed--those who would be out of work even in the best of economic times. By contrast, the Title VI job program was designed to provide countercylical assistance--helping those temporarily out of work during periods of high unemployment.

Question: Isn't it true, however, that for the last two years, 90 percent of the enrollees in the CETA Title VI public service jobs programs have been economically disadvantaged, so that it has become nearly identical with the Title II-D jobs program?

Answer: The statutory eligibility requirements as contained in the 1978 reauthorization for Titles II-D and VI are such that anyone meeting the eligibility requirements for Title II-D would likely meet the eligibility requirements for Title VI. Therefore, there is a great deal of similarity between the Title II-D and Title VI participants. During Fiscal Year 1979, 85.5 percent of Titles II-D and VI participants were economically disadvantaged. For Fiscal Year 1980, the figures were 96.5 percent for Title II-D and 89.8 percent for Title VI.

Question: How can it be argued that the Title II-D program provides significantly enriched training and upgrading, when the unit cost of this program is only 2 percent higher than the Title VI Program?

Answer: For Title II-D, Section 232(a)(2) of P.L. 95-524, the CETA Amendments of 1978, mandates that the following percentages of allocated funds be used only for training: 10 percent for Fiscal Year 1979; 15 percent for Fiscal Year 1980; 20 percent for Fiscal Year 1981; and 22 percent for Fiscal Year 1982.

For Title VI, Section 603 of the CETA Amendments mandates only that not less than 5 percent of allocated funds be used for training, employability counseling and services. Since Title VI public service employment is intended to be more countercyclical in nature rather than serving only the structurally unemployed, the average wage for Title VI participants is somewhat higher than that for Title II-D participants.

Therefore, while training costs are expected to run higher in Title II-D, the average wages are expected to run higher in Title VI, somewhat offsetting the higher training costs. Despite this, the Title II-D unit cost is still a little higher.

EMPLOYABILITY DEVELOPMENT PRACTICES

Question: Why has Labor given a low priority to assuring effective implementation of employability development systems by the prime sponsors?

Answer: The Labor Department promoted the use of employability development system (EDP's) prior to CETA, particularly in the Concentrated Employment Program (CEP) and the Work Incentive Program (WIN). When CETA was first encated in 1973, prime sponsors were not required to implement an EDP system although many of them chose to do so. Employability development systems were mandated by the Amendments of 1978 along with other requirements such as independent monitoring units, eligibility determination and verification systems, public service employment (PSE) training and client tracking systems. In the implementation period of the reauthorized CETA, the Department emphasized those provisions which Congress viewed as critical to the reduction of fraud and program abuse and which prime sponsors viewed as safeguards against disallowed costs.

Assuring that employability development systems are effectively implemented by prime sponsors is a concern of the Department. Through the Employment and Training Administration's (ETA) Regional Offices technical publications and training courses have been provided to prime sponsors. In addition, in a recent publication describing the ETA management assistance and training system (MATS) entitled Blueprint for Action, ETA has identified employability development planning as one of the 13 functional areas to be accorded top priority in 1981 and 1982. Further, while the CETA legislation requires prime sponsors to develop an employability development plan in conjunction with each participant enrolled in Titles II-B, C, and D--ETA policy urges prime sponsors to develop EDP's for all other participants as well.

Question: Why doesn't Labor emphasize the need for good employability development practices more in its annual prime sponsor assessments?

Answer: The Department assesses employability development planning on the same basis it assesses recruitment and selection of participants, job development and transition services, services to youth and the program activities of OJT, work experience, classroom training and upgrading and retraining. In addition to examining for regulatory compliance, the object of the assessment is to determine whether the approved design described in the plan has been implemented and is operational and what results are being accomplished. In reviewing EDP's, the assessor will determine if the prime sponsor is providing participants with a process that identifies the participant's employability readiness and tailors an EDP which meets the participant's needs and sets a career direction. The number of scoring points designated for EDP systems in the annual prime sponsor assessment is in line with points allowed for other requirements.

The view of the Department is that the employability development planning activities of prime sponsors are being properly assessed neither overemphasizing nor underemphasizing the relative importance of EDP's in light of other requirements.

Question: Why hasn't Labor developed a uniform employability development system training package for the prime sponsor?

Answer: The Employment and Training Administration (ETA) since 1979 has provided numerous training sessions on employability development systems (EDP's) through its Regional Training Centers (RTC's) located in each of the 10 Regional Offices. ETA recognized the need for a more uniform approach to training on EDP's and formally acknowledged this need in the November 1980 publication entitled, Management Assistance and Training System (MATS): Blueprint for Action. This publication describes the steps ETA will take in implementing a uniform training package on employability development systems. The plan calls for the development of a core course entitled, "Competency Based Employability Development planning" which will be appropriate for any employment counselor, job coach, or assessment counselor in the CETA system who formulates EDP's. Completers of the core course will be able to demonstrate competencies in the development of an EDP for CETA clients based on local resources, participant goals and CETA goals. The course is intended as a basic introduction to the EDP process. A companion piece to the training package will be a technical assistance guide (TAG), which will be distributed to all prime sponsors, containing detailed information on those elements and pertinent considerations critical to the design, organization and operation of an employability development planning system.

The core course and the companion TAG are scheduled to be completed and available for use late in Fiscal Year 1981.

OVERHEAD COSTS AT THE STATE LEVEL

Question: How much is earmarked, by statute, for CETA overhead costs at the State level?

Answer: There are no funds specifically earmarked for overhead costs either statutorily or by regulation. There are both statutory and regulatory limitations on the total amount of each prime sponsor's allocation which can be used for administrative costs (both direct and indirect (overhead)). For instance, the limitations on administrative costs for the following titles are:

Title II-B/C	20%	regulatory
Title II-D	10%	statutory
Title VI	15%	statutory

Question: How much do States get, in total, from CETA funds, in each of Fiscal Years 1980, 1981, and 1982?

Answer: The following table shows the distribution of CETA funds to the States in Fiscal Years 1980, 1981 and 1982 under the previous Administration's budget proposal:

	FY 1980	FY 1981	FY 1982
Title II-A, B, C	$2,091,300,000	$2,192,900,000	$2,117,000,000
Title II-D	1,769,400,000	2,217,700,000	2,813,600,000
SYEP	775,400,000	799,500,000	805,600,000
YCCIP	118,000,000	121,700,000	--
YETP	621,7005,000	674,200,000	--
Private Sector Programs	325,000,000	262,300,000	325,000,000
Title VI	1,850,000,000	894,300,000	1,141,900,000
Total	$7,550,800,000	$7,162,600,000	$7,203,100,000

STREAMLINING MANPOWER PROGRAMS

Question: What are the major policy, administrative, and technical problems inhibiting employment and training program linkage efforts?

Answer: Substantial progress has been made over the past several years in the linkages found in programs for employment and training at the local level. There are many excellent examples that demonstrate cooperation in planning, staff sharing, resource utilization etc.

Many linkage problems have as their source the fact that several Federal agencies and legislative initiatives are utilized to implement locally operated employment and training programs. Since Federal legislation identifies either a State or local agency as designated program operator, these agencies are responsive to the operational requirements set forth in the legislation and regulations but have independent administrative and planning systems which can be frequently out of step with one another.

The Federal agencies involved have made efforts to overcome these basic obstacles to linkage and cooperation by encouraging their grantee organizations to establish linkages and by working together to eliminate program elements that encourage competition rather than cooperation. Several examples of these kinds of efforts can be cited.

o The Employment Initiative Program brought together several Federal agencies including DOL, HUD and Economic Development Administration agencies with grantees in specific labor markets, to plan and implement a program to better serve a common labor pool.

o In the planning of the Youth Initiatives Act of 1980, the DOL and the U.S. Department of Education worked closely to identify specific roles for local service deliverers.

o To establish a pattern for its grantees to follow, ETA funded several linkage demonstration projects that encouraged the establishment of linkages among CETA, WIN and Job Service program operators. The results of these programs were published and distributed to all CETA, WIN and Job Service operators for wider implementation.

o The establishment of the Private Industry Councils and the requirement for specific agency and community representation has improved local coordination of private sector efforts.

o ETA looks to the coming reauthorization year for CETA, Wagner Peyser and vocational education as an opportunity to increase the mandate for linkage in these programs. Additional emphasis at this time will be placed on requirements for coordinated planning, use of available community resources, the use of common definitions, and the sharing of information.

Key issues in any efforts at closer Employment Service/CETA linkages are:

1. Program Definitions/Service Categories - Any further integration of Employment Service (ES) and CETA must deal with the respective concerns of each agency as regards the differences in definitions and/or service categories that currently exist. For example, major unresolved definitions include: placement, handicapped, migrant farmworker/seasonal farmworker, veteran and older worker. The inability to resolve these conflicts demonstrates the level of difficulty involved as well as the compelling need for resolution.

2. Data Systems and Data Collection - Integration, or at the very least, compatibility of data systems among the agencies of the employment and training system is an important issue in any serious discussion of linkages.

CETA Prime Sponsors Management Information System (MIS) systems vary from very basic manual systems to sophisticated automated systems; State Employment Security Agencies (SESAs) have a uniform information system of which the Employment Service Automated Reporting System (ESARS) is the principal element. The Employment and Training Administration (ETA) is in the process of a significant redesign, development, and implementation program for CETA MIS systems extending into FY 1982. The United States Employment Service (USES) is at present considering a redesign of ESARS that would make important improvements in that system.

Work is also underway in conjunction with the National Archives to develop data commonality standards. Included is the identification of types of data which must be collected by ETA programs and ensuring that each user collects the data in the same way (e.g. age vs. date of birth).

3. Planning Process and Plans of Service - SESA planning is currently dominated by a State level-down approach that leaves little flexibilty or authority for local Employment Service (ES) managers to negotiate or enter into agreements with prime sponsors; CETA sponsors plans are in essence local plans. The service areas for SESA and prime sponsors do not always match; SESAs generally are organized by labor market areas while prime sponsors are defined by political jurisdictions. The prime sponsor plan is an official application for Federal funds and the approved plan is an enforceable grant while the ES plan is an administrative document and just one part of a Statewide grant.

In terms of coordination, while the local ES may have some forms of comment and/or input into the prime sponsors plan through the CETA planning council, there is no requirement to involve the local ES throughout the planning process. Conversely, prime sponsors do not have a formal role in commenting on the local ES plans. Further, prime sponsor participation in State level coordination is frequently mechanical.

4. Relationships with the Employer Community - Job Service involvement with the employer community in recent years has become more focused. National Employers' Committee (NEC) and Job Service Improvement Program (JSIP) have enlarged upon the employer/role as advisors, or critics if need be, of the Job Service. The CETA Private Sector Initiative Program (PSIP) was also designed for employer involvement. These efforts often overlap. While some Private Industry Councils (PICs) and JSIPs have merged, others perceive separate mandates/activities. Few in the employer community see a need for completely separate relationships with the various employment and training entities.

Question: To what extent have advisory groups, such as the National Commission on Employment Policy, made suggestions or recommendations for improvements in the utilization, coordination, and integration of employment and training programs?

Answer: The National Commission on Employment Policy in its first annual report presented an extensive list of recommendations concerning program coordination. In subsequent years recommendations from the Commission, to a major extent, have dealt with non-linkage issues. Many other formal and informal advisory groups have also made recommendations on this issue but because of the volume of these recommendations no attempt will be made to list all of these at this time. However, the National Commission on Unemployment Compensation (NCUC), in its 1980 report commented on the Employment Service role and relationships to other agencies:

The Employment Service

"The structure of the Federal/State partnership should be strengthened to enable the system to:

. . . permit greater flexibility at the State levels in the use of funds as an incentive to States to improve program execution and develop appropriate linkages with other agenices.

. . . take account of other employment and training programs (such as WIN, CETA, USDA/food stamps) and, where feasible, assure coordination, and at some levels integration of job service, placement and training programs.

. . . encourage experimentation and/or demonstration efforts to determine the value and efficiency of innovative ideas such as common staff, universal registration/data systems and program variations that allow for adaptations to local labor markets, or populations served."

Wagner-Peyser Act/CETA Statutory Changes

"The Commission does not intend to recommend statutory changes relating to relationships between the Wagner-Peyser Act or CETA and the UI program. It is believed that effective ES/CETA coordination with UI is essential for full and efficient service to applicants and the Commission recommends that where necessary the Department of Labor make appropriate improvements under the broad latitude provided to the Secretary under present law."

Question: Where recommendations have been made, to what extent has the Department implemented them?

Answer: The National Commission on Employment Policy's recommendations on program coordination are divided into three major categories: overall coordination, local level coordination and state level coordination.

Overall Coordination - The Commission found that many non-CETA managers were not cooperating in showing plans and information and that some federally imposed administrative requirements were impeding coordination.

The situation as described by the National Commission has improved to a major extent in our opinion. At the present time, operators of the major employment and training programs are working together more closely. This improvement has been brought about by several years of experience in working together and by steps taken by the federal agencies to better encourage the use of established agencies for specific delivery roles. These steps have been defined in both the legislation and the regulations. Examples of this include the mandated use of Job Serice in the operation of the local labor pool during the PSE Economic Stimulus buildup and the designation of the Job Service for the provision of certification services to support the Targeted Jobs Tax Credit program.

As far as the administrative requirements are concerned, additional steps will be required to standardize definitions, planning cycles and reporting requirements.

With this in mind the previous administration established a work group to make recommendations for legislative changes in CETA and Wagner Peyser which would include operational procedures.

Local Level Coordination - The principal observation by the Commission on local level coordination urged the strengthening of local ties between prime sponsors and the private sector. This concern has been addressed with the establishment of the Private Sector Initiatives Programs and its Private Industry Council provision. In a recent recommendation the Commission urged the cognizant Federal agencies responsible for locally funded economic development programs to improve coordination efforts.

In our view the Private Industry Council at the local level and the federal coordination made through the Employment Initiative program are assisting these efforts.

State Level Coordination - The Commission expressed concern that CETA and the Vocational Education system were not working well together. To address this shortcoming the ETA developed a Technical Assistance Guide for use by both CETA and vocational education personnel. ETA has also sponsored conferences on this topic as well as providing a bi-monthly newsletter for CETA and vocational education administrators.

In addition to implementing the above recommendations of the Commission, the Department of Labor has done the following to improve ES/CETA linkages:

1. The Department has funded or conducted in-house three research or demonstration efforts to identify ways to improve the coordination and or linkages between ES and CETA.

2. Beginning in FY 1979 the Department implemented a requirement that CETA sponsors and corresponding Employment Service agencies develop either a financial or non-financial agreement describing the parallel activities and services to be provided by each agency. The result of such agreements was to eliminate overlap, duplication, or "competitive" situations. Non-financial agreements consist of descriptions of services and activities; financial agreements involve contractual arrangements between the agencies. During FY 1980 the Employment Service received over $400 million primarily from CETA and WIN to provide services/activities beyond those required by their basic grants. By choosing the financial/non-financial agreement device, the Department underscored its policy that local determination is the key factor in shaping employment and training programs, while still insuring that the overall goal of eliminating duplication and overlap is met.

3. The Department has, in the Targeted Jobs Tax Credit (TJTC) and the 77-78 PSE build-up, mandated roles for ES and CETA. The national scope of these two programs required overall direction to insure that each received prompt attention and resources necessary to achieve their goals. While providing a sound administrative basis for these programs, the mandates did not signal a change from local determination.

4. ETA goals and objectives for the current fiscal year include one common goal for ES and CETA:

Increase the efficiency and effectiveness of the CETA/ES delivery system.

A. Participate in implementation of Administrative measures to provide ES/CETA linkages under current legislation in FY 1981.

B. Implement legislative strategy to integrate ES/CETA operations in FY 1982.

Employment Service has begun work in three specific areas relating to these goals: planning, allocations, and definitions.

Further, the Employment Service in its 1980 Report to Congress on Wagner-Peyser has presented a preliminary statement of the departmental thinking on decentralization of planning, the Federal role, and fund allocations. Considerable work will be required prior to legislative consideration of both CETA and Wagner-Peyser legislation in Calendar 1982.

Question: What have been the outcomes or impact of those Department-funded research, demonstration, and evaluation efforts directed toward identifying ways to improve the coordination or linkages of employment and training programs in terms of their influence on legislative or policy initiatives?

Answer: Over the past few years extensive research, evaluation, and demonstration activities have been conducted by ETA concerning the issue or linkage. Many of these activities were designed to furnish information useful to the improvement of coordination in local program operations and to supply information for the design of legislation.

The results of these research, evaluation, and demonstration projects are used in the design of programs and distributed to the CETA system participants through the ETA Regional clearinghouses.

The Department has conducted or funded studies and demonstrations on the subject of ES/CETA linkages. The following are published studies with some of their findings and/or recommendations:

1. Report on CETA/SESA Linkages and Relationships - "From the outset, CETA/SESA relationships have been of considerable concern to the Department of Labor. While it has not sought to insist on any standardized linkages between the two basic systems, it has sought in various ways to encourage the CETA sponsors and SESAs to plan and operate their respective programs in some coordinated fashion.

"ETA should encourage local CETA sponsors and SESAs (and, as feasible, other key community agencies such as vocational education and vocational rehabilitation) to discuss and formulate a general set of "operating" principles and long-range goals that would encompass the various manpower activities in the area. These should be incorporated into a formal statement of intent to abide by these "operating" principles in their interagency dealings, and to try to move constructively toward achievement of the broader goals.

Supportive shorter term objectives with some timetables should be developed as circumstances permit. The "operating" principles might relate to such subjects as mutual assistance to maximize each agency's services and resources, free and open exchange of information, and interagency coordination.

"As feasible, Regional Office should review all proposed CETA/SESA agreements with particular attention to their scope, statements of work to be performed, performance standards, cost breakdowns, and compatibility with ETA policies and basic legislative intent. Copies of signed agreements should be maintained in the Regional files."

This study covering the experiences of 84 CETA sponsors and 18 SESAs was completed prior to the mandate for either financial or non-financial agreements.

2. Study of Initial (FY 1977-78) CETA PSE Title VI Expansion - "In launching the PSE expansion programs, these sponsors appear to be making the desired heavier use of the State Employment Security Agencies: heavier use than they had in earlier CETA programming. Half of the 12 relied almost solely on the Employment Service--and its WIN and UI counterparts--to recruit, identify, screen, and refer eligible workers to project and sustainment jobs. In the other sites, arrangements with ES were usually coupled with other supplemental staffing arrangements to satisfy the sponsors' concerns regarding adequate eligibility documentation and timely recruitment of qualified candidates for all project jobs. Overall, despite lingering prejudices in a few places, relations between the sponsors and the ES agencies have visibly grown closer and been strengthened." Twelve urban CETA sponsors were the focus of this study.

3. Evaluation of CETA/SESA Linkage Demonstration Projects - "The first year experience of the projects' varied efforts to link CETA sponsor and ES agency handling of entry functions (outreach, intake and assessment) and placement functions (job development, job referral and placement) suggests that partial linkages of the CETA and ES local

systems are workable, have potential for improving program operations of each agency, and can lead to improved relationships and stronger commitments for continued and broadened links.

Eight of the nine projects were sufficiently encouraged by first year results so that they sought to continue or expand the linkages with their own resources when the special ETA funding was completed.

"Development and then implementation of linkage agreements to make planned organizational changes actually operational takes time and requires continuous effort, flexibility, and commitment from staff, particularly from CETA and ES directors who have considerable discretion in determining the extent and nature of the linkages. All the projects made some progress on their linkage objectives, and those with simpler goals did so more quickly with fewer problems, but one operational year was too brief a period to work out all the policy, administrative, and technical issues raised by the linkage efforts.

"Once a decision is made to undertake joint efforts, a history of poor, even hostile, relations between CETA and ES is not an insuperable barrier to developing effective linkages. Most of the projects had poor relationships prior to their linkage agreements, but once they undertook the effort they were generally able to begin to improve coordinated efforts by the two systems.

"The implication is that some external pressure and incentives to link, such as were present in these projects can hasten the overcoming of discordant CETA/ES relationships.

"Linkages can improve CETA/ES joint response and performance on major national initiatives. Projects which emphasized placement linkages and had them in place when PSE expansion was launched, reported their ability to handle the increased workload was significantly improved. Other projects, however, reported that the PSE expansion workload caused significant delays in their linkage efforts."

ADMINISTRATION OF YOUTH PROGRAMS

Question: Why do you need a separate organization to administer youth programs, rather than integrating it with administration of other Employment and Training programs?

Answer: In 1977, when the Youth Employment Demonstration Projects Act (YEDPA) was enacted by Congress and Job Corps' administrative responsibilities were transferred to the Department of Labor, the Department decided to create an administrative structure within ETA that would be solely responsible for the planning, implementation and oversight of programs serving youth. The problem of youth joblessness was at intolerably high levels particularly for minority teenagers, and little was really known as to what blends of services work best for whom. YEDPA was designed to begin to impact on the structural unemployment problems facing youths, while at the same time, launching a comprehensive research and demonstration program (Knowledge Development), to generate information about effective youth programming at the local level.

The internal administrative structure of the Youth Office reflects this two pronged approach, with the intent that findings generated by the Knowledge Development effort would be folded into the regular youth

program and design activities. With many of the demonstration projects coming to completion, the Office of Youth Programs is shifting to an emphasis on replication of research and demonstration findings (Knowledge Utilization).

The Department under Secretary Donovan's leadership will be reviewing the most effective structure for ETA delivery systems. A final decision, however, on what is the best course to pursue at the present time, must wait until this and other options are more closely examined.

Question: What is the Fiscal 1982 staff and budget request for the Office of Youth Programs?

Answer: The previous Administration's budget proposals are as follows:

Budget Authority FY 1982 (Dollars in thousands)

$1,125,000	New Youth Legislation
$ 766,100 1/	Summer Youth Program (SYEP)
$ 749,463	Job Corps

Staff Requests for FY 1982

	OYP	JC - YACC
National Office	43	74
Regional Office	127	244
Total	170	318

$7,771,000 is the cost for these positions.

1/ Does not include $39.5 million deferral from FY 1981.

TOO MANY YOUTH PROGRAMS

Since enactment of the Youth Employment and Demonstration Projects Act, there has been a proliferation of youth programs.

Question: As far as prime sponsor operated programs are concerned, why can't youths be served under one comprehensive program?

Answer: Under current legislation, youth programs under each subpart of CETA Title IV, Part A have different eligibility criteria, purposes, funding and design as an incentive to test different service approaches. But because of these different requirements, prime sponsors report substantial difficulties in making service mix decisions for formula funded activities that are appropriate to their local labor market and labor force demands.

The Department does agree and would recommend that many of those programs be consolidated into a comprehensive program with uniform planning and design criteria. The proposed Youth Act of 1980 did address this concern and consolidated several of the categorical programs and grant mechanisms required under YEDPA.

Currently, the Office of Youth Programs is funding a demonstration project to test comprehensive service delivery approaches. The Consolidated Youth Employment Program (CYEP) is operated by 13 prime sponsors nationwide; eight are in their second year of operations, five are in their first year. Under this two-year demonstration, prime sponsors are granted discretionary funds totaling the amount they would have received by formula under CETA Title IV, Part A and consolidate their YCCIP, YETP, and Summer resources into a single grant. These CYEP operators then have the flexibility to plan and implement, on a year-round basis, programs that are responsive to the demands of the local labor market.

Preliminary findings suggest that significant improvement in service to clients results from: an emphasis on the earlier stages of the employability development hierarchy (pre-employment, education, and work experience); a shift to servicing a younger population (16-17 year olds); and increased flexibility in planning for individual service strategies.

The CYEP sites are:

1. Penobscot, Maine
2. Morris County, New Jersey
3. Erie Co., Pennsylvania
4. Hampton Co., Virginia
5. Escambia Co., Florida
6. Miami, Florida
7. Duluth, Minneapolis
8. Rock Island, Illinois
9. San Saba, Texas
10. Balance-of-State, Kansas
11. Torrance, California
12. Balance-of-State, Washington
13. Yakima, Washington

Question: For that matter, why can't youths be served under the comprehensive employment and training services offered under Title II of CETA? Such an approach could allow local officials to determine whether youth unemployment is a priority.

Answer: The Department, under Secretary Donovan's leadership, will take a look not only at the considerable youth legislation currently part of our CETA effort, but also review proposed legislation designed to more effectively reduce youth unemployment. A final decision, however, must wait until all options are more closely examined.

YOUNG ADULT CONSERVATION CORPS

Question: You are proposing a $58 million deferral to begin the process of phasing out the Young Adult Conservation Corps (YACC) to be eliminated by the end of Fiscal 1982. Will current enrollees be phased out through attrition, or will there be actual lay-offs?

Answer: On January 23, 1981, the Department of Labor directed USDA and USDI to prepare a plan for the orderly phaseout of the YACC program by the end of Fiscal Year 1982. The phaseout plan is due to the Department of Labor by March 15, 1981. Thus, the question of whether there will be layoffs cannot be answered until then. However, the Department of Labor has recommended to USDA and USDI that enrollment levels be decreased through attrition in Fiscal Year 1981, from 18,672 to 11,200 by the end of the year and that the program be totally phased out by the end of Fiscal Year 1982. This phase out in Fiscal Year 1982 will be accomplished with Fiscal Year 1981 funds.

Question: How does the Young Adult Conservation Corps (YACC) compare with Civilian Conservation Corps (CCC) and Works Projects Administration Programs of the 1930's?

Answer: The YACC is similar to the CCC in that their missions involve the hiring of unemployed youth to perform needed conservation work. Each program provided for residential living to varying degrees. However, their differences outweigh the similarities:

CCC:

1. Major unemployment caused by a depression.
2. Much larger numbers of participants, and therefore a broader scope of accomplishments.
3. The military operated the program.
4. Provided education and vocational training.
5. Eligibility was reserved for economically disadvantaged.

YACC:

1. Limited to prescribed State and Federal lands.
2. Restricted to much smaller projects.
3. Operated by Federal Conservation Agencies (USDA and USDI) and by States without the heavier emphasis on discipline imposed by the military.
4. Not limited to disadvantaged youths.
5. Work experience activities; little, if any, education or training.

The WPA was for older workers and provided a much broader range of programs, projects (including major construction) and activities than either of the others. The WPA provided opportunities for skilled workers to participate in public projects within a wide range of possibilities, which made use of their skills.

Question: How does YACC compare with the Job Corps Program, for which you are requesting more money?

Answer: The Young Adult Conservation Corps is a work experience program, with the program emphasis being placed on on-the-job work and not on Training. Job Corps on the other hand is an education and training program which provides, within a residential setting, a comprehensive program of services including basic education, vocational skills training, counseling, health, legal, recreational and other services. The only similarity between the two programs is that each utilizes actual work experience as the basis for either project accomplishment or training.

Question: How do you respond to supporters of YACC, who admit it is a high unit cost program serving many "middle class" youth, but who argue: (1) there are no other alternatives for employing these youth; and (2) that useful National Park and Forest Service work would not get done?

Answer: (1) Although the emphasis for other youth programs is to serve disadvantaged youth, both Youth Employment Training Programs (YETP) and Youth Community Conservation and Improvement Projects (YCCIP) have the potential for serving youth who are less needy. YETP may and does provide counseling, job search and job development services to non-disadvantaged youth. The program may also utilize 10 percent of the total funds available, in any Fiscal Year, to provide comprehensive manpower services for non-disadvantaged youth. The YCCIP program is quite similar to the YACC, the only difference being that the program is operated by local prime sponsors, and limits the amount of administration costs. The eligibility criteria are essentially the same as those for the YACC program. (2) The Job Corps, for many years, has performed conservation and related work in National Parks and Forests which would not otherwise get done.

Question: How many YACC enrollees are listed as disadvantaged? How does this compare with other Youth Training Programs?

Answer: In Fiscal Year 1980, 33 percent of YACC participants were economically disadvantaged. Listed below are the participation levels for other youth training programs:

FY 1980	Percent of Total Participants
Youth Employment Training Programs	79.4%
Youth Community Conservation and Improvement Projects	86.8%
Summer Youth Employment Programs	100.0%
Job Corps	100.0%

COMMISSION ON EMPLOYMENT POLICY

Question: Is the value of having the $2 million per year National Commission for Employment Policy worth its cost?

Answer: The National Commission for Employment Policy is the only independent agency mandated to evaluate the effectiveness of and relationship among all the elements of the Federal employment and training system and related programs. In FY 1981, the Federal Government is estimated to be spending $31.8 billion through Budget Function 500 (education, training, employment, and social sciences) alone.

Congress had three major objectives in establishing the Commission: (1) to create a source of independent, relevant policy analysis and advice that cuts across departmental, inter-governmental, and service lines; (2) to establish a source of independent program evaluation, which would also cut across these jurisdictions; and (3) to bring together in a forum high-level Federal policymakers and a broadly representative, knowledgeable group of public members to thereby foster the integration of the wide range of policies and programs that affect employment.

In 1978, Congress sought to further the independence and value of the Commission by limiting the number of Federal members, giving the Commission an independent source of funding, providing for minority views in all reports, and making it responsible to Congress as well as the President.

The Commission is presently comprised of six department and agency heads, a representative of the National Advisory Council on Vocational Education, and nine members of the general public including business, labor, education, State and local elected officials and community-based organizations.

The Commission's staff includes economists, political scientists, and sociologists with a wide variety of experience as researchers, evaluators, public administrators and congressional staff assistants. The staff is often supplemented with individuals on exchange from other units of government, universities, and community-based organizations. Because most staff members are technically trained as evaluators, they are adept at reviewing programs objectively and performing in nonadvocacy roles. The staff not only evaluates programs, but also seeks to perfect the methods for evaluation and utilizes leading nongovernmental resources in this effort.

The Commission, together with its staff, examines major employment problems and how a wide variety of government and nongovernment programs contribute to the solutions to these problems. For example, the Sixth Annual Report (now in its final stage of production) contains a review of the major Federal economic development programs and their effects on employment, together with recommendations for improvement. These programs are operated by four different agencies and must be coordinated with a fifth, the Department of Labor, and they come under the jurisdiction of four different congressional committees. The annual report also begins to examine the potential employment effects of supply-side economic policies and other macroeconomic policies that serve as the backdrop for employment and train-

ing programs. (This research is a part of the ongoing work of the Commission in the macro-economic area.)

The Commission and its staff also undertake ongoing examinations of the effectiveness of Federal employment, training and education programs. For example, the Sixth Annual Report will also contain an overview of employment and training programs that have operated over the past two decades, with an indication of their strengths and weaknesses. Scheduled for completion in 1981 are: (1) a study of how Federal education, employment and training programs have served the employment needs of disadvantaged women, how effective they have been in meeting congressional objectives, and what changes are necessary; (2) a review of vocational education, including its effectiveness and relationship to other employment and training programs in preparation for reauthorization work on vocational education; and (3) a far-ranging review of CETA, including an analysis of how to improve administration, management, and funds accountability; an evaluation of the Private Sector Initiative Program and other private sector alternatives to Federal programs; an examination of coordination and possible program consolidation; and an evaluation of program outcomes and ways to best utilize performance standards.

Question: What does this Commission do which could not be done by others?

Answer: The legislative history makes clear that the overriding desire of Congress was for independent, objective, specific advice on how employment-related programs and policies are working, both individually and as an integrated system, and for advice on what changes or improvements should be made. The Commission's uniqueness as a resource lies in its degree of independence; its interdisciplinary approach; and its ability to combine program evaluation with policy formulation.

In keeping with its congressional mandate, the Commission serves as an independent research and advisory body for congressional committees and staff, which are often not in a position to undertake extensive policy reviews on their own and which may not want to rely on the individual research units of departments and agencies that may be too limited in scope. Congress has used the Commission, for example, to conduct specific policy and evaluation studies including: a study of how various Federal programs related to employment could be better coordinated; a study of the net employment effects of public service employment; and an analysis of the eligibility standards for CETA Titles II and VI and their impact on single heads of households. The Commission and its staff also meet with members of Congress and their staffs, testify before congressional committees and serve as a neutral ground for facilitating an exchange of ideas among evaluators, practitioners, and congressional and administration staffs.

The Commission is also mandated to advise the President and has been used to provide independent research and advice on such issues as: the dimensions and long-term effects of youth unemployment and the need for Federal action with regard to economic dislocation caused by plant closings and economic disruptions.

The Commission anticipates that in addition to the continuing need for objective evaluation of ongoing employment and training programs, such new ideas as urban enterprise zones and interest in consolidating and seeking new ways to administer social programs will require the objective and broad-based perspective the Commission can provide.

Question: What notable contributions has the Commission produced?

Answer: As mentioned above, the National Commission for Employment Policy has conducted congressionally mandated studies on coordination, public service employment, and the effects of the CETA eligibility requirements on single heads of households. From 1974 through 1980, the Commission prepared and forwarded to the President and the Congress five annual, three interim, and 37 special reports containing recommendations on particular areas of employment policy, including these three. In addition, Commission members and staff testified before the Congress on employment issues and served as a resource for both congressional and administration staffs for the development of employment policy and legislation. The Commission, its staff, and its publications are widely utilized as a resource by State and local governments, community groups, business, and labor organizations as well.

The range of topics considered in these activities is broad and the uses for Commission output are varied. For example, several studies on the role of the business sector in employment policy preceded the development of the Private Sector Initiative Program (PSIP), and work on program coordination was used in developing legislation proposing consolidation of CETA and the Employment Service.

Most recently, youth unemployment problems have been a major concern of the Commission. Through its ability to utilize private funding, the Commission cosponsored two American Assembly meetings that brought together policymakers, practitioners, evaluators, and representatives of the private sector, labor, and community-based organizations. The most recent meeting preceded the development of the 1980 youth legislation, and many of the key policymakers in that debate participated. The Commission's Fifth Annual Report, published in December 1979, focused on youth unemployment, particularly among the disadvantaged population. It examined a variety of policy options for increasing the number of jobs for youth via wage subsidies, tax credits and a reduced minimum wage or youth wage differential; for increasing the employability of youth; and for improving the transition from school to work. Along with the material derived from the American Assembly Conference, this report was utilized in the development of the 1980 youth legislation.

COSTLY EARMARKS IN CETA LAW

Question: It's been argued that some of the CETA set-aside mandated by law actually wastes money. Doesn't the requirement that 22 percent of CETA Title II-D public service jobs funds be used for training purposes encourage development of unnecessarily expensive training, whereas previously, many enrollees received tuition-free training at community colleges or other educational institutions?

Answer: The legislative requirement that a specific percentage of CETA Title II-D funds be used for training was designed to assure that the economically disadvantaged participants who are served under this title receive the skill training which is necessary to make them employable. Title II-D is targeted to the structurally unemployed who do not have the skills and/or work history which would enable them to compete in the private sector job market. While there may be cases where prime sponsors are developing expensive training in order to meet this requirement rather than utilizing existing free resources, Title II-D participants nationwide are now receiving more training than prior to the implementation of this requirement.

Question: Doesn't the requirement that 22 percent of Youth Employment and Training Program funds be allocated to set up programs with local educational agencies force spending of funds regardless of whether the local educational agencies have the administrative capability to operate these programs?

Answer: No, the utilization of the 22 percent set aside to encourage LEA/CETA collaboration does not force the spending of funds regardless of whether local educational agencies have the administrative capability to operate these programs. The youth legislation requires cooperation between prime sponsors and local education agencies (LEA's) in the design, development and operation of youth programs of work experience, guidance, counseling, and career education that are part of a total learning experience for youth. It is up to the prime sponsor and LEA to reach an agreement that reflects how the activities covered under the agreement fit into the context of local conditions, institutions and resources; what the proposed impact of these arrangements will be on the communities capability to deliver services; and what specific objectives are to be accomplished. Agreements vary based on local needs, priorities, as well as, particular form of the agreements. They may be either financial, nonfinancial, or a combination of the two. The type of agreement however is less critical than the substantive dialogue which goes into the preparation of the agreement and the understanding which it reflects. In developing the CETA/LEA agreement, it is important for both parties to reflect a united strategy for accomplishing the objectives that fit into the total service delivery system of the community.

Based on case studies, we have found that the two programs collaborate in helping youth overcome the barriers between school and work. In some cases, this may mean that a prime sponsor staff may administer both programs and provide supportive services; or CETA prime and the LEA may pool their funds to augment their program. Rather than create a separate administrative structure, the LEA may identify a person as a manager in each school for their program and such personnel may be compensated for the extra responsibility.

It should be noted that if an agreement is not reached within the timeframe allowed, Regional offices have the responsibility to initiate reallocation procedures for those funds required to be used under LEA agreements.

Question: Why shouldn't local CETA prime sponsors be given the flexibility to decide the proper percentages of funding for training and education, with augmented Federal encouragement?

Answer: They could be given the authority by amending the statute. Congressional intent in the 1978 amendment appears to have been to require a specific level of training to enhance the participants' prospects for unsubsidized employment.

PHASING OUT PUBLIC SERVICE JOBS

Question: How many public service jobs are currently funded by CETA prime sponsors with the $2 billion they receive for employment and training services under CETA Titles II-A, B, and C?

Answer: None. The 1978 reauthorized act prohibits the use of Title II - A, B, C funds for public service employment.

Question: How many public service jobs are currently funded under the various Title IV Youth programs, excluding summer jobs?

Answer: The Act and the regulations do not allow Title IV youth funds to be used for public service employment. These funds can be used for such activities as work experience which, in some respects, is similar to public service employment. During Fiscal Year 1980, preliminary reports indicate that 126,000 youth participated in work experience activities under Title IV programs exclusive of the summer program.

Question: If both CETA Titles II-D and VI public service jobs programs were phased out, to what extent do you think prime sponsors would shift resources from other CETA programs to maintain public service jobs?

Answer: The Act prohibits the use of Title II-B/C IV and VII funds for PSE purposes.

Question: How quickly could the Title II-D and Title VI jobs programs be phased out, through attrition, and what would this save in Fiscal 1981 and 1982 budget authority?

Answer: Assuming an attrition rate of 1/18 of the current enrollment per month, it would take 18 months to phase out the current Title II-D enrollment. Assuming the same rate for Title VI, it would also take 18 months. However, there are only sufficient funds now available to carry the Title VI program through December of 1981. There are sufficient funds available to carry Title II-D through August of 1982. This option would save all of the Fiscal Year 1982 budget authority plus $160 million in Fiscal Year 1981 Title II-D budget authority.

PUBLIC SERVICE JOBS TRAINING REQUIREMENTS

Question: What is Labor doing to assure that prime sponsors spend the minimum training amounts required by law for public service jobs participants?

Answer: Through its Regional office staff, Employment and Training Administration (ETA) closely monitors prime sponsor's compliance with the training requirements on a quarterly basis. If prime sponsors are not going to be in compliance at the end of the grant year, they are required to implement corrective action plans which will bring them into compliance with the requirement. These plans must be approved by ETA.

Question: Why are most sponsors not meeting spending minimums for public service jobs training?

Answer: Sponsors are having difficulty meeting the training requirements for a number of reasons: First, these requirements have necessitated the re-design of PSE programs as they had operated prior to the CETA Amendments. Jobs had to be redesigned to meet the average wage requirements and to be appropriate for those meeting the new eligibility requirements. Training then had to be designed and obtained for these participants. This all required planning time. Further, there was a hiring freeze in Title VI and a de-obligation of funds in the latter part of FY 1980 which also affected sponsors' ability to comply with the requirement.

Question: Because of the low-level of public service jobs, are prime sponsors having difficulty providing related training? In other words, what kind of training can you provide to a general laborer?

Answer: Neither the Act nor the regulations require that the training provided be related to the specific PSE job. Rather, it is to be related to the career goals of the participants. Under Title II these goals are described in the Employability Development Plan (EDP) which is required for all participants. The training is intended to provide PSE participants with the skills necessary to obtain unsubsidized employment.

Question: What percent of Title II-D participants received training in FY 1980?

Answer: Approximately one third of participants employed in Title II-D public service jobs received training or services during FY 1980.

PSE WAGE CEILINGS

Question: Are the ceiling and average PSE wage amounts so low that meaningful jobs are difficult to develop for CETA participants?

Answer: Many prime sponsors have reported difficulty in developing meaningful jobs for CETA participants as a result of the average and maximum wage limitations. The limitations were placed, however, in an effort to maximize the number of CETA job opportunities which could be created and also to discourage maintenance of effort abuse.

Prime sponsors have been encouraged to restructure jobs or use other appropriate job development techniques to focus the program on those persons most in need.

Question: Are there inequities in the way Labor computes area adjustments to the national average PSE wage?

Answer: We believe that the manner in which we compute the wage adjustment index is equitable. The index is based on unemployment insurance data as reported in ES 202 reports and is computed as the ratio of the average annual wage in each area to the national average annual wage. An index value is computed for each prime sponsor, each Standard Metropolitan Statistical Area (SMSA) and for each county eligible to be a program agent (at least 50,000 population) in a Balance of State, consortium, or rural concentrated employment program.

Question: How does Labor monitor prime sponsor compliance with the PSE average wage limitations?

Answer: Compliance with the average wage limitations is monitored through the quarterly Financial Status Reports (FSRs).

Question: Do the quarterly prime sponsor financial reports provide adequate information for such monitoring?

Answer: Yes.

TEMPORARY EMPLOYMENT ASSISTANCE

Question: What difficulties, if any, are being reported by prime sponsors in developing programs that comply with the average wage requirements?

Answer: The following difficulties have generally been reported by prime sponsors:

1. Discontinuation of needed useful municipal services.
2. Added administrative burdens necessitated by job restructuring and developing new positions.
3. Artificial job restructuring has been occurring, where CETA employees are being paid less for similar work.
4. Development of less skilled, dead-end jobs, which provide less opportunity for transition to unsubsidized employment.

Question: How will enrollment levels be affected by the increase in the average wage?

Answer: We do not expect this increase in the average wage to affect the budgeted unit costs and resulting enrollment levels.

Question: How many applications for waivers of the 78-week restriction on public service employment participation has the Department received?

Answer: The Department received PSE waiver requests from 164 prime sponsors for the initial September 30, 1979, waiver period for 52,346 participants. For the first quarter of FY 1980, requests were received from 31 prime sponsors for 2,137 participants. For subsequent quarters, approximately 15 requests (including subsequent waiver requests) per quarter were received from prime sponsors with varying numbers of participants.

Question: What decisions have been made on these applications?

Answer: The Department granted approvals either in full, in part, or with conditions to approximately 97 percent of the waiver requests.

CETA, TITLE II

Question: What changes in the type of activities funded under Titles II B, C, D or VI (i.e., classroom training, on-the-job training, etc.) have been made as a result of the 1978 amendments?

Answer: It is impossible to separately identify the effects which the 1978 Amendments have had upon program activities. Since the beginning of CETA, the Department has encouraged prime sponsors to make increased use of classroom and on-the-job training (OJT) programs designed to prepare participants for employment in the private sector. In FY 1980 classroom training was the predominant Title II B/C activity with 48 percent of all participants in these programs, while work experience was the second most popular with 39 percent of participants in these jobs during the year. Thirteen percent of participants were in OJT programs in FY 1980. This mix of activities is substantially different from the earlier years of CETA. In FY 1975, 57 percent of Title II B/C participants were in work experience and public service employment jobs, 28 percent in classroom training and 7 percent in OJT programs. The 1978 amendments did prohibit public service employment under Title II B/C. This has probably had only a marginal effect upon the overall mix of activities because only 2 percent of all participants were in PSE programs in the year immediately preceding this 1978 amendment.

There has been little change in the mix of program authorized by CETA Titles II D and VI. In both cases, the predominant activity was public service employment--91 percent of all activity under Title IID and 96 percent under Title VI in FY 1980. This is similar to the types of activities provided under these programs prior to the 1978 Amendments.

Question: What is the percentage of disadvantaged persons enrolled in Title II D public service employment programs? How has this changed since the 1978 amendment?

Answer: In FY 1980, 96.5 percent of all Title II D participants were economically disadvantaged. This is a substantial increase over the years prior to the 1978 Amendments when there was no requirement

that a person be economically disadvantaged to participate in the program. From FY 1975 to FY 1978, the percentage of disadvantaged continually increased each year from a low of 48 percent in FY 1975 to 62 percent in FY 1978.

Question: What is the rate of placements in unsubsidized jobs for both Title II D and VI and how does this differ from pre-1978 amendments?

Answer: The FY 1980 entered employment rates under Titles II D and VI were 35.4 percent and 34.4 percent, respectively. In contrast, prime sponsors reported that 44.5 of Title II (pre-reauthorization) and 32.6 percent of Title VI participants were immediately placed in jobs after termination from the program in FY 1978.

A number of factors may have contributed to the significant decline in this rate for Title II D. Worsening employment situations in many prime sponsors areas and the legislative changes placing limitations on the length of time participants may stay in the program have no doubt had an effect. However, the most apparent difference in Title II D between the years prior to the 1978 amendments, and FY 1980 is the changing characteristics of participants. Ninety-seven percent of Title II D participants were economically disadvantaged in FY 1980 compared to 62 percent in FY 1978. These disadvantaged have traditionally had lower entered employment rates than the non-disadvantaged. In FY 1978 the employment rate for the non-disadvantaged was 27 percent higher than that for the economically disadvantaged. Therefore, increased participation of the economically disadvantaged would tend to lower overall entered employment rates.

The Title VI entered employment rate changed relatively little between these two years. This may be due to the similarity of characteristics of participants during FY 1978 and 1980. In FY 1978, 81.2 percent of participants were disadvantaged. This was slightly higher in FY 1980 when 89.8 percent were disadvantaged.

NEW TAX CREDIT PROPOSAL

Question: What is the Department of Labor's position regarding a tax credit similar to that used in the Targeted Jobs Tax Credit Program for each person an employer would hire from the public service employment rolls as permanent employees?

(Background: Some analysts have suggested that a large-scale employer's incentive program be implemented that would put more working capital into the hands of private sector businesses, especially small ones. Under this recession based program, employers could elect to receive a deferred tax credit similar to that used in the Targeted Jobs Tax Credit program, or could choose to receive a cash benefit to be paid quarterly for each person they would hire from public service job rolls as permanent employees. This plan could be implemented as a supplement to the existing Targeted Jobs Tax Credit program but be more flexible with regard to eligibility criteria. By implementing this program, proponents say, CETA would establish a formal mechanism for the transition of participants from public service jobs to the private sector.)

Answer: The Department is always interested in examining proposals which would aid in transitioning CETA participants into permanent unsubsidized employment. The proposal for a tax credit similar to that used in the Targeted Jobs Tax Credit (TJTC) program is one tool which the Department agrees deserves further consideration. In developing proposals, the experience of the TJTC program should be closely examined, especially any considerations of retroactive credits.

CETA FRAUD AND ABUSE

Some critics feel that the official Labor Department estimates of fraud and abuse are low, simply because the estimates are based on such a small sample of total expenditures.

Question: What efforts has the Department initiated to curb alleged fraud and abuse in the Comprehensive Employment and Training Act (CETA) Program?

Answer: First, the Department has vigorously implemented the specific requirements of the 1978 CETA amendments pertaining to fraud and abuse. Two items requiring changes in prime sponsor organization and practice have received particular attention, namely eligibility determination and verification systems and independent monitoring units (IMU's). Sound systems implementation in these areas has increased capability to detect and, even more importantly, to prevent fraud and abuse for both CETA sponsors and Federal staff. In addition, through Regulation and other operational guidance, the Department has increased its emphasis on the responsibility of prime sponsors for proper management of their subgrantees.

Secondly, the Department has stepped up its efforts to ensure maximum Federal oversight of CETA programs, within the constraints of resources and staff availability. There has been a concentration on achieving more timely and thorough auditing, audit resolution, and debt collection. Furthermore, additional training and other assistance are being provided to grant officers and Federal Representatives in our ETA Regional Offices. These are the staff with day-to-day contact and oversight of CETA grantees. Their monitoring and assessment activities are the key to the prevention of fraud and other program abuse.

Question: Does the Department have any estimates of the money lost to Fraud and Abuse each year in CETA?

Answer: Yes.

Question: On what are these figures based?

Answer: During Fiscal Years 1975 - 1979, there were 422 State and local audits done which involved 460 CETA prime sponsors (or 92% of all CETA prime sponsors). Those 422 audits dealt with $5,829.9 million in CETA costs. Of that amount, $112.4 million (or less than 2%) were questioned. Since experience has shown that about one-third of all questioned costs are finally disallowed, we can reasonably expect that approximately $37 million will finally be disallowed.

YOUTH EMPLOYMENT POLICY

In addition to providing jobs, the Youth Employment and Demonstration Projects Act was designed to test and evaluate a broad spectrum of demonstration projects.

Question: Have these demonstration projects provided a sound basis for the future directions of youth employment policy?

Answer: Demonstration projects established under YEDPA have been designed to answer many important policy questions about the causes of youth unemployment and how it can most effectively be reduced.

The Department of Labor is operating and researching a number and variety of employment and training demonstrations unprecedented to date. Our research, when complete, will give us information on what kinds of programs seem to provide the most benefit for different kinds of youth--high school graduates, drop-outs, inner city minorities, 16 and 17 year olds v. 20 and 21 olds and so forth. Data is being collected on the components of each demonstration program, pre and post-program related attitudes and knowledge, immediate employment results, and employment results 3, 8, and 24 months after program participation. Control or comparison groups have been formed to use as a measure of how youth would fare without the program intervention being tested.

This is a massive undertaking, and results at this time are just beginning to take shape. Within the next 6 months to 12 months we should have policy information on the following areas:

o the cost-effectiveness of varying levels of intervention--from simple pre-employment services to long-term classroom and on-the-job training.

o most effective means of accessing the private sector--with distinctions between small and large employers.

o how youth can be encouraged to stay in-school, or how alternative education can be designed to give youth necessary work credentials.

Question: As a result of the massive research and evaluation efforts, do we know what works best?

Answer: Because of the massive nature of this research effort and its critical longitudinal aspect, findings are just beginning to coalesce. Definitive information will be available in the next year. Some preliminary results indicate:

o that although private sector work opportunities are much harder to develop for youth, these result in a better quality work experience and are more likely to result in a subsequent unsubsidized job.

o some simple pre-employment methodologies seem to provide an excellent payoff. Job clubs are one such methodology where youth

search for work with the assistance and support of peer groups. Other techniques such as role playing, development of "career passports," (academic and nonacademic credentials) also show promise.

o Employers of different sizes seem to respond differently to incentives for youth hiring. Small employers tend to be responsive to direct subsidies. Larger employers are generally looking for a youth with sound academic skills (reading and math) and for good employment screening assistance. Beyond that, they often prefer to do their own occupational training.

o Tax credits--TJTC in particular has had a mixed impact. Employers have enthusiastically used TJTC to hire cooperative education students, but have used it in a much more limited fashion to hire economically disadvantaged 18-24 year olds.

Question: More importantly, can we solve the chronic youth unemployment problem?

Answer: Youth unemployment, as with all unemployment, will always be predicated largely on economic conditions. While employment and training programs alone will never solve unemployment problems for any group, they can contribute to a reduction in unemployment, offering access to jobs and job information to individuals who have few or no contacts in the job market, who have no role models in the world of work, or who have become discouraged by reason of prejudice or constant unemployment.

CONTRACTING OUT ADMINISTRATION OF YOUTH PROGRAMS

Question: Why do you use organizations such as Manpower Development Research Corporation and Youthwork to administer programs?

Answer: Using such organizations allowed the Department of Labor to very quickly build a capacity to effectively manage extremely large, ambitious, and complex demonstration efforts which were to be of a set duration. Through such organizations staff with specific technical expertise could be tapped, without a permanent staffing commitment.

Question: Isn't the responsibility for administering public programs the proper responsibility of your Department?

Answer: Administering such programs is very much the Department's responsibility. The use of intermediary organizations was the most efficient and effective means of fulfilling that responsibility within a very short timeframe. We exercise substantial control and direction of such organizations. The relationship is no different from many other prime and subcontractual relationships undertaken to administer Federal funds.

Question: How much is each of Youthwork and the Manpower Development Research Corporation receiving from the Labor Department in fiscal 1981, and what is budgeted for fiscal 1982?

	Administration	Research Evaluation	Program Operation
MDRC FY 1981	$1,498,000	$4,865,000	$41,501,000
Youthwork FY 1981	$1,600,127	$ 557,754	$ 1,884,800
MDRC FY 1982	$ 631,000	$1,499,000	$ 4,198,100
Youthwork FY 1982	$1,291,096	$ 235,035	$ 628,267

Question: How do you select these administering organizations?

Answer: Organizations were selected on a sole source arrangement principally on the basis of the track record or specific resources available to the organization.

Question: Are there any published criteria for the selections?

Answer: None were published.

Question: Are other interested persons given the opportunity to form such organizations so that they may compete for this role?

Answer: The research and demonstration phase for these programs is largely behind us. The period for tapping such organizations was only during the initial stages of mounting the YEDPA effort, although, of course, their involvement continues to the present time.

YOUTH UNEMPLOYMENT RATE

When we pass legislation authorizing youth programs, primary justification for such programs is the high youth unemployment rate.

Question: Can we really expect these programs to have a significant impact on the youth unemployment rate?

Answer: In 1979 alone, CETA youth programs served 2.5 million youth. Many of these youth went on to get jobs. Others returned to school, a desirable outcome of program participation, though having no immediate effect on lowering the unemployment rate. Those returning to school are more likely to secure employment than those who drop out. Even if they come of age and leave the youth labor force, their chances of securing employment as an adult are better than if they had not been exposed to some form of youth employment or training program.

Question: Why haven't we witnessed any significant change in the youth unemployment rate in the last 25 years?

Answer: In the last decade alone the rate has fluctuated as much as six percent. The rate tends to fall as the economy improves, and rise as the economy deteriorates. These fluctuations in the youth unemployment rate represent large numbers of young people.

Nonetheless, the youth unemployment rate is presently unacceptably high. It is roughly 2½ times that of the adult unemployment rate.

However, when viewed in the context of the larger number of youth entering into the labor force yearly, it is to the credit of youth programs that the rate has not risen more dramatically than it

has. The following points need to be considered when contemplating the success of youth programs in combating youth unemployment:

o Due to the youth programs under YEDPA and due to the high visibility of the program, large numbers of youth have entered the labor force who were not counted previously because they were not looking for work. A major problem for these youth, however, is that job opportunities remain relatively stagnant or, in many cases, have declined measurably.

o Young workers, particularly inner city disadvantaged minorities, are the first to suffer the effects of a recession and deteriorating economy. They are most likely to lose jobs when lay-offs occur.

o The number of youth served by youth programs compared to the total number of youth in the population as a whole is relatively small. Thus, the impact of job placement for program participants is miniscule in lowering the unemployment rate.

o Many youth served by youth programs are not considered as being in the labor force to begin with. For example, over 1.3 million youth participated in YETP and SYEP programs in 1979. Most of these participants were in school youth, and accordingly were not considered as being in the labor force. Therefore, job placement of these youth would have no impact on the unemployment rate.

o Many youth seek part-time employment and temporary jobs. These patterns of behavior have youth moving in an out of the labor force, achieving their personal employment goals, but impacting very little on the overall unemployment rate.

o Most youth live in households where another family member is the chief income provider. Therefore, the pressure to secure employment to support a family is not as big a motivating factor for the young person--he may not need a job as badly as an adult who provides for a family and accordingly will not work as hard to find one.

YOUTH PROGRAMS CONTRACTS

Question: Please document for us all the relationships between the organizations that administer programs and organizations that evaluate them.

Answer: Administrators (operators) of youth programs fall into the categories of public or private. Public operators include (1) other federal agencies (interagency agreement); (2) Regional Offices; (3) State or governor's office; and (4) county and/or city CETA prime sponsors. Private operators include (1) intermediaries such as Youthwork, Inc., MDRC, etc, and (2) Community Based Organization (CBO), national and local.

Research and evaluation is conducted by a range of organizations or institutes such as universities, private for profits, and private non-profit firms.

During the course of the evaluation phase of any research and demonstration effort, there is never any contractual or legal relationship between the respective organizations. The only relationship is the working relationship required in obtaining the necessary elements in the evaluation.

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As a matter of policy and principle, significant attention is given by the Department of Labor to assure that organizations who run programs do not evaluate them. In most all cases, the Department has separate contract/subcontract arrangements with administrators and evaluators. Therefore, there is no legal relationship. An evaluator is never cast in the dual role of program operator or technical assistance provider at the same time he is evaluating.

Question: Are you satisified that there are no potential conflicts of interest created by the close relationships of administrators and evaluators?

Answer: The Department of Labor makes every reasonable effort to see that no conflicts of interest exist or are created by relationships between administrators and evaluators.

Question: What procedures do you have in place to ensure compliance with section 121(H)(1) of CETA which provides that: No non-government individual, institution, or organization shall be paid funds provided under this Act if such individual, institution, or organization is associated with that program as a consultant or technical advisor, or in any similar capacity.

Answer: It is our consideration that all youth program contractors and evaluators (or subcontractors) are in compliance with 121(H)(1) of CETA. To ensure compliance with this provision of the Act, DOL project officers are assigned to monitor both the prime contractors and all appropriate subcontractors. Approval of all subcontractors, including the scope of work and payment thereof, must be secured from the DOL project officer. This arrangement allows the project officer to carefully review and monitor progress of tasks outlined in the work statements, thereby allowing a review for any potential conflicts of interest or violations of the regulations.

FIXED COST PER EMPLOYMENT SERVICE CLIENT

Question: What is the average cost of placing each unemployed person by the Employment Service?

Answer: In FY 1980, the average cost per individual placed was $152 and per placement transaction, $102.

Question: What is the range of unit costs per placement among various State Employment Service Agencies?

Answer: In FY 1980 the cost per individual placed ranged between $79 and $292 with a median cost of $159. This range is predominantly a reflection of the variation in State salaries. For example, average State salaries range between $11,000 and $28,000 per year.

Question: What incentives do you have to encourage better performanace by State agencies in placing people in jobs?

Answer: In the current resource allocation process approximately 2 percent of available resources are set aside for performance incentives. States are rewarded if performance, as measured by placements per staffyear, exceed the national average and/or prior year performance. In FY 1981, 490 staffyears were distributed nationally for performance out of a total of 24,783 staffyears allocated through the formula.

WORKER RELOCATION PROGRAMS

Question: Why haven't relocation and retraining programs designed to get displaced workers into new occupations been more successful?

Answer: In the case of Trade displaced workers, only 624 persons relocated to other areas within the United States in FY 1980. Most displaced workers did not want to relocate. Many were secondary wage earners and more than 50 percent cited family ties in the area as a reason for not taking advantage of relocation benefits.

Question: What suggestions do you have for improving the effectiveness of worker relocation programs?

Answer: It is not possible at this time to address specific program changes. However, in connection with a general review of programs administered by the Department, the Department will be examining the worker relocation programs and will be developing proposed changes, if any are needed.

EMPLOYMENT SERVICE PASS THROUGH ARRANGEMENTS

Question: Labor's response to the GAO report recommending the termination of pass through arrangements to fund some of its activities stated that this arrangement did not circumvent Federal and State procurement regulations. It also stated that this arrangement is justified "...as long as Federal or State procurement procedures are strictly observed..." At the Federal level the procurement regulations pertain to grants and contracts in which the Federal agency is a signatory. Since Labor was not a signatory to these awards, how do these regulations pertain to these pass through arrangements? Please supply specific references for the record.

Answer: Pass through contracts must meet the same procurement requirements as any other procurement actions. State agencies which are recipients of grants-in-aid must comply with OMB Circular A-102 as well as complying with its own State procurement requirements. Both OMB Circular A-102 and State safeguards apply regardless of whether or not the Department is a signator to the award.

Question: Labor's response to the GAO report stated that in the future the pass through arrangement will be used "...only in those State Agencies which have certifiable procurement procedures as described in OMB Circular A-102, Attachment O." The GAO report on 9 agreements in Nevada stated that Nevada's role was limited to obtaining signatures on the agreements and paying bills from Labor-certified invoices. The report also stated that Labor selected the contractor, negotiated the agreements with the contractor, monitored the work progress, and certified the contractor's invoice. How then do the State procurement procedures safeguard the Federal dollar?

Answer: The safeguarding of the Federal dollar is accomplished by the Federal oversight and approval of State procurement practice, which insures that the State meets or surpasses the requirements of OMB Circular A-102. In the case of the Nevada SESA, the agency has full responsibility for insuring that agreements are in compliance with Federal or State standards. To insure such compliance, all agreements are reviewed by the SESA, the State Board of Examiners, and the State Interim Finance Committee which is part of the Nevada State legislative. No contract may be executed until it has been reviewed and approved by these bodies.

ERRONEOUS PAYMENT OF UNEMPLOYMENT BENEFITS

Question: A study prepared for the National Commission on Unemployment Compensation has found evidence of disturbingly high rates of unwarranted benefit payments, ranging from 3 percent to 22 percent in the seven localities surveyed. Projected to the nation as a whole, 3 percent overpayments would mean $720 million in erroneous overpayments for fiscal 1981, and a whopping $5.3 billion if overpayments were as high as 22 percent. Are you taking steps to find out if this study is representative of a serious overpayments problem nationwide?

Answer: Under regular or routine benefit payment control procedures used by State agencies, the detection rate of overpayments during the period July 1979-June 1980 was about 7.4 percent of the payments issued. In the National Commission on Unemployment Compensation (NCUC) study the rate, averaged for the six sites, was about 18 percent for weeks of compensated unemployment. The Department's Unemployment Insurance Service is presently engaged in a program to determine if the rates of overpayments/improper payments found in the study are realistic. A random claim audit (Quality Control Program) is being field tested in five selected States. It will be expanded to another 10 States in FY 1982 and, hopefully, to all States by FY 1984, funds permitting. This audit has been designed to produce valid rates of detectable overpayments/improper payments on a Statewide basis and will serve as a management tool to identify problem areas, to take corrective action promptly and thereby conserve benefit funds. It is anticipated that the rates of overpayments/improper payments found in the random audit will fall somewhere between the 7.4 and 18 percent rates already determined.

Question: Doesn't the survey's finding that more than half of detected overpayments involved claimants who had not actively looked for a job or were "unable" to work indicate serious problems with inept local administration?

Answer: About 44 percent of the overpayments found in the NCUC study were caused by errors by the claimant, 22 percent by State agency personnel, and 8 percent by employers. As to the reasons for these errors, the highest rate, or 46 percent was related to issues of continuing eligibility, such as claimants not being available for work, not looking for work, or refusing suitable employment. While the 22 percent error rate attributable to State agency personnel is unacceptably high, it is not fair to place the blame for most overpayments on "inept local administration" when claimant errors caused twice as many overpayments. Various factors may have contributed to the rate of State agency errors such as high claim workloads, staffing problems and lack of adequate training for local office staff. The Department is very concerned about the findings of the study and is enhancing its ongoing system for detecting overpayments and reducing errors.

Question: What suggestions do you have to correct abuse and mismanagement in the unemployment insurance program?

Answer: In addition to the random claim audit, previously discussed, the Unemployment Insurance Service is currently working with State agency staff to:

--Improve the Benefit Rights Interview Program so claimants can better understand their rights and responsibilities when filing for unemployment benefits.

--Operate job search workshops to instruct claimants in job-finding techniques, as well as to motivate them to seek work.

--Develop an evaluation system for assessing the effectiveness of a State agency's Eligibility Review Program.

--Increase training of State agency staff in conducting eligibility review interviews.

--Accelerate the training of State agency personnel in eligibility determination, fraud investigation, and the prosecution of fraud.

--Expand State automated systems to control, detect, and recover overpayments.

--Improve controls to prevent overpayments in UI benefits for jobless Federal workers and ex-service personnel.

--Urge more States to adopt a common intake process whereby UI claimants can more easily register with the Job Service for assistance in obtaining employment.

--Establish stronger quality measures for local office claimstaking operations.

WORK DISINCENTIVES FROM UNEMPLOYMENT PROGRAM

Question: Many labor economists believe that there is enough evidence to suggest strongly that the Unemployment Insurance program has the ironic effect of increasing the unemployment rate even during good times by providing little incentive for claimants to find another job. Is the so-called "work disincentive" effect of unemployment insurance a serious problem?

Answer: A common finding in many studies is that unemployment benefits tend to increase the duration of unemployment. An association has been found between the duration of unemployment and both the weekly benefit amount and the potential duration of unemployment benefits. However, study findings differ on the extent of the effects of these unemployment insurance variables on the duration of unemployment. Therefore, it is difficult to draw any conclusions about the seriousness of the work disincentive effect.

Question: What can be done to reduce work disincentives from the unemployment insurance program?

Answer: The long-range objective of the unemployment system is to provide minimal income support until an individual finds another job. It follows, then, that the earlier in a claimant's unemployment appropriate job search and employment services are provided, the easier it will be to separate out claimants with weak attachment to the labor market or those who may need specialized assistance to locate another job. The work disincentive effect that results from the existence of the unemployment insurance program can be minimized by early identification of claimants with job-finding problems.

ELIGIBILITY DETERMINATIONS FOR UNEMPLOYMENT BENEFITS

Question: Some States are notoriously lenient while others are notoriously tough in determining eligibility for unemployment benefits. Do you rate States in terms of the relative ease with which they determine applicants eligible for unemployment benefits?

Answer: We have no formal system for rating States as to their leniency in determining eligibility for benefits. Any such rating would be misleading since it would not reflect the States' UI laws and economic conditions for that State which undoubtedly have at least as great an impact on the rate of eligible claimants as the State's leniency or stringency in determining eligibility. However, we do maintain data for each State on the number and percent of claimants disqualified from benefits, by cause as well as those found monetarily ineligible for benefits.

Question: What actions can you take from the Federal level to encourage States to tighten up their eligibility determinations for unemployment benefits?

Answer: Under the Federal-State unemployment insurance system, the States are responsible for interpreting and applying the State law's eligibility requirements. At the Federal level, we can make recommendations on State law provisions and on methods of operations. In this regard, the Employment and Training Administration (ETA) has issued guidelines for an eligibility review program and has allocated funds to the States for its operation. The purpose of the eligibility review program is to review a claimant's continuing eligibility for benefits, and provide reemployment assistance to claimants to hasten their return to work. The eligibility review program serves to insure benefits are being paid only to individuals who meet the eligibility requirements of the law. Accordingly, ETA is continually working with the States to improve the program.

COLLECTING UNEMPLOYMENT TAX

Question: Under the current system, State Unemployment Insurance offices collect only the State employers taxes, while IRS collects the Federal unemployment tax. Doesn't this require unnecessary duplication of effort?

Answer: All payroll taxes cause a degree of duplicate effort for the Federal and State governments. Federal and State unemployment taxes are collected for different reasons. The Federal tax is an excise on payrolls which is used to finance the administration of the Federal/State UI program, Job Service (Wagner Peyser) and certain Federal benefit obligations. State collections are contributions into a fund used solely to pay benefits to workers in the collecting State. Not all employers subject to State contributions pay Federal taxes.

Question: Why couldn't the States act as agents for the Federal government and collect both taxes at once?

Answer: States could act as agents for the government and collect both taxes. Perhaps the biggest obstacle to an agency arrangement would be the extension of IRS disclosure and internal security safeguards to State agencies and the problem of requiring or permitting States to interpret and enforce Federal law.

Question: How much could be saved in administrative costs if IRS didn't have to collect unemployment taxes?

Answer: Savings in IRS administrative costs would be minimal and would for the most part be transferred to State operation costs, both paid from Federal unemployment tax revenues. At most the savings might run about $10-$15 million annually. State costs would increase about one-half of that amount.

Question: Wouldn't total tax revenues be higher, if they were collected in a consistent, systematic manner through the regular State collection mechanism?

Answer: There are differing opinions as to collection effectiveness. Both systems are efficient and effectively collect nearly 100 percent of taxes due.

FIXED COST PER UNEMPLOYMENT CLAIM

Question: What is the average cost of processing a claim for unemployment compensation?

Answer: The national average (median) measured cost of processing a claim for unemployment compensation is 149.5 minutes. This average may vary slightly from month to month or quarter to quarter, depending upon the incidence of such variables as type of claim, i.e., regular, former federal employee, interstate, etc., and the number of denials of benefits and appeals of those denials.

Question: How does the average cost per claim vary from State to State?

Answer: The average cost per claim varies from a low of 82.2 minutes in Tennessee to a high of 272.2 minutes in the Virgin Islands. Variations among States can be attributed to not only the type of

workloads being experienced, but also to the configuration of each State's operating system, and to some degree, to the requirements imposed by different State UI laws.

Question: How do you reward States that process claims more efficiently, and penalize States with poor performance.

Answer: The annual budget allocation process serves as the vehicle to reward low cost States. For the last two fiscal years (1980 and 1981), the UI allocation of positions to the States has reflected a policy of full-funding measured operating costs of the lower cost States while only partially funding the measured operating costs of the higher cost States. In FY 1980 25 percent of the States were full-funded. In FY 1981 33 percent were full-funded.

INVESTMENT OF UNEMPLOYMENT TRUST FUNDS

Question: Have any States indicated to you that they feel they could make more money on Unemployment Trust Fund investments than the United States Treasury?

Answer: States have brought up the idea of investing trust fund monies in other than the U.S. Treasury. Section 904 of the Social Security Act specifies the Secretary of the Treasury to oversee and invest the monies in fund. The Reagan Administration will review the current investment practice to decide if any changes will be made.

Question: Why shouldn't the States be allowed to invest their own surplus unemployment trust fund balances?

Answer: Section 904 of the Social Security Act gives the investing authority to the Secretary of the Treasury and states that "Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States." This was done to safeguard these funds and to assure their liquidity when needed. The losses that had been experienced in State accident compensation insurance funds were in mind at the time this legislation was drafted and enacted.

Question: How are Unemployment Trust Funds currently invested, with what average rate of return?

Answer: Trust fund monies are currently invested by the Secretary of the Treasury in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States as per section 904 of the Social Security Act. The current rate of return is 8.06 percent.

Question: Do you think unemployment trust funds could safely be invested to yield higher interest rates?

Answer: The General Accounting Office made a review of investment practices and made recommendations to yield higher interest rates. Since this responsibility rests with the Secretary of the Treasury, final action with regard to these recommendations are with the Department of Treasury.

TRADE RETRAINING

Question: Under Title III of CETA, you are requesting $13,672,000 for retraining and relocation of workers adversely affected by foreign import competition. With Trade Act unemployment benefits estimated at $1.5 billion for fiscal 1982, why is so little emphasis being placed on retraining to get these workers back into productive jobs?

Answer: In the past this was primarily a matter of budgetary constraints. The dollars were simply not available under CETA Title III. The Reagan administration budget policies are being developed now with the participation of Secretary Donovan and other administration officials including the Office of Management and Budget. It would be inappropriate to comment on specific areas until the final Reagan administration proposals are submitted to the Congress.

Question: How many of the estimated 350,000 recipients of Trade Act unemployment benefits will be retrained and relocated with the $13,672,000 budget request?

Answer: Very few. We have instructed State agencies to concentrate their allocation of resources to the payment of job search and relocation allowances which are entitlements under the program.

Question: Based on experience to date, what percent of those retrained will be placed in non-import affected employment?

Answer: We cannot identify the extent to which retrained workers entered non adversely affected employment. However, we do know that of the 12,670 workers who completed training during the life of the program 3,090 or 24 percent were placed in jobs by State employment security agencies. Additionally, many more were placed in jobs through their training facilities.

Question: Would it make sense to cut direct trade act unemployment benefits and increase expenditures on retraining, job search, and relocation assistance, and yet, still have a new savings for taxpayers?

Answer: As indicated earlier, the Reagan administration budget policies are being developed now with the participation on Secretary Donovan and other administration officials including the Office of Management and Budget. It would be inappropriate to comment on specific budget reduction suggestions until the final Reagan administration proposals are submitted to the Congress.

Question: To what extent could loans be given, instead of direct subsidies for assistance in retraining and relocating?

Answer: This question falls into the category of budgetary and legislative considerations. Therefore, it is not possible for the Department at this time to respond to specific questions about changes

in legislation currently administered by the Department, or potentially under the purview of the Department. Under Secretary Donovan's leadership, the Department will be examining this concept, along with a number of other proposals, and will report to the committee on them at the earliest possible date.

CONTROLLING GROWTH OF TRADE ADJUSTMENT ASSISTANCE

Question: What administrative and legislative measures can you suggest that might help to control the growth of the Trade Adjustment Assistance programs (TAA)?

Answer: Under Secretary Donovan's leadership, the Department will be examining TAA proposals along with a number of other proposals, and will report to the committee on them at the earliest possible date.

Question: Should the group eligibility criteria under the Trade Act of 1974 be changed from imports being "an important cause" of the harm to import-affected workers to imports being "the most important cause?"

Answer: It is not possible for the Department at this time to respond to specific questions about changes in legislation currently administered by the Department, or potentially under the purview of the Department. Under Secretary Donovan's leadership, the Department will be examining this issue along with a number of other TAA proposals, and will report to the committee on them at the earliest possible date.

Question: How much would this cut from Trade Adjustment Assistance outlays in Fiscal Year 1982?

Answer: The Reagan administration budget policies are being developed now with the participation of Secretary Donovan and other administration officials including the Office of Management and Budget. It would be inappropriate to comment on specific budget reductions suggestions until the final Reagan administration proposals are submitted to the Congress.

Question: How much would be saved if GAO's recommendations were adopted allowing trade benefits only after regular unemployment insurance benefits have been exhausted? (And then, only at the level of regular UI benefits?)

Answer: Adoption of the GAO proposal of an additional 52 weeks at the regular UI benefit level after exhaustion of regular UI benefits would result in savings of $1.075 billion in Fiscal Year 1982.

REDWOOD AND AIRLINE BENEFIT PROGRAMS

Question: In addition to the separate trade benefits program, there are separate legislatively mandated unemployment benefit programs for redwood and airline workers. Why shouldn't there be an omnibus worker protection program, taking care of the special needs of different groups, but organized into one consistent system?

Answer: It is not possible for the Department at this time to respond to specific questions about changes in legislation currently administered by the Department, or potentially under the purview of the Department. Under Secretary Donovan's leadership, the Department will be examining a number of proposals, and will report to the Congress on them at the earliest possible date as to conclusions reached.

Question: Wouldn't an overall system be easier and less expensive to administer, and more equitable to workers?

Answer: Presumably, to the extent that the overall program provided the same benefits to workers similarly situated regardless of the reason for the unemployment, that assumption is correct.

Question: How costly is the Redwood Program?

Answer: From the beginning of the program in June 1977 through the period ending January 17, 1981, the following amounts have been paid.

Health and Pension Payments	$ 978,804
Weekly Payments	$18,581,308
Severance Payments	$12,016,426
Total Benefits	$31,576,538
Job Search Allowances	$ 13,451
Relocation Allowances	$ 225,959
Total Allowances	$ 239,410

Question: Isn't it a prime target for legislative change?

Answer: Presumably, any proposal to replace the multitude of special programs with an overall program would include the Redwood program.

REDWOOD EMPLOYEE PROTECTION PROGRAM

Question: Has the Secretary of Labor extended the date an affected employee must apply for benefits beyond September 30, 1980? If so, what was the basis for the extension?

Answer: The Department of Labor has elected not to exercise the authority given to the Secretary of Labor by Section 203 of the Act to extend the program eligibility date. We have already advised the Subcommittee on Oversight of the House Ways and Means Committee of the Department's position with respect to this matter.

Question: What is the current estimated cost to pay monetary benefits for the future life of the program?

Answer: The current estimated cost to pay monetary benefits for the future life of the program is $38 million. This estimate is currently under review and subject to change based on a further review and interpretation of Section 203 of the Redwood Act by the Department.

Question: What actions has the Secretary taken since the GAO Report (HRD-80-63, July 8, 1980) to develop criteria to restrict certification of affected employers to operations directly affected by Park expansion?

Answer: As a result of a new policy directive from the Department, the California Employment Development Department has reviewed each affected contract employee to see if the employee meets the requirements of Section 201(4) of the Act. The implementation of this more narrow interpretation of the Act has significantly reduced the number of contract employees who remain eligible for benefits. In the case of the largest contract employer in the area, the number of persons drawing benefits has been reduced by 106 persons, from 232 to 126. However, this figure may ultimately increase if there is an additional layoff involving workers who meet the qualifications of Section 201(4).

In several instances, the Department has subpoenaed contract employers records to more accurately determine the company's status under the Act.

The Department reiterates its belief that is has made appropriate divisional breakouts for the companies it has certified as either "affected woods employers" or "affected mill employers." In every instance where an affected mill employer had more than one facility or operation, the Department reviewed each separate unit of the company to be sure that each unit independently met either the 15 percent minimum raw material requirement of Section 201(8), or was a wholly owned mill of an affected woods employer.

In the instance of the three companies which have been certified as affected woods employers, the Department contacted the appropriate industry employers and requested the name and the composition of the ..."major portion or division of the industry employer directly responsible for such harvesting operation...". This is the single criteria spelled out in the Act for guiding the Department in its determination as to which portion of an industry employer should be certified, i.e., major portion or division responsible for harvesting. To suggest, as the GAO has done, that the Department should have devised some administratively developed test to determine whether the individual components of an industry employer's harvesting division were "affected by the park expansion" is to suggest a course of action which is not supported by the language of the Act.

Question: What actions has the Secretary taken since the GAO Report (HRD-80-63, July 8, 1980) to clarify the authority and responsibility of the various labor groups involved with administering the program?

Answer: The Department does not concur and reaffirms the position it took in its initial response to this recommendation, namely that no major effort needs to be undertaken in order to clarify the authority and responsibility of the various labor groups involved with administering the Act. It should be noted, however, that this is a dynamic situation and a number of events have occurred in the program which will have the effect of easing or eliminating potential conflict situations. A meeting held in San Francisco in April provided an open forum for discussing program problems and for reaffirming among the participants that they need act only on communications they have received through appropriate channels. Subsequent to that meeting the Labor-Management Services Administration (LMSA) has conveyed to the California Employment Development Department (EDD), through appropriate channels, that LMSA National office personnel will never make direct contact with EDD personnel but instead will go through established communications channels. With respect to any confusion over roles that may have arisen because LMSA had a local representative in Eureka, such potential confusion was eliminated in August 1980 when the LMSA Eureka representative returned to the LMSA National office.

Finally, other policy issues were discussed at a meeting during the week of December 1, 1980, attended by representatives from the Department of Labor (DOL) and California.

Question: What actions has the Secretary taken since the GAO Report (HRD-80-63, July 8, 1980) to provide guidance and direction to the California Employment Development Department on eligibility and benefit determination matters more promptly?

Answer: The Department has taken a number of steps to provide timely guidance and direction to California Employment Development Department (EDD) on eligibility and benefit determination matters. The meetings among all program components which were referenced in our preceeding answer proposed an opportunity to resolve some issues and obtain the views of all components on other outstanding issues. Subsequent to these meetings the National office of the Department has sent numerous memoranda to program components discussing the issues raised at the April meeting and setting forth the position of the National office on the issues. Simultaneous with the development of memoranda discussions issues, the National office has undertaken the redrafting of the Handbook to update operating procedures. Currently, draft copies of the revised Handbook are being circulated to all components.

Additionally, the final regulations were published in the Federal Register on September 2, 1980. In these final regulations the Department provided clarification on the following points raised by the GAO:

--voluntary quits not adjudicated to be for good cause are not qualifying under the Act;

--waiver of overpayments under the Act are not permitted;

--the payment of mortgage costs for up to 3 months to keep an employee's residence on the market was deleted; and

--contract employee was defined to include the requirements of Section 201(4) of the Act.

Question: What actions has the Secretary taken since the GAO Report (HRD-80-63, July 8, 1980) to evaluate California Employment Development Department controls and procedures and take necessary action to insure that information supplied by employees and employers is routinely verified and that eligibility and benefit determinations and entitlement calculations are periodically checked?

Answer: As a normal part of California Employment Development Department (EDD) operation, conflicting or questionable data gathered for purposes of making a determination are verified with the employer, union, claimant or other party(ies). In addition, there is in place a procedure for the review of eligibility and benefit determinations and entitlement calculations. A complete verification program was a consideration in the development of the procedures, however, positive efforts were not made until after the issuance of the Handbook. Arrangements were made in August 1979 to utilize local tax auditors to visit employers to verify information reported by the employers and the claimants. Further procedures are to be issued providing routine spot checks of information supplied by claimants on their weekly claims forms. After the payment process becomes automated, there are plans to include it in the post audit program conducted by EDD for all programs.

Question: What actions has the Secretary taken since the GAO Report (HRD-80-63, July 8, 1980) to require that the California Employment Development Department adjust eligibility and benefit determinations affected by subsequent procedural changes and insure that benefit overpayments are collected?

Answer: Most procedural changes have not had the impact of requiring California Employment Development Department (EDD) to adjust basic eligibility on a retroactive basis. Policy changes having retroactive impact have included a requirement that appropriate cases be reviewed and properly adjusted. Chapter IV of the Handbook provides for the prevention, detection, establishment and recovery of overpayments. Other than by direct payment, EDD may recover the amount to be repaid, or any part thereof by deductions from any benefits payable under the Act, any Federal unemployment compensation law, or any other Federal laws administered by EDD that provide for assistance or allowances with respect to any week of unemployment. EDD is charged with, and follows established procedures for the recovery of overpayments including notification of overpayments and follow-up to assure that all reasonable efforts are made to recover overpayments.

Question: What actions has the Secretary taken since the GAO Report (HRD-80-63, July 8, 1980) to accelerate the implementation of health, welfare, and pension coverage?

Answer: This recommendation had been implemented at the time the Department made its response to the GAO Report. The Department ac-

knowledges that there has been a regrettable delay in making arrangements to provide for the continuation of health and pension benefits as provided in Section 204(a)(2). The Department's delay in getting this arrangement established was not a result of neglect, but was the result of time consuming efforts that had to be completed before a contract could be let. The Department first had to learn which affected employers had health plans and which had pension plans. Then the Department had to obtain copies of these plans and arrange for an actuarial firm to review and classify the benefits contained in each plan. Following this, the Department had to use the actuarial firm's report to prepare a Request for Proposal (RFP) and then had to advertise the RFP in an effort to find a private company to handle the benefit determination and payment process as an agent for the Department. This process took better than nine months to complete. When the Department received not one proposal in response to its RFP, it then turned to the arrangements now worked out as a second choice arrangement.

Question: What actions has the Secretary taken since the GAO Report (HRD-80-63, July 8, 1980) to define the level of technical and professional training that is reasonable and necessary to enhance an affected employee's prospects for obtaining suitable employment?

Answer: This recommendation had been implemented at the time the Department made its response to the GAO Report. The Department concurred with GAO recommendation. In October, 1979, the Department submitted to the EDD specific procedural guidelines which define the retraining eligibility criteria and instructions which differentiate the levels of training approval commensurate to an individual's employability development plan.

REDWOOD OVERPAYMENTS

Question: What actions has Labor taken to correct overpayments to affected Redwood employees caused by the failure of the California Employment Development Department (EDD) to reduce entitlements by an estimate of the worker's previous withholdings for State income taxes?

Answer: The Department of Labor instructed California Employment Development Department to change their procedure and begin to make appropriate reductions from the benefits for State income taxes. Beginning August 17, 1980, deductions for State income tax from benefits were started along with appropriate benefit adjustments.

REDWOOD LEGISLATIVE CHANGES

Question: Does the Department of Labor plan to initiate any legislative proposals to Congress to minimize disincentives to employment and help eliminate some of the administrative problems associated with the delivery of benefits to affected workers? If not, why not?

Answer: It is not possible for the Department at this time to respond to specific questions about changes in legislation currently administered by the Department, or potentially under the purview of the Department. Under Secretary Donovan's leadership, the Department will be examining a number of legislative proposals, and will report to the Congress on them at the earliest possible date once conclusions are reached.

As specific administrative problems have surfaced, the Department has issued clarifying memoranda, new policy, and interim procedures to be incorporated in the revised Handbook scheduled for issuance in the near future. In addition, a one week meeting was held in December 1980 attended by representatives of all Federal and State components to review the impact of previously issued instructions; to agree on solutions to new problems, and review the draft of the Revised Handbook. Following the meeting, additional interim procedures were issued. Later this year an on-site review is planned which will include an administrative and document review.

SPECIAL ASSISTANCE PROGRAMS

Question: What problems currently exist in the administration of special assistance programs at Federal, State and local levels?

Answer: Special assistance programs overload existing staff and resources, require separate delivery systems, involve time-consuming manual operations, contain inherent processing delays, and generate an inordinate amount of paperwork. Necessary coordination among the various administrative components is difficult to maintain and roles are often conflicting resulting in confusion. Finally, State agencies, which act as agents in administering the programs, are becoming increasingly opposed to special programs for each group of workers.

Question: Do these programs create problems such as program duplication, management inefficiencies, and benefit overlap.

Answer: Program duplication is a problem in the sense that each special program requires a separate delivery system even though the same basic operational processes are necessary to be performed for all programs. Benefit overlap is not a problem since workers would seldom qualify for more than one special program and special program benefits are usually supplemental to UI benefits. Management inefficiencies are discussed generally in the preceeding answer.

Question: What is the potential effect of numerous special assistance programs on the basic unemployment insurance system?

Answer: One effect of the special programs is that the weekly benefit amount payable under the regular State programs has, in many cases, been allowed to lag far behind wage levels. The reason for this is that the Federally-funded special programs have taken the pressure off States to improve benefit levels by providing higher special payments to special classes of unemployed workers. In addition, the use of the State employment security agencies to administer the numerous special programs, each program with its own rules and regulations, have created administrative problems for State agencies that were established to administer the basic Federal-State unemployment insurance system.

Question: Does the Department believe there is a need for Federally sponsored special assistance programs outside the regular unemployment insurance system? If so, under what circumstances and how should these be designed and integrated into the basic unemployment insurance system?

Answer: As indicated previously, discussions are continuing within the Department as to the desirability of special programs and whether, in lieu of the numerous programs now in effect, one overall additional program should be established. Under Secretary Donovan's leadership, the Department will be examining Federally sponsored special assistance programs, along with a number of other proposals, and will report to the Committee on them at the earliest possible date.

AIRLINE DEREGULATION ACT

Question: How much is in your budget for administration and benefit costs to carry out Labor Department responsibilities under the Airline Deregulation Act?

Answer: To carry out our current responsibilities under the Airline Deregulation Act, $500,000 is in our budget for administration of the registration and first right of hire provisions of the Act. No funds for benefits costs have been requested.

Question: What is the status of your regulations to implement this Act?

Answer: Final regulations were approved for publication in the Federal Register and were submitted to Congress for the statutory 60 legislative day review period on January 19, 1981. The Department subsequently withdrew its request for publication, subject to the 60-day freeze on regulations, and asked that the copies submitted to Congress be returned.

Question: Eventually, how many airline workers do you estimate will be eligible for benefits under this Act?

Answer: Approximately 25,000 airline workers may be eligible for benefits over a 10-year period based on a protected worker population of about 250,000.

CANCELLING TRUST FUND DEBT

Question: The National Commission on Unemployment Compensation has recommended cancelling past trust fund debts of $12.4 billion. This implies that billions in revenues will not be collected from employers in future years. Given that this tax reduction would increase the deficit in future years, does it make sense to cancel past unemployment compensation debts?

Answer: It is not possible at this time to address the specific program changes addressed in the subcommittees questions about the National Commission on Unemployment Compensation. The Reagan Administration has not had an opportunity as yet to review this recommendation and determine its position.

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NATIONAL COMMISSION ON UNEMPLOYMENT COMPENSATION

Question: The National Commission on Unemployment Compensation recommended putting the Unemployment Compensation Program on sound financial footing by, among other things, increasing the Federal Unemployment Tax Act taxable wage base and by cancelling $12 billion in current indebtedness. What is the Administration's strategy for achieving a sound financial position for the fund?

Answer: It is not possible at this time to address this specific question because the Reagan Administration has not had an opportunity as yet to review the financial condition of the Unemployment Trust Fund and determine what actions it will take to restore solvency.

Question: What is your reaction to the overall recommendations of the National Commission on Unemployment Compensation?

Answer: It is not possible at this time to address this specific question because the Reagan Administration has not had an opportunity as yet to review the recommendations of the National Commission on Unemployment Compensation.

FINANCING THE EMPLOYMENT SECURITY SYSTEM

Question: Why should a Federal tax on employers be expected to pay virtually the entire cost of administering the Federal-State Employment Security system?

Answer: As established in the Social Security Act in 1935, the unemployment insurance program was a unique experiment in Federal-State relationships in that the States were expected to finance all benefit costs while the Federal Government, partially as an inducement to the States to adopt an unemployment insurance program, paid the costs of administration.

Question: Why shouldn't the States pay a share of the cost of operating State Employment Service and Unemployment Insurance Service offices?

Answer: There is nothing in the Federal law to prevent States from appropriating money from their own general revenues or to tax employers separately to provide additional administration funds for the State's employment security system. In fact, the State of Washington authorized just such an additional tax in 1978 and 1979 to fund selected administrative functions.

Question: If States had to pay a share of cost of Employment Security agencies, wouldn't this lead to more careful State review of the budgets of these agencies?

Answer: We question whether a more careful review would result from such a change because State employment security agencies presently have their budgets scrutinized just as any other department or agency of the State government. Our experience has been that State legislators are concerned about expenditures in this program, whether the source of the funds are State or Federal.

Question: If the States paid just 25 percent of the Employment Security Agencies' administrative costs, wouldn't this help speed up repayment of trust fund debts to the Federal Treasury by about $600 million a year?

Answer: Yes, this would help speed up repayment of the trust fund debt by about $600 million per year if we assume that the statutory limit in the Employment Security Administrative Account (ESAA) has been reached; expenditures for the year for the State Employment Security Agencies do not exceed the Federal Unemployment Tax Act (FUTA) receipts for administration; and none of the funds flowing from ESAA to the Extended Unemployment Compensation Account are needed for payment of extended benefits.

Question: Wouldn't a State matching requirement also permit a reduction in the Federal Unemployment Tax, giving the States greater opportunity to finance part of the Employment Security System themselves, without adding to the overall burden of taxation?

Answer: Currently, the FUTA burden is applied evenly on all employers in all States, .7 percent on the first $6,000 of wages for each employee on covered employment. State matching for financing administrative costs could permit a reduction in FUTA if the matching level is sufficiently high. However, this would only cause a shift in the overall burden of taxation from the Federal level to the State level. The distribution of the FUTA tax revenue to the States for administration of the Employment Security Programs may be more or less than the FUTA receipts collected in the individual States due to the variance in the workloads to be administered. Due to the different levels of workload to be administered from one State to another, the shift in tax burden would not fall evenly in all States but would be somewhat greater in certain States and somewhat less in other States. This changes from year to year as the workload levels change.

TAXING UNEMPLOYMENT BENEFITS

Question: Special analysis "G" accompanying the fiscal 1982 Federal budget indicates the failure to fully tax unemployment benefits will cost the Treasury $4.5 billion in fiscal 1982 lost revenues. Right now, only benefits in excess of $20,000 for individuals are taxed; the limit is $25,000 for married couples filing jointly. How much would be saved if unemployment benefits in excess of $10,000 were taxed for individuals and $15,000 for married couples filing joint returns?

Answer: The change in thresholds for taxing UI benefits from the present $20,000/$25,000 to the $10,000/$15,000 level would have little effect (savings) on the unemployment trust fund outlays. It would result in an increase in general revenues of an estimated $450 million in Fiscal Year 1982.

WHY NOT CHARGE INTEREST ON UNEMPLOYMENT LOANS?

Question: The Federal unemployment loans to States are interest-free and yet, the Federal Government pays interest into the State accounts of the Unemployment Trust Fund on their balances. Should the Federal Government charge interest on any new State loans in the future to provide a disincentive for any additional borrowing?

Answer: It is not possible at this time to address this specific change addressed in the Subcommittee's questions on the Unemployment Trust Fund. The Reagan Administration has not had an opportunity to review this recommendation and determine its position.

FUBA EXTENDED BENEFITS "CUSHION"

Question: You are estimating that current balances plus tax revenues should be sufficient to cover the Federal cost of extended unemployment benefits in fiscal 1982; yet you are requesting a $400 million appropriation. Why do you really need a $400 million cushion in the Extended Unemployment Compensation Account?

Answer: Only a portion of the year's estimated receipts are received in time to be available for the payment of benefits. The majority of tax revenues are received during the months of March, April and May while the majority of benefits are paid during the period of December through March.

POOR RECORD ESTIMATING TRADE ACT BENEFITS

Question: Why has the Department been unable to accurately estimate the cost of the cash benefits being paid under the 1974 Trade Act's Worker Adjustment Assistance Program?

Answer: The benefits paid under the TAA act are a function of several variables. The level of cyclical activity, the cumulative number of eligible individuals drawing benefits and the impact of new certifications must all be coordinated and used for forecasting. In the years prior to Fiscal Year 1981, the first two variables were the major determinants of program outlays and the forecasts were quite accurate. In Fiscal Year 1981 the collapse of the auto industry and the subsequent certification were unexpected and this accounted for the large divergence in estimates and actual outlays.

Question: What is the Department doing to improve its methods for estimating costs to be incurred under the Trade Act?

Answer: The Department has undertaken an extensive effort to improve its estimating methodologies and to expand the information available for the forecasts.

--An extensive micro data base on claimants in Michigan and Ohio was created. These two States account for 60 percent of total TAA benefits.

--A monthly telegram report from the eight largest TAA States to provide current data on all TAA activity was established.

--The internal communications among agencies involved in the TAA program was modified and improved. This high level of communication within the Department has contributed to a better understanding of the various facets of the program and has improved the capabilities to forecast outlays.

DECLINE IN ESTIMATED TRADE BENEFITS

Question: Car sales in January are off nearly 20 percent from a year ago. In view of the likely increased unemployment in the auto industry, why are you predicting a decline in Trade Adjustment Assistance (TAA) benefits of over $1 billion in Fiscal Year 1982?

Answer: We are predicting a decline in TAA because the primary assumption, i.e., no new large certifications during Fiscal Year 1982, that many of the original auto cohort, which first appeared in early Fiscal Year 1981, will age rapidly and exhaust benefits during the end of Fiscal Year 1981 and the beginning of Fiscal Year 1982. Thus, even if auto unemployment remains high or increases (though this is certainly not a widely accepted assumption) there will be large numbers of auto workers exhausting their benefits thereby reducing outlays.

RESTRICTING ELIGIBILITY FOR UNEMPLOYMENT BENEFITS

Question: How much could be saved if unemployment benefits were cut-off for those who refuse to accept any kind of work?

Answer: The only basis for making an estimate of this type is based on the requirements continued in the Federal Supplemental Benefit program when that program was extended in 1977. That program required claimants to accept any job they are capable of performing if it paid as much as their weekly benefit amount and not below the minimum wage. A study, conducted for the Department of Labor by Mathematical Policy Institute, indicated that overall expenditures for the period that provision was in effect were reduced by approximately 4.7 percent. If this is applied against Fiscal Year 1983 projected expenditures for the regular program (not considering any other proposed legislative changes) of $16.87 billion, the savings would amount to $790 million. This is shown for Fiscal Year 1983 since we feel it would take that long before it could pass the Congress and all State legislatures and be implemented.

Question: What is the rationale for allowing beneficiaries to refuse "unsuitable" work?

Answer: Unemployment insurance was conceived as a means of:

--Providing wage replacement based upon a workers prior earnings during short periods of involuntary employment,

--Maintaining the purchasing power of the unemployed worker to prevent the spread of unemployment,

--Stabilizing employment and reducing labor turnover by giving workers a reasonable time to find suitable work which will utilize the worker's highest skills at wages comparable to their high wages.

It is considered good public policy to ensure, as far as possible, that individuals be employed at their highest level of skill. Given the efforts and expense necessary to acquire a high level of skill in any occupation, it is important that workers be encouraged to operate at that level. Productivity for the Nation suffers if individuals are forced to accept jobs below the level for which they have studied and trained. However, under State law, work that is considered "unsuitable" during the initial period of a claimant's unemployment may be considered "suitable" work as the claimant's duration of unemployment becomes lengthy. State laws provide for a period of adjustment (6, 8 or 12 weeks) to permit claimants to seek work in their highest skill level and customary occupation.

When a claimant's unemployment continues beyond a period of adjustment (6-12 weeks), the claimant is expected and required to broaden the range of jobs that are acceptable to include available work which does not utilize the claimant's highest skills.

Question: Why shouldn't an unemployed space engineer be required to collect garbage, if such work is available, instead of collecting jobless benefits?

Answer: Unemployment insurance (UI) is designed to help maintain the individual who is unemployed through no fault of his own over a temporary spell of unemployment. An individual's skills and training represent an investment which may be lost or diminished by taking jobs of lesser skills. Their future earning capacity may be greatly damaged. An unemployed space engineer who takes a job collecting garbage does jeopardize his chances of becoming reemployed in his normal occupation.

However, as UI is intended to be a program for the temporarily unemployed, it has always been the policy that suitable work be redefined as unemployment lengthens. So, as the space engineer's unemployment continues, a job in a lesser but related skill such as draftsman could be considered suitable.

TRADE ADJUSTMENT ASSISTANCE

Question: Please provide a complete description of all of the assumptions used in estimating the amount of Trade Adjustment Assistance (TAA) projected for Fiscal Years 1981 and 1982, including the number of workers receiving assistance pursuant to each certification.

Answer: The major assumptions used for Fiscal Year 1981 TAA estimates were:

--The approximate levels of weekly benefits, excluding retroactive payments, experienced in the first quarter of Fiscal Year 1981 would be maintained in the final three quarters.

--There would be no new certifications of significant size.

--Ten percent of claimants would take advantage of the training provision.

--The proportion of the claimant population over 60 years would remain at about 2 percent.

--There would be no new legislation affecting benefits or eligibility.

--The weekly benefit amount would increase $20-30 in April of 1981.

--Chrysler would not fold.

--There would not be large numbers of "reentrants" from old certifications.

The assumptions used to develop the estimates for Fiscal Year 1982 are predicated on those used for the Fiscal Year 1981 estimates.

In Fiscal Year 1980, 536,489 first payments were made and $1.6 billion in TAA benefits were paid to claimants on approximately 4,040 petitions. In Fiscal Year 1980 there were 894 petitions certified.

LIMITING UNEMPLOYMENT BENEFITS

Question: The law now says unemployed persons can refuse jobs that are not "suitable work" and still get jobless benefits. The Omnibus Reconciliation Act of 1980 tightens-up the definitions of "suitable work" with respect to individuals receiving extended benefits. Please explain how the new provision of law will work.

Answer: Under the Extended Benefits (EB) provisions "suitable" work is any work within an individual's capability, that is, any work which an individual is physically and mentally able to perform. Suitable work, under EB provisions is not limited to the individual's usual or customary occupation.

EB claimants whose prospects of obtaining work in their customary occupation within a reasonably short period are "not good" and who fail without good cause to apply for or accept any suitable work are subject to an indefinite duration of unemployment disqualification. The claimant's ineligibility for a refusal of suitable work continues until he/she has worked in not less than four weeks and earned at least four times the weekly benefit amount (WBA).

However, no disqualification can be imposed for a refusal to apply for or accept suitable work under the EB provisions unless certain conditions are met. The conditions are:

--The job must be listed with the Employment Service (ES),
--The job offer by the employer or his representatives must be made in writing,
--The gross weekly pay of the offered work must exceed the claimant's WBA plus supplementary unemployment benefits,
--The gross weekly pay of the offered work must not be less than the Federal minimum wage or applicable State or local minimum which ever is higher,
--The usual provisions in State law regarding suitability that are not inconsistent with the EB provisions, and
--The job meets the labor standards of the Federal Unemployment Tax Act or any additional labor standards in State law.

The amendments to the EB provisions require the State Employment Service Agencies (SESAs) to provide for referring EB claimants whose job prospects are "not good" to any suitable work.

The Employment Service has recommended modifications to the referral forms to permit employers to make job offers in writing. The employers will return the referral forms with the results of the job offers to ES. ES will then notify the Unemployment Insurance (UI) office of the refusal of suitable work. The UI offices are responsible for making determinations of eligibility or ineligibility under the EB "suitable work" provisions. EB claimants who wish to contest the determination may request a hearings or appeals of the determination.

States are required to amend their laws to include the provisions of P.L. 96-499 regarding Extended Benefits to become effective for weeks of unemployment after April 1, 1981.

Question: What are you doing to see that this new provision is actually carried out and how much will it save in terms of reduced benefit payments?

Answer: The Omnibus Reconciliation Act of 1980 requires legislation by States to amend their unemployment compensation laws to include the new EB "suitable work provisions, the EB "suitable work" provisions are applicable to weeks of unemployment beginning on or after April 1, 1981.

Employment and Training Administration (ETA) has taken actions toward implementation of the new EB "suitable work" provisions as follows:

--Prepared and forwarded to SESAs draft language for legislation to amend State unemployment compensation laws;

--Conducted implementation meetings for Regional office and SESA Administrators;

--Prepared and distributed to SESAs draft (UI and Job Service) procedures for administration of the new suitable work provisions;

--Drafted reporting instructions to monitor impact of new suitable work provisions;

--Resolved policy questions regarding the "suitable work" provisions which were not specifically addressed in Omnibus Reconciliation Act of 1980; and

--Planned for visits to State agencies to assess and monitor the implementation and administration of the new suitable work provisions.

It is estimated that enforcement of the new suitable work provisions will result in savings, (reduced benefit payments) of $163.89 million in Fiscal Year 1981.

Question: Do you think this new definition of "suitable work" should be applied to the regular 26 weeks of State unemployment compensation?

Answer: The President has forwarded proposals to the Congress that these new "suitable work" provisions be applied to regular benefit claims after 13 weeks of benefits.

Question: How much more could be saved by strengthening and enforcing the work test more stringently and how many more Federal and State staff would be necessary?

Answer: There are numerous methods of strengthening and enforcing the work test more stringently. The approach used would vary according to the definition of "stringent work test". Some methods would require the addition of little or no State staff; others would require significant increases. The effect on Federal staffing in any case would be minimal.

SUBCOMMITTEE RECESS

Senator SCHMITT. The subcommittee will recess until 10:30 a.m. tomorrow morning, when we hear testimony on the Pension Benefit Guarantee Corporation, Labor-Management Services Administration, and Employment Standards Administration.

As I understand it, Senator Proxmire will chair the hearing, and again, let me thank you for your cooperation and the information you provided us, and urge you to answer our questions in the most complete and promptest way possible.

Mr. WEATHERFORD. I certainly will.

Senator SCHMITT. Thank you.

[Whereupon, at 12:40 p.m., Tuesday, February 3, the subcommittee was recessed, to reconvene at 10:30 a.m., Wednesday, February 4.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

WEDNESDAY, FEBRUARY 4, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:33 a.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. William Proxmire presiding.

Present: Senators Proxmire and Specter.

PENSION BENEFIT GUARANTY CORPORATION

STATEMENT OF ROBERT E. NAGLE, EXECUTIVE DIRECTOR

ACCOMPANIED BY:
HENRY ROSE, GENERAL COUNSEL
WILLIAM M. DE HARDE, DIRECTOR, OFFICE OF PROGRAM OPERATIONS
LAWRENCE MASLAN, DIRECTOR, OFFICE OF FINANCIAL OPERATIONS

SUBCOMMITTEE PROCEDURE

Senator SPECTER [presiding]. Good morning ladies and gentlemen. The subcommittee will come to order.

Senator Proxmire is scheduled to chair this subcommittee this morning, but he has had scheduling difficulties. Rather than await his arrival, we will proceed at this time.

This morning, we will hear testimony concerning appropriations for the Pension Benefit Guarantee Corporation, the Labor-Management Services Administration, and the Employment Standards Administration.

Here to testify first is Mr. Robert Nagle, Executive Director of the Pension Benefit Guarantee Corporation. Before getting into your prepared statement, please give us a brief overview of what the Corporation is all about. And we would appreciate your limiting that statement to 10 minutes, if that is possible.

INTRODUCTION OF ASSOCIATES

Mr. NAGLE. Thank you, Senator.

I would first like to introduce those at the table with me. To my left is Henry Rose, our general counsel.

On my immediate right is William De Harde, who is Director of our Office of Program Operations.

On his right is Larry Maslan, who is Director of Financial Operations.

THE CORPORATION

The PBGC was established under title IV of the Employee Retirement Income Security Act, known as ERISA, in 1974. And our purpose is to guarantee benefits under defined benefit pension plans in the private sector. We are financed entirely by premiums assessed against the plans covered by our program. We are not in any way financed by tax dollars.

Until recently, the great bulk of our work was in connection with terminating single-employer pension plans. That is, plans that are maintained by one employer or a group of affiliated employers for their employees.

When such a plan terminates, which may be because the sponsoring company has become bankrupt or gone out of business or, in many cases, because the company simply wants to terminate the pension plan, it files a notice with us along with sufficient information for us to make a judgment as to whether the assets of the pension plan are sufficient to meet the present value of the vested benefits that are due to the participants in the plan, those benefits which would be guaranteed under our program.

If the plan's assets are sufficient to meet the present value of those benefit commitments, we, after making that determination, will so advise the plan sponsor. And the sponsor endeavors to distribute the assets of the plan, which is usually done by the purchase of annuities. Then they advise us of this fact, and we make a judgment as to whether the distribution was in accordance with the law.

CASE PROCESSING

Last year, we processed close to 3,500 plans of that sort.

Now, if it turns out that the assets of the plan are not sufficient——

Senator SPECTER. 3,500 plans went out of existence last year?

Mr. NAGLE. Yes; 3,500 that had sufficient assets to pay their guaranteed benefits. We did not have to end up paying money into those plans, but we had to process them.

If the plan does not have sufficient assets to meet the present value of guaranteed benefits, then we audit the plan's assets and obtain information with respect to the benefits due each of the participants. We take over the plan along with its assets and its benefit obligations.

We then take on the commitment to pay the participants in the future, and we absorb the assets of the plan. We then have a claim against the employer who sponsored the plan for the deficiency that we had to make up. That claim is limited to 30 percent of the employer's net worth; sometimes that amounts to a substantial recovery, sometimes not very much at all. Sometimes we collect it voluntarily, sometimes we have to sue for it.

During the last year, we took over and became trustee of about 125 plans. We now have some 527 plans under trusteeship. And their participants are people to whom we are paying benefits.

The figure you see on line two of the chart is the amount of benefit payments we make in accordance with the program that I have just outlined. In 1980, it was $39.7 million and is projected to go to $51.6 million in 1981 and to $61.5 million in 1982.

MULTIEMPLOYER PLANS

Now, as I said, the bulk of our program thus far has been with single-employer pension plans. Under the original law, there is another category of pension plans called "multiemployer pension plans," which is sponsored jointly by a group of unaffiliated employers and a labor union.

Until this past year, the law provided that we had discretionary authority to cover the benefits of a multiemployer plan that terminated. A few did terminate, and we did cover several. But that was a small part of our work until now.

Congress last year extensively revised the law with respect to multiemployer plans, completely revised the basis under which we would guarantee benefits under those plans. The law is designed to encourage multiemployer plans to stay in existence and not terminate, even though they are experiencing financial difficulty as some do. And it provides that if a multiemployer plan reaches a point where it is unable to pay the guaranteed level of the benefits as they come due, we will provide the plan with financial assistance to enable it to meet the obligation for guaranteed benefits.

If it looks like the plan will recover itself in time, that financial assistance would probably be on a loan basis. If the prospects for the plan are that it will be more or less permanently in financial straits, it will probably be an out-right grant.

Our estimate for 1981 was we would have something in the order of $2.3 million for financial assistance to multiemployer plans, and that would increase to $2.7 million in 1982. Those are merely projections based on our best prognosis of what might happen.

ADMINISTRATIVE COSTS

The other line on the chart, the top line, is our administrative costs which are shown to increase from 1981 to 1982 by $3.8 million. That is largely due to some increase in authorized personnel which was provided to help us implement the new multiemployer legislation, as is the increase from 1980 to 1981.

I might say in connection with the multiemployer legislation, it has turned out to be a tremendously complex statute. And to fill in many of the gaps, provide some flexibility from the impact of some of its provisions, and to provide definitions for some of the statutory terms, PBGC was given the responsibility to develop some 60 regulations, many of which have to be accomplished in rather short order.

We were also directed by Congress with timetables to establish two supplemental insurance programs, one of which has to be in place by May 1, 1982, and the other by January 1, 1983.

So between those regulations and the two supplemental programs we are required to provide, there is a good deal of developmental work we

will have to undertake. And that has been the reason for much of that increase.

I have completed that point; if you wish, I can answer any questions.

FINANCING

Senator SPECTER. You said that there was no cost to the taxpayer; that these costs are provided for by assessments?

Mr. NAGLE. Yes.

Senator SPECTER. Would you elaborate upon that please?

Mr. NAGLE. Yes; there is a premium. Currently, for single-employer plans, each plan must pay a premium of $2.60 a year for each of its participants. In the multiemployer plan area, the premium is currently $1.40, and it is increasing over a schedule established by Congress so that it will eventually reach $2.60 also.

Senator SPECTER. Do those payments provide sufficient funds to enable your corporation to make good on the pension benefits which are due under plans which defaulted?

Mr. NAGLE. That is correct. And if the amounts turn out not to be sufficient, we are obliged to come back to Congress with a recommendation for a premium increase. But the basic scheme of the act is that the entire cost will be borne by the premium payments.

Also, when we take over a pension plan we take over its assets, and that money is available also for paying benefits for the short term. However, in such cases we are taking over an actuarial deficit which has to eventually be met by the premium system.

PREMIUMS

Senator SPECTER. Have the premiums charged to date yielded a surplus in the corporation?

Mr. NAGLE. Not in the longrun actuarial sense, they have not. We do have more than adequate assets to meet immediate needs but in the long run, the premiums have not been sufficient.

Senator SPECTER. I have been shown some figures that show that in the long run, there is a substantial projected deficit on an actuarial basis.

Mr. NAGLE. That's correct. I think the figure would show probably the one for 1982.

Senator SPECTER. 1982 is listed here at a negative $192,224,000.

Mr. NAGLE. That is the estimate for 1982; yes.

Senator SPECTER. And what are your plans, if any, to solve that problem?

Mr. NAGLE. Well, we have currently underway a study of the desirability of premium increase, and we think one will be necessary. The question is just what amount we should recommend. Any recommendation would have to be presented to our board of directors, and then, eventually, to Congress.

AMOUNT OF PENSIONS

Senator SPECTER. Mr. Nagle, as a generalization, do these plans provide for a specified amount on the pension for all the beneficiaries?

Mr. NAGLE. Yes; as a generalization. The plans that we cover, which are defined benefit plans, in general will provide a specific promised benefit. That may be expressed in several ways.

The benefit may be expressed, for example as $150 a month for everyone who retires, or it may be expressed in terms of a formula which takes into account years of service, age at retirement, and in many cases, compensation.

Senator SPECTER. Mr. Nagle, in accordance with the procedures of the subcommittee, your opening statement which you have already provided will be placed in the record.

Is there anything that you would particularly want to highlight at this time before proceeding to the questions which have been prepared by the staff?

Mr. NAGLE. I don't believe so, Senator. I think we have covered it.

DEFICIT

Senator SPECTER. Your budget shows the corporation ran a deficit of $13 million in 1980 and that you expect similar losses in 1982. By the end of 1982, as I had indicated before, you are projecting a cumulative deficit of $192 million.

It looks as if I have anticipated one of the questions of the staff.

Mr. NAGLE. Yes, you have.

Senator SPECTER. So that this one is absolutely repetitious to what I have already asked.

PREMIUM INCREASE

The question is, in view of this experience, why do you not recommend an increase in premiums to cover these losses?

Mr. NAGLE. Well, I believe that we will be recommending an increase in premiums. We have to go through a process to determine what is an appropriate recommendation in terms of level of premium.

Senator SPECTER. So the current study is not to determine whether there will be an increase, but the current study is to determine what will be the amount of the increase?

Mr. NAGLE. I think that's fair; yes.

NUMBER OF PENSION PLANS

Senator SPECTER. How many plans are premium payers to your corporation?

Mr. NAGLE. We have something like 80,000 plans in the single-employer area, and close to 2,000 plans in the multiemployer area.

NUMBER OF PLAN PARTICIPANTS

Senator SPECTER. And how many individuals are covered and what are the total premiums?

Mr. NAGLE. Well, our estimate is that there are about 25 million participants in the single-employer program and about 8 million in the multiemployer program. So the premiums for single-employer programs run something over $70 million.

MULTIEMPLOYER PREMIUMS

Senator SPECTER. And the premiums for the multiemployer programs?

Mr. NAGLE. Well, that is going up. It has been 50 cents a participant until this legislation was passed. And then, there was an intermediate premium that was set at $1 prorated for the portion of the plan year that ends after September 1980. And then, it will go up to $1.40 for plan years which begin after September 1980.

So that the premium will be $1.40 times 8 million for the next several years, roughly. We are talking about approximately $11 million.

ASSETS

Senator SPECTER. What are the total assets on hand for the corporation?

Mr. NAGLE. Well, I think we have page——

Senator SPECTER. Two.

Mr. NAGLE [continuing]. Two. You can see in the trust funds—actually, I think that the key figure here is the investments of $172 million. Also, in the revolving fund, we have investments of close to $170 million.

Senator SPECTER. Can you generalize as to what those investments are in?

Mr. NAGLE. Yes; by law, the investments in the revolving fund must be in Government securities or Government-backed securities. That's how we have those invested. Now the trust fund consists of the assets of plans that we take over plus the payments of employer liability by those employers.

Those assets are invested in publicly traded securities in the private sector.

DETERMINATION OF INVESTMENTS

Senator SPECTER. Who makes the determination of what investments to acquire there?

Mr. NAGLE. Well, we have a rather carefully worked out program. We do not do it ourselves. We have retained outside investment managers who were selected through normal Government contracting procedures. We have three of them currently, and the trust fund is divided among them for them to make specific investment decisions.

They are given guidelines they must adhere to, and we are given assistance in monitoring all of that by an investment advisory panel which meets with us periodically.

Senator SPECTER. I am not clear on the distinction you make between the trust fund and what other category?

Mr. NAGLE. The revolving fund.

DEFINITION OF FUNDS

Senator SPECTER. And would you define those two for me?

Mr. NAGLE. Yes; the revolving fund—and the reason we have something called the revolving fund is that it is specified in the law there shall be a revolving fund—contains our premium payments and the interest on the premium payments. And you will see the balance sheet for that fund on page 4 of the tab marked "Schedules."

Those moneys are all invested in Government securities. Now, the trust fund——

Senator SPECTER. You are on page 4, now, the revolving fund. The total amount of revolving fund, then, for 1980 is $178,235,000?

Mr. NAGLE. Right.

Senator SPECTER. And the trust fund?

Mr. NAGLE. The trust fund consists of assets of pension plans which we have taken over. We commingle those assets in this trust fund as well as moneys that are paid to us in the form of employer liability. That also goes into the trust fund.

Senator PROXMIRE. Hello. Senator Specter, please stay where you are. That is fine.

Senator SPECTER. I will just finish this line of questioning, Senator.

Senator PROXMIRE. OK.

DEFICIT

Senator SPECTER. Back to the issue of the deficit and your plans for making the determination as to what the premium increase will be, would it be possible for a private insurance company to experience similar losses and still stay in business?

Mr. NAGLE. Well, yes, I would think so. The fact that we have the deficit means that there is an amount to be recovered over future years. Again, we don't have any immediate problem about paying benefits or meeting our benefit obligations because the assets we have on hand are more than sufficient for that amount in the short run. But there is that deficit which I believe must be recovered over the long term.

Senator SPECTER. So that a private insurance company could stay in business, but their long-term solvency would be in jeopardy as a result of not being actuarially sound on the payments?

Mr. NAGLE. Obviously, if this trend continued and nothing was done about it, at some point, we would be insolvent.

STRUCTURE OF THE CORPORATION

Senator SPECTER. Before turning the gavel over to Senator Proxmire who has now arrived, I would like to ask you a couple of questions about the structure of the corporation itself. How is it structured? Who are the members of the board of directors?

Mr. NAGLE. Our board of directors consists of the Secretary of Labor as the chairman, the Secretary of the Treasury, and Secretary of Commerce. The staff of the corporation currently on board is 473 people, and I am the executive director.

Senator SPECTER. I will now turn the chair over to Senator Proxmire.

CHRYSLER CORPORATION

Senator PROXMIRE [presiding]. Mr. Nagle, as you may know, the Chrysler bankruptcy was a matter of great concern to the Banking Committee. And I was chairman of the Banking Committee at the time we considered that. What would be the impact on your corporation of the Chrysler bankruptcy?

Mr. NAGLE. It would be kind of heavy. Our best information is that the Chrysler pension plans have liabilities of—these are estimates—something in the order of $2.7 to $2.8 million.

Senator PROXMIRE. $2.8 billion or million?

Mr. NAGLE. Did I say million? I guess that is wishful thinking. Our estimate of what their liability for benefits that we would guarantee is that they are in the order of $2.7 to $2.8 billion.

Their assets, we understand, are something in the order of $1.6 billion. And so there is, therefore, an insufficiency based on our estimates—and these are just estimates—of something in the order of $1.1 to $1.2 billion. And if the Chrysler plans should come in, we would presumably have to take them over and absorb that deficiency.

We would have a claim against Chrysler for that amount, for the amount of the insufficiency, but that claim would be limited by 30 percent of Chrysler's net worth at the time that the plans were terminated.

Senator PROXMIRE. Thirty percent of nothing; is that right?

Mr. NAGLE. Well, that is probably the case.

BORROWING AUTHORITY

Senator PROXMIRE. Now, you have Treasury draw borrowing authority, right, of $100 million?

Mr. NAGLE. Yes.

Senator PROXMIRE. I presume you would use that?

Mr. NAGLE. Well, I am not so sure that we would. If the Chrysler plan should terminate, we won't have any immediate cash problem or any immediate need to draw on that $100 million. The Chrysler plans do have assets of over $1.6 billion which could certainly support benefit payments for a number of years.

Clearly, what I think would be required would be a rather significant increase in our premium which probably should be effected early on so that we would build up funds to absorb that deficiency.

FUNDING

Senator PROXMIRE. Would there be an intention on the part of the corporation to come back to Congress for additional funds or would you try to do it through increasing premiums?

Mr. NAGLE. Well, the scheme under which we operate contemplates it would be run financed solely through premiums. And consistent with that scheme, I think what we would be coming back to Congress for authority to increase the premiums.

Senator PROXMIRE. Authority to increase the premiums?

Mr. NAGLE. Yes.

Senator PROXMIRE. It wouldn't be an attempt to secure Treasury money or additional——

Mr. NAGLE. Well, I guess whether that was desirable, the judgment is not for me to make. We think in terms of financing our program through premiums, and that would be, I think, our approach. If Congress or the administration should think otherwise——

Senator PROXMIRE. I think that is certainly the disposition on the part of the many Members of the Congress now and on the part of many others, that you should be self-supporting, and should increase your premiums; that many people feel the premiums have not been adequate; that you have to impose, unfortunately, a bigger premium in order to meet your obligations.

What is your feeling in general about increasing the premiums?

Mr. NAGLE. I am not quite sure what you mean.

PREMIUM INCREASE

Senator PROXMIRE. Whether or not you think it would be desirable and necessary in view of the experience of the corporation, in view of your obligations, to increase your premiums so that you have greater cushion?

Mr. NAGLE. Well, I think that even under present circumstances our premiums will need some sort of increase. If there were a termination of the Chrysler plan, it is clear that that would have to be a very substantial increase. The extent to which we should build up a cushion against what might happen in the future is open to some debate because, in part, it is very hard to know just how much of a reserve is the appropriate amount.

You can build up some sort of a cushion, and if the Chrysler plan terminates, it would make the cushion you build up look pretty inadequate.

On the other hand, if you build up a reserve in anticipation of a Chrysler termination or something on that order, and it never happens, you have developed a pretty immense cushion and in that process have taxed the premium payers a good deal more than may be necessary.

So it is not, I think, an easy judgment to make as to just what is the appropriate level of premium.

Senator PROXMIRE. As I have gone over your statement and looked at your corporation and discussed it with staff, I have a feeling that the exposure for the Federal Government is considerable and that the premiums, the case for an increase in the premiums, is very strong.

Let me ask you a question. Title IV of the Employee Retirement Income Security Act of 1974 established a promise to guarantee the payment of vested benefits in case of pension fund termination. Single-employer plans have been insured since enactment, but the mandatory coverage of multiemployer pension plans was deferred until 1980.

MULTIEMPLOYER NOTICES OF INTENT TO TERMINATE

My question is this: Now that multiemployer pension plans are guaranteed by the Pension Benefit Guaranty Corporation, have any filed a notice of their intent to terminate?

Mr. NAGLE. We have several; yes.

Senator PROXMIRE. You have had several? Can you give me some notion of what that means, how many?

Mr. NAGLE. I will ask Mr. De Harde to elaborate.

Mr. DE HARDE. We have had several notices submitted to us about various actions that multiemployer plans are taking that would come under the purview of the new act. Seven of these concern terminations.

However, we are analyzing those now and dealing with the plans to see if——

Senator PROXMIRE. Can you give us an idea of how substantial would the withdrawal of those six be?

Mr. DE HARDE. Not at this time. These are not large. These are small ones. In any event there is very little likelihood that these events will create liabilities for PBGC.

Senator PROXMIRE. Like what? Five percent of your operation or your income?

Mr. DE HARDE. No; not even on the order of that at this time.

Senator PROXMIRE. One or two percent?

Mr. DE HARDE. Something like that, if any.

UNFUNDED VESTED LIABILITY

Senator PROXMIRE. How much unfunded, vested liability does the Pension Benefit Guaranty Corporation expect to inherit over the next fiscal year?

Mr. MASLAN. Our average of net claims has been about——

Senator PROXMIRE. I am sorry, sir; I did come in late. Perhaps you have identified yourself.

Mr. NAGLE. This is Mr. Maslan, the director of the our Office of Financial Operation.

Senator PROXMIRE. Very good. Go right ahead, sir.

Mr. MASLAN. Our net claims—and by "net claims," I mean the amount we would have to absorb over and above the claim against the employer of a terminating plan—has averaged approximately $60 million a year in the most recent years.

For 1981, the amount projected is $58,800,000 and in 1982, $63 million.

Senator PROXMIRE. Thank you very much.

I have another question I will submit for the record. Do you have any other questions, Senator Specter?

Senator SPECTER. A couple more questions, Mr. Nagle.

SUPERVISORY AUTHORITY

What provisions are there in the law, if any, which give either your corporation or some other Federal agency supervisory authority to say to it that a company like Chrysler adequately funds its pension benefits to avoid a situation like the one you have described here this morning?

Mr. NAGLE. If I might just make a couple of points with respect to that. The agency that is essentially responsible for seeing that the provisions of law with respect to funding are complied with is the Internal Revenue Service. And the statute requires that in general a company must contribute to the plan each year an amount equal to the current costs that have accrued for that year, and must amortize the unfunded past service costs over a 30-year schedule.

The annual contribution must satisfy those two components. It is a little more complex than that, but that is essentially the idea. And that is the responsibility of the Internal Revenue Service.

Senator SPECTER. You are saying at any given point, it is not required by law to be funded?

Mr. NAGLE. No, it is not; you see, when you just create a pension plan, and you promise everybody a benefit based on their years of service and tell them you will count all the years of service they had with

you even before you started the plan, you are immediately starting out with an actuarial deficit.

And every time you increase benefits—and we will say you increased benefits $2 a month for each year of service, and you make that applicable again to all their prior years—you are again adding to the unfunded past service liabilities.

So this is not an abnormal state of affairs for many defined benefit pension plans. The statute recognizes there will be these unfunded liabilities and requires them to be amortized over a period of years.

AMORTIZATION OF LIABILITIES

Senator SPECTER. In the Chrysler experience, when would that plan be or have been amortized?

Mr. NAGLE. As they periodically increase, benefits, they are constantly adding to the unfunded liability. So even though, we will say just for the sake of an example, the benefits were increased in 1975, that additional unfunded cost would have to start being amortized over 30 years.

Again, the benefits are again increased in 1978. You are adding to that unfunded cost, starting a new amortization schedule with respect to that unfunded——

Senator SPECTER. Do you know whether Chrysler was current on maintaining the payments it was required to do by law under this schedule you have described?

Mr. NAGLE. I believe that they have been; yes.

Senator PROXMIRE. Would the Senator yield just for a moment?

Senator SPECTER. Yes, of course.

Senator PROXMIRE. You say you believe that they are. Would you provide that for the record and let us have it so we know whether they are up to date or not?

Mr. NAGLE. Yes.

Senator PROXMIRE. And if not up to date, give us the details.

Mr. NAGLE. Yes.

[The information follows:]

STATUS OF CHRYSLER PENSION PLAN

We are advised by Chrysler that during 1980 it requested and received, from the Internal Revenue Service, a waiver of $27 million of the $28 million contribution payable for 1979 to the Chrysler Corp. salaried employees retirement plan. In all other respects, Chrysler advises, it is current with regard to its ERISA-mandated funding obligations under its various pension plans.

PENSION PLANS

Senator SPECTER. What you are in effect saying is that there are many pension plans, in fact it is a generalization, the pension plans are set up and are not actuarially sound, and there are commitments made today that the employees be paid sometime in the future, and to the extent that any of those plans goes under or any of those employers becomes bankrupt, there is a vast actuarially unfunded sum of money out there which your corporation might have to pick up.

Mr. NAGLE. That's right. Well, I will say two things.

One, that is what we were created to guarantee is essentially that unfunded liability. If it weren't for that, there would be nothing to guarantee. If everybody were current and fully funded, there would be no shortfall when they terminate.

The fact that this unfunded liability exists doesn't mean they are actuarially unsound. As I say, it is a normal and anticipated condition for many defined benefit plans.

Senator PROXMIRE. It does mean actuarially unsound, but that is apparently the norm for the industry. They are not funded to be actuarially sound, are they?

Mr. NAGLE. Well, I think there is a problem with using the term "actuarially sound or unsound." If they are meeting their current costs and funding their unfunded liabilities on a reasonable amortization schedule, I think actuaries would generally regard that as an actuarially sound approach. And the law specifically recognizes that that will be the situation in many cases.

LARGE PENSION PLAN TERMINATIONS

Senator SPECTER. If we were to face, God forbid, a series of Chryslers or a series of larger numbers of lesser companies than Chrysler, there would be no way that your corporation would have funds to carry out the guaranteed program?

Mr. NAGLE. If we were looking at a number of Chryslers occurring, yes, I think that would be true.

Senator SPECTER. And there were no public obligations to provide additional funds to your corporation should that cataclysm occur unless Congress were to make specific authorizations?

Mr. NAGLE. That's correct.

COMPARISON WITH OTHER GOVERNMENT CORPORATIONS

Senator SPECTER. I have only one other question before yielding back to Senator Proxmire, and that is, how many corporations, to your knowledge, are there like yours or like the analog of the FDIC which are in the guaranteed program positions?

Mr. NAGLE. I don't know of any other. There are other Government corporations, but I don't know of others that are in a similar business. I think the FDIC would be the closest analog to our program.

Senator SPECTER. I am advised by staff that there are some four corporations.

If you were looking to have the kind of solvency and assets that the FDIC has by way of making a computation for what your premium increases should be, do you have any idea where you would come out on the kind of premiums you would have to charge? What I am looking for here is some analogy or some experience that there is with other guarantee corporations.

Mr. NAGLE. I don't think that we have sufficient closeness to any other such corporation to draw an analogy. I think the problem, if I understand your question, is one of predicting what our future obligations might be. Most insurance-type operations use past experience to project what will happen in the future. We have had a rather short past. And

so to assume that the experience of the past 5 or 6 years will be typical of the future may not be a very valid assumption.

That is one of the problems we have in predicting. We also know that as business conditions change for the worse or better, our exposure may rise or fall very sharply. And that future experience may be quite unlike what has happened in the past.

It really is very hard for us to come up with very meaningful projections.

DETERMINATION OF AMOUNT OF A PREMIUM INCREASE

Senator SPECTER. Do you have hearings or input from employers before you reach a determination as to how much you are going to raise the premiums?

Mr. NAGLE. Well, we don't have. We do have an outside advisory committee that would provide input. I think what would probably happen is we would make a recommendation to our board of directors, and if that were adopted and presented to the Congress, it would probably be an occasion for congressional committees to hold hearings on the matter.

HISTORY OF PREMIUM INCREASES

Senator SPECTER. What is your history of raising premiums?

Mr. NAGLE. We have had one increase. In 1977, the single-employer premium went from $1 to $2.60.

Senator SPECTER. Was there much adverse reaction from those who had to pay that increased premium?

Mr. NAGLE. I don't believe there was; no.

There has also been an increase in the multiemployer area that was effected as part of the multiemployer legislation that I discussed earlier.

Senator SPECTER. Thank you very much, Senator Proxmire.

Senator PROXMIRE. Thank you, Senator Specter.

And thank you very much.

Do you have other questions?

Senator SPECTER. No.

Senator PROXMIRE. Thank you, Mr. Nagle and gentlemen. We appreciate your testimony. I have some questions for the record.

PREPARED STATEMENT, QUESTIONS, AND RESPONSES

Your prepared statement will be inserted in the record.

Mr. NAGLE. Thank you.

[The statement, questions, and responses follow:]

Statement of Robert E. Nagle

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you. The budget you have under consideration was prepared and presented under the direction of the Administration of former President Carter. President Reagan and his appointees are now reviewing that budget carefully and preparing alternative recommendations in many areas, including major spending programs, smaller activities and salaries and expense budgets. I am prepared today to outline for you the Carter budget recommendations, but I must tell you that substantial revisions are not only possible but likely.

The PBGC was established under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA). It is a self-financing, wholly owned Government corporatiopn charged with guaranteeing the basic benefits of most private defined benefit pension plans. Its major source of revenue is the mandatory premiums collected from the approximately 80,000 pension plans covered by its program. The PBGC receives nò appropriations from the Congress.

The FY 1982 budget plan is divided into two categories: disbursements for benefit payments, and administrative costs. Benefit payments require $64,246,000, of which $61,546,000 is for direct PBGC payments and $2,700,000 is for multiemployer plan financial assistance. Administration of the program requires $28,224,000.

The budget plan requires $61,546,000 to provide for benefit payments for participants in pension plans which have already terminated or are expected to terminate. This reflects our projection that in FY 1982 PBGC will be responsible for the guaranteed benefits of some 70,000 participants as compared to approximately 60,000 participants in FY 1981.

The budget plan also requires $2,700,000 to provide financial assistance under terms of the Multiemployer Pension Plan Amendments Act of 1980, which amends ERISA. Assistance would go to two multiemployer plans covering the basic benefits of approximately 15,000 participants, enabling the plans to pay guaranteed benefits.

Under prior law, the PBGC guaranteed multiemployer plan basic benefits in much the same fashion as for single employer plans. However, the payment of guaranteed benefits was at PBGC's discretion under provisions of law that remained in effect until August 1, 1980. Under the 1980 amendments, the PBGC provides financial assistance to a plan if it receives an application for such assistance and verifies that the plan is or will become insolvent and unable to pay basic benefits when due.

The administrative costs of $28,224,000 represent an increase of approximately $3,850,000 above the FY 1981 budget plan. This increase results primarily from higher average employment attributable to implementation of the financial assistance program mandated by the 1980 amendments, increased funds for financial management improvements, and price level adjustments related to normal operating needs.

With respect to the cost of developing regulations, the budget plan includes $847,000 and 26 positions, as compared to $753,000 and 26 positions in FY 1981. Most of the regulation development costs for both of these periods is attributable to the new legislation. A main concept of the 1980 amendments is to provide multiemployer plans a means to strengthen themselves. The plans, not PBGC, are authorized to collect liability payments from withdrawing employers. Troubled plans are authorized, within limits, to reduce benefit levels of participants. To provide plan administrators with guidance in exercising these powers, the 1980 amendments require or authorize the promulgation by PBGC of over 60 regulations. These regulations will clarify, for example, the way in which plan administrators calculate -- and recover -- the liability of employers who withdraw from plans. For certain types of industries, they will define what action by an employer actually constitutes a permanent withdrawal from a plan.

In addition, PBGC is required by the legislation to develop regulations within the next 16 months setting the terms of two new insurance programs. One of these programs will provide multiemployer plans a means of insuring against uncollectible liability when an employer withdraws. The second will provide a mechanism under which participants in multiemployer plans will be eligible for guarantee levels equivalent to those which PBGC provides in other defined benefit plans.

The goal of many of these regulations is to provide guidance to those subject to the law, as well as providing plans with some flexibility in electing how they might best comply with the statutory requirements. We have received requests from the private sector for this additional guidance in view of the complexity of ERISA and the 1980 multiemployer amendments.

Questions Submitted by Senator Proxmire

NOTICES OF INTENT TO TERMINATE - MULTIEMPLOYER PLANS

Question: Title IV of the Employee Retirement Income Security Act of 1974 established a program to guarantee the payment of vested benefits in case of pension plan termination. Single employer plans have been insured since enactment, but the mandatory coverage of multiemployer pension plans was deferred until 1980.

Now that multiemployer pension plans are guaranteed by the Pension Benefit Guaranty Corporation, have any filed a notice of their intent to terminate?

Answer: Since enactment of the Multiemployer Pension Plan Amendments Act of 1980 just over forty various kinds of reports or communications have been received from multiemployer pension plans about actions or events that have occurred in regard to the plan. Of these, seven have been notices of intent to terminate, fourteen have concerned mergers and subsequent transfer of assets, six have dealt with employer withdrawals, four have concerned the occurrence of events such as funding deficiencies or decreases in number of partici-

pants. and the remainder have individually related to issues such as an exemption request because of construction industry involement and computation of employer withdrawal liability.

None of these reports indicate that the PBGC responsibility for guaranteeing benefits is imminent in regard to any of these plans.

UNFUNDED VESTED LIABILITY

Question: How much unfunded vested liability does the Pension Benefit Guaranty Corporation expect to inherit over the next fiscal year?

Answer: The net claims which are anticipated over the years 1981 and 1982 are $58.9 million and $63.0 million. The net claim represented the present value of guaranteed benefits less plan assets and expected employer liability collections. This represents the portion of the benefits which will result in a drain upon the premium system. The occurrence of one or more major claims can change these estimates greatly.

MULTIEMPLOYER PLAN LIABILITIES

Question: In its 1977 report "Potential Multiemployer Plan Liabilities Under Title IV of ERISA", PBGC reported that about two percent of multiemployer plans covering about five percent of all plan participants were experiencing severe financial hardship, indicating a high potential for termination within the next five years.

Were the predictions of potential multiemployer pension plan terminations reported by the Pension Benefit Guaranty Corporation in 1977 reasonably accurate?

Answer: PBGC's 1977 Report studied the potential impact on the multiemployer termination insurance program if the then discretionary program became mandatory on January 1, 1978 as scheduled. As a result, Congress deferred the effective date of the mandatory program several times.

On September 26, 1980, the Multiemployer Pension Plan Amendments Act of 1980 became law. This legislation, which revised the entire multiemployer program, changed the event that triggers PBGC insurance from plan termination to plan insolvency. Multiemployer plans cannot simply terminate and transfer certain unfunded pension liabilities to the insurance system as they could under the old law. Now when a multiemployer plan terminates, the companies that were contributing to that plan essentially have an obligation to continue to contribute until the plan is funded. PBGC's role is limited to providing financial assistance to multiemployer plans that are insolvent and thus cannot pay benefits when due.

Question: Will the premiums assessed multiemployer plans be sufficient to cover anticipated plan terminatons?

Answer: Yes, PBGC expects that premiums collected from multiemployer plans will be sufficient to cover anticipated claims under the multiemployer termination insurance program.

NUMBER OF DEFINED BENEFIT PENSION PLANS

Question: How many defined benefit pension plans have you identified? How many single employer? How many multiemployer?

Answer: For the most recent complete year on file, our records indicate the following numbers of plans with plan years commencing from January 1, 1979 through December 31, 1979.

Single Employer Plans	83,466
Multiemployer Plans	2,075
Total Plans	85,541

PREMIUM COLLECTION PROCEDURES

Question: What actions have been taken to assure that plans are reporting and paying premiums?

Answer: During the past year, the Corporation has undertaken a major program to improve the procedures and systems used to collect and process premium payments. These activities relate to the collection of late payment penalty and interest which serves as deterrent for not filing, as well as improvements to the accounting and control of premium collections.

A major feature of this program is to identify plans which have paid premiums in past years but which have not paid the premium for the current year and conversely to identify first time filers which apparently should have filed for past years.

Full implementation of many of the control improvements is dependent upon having adequate resources. To date, priority has been given to allocating resources based upon largest percentage of premium dollars and participants. We expect to continue this practice.

The Corporation is also working with the Internal Revenue Service to determine the feasibility of comparing IRS records to PBGC records to identify potential non-filers of premiums.

PBGC has exerted special efforts to avoid unnecessarily burdensome regulations. Its recent regulation on reportable events is a case in point. ERISA requires plan administrators to notify PBGC within 30 days when any reportable event occurs. Reportable events are early warning signals of possible plan termination, such as a substantial reduction of the number of plan participants. PBGC's regulation retains the statutory 30-day notification requirement only where it is essential to the program, but waives it for all other events, allowing plan administrators to report them instead on the annual report which is filed each year with IRS. IRS then forwards the information to PBGC, thereby alleviating the burden on the plan administrators.

PBGC will continue to bear in mind the concerns of the private sector that regulations be issued which provide needed guidance, yet do not impose unwarranted and expensive administrative requirements.

Mr. Chairman, that concludes my opening statement. I will be happy to respond to any questions you may have.

OPERATING DEFICIT

Senator Proxmire: Your budget shows the Corporation ran a deficit of $13 million in 1980 and that you expect similar losses in 1981 and 1982. Moreover, by the end of 1982, you are projecting a cumulative deficit of $192 million.

In view of this experience, why don't you raise your premiums to cover these losses?

Answer: We believe that the Pension Benefit Guaranty Corporation will recommend an increase in premiums. We have to go through a process to determine an appropriate recommendation in terms of a level of premiums.

The PBGC completed a study in December 1980, but this study was based upon Fiscal Year 1979 and previous fiscal years' data. We are in the process of closing the financial statements for FY1980, and accordingly are updating this study based upon that year's financial data. After completing the update of this study the PBGC will recommend the amount of the increase.

Senator Proxmire: How long could a private insurance company experience similar losses?

Answer: A private insurance company would find it difficult to experience similar losses and stay in business without an increase in their premiums.

It is expected that we will increase our premium to cover the expected losses.

IMPACT OF A CHRYSLER BANKRUPTCY

Senator Proxmire: What would be the impact on the Corporation of a Chrysler bankruptcy?

Answer: The impact would be rather substantial. Our best information is that the Chrysler pension plans have estimated liabilities on the order of approximately $2.7 billion to $2.8 billion.

However, our best estimates reflect that their assets are something in the order of $1.6 billion. Therefore, the net result is an insufficiency of something in the order of $1.1 to $1.2 billion.

We would have a claim against Chrysler for the amount of the insufficiency, but that claim would be limited to 30 percent of Chrysler's net worth at the time that the plans were terminated.

Senator Proxmire: Would you have to activate your $100 million Treasury borrowing authority?

Answer: If the Chrysler plan should terminate, we would not have any immediate cash problem or any immediate need to draw on the $100 million borrowing authority. The Chrysler plans do have assets of over $1.6 billion which could certainly support benefit payments for a number of years. However, a rather significant increase in our premium should be effected early on so that we would build up funds to absorb that deficiency.

PREMIUMS

Question: Has the Pension Benefit Guaranty Corporation determined the adequacy of current premiums?

Answer: The PBGC completed a study in December 1980, but this study was based upon Fiscal Year 1979 and previous fiscal years' data. We are in the process of closing the financial statements for FY1980, and accordingly are updating this study, we believe that the PBGC will recommend an increase in premiums.

Pension Benefit Guaranty Corporation
(Obligations in millions of dollars)

Activity	1980	1981	1982
Administration.....	$19.3	$24.4	$28.2
Positions.....	487	521	521
Benefit Payments.....	$39.7	$51.6	$61.5
Financial Assistance.....	-0-	$2.3	$2.7
Total Obligation.....	$59.0	$78.3	$92.4
Total Positions.....	487	521	521

DEPARTMENT OF LABOR

LABOR-MANAGEMENT SERVICES ADMINISTRATION

STATEMENT OF HILARY SHEPLY, ACTING DEPUTY ASSISTANT SECRETARY FOR LABOR-MANAGEMENT SERVICES

ACCOMPANIED BY:

ERNEST J. GERMAN, DIRECTOR, OFFICE OF MANAGEMENT
GEORGE O. GONZALEZ, DIRECTOR, OFFICE OF VETERANS' REEMPLOYMENT RIGHTS
RICHARD G. HUNSUCKER, DIRECTOR, OFFICE OF LABOR-MANAGEMENT STANDARDS ENFORCEMENT
IAN D. LANOFF, ADMINISTRATOR, PENSION AND WELFARE BENEFIT PROGRAMS
JOHN R. STEPP, DIRECTOR, OFFICE OF LABOR-MANAGEMENT RELATIONS SERVICES
W. R. REISE, COMPTROLLER.

SUBCOMMITTEE PROCEDURE

Senator PROXMIRE. Next, we will hear from Mr. Hilary Sheply, Acting Deputy Assistant Secretary for Labor-Management Services.

Mr. Sheply, we scheduled this meeting rather late because I had another hearing. And the chairman of the subcommittee, Senator Schmitt, asked me to chair this morning. And I am grateful to Senator Spector for having moved ahead, but the hour is late.

What I propose we do in order to abbreviate this, is to ask you, if you would, to respond to questions. And then, when we finish, maybe in 1 or 2 minutes, you could summarize anything that you feel we have not covered that was in your statement that you think should be called to our attention. And your statement will be printed in full in the record.

Mr. SHEPLY. Thank you, Mr. Chairman.

Senator PROXMIRE. So many of the major functions of your agency are in the area of labor-management regulations, policy, and services. What kind of assistance do you provide to union employees and State and local governments?

Mr. SHEPLY. Mr. Chairman, before I respond, may I introduce the people at the table?

Senator PROXMIRE. Yes; I beg your pardon.

Mr. SHEPLY. To my immediate right, Mr. Jerry German, Director of the Office of Management.

To his right, Mr. George Gonzalez who is Director of the Veterans' Reemployment Rights Program.

To my immediate left is Mr. Ian Lanoff who is the Administrator for Pension and Welfare Benefit Programs.

To his left is Mr. Richard Hunsucker who is Director of Labor-Management Standards Enforcement Activities.

And to his left is Mr. John Stepp who is the Director of the Office of Labor-Management Relations Services.

Senator PROXMIRE. All right, go right ahead.

Mr. SHEPLY. Inasmuch as these programs are clearly complex and I don't know all their workings, I would like to have the chairman's permission to direct his questions to our particular program directors dealing with the specific programs.

RATIONALE FOR FEDERAL INVOLVEMENT

Senator PROXMIRE. All right.

Let me ask you a philosophical question. In an era when most people want less government in their lives and they certainly indicated that in the last election as my party is witness to, as the fact we are a minority in the Senate demonstrates, why should the Federal Government be providing any assistance or advice to unions or employees in regard to labor-relations matters? Why can't we leave that to them to decide? Why should the Federal Government get involved?

Mr. SHEPLY. As I understand the mandate that the Secretary has, he is concerned with the impact of strikes and, as you are aware, what is happening with respect to strikes. I think that was the basic reason the program that Mr. Stepp handles is concerned with the impact of those strikes.

Senator PROXMIRE. The impact of strikes; is that what you said?

Mr. SHEPLY. Upon the economy.

Senator PROXMIRE. Don't we have all kinds of studies of the impact of strikes? I should think that would be a fairly simple thing to calculate, plus the fact, certainly in this country, I know you would agree with the notion that we have to do all we can to preserve the right to strike.

Even in Poland, we find that is a matter that demonstrates liberty and freedom. So I just wonder what we would do if we are going to spend our time making studies of the effect of strikes. They are part of the price you pay for an economic democracy, aren't they?

Mr. SHEPLY. If you don't mind, sir, I would like to have Mr. Stepp respond.

Senator PROXMIRE. Very good; yes.

Mr. STEPP. Mr. Chairman, I associate the first question with the second, the public sector interests that you stipulated in the first question and in your followup philosophical question.

The activities of one of the divisions within the Office of Labor-Management Relation Services have been to work with both labor and management as well as neutrals. And when I say "neutrals," I am including the public employee relations boards, State mediation services, and in some instances, State legislatures, in trying to pave that bumpy road we have found in the public sector of labor relations.

I think that there is something about the public sector that is markedly different than the private sector. And that is the number of inexperienced people that we are finding at the bargaining table, coupled with the fact that in quite a number of States, there is either no legislation or partial legislation.

Senator PROXMIRE. Let me interrupt to see if I am on the right beam with you. Your agency is concerned here with not only Federal and State and local employees and their problems and whether they strike, but also with the private unions, are you not, UAW, Teamsters, and so on? Don't you make studies of the effect of strikes of that kind?

Mr. STEPP. On the one hand, we are interested in monitoring major negotiations and keeping the Secretary and the Assistant Secretary abreast of those, but there is no active, firsthand involvement by staff members of the Office of Labor-Management Relations Services. The only involvement, personal involvement, of those people with labor-management practitioners and neutrals is in the non-Federal public sector. Yes; we do.

Senator PROXMIRE. Non-Federal public sector? That means State, county, city employees?

Mr. STEPP. That is correct. And it has been at the request of both the neutrals and the advocates to which we have responded.

Senator PROXMIRE. There again, why don't the States and local governments employ their own labor-relations experts when they need them, hire consultants when they need them, rather than get free service from the Government? Wouldn't there be likely to be under those circumstances a much closer relationship between the hiring of people to do this job and the necessity for having this kind of expert concern and report?

Mr. STEPP. Well, in the training activities that we have, I think that there probably have been times in which there would have been private sector resources available to the parties. Recognizing that, beginning this fiscal year, the Department of Labor has moved back rather dramatically from the providing of those services on-site to assisting in the development of some materials that can be used by both labor and management in training their own people.

So I guess in a kind of analogy, our program has shifted back from the retailing of training to more of the manufacturing of training materials that can be utilized by others.

LMRS BUDGET INCREASE

Senator PROXMIRE. Now, the Department is requesting over $8 million for labor-management relations policy and services for fiscal 1982. That is more than double the $4.2 million spent for the same activities in fiscal 1980. In 2 years, that is an increase of more than 100 percent.

That includes an expanded research program in 1982. And in an era of Government deficits, when there is such deep concern about holding down spending, how can you justify such an increase in this aspect of your budget?

Mr. STEPP. Mr. Chairman, I in turn would like to refer that question to the division chief in charge of research in the Office of Labor-Management Policy Development. I think he can give you a more definitive response to that question than I may. And that is Mr. Leon Lunden.

Senator PROXMIRE. Yes, sir; will you please repeat your name?

Mr. LUNDEN. My name is Leon Lunden.

Senator PROXMIRE. Would you spell your last name?

Mr. LUNDEN. L-u-n-d-e-n. I am Chief of the Division of Research and Analysis within the Office of Labor-Management Policy Development.

Senator PROXMIRE. Thank you, sir.

Mr. LUNDEN. Perhaps the best way to answer your question is to try to give you a little bit of the background on this request, Senator. This goes back really to 1976 when then Under Secretary Michael Moskow pointed out that there had been neglect of labor-management research and that the institution of collective bargaining could use additional research.

Speaking for Secretary Usery, he said at that time they would try to increase the budget for labor-management research. Well, there was a change in administrations then, and the proposed budget increase didn't move forward. There was greater emphasis and priority in other areas. And consequently, labor-management research continued to be a very, very minor factor.

Approximately 2 years ago, the directors of industrial relations centers, recalling what the Under Secretary had said, went to the then Secretary, Ray Marshall, and proposed that something be done. As a consequence of that meeting, we had joining the staff for 9 months Prof. Thomas Kochan of Cornell, who is now at MIT, who put together a labor-management relations research priorities report for the Secretary.

That report gives great detail, and is the basis for the kind of increase we are trying to put forth now. We recognize that there are problems with a new administration concerned with reducing the budget. We also recognize that collective bargaining and labor-management relations are very important institutions in our society, and that in a democratic society, I should emphasize the word "democratic," we should do whatever we can do to help facilitate the continuation and the improvement of this particular process, that is, labor-management relations and collective bargaining.

Senator PROXMIRE. Can you give one, two, or three examples of where this research has been helpful, where it has really done a substantial job in giving us more enlightened understanding and assisted us in eliminating the economic cost of bad relationships?

Mr. LUNDEN. Let me put that, sir, in terms of what we are trying to do now. We recently funded a study with Temple University on the effectiveness of area labor-management committees. There is reason to believe that there will be continuing calls for a policy to be made by the Congress, and by the administration, to provide funds to foster area labor-management committees. It was our feeling that by asking how committees are——

Senator PROXMIRE. You are smart to mention Temple, incidentally. You know where that is located? It is a marvelous institution. I would feel better, though, if you had said University of Wisconsin.

Mr. LUNDEN. As a matter of fact, we have one going with Prof. James Stern.

Senator PROXMIRE. You have one going where?

Mr. LUNDEN. With Prof. James Stern at the University of Wisconsin on strikes and strike remedies in the public sector which is looking at

laws in certain of the Midwestern States to see how effective they are in terms of collective bargaining and minimizing disputes in the public sector.

Senator PROXMIRE. Isn't most of your research contracted out to private consultants and academic contractors?

Mr. LUNDEN. Yes.

Senator PROXMIRE. Wouldn't that type of spending be a prime target for significant reductions or perhaps outright elimination?

Mr. LUNDEN. I am sure it could be a prime target, and I would hope that it is a target that is elusive because I think personally that these research projects ought to continue and ought to be expanded.

LABOR UNION REPORTS

Senator PROXMIRE. I just have one other question I would like to ask before I yield to Senator Specter. The Labor-Mangement Standards Enforcement Office spends considerable resources simply collecting and compiling numerous reports from labor unions concerning their offices' finances and internal operations. What can be done to lessen the paperwork of this office and minimize the number of employees who simply file reporting forms?

Mr. SHEPLY. Mr. Chairman, we have some activities trying to eliminate reports, consolidating reports, or making the reports simpler, less complex. For a more detailed explanation, I would like to refer that question to Richard Hunsucker who is the director of that program.

Senator PROXMIRE. Mr. Hunsucker, let me ask this question in connection with the answer: Couldn't the law—that is, the Labor-Management Reporting Disclosure Act—be changed to require all such information be made available to all labor-management and then eliminate the functions of the reports and having a warehouse for reports of this kind?

Mr. HUNSUCKER. It is a possibility, Mr. Chairman, but, the experience we have had over the years is that in some instances, labor organizations are not that willing to come forward with the information for members.

In reply to the first portion of your question, we have underway right now two projects. One, we are rewriting our annual financial reporting forms, trying to simplify, consolidate, et cetera, where we can. And also, we have another project for microfilming our files.

The upshot of these two activities would be to reduce the paper workload burden for the public by about half or more. At the present time, under the existing system, a labor organization must submit two copies of each report. By resorting to microfilming, it would enable us to eliminate one copy going in.

Also, we think the form changes we are attempting to implement by next January should shorten the form and make it more simple.

UNIVERSITY CONTRACTS

Senator PROXMIRE. Senator Specter?

Senator SPECTER. Thank you, Senator Proxmire.

Just following up on Senator Proxmire's question, I don't believe he received a dollar figure for Temple and Wisconsin Universities.

Mr. LUNDEN. One moment, and I will give you an answer on that.

Senator SPECTER. This is 1982 on the $9 million.

Mr. LUNDEN. The Temple University contract is for $90,588.

Senator PROXMIRE. How much?

Mr. LUNDEN. $90,588. The Wisconsin contract is for $96,247.

Senator PROXMIRE. I feel much better.

Senator SPECTER. How many similar contracts do you have? Which year are you in, by the way, 1982?

Mr. LUNDEN. We are now in fiscal year 1981. Presently, I have in research contracts outstanding, 11 contracts, which are to non-Federal Government sources. And then I have three with other Federal agencies—the Census Bureau, Bureau of Labor Statistics, and FMCS.

Senator SPECTER. And you are now 1981?

Mr. LUNDEN. That's right.

CONTRACT RESEARCH PROGRAM

Senator SPECTER. Then, you obviously have a big increase in 1982 when the figure goes from $4.9 to $9 million.

Mr. LUNDEN. Yes, sir.

Mr. GERMAN. $3.5 million increase, Senator, for research.

Senator SPECTER. $3.5 million increase for research?

Mr. GERMAN. Yes, sir.

Senator SPECTER. Where is the balance? I think you have $4.1 million increase.

Mr. GERMAN. There are some mandatory costs in there, costs associated with the personnel pay raises and related expenses. On the program increase side, there is $3.5 million requested for increased research. There is $300,000 for experimental demonstration programs, and there is $100,000 for support of a labor-management research advisory council activity.

Senator SPECTER. Mr. Lunden, can you define further the scope of the increase, then, the $3.5 million in 1982 over 1981? You have already given illustrations of contracts that Wisconsin University and Temple University.

Mr. LUNDEN. There is a fourfold increase approximately.

Senator SPECTER. Fourfold?

Mr. LUNDEN. Yes; our contract research program at the moment is $860,000. This is an amount of money that has stayed the same for quite a number of years, at least since I have been with LMSA. And in 1981, if the Senate passes the House version of our budget, that amount is going to experience a drop of about 18 percent to $710,000 for 1981.

It is a relatively small amount in terms of the available research that you can do. And as you could tell, just by the two contracts I mentioned here, there really are not that many contracts you can fund. There is not much that you can do with the small amount. And this was the thing that disturbed several Secretaries and disturbed the directors of university-industrial relations centers, prompting them to come to Secretary Marshall with their concern.

What we are now trying to do is a better job. That is what the $3.5 million is about.

Senator SPECTER. Some of the testimony referred to a reduction in paperwork and regulatory process. Does the current plan to cut back on the paperwork affect the reporting obligations of companies which have pension and profitsharing plans?

Mr. SHEPLY. Mr. Lanoff, why don't you respond?

Mr. LANOFF. Yes, Senator Specter, we have done several things in the past few years to cut back on unnecessary paperwork burdens imposed on plans by ERISA, including eliminating some forms, consolidating others, streamlining some. We have now a couple of other paperwork reduction proposals out for public comment.

With us, it is a constant concern that plans not be overburdened by unnecessary paperwork requirements.

Senator SPECTER. What categories do you have for paperwork requirements, based on the number of employees a company employs. For example, does a company which employs 10 people have about the same paperwork requirements as a company which employs 200 people?

Mr. LANOFF. No; early in the administration of ERISA, special rules were devised for both smaller welfare and pension plans. And so today, for example, pension plans that cover less than 100 participants file a short-form report as opposed to the longer, more detailed report filed by plans that cover more than 100 people.

During this past year, the Department, the IRS, and the PBGC together made an additional change in the reporting required of smaller pension plans under which the smaller pension plans will now only be required to file that report once every 3 years with an even shorter one-page form filed 2 out of every 3 years.

So we have made changes as recently as this past year, identifying the particular needs of the smaller pension plans.

Senator SPECTER. Does the company which has 3 employees have the same kind of form to file as a company which employs 99?

Mr. LANOFF. Yes.

Senator SPECTER. Has any consideration been given to making a modification below the number of 100?

Mr. LANOFF. Yes; it is my understanding that some consideration had been given to that in the past, but the agencies involved decided that there were potentials for abuse in all plans and that it was necessary to collect information from plans even covering as few as three participants.

As I understand it, there have been several cases that the IRS and the Labor Department have been interested in, where small professional corporations for doctors, lawyers, and dentists have had plans which cover as few as one or two nurses, where there have been abuses committed. So there is an interest in collecting investment information and other kinds of information even from the very smallest plans.

Senator SPECTER. Well, I have heard tremendous complaints about the complications of the reporting system. And it comes very frequently from very small operations, not the professional kind of plans where they are highly sophisticated, but smaller companies with half a dozen or so employees who find it enormously burdensome.

Mr. LANOFF. I would be happy to supply you with the new forms we recently finalized during this past year. You might want to take a look at them. I believe they are not really very complex and would be fairly simple for smaller plan officials to prepare for the Department.

ADMINISTRATIVE COSTS FOR PENSION PLAN SPONSORS

Senator SPECTER. Do you have any idea of what are the administrative costs for pension plan sponsors to comply with requirements of the Employee Requirement Income Security Act?

Mr. LANOFF. We have prepared some studies in the past on that. And I would be happy to supply you with those studies. However, in light of the three pages of paperwork reductions that we have compiled which reflect changes made just during the past 3 years, it is an ever-changing decrease in the amount of paper that is required; so even those studies are out of date almost from the day we received the results.

I would be able to supply you some figures based on earlier paperwork claims.

Senator SPECTER. Can you give us any kind of a ball park figure here this morning?

Mr. LANOFF. I can't; no.

Senator SPECTER. Thank you very much, Mr. Chairman.

Senator PROXMIRE. Thank you, sir.

I have no further questions at this time, Mr. Sheply. I would like to submit for the record a number of questions which I wish you to respond to.

And if there is anything you would like to add at this point, we would be happy to hear it.

Mr. SHEPLY. I would just like to add two points, Mr. Chairman. I want to point out that the budget we are presenting today has been prepared under the direction of former President Carter. President Reagan and his administration are now reviewing that budget carefully and preparing revised recommendations in many areas.

You will notice the amount of increase that we asked for—roughly $8 million—a major portion of that is to cover costs, mandatory salary costs, with the exception of that $3.9 million that we asked for for the research project.

Those are the only two points I would like to make, sir.

Senator PROXMIRE. Very good. Thank you very much. Thank you, sir.

PREPARED STATEMENT, QUESTIONS, AND RESPONSES

Your prepared statement will be inserted in the record. I have some questions for the record.

[The statement, questions, and answers follow:]

Statement of Hilary M. Sheply

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you. The budget you have under consideration was prepared and presented under the direction of the Administration of former President Carter. President Reagan and his appointees are now reviewing that budget carefully and preparing alternative recommendations in many areas, including major spending programs and salaries and expense budget. I am prepared today to outline for you the Carter budget recommendations, but I must tell you that substantial revisions are not only possible but very likely.

The fiscal year 1982 budget request for the Labor-Management Services Administration is $67,056,000 and 1,265 positions. This is an increase of $7,243,000 and a decrease of 43 positions from the 1981 budget.

The decrease of positions results generally from the limitations on full-time permanent employment which was directed by President Carter on March 14, 1980. These reductions will involve some restraints in all LMSA programs, but will enable priority enforcement, worker protection, and related activities to be maintained at acceptable levels. This will be achieved by adjusting agency priorities to most effectively utilize available resources.

The overall emphasis in this appropriation in fiscal year 1982 will be to improve quality within each program area, to hold costs to an absolute, and to maintain with minimum staff, an acceptable level of productivity.

The fiscal year 1982 budget request provides for an increase in dollars of about 9% over the 1981 level. Portions of this increase will cover mandatory increases in the costs of salaries, space and equipment rentals, travel, telecommunications, and other expenses necessary to continue operations at the reduced level.

In addition to the mandatory increases, this budget proposes dollar increases in three program areas. The first, for $3.9 million will provide funds to implement an expanded contract research program, establish an Experimental and Demonstration program, and establish the Labor-Management Research Advisory Council; all within the Labor-Management Policy Development Program Area. The second, for $115,000, will establish an indexing system in the Pension and Welfare Benefit Enforcement Program. The third, for $250,000 will be utilized to improve LMSA's management information system.

The appropriation for the Labor-Management Services Administration covers several enforcement areas including labor-management policy and procedures, standards enforcement, veterans, and pension and welfare benefit programs.

I would now like to share some of our prior and current year accomplishments, outline the proposed program initiatives for 1982 and the effect these changes would have in future years.

The Labor-Management Policy Development program, during fiscal year 1980, completed studies including the impact of government

regulation on collective bargaining in the airlines industry and the social cost of seasonality and cyclicality in the construction industry. LMSA funded studies were published on the bargaining structure in construction, employer pay for union business, and collective bargaining in major industries in the United States. Research was also conducted for the Solicitor's Office in Title IV litigation under the Labor-Management Reports and Disclosure Act.

During 1981 this program plans to complete studies in mediation activities in the Federal sector and impasse procedures, strikes and strike remedies in the public sector; the construction wage determination process; mediation of grievances in the coal industry; additional research studies are expected to start on arbitration and strike activity by police and firefighters during interest disputes; the growth in unfair labor practice cases and the failure to reach agreement after bargaining unit certification.

As mentioned earlier, the fiscal year 1982 budget request includes $3.9 million for this program area: $3.5 million for an expanded RFP contract research program, $300,000 for the Experimental and Demonstration project, and $100,000 for the Labor-Management Research Advisory Council.

Since FY 1977, the LMSA budget for contract research has remained at $860,000. Accordingly, the number of contracts issued for new studies to meet Department and LMSA research needs has declined, as inflation has made inroads in contract costs. This activity has also suffered from the lack of articulated long-term objectives for labor-management relations.

The concern with the decline in labor-management relations research, a concern also voiced by the academic community, has resulted in the development of a comprehensive agenda for labor-management relations research, "Labor-Management Relations Research Priorities for the 1980's," is the basis for the proposed four-fold expansion in the contract research program.

Further, the Government's commitment to collective bargaining can be supported by initiation of an experimental and demonstration program. Finally, the new program would benefit from guidance as to research directions, in effect, a modification of the research agenda as conditions change, through the advice of a labor-management relations research council composed of representatives from the labor, management and academic communities.

The Pension and Welfare Benefit Programs,in 1980, as a result of revised program directions increased the handling of less complex ERISA cases at the National Office level, (bonding and Deficient reports cases) thereby increasing the time available to the field for handling the more complex fiduciary investigations. In addition, improvements were initiated in the enforcement targeting approach. By the end of fiscal year 1980, 1,905 fiduciary investigations and audits were closed, restoring and protecting some $24 million in plan assets. In the area of processing requests for exemption, the program met all standards for processing times established by the President's Reorganization Plan Number 4.

In 1981, major program emphasis is to continue to improve the quality and efficiency of the compliance program. In order to make the best use of the program's limited enforcement resources, the

pension program is concentrating on improving the ability to target investigations of potential violators. In order to increase the time available for targeting and working on higher priority fiduciary investigations, routine reporting, disclosure and bonding cases have been shifted to the National Office. The program is also focusing on publishing needed regulations and simplifying the paperwork burden so that ERISA will accomplish its objective of protecting participants' pension and welfare benefits, while minimizing the regulatory and paperwork burden on the public. The Pension Program continues to emphasize improving the processing time for exemption requests; the program is currently processing the requests well within the time frames established by the President's Reorganization Plan.

In fiscal year 1982 this program is requesting $115,000 in order to develop and implement a pilot program for a consolidated and automated index of a selected set of the ERISA reports received. This system would demonstrate and test the use of automation for retrieval of ERISA documents by DOL, IRS and PBGC. This is the first time a common index would be available for the three ERISA agencies.

In addition, during 1982, the pension program, will continue the policy of concentrating on enforcing ERISA and conducting a minimum level program of providing technical assistance to the public. As in recent years, the program's first priority will be to investigate and achieve compliance with ERISA, particularly in situations which involve violations of the law's fiduciary provisions. These investigations will continue to be carried out in accordance with the program's Compliance Strategy Document. By FY 1982, an improved targeting approach based on actual experience, and a continued improvement in the overall quality of the investigations are anticipated.

I'd like to turn now to our second largest program in the agency, the Labor-Management Standards Program.

The Labor-Management Standards Enforcement Program developed and tested their newest enforcement activity, the Compliance Audit Program, in fiscal year 1980, and implemented the Program on a nationwide basis in FY 1981. Through the use of a targeting system, this on-site audit program identifies embezzlement violations, uncovers any other criminal or major civil violations of the LMRDA and be a means for providing a visible enforcement presence in the community.

In addition, in 1981 The Labor-Management Standards Enforcement Program developed and issued an Enforcement Strategy Document. This document outlines a strategy design which commits resources to selected types of enforcement investigations and financial audits, establishes guidelines on the allocation of time by program case types and sets overall priorities for each case type.

The major emphasis for 1982 for the Standards Enforcement program will be continued refinement of their strategy document. The enforcement strategy design will continue to commit substantial resources to certain types of enforcement activities, such as embezzlement investigations and compliance audits.

In the Veterans' Reemployment Rights program, fiscal year 1980, case production exceeded 1979 levels by 172 cases. This, in part, was due to intensified staff training, particularly new supervisors and investigators. Shifts were made in the outreach and technical assistance activities in order to free investigators to handle increased numbers of complaints.

In 1981, it is anticipated that the overall complexity of the caseload will increase. For example, as more veterans reach retirement age, many instances are noted where veterans are not receiving pension credits for time in military service. The program will endeavor to maximize the productivity of all available resources through the use of a new program compliance strategy document. The purpose of this document is to provide for a system of prioritizing workload in the areas of investigative/mediative efforts and reinstatement and discharge cases.

With the current level of resources, the Veterans' program will be able to process about 700 cases and meet most first priority demands on cases relative to reinstatement and discharge issues during 1982. These cases are designated as first priority in the program's strategy document as they involve claimants who are out of work, and who are faced with the greatest financial need. The effort to reprioritize veteran workload should alleviate the most severe forms of distress for many returning veterans by ensuring them a job. The program will also provide a veteran and employer information assistance service to approximately 200,000 new veterans and approximately 60,000 employers within one month of their separation from active duty.

In the Executive Direction, Management and Support activity, efforts, during 1980, continued on improving the agency-wide management process and streamlining the information furnished to the Department and to program management.

In 1981, staff efforts will be focused on additional improvements, and evaluation studies will be conducted in various areas of the agency.

The fiscal year 1982 budget proposal for Executive Direction includes a program increase of $250,000. These funds will be utilized to initiate a pilot program for an improved field management information system. This program has been designed to increase the capability of LMSA field organizations to manage, use and receive more effective and efficient information.

The principal emphasis in 1982 will continue to be the improvement of managerial effectiveness through the continued evaluation of operational policies, administrative practices and procedures of LMSA programs and activities.

The remainder of the programs within LMSA (employee protection and construction) will continue at approximately the same levels as in 1981. The monitoring of major negotiations and the preparation of special reports for the Secretary, during 1982, will include petroleum refining, trucking, rubber manufacturing, electrical products, meat packing, automobile manufacturing and farm implements. The network of Construction Coordinating Committees will continue to provide tripartite forums which will respond to a multitude of construction problems on a local level.

Finally, in regard to administrative costs for regulatory budget items, LMSA estimates $45,167,000 for fiscal year 1981, and 962 employees, and $47,477,000 for fiscal year 1982 and 952 employees. Relative to cost to the private sector of complying with Federal Government regulations; LMSA has placed higher priority in efforts to reduce the reporting burden imposed on the private sector. In both the pension and LMRDA Program areas substantial reduction of the reporting burden have been made. We are not able, however, to accurately or meaningfully measure the cost impact of these actions or to develop data on their aggregate economic impact.

Mr. Chairman, I thank you for the opportunity to present our programs to the subcommittee. My staff and I will be glad to respond to any questions you may have.

Labor-Management Services Administration
(Obligations in millions of dollars)

Activity	1980	1981	1982
Labor-management relations policy and services.....	$4.2	$4.9	$9.0
Positions.....	80	92	91
Labor-management standards enforcement.....	$15.7	$17.6	$18.4
Positions.....	440	440	430
Veterans' reemployment rights.....	$2.5	$2.5	$2.7
Positions.....	62	62	57
Pension and welfare benefits programs.....	$28.4	$30.7	$32.1
Positions.....	625	594	572
Executive direction management and support..	$4.2	$4.2	$4.9
Positions.....	118	120	115
Total Obligations.....	$55.0	$59.9	$67.1
Total Positions.....	1,325	1,308	1,265

Questions Submitted by Senator Proxmire

RATIONALE FOR FEDERAL INVOLVEMENT

Some of the major functions of your agency are in the area of Labor-Management Relations, Policy and Services.

Question: What kinds of assistance do you provide to unions, employees, and State and local governments?

Answer: There are two offices within Labor-Management Relations, Policy and Services that provide assistance to unions, employees and State and local governments; the Division of Public Employee Labor Relations and the Office of Construction Industry Services.

Public Employee Labor Relations makes available a comprehensive program of services to encourage the development of constructive public policy and to raise the skills of all parties involved in labor relations at the State and local government levels. For example, technical assistance is provided to legislative bodies in the review and analysis of proposed legislation and to state administrative agencies in the implementation of new legislation; comprehensive skills training materials are developed and disseminated in the train-the-trainer programs for organizations to use in training their own constituents; training seminars in labor relations skills are conducted through sponsoring organizations with outreach to road areawide, Statewide, or regional audiences, with particular emphasis on public safety groups and States with new legislation; and annual national workshop is conducted for new appointees to State public employment relations boards to assist them in expediting their effectiveness as board members; and a series of publications is produced to provide information on legislation, resources, events and technical problems.

The Office of Construction Industry Services (OCIS) coordinates a network of five tripartite construction committees located across the U.S. (in Boston, Chicago, Kansas City, Denver and San Francisco). Each city committee produces a Bid Calendar of all planned public construction for the forthcoming year. The unique feature of these calendars is that all Federal, State and locally planned projects are listed. This service allows State and local governments to schedule their construction projects to complement rather than compete with major Federal projects. The information is designed to avoid the inflationary impact of having major projects compete against each other for the same construction labor and materials in a locality.

Bid Calendars are also valued by construction unions and contractors. The document better informs both groups on the timing and magnitude of public construction spending.

Early during the calendar year, OCIS national office distributes a comprehensive listing of wage and benefit levels for every local contruction union in the U.S. This publication is designed to aid labor relations practictioners in the construction industry during collective bargaining. The objective is to have labor demands and contractor offers based upon accurate factual information on wage.

Question: In an era when most people want less government in their lives, why should the Federal Government be providing assistance or advice to unions or employers in regard to labor relations matters?

Answer: The role the Federal Government has in providing assistance or advice to unions or employees relative to labor relations matters will be examined under the leadership of Secretary Donovan.

Question: Absent any violation of the law, shouldn't the government stay out of private relations between employers and employees?

Answer: It is not possible to specifically respond to your question at this time. However, under the leadership of Secretary Donovan, the Department will be re-examining the appropriate role of the Federal Government in the relations between employers and employees.

RATIONALE FOR BUDGET INCREASES

The Department is requesting over nine million dollars for labor-management relations, policy and services for fiscal 1982. This is more than double the $4.2 million spent for the same activities in fiscal year 1980. This includes an expanded research program in 1982.

Question: In an era of huge government deficits and a popular outcry for less government spending, how can you justify such an increase in this aspect of your budget?

Answer: In January 1979, the directors of a number of university industrial relations centers expressed their concern over the continued neglect of industrial relations research to Secretary Ray Marshall. Thereupon Secretary Marshall asked Prof. Thomas Kochan of Cornell (now of MIT) to prepare a report on the direction that labor-management relations research should take. His completed report, "Labor-Management Relations Research Priorities for the 1980's" is the basis for the present request for a budget increase.

Professor Kochan's report outlines the following areas in which research is needed: (1) an understanding of the wage determination process under collective bargining and how it relates to economic conditions such as inflation; (2) an examination of noneconomic bargaining outcomes to see how effective collective bargaining might be in areas of present Federal Government concern and regulation including equal employment opportunity, safety and health, productivity, job dislocation, etc.; (3) the development of methods to improve labor-management relations in the private and public sectors; and (4) a review of how we formulate and administer labor policies so that alternatives might be devised to improve our effectiveness. Secretary Donovan will weigh this and other requests carefully in the context of the need to reduce federal spending.

Question: Is not most of your research contracted out to private consultants and academic contractors?

Answer: Most of our contracts are with universities and private research firms, however, other governmental agencies are also used as the need arises to fund research and data collection by agencies with a particular expertise.

Question: Would this type of spending not be a prime target for significant reductions, or perhaps outright elimination?

Anwser: Secretary Donovan will be examining this and other budget requests in the context of the overall need to reduce federal spending.

EXPERIMENTAL AND DEMONSTRATION PROJECT

Question: How exactly would you spend the $300,000 requested to establish the experimental and demonstration project in the Labor-Management Policy Development program?

Answer: The budget request was developed on the rationale that these resources would be used to encourage employers and unions to test and evaluate new techniques that may improve the collective bargaining and labor-management relations processes. The experimental and demonstration project would address problems in labor-management relations, such as, the extent to which tripartite committees improve labor-management relations; the applicability of the model of the construction coordinating committees or the experimental negotiating committee created in steel to other industries; the extent to which area labor-management committees can meet and solve problems beyond the scope of the individual bargaining unit; the applicability of multiemployer bargaining unit, successful in the private sector, to the public sector for the improvement of fragmented bargaining in a given area.

CONTRACT RESEARCH PROGRAM

Your budget justification, on page LMSA-16, indicates you are requesting an increase of $3,900,000 to "quadruple the size of the presently small contract research program".

Question: Specifically, how would these extra research funds be used?

Answer: The budget assumed that of the requested $3.9 million, $2.5 million would be allocated to a broad or omnibus Request for Proposals (RFP) program. Under this program, announcements would go to the research community that proposals would be accepted in six broad areas of interest to the Department. These areas are set forth in detail in "Labor-Management Relations Research Priorities for the 1980's". Briefly, they are 1) determination of wages and economic benefits; 2) non-wage bargaining outcomes and conditions of employment; 3) improving labor-management relations; 4) public sector labor relations; 5) formulation and administration of labor policies; and 6) comparative international industrial relations research.

The budget assumes that another $1 million would be allocated to meet specific Departmental labor-management relations research needs that are not met by the broad RFP program. An additional $300,000 would be used in the experimental and demonstration program to encourage the parties to test and evaluate innovative approaches to industrial relations issues. The remaining $100,000 would support a proposed labor-management research advisory committee examining the Department's industrial relations research program and suggesting new directions that it might follow.

POLICY DEVELOPMENT

Question: What is the fiscal 1982 budget request, compared to fiscal 1981, for the Office of Labor-Management Policy Development?

Answer:

FY 1981	FY 1982	Difference
$1,757,000	$5,695,000	+$3,938,000

Question: How many positions are requested for fiscal 1982, compared to fiscal 1981?

Answer: The FY 1982 budget reflects 19 positions, a decrease of one from the FY 1981 level. The decrease results from the limitation or full-time permanent employment directed by the President on March 14, 1980.

Question: How much money and staff are utilized to formulate policy recommendations and legislative initiatives?

Answer: Four professional staff years and $163,000 are utilized directly for this activity. In addition, some of the supervisory/managerial time is also devoted to substantive work in this area.

Question: How much is budgeted for research in fiscal 1982, compared to fiscal 1981?

Answer:

FY 1981	FY 1982	Difference
$710,000	$4,610,000	+$3,900,000

STATUTORILY REQUIRED FUNCTIONS

Question: How much is budgeted for carrying out each of these six functions in fiscal 1982?

Answer: The dollar amounts for carrying out each of these six functions is as follows:

1. $841,000 to insure that fair and equitable protective arrangements are afforded to employees affected by Federal Assistance programs (pursuant to Section 13(c) of the Urban Mass Transportation Act, the rural transportation program and similar provisions in other statutes).

2. $154,000 to provide equitable decisions when required in resolution of issues regarding interpretation, application or enforcement of protective arrangements.

3. budgeted amounts utilized to develop and maintain a high level of expertise with regard to legislative and administrative matters that include employee protection concerns and to serve as the primary resource for development of Departmental policy and activity in this area are included in the other five functions listed.

4. $196,000 to carry out the statutory requirement to administer employee protections specified in the Redwood Expansion Act and the first right of hire provisions of the Airline Deregulation Act.

5. $392,000 to provide information to assist the Secretary and the Assistant Secretary for Labor-Management Relations in minimizing disruptions from labor-disputes.

6. $554,000 to improve the climate of labor-management relations in the non-Federal public sector.

On Page LMSA-12 of the Congressional Budget Justification, six goals are listed for the Office of Labor-Management Relations Services.

Question: Which of these goals is specifically mandated by law?

Answer: The Office of Labor-Management Relations Services has four goals which are specifically mandated by law. They are as follows:

(1) to insure that fair equitable protective arrangements are afforded to employees affected by Federal Assistance programs (pursuant to Section 13(c) of the Urban Mass Transportation Act, the rural transportation program and similar provisions in other statutes.

(2) to provide equitable decisions when required in resolution of issues regarding interpretation, application or enforcement of protective arrangements.

(3) to develop and maintain a high level of expertise with regard to legislative and administrative matters that include employee protection concerns and to serve as the primary resource for development of Departmental policy and activity in this area.

(4) to carry out the statutory requirements to administer employee protections specified in the Redwood Expansion Act and the first right of hire provisions of the Airline Deregulation Act.

LABOR MANAGEMENT STANDARDS ENFORCEMENT

In Fiscal 1980, enforcement efforts were stepped up to require that employers and labor relations consultants report activities aimed at influencing how workers exercise their collective bargaining rights. LMSA stepped up this activity because of an increasing number of complaints received about employers' and consultants' activities which were allegedly unreported as required by law.

Question: What was the rationale for stepping up enforcement activity relating to employer and consultant reporting provisions?

Answer: Prior to FY 1980 Labor-Management Services Administration normally received 25-40 specific complaints each year concerning employer and consultant reporting situations. In past years each such situation was fully investigated and, where warranted, whatever action necessary was taken to obtain required reports.

During FY 1980 the number of complaints concerning employer and consultant reporting situations increased to more than ten times the number received in prior years. The resulting backlog of cases as well as increased public interest in the program were the major

factors behind the decision to provide additional enforcement activity in the employer-consultant area.

Question: To what extent has the complaint backlog been reduced?

Answer: As of February 1, 1981, a total of 478 employer and consultant reporting cases have been opened or were pending since October 1, 1979. The number of case closings since the beginning of FY 1980 total 87 cases, leaving 391 cases presently pending.

Question: How do you decide how much of your limited staff resources to devote to employer and consultant activities, as opposed to compliance audits, investigations of union election challenges and union embezzlement complaints?

Answer: Since October 1, 1980, Labor-Management Standards Enforcement (LMSE) has operated in conformance with the LMSE Enforcement Strategy Document which prescribes program priorities and guidelines.

The Enforcement Strategy Document provides specific investigative time allocations for each type of program activity, expressed as a percentage of total production time. Percentages can be revised to reflect changes in program priorities and emphasis as determined by current workload, backlog, the anticipated volume of complaints, staffing levels and/or other program considerations.

This budget assumes that the strategy design for FY 1982 will continue to commit substantial resources to certain types of enforcement activities, such as embezzlement investigations and compliance audits. Seventy-five percent of production time, the time expended on election cases, will be devoted to these activities.

LABOR UNION REPORTS

The Labor Management Standards Enforcement Office spends considerable resources simply collecting and compiling numerous reports from labor unions concerning their officers, finances, and internal operations.

Question: What can be done to lessen the paperwork of this Office and to minimize the employees who simply file reporting forms?

Answer: Efforts are constantly underway to reduce paperwork and improve the effectiveness of report handling under the Labor-Management Reporting and Disclosure Act of 1959, as Amended, (LMRDA) and the Civil Service Reform Act of 1978. The Labor-Management Standards Enforcement (LMSE) program is currently in the process of microfilming the reports received. The advantages in using microfilming include (1) a 50 percent decrease in paperwork required of the filer, (2) a reduction in the size of the forms package mailed from the Department resulting in savings in paper, printing costs and postage expense, and (3) savings in field office space since microfiche copies would replace hard copies in the field offices. In addition, LMSE is presently developing a redesign of the LM-2 and LM-3 reporting forms which it is hoped will reduce paperwork and improve the reporting and disclosure process.

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The number of personnel employed by LMSE in processing, analyzing and disclosing reports received under the LMRDA has decreased significantly in recent years. Since 1975 the number of employees involved in this process has dropped from a level of 123 to the present level of 70, a reduction of 43%. Over the same period, LMSE's ability to respond to the needs of the public has improved through more effective use of resources, better work-flow and greater quality control.

Question: Couldn't the law (Labor-Management Reporting and Disclosure Act) be changed to require only that such information be made available to all union members and thereby eliminate the Labor Department's functioning as a warehouse for such reports?

Answer: Any proposals for legislative change will have to be carefully examined by Secretary Donovan and the new administration. While there are a number of difficulties inherent in the suggested change, no definitive position can be outlined until a thorough review of this and other legislation has been undertaken.

ELECTION COMPLAINTS

Question: How many election protests are handled internally by the unions, and do the investigation and appeal processes protect the union members' rights?

Answer: The Department is unable to ascertain either the number of internal election protests resolved by unions, or the manner of their resolution, until such situations are the basis for subsequent formal election complaints filed pursuant to Title IV, Section 402 of the Labor-Management Reporting and Disclosure Act of 1959, as Amended, or Title VII, Section 7120 of the Civil Service Reform Act of 1978.

Question: How can you effectively administer the law, if you don't know how many complaints are handled internally by the unions, or how well they are being resolved?

Answer: The Legislative History of the Labor-Management Reporting and Disclosure Act of 1959, as Amended, (LMRDA) reflects that one of the underlying principles adhered to by Congress in creating that Act was that governmental interference in the internal affairs of unions should be minimal except where necessary to protect the rights of members and prevent violations of law. Evidence of this principle is the fact that Title IV specifically requires a complaining member to exhaust his available internal remedies before he may file an actionable complaint with the Secretary and the corresponding provision limiting the Secretary to only 60 days within which to complete his action regarding such a complaint.

Under the circumstances, it appears that the intended role of the Department in this area is to quickly act on election complaints from members when the union has either failed to act or has acted improperly.

Efforts are made by the Department to advise all levels of organized labor regarding proper election procedures. Subordinate labor organizations usually obtain technical assistance in this regard from Labor-Management Services Administration field offices.

Similarly, the Election Advisory Unit within Labor-Management Standards Enforcement attempts to advise national and international unions of troublesome constitutional provisions six months or more before such organizations conduct elections, and provides other types of assistance upon request.

Question: Is Labor satisfied that its coordination with the Department of Justice in litigating civil enforcement of election complaints is effective?

Answer: It is not possible, at this time, for the Department to respond to specific questions on this matter. Under Secretary Donovan's leadership, the Department will be examining coordination with the Department of Justice in litigating civil enforcement of election complaints.

Question: Are the Labor Department's procedures adequate to fully discharge its enforcement responsibilities related to union election complaints?

Answer: Under the leadership of Secretary Donovan, the Department will be examining its procedures to determine whether they are adequate to fully discharge the enforcement responsibilities related to union election complaints.

VETERANS' REEMPLOYMENT RIGHTS PROGRAM

Your budget proposes to cut five staff from the Office of Veterans' Reemployment Rights, while estimating the complaints backlog will increase from 927 cases at the end of 1980 to 3,916 cases at the end of fiscal 1982?

Question: What would be the complaints backlog if these five positions were restored?

Answer: The complaints backlog for FY 82, if the five positions were restored, would be reduced to 3,452 cases and 40.7 months.

Question: Why couldn't the Veteran's Reemployment Rights Program be carried out by the staff of the State Employment Service Agencies?

Answer: It is not possible at this time to respond to this specific question, since it touches upon issues of reorganization and realignment of functions. Secretary Donovan will be examining all of the Department programs to ensure that they are administered in an optimum manner. Any discussion of realignment of functions will have to await the results of the examination.

COST OF PAPERWORK IN PENSION PROGRAM

Question: How many Summary Plan Descriptions have been collected since enactment of the Employee Retirement Income Security Act?

Answer: The Department initially received approximately 600,000 Summary Plan Descriptions (SPD). About 40,000 new or revised SPDs are received annually.

Question: What is the cost to employers and to the government?

Answer: Prior to ERISA many plans provided employees with some sort of disclosure document. With the enactment of ERISA these documents had to be revised to meet certain legal requirements. This created certain initial costs. Many of these costs should not recur.

The Department does not have reliable figures on the cost of preparing the Summary Plan Description (SPD) and providing it to participants and beneficiaries. The costs vary greatly with the type of plan, the complexity of the plan, who prepares the SPD, whether the plan is designed specifically and uniquely for the company or whether it is sold by a service provider with a standard SPD, and other such factors. Also it is difficult to isolate the cost of the SPD from that of other plan document preparation.

The costs to the government of receiving, sorting, microfiching, filing and disclosing the SPD can be estimated. The Pension and Welfare Benefit Programs (PWBP) initially received approximately 600,000 SPDs. It gets about 40,000 new or revised SPDs a year. In addition, since the five year mark from the initial filing will be reached soon, PWBP expects another large filing. (SPDs, for the most part, do not have to be filed more than at least once every five years.) Microfiching of each SPD costs about $1.30 with a rough estimate of another $1 per SPD for internal cost (including receiving, sorting, filing, and retrieval). Aggregation of these numbers would be somewhat inaccurate because of the five year cycle; but at $2.30 per SPD and 760,000 SPDs over 5 years, the annual cost averages $349,600.

Question: How are the documents being used?

Answer: The Summary Plan Description (SPD) is the basic plan document that explains to participants and beneficiaries in comprehensible language the nature of the employee benefit plan. It also is the only document that is filed with the government that describes in detail the characteristics of the plan. At one time both a plan description form and a summary plan description had to be filed, but in the interests of avoiding duplication and simplifying paperwork the Department determined that the SPD filing could meet both statutory conditions.

Most of the requirements for the content and the filing of the SPD are statutory. ERISA provides that an initial SPD has to be filed with the Department and given to participants. The law requires that a summary of material modifications be filed and distributed if the plan is significantly changed. If there have been changes in the plan a new SPD has to be filed and distributed after five years. If no modifications were made a new SPD does not have to be filed for ten years.

The requirements for the content of the SPD are for the most part specifically detailed in the statute. The regulations add very few new requirements. The Department did determine under the regulations to allow plans maximum flexibility in formatting the SPD. Each plan can select the narrative form it finds most effective and efficient.

The Department is required by the statute to make the SPDs and annual reports available to the public. In this way the documents

would become public documents to participants and beneficiaries who might want to look at plan documents privately. In addition, the SPD is the only document the Department has that tells it plan characteristics, since the basic plan document is not filed. Currently, the Pension and Welfare Benefit Programs (PWBP) is analyzing the SPDs in order to gather data about the plan universe. This data bank will create a valuable research and policy tool. The Department also is looking closely at the SPDs that have been filed to see whether there is any pattern of failures to provide information. If there are such patterns, PWBP will determine whether this is information that is necessary and whether the problem can be corrected by improving the instructions.

Question: Do you feel the extent to which these documents are used is worth the cost?

Answer: The Department believes the Summary Plan Description (SPD) is a valuable and essential document, whose cost has been minimized as much as possible. The SPD is the basic plan document that explains to participants and beneficiaries in comprehensible language the nature of the employee benefit plan. It also is the only document that is filed with the government that describes in detail the characteristics of the plan. At one time both a plan description form and a summary plan description had to be filed, but in the interests of avoiding duplication and simplifying paperwork the Department determined that the SPD filing could meet both statutory conditions.

Question: Do you have any suggestions for how this paperwork burden could be alleviated, while still providing essential information?

Answer: As indicated earlier, the Department has taken steps to minimize the burden of the Summary Plan Description (SPD) and other ERISA paperwork requirements. The SPD helps the participants and beneficiaries understand their plans. This better understanding of the plan makes for better employer-employee relations and avoids tragic misunderstandings. The SPD has proven to be a useful document. While the Department does not have any suggestions at this time as to how the SPD can be simplified further without losing essential information, the Department welcomes suggestions that could reduce paperwork burdens.

PROTECTING PENSION BENEFITS

Question: How do you ensure that vesting standards are adequate to ensure workers, after long years of service, will have a right to earned benefits?

Answer: Prior to passage of ERISA, vesting was required as a condition of plan qualification only if a plan terminated or if contributions permanently were discontinued. Although plans did have to incorporate vesting requirements to prevent the occurrence of discrimination, the vesting schedule often was very long. In fact, a strong impetus for the enactment of ERISA was the publicity accorded individuals who worked a large number of years for an employer but who wound up with no pension benefit because they quit or were fired shortly prior to the date they otherwise would have retired.

ERISA introduced specific vesting standards to insure that plan participants actually will benefit from pension plans by mandating

that plans comply with one of four specified standards as a condition of plan qualification. Employees in plans which choose to follow the most common standard, cliff vesting, are fully vested in their benefits after ten years. Other standards call for graduated vesting over a similar period of years. Thus, in most instances, employees who stay with one company for a period of at least 15 years will have earned a nonforfeitable right to a pension.

Question: How does Labor ensure that funding standards are stringent enough to ensure that money will be available to pay a worker benefits when due?

Answer: ERISA substantially affected plan funding patterns in effect prior to its passage by requiring that plans include in their regular contributions amounts which are sufficient to pay off not only "current" costs but which also go part way toward paying off "past" costs. This was a profound change from previous law, which required only that plans pay interest on these "past" costs. These new ERISA funding requirements were thus intended to insure that plans not only would have sufficient funds to meet their obligations when due, but also were intended to insure that this would occur by mandating that employers follow an orderly and systematic method for meeting their plan costs. These standards recently were tightened even further by passage in September 1980 of the Multiemployer Pension Plan Amendments Act of 1980, which raised funding requirements for financially-troubled multiemployer plans and shortened certain amortization periods applicable to all multiemployer plans.

While these funding standards govern both qualified and non-qualified plans, the Department of Labor does not play a role in determining their adequacy. As a result of ERISA and the Reorganization Plan No. 4 of 1978, primary responsibility for specifying and enforcing plan funding standards has been consolidated within the Internal Revenue Service.

INVESTIGATION OF TEAMSTERS' PENSION FUND

Labor's original investigation of the Teamsters' Central States, Southeast and Southwest areas has been going on for over five years at a cost of over $5 million. In April 1980, Labor initiated a second onsite investigation at the Fund's headquarters in Chicago.

Question: What is the status of the civil suit filed in February 1978 against the former Fund trustees and officials for alleged mishandling and imprudent actions in managing the Fund's almost $2 billion in assets?

Answer: The Labor Department's civil action against 18 former officials of the Central States Pension Fund, captioned Donovan v. Fitzsimmons, No. 78 C 342 (N.D. Ill.), was filed in February 1977. The suit alleges a broad pattern of misconduct in defendant's investment and handling of Pension Fund assets. The case, which focuses upon a number of imprudent loan transactions, is still in the discovery phase. To date, the Department has taken over 60 depositions, interviewed literally hundreds of witnesses, and subpoenaed voluminous loan files and accounting records from the Pension Fund. Most of the depositions and interviews to date have involved witnesses related to borrowers from the Pension Fund. After we have completed discovery on "the borrower side" (probably in late

1981 or early 1982) we intend to depose employees and agents of the Pension Fund and then the former trustees. It is difficult to predict when the lawsuit will come to trial. However, if no major delays intervene, it is conceivable that the case will be tried in late 1982 or early 1983.

Question: What is the status of the Labor Department's second onsite investigation at the Fund?

Answer: The Department's current onsite investigation of the Fund is focused on the activities of the current trustees (i.e., those trustees who were appointed in 1977 after the trustees who are subject to our current suit resigned). Our investigation has covered, among other areas, the purchase and use by the Fund of an airplane, the foreclosure by the Fund of a loan to Indico Corp., the administrative expenses charged to the Pension and Health and Welfare funds, the operation of the so-called benefits and administration account of the pension fund, and the operation of the system for the collection of employer contributions, including delinquent contributions. We have not yet reached any conclusion as to whether we should recommend litigation.

Question: Will Labor continue to vigorously pursue and give the suit and investigation top priority?

Answer: We can assure you that the investigation will receive top priority and be vigorously pursued. Secretary Donovan, in response to that question at his confirmation hearings, stated that the investigation "will be followed closely, objectively, and with vigor."

Question: The Fund's contract with the Equitable Life Assurance Society to manage the $2 billion in assets expires in October 1982. What does Labor intend to do to assure that the Fund's assets will continue to be managed by Equitable or some other reputable firm?

Answer: As the terms of the current contracts between the trustees of the Fund, Equitable and the other investment managers draw to a conclusion, the Department is evaluating all of its options in light of the evidence generated in our ongoing investigation to assure that, should the trustees determine not to continue with reputable investment managers, the assets of the Fund will be managed in accordance with the standards required by ERISA. Whether or not the trustees determine to retain outside investment managers, the Department will use the full range of its ERISA enforcement powers to protect the integrity of this fund.

INFORMATION FROM ERISA ANNUAL REPORTS

Since the passage of the Employee Retirement Income Security Act in 1974, pension and welfare benefit plans have been required to file a host of reports with the Department of Labor. Yet over five years later there still is no published information from these reports.

Question: While progress has been made to simplify reporting requirements, why has information from the annual reports not been summarized and made available?

Answer: The Department has placed a major emphasis on simplifying reporting requirements. The reporting that remains is

used by the Department in enforcement activities, especially for targeting cases. In addition, these reports will eventually provide a sound statistical base.

Information from the 1975 5500's has been compiled since the summer of 1979. These data have been used regularly to answer specific requests from Congress, the public and the press over the past 18 months. The 1975 data was not officially released because at the time that it became available, the Pension and Welfare Benefit Programs (PWBP) believed that a tape containing the 1977 sample would be received shortly. The tape that PWBP did receive had technical problems that hopefully will be corrected.

ERISA PROHIBITED TRANSACTIONS

The ERISA law prohibits pension plans from engaging in a number of specific transactions designed to protect the interests of participants. These provisions not only cause a substantial amount of red tape, delays and added costs for pension plans sponsors but undoubtedly consume a significant amount of the Labor Department's resources.

Question: How could the law be streamlined in this area without jeopardizing the interests of pension plan participants and beneficiaries?

Answer: While the Department cannot comment on legislative changes at this time, it believes the prohibited transaction area has been considerably streamlined administratively. An OMB report evaluating the effect of Reorganization Plan No. 4 stated that the placing of responsibility for the prohibited transaction provisions in the Department of Labor was quite successful in streamlining the system and making it efficient. Since that evaluation was written the Department has made even further strides; today there is a quick, efficient system for providing exemptions.

As originally enacted in ERISA, the exemption procedure was conducted jointly by the Department and the Internal Revenue Service (collectively referred to as the Agencies). From the effective date of the fiduciary provisions through December 31, 1978 the Agencies received 1,148 applications for exemption and closed 609. Because of the delays in processing the application workload, public and Congressional concern mounted as to the feasibility of the administrative exemption procedure. In an effort to expedite the consideration of the exemption processing, a decision was made to centralize the authority in a single agency. Under Reorganization Plan No. 4 of 1978 (43 FR 47713, October 17, 1978) effective December 31, 1978, the authority of the Secretary of the Treasury to issue rulings and exemptions under section 4975 of the Code has been with certain exceptions not herein relevant, transferred to the Secretary of Labor. As a result of the Reorganization, the Department has substantially reduced the amount of time an exemption request is normally pending while greatly increasing the number of requests closed.

During the period January 1, 1979 to December 31, 1980 the Department closed 1,358 applications, virtually eliminating the case backlog and shortened the average case processing time for post Reorganization filings from 15 months to 3 months. More exemptions are being granted for an increasing variety of transactions.

The exemption procedure permitted the Department (previously the Agencies) to entertain and grant both individual and class exemptions. As of December 31, 1980 twenty class exemptions had been granted and four were published in proposed form. These class exemptions had provided relief from what were perceived as non-abuse customary business practices which violated the prohibited transaction rules of ERISA. These exemptions provided relief to the industries most involved with the servicing and operation of employee benefit plans namely the securities, banking and insurance industries. Other class exemptions have provided relief for acquisition by plans of customer notes, judicially approved settlements and interest free loans to plans. The individual exemption process has granted relief for a wide range of transactions involving both large and small plans. In the course of providing this administrative relief the Department has created a body of federal common law regarding the structuring of these transactions. Both by the conditions that have been embodied in the exemptions which have been granted and the reasons for which exemption relief has been denied the community of plan sponsors for employee benefit plans has become aware of the limits of acceptable conduct where transactions contemplated involve actual or potential abuse of plans so as to result in a violation of the prohibited transaction rules of ERISA.

EXEMPTION APPLICATION SUMMARY

	Pre-Reorganization Totals (4 years)	Post-Reorganization Totals (2 years)
Applications Received	1148	1091
Applications Closed	609	1358
Exemptions Granted		
Class	11	9
Individual	35	176
Applications Disposed of by Granted Exemptions	167	320

INFORMATION FROM ERISA ANNUAL REPORTS

Question: When will the Department of Labor make available to the Congress and the public statistical and financial information concerning the number of pension plans in existence; number of participants and beneficiaries; and how much has been paid out and the amount of assets maintained?

Answer: The Department of Labor will make 1977 data available as soon as the data is received in a form useful for statistical purposes. The data tape of 1977 annual reports that the Department currently has received is not complete. While all plans with over 100 participants were supposed to be included, fully 14 percent of plans with over 10,000 participants were missing (and as yet an undetermined number of plans, in the 100-9999 range). The Pension and Welfare Benefit Programs (PWBP) is now working to correct this problem.

The Department has had 1975 5500 data compiled since the summer of 1979. These data have been used regularly to answer specific requests from Congress, the public and the press over the past 18 months. The 1975 data was not officially released because at the time it became available, PWBP expected to be receiving the 1977 data shortly. As indicated, this has taken longer than anticipated. The 1975 data shows the following.

Number of plans	320,000
	(millions)
Number of participants	41.09
Total assets	
(including insured)	$234,500
(excluding insured)	$206,330
Total contributions paid in	$ 32,283
Total benefits paid out	
(including insured)	$ 17,220
(excluding insured)	$ 15,248

Note: All data excludes figures for Keogh plans.

EMPLOYMENT STANDARDS ADMINISTRATION

STATEMENT OF CRAIG A. BERRINGTON, DEPUTY ASSISTANT SECRETARY FOR EMPLOYMENT STANDARDS

ACCOMPANIED BY:

RALPH M. HARTMAN, DIRECTOR, OFFICE OF WORKERS' COMPENSATION PROGRAMS
HENRY T. WHITE, DEPUTY ADMINISTRATOR, WAGE AND HOUR DIVISION
DORIS D. WOOTEN, DIRECTOR, DIVISION OF PROGRAM ANALYSIS
CHARLES E. PUGH, DIRECTOR, OFFICE OF PROGRAM DEVELOPMENT AND ACCOUNTABILITY
DIANE F. SMITH, DIRECTOR, DIVISION OF PLANNING, POLICY ANALYSIS AND REVIEW
JOSEPH V. BROWN, JR., DIRECTOR, DIVISION OF BUDGET AND FINANCE
MARY ANN WYRSCH, DIRECTOR, OFFICE OF THE BUDGET

CLUB DUES REGULATION

Senator PROXMIRE. Now, we will hear from Mr. Craig Berrington, Deputy Assistant Secretary for Employment Standards.

Mr. Berrington, I want to follow the same procedure as with the previous witnesses. We will have your statement printed in full in the record, and then at the end, if you have anything you would like to highlight after we finish our questioning, we would appreciate it.

Mr. BERRINGTON. That would be fine, sir. Thank you.

Senator PROXMIRE. I would like to ask first about regulation and club dues.

Mr. BERRINGTON. Yes, sir.

Senator PROXMIRE. On January 16, your Department, after months of delay, finally issued a regulation on club dues. That regulation would prohibit Federal contractors from paying dues on behalf of its employees in private clubs that discriminate.

That, I think, is a policy that has really been difficult for minorities and for women. As you know, we are very anxious to provide equal opportunity to blacks as well as other minorities and women. And so much of the business is transacted at these clubs, if a woman is excluded or a black is excluded, it means that there is no way that they can really do the same kind of a job that a white male can do.

So we are serious about this. What is the current status of this regulation?

Mr. BERRINGTON. That regulation, Senator Proxmire, along with a long list of others, has been set back as far as the effective date is concerned from February 17 to March 30, 1981, in order to allow the ad-

ministration to study the regulation to determine its future course of action.

Senator PROXMIRE. It has not been formally rescinded, then; is that right?

Mr. BERRINGTON. That is correct.

Senator PROXMIRE. But it has been postponed in its enforcement until March 1?

Mr. BERRINGTON. The effective date has been postponed until March 30.

Senator PROXMIRE. March 30?

Mr. BERRINGTON. March 30. Excuse me if I said another date. March 30, 1981, pursuant to the President's directive to the heads of all executive agencies.

Senator PROXMIRE. With no indication of what its end fate will be after March 30? It could be rescinded at that point or put into effect or postponed again; is that right?

Mr. BERRINGTON. A decision will be made within that period of time as to how to proceed, sir.

ADMINISTRATION OF DAVIS-BACON ACT

Senator PROXMIRE. Over a number of years, the GAO, General Accounting Office, has been sharply critical of the Department of Labor's administration of the Davis-Bacon Act. Among the GAO's concern was the finding the Davis-Bacon Act is impractical to administer, running the Department into issuing inaccurate wage determinations.

What is the status of proposed regulations to modify the Davis-Bacon Act to modify wage determinations and enforcement procedure?

Mr. BERRINGTON. I don't believe those regulations were on the list to be extended to their effective date. But I will check with Mr. White.

Mr. WHITE. I believe they were quoted on the list.

Mr. BERRINGTON. I am sorry, they are on the list. And they, along with others, will be examined.

Senator PROXMIRE. Well, in light of the General Accounting Office's findings, how will the regulations improve the administration of the act?

Mr. BERRINGTON. Mr. White, do you want to talk about those?

Senator PROXMIRE. Frankly, I want to state my bias in advance. Everybody has a feeling about this act; I am for it. I think it is sensible. I like the notion of paying the prevailing wage. I think it is right and fair, but I do think also the administration hasn't been all it should be.

Go ahead.

Mr. BERRINGTON. We agree that administration of the act needs to be improved. I would like Henry White, the Deputy Administrator of the Wage and Hour Division to respond specifically.

Mr. WHITE. I think it is going to be very difficult to respond specifically because these regulations will be subject to a complete review before there is a decision to issue them.

PREVAILING WAGE

Senator PROXMIRE. Well, my question was: How will the regulations improve the administration of the act? How will you be able to administer the act more efficiently?

You know, I run constantly into people who say, "Now, look, the prevailing wage in our little community is a whale of a lot less than it is in Milwaukee. We are 100 miles out. And they take Milwaukee and apply it to us. And that's not right."

As I understand the law, the idea is to have the prevailing wage in the community. The prevailing wage in the labor market is quite different. How would you be able to overcome that kind of complaint and abuse?

Mr. WHITE. Actually, we do not export wages, as the saying goes. The surveys are conducted in the county where the work is to be done. If it is a rural county and there has been no construction there, we take the immediately adjacent counties and include them in the survey.

So we do not export Milwaukee rates to Madison, for instance.

Senator PROXMIRE. Let me give you an example. I was president of a printing company before I came to the Senate many years ago. And we had a union shop. And we had the same union, national union, as they had in Chicago and Milwaukee and Madison. Our wages were about 40 percent less than they were in Chicago.

We were able to operate on that because, of course, that was the prevailing wage there. And it was satisfactory to that locale. And that is the way we negotiated.

It seems to me that this is the kind of real situation that the Davis-Bacon Act overrides and imposes excessive cost on the Federal Government by not recognizing that kind of reality.

Mr. WHITE. Well, the fact is that you have to have union workers in the county where you are surveying to have union rate considered. If it is all open shop, the rates will come up open shop.

ENFORCEMENT COST

Senator PROXMIRE. How much could the employment standard appropriation be reduced if Davis-Bacon responsibilities were eliminated? In other words, what would it save you if the Davis-Bacon Act was not enforced?

Mr. BERRINGTON. The amount we spend for enforcing the act is approximately $5.5 million.

Senator PROXMIRE. How much again?

Mr. BERRINGTON. Approximately $5.5 million.

Senator PROXMIRE. $5.5 million. Very good.

As you know, the Davis-Bacon Act requires payment of prevailing wages to construction workers, as I have indicated, employed on federally funded projects. Regulations provide that the wage rate paid to only 30 percent of the workers in an area can be identified as the prevailing wage.

What are you doing administratively to review the justification for that regulation?

Mr. BERRINGTON. During this interim period, before the March 30 effective date takes effect, I think that all of the policy issues pertaining to this act and to the other major regulatory matters for which we have responsibility for are going to be reviewed by the administration.

Senator PROXMIRE. Do you have any studies disputing the contention by employers that this regulation is inflationary?

DAVIS-BACON ACT STUDY

Mr. BERRINGTON. Well, I believe that studies have been done by the Labor Department and perhaps others which disagree with certain academic studies which indicate substantial inflationary impact by Davis-Bacon. We are also preparing a major study that will be conducted over several years to get for the first time, we believe, good empirical data as to the impact of the Davis-Bacon Act and also to provide us with possible options for policy in the future.

Indeed, we are asking $1.3 million supplemental to get that study on course.

Senator PROXMIRE. When will the results be available?

Mr. BERRINGTON. I believe we are talking about a 3-year study.

Mr. PUGH. Approximately 3½ years.

Senator PROXMIRE. 3½ years. And there will be no preliminary report?

Mr. PUGH. There may be some data that will be available within 18 months to 2 years. But it would be very preliminary at that point in time.

Senator PROXMIRE. It won't be available until the next administration comes along, so you will have President Kennedy or President Specter.

Why not change the regulation to simply require that the average wage rate be called the prevailing average wage rate instead of the 30 percent?

Mr. BERRINGTON. I understand that not very many determinations are made at the 30 percent level. However, all policy issues are open at this point, and I think it would be improper for me to indicate anything other than that.

Senator PROXMIRE. Thank you.

Senator Specter.

AVAILABLE RESOURCES

Senator SPECTER. What resources do you have available to see to it that the employee at the end of the line actually gets the wages that are being charged under the Davis-Bacon Act?

Mr. BERRINGTON. We have an enforcement program carried out by the Wage and Hour Division with over 1,000 compliance officers around the country, most of whom have as part of their overall responsibilities the enforcement of the provisions of the Davis-Bacon and related acts legislation.

Senator SPECTER. How many prosecutions were brought last year or the year before that?

Mr. BERRINGTON. Most of these actions are civil actions. Mr. White, do you have the data?

We can provide it for the record if we don't have it at hand right now.

Mr. WHITE. We will have to provide it for the record, sir.

Mr. BERRINGTON. I believe enforcement activity increased last year.

[The information follows:]

Wage and hour enforcement activity under the Davis-Bacon Act has rested primarily on investigation and purely administrative collection of back wages. There have been no criminal actions filed during the past 2 years. Cases referred to administrative law judges during the last 2 years are as follows:

	Fiscal year 1979	Fiscal year 1980
Back wage issues	27	28
Debarments	26	24

DAVIS-BACON INVESTIGATIONS

Senator SPECTER. Why do you limit it to civil remedies as opposed to criminal prosecutions?

Mr. BERRINGTON. Most of the matters concern the question of debarring Federal contractors as a civil matter. And criminal liability is very limited.

Senator SPECTER. When I was district attorney of Philadelphia, I investigated the housing program in that city and as an adjunct to that looked into the Davis-Bacon compliance and found rampant violations where the contractors were getting $4.65, hypothetically, an hour for the compensation and were hiring people at $2.50 an hour and pocketing the difference.

And it was so crude and so outrageous as to require very little by way of investigation. And the State prosecutor's office, which I headed at that time, did so because we were in the midst of other investigations.

And I have heard in my travels through Pennsylvania repeated complaints that there are widespread violations of the Davis-Bacon Act. And I would be very interested to know what you do, if anything, along that line and in the context of where there are higher rates of pay and the employee doesn't get them. That is outright criminal fraud which ought to result in criminal prosecutions as opposed to any civil remedial course.

Mr. BERRINGTON. Yes, sir; we can provide information for the record. Mr. White may be able to indicate some additional information about compliance activities in Pennsylvania.

Senator SPECTER. I would be interested more broadly than Pennsylvania. I would be interested even in Wisconsin.

Senator PROXMIRE. Even?

[The information follows:]

In fiscal year 1980, 62 Davis-Bacon complaints were recieved and 65 compliance actions were completed in the State of Pennsylvania. In the State of Wisconsin, 9 Davis-Bacon compliants were received and 6 actions were completed.

CLUB DUES CONSIDERATION

Senator SPECTER. In view of the lateness of the time, I wanted to ask a question about one more subject, and that is how long was the regulation relating to club dues under consideration before it was finally enacted on January 16 of this year?

Mr. BERRINGTON. I think the regulation itself has been under consideration for several years. The issue goes back more than 4 years.

Senator SPECTER. What originally initiated the inquiry or processing of that regulation?

Mr. BERRINGTON. Ms. Wooten may be able to give you more specific information, but my recollection is that the matter was raised within the executive branch by the Treasury Department more than 4 years ago.

Senator SPECTER. Is there any similar regulation or law to your knowledge in effect anywhere?

Mr. BERRINGTON. No, no other regulation or law on the Federal level of which I am aware. We have unique obligations dealing with Federal contractors, which have greater obligations than those placed on the public at large.

So in many places, and certainly under Federal law, country clubs of a limited membership do not have the same obligations on them; or at least membership in those country clubs is not subject to the same kinds of obligations that it might be made subject to under the Federal contractor program.

Senator SPECTER. There is no Federal regulation or law? Are there any State or local regulations or laws to your knowledge?

Mr. BERRINGTON. I would hesitate to respond to that. I suspect there are some, but I don't know specifically.

Ms. WOOTEN. I am afraid I can't answer that.

CITY ORDINANCE CONTROVERSY

Senator SPECTER. Let me share just one more line of exportation of Philadelphia. There was a city ordinance passed in the city of Philadelphia a few months ago under the sponsorship of general counsel Joan Specter who has some close relationship to me. She is my wife. And it has brought a lot of controversy. And it prohibits the city from paying dues of any employees of club membership that discriminates against women.

And a second ordinance prohibits the city from contracting with any company which pays dues for any clubs which discriminate against women. And it has ramifications of being very broadly interpreted.

That remains to be seen how it will be policed because Philadelphia is a city with companies which have nationwide operations. And it might have an impact on club memberships all over the country.

So while we are on the subject, I think it worthwhile to call your attention to that provision because it may provide some useful experience for you to utilize when this matter comes up again and the regulation goes into effect.

Mr. BERRINGTON. Yes, sir; thank you.

Senator SPECTER. Thank you, Mr. Chairman.

PERSONNEL INCREASE

Senator PROXMIRE. I just have one other question. And that relates to your chart over here where you show workers' compensation. It is the only category, I understand, where you have an increase in personnel; is that right?

Mr. BERRINGTON. I would like to explain that.

Senator PROXMIRE. Why do you increase it by 37 people and increase the appropriation itself to——

Mr. BERRINGTON. The increase of 37 people is related primarily to the employment of physicians. We are requesting 20 physicians to help us make professional medical determinations and evaluations of claims for compensation, especially the more complex cases involving occupational—as distinguished from traumatic—disability.

Senator PROXMIRE. What happened before? Why do you need these additional physicians? You just weren't able to provide the medical examinations?

Mr. BERRINGTON. Well, we have been using some physicians on contract, and it has not worked out particularly well. We are experiencing a substantial backlog and inability to deal effectively with the rehabilitation aspects of the program which, in the long run, not only would help individuals, but save money for the Federal Government.

Senator PROXMIRE. You have roughly a $4 million increase, about a 10-percent increase, in the budget for workers' compensation between 1981 and 1982. Why is that?

Mr. BERRINGTON. Mr. Pugh?

Mr. PUGH. That represents a combination of things, the first of which would be mandatory costs of within-grade increases.

Senator PROXMIRE. How much of the $3.87 million is mandatory?

Mr. PUGH. I can give that to you. Of the change, we have built-in increases for workers' compensation of $1,296,000. Associated with the request for the 209 positions is $2.8 million. In addition, there is an increase of $616,000 requested for ADP improvements for the longshoremen's program.

Senator PROXMIRE. You said $2.8 million associated with the increase of personnel?

Mr. PUGH. $2,815,000.

Senator PROXMIRE. That is most of it. It would require that much to provide the pay and so forth for the additional personnel?

Mr. PUGH. That is correct.

Senator PROXMIRE. At the same time, I was just told, that this would be a net, as I understood it, saving because instead of having to hire physicians, you could do it in-house because you would have your own people who were paid on the staff; is that correct?

Mr. BERRINGTON. Yes; over a period of time, the increased effectiveness of the rehabilitation program and the improvements in the medical analyses conducted will result in savings to the Federal Government by reducing the number of people collecting or receiving Federal Employee Compensation Act benefits for long periods of time.

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REDUCED APPROPRIATION

Senator PROXMIRE. What would happen if that part of your appropriation is denied, if we don't provide any increase for workmen's compensation and don't provide an increase in the budget? What would be the result?

Mr. BERRINGTON. Well, I think the most immediate results, sir, beyond the physicians and the rehabilitation work, would be a loss of staff, individuals on board, who are processing claims and who have managed over the past several years to bring this program to the point of respectability in terms of making decisions in a timely way.

The chart may indicate what I think our record testimony indicates, a 209-position increase. But 174 positions are really not new individuals. They are conversions of persons who are currently full-time limited-term employees. They have been working to process claims which has resulted in improved production levels.

HIRING FREEZE

Senator PROXMIRE. The hiring freeze will prevent you from hiring the people you want, won't it? Unless the hiring freeze is rescinded, you are not going to be able to fill these positions?

Mr. BERRINGTON. That's correct.

Senator PROXMIRE. Because the people you want, you can't shift them. For instance, you are reducing your manpower and improving protecting wages by 48 positions, development administration by 26, and so forth. But you couldn't transfer them because they aren't physicians; they wouldn't be qualified.

Mr. BERRINGTON. That's right. But we can convert under the freeze the term employees to permanent employees, so that we retain a stable work force which is concentrating all its time on processing claims and is not worried about whether their employment is going to end shortly.

Senator PROXMIRE. All right, sir, if you would like to cover any ground we haven't covered in the questions, anything you would like to stress in your statement, please do. Your statement, as I said, will be printed in full in the record.

Go right ahead.

Mr. BERRINGTON. Thank you, Senator. I would just like to add as has been said before by Labor Department representatives, we are presenting the budget which was prepared by the Carter administration and that the budget figures are currently under review.

The policy issues that you raised are also under review. We expect to be able to proceed as soon as those reviews are completed.

PREPARED STATEMENT

Senator PROXMIRE. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF CRAIG A. BERRINGTON

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you. The budget you have under consideration was prepared and presented under the direction of the Administration of former President Carter. President Reagan and his appointees are now reviewing that budget carefully and preparing alternative recommendations in many areas, including major spending programs and salaries and expense budgets. I am prepared today to outline for you the Carter budget recommendations, but I must tell you that substantial revisions are not only possible but very likely.

The Department of Labor is requesting $181,069,000 in budget authority and $26,488,000 from Trust Funds and 5,152 positions for the Employment Standards Administration for Fiscal Year 1982. The Employment Standards Administration administers and enforces a variety of statutes and executive orders which prescribe labor standards and conditions of employment which must be met by covered employers. These standards are concerned with minimum wages, hours worked, non-discrimination and affirmative action in hiring and employment, and workers' compensation for certain groups of workers injured on the job. These activities are conducted through the Employment Standards Administration's three program offices---the Wage and Hour Division, the Office of Federal Contract Compliance Programs, and the Office of Workers' Compensation Programs.

Our request includes $65,916,000 and 1,672 positions, a decrease of 48 positions, for the Improving and Protecting Wages activity--the Wage and Hour Division. The Wage and Hour Division is responsibile for administering and enforcing minimum wage, overtime, child labor, and special minimum wage provisions of the Fair Labor Standards Act (FLSA), and related laws. Wage and Hour also administers the Davis-Bacon and Related Acts, the Walsh-Healey Public Contracts Act, the Service Contract Act, the Contract Work Hours and Safety Standards Act and other procurement related laws.

The budget request also contains $580,000 for enhancement of the Wage and Hour Management Information System (WHMIS). The WHMIS system will provide more timely information and status reports on all cases in the system. Another $72,000 is also being requested for the Service Contract Act ADP system. This system will automatically provide information on wage determinations, management reports, and related correspondence.

The Office of Federal Contract Compliance Programs (OFCCP)--the Elimination of Discrimination in Employment Activity--enforces statutes and Executive Orders prohibiting employment discrimination by Federal contractors on the basis of race, sex, religion, ethnic origin, handicapped or veteran status. These include Executive Order 11246, as amended by Executive Order 11375; Section 503 of the Rehabilitation Act of 1973, as amended; and Section 403 of the Vietnam Era Veterans Readjustment Assistance Act. We are requesting $53,762,000 and 1,482 positions to administer this program in FY 1982.

The Office of Workers' Compensation Programs (OWCP) administers and manages three workers' compensation programs: the Federal

Employees' Compensation Act; the Longshoremen's and Harbor Workers' Compensation Act; and the Federal Mine Safety and Health Act of 1977 (Black Lung Benefits Act). These programs provide benefits to eligible claimants who are disabled from injuries or occupational diseases suffered as a result of their employment; or to their survivors in case of death from job-related injuries or disease. We are requesting $69,131,000 and 1,731 positions, including $26,488,000 and 495 positions financed through trust funds, to administer this program in FY 1982. This request represents an overall increase of $4,290,000 and 37 positions over FY 1981.

We are requesting $18,748,000 and 267 positions for Program Development and Administration, a decrease of 26 positions. This activity provides executive direction, policy guidance, regional management, and administrative and management support for ESA programs.

This is a summary of our budget proposals. I would now like to discuss some of our activities in more detail.

IMPROVING AND PROTECTING WAGES

Responding to complaints will continue to be the primary method of achieving compliance with the minimum wage, overtime, and government contract labor standards laws administered by Wage and Hour. Approximately 85 percent of enforcement time will be devoted to complaint resolution, with FY 1982 program results projected to show little change from FY 1981 achievements.

Due to the nature of the problems, enforcement of the Farm Labor Contractor Registration Act and the Employees of Undocumented Workers (EUW) program is more dependent upon directed investigations than the other Wage and Hour programs. A total of 225 compliance officers will be devoted to the Employers of Undocumented Workers effort in FY 1982. ESA will conduct over 15,000 investigations under FLSA, Government Contracts and FLCRA to eliminate the economic incentive for employers to hire undocumented workers in FY 1981 and FY 1982.

Under the Farm Labor Contractor Registration Act program, compliance officers will be assigned to areas of known, widespread violations; the automated tracer listing will be used more actively to track investigation histories of repeat violators and legal injunctions will be used as a tool against repeat violators to a greater extent than in the past.

The budget request also contains $580,000 for enhancement of the Wage and Hour Management Information System (WHMIS). The WHMIS system is a fully automated, management information and case tracking system that will provide more timely information and status reports on all cases in the system. Another $72,000 is also being requested for the Service Contract Act ADP system. This system will automatically provide information on wage determinations, management reports, and related correspondence.

ELIMINATION OF DISCRIMINATION IN EMPLOYMENT

Greater emphasis is being placed on exploring employment/training linkage possibilities during compliance reviews as a means of matching contractors' employment opportunities with specific training and placement services. To encourage more

voluntary compliance, a series of contractor seminars have been conducted in various key cities which are geared to informing contractors of their responsibilities and to apprising them of regulatory changes and practical means of fulfilling their contractual commitments.

WORKERS' COMPENSATION PROGRAMS

We are requesting 1,072 positions and $37,258,000 to manage the Federal Employees' Compensation Act (FECA) Program, an increase of 209 positions and $2,815,000. The 209 positions provide principally for the conversion of presently authorized term appointment personnel into permanent positions for the performance of ongoing activities associated with the processing and management of FECA claims, primarily in our district offices. The request includes $7,966,000 for further work on the Level I and II FECA ADP system. Level I includes automated functions supportive of a large number of clerical and manual processes in the FEC district offices including case tracking capabilities, bill and compensation payments subsystems, word-processing features and the like. We have also developed a Management Information reporting capability from Level I. The Level II system, on the other hand, is being designed to provide a much more comprehensive and integrated ADP support system for the FEC Program. This replacement system focuses on the claims review and adjudication functions providing a capability for more timely processing, higher levels of workload and quality controls, improved audit trails, and the prevention and detection of overpayments, fraud and abuse. A pilot test of these Level II capabilities is currently being developed in one FEC district office.

Incoming workloads (claims received and injuries reported) in FECA are continuing the trend in the high volume of cases received since the 1974 Amendments. Of the 209 additional positions requested, 174 will be utilized for converting presently authorized term positions to permanent status for ongoing claims processing and fiscal functions, 15 for vocational rehabilitation and 20 for district office physicians.

In FY 1982 the major emphasis for the FECA will be on improved management, control and quality in claims adjudication and benefit payment operations. A priority will be the continuing review of the periodic roll to identify and refer appropriate cases for vocational rehabilitation.

In the Longshore program, the inflow of new claims has stabilized after a major upswing that began in FY 1978. While workloads in the program will continue to increase slightly, we will be able to maintain the present level of service and to pursue initiatives to improve program performance through increased productivity. Additional funds totalling $616,000 are included for the Longshoremen's and Harbor Workers' Compensation ADP system. Four subsystems will be integrated into one comprehensive system. To the extent possible, we will apply the work already done on the FECA ADP system to the Longshore system for the most effective use of the requested funds. Priority areas in the Longshore program in FY 1982 will be adherence to established program performance standards for claims processing, claims adjudication, and the monitoring of compensation payments; providing rehabilitation services to permanently disabled workers; and continuing technical assistance and public information efforts directed toward improving administration of the program.

In the Black Lung program, we expect in FY 1982 to be operating with stabilized workloads for the first time since the Black Lung Benefits Reform Act was enacted in March 1978. As we complete processing of pending and previously denied claims, additional emphasis will be placed on the resolution of claims where the program's initial finding was contested. The completion of initial processing of the large workloads resulting from the 1977 Amendments will be reflected in a decrease of 172 positions required in the program in FY 1982. Due to the stabilization of workloads, this reduction will be accomplished without decreasing the program's level and quality of service.

The budget includes a request for FY 1981 supplemental of $4,000,000 to provide necessary funds for the continuation of the program's current manually operated benefit and medical bill payment functions, and increased reimbursements for program administrative costs. Of this total supplemental request, there is included $2,500,000 to provide funds for the continuation of the program's benefit and medical bill payment system and related accounting control mechanisms. These systems are essentially manual input systems for the review and processing of medical bills and benefit awards.

An additional $1,200,000 is required for increased reimbursements to the Social Security Administration for work performed under its agreement with the Employment Standards Administration to accept newly-filed claims and provide coal mine employment information from records in its possession. The remaining $300,000 of the supplemental request will be used to reimburse the Department's Office of Administrative Law Judges for increased costs of stenographic reporting services resulting from a large increase in the number of hearings held on Black Lung claims.

The request for the Program Development and Administration Activity includes a request for an FY 1981 supplemental of $1,300,000 for initiation of a research study of the Davis-Bacon Act. This study will include an assessment of the impact of the Act on Federal construction wages together with an assessment of alternative wage determination methodologies. We are also requesting an increase of $55,000 in FY 1982 to improve the ESA financial management information system.

We are including for the subcommittee information on the cost of our regulatory activities. ESA has two programs that are regulatory in nature: The Wage and Hour Program and the Office of Federal Contract Compliance Programs. In FY 1981, approximately $134,850,000 and 3,400 full time permanent positions were budgeted for these programs (excluding trust fund activities). In the FY 1982 ESA budget, we are estimating that these program activities will cost $134,758,000 and require 3,300 full time permanent positions.

SPECIAL BENEFITS

Turning briefly to the Special Benefits account, the overall request for FY 1982 is $1,038,966,000, an increase of $107,294,000 over the FY 1981 estimate.

The account provides for the payment of workers' compensation benefits under the Federal Employees' Compensation Act, and the Federal share of benefits costs under the Longshoremen's and Harbor Workers' Compensation Act. The bulk of the request, $1,035,000,000,

is for benefits to be paid in the Federal Employees' Compensation program. They are paid to Federal employees and certain other groups, such as non-Federal law enforcement officers and Job Corps enrollees, under extensions of the Act.

An estimated $3,966,000 in FY 1982 will be needed under the Longshore program to meet the Federal share of required benefit payments. This amount reflects an increase of $294,000 over FY 1981, which will cover the rise necessary for the annual October weekly wage adjustment.

BLACK LUNG BENEFITS

The Black Lung benefits are financed from a separate Black Lung Disability Trust Fund. The Fund provides for payment of benefits, administrative expenses related to the operation of the Black Lung program, and repayment of advances to the general fund with interest. The Fund pays all Black Lung compensation and medical benefits expenses when coal mine employment ceased prior to 1970, or when no responsible mine operator can be assigned liability for such benefits.

In Fiscal Year 1982, we are requesting authority to expend $785,000,000 from the Black Lung Disability Trust Fund. An estimated $584,812,000 will be needed for the payment of benefits, $162,000,000 for interest accumulated on repayable advances, and $38,188,000 for the administrative expenses of the Departments of Labor, Treasury and Health and Human Services.

Mr. Chairman, this concludes my statement. My colleagues and I will be happy to respond to any questions you and the Subcommittee may have.

Employment Standards Administration
(Obligations in millions of dollars)

Activity	1980	1981	1982
Improving and protecting wages	$61.7	$64.8	$65.9
Positions	1,756	1,720	1,672
Elimination of Discrimination in employment	$51.0	$54.8	$53.8
Positions	1,482	1,482	1,482
Workers Compensation Programs:			
Federal Employees Compensation Act	$34.9	$34.1	$37.3
Positions	865	863	1,072
Longshoremen's and Harborworkers' Compensation Act	$4.8	$5.2	$5.9
Trust Funds	$.3	$.4	$.4
Positions	174	174	174
Black Lung Benefits Act			
Trust Funds	$22.6	$25.2	$25.6
Positions	657	657	485
Subtotal	$39.7	$39.3	$43.2
Trust Funds	$22.9	$25.6	$26.0
Positions	1,696	1,694	1,731

Program Development and Administration	$16.3	$18.2	$18.2
Trust Funds	$.5	$.5	$.5
Positions	293	293	267
Federal Fund Obligations	$168.7	$177.1	$181.1
Trust Fund Obligations	$23.4	$26.0	$26.5
Total Positions	5,227	5,189	5,152

Special Benefits
(Obligations in millions of dollars)

Activity	1980	1981	1982
Appropriation	$269.2	$314.5	$ 356.7
Offsetting Collections	554.4	617.2	682.3
Unobligated balance lapsing	-36.0	---	---
Total Obligations	787.6	931.7	1,039.0
Federal Employees' Compensation Act benefits	(784.8)	(928.0)	(1,035.0)
Longshore and harbor workers' compensation benefits	(2.8)	(3.7)	(4.0)

Black Lung Disability Trust Fund
(Obligations in millions of dollars)

Activity	1980	1981	1982
Disabled coal miners benefits	$726.5	$779.6	$584.8
Administrative expenses	34.2	37.5	38.2
Interest on advances	52.5	110.2	162.0
Total Obligations	813.2	927.3	785.0
Offsetting Collections	-4.7	-5.0	-15.0
Lapse	.3	---	---
Carryover Balance	51.3	-51.3	---
Budget Authority	860.1	870.9	770.0

SUBMITTED QUESTIONS

Senator PROXMIRE. Very good. I have some additional questions I will give you to be answered for the record. The answers are to be provided by the time you correct the transcript. Included are some questions on the Service Transcript Act submitted by Chairman Hatfield, chairman of the full committee.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Proxmire

WAGE AND HOUR EXEMPTIONS
THE FAIR LABOR STANDARDS ACT

Question: What are the costs -- in terms of manpower and litigation -- of enforcement of the wage and overtime pay exemptions provided in section 13 of the Fair Labor Standards Act?

Answer: Due to the complex nature of the investigative and litigation processes we are unable to gauge the costs of enforcing these exemptions. All investigations conducted under the Fair Labor Standards Act (FLSA) involve determinations as to the applicability of one or more of the exemptions provided in section 13 of the Act. A careful determination of exemptions that may apply is crucial in deciding the status of compliance in any investigation. In fiscal year 1980, a total of 73,989 investigations were conducted and 1,190 court suits filed under the provisions of the FLSA.

Question: As a practical matter, might it not be cost effective to eliminate many, if not all, of the exemptions?

Answer: It is not possible at this time for us to respond to specific questions about changes in legislation currently administered by the Department. Under Secretary Donovan's leadership, the Department will be examining all of the Department's programs to ascertain whether there will be any need for modification. Once decisions are made, they will be reported to the Congress.

Reports on the economic effects of certain exemptions under the FLSA, particularly those under section 13 of the Act, were required under the provisions of the 1974 Amendments to the FLSA. Thirty-eight such exemptions have been scheduled for review. Studies of eight have been published and twenty-four additional studies have been completed and are in the clearance process prior to publication. Reports on six exemptions will not be prepared because of insufficient data. It is our understanding that the Minimum Wage Study Commission will provide data relating to the impact of such exemptions on the economy and make recommendations regarding their repeal or retention.

Question: From the enforcement experience of the agency, what savings could be realized by simplifying wage and hour exemptions?

Answer: It is difficult to quantify the savings, in terms of staff years or dollars, which would be realized by simplifying these exemptions.

To the extent that these exemptions are simplified, the Department's efforts in ensuring compliance with the FLSA would be greatly improved. In addition, employers might realize benefits from reduced recordkeeping requirements and from utilizing less time and effort in complying with the terms of exemptions.

Question: Wouldn't it be better to eliminate outdated wage and hour exemptions, making application of the law more nearly uniform, and freeing up resources which could be focused upon areas of more serious enforcement problems?

Answer: Again it is not possible for us at this time to respond to specific changes in legislation currently administered by the Department. In addition, as a part of our reports on the economic effects of certain wage and hour exemptions, the Department will be advising Congress of its recommendations regarding the repeal or retention of exemptions under section 13 of the Act.

INCOMPETENCY TO ESTIMATE EFFECT OF SUBMINIMUM WAGE

Question: We need hard data on the precise effect that a subminimum wage for youth would have on unemployment. Why aren't your analytical people able to provide it?

Answer: Numerous studies have attempted to estimate the effect of the minimum wage on the employment and unemployment of teenagers. Since these studies differ widely in their choice of variables and estimation techniques, their estimates of the impact of the minimum wage also differ.

The data needed to estimate the impact of a subminimum wage for youth on unemployment is not always available and less suitable data may have to be substituted. The estimates must not only consider the impact on youth employment but also on adult unemployment, thus the possibility of a dual labor market must be addressed. The lag structure or a delay in response to changes in the minimum wage must be included as well as variables to account for concurrent changes in government social programs and changes in coverage requirements of the Fair Labor Standards Act.

Question: Does it appear the to soon-to-be released report on the Minimum Wage Study Commission will have hard answers on the impact of subminimum wages?

Answer: It is our understanding that the Minimum Wage Study Commission is conducting a study in this area. However, until the study findings are released, we will not be able to offer any judgments as to the quality of the findings.

SUIT AGAINST HOMEWORKERS

Question: The Labor Department has sued a Vermont Skiwear Manufacturer for using homeworkers to make knitted outerwear, as a violation of the Fair Labor Standards Act. Isn't there some way regulations could be altered to allow legitimate business to utilize persons who work out of their homes, as long as wage and hour laws are not being violated?

Answer: Under the leadership of Secretary Donovan, the regulations for many Department programs will be reexamined to ascertain their usefulness and effects on the public. It is not possible at this time to address the specific changes addressed in the Subcommittee's question relative to the homeworker regulations. It is Secretary Donovan's intention to reduce regulatory burdens, but at the same time improve effectiveness of enforcement operations.

EMPLOYERS OF UNDOCUMENTED WORKERS

Question: In a time of high unemployment, more American citizens are being displaced from the work force by undocumented workers-illegal aliens employed in the United States. Efforts to combat the problem have had limited success. Recently Congress authorized 260 additional Labor Department employees to investigate establishments most likely to hire undocumented workers. What impact has the Labor Department's investigations had on the hiring of undocumented workers by employers?

Answer: As you know, estimates as to the number of illegal aliens in the United States vary between three million and eleven million. It is difficult to assess the impact of any program concerned with undocumented workers because of the uncertainty of the universe. However, we are satisfied that our close coordination with the Immigration and Naturalization Service has resulted in a high likelihood that enforcement actions are being directed at the employers who hire undocumented workers.

Question: What administrative changes are needed to significantly reduce the hiring of undocumented workers?

Answer: It is not possible to respond at this time to specific questions regarding legislation administered by the Department. Administrative options in this program are under review.

Question: In view of a GAO report issued last week, stating a separate undocumented program is ineffective, why shouldn't Congress eliminate this funding?

Answer: The primary objective of the Employers of Undocumented Workers Program is to reduce the economic incentive for employers to hire undocumented workers. This is accomplished under this program by obtaining future compliance and payment of back wages in conformance with provisions of the Fair Labor Standards Act. The Department of Labor has fully implemented this program in accordance with this mandate. In fiscal year 1980 employers agreed to pay $14 million in back wages as a result of 13,952 investigations.

Investigations thus far have been scheduled based primarily on information provided by local INS offices as to the industries and geographic areas where the use of undocumented workers is most widespread. In an effort to improve the targeting of Wage-Hour investigations and to overcome the reluctance of undocumented workers to file complaints a program utilizing leads obtained from aliens in INS Detention Centers was established.

In an effort to achieve better utilization of available resources and obtain greater public awareness of the program directed at employers of undocumented workers, strike force teams have been established in a number of areas throughout the country. These teams consisting of a small number of experienced Wage-Hour compliance officers have been focusing on concentrated geographic areas and industries where large numbers of undocumented workers are known to be employed. INS has assisted in pinpointing these areas.

FARM LABOR CONTRACTOR REGISTRATION ACT

Question: As you know, under date of October 24, 1979, a letter signed by some fifty-two Senators was dispatched to Labor Secretary Ray Marshall in which the signers expressed "our increasing concern over the Department of Labor's administration of the Farm Labor Contractor Registration Act as amended" and suggested that the Act "is not being administered fairly or uniformly in a manner consistent with Congressional intent." The Secretary responded under date of November 26, 1979, assuring the Congress that new, more narrowly targeted enforcement priorities would be set. Would you please advise us of any changes in enforcement priorities, under the Farm Labor Contractor Registration Act, which have been instituted as a result of that exchange of letters?

Answer: Yes, the field enforcement staff was directed to concentrate efforts toward classic crewleaders and away from fixed situs operations. During the past fiscal year emphasis was placed on enforcement with respect to traditional crewleaders, especially those who have repeatedly and seriously violated the Act. This enforcement emphasis continues in effect, although the entire program is under review.

Question: As the new administration takes up its responsibilities in this area, what further actions would you anticipate might be taken with regard to the Farm Labor Contractor Registration Act?

Answer: It is not possible for the Department at this time to respond to specific questions about changes in legislation currently administered by the Department. Under Secretary Donovan's leadership, the Department will be examining the FLCRA, along with other areas, and will report to the Congress on any changes contemplated.

Question: How could the Act be made more effective in protecting the interests of migrant workers, and of the farmers and others who employ them?

Answer: It is Secretary Donovan's intention to reduce regulatory burdens, but at the same time improve effectiveness of enforcement operations. However, specific changes will have to await the review process that will begin shortly.

Question: How could you eliminate, if possible, an extraneous paperwork burden upon all those involved?

Answer: Under the leadership of Secretary Donovan, the regulations for many Department programs will be reexamined to ascertain their usefulness and effects on the public. It is not possible at this time to address the specific program changes addressed in the Subcommittee's questions on the FLCRA program.

Question: During the 96th Congress, a number of bills were introduced with a variety of proposals for the amendments of the Act. You are well aware of the issues, concerning the Farm Labor Contractor Registration Act, which have been of concern to the Congress. Do you anticipate the need for any action by the 97th Congress in order to facilitate handling of the concerns raised in the exchange of letters between the Congress and the Secretary?

Answer: As indicated previously, we are reviewing the Department's administration of FLCRA. When this review is completed the Administration will communicate to the Congress any legislative changes which we believe are necessary to improve the Department's administration of this program.

Question: In other words, can the Department take the necessary corrective measures, administratively, without further action by the Congress?

Answer: Under the leadership of Secretary Donovan, the regulations for many Department programs will be reexamined to ascertain their usefulness and effects on the public. It is not possible at this time to address the specific program changes addressed in the Subcommittee's questions on the FLCRA program.

Question: Is the Department prepared to take such administrative action?

Answer: As noted previously, we are considering a whole range of administrative options which may be available.

Question: As you are aware, the implementation and enforcement of the Farm Labor Contractor Registration Act (the FLCRA) has been, through the past several years, a subject of negotiation and dispute between the Congress and the Department of Labor. Could you provide us, for the record, a breakdown of the costs involved in the administration of the Farm Labor Contractor Registration Act?

Answer: For fiscal year 1980 the Wage Hour Division had 72 positions budgeted at $2,353,000 for administration of the Act. Fifty-eight of the positions were compliance officer positions, 10 were located in regional offices for registration purposes and 4 were in the National Office for program direction. Thirty of the 58 compliance officer positions were funded under the Employer of Undocumented Worker program.

Question: Could you give us the cost, generally broken down in terms of staff hours and personnel, investigation, enforcement, litigation, etc?

Answer: Actual investigations under the Act consumed 59,885 staff hours or the equivalent of 58 staff years. Litigation hours are not recorded specifically enough to answer in this fashion. However 6 attorney positions are budgeted under the Act and 1,044 actions were handled by the Office of the Solicitor in fiscal year 1980 at the National level.

Question: Could you also provide the Committee, for the record, with a statistical assessment of the areas in which the enforcement thrust of the Department (where the Farm Labor Contractor Registration is concerned) has been focused?

Answer: A total of 4,485 compliance actions were conducted during fiscal year 1980. Emphasis was placed on traditional farm labor contractors and in geographical areas known to have substantial farmworker populations, and high ratios of violation under the FLCRA. Basic protections were given particular attention. Five hundred and

eighty unregistered farm labor contractors were found. In 644 cases contractors had failed to provide workers with adequate notice of working conditions such as where the job was located, what would be paid and what crops would be worked. Transportation in unsafe vehicles was found in 175 cases and transportation in vehicles without the minimum required insurance was found in 266 cases. Housing safety and health violations were found in 137 cases. Employment of illegal workers was found in 188 cases.

Question: What proportion of the Department's Farm Labor Contractor Registration Act funding has been devoted to which areas of concern under the Act?

Answer: Statistics have not been maintained that would respond precisely to this question. All of the 4,485 investigations referred to above dealt with issues of registration, proper notice to crew members and prompt payment. Of all the violations cited with respect to farm labor contractors, 26 percent involved improper or no registration. Improper or failure to give adequate information to workers was involved 29 percent of the time. Twenty-two percent of the violations related to transportation and 7% of the violations related to contractor controlled housing. In addition to enforcement efforts, 9,855 contractors and 8,936 contractor employees were registered. State agencies in Florida, New Jersey and Virginia assisted in that registration. Over 570,000 crew workers were employed by those registered contractors.

Question: Could you provide us, for the record, with a statistical breakdown of the caseload under the Farm Labor Contractor Registration Act?

Answer: The chart below shows the caseload by Regions for fiscal year 1980.

Boston	118
New York	414
Philadelphia	540
Atlanta	1,096
Chicago	289
Dallas	1,049
Kansas City	108
Denver	112
San Francisco	699
Seattle	60
Total	4,485

Investigations of farm labor contractors totaled 2,258. Contractor employee investigations totaled 880 and 1,347 user investigations were made. Concurrent Fair Labor Standards Act - minimum wage investigations were made in 2,161 of those cases. Over 100,000 crew workers were covered by these investigations.

Question: How many Farm Labor Contractor Registration Act complaints does the Department handle during a fiscal year?

Answer: Complaint investigations accounted for 320 of our total in fiscal year 1980. Of that number, 88 were received through the State Employment Service System. The ratio of complaint cases to cases scheduled for other reasons is much lower than for other wage hour programs. This results from a lack of knowledge among agricultural workers about their employment rights. Workers in this industry also suffer intimidation at the hands of their crewleader employers which curtails their willingness to file complaints.

Question: If it can be done, would you please advise us of the origins and of the final disposition of cases handled by the Department -- in categorical terms?

Answer: Cases originate, or are scheduled for investigation, for a number of reasons. In fiscal year 1980, 88 resulted from state employment service complaints. Two hundred and thirty two other complaints were received, often through the hands of migrant advocacy groups. Most cases are initiated based on the Departments' own information on crops, harvest seasons and practices in the industry. Data is not maintained based upon the origin of the case. However, 894 cases resulted in the imposition of civil money penalties of $1,061,453. Six hundred and two requests for hearings before an Administrative Law Judge have been received which are related to those assessments. Further action has been initiated to revoke, or refuse renewal, with respect to 124 registration certificates. Hearings have been requested on 43 of these actions.

Senator Andrews: I am informed by representatives of agricultural employers that the administration of the Farm Labor Contractor Registration Act as amended in 1973, and interpreted by the Department, has resulted in widespread confusion, dissatisfaction and unnecessary regulation of farmers, processors and other agriculture employers, who have never been considered to be crew leaders or labor contractors. I would appreciate the Department's response to the following question:

What is the Department's position as to agricultural workers the Congress intended to protect through provisions of the FLCRA, as amended? All agricultural workers? All seasonal agricultural workers? Or migratory workers?

Answer: It is the Department's position that Congress intended to protect all those agricultural workers that fall within the Act's definition, who are not employed by an exempt employer. This includes agricultural workers who are employed on a seasonal or other temporary basis, whether they are local residents, or travel intrastate or interstate seeking employment.

Senator Andrews: How does the Department define the term "migrant worker" used in the act.?

Answer: Migrant worker is defined in Section 3(g) of the Act to mean an individual whose primary employment is in agriculture, as defined in Section 3(f) of the Fair Labor Standards Act or who performs agricultural labor, as defined in Section 3121(g) of the Internal Revenue Code of 1954, on a seasonal or other temporary basis.

Neither migration nor travel is included in the statutory definition. The legislative history of the Act states that the farm laborers included are those who travel from state-to-state along fairly established patterns and those who live permanently in the agricultural area where they work.

Senator Andrews: On what basis has the department decided to require fixed base agricultural employers, as contrasted with crew leaders, to register as labor contractors under the act?

Answer: For enforcement purposes the Department will look to the activity performed by the employer, not its organizational structure. Cooperatives, associations and corporate entities will be treated like crewleaders if they provide workers for others, and will be expected to register. This and other enforcement policies under the Farm Labor Contractor Registration Act are under review.

Senator Andrews: The Congress clearly intended to exempt farmers and processors and their employees to engage in recruitment, transportation and employment of migrant workers on an "incidental basis." Several months ago, the Secretary stated in a letter to several Senators that the department would provide a clear interpretation of "incidental basis", based perhaps on a set percentage of such an employer's time. Has the Department issued such an official interpretation and if so, please state the interpretation.

Answer: FLCRA regulations are among the regulations for many Department programs that will be reexamined to ascertain their usefulness and effects on the public. It is not possible at this time to address this specific issue. However, it is Secretary Donovan's intention to reduce regulatory burdens, and at the same time improve effectiveness of enforcement operations.

Senator Andrews: Is the department satisfied with the FLCRA as now constituted, or is there a need for Congress to re-examine the act and provide clarification of some of the disputes that have resulted in widespread court action?

Answer: Again, it is not possible at this time to respond to specific questions about changes in legislation currently administered by the Department. The Department will be examining FLCRA issues along with a number of other areas and will report to the Congress on them at the earliest possible date, on any changes anticipated.

THE DAVIS-BACON ACT AND REGULATIONS

Over a number of years, the General Accounting Office has been sharply critical of the Department of Labor's administration of the Davis-Bacon Act. Among the GAO's conclusions was the finding that "The Davis-Bacon Act is impractical to administer, resulting in the Labor Department developing and issuing inaccurate wage determinations".

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Question: What is the status of proposed regulations to modify the Davis-Bacon Act's wage determination and enforcement procedures?

Answer: Pursuant to President Reagan's January 29, 1981, memorandum to the Secretary of Labor and other agency heads, the Department published a notice in the Federal Register on February 6, 1981, delaying the implementation of the revised Davis-Bacon Act regulations (29 CFR Parts 1, 5 and 6) for a period of sixty days from the date of the President's memorandum.

Secretary Donovan has testified that he does not believe that repeal of the Davis-Bacon Act is necessary, but that substantial improvements can be made in the administration of the Act. The delay in the implementation of the revision of these regulations will allow time for careful review. The Secretary has testified that he plans to discuss adjustments in the Act's administration with the Congress at a later time.

Question: In light of GAO's findings, how will the Regulations improve the Administration of the Act?

Answer: Under the leadership of Secretary Donovan, the regulations for many of the Department's programs will be reexamined to ascertain their usefulness and effects on the public. In light of the Secretary's expressed intent to make adjustments in the administration of the Act, it is not possible for the Department to address any specific program changes at this time.

The Department intends to take a careful look at a number of issues raised in the GAO report, bearing in mind Secretary Donovan's intention to reduce regulatory burdens while improving the effectiveness of enforcement options. Pending this review, the Department is not in a position to comment on specific changes in the Act's administration.

Question: How much could the Employment Standards Administration appropriation be reduced if Davis-Bacon Act Responsibilities were eliminated?

Answer: Appropriations in the Employment Standards Administration budget for FY 1982 for Davis-Bacon are as follows:

Field enforcement and wage surveys	$1,869,000
Issuance of wage determinations and national office policy and enforcement support	$3,637,000
Total	$5,506,000

The Reagan Administration budget policies are being developed now with the participation of Secretary Donovan and other Administration officials, including the Office of Management and Budget. It would be inappropriate to comment on specific budgetary issues until the final Reagan Administration proposals are submitted to Congress.

Question: As you know, the Davis-Bacon Act requires payment of "prevailing wages" to construction workers employed on Federally funded projects. Regulations provide that the wage rates paid to only 30 percent of the workers in an area can be identified as the "prevailing wage". What are you doing administratively to eliminate this inflationary regulation?

Answer: Secretary Donovan has testified that he believes that substantial improvements can be made in the administration of the Davis-Bacon Act. Secretary Donovan will report these improvements to the Congress at a later time.

Question: Do you have any studies disputing the contention that this regulation is inflationary?

Answer: The Department is presently studying ways to provide the most effective administration of the Act and in doing so will look at this issue as well as matters such as alternative means of gathering wage survey data, etc.

Question: Why not change the regulation to simply require that the average wage rate be called the prevailing wage rate?

Answer: As explained above, the Department will not be in a position to comment on specific program changes until the Administration has completed its review. However, all types of statistical measurement will be evaluated during our review of the regulations.

COPELAND PAYROLL REPORTING REQUIREMENTS

The Department of Labor reportedly never uses the weekly payroll reports required to be filed under the Copeland Anti-Kickback Act. These reports are supposed to prevent contractors from demanding kickbacks from employees.

Question: Shouldn't this waste of manpower and paper be eliminated?

Answer: As you know, the Copeland Act requires a weekly submission to the contracting agencies of a statement of wages paid, wherein the contractor certifies it has complied with the monetary requirements of the Davis-Bacon wage determination. Thus, regulatory requirements go beyond mere "kickbacks" of wages. The primary day to day enforcement responsibility of Davis-Bacon and the Copeland Act rests with contracting agencies, who are responsible for receiving and examining contractor payroll submissions for compliance. DOL only reviews payroll information, including the weekly payrolls, when conducting investigations.

The Department, as stated above, cannot respond at this time to specific suggestions regarding changes in the administration of the Copeland Act. The Department will be examining the administration of the Act, in conjunction with the regulations.

Question: Why not only ask for quarterly reports, which you may then have time to review?

Answer: As noted above, it is not possible at present for the Department to comment upon specific suggestions regarding regulatory changes, pending Secretary Donovan's review of existing regulations and policies.

Question: What does it cost contractors to provide these reports?

Answer: There are no accurate estimates of these costs, to our knowledge. However, the regulations make it clear that the WH-347 is an optional form and contractors may submit the required data in any form, including duplicate computer printouts of payrolls or machine photocopies of payrolls. The costs involved are costs of reproducing and transmitting these copies to the contracting agencies. Since a wide variety of methods exist for maintaining payroll records, such costs would vary from one contractor to another. However, the National Academy of Science in a report titled "Federal Construction Council Technical Report No. 70" held such costs to be "comparatively minor".

SERVICE CONTRACT ACT

The January 16, 1981 Federal Register contains new regulations permanently applying the Service Contract Act to service employees of ADP and high technology support services.

Question: Why were these regulations issued in view of GAO's September 18, 1980 report stating that they would be counterproductive, costly and highly inflationary?

Answer: The GAO report cited dealt only with the application of the Service Contract Act to Federal ADP and other high technology repair and maintenance contracts. The Service Contract Regulations deal with a large number of other issues. The ADP coverage issue is only one topic touched on by these regulations.

Question: Have these regulations been rescinded by the Reagan Administration?

Answer: These regulations were published as a final rule to take effect February 17, 1981, and have not been rescinded. However, the Department published a notice in the Federal Register on February 12, 1981, delaying implementation of the revised regulations until April 17, 1981. This delay will afford Secretary Donovan the time to review them.

REGULATION ON CLUB DUES

Senator Proxmire: On January 16 your Department, after months of delay, finally issued a regulation on club dues. This regulation would prohibit federal contractors from paying dues on behalf of their employees in private clubs that discriminate. An employer could gain an exception for those clubs where membership is not a factor in career advancement. What is the current status of this regulation?

Answer: A notice postponing the effective date of the regulation until March 30, 1981, was published in the Federal Register on Friday, February 6, 1981. This action was taken pursuant to the President's Memorandum to allow for a full and appropriate review of the regulation.

OFFICE OF FEDERAL CONTRACT COMPLIANCE PROGRAMS

Question: Dante Construction, employing 3 individuals in addition to the owner, was forced to sign a conciliation agreement. Is this kind of regulation necessary for small business?

Answer: At the time it came to the attention of the Office of Federal Contract Compliance Programs (OFCCP) that the Dante Construction Company was not filing the Manpower Utilization Report (Form CC-257), the firm was reported to hold over $800,000 in federal contracts. This volume of federal work could have resulted in the employment of a significantly large number of construction workers, depending on the amount of subcontracted work. Since the mission of OFCCP is to ensure that minorities and women are afforded employment opportunities in the construction industry, Dante Construction Company, based on contract amount, appeared to present opportunities for employment. However, OFCCP was unaware of the size and composition of Dante's workforce since the reports had not been filed. Had OFCCP received the reports, the agency's scarce resources would not have been allocated for the review of this firm. Nevertheless, OFCCP is very sensitive to these rare incidents and is striving to eliminate their future recurrence.

Question: Would it make sense to exempt firms with less than 25 employees from federal contract compliance reporting requirements?

Answer: It is not possible to address the specific program changes addressed by the Subcommittee at this time. It is Secretary Donovan's intention to reduce regulatory burdens, but at the same time improve effectiveness of enforcement operations. However, specific changes will have to await the review process that will begin shortly.

Question: Is it correct, as reported by Fortune Magazine (June 2, 1980), that 117 items must be reported by a Federal contractor?

Answer: The 117 items referred to in Fortune Magazine's issue

of June 2, 1980 is in error. The single reporting requirement applicable to all federal construction contractors is the monthly Manpower Utilization Report, which reflects for each craft, by race and sex, the number of total hours worked during the reporting month. OFCCP regulations also set out sixteen affirmative action steps which a construction contractor should undertake in order to recruit and employ minority and female job applicants (41 CFR 60-4.a, subparagraphs 7(2) through 7(p)).

Question: What suggestions do you have for simplifying federal contract compliance?

Answer: It is not possible to provide a detailed response to these issues of reorganization or improvement of operations until a thorough review has been completed by the new leadership of the Department.

COORDINATION OF EQUAL EMPLOYMENT OPPORTUNITY PROGRAMS

Question: What is your opinion of the suggestion that transferring the Office of Federal Contract Compliance Programs (OFCCP) functions to the Equal Employment Opportunity Commission (EEOC) would improve the efficiency of Federal efforts to eliminate discrimination in employment and reduce the recordkeeping requirement for employers?

Answer: It is not possible to comment on questions of realignment of functions at this time.

Question: What steps has OFCCP taken to coordinate its efforts with EEOC?

Answer: OFCCP and EEOC have entered into a Memorandum of Understanding which provides a mechanism for OFCCP and EEOC to develop and implement agreements, policies and practices designed to maximize effort, promote efficiency, and eliminate conflict, competition, duplication and inconsistency among the operations, function and jurisdictions of the two agencies. In addition, under Executive Order 12067, the OFCCP/EEOC consult on related policy issuances, procedural and regulatory issuances.

Question: With other agencies such as Employment and Training Administration and the Women's Bureau?

Answer: The OFCCP and the Employment and Training Administration are involved in a linkage program which supplements each other's programs through an arrangement that permits OFCCP to draw upon ETA-funded programs and services to help Federal contractors hire, train, retain and upgrade members of disadvantaged groups. ETA, with a mission to train, develop and place individuals, also benefits from the arrangement. During recent months, steps have been taken to improve and enlarge the linkage activities.

Under the Women in Construction Consent Decree, OFCCP and the Women's Bureau coordinate on issues relating to women in the construction industry.

VOLUNTARY COMPLIANCE FOR EQUAL EMPLOYMENT OPPORTUNITY

Question: Why can't you rely more on the unions and employers to develop their own voluntary compliance programs for providing Equal

Employment Opportunity, rather than relying on Federal Enforcement Efforts?

Answer: The jurisdiction of Executive Order 11246, Section 503 of the Rehabilitation Act and Section 402 of the Vietnam Era Veterans Readjustment Assistance Act does not extend to labor unions. However, there can be circumstances in which the provisions of a collective bargaining agreement serve to deny equal employment opportunity on the basis of race, color, religion, sex, national origin, veteran's status or handicapped condition. In these circumstances, OFCCP relies upon the contractor to negotiate appropriate changes with the labor union(s) which are parties to the agreement. Where assistance is necessary, OFCCP lends its good offices to facilitate a successful resolution of the matter.

OFCCP can and does rely more so on employers to develop their own voluntary compliance programs for providing equal employment opportunity than it relies on enforcement efforts. OFCCP guidelines for the preparation of affirmative action compliance programs, for example, are sufficiently broad and flexible as to enable each employer to tailor its affirmative action program to fit its own peculiar operating structure, conditions and circumstances. In addition, the possibility of further expanding the voluntary compliance program is under review.

UNREALISTIC HIRING GOALS FOR WOMEN AND MINORITIES

Question: The Office of Federal Contract Compliance has been criticized for setting unrealistic hiring goals for women and minorities, without taking into account that certain industries, such as the construction trades, may have a shortage of qualified applicants. What are you doing to see that Federal employment and training programs provide sufficient numbers of qualified minority and female applicants, instead of simply imposing unrealistic hiring goals?

Answer: Specific changes in the administration of these programs will be addressed by Secretary Donovan after he has had a chance to review the entire range of programs administered by the Department. Secretary Donovan will report to the Congress on these program issues at the earliest possible date.

TARGETED INDUSTRY REVIEW IN CONTRACT COMPLIANCE PROGRAM

Question: To what extent has targeting industries for compliance review been effective in better utilization of staff?

Answer: The selection of priority industries for compliance review is one facet of the general program strategy. In devising an overall strategy, the basic objective was to select the strategy under certain mandatory activities which must be undertaken, such as compliance with court orders and consent decrees, response to complaints, and pre-award review of contractor's compliance status. By judiciously selecting industries and facilities which offer greater likelihood of job opportunities or job growth, or which have an apparent history of EEO problems, the changes of achieving positive results for protected group workers are enhanced, and more jobs can be reviewed for compliance. In FY 1980, over 2,600 facilities employing more than 1,050,000 workers were reviewed for compliance with the equal opportunity and affirmative action commitments--about 400 jobs per review.

Question: Has the diversion of staff to target industries

created backlogs in responding to individual complaints or other compliance activity?

Answer: In order to assure coverage of a representative sample of the contractor universe, it has been necessary to make choices as to where resources can be utilized most efficiently, while still meeting mandatory workload commitments such as complaint investigations. One result of these choices is some growth in complaint inventory. However, this growth is within manageable limits. Several steps are being taken to hold down complaint inventories. More intensive screening when an allegation is being filed helps establish jurisdiction and the basic validity of the complaint; complaints against an employer facility are used as one criterion in selecting a facility for a compliance review, with the complaint then being resolved as part of the review; and referrals of complaints are made to the EEOC, state or other agencies if jurisdiction is more appropriate or early and just resolution appears more likely.

The basic reason for limiting planned complaint activity is that time spent on compliance review and other enforcement activity is far more productive. About 40 times as many jobs can be reviewed for compliance by allocating enforcement resources primarily to compliance reviews rather than complaint investigations. Also, complaints are not the best indicator of violations. In FY 1980, two-thirds of the compliance reviews conducted resulted in some finding and resolution of discrimination. In complaint investigations, only about one-fourth of those conducted were resolved in favor of the complainant.

OFCCP THROWS EMPLOYEES OUT OF WORK

Question: How many employees have been thrown out of work as the result of Federal contractors being barred from their contracts by the Office of Federal Contract Compliance Programs?

Answer: We know of no persons who have lost their jobs as a result of debarment of their employer from Federal contracts. To the contrary, it is our experience that nearly all contractors faced with the possibility of debarment decide to come into compliance, either before debarment is ordered, or promptly following notification of debarment.

The few contractors who have decided not to come into compliance, even after debarment, forego government work in favor of private sector business. On the several occasions when debarred companies have later decided to seek government business, they have made use of the OFCCP procedure for reinstatement and have been able to restore their eligibility by demonstrating their compliance with the requirements of Executive Order 11246.

QUOTA SYSTEM

Question: Under new regulations issued in late December 1980, by the Office of Federal Contract Compliance Programs, the term "underutilization" is discussed. Please define "underutilization."

Answer: Supply and service contractors subject to Executive Order 11246, as amended who have 50 or more employees and $50,000 in government contracts are required to prepare an Affirmative Action Program (AAP). One element of an AAP is an evaluation by the contractor to determine if "underutilization" exists. Underutilization

is defined as having fewer minorities or women in a particular job group than would reasonably be expected given their availability. This definition is contained in the regulations at 41 CFR 60-2.11(b). If the contractor determines that underutilization exists, goals and timetables are required to correct the underutilization.

Question: Isn't this just a quota system by another name, whereby employers would be expected to have a specific number of particular groups in each job category of their workforce?

Answer: Goals and timetables are targets reasonably attainable as means of applying every good faith effort to make all aspects of the affirmative action program work. Title 41 CFR 60-2.14 states "no contractor's compliance status shall be judged alone by whether or not it reaches its goals and meets its timetables. Rather, each contractor's compliance posture shall be reviewed and determined by reviewing the contents of its program, the extent of its adherence to this program, and the good faith efforts to make its program work toward the realization of the program's goals within the timetables set for completion..." OFCCP regulations further state, at 41 CFR 60-2.30 that:

"The purpose of a contractor's establishment and use of goals is to ensure that it meets its affirmative action obligation. It is not intended and should not be used to discriminate against any applicant or employee because of race, color, religion, sex or national origin."

Question: What is the status of these regulations, in view of President Reagan's announced intent to review recently issued regulations?

Answer: Under the leadership of Secretary Donovan, the regulations for many Department programs will be re-examined to ascertain their usefulness and effects on the public. It is not possible at this time to address the specific program changes addressed in the Subcommittee's question concerning the OFCCP affirmative action regulations. It is Secretary Donovan's intention to reduce regulatory burdens, but at the same time improve effectiveness of enforcement operations. However, specific changes will have to await the review process that will begin shortly.

LONGSHORE ACT

Question: Is the Longshoremen's and Harbor Worker's Compensation Act insurance coverage available at reasonable rates?

Answer: Yes. The Longshore Act covers employees in a wide range of industries in all parts of the country. Rates, and costs, vary from state to state, region to region, employer to employer, and from year to year. There are factors of accident frequency and severity, benefit levels, medical costs, incidence of litigation, and experience of particular employers.

A survey of insurance rates by the Division of Longshore and Harbor Workers' Compensation showed that in 1977, of 378 rates established for Longshore coverage for some 29 states after the passage of the amendments to the Longshore Act in 1972, 236 or 62% were less than or equal to the original post-amendment rates. An additional 8% of the original post-amendment rates did not rise more than 10% by 1977. Thus, 70% of the Federal rates involving some 14 job classifications for 29 states have not risen more than 10% since they were established. More recent information is consistent with the above findings.

The stevedore industry comprises an important segment of the total employees covered by the Longshore Act. From the immediate post-amendment period, with few exceptions, stevedore rates have not increased substantially and in many cases have actually decreased. Available information shows that for 29 maritime states, of some 135 post-amendment stevedore classifications, 76% had not risen more than 10% by mid-1977. This same finding proved to be true also for rates in 1980. It may be concluded that with the exception of the states of New York and New Jersey, rates have not risen significantly since the post-amendment period.

Question: How does the Labor Department assure that all employers under the Longshoremen's and Harbor Workers' Compensation Act have Labor-approved insurance coverage?

Answer: All District Offices annually receive a complete list of all authorized insurance carriers and authorized self-insurers from the National Office. This information is kept current each time a new insurance carrier or self-insurer is authorized or changes a name or address, and each time other information develops which should be brought to the attention of the District Offices. In addition, District Offices maintain files on all insurance policies issued to employers in their compensation district. Each time an insurance carrier issues a policy covering a Longshore risk, the carrier files a report in the District Office which shows the name of the carrier, the name and address of the insured, and the period of the insurance coverage.

When the first report of an injury is received in a District Office, or when information is received from any other source that suggests that an employer with Longshore exposure may not have the required insurance coverage, the office verifies the status of the employer.

If it appears that the insurance requirements of the Act have not been complied with, the employer is contacted to obtain compliance with the requirements. If such efforts fail, the Solicitor is requested to undertake proceedings to prosecute the employer under the penalty provisions of the Act. The Act provides that noncompliance with the insurance provisions may be prosecuted as a misdemeanor. The Act also provides for other penalties for an uninsured employer relative to personal liability of officers of the corporation and possible liability to civil suit by the injured employee without benefit of customary common law defenses.

Question: Why have payments from the Special Fund increased so rapidly and does Labor do anything to defend this fund?

Answer: Payments from the Special Fund have increased rapidly because of the following factors: (1) Judicial rulings have broadened the interpretation of the criteria necessary for relief under section 8 (f) of the Act; (2) Insurance carriers have realized that this is one effective means of limiting their liability and have developed strategies toward this end. Section 8 (f) Special Fund cases have grown from 24 cases in FY 1976 to 644 cases at the end of FY 1980. Approximately 20 new cases are added each month.

The monitoring of the Section 8 (f) Special Fund cases is done in a joint effort by the National Office and local District Office. Based on the type of injury and the extent of disability, periodic medical examinations are arranged to determine the claimant's present physical condition. This requires an annual statement from the claimant concerning the status of his/her disability and employment. If the cases meet the applicable Section 8 (f) criteria outlined in the Longshore Procedure Manual, the cases are then referred to the National Office for further screening.

Question: Has the Labor Department prepared any proposed legislation to correct any of the issues that have been cited as causing problems, such as: unavailability of insurance; jurisdiction; use of special funds; and unrelated death and uncapped death benefits?

Answer: It is not possible for the Department at this time to respond to specific questions about changes in legislation currently administered by the Department. Under Secretary Donovan's leadership, the Department will be examining problem areas in the Longshore program, and will report to Congress on any changes contemplated.

FEDERAL EMPLOYEES' COMPENSATION ACT

Question: Exactly how does the draft Labor Department legislation propose taxing workers' compensation benefits, and how much would this proposal save?

Answer: It is not possible for the Department at this time to respond to specific questions about changes in legislation currently administered by the Department. Under Secretary Donovan's leadership, the Department will be examining the draft Labor Department legislative proposal for taxing workers' compensation benefits, and how much

will be saved. The Department will report to Congress on any changes contemplated in current law.

Question: What is the status of proposed legislation to amend the Federal Employees' Compensation Act?

Answer: It is not possible for the Department at this time to respond to specific questions about changes in legislation currently administered by the Department. Under Secretary Donovan's leadership, the Department will be examining the status of proposed legislation to amend the Federal Employees' Compensation Act and will report to the Congress on any changes contemplated.

Question: What would be the savings from the proposed transfer of Federal workers' compensation beneficiaries to a retirement system at age 65 or after 5 years of workers' compensation benefit, whichever is later?

Answer: It is not possible for the Department at this time to respond to specific questions about changes in legislation currently administered by the Department. Under Secretary Donovan's leadership, the Department will be examining the proposal to integrate the Federal Employees' Compensation Act and Federal retirement system, and will report to the Congress on any changes that would result in savings.

Question: What further recommendations do you have to provide additional economic incentives for Federal workers' compensation beneficiaries to return to the work force?

Answer: It is not appropriate at this time to make specific recommendations in policy areas that have not yet been decided by this Administration.

TAXING BLACK LUNG AND WORKERS' COMPENSATION BENEFITS

Question: How much would be saved if workers' compensation and Black Lung benefits in excess of $10,000 were taxed for individuals, and $15,000 for married couples filing joint returns?

Answer: In the FECA program, legislative proposals have been introduced which would require workers' compensation benefits to be taxed at normal taxable income rates. The savings will be $18,000,000 per year.

In the Longshore program, workers' compensation benefits paid from the Special Fund do not exceed $10,000 per annum. Therefore, no savings would be realized.

For Black Lung benefits there could be no savings realized from the taxation of benefits since the maximum benefits that would be realized for a family of 4 (maximum allowable) would be only $559.50 per month or $6,714.00 per year. In order for the Black Lung benefits recipient to fall within the $10,000 taxable bracket, $833.34 would have to be received per month, which is not projected to occur in the near future.

CHANGING INDEXATION OF WORKERS' COMPENSATION BENEFITS

Question: If workers' compensation benefit measures were calculated using the experimental "CPI-XI" instead of the existing Consumer Price Index, how much would be saved during fiscal 1982?

Answer: The amount of savings that could be expected if the CPI-XI was utilized instead of the CPI-W series is dependent upon the ratio of CPI-XI to CPI-W. Over the past several months the CPI-XI increase has ranged between 80 and 90 percent of the CPI-U and CPI-W series' increase. Based on that range, between $5 and $8 million would be saved in FY 1982 if benefit increases were calculated using the CPI-XI instead of the CPI-W series.

INDEXING OF BLACK LUNG VS. WORKERS' COMPENSATION

Question: Black Lung benefits are indexed to Federal employees' pay raises, which were 5.5 percent last year. Why shouldn't workers' compensation benefits also be indexed to Federal employee pay raises, instead of the much higher increases of the Consumer Price Index?

Answer: It is not possible for the Department at this time to respond to specific questions about changes in legislation currently administered by the Department. Under Secretary Donovan's leadership, the Department will be examining the issue of indexing of Federal workers' compensation benefits, and will report to Congress on any changes contemplated.

Question: How much would be saved in fiscal 1982 if workers' compensation benefits were indexed to a 5.5 percent Federal employees' raise, instead of the anticipated 12 percent increase in the Consumer Price Index?

Answer: By indexing the benefit increase to the proposed 5.5 percent Federal pay raise, instead of the increase in the Consumer Price Index, an estimated $15.8 million would be saved in FY 1982, based on current benefit cost projections.

BORROWING FROM FEDERAL FUNDS TO PAY BLACK LUNG BENEFITS

Question: What amounts will need to be advanced from general revenues in fiscal years 1981 and 1982 in order to enable the Black Lung Disability Trust Fund to meet its obligations?

Answer: Based upon the latest program data, our projections call for $647 million in fiscal year 1981 and $478 million in fiscal year 1982 to be advanced from general revenues so that the BLDTF can meet its obligations.

Question: What are the principal reasons for the shortfall between revenues and obligations that necessitate these advances? Unexpectedly large benefit costs? Unexpectedly low tax revenues?

Answer: Essentially the combined effect of more claims processed than expected plus a higher approval rate over the last two years resulted in the shortfall between revenues and obligations. For the fiscal years 1979 and 1980 we processed or adjudicated nearly 321,000 cases. These figures exceeded the projected claims processing output for those fiscal years. The impact of the large volume of decisions issued was magnified by a cumulative approval rate of 40 percent at the end of FY 1980. The exceptions to this were the Social Security Administration approvals and the medical benefits only claims. Those two claims categories were, in effect, processed directly into payment status at a 100 percent approval rate.

Question: What are your current projections as to how much and how long borrowing from general revenues will be needed?

Answer: Under current law, the BLDTF will continue to need annual advances from general revenues to meet its annual obligations until FY 2009. Through the end of FY 1980, $955 million had been advanced to the BLDTF. The cumulative debt is expected to rise to $2.25 billion by FY 1985, to $4.25 billion by FY 1990, and to $6.5 billion by the end of FY 1995. Estimates of BLDTF revenues under current law, its tonnage tax provisions and coal production assumptions, indicate that annual revenues will not exceed annual benefit, administrative, and interest charges until FY 2009. At that time the BLDTF will still have a cumulative debt of $10.8 billion to retire. Because of the large debt being amassed, interest charges are becoming a larger and larger portion of yearly cost.

ELIGIBILITY FOR BLACK LUNG BENEFITS

Questions: How does the Labor Department ensure that eligibility criteria for Black Lung benefits are implemented uniformly for all claimants in all districts?

Answer: Three principal means are used to assure uniform implementation of eligibility criteria. First, the Black Lung Procedure Manual, Circulars and Bulletins communicate agency policy and procedures to all staff responsible for program execution. Thus, a uniform and consistent framework of operational guidance is provided to all staff and managers.

Second, supervisory oversight of day-to-day activities provides for the review of claims adjudication and payment processing on a continuing basis at the time the claims are being processed.

Third, annual, or, if warranted, more frequent, onsite accountability reviews are conducted of all district offices by expert teams from the National Office to assure that the foregoing methods are implemented effectively, and to identify needed corrections. As a result, specific corrective actions are prescribed, as warranted, and monitored to assure they are put into effect in a timely manner.

Supporting the foregoing is a system of reports on workload aimed at providing trend data that is reflective of potential discrepancies in the performance patterns among the various operational offices.

Question: Does the Labor Department believe that there are people receiving benefits who are not disabled due to Black Lung?

Answer: The Black Lung Benefits Reform Act of 1977 provided that the so-called "interim" Part B medical standards were to be applied to all denied and pending claims filed before the date the Secretary of Labor promulgated new medical standards for Part C claims. On August 18, 1978, in compliance with the statutory provisions, the Department published Part 727 regulations. Subpart C--"Criteria for Determining Eligibility for Benefits," consistent with Section 402 of the Act, contained criteria which were not more restrictive than the criteria applicable to a claim filed by June 30, 1973.

Section 402(f) of the Act further authorized the Secretary of Labor, in consultation with the National Institute for Occupational Safety and Health (NIOSH), to establish criteria which accurately reflect total disability in coal miners. On February 29, 1980, after consultation with NIOSH, public hearings and substantial written comment, the Department published permanent Part C criteria in 20 CFR 718.

The Department believes that these new standards reflect the views of the majority of the medical community and are consistent with the statutory provisions related to total disability within the meaning of the Act. It is probable, however, that some beneficiaries who were awarded benefits under the Part 727 interim criteria would not be able to offer sufficient evidence to establish total disability under the new permanent standards.

Question: What is your response to allegations that the Labor Department has: (1) failed to define what evidence was required to rebut legislative presumptions of disability; (2) approved claims without medical evidence of disability or death from Black Lung; and (3) frequently approved claims that contained conflicting medical evidence of the presence of Black Lung and made no attempt to resolve the differences?

Answer: (1) The Department of Labor through its regulation 20 CFR 727.203 (b) et al. specifically established the criteria which rebutted the interim presumptions. Also, Chapter 2-501 of the Coal Mine (Black Lung Benefits Act) Procedure Manual deals with medical evidence and its interpretation, and other chapters specifically cover the presumptions and their rebuttal. Through the review of medical evidence, the deputy commissioner decides if the evidence rebuts the legislative presumptions in any particular claim. As more claims move through the process, an increasing body of case law is available to guide the Department and interested parties.

(2) Section 413 (b) of the Act states "In determining the validity of claims under this part, all relevant evidence shall be considered, including...wife's affidavit, and in the case of a deceased miner, other appropriate affidavits of persons with knowledge of the miner's physical condition and other supportive materials. Where there is no medical or other relevant evidence in the case of a deceased miner, such affidavits shall be considered to be sufficient to establish that the miner was totally disabled due to pneumoconiosis." Therefore, the Black Lung Benefits Act addresses the approval

of claims in the absence of medical evidence and there have been claims approved under this section of the Act.

(3) Given the adversary nature of the claims process when a responsible coal mine operator is involved, it is not unusual to have conflicting medical evidence. The deputy commissioner is instructed to resolve the differences of conflicting medical evidence by weighing all the evidence in the file. The benefit of the doubt is given to the miner and, due to the progressive nature of this disease, greater weight should be assigned to the more recent evidence. ESA's guidelines for interpreting medical evidence are given in Chapter 2-501 of the Procedure Manual.

ADVANCES TO BLACK LUNG TRUST FUND

Question: Provide for the record an explanation of why appropriations bill language requires budget authority for black lung benefits money both in the Advances and in the Trust Fund account?

Answer: Section 3(b) (1) of the Black Lung Benefits Revenue Act of 1977 requires the Department to request authority to expend monies from the Trust Fund. In addition, Section 3(b) (2) of the law authorizes appropriation to the Trust Fund, as repayable advances, such sums as may from time to time be necessary to meet the obligations of the Black Lung Program. Revenues derived from the coal excise tax are currently insufficient to meet the program projected requirements; therefore, it is necessary that these deficits be made up by advances from General Revenues.

Question: What options are available to avoid "double-counting" of this budget authority in the Appropriations Committee bill totals?

Answer: The double counting of the budget authority shown in the Advances account and the Black Lung Disability Trust Fund account could be avoided by depicting the advances to the Black Lung Disability Trust Fund as a non-add item in the overall total.

Question: What proposals would you have to eliminate the need for Advances to the Trust Fund?

Answer: It is not possible at this time to address any specific proposals for reducing the need for Advances to the Black Lung Trust Fund. The Department is currently reviewing a number of options for changes to the Trust Fund. Any proposals for legislative revision of the Black Lung program will be submitted to the Congress at a later date.

Questions Submitted by Senator Robert C. Byrd

Senator Byrd: What is the fiscal year 1981 funding level for the Black Lung Benefits Program?

Answer: The funding level is $927,261,000. This figure includes a proposed $4,000,000 budget supplemental for FY 1981.

Senator Byrd: How many beneficiaries are currently being served under the program?

Answer: There are approximately 78,745 beneficiaries receiving Black Lung monthly benefits as of 1/31/81. Likewise, we have processed nearly 106,000 claims into Medical Benefits Only payment status.

Senator Byrd: Are there sufficient funds remaining in the fiscal year 1981 budget to fully meet the costs of the program?

Answer: The FY 1981 budget request, including an estimate of $927,261,000, will be sufficient to meet program obligations.

Senator Byrd: Is the amount you are requesting in the fiscal year 1982 budget for the Black Lung program sufficient?

Answer: Based upon our latest approval rate projections, incoming medical costs and the ongoing monthly benefit payroll, our current request of $785,000,000 is sufficient to meet program obligations.

Senator Byrd: How much of that amount accounts for inflation?

Answer: When the budget estimates were developed two factors were instrumental in arriving at the budget request. First, comparability adjustment of the Federal pay scale results in a projected rise of 8.7% in benefits for FY 1982 as well as the increases of cost for salaried personnel. The other factor is a projected rise of 11.2% in the cost of medical supplies and services, based on the medical component of Consumer Price Index projections.

Senator Byrd: How many claimants will receive benefits under the Black Lung program in fiscal year 1982?

Answer: A total of 208,900 beneficiaries are expected to be receiving some form of Black Lung benefits by the end of FY 1982. Of these, 105,400 will be receiving monthly benefits. An additional 103,500 beneficiaries currently receiving monthly benefits from the Social Security Administration will be receiving medical treatment benefits from the Department of Labor. This represents a marginal increase (.4%) of 850 beneficiaries over FY 1981 levels. This small increase is attributable to the mortality rates in the relatively stable beneficiary population.

Senator Byrd: The budget requests for fiscal years 1980 and 1981 recommended deleting funding for 144 term positions for administration of the Black Lung Progam. I was instrumental in retaining these funds and thus securing the 144 positions I noted in your budget justifications that those positions were "critical to the program's

effort to process claims inventories resulting from the Black Lung Benefits Reform Act." What is the current status of your claim inventories?

Answer: As of February 6, 1981, the claim inventories were as follows:

Claim Type	Number in Inventory
Part C, 435	0
Part C, New	21,800
Part B, Denials	16,000
Total	37,800

Senator Byrd: How many of these are backlogs, and when do you anticipate completing backlogged claims?

Answer: Approximately 24,000 of the 37,000 claims are more than six months old. We continue to feel that the claims backlog is a one-time problem, and we now feel we can predict its elimination. During FY 1981, we will become current on initial processing of all claims except Part B denial claims not approved by the Social Security Administration on review under the 1977 Amendments and referred to DOL for a second review. Approximately 3,000, or about 4%, of these claims will be adjudicated in FY 1982. This will eliminate the last of the workloads generated by the 1977 Amendments. Before that action, and we anticipate in FY 1981, DOL will be issuing decisions on newly-filed claims within 180 days of receipt.

Senator Byrd: How many term positions are required to handle the Black Lung caseload? Are you requesting them?

Answer: For FY 1981, out of 657 positions budgeted, 276 were term. For FY 1982, there are 485 positions requested, of which, 381 are full-time permanent and the remaining 104 are term. These figures also include the resources required to operate the $2.5 million automated bill payment system that is presented as an FY 1981 supplemental budget request. We feel these resources will be sufficient to handle the Black Lung claims workload.

Senator Byrd: Is there sufficient money in the fiscal year 1982 budget to fund these positions?

Answer: The dollar amounts stated in the FY 1982 budget are sufficient to fund the level of positions requested.

Senator Byrd: What is the current rate for completion of cases by individual claims examiners?

Answer: Recent accountability reviews have found that District Office Claims Examiners are processing claims through the initial finding stage within 180 days from receipt.

Senator Byrd: During hearings on the Department's fiscal year 1981 budget, I submitted questions concerning Department of Labor efforts to improve its computer capability for tracking the status of its black lung caseload. In addition, in a letter to the former Chairman of the Labor, HHS, and Education Appropriations Subcommittee, Mr. Magnuson, I requested that the FY 1981 Committee report on this bill include language directing the Labor Department to make necessary improvements in its computer program by the end of the current fiscal year. While that bill was not enacted, what steps have you taken to improve your computer capability?

Answer: The Division of Coal Mine Workers' Compensation (DCMWC) has prepared a Request for Proposals (RFP) to purchase a Services Contract with a private vendor. This RFP, currently at the General Services Administration awaiting Delegation of Procurement Authority, would consolidate all DCMWC ADP systems on one computer, provide for fully automated processing of benefit payments and medical bill payments, and provide for actuarial and accounting data. In the interim while this procurement action proceeds, DCMWC is making modifications to current ADP systems which will allow for automated duplicate bill checking, facilitate benefit payments through introduction of a new benefit information data entry form, and eliminate much redundant data entry.

Senator Byrd: How have improvements facilitated program management?

Answer: The interim improvements alluded to above are not scheduled for implementation until later this year; however, the improvements will enable DCMWC to process all benefits and bill payments more rapidly and efficiently.

Senator Byrd: What other improvements do you expect to implement in fiscal year 1982?

Answer: The DCMWC will continue to work on improved operations. No specific improvement can be discussed at this time.

SUBCOMMITTEE RECESS

Senator PROXMIRE. The subcommittee will recess until 2 p.m. and will meet again in this room to hear testimony on Occupational Safety and Health and Mine Safety and Health.

[Whereupon, at 12:07 p.m., Wednesday, February 4, the subcommittee was recessed, to reconvene at 2 p.m. the same day.]

(AFTERNOON SESSION, 2:03 P.M., WEDNESDAY, FEBRUARY 4, 1981)

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

STATEMENT OF DAVID C. ZEIGLER, ACTING DEPUTY ASSISTANT SECRETARY

ACCOMPANIED BY:

R. HAYS BELL, DIRECTOR, DIRECTORATE OF TECHNICAL SUPPORT
JOHN B. MILES, JR., DIRECTOR, OFFICE OF FIELD COORDINATION
BAILUS WALKER, JR., DIRECTOR, DIRECTORATE OF HEALTH STANDARDS PROGRAMS
CLINTON M. WRIGHT, DIRECTOR, DIRECTORATE OF TRAINING, EDUCATION CONSULTATION, AND FEDERAL AGENCY PROGRAMS
JOHN HYNAN, DEPUTY ASSOCIATE SOLICITOR, OFFICE OF THE SOLICITOR
FRANK FRODYMA, DIRECTOR, OFFICE OF POLICY ANALYSIS
MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

SUBCOMMITTEE PROCEDURE

Senator SCHMITT. The hearing will come to order. This afternoon the subcommittee will hear testimony concerning the fiscal year 1982 appropriations request of the Occupational Safety and Health Administration and the Mine Safety and Health Administration.

In addition, the subcommittee is developing the background it needs in order to examine any proposals that would be forthcoming in this area from the new Reagan administration, particularly rescissions, deferrals, potential supplementals, and amendments to the 1982 budget as submitted by former President Carter.

The two agencies that we will be hearing testimony on today are unfortunately the butt of many a joke, at least out in New Mexico, and I suspect elsewhere. I say unfortunately, because certainly the overall aims of the agencies are commendable.

Both private and State entities have had difficulties in working with OSHA and MSHA organizations. Unfortunately I, myself, on some public speaking occasions tell what I call my acronym joke, which is that agencies tend to take on the characteristics of their acronym, once formed, and after going through some of the more obvious ones, on one occasion, a Senator, whom I guess should remain nameless, suggested "Oh, pshaw" as being characteristic of the agency. I don't know whether that is true, but it always gets a laugh.

We really must do this job better than we have done, so we must have better relations between Government activities in those areas and those of private and State entities.

INTRODUCTION

The first witness today will be David Zeigler, Acting Deputy Assistant Secretary for Occupational Safety and Health. Before getting into your prepared statement, I hope you will give us a general overview or do that in concert with summarizing your statement. And I guess you also know that we have requested that you provide us with a regulatory budget—that is, some indication of the allocation of resources for the development and enforcement of regulations.

Mr. Zeigler, would you proceed, and I would ask you to introduce your associates.

Mr. ZEIGLER. Thank you, Mr. Chairman. I would like to start by introducing my colleagues who are with me. On my immediate right, Mr. John Miles, who is OSHA's field coordinator. To John's immediate right is Dr. Bailus Walker, head of our Health Standards Directorate. On Dr. Walker's immediate right is Mr. Frank Frodyma, Acting Director of our Policy Office, and to Frank's right, is Mary Ann Wyrsch, Departmental Budget Officer.

Immediately to my left is Ms. Clinton Wright, Director of our Training, Education, Consultation, and Federal Agency effort. To Clinton's left is Dr. Hays Bell, who is our Director of Technical Support. And to Dr. Bell's immediate left, Mr. John Hynan, who is the Deputy Associate Solicitor for Occupational Safety and Health.

SUMMARY OF BUDGET REQUEST

We thank you for the opportunity to appear before you to present the OSHA budget. The budget in front of you is former President Carter's budget for fiscal year 1982. President Reagan is currently reviewing the 1982 budget, and changes are not only possible in what you have before you but, we would say, very likely.

The OSHA request for 1982 is $242,608,000. That is an increase of some $29 million over the 1981 operating level, which is $213.4 million. There is proposed a decrease in the number of full-time permanent positions of some 84 positions as a result of President Carter's hiring freeze of last year.

Of the increase of $29 million, almost half is attributable to so-called mandatory increases, built-in changes to the budget. These include, for example, inflation adjustments of $3.7 million to go to the 24 States that operate their own safety and health programs, another $2 million to the 36 States that operate consultation programs in concert with OSHA, and yet another $1.2 million for grantees who operate under our new directions grant program.

Summarizing, if I may, the major changes in the budget from the charts you have before you, you can see that the major change in terms of increase in money—since there is a decrease in positions that is relatively minor—the increases in terms of money are in the compliance assistance area. You will see that the budget request is $61.2 million against the 1981 operating level of $40.9 million, an increase of some $20.3 million.

Now the majority of that money is associated with our 7(c)(1) consultation program, whereby States provide fine-free, on-site consultation to

employers throughout this country. Of the $20.3 million increase, some $10 million is attributable to mandatory and program changes in the consultation area. Another $2.3 million of that $20.3 million in compliance assistance relates to continued growth of 157 existing training projects under our new directions training program, as well as 22 additional new planning grants to nonprofit organizations, universities, and so forth.

Moving up to technical support, which is really the next biggest increase, we are asking for an increase of $2.4 million. Most of that, $1.5 million, is associated with a requested increase for regulatory analysis studies—environmental impact, economic, and technological feasibility studies—related to the issuance, revisions, and deletions of standards. We are also asking for $600,000, a one-time expense, for relocating our Salt Lake City laboratory within the Salt Lake City area—in essence moving from one building to another, as we have had building maintenance problems in Salt Lake City.

The other activities reflected in the budget, with the exception of our safety and health statistics program, basically remain the same with the exception of so-called mandatory or built-in changes.

In the safety and health statistics area, we are asking for a major increase to finance a computer data system to be used primarily by our area offices to assist them in getting better and more timely data to use in making inspections and providing technical help to employers throughout this country.

The other major increase, Mr. Chairman, is in the Federal enforcement area. There is a $1.2 million increase to support, on a continuing basis, 140 temporary clerical positions. These are clerical positions which service some 90 area offices and support our compliance force in their everyday work. The reason we are asking for funding to support these positions at this time is that, prior to this year, the compliance workload was in such flux, and frankly our operational procedures in our area offices were not firm enough that we could come to you and ask for these positions on a regularized basis. We have now straightened that out and are coming to you requesting that even though they are temporary appointment positions, that funding be approved on a regular continuing basis.

Mr. Chairman, that summarizes the basic increases in the budget. My colleagues and I will be glad to answer any questions you may have.

MAJOR ACTIVITIES OF THE AGENCY

Senator SCHMITT. Before we get into the formal question period, would you give us the major activities of the agency at this time?

Mr. ZEIGLER. Major activities?

Senator SCHMITT. Major types of activities that OSHA is involved in at this time, as background to Senators who are new to this and will read the record.

Mr. ZEIGLER. Yes, sir.

The charge of the agency is to assure safe and healthful working conditions for American workers. The Occupational Safety and Health Act was passed some 10 years ago. We are charged with covering safety and health for some 63 million workers in this country. We are also charged with working with some 4.4 million establishments.

The major areas of our budget include the issuance of safety and health standards, which our enforcement staff is charged with enforcing. The standards activity request for 1982 is $8.7 million and 116 positions. Their job specifically is to issue and review existing occupational safety and health standards.

We then move down to our enforcement activity, which is the area which I think most people hear about, but it is only a part of our budget. That activity is charged with enforcing the safety and health standards that we put out. We have some 1,700 compliance officers in that number of 2,338 positions that we are requesting for the enforcement activity. The rest are supervisory, administrative, and clerical supporting staff.

We then move down to our State programs activity. We share with the States the responsibility of operating occupational safety and health programs in this country. In some 24 States and jurisdictions, States actually operate the OSHA program. They have their own standards that are as effective as ours. They have their own enforcement staffs. They have compliance assistance and training activities. They maintain their own statistics and their own administrative and court proceedings. The request for grant funds to support one-half the costs of State programs in 1982 is $47.2 million. That is a very important part of our program. Essentially, 40 percent of the Nation's covered employment is subject to State jurisdiction.

We then move down to our technical support activity. The function of the 190 people that are requested along with $18.8 million is to provide technical support to our entire staff, most especially our compliance personnel, who seek the technical assistance of this staff before they go into an employer's establishment and during inspections.

We then move down to an activity that started at a very low level when OSHA first began, and over the last couple of years has increased dramatically. That is the area of compliance assistance, specifically the area of 7(c)(1) consultations. Again, that is an activity that is carried out by the States. We have some 36 States conducting consultations under the 7(c)(1) program and another 12 doing it under our 23(g) State grant program. The consultants' job is to go into workplaces, when employers request assistance, and consult and advise employers as to what safety and health problems exist in their companies.

We then have an activity called safety and health statistics. We are requesting $9 million for that activity in 1982: 64 positions are associated with that activity—which is responsible for statistics-gathering, analysis of all data related to occupational safety and health, job-related injuries, illnesses, and fatalities, and so forth.

Finally we have the activity of executive direction and administration, which includes the Office of the Assistant Secretary, the administrative programs staff, and the directors of our regional programs. We are asking for $7 million for that activity. We are also asking for a total of $2 million as part of that request for policy analysis studies and evaluation.

Thank you, Mr. Chairman.

CAUSES OF ACCIDENTS

Senator SCHMITT. Thank you. It would seem from the statistics that are available that accidents in the workplace more often than not are the result of carelessness, lack of commonsense, either on the part of the employer or on the part of the employee. Is it humanly or technically possible to protect individuals against carelessness?

Mr. ZEIGLER. I will ask Mr. Miles to address that. He is our field coordinator.

Mr. MILES. There have been a lot of studies done on whether injury is caused by the worker. I think in a lot of cases you guard equipment for the inadvertent act so that someone won't get involved with a piece of machinery. You guard it so that if he does slip, trip, or fall, that he won't get into the machinery. You can prevent these inadvertent acts or mistakes.

If somebody intentionally wants to get hurt, they can. It is the inadvertent type of accident we are trying to protect against.

Senator SCHMITT. Are you trying to protect against a lack of attention?

Mr. MILES. That can be true, too.

Senator SCHMITT. You can have a bad night, a fight with your girlfriend or wife or husband or boyfriend and have your mind on something else, and whammo, you have done something that was dumb.

I was talking with some of the workers around the smelter at Hurley, New Mexico over New Year's, and just that afternoon one of their workers smashed his hand because he forgot to let go of an ingot at the right time. It was a process he had been through for 20 years. At one point, he just didn't let go when he should have and he smashed his hand up against another ingot. Now, what do you do about that?

Mr. MILES. There are some accidents such as that which are unavoidable.

PREVENTING ACCIDENTS

Senator SCHMITT. A lot of people feel that we have reached a point now where most of the accidents we are dealing with in the workplace are due to carelessness. And, in fact, apparently, at least the information we have, the rate of serious worker injuries is up 25 percent since 1972, just after OSHA was formed. The length of time injured workers are out of work is up 34 percent.

Now, your answer, of course—just think of what it would have been without us. What I am really trying to get at is, how in the world do we finally get to what can OSHA do, what can the Government or any governmental entity do, to protect against accidents. At what point do we just have to accept certain accidents that result from human carelessness?

Mr. MILES. Again, I think there are lots of studies underway to see what effect there is. In our policy shop, we have some contracts underway to determine the effectiveness of the Occupational Safety and Health Act, determine what types of accidents can be stopped by guarding machinery and what types of accidents are caused by carelessness.

I know some of the data show increases. I think some of that is due to greater reporting on the part of the employer than has occurred in

the past. In my own mind, I believe there is still room for preventing accidents in the workplace.

Senator SCHMITT. Are there any definitive studies available at this time that you would care to submit for our record that would enable the subcommittee to evaluate whether OSHA is trying to do the impossible or whether it still has a reservoir of doable tasks ahead of it?

STUDIES OF INJURY/ILLNESS RATES

Mr. FRODYMA. There have been several studies done by academics and people in State and Federal programs that show the rates of injuries and illnesses. Some rates of injuries and illnesses have gone down since OSHA has been in existence. A number of Bureau of Labor Statistics surveys have been done since 1972. One set of statistics which they gather, the overall injury and illness rates, shows there has been a decrease in actual numbers of injuries since 1972, something like 13 to 15 percent.

You are right in saying that the numbers of lost workday cases, apparently more severe injuries, have gone up by some 20 to 25 percent. But the reason that these injuries have gone up is not clear. It is not clear that the injuries have gone up as a result of things that OSHA can or cannot do.

In California, the numbers of very serious injuries have actually decreased. By "very serious," I mean things like amputations and fractures. Although the total serious injury rate in California has gone up, it leads you to believe that there is more reporting of serious injuries because of factors that are outside of OSHA's control. For instance, people are more likely to report a serious injury if they are going to be compensated, for example, by a worker compensation system, or they are more likely to stay out of work for an accident if there is a second income in their family. Whereas, prior to 1970, if there was only one income, they might well have gone back to work even if they were injured.

It is not clear, even though the statistics show there is an increase in accidents, that OSHA is not doing a good job. The relationship of OSHA effectiveness to the injury and illness statistics is not yet clear.

To more specifically answer your question, a professor at Cornell University, Dr. Robert Smith, did a study that—trying to account for things like the changes in the work force and changes in compensation rates—showed that accidents are, in fact, lower by some 16 percent over what they would have been in the absence of an OSHA program. I think that is documented in the Journal of Human Resources published in the spring of 1979.

There are studies that show, using the same statistics that you quoted, that OSHA has in fact had an impact. The problem is there are also some reports that show, using the same set of statistics, that OSHA has had no impact. So it depends on what statistics and what statisticians you want to believe.

Senator SCHMITT. If you would work with our staff, perhaps we can prepare a generalized summary of this.

[The information follows:]

IMPACT OF OSHA ON INJURY RATES

Two recent studies support the view that the Occupational Safety and Health Administration has had an impact on workplace safety:

A study by Cornell University's Dr. Robert Smith concludes that OSHA inspections may have reduced injury rates by as much as 16 percent among firms that have been inspected. The Smith study is one of the first to make allowance for extraneous factors affecting injury rates, such as changes in the business cycle, the demographics of the work force, industrial mix, the level and eligibility requirements for workers' compensation benefits, technological developments, and the competitiveness of industries.

A study by Sara Beman for the State of California's occupational safety and health agency—Cal-OSHA—has found that injury rates dropped significantly in the construction and manufacturing industries where the State agency, like the Federal OSHA, has concentrated inspection resources. This study, in examining the occurrence of certain types of injuries, demonstrates significant decreases in types of injuries that can be attributed to violations of specific OSHA standards, even though other types of injuries increased during the same period. For example, work-related strains and sprains rose 13 percent among California workers from 1973 to 1978. In injuries directly related to OSHA standards, however, there was a significant decline. Thus, despite a 20-percent growth in employment from 1973 to 1978, amputations dropped by 40 percent, injuries from explosions declined 28 percent, and injuries incurred in crushing accidents were 17 percent lower.

PROFESSIONAL TRAINING FOR COMPLIANCE OFFICERS

Senator SCHMITT. Senator Specter.

Senator SPECTER. One of the concerns that I hear voiced most often is the adversary relationship between OSHA and the companies where inspections are conducted and negotiations are undertaken.

My question is, do you sense from your side of the table this feeling of a very intense, if not bitter, adversarial relationship, as the feeling comes across from the business community?

Mr. ZEIGLER. I think it is fair to say that we have sensed that. We have worked very hard, with congressional approval, training and retraining our compliance officers, to be sure that they not only can recognize hazards and go into a workplace and do a professional safety and health job, but also that they can do it in a humane and reasonable way in terms of dealing with employers.

We have continued working on that. We know the job is not finished. We are using the training institute to work on that.

Senator SPECTER. Before you leave the aspect of training, what do you do specifically with your compliance officers to promote that kind of training?

Mr. ZEIGLER. Let me ask our director of training, Ms. Clinton Wright, to address the training of compliance officers.

Ms. WRIGHT. We would be happy to do that, sir. We do have a training facility that we operate near Chicago. Our compliance officers are trained in hazard recognition and how to enforce standards that are developed and promulgated by the agency. You might say, "What are some of the courses they are involved in?"

First of all, as Mr. Zeigler said, we want them to be professional in the way in which they do their job. We want to teach them the latest in scientific technology.

He also mentioned how to get along, how to present oneself to an employer. That training, as a matter of fact, has been underway for several years at the institute, on how to communicate with others, and how to present oneself in a professional manner. So various courses are being taught at our institute in Chicago.

Senator SPECTER. The focus of my question is not on hazard recognition or scientific technology, but to find out with as much precision as I can at the moment as to what is encompassed within your training program on "how to get along in a professional manner," as you put it: How many hours, what kind of reading material, the quality of the program?

Ms. WRIGHT. We have a course in human relations that is offered there. I would be glad to submit the material that we have in a brief summary of that course, sir, for the record.

Senator SPECTER. How long is the course in total for those who attend?

Ms. WRIGHT. I'm sorry. I don't have that immediately with me. I will submit that information for the record.

Senator SPECTER. How many of your compliance officers attend that course?

Ms. WRIGHT. All of them have to attend it. I would suspect at this time, unless they are very new, that they have been through it.

Senator SPECTER. How many do you have?

Ms. WRIGHT. Approximately 1,700 compliance officers now.

Senator SPECTER. What is the level immediately above compliance officers?

Mr. ZEIGLER. We have area office supervisors in some 90 places in the country, and then area directors above them, and then regional administrators.

Senator SPECTER. What courses, if any, are given to those three categories of OSHA personnel on this basic question of the so-called adversary relationship between OSHA and the employers?

Ms. WRIGHT. Sir, I would be glad to provide you very specific information on that. I don't have it with me here today.

[The information follows:]

HUMAN RELATIONS TRAINING

The Occupational Safety and Health Administration's comprehensive three-phase training program for compliance officers provides for the development of communications and human relations skills as an integral part of all courses. The initial 2-week course for OSHA's compliance officers—Institute No. 100-63—devotes 1 full day to a human relations overview, teaching the necessary skills to handle sensitive interactions with peers, employers, workers, legal officers, the public, and others. Planned on-the-job training emphasizes practical experiences in human relations, to apply, under supervision, the skills learned in formal training. As an extension of the initial compliance course, all compliance officers are required to take a 5-day course in communications and human relations—Institute No. 100-70. The objectives of this course are to acquaint trainees with basic communications theories and principles, personal communications, techniques of narrative and descriptive writing, and psychological concepts in human relations. Training in accident investigation—Institute No. 100-16—and civil law enforcement, emphasize interview techniques and the taking of witness statements in the context of handling sensitive interactions among those involved in this aspect of the compliance program.

In addition, most OSHA field supervisors are former compliance officers, and have received the basic communications and human relations skills training required of all OSHA compliance personnel.

INSTITUTE COURSES

I would like to advise that in addition to the institute courses our people also are required by Federal personnel regulations to take certain courses. So the persons that we talked about as supervisors and managers of the area offices and regional offices also are required to take other kinds of courses.

Our people also attend universities and colleges, on a part-time basis. It is more than just the courses that we have to offer at the training institute in Chicago.

Senator SPECTER. I would be interested to see whatever materials you have in toto which bears on this question, because my sense of what is going on out there, is that tremendous hostility exists. I would be interested to see an evaluation as to what is being directed along this particular line. As the chairman commented in his opening remarks, there is a feeling rampant not only in New Mexico but also in Pennsylvania, at least, about this kind of a subject.

I think to the extent that there is a focus on this factor—there is no disagreement anywhere on the objective of having healthful and safe conditions in the industrial establishments in our country. I think the relationships get off on a wrong foot and stay there because of hostility which comes up.

ADVERSARY RELATIONSHIP

I think that the relationship between the Government and the citizens generally is an adversarial relationship. I think that exists on all levels, not just OSHA. There is a greater duty on the part of a governmental agency in dealing with the citizens than one citizen has in dealing with another citizen. So I have a special interest in what you are doing and what may be done beyond that, which would help everybody.

Senator SCHMITT. I think the Senator makes an excellent point. It has certainly been my impression since entering upon this office 4 years ago that more and more of my constituents think they are in an adversarial situation with respect to their Government.

It is, as you have indicated, not just OSHA. Most of the caseload that we have, the project workload we have in my office in New Mexico, has to do with the people's perception of this adversarial relationship.

One of the purposes of our questions will be to try to determine where did we get off on the wrong foot. This shouldn't be. People should perceive that we are serving them, rather than inhibiting their normal activities. It is unfortunate that I think OSHA epitomizes in the public's mind where the relationship has gone wrong.

In that respect, do you think maybe had OSHA been geared more to a training informational exchange, even vocational kinds of training efforts, rather than an enforcement effort, that we would have seen a better relationship develop between OSHA and the people that you are working with?

Mr. ZEIGLER. I think our collective judgment really is that enforce-

ment is needed. But we need to do a better job with training and with auditing our compliance officers earlier in our program. Over the last couple of years, we have turned the intensity up, and maybe not with total success, sir. There were some years that went by before we really got into an extensive training effort.

Senator SCHMITT. You are saying that maybe your experience has told you that we got the cart before the horse; maybe we should have spent more time early on trying to persuade the free enterprise system to look more carefully at safety and health standards, rather than coming in and ordering them to, without prior consultation.

Mr. ZEIGLER. What I was really trying to say is that we needed to do a better job with our own people, before they started going into work sites some 9 or 10 years ago.

Senator SCHMITT. You are also showing an increase in compliance assistance, which tells me that within your own organization you are starting to say, "Maybe we ought to work more with the employers."

Mr. ZEIGLER. Absolutely.

COMPLIANCE OFFICER QUALIFICATIONS

Senator SCHMITT. With respect to hiring compliance officers, what do you look for? What are the general criteria that have been established to qualify for that job?

Mr. ZEIGLER. We look for, really, in the field of industrial hygiene, we look for a bachelor's degree in industrial hygiene or toxicology; hopefully a master's degree in industrial hygiene.

Basically, in the area of safety, we hope to get a bachelor's degree or appropriate training in the area of safety engineering and hazard recognition and so forth.

Mr. MILES. I think that's right. We actually hire primarily three types of people: One is the industrial hygienist, who comes to us with a bachelor's degree. We have a good number with master's degrees. We have a few Ph. D.'s. The second category is safety engineers who come to us with an engineering degree. We have several with master's degrees in engineering. And then we have safety specialists, who are people with years and years of safety experience. We hire them based on the experience they have.

These are normally the three types of people that we hire for our field staff. We hire off the OPM registers and the regular recruiting-type registers.

INDUSTRIAL EXPERIENCE

Senator SCHMITT. You finally got around to mentioning experience. I was afraid you weren't going to come up with that. How about experience in the workplace? Is there a requirement that people hired for these jobs, must have spent a certain amount of time actually employed in a particular industry in which they are going to work?

Mr. MILES. We hire at different grade levels. We do hire people that are experienced in the area of safety-health. We hire, at lower levels, people who come right out of school with a college degree.

Senator SCHMITT. I have heard about some of them. That's one of your problems. I remember when I just came out of college, too. But I

don't want to discriminate against anyone getting a job for your particular function. One reason you have a problem is you have sent people who are totally inexperienced in the area of compliance they are trying to enforce, into the workplace.

Mr. MILES. The people that we hire right out of school aren't sent right into the workplace when we first hire them.

We have a 3-year training program we put our new people through. We bring them on slowly, with up to a year, usually, working with another compliance officer. After that we send them out on their own, but we send them out to make inspections of a limited nature before we send them into areas that we consider to be complex. It would take a compliance officer several years to determine what a complex industry really does and what types of hazards are associated with it.

Senator SCHMITT. Whether there are 3 years or not, the impression many employers have is, that you have sent totally inexperienced people into the workplace. With whatever degrees they may have, they don't know the business they are trying to inspect.

Mr. MILES. Our people would not necessarily have to know the specific type of operation they are inspecting with all of the various businesses in the United States. We teach them generalized hazard recognition of safety and health items. Unguarded chains or sprockets in a grain elevator may be the same as in a meatpacking plant or somewhere else.

We get some criticism because they say the person has never been in a meatpacking plant before, and here he is making an inspection. But he does have the basic techniques of safety hazard recognition, and toxic substance recognition.

EVALUATING PERFORMANCE

Senator SCHMITT. What do you do in order to periodically evaluate the performance of compliance officers? When I was a pilot associated with NASA, and prior to that, for a year with the Air Force, we had what was called stand-eval. Stand-eval is a standardization and evaluation of your performance against a general standard, not necessarily a rigid standard, but a general standard.

Do you have such a system to periodically evaluate your employees?

Mr. MILES. Yes; by the way, I am a pilot, so I do know what you are talking about.

Our supervisory compliance officers go on company visits where they evaluate each compliance officer twice a year. In each of our 10 regions we have regional audit teams to audit area offices. In doing this, they go with the compliance officers on an inspection. They also review case files. In some cases, the auditors do spot checks behind the compliance officers.

Then we also have a national office audit team which periodically does spot-check inspections on our compliance officers. This is to assure that we don't have people out there that may be doing something wrong.

I will say, in reference to Senator Specter's comment awhile ago, that when we pick up a compliance officer on a spot check or a company visit who has been overpowering, rude, or trying to strong arm the public, then we take proper disciplinary action against him.

We do investigate all of the allegations made when a Senator sends a letter and says one of his constituents is concerned about the treatment of his clients and the way our compliance officer acted in his facility. We do check these out and where the facts are such that he was abusive, then we take the proper disciplinary action.

Senator SPECTER. How do you make that determination, as a practical matter? Doesn't it invariably arise in a situation where an employer makes a complaint, and the questioning of the compliance officer is a head-on denial as to the specific alleged abusive language?

Mr. MILES. That's true. This may occur if it only happens once or twice. If he goes to two or three employers, and we get three complaints, we are pretty sure there is truth to the complaints.

Senator SPECTER. Three strikes and you're out? Two strikes and you're OK?

Mr. MILES. There are other people involved. It's not only the employer and the compliance officer. There are employees in the workplace. We talk to them and find out if this was true, that he was rude and abusive in his actions. This would tend to substantiate what the employer claims.

Just as in a court. It is my word against your word. We would have trouble proving what occurred. But we often have other people who witnessed the scene or are aware of the facts.

Senator SPECTER. Can you give us any idea, either statistically or otherwise, the number of disciplinary proceedings that have arisen on abusiveness in that respect?

Mr. MILES. I can try to go back and find that for you and submit it for the record.

[The information follows:]

DISCIPLINARY ACTIONS TAKEN BY OSHA IN RESPONSE TO COMPLAINTS FROM THE PUBLIC

Since the effective date of the Occupational Safety and Health Act in April 1971, the following disciplinary actions have been taken in response to complaints from the public:

Disciplinary action:	*Number taken*
Current investigations by Office of the Inspector General	3
Oral admonishment	14
Written reprimand	7
Suspension	2
Downgrading	2
Resignation in lieu of disciplinary action	1
Medical retirement in lieu of disciplinary action	1
Separation—Multiple charges including behavior	6
Total	36

INVESTIGATION

Senator SPECTER. It doesn't require a letter from a Senator to get an investigation?

Mr. MILES. No; it does not. If we get a complaint from an employer that says, "Joe Blow was out here, and he was very rude to me, and I was not treated in a proper manner," we will send someone out to investigate it. We are interested in our approach to the public. We have

received a lot of criticism in the past. Some was true and some was not. We do try to track these down and determine what the truth of the situation is.

Senator SPECTER. I appreciate that. I think the system has to accommodate to that kind of inquiry. By and large, the inquiries which I have seen conducted are usually not fruitful. That is why I would place the emphasis on a training program and overall policy of prevention, as opposed to one of discipline—although I do think you have to have those kinds of inquiries nonetheless. And I appreciate the approach of saying, when there is a repetitive complaint that comes in, that there is more of an evidentiary base for some kind of discipline or action.

Have you yielded to me further, Mr. Chairman?

Senator SCHMITT. Proceed.

VARIANCE PROCEDURES

Senator SPECTER. I have a few more questions which I would like to ask. Can you at least generalize on the approach of OSHA on a requirement for a change, corrective order, in the face of the contention by an employer that that kind of a modification would seriously impair the ability of the employer to go forward with his business, or perhaps even put him out of business?

Mr. ZEIGLER. Yes; we do have a procedure. Let me ask Dr. Bell to address that.

Dr. BELL. We have a procedure whereby an employer can make a request to the agency for a variance to a given standard. His request should provide information to indicate that the program outlined is at least as safe and healthful as the provisions of the standard. If it happens to be a health-related situation, it is very likely that the technical aspects of the request will be evaluated by physicians on the technical support staff. If it happens to be a safety-related situation, the conditions supplied will be evaluated by the engineers on our science and technology assessment staff.

In many cases enough information is not submitted to make a judgment, and at that point we request our assistant regional administrator for technical support in 1 of the 10 regions, depending on where the request came from, to actually go in and make a variance inspection, to work with the employer. And on several occasions we have actually worked with the employer to better adapt his program to safety and health needs.

GENERAL MOTORS AND CHRYSLER CORP.

I think some typical examples would be recent variances granted to the General Motors and Chrysler Corp. in regard to workers in the solder-grind operations. It was not possible in those areas—at least not economically and technologically feasible at the present time, under current conditions—to eliminate those operations. So it became reasonable that we should attempt to adapt provisions as outlined in given protocols so the workers would indeed be safe. I think we were very successful in those cases.

Senator SCHMITT. Were you in those situations able to meet the standard which you just articulated as safe, by the alternative route?

Dr. BELL. The standards in question were lead and arsenic. And I think, as taken from an overall position, the variance that was granted is at least as safe and healthful as provisions outlined in the standards.

Senator SPECTER. I hear complaints from time to time that if the employer is compelled to do what OSHA wants, that the employer will be driven out of business. Obviously, that is an attitude which has to be very closely monitored, because it is easy to say that.

Do you know or have any statistical base for determining whether the OSHA requirements have put employers out of business?

Dr. BELL. Right offhand I can't give you examples. I would have to go back to the staff and attempt to gather information. I don't have those answers. I will indicate that we do have a directorate of technical support, and the people within that directorate—it was established about 3 years ago, so it is relatively new—have been upgrading the technical expertise within the agency. We have been finding that employers are coming to us on a regular basis. Various labor representatives are coming to us. We are able to sit down with these people and usually come to a reasonable solution.

Senator SPECTER. I think it would be very illuminating if you could tell us statistically how many people come to you for this type of variance. And if you could break down within that category those you cannot accommodate with a variance where the employer represents that insistence by OSHA will drive that employer out of business.

And then the followup question, whether employers actually do have to go out of business, because it may well be that some conditions are so unsafe as not to be tolerated. It also would be worthy of some scrutiny, I think, if you were able to respond by showing OSHA requirements which do compel an employer to go out of business or some sort of evaluation made by the Congress or the staff.

Dr. BELL. I would be pleased to provide the record of the variance office to you. Most requests for variances do not result in variances, but rather, interpretations of standards. On many occasions, the requests that come in and the answers that are given are compatible with the employer to the point that he is in compliance with a given standard, and really does not need a variance; he needs an interpretation.

Senator SPECTER. That is another way of providing the latitude for the employer to keep going with his current practice? A modification which he can accommodate to without severe impact on his operation.

Dr. BELL. Sometimes he simply doesn't understand that he is in compliance, or could be in compliance, with the standard as written. In a way, it becomes a consultation effort with an employer. I think it is very good.

[The information follows:]

VARIANCES TO STANDARDS

The agency has no reliable means of knowing whether a firm has gone out of business as a direct result of its inability to comply with OSHA's occupational safety and health standards, or due to a combination of factors that may create a marginal operating situation. Very few, if any, business closures have been strictly attributable to OSHA's standards. No applications for a variance from a standard have been received from employers explicitly to avoid going out of business.

Variance orders may be temporary, to allow an employer additional time to come into compliance, or permanent to allow an alternative method, system, or process which is at least as effective as the standard from which the variance is sought. Usually, a variance applies to only a portion of a standard. Many standards, such as those for noise and air contaminants, provide for the use of alternative measures when it can be shown that technical methods, such as engineering controls, are not feasible in a particular situation.

Status of variance applications—April 1, 1971–December 31, 1980

Processed to completion	278
Variance granted	92
Application denied	186
Application withdrawn	1,054
Standard clarified/variance not needed	780
Standard modified/variance not needed	28
Standard revoked/variance not needed	38
Applicant failed to respond to follow up	107
Miscellaneous	101
In process	7
Undergoing technical review	4
Published in the Federal Register and awaiting other administrative action	3
Total number of applications completed and in process	1,339

LITIGATION

Senator SPECTER. One more question, Mr. Chairman, and that is along the same line: Do you have statistics which show your litigation success? That is, when you draw the battle lines, and OSHA and the employer contest the matter and the various procedures before the administrative law judge, and then on up to your commission, et cetera, before you get to the courts?

Dr. BELL. I will bounce that question to Mr. Hynan.

Mr. HYNAN. I recall supplying the figures regarding court of appeals litigation. But on litigation before the review commission, I do not have the answers now. I will see if they can be developed or if they now exist.

Senator SPECTER. Before the board of review? Before the administrative law judge?

Mr. HYNAN. Both before the judges and before the commission itself. There is an appeal to the commission after the judge's decision.

Senator SPECTER. Then it goes to the commission, and then to the court of appeals.

Mr. HYNAN. Right.

Senator SPECTER. Sometimes it goes to the U.S. Supreme Court?

Mr. HYNAN. Yes.

Senator SPECTER. There is a review line before it goes to the administrative law judge, where it goes to your compliance officers?

Mr. HYNAN. No; not exactly.

Senator SPECTER. Your area director?

Mr. HYNAN. The decision to issue a citation from the compliance officer is reviewed by the area director, and if necessary the regional administrator, before the citation is issued. If an issued citation is con-

tested by the employer, this contest begins the litigation process. That is once the citation is issued, then it is a matter of whether the employer wants to contest it, and then it goes to the administrative law judge, and then to the commission.

Senator SPECTER. While you are compiling these statistics, I would be interested to know how many—if this is not confidential—how many matters you refer to the Justice Department for prosecution on criminal provisions, and how many they act on, and what happens to those cases by way of conviction-acquittal.

Mr. HYNAN. We will make that available.

Senator SCHMITT. You are asking for generalized information, aggregate information, not specific cases?

Senator SPECTER. I am not interested in specific cases. I would like to know the total number referred to the Justice Department, how many they return indictments on, and what happens to those cases.

Thank you, Mr. Chairman.

[The information follows:]

OSHA LITIGATION RECORD

I. STATUTORY PROCESS

Under the Occupational Safety and Health Act, OSHA compliance officers conduct workplace inspections and, if violations are found, issue citations which include abatement requirements. In some cases, civil monetary penalties are proposed. An employer—and regarding abatement dates, a union—may contest the citations and penalties before the independent Occupational Safety and Health Review Commission—OSHRC. After an evidentiary hearing, an initial decision is issued by an administrative law judge—ALJ—of the OSHRC. Thereafter, the Commission in its discretion may grant review of the ALJ's decision in response to a petition filed by the aggrieved party, or on its own motion, and may reverse, modify, or affirm that decision. Appeals from OSHRC decisions or ALJ decisions which have become final orders may be filed by an aggrieved party with U.S. courts of appeals. The statistics provided below deal only with litigation involving citations, and not with litigation involving the validity of OSHA rulemaking, or dealing with section 11(c) of the act, which prohibits discrimination against employees for exercising their rights under the act.

II. ADMINISTRATIVE LAW JUDGE DECISIONS

No precise statistics are currently available which characterize OSHA's litigation experience in terms of a win or loss record. Indeed, it would be very difficult to develop precise statistics since an OSHA citation normally involves numerous violation items, and the ALJ's or the review commission, while affirming the citation's abatement requirements, often modify other aspects of the citations, e.g., reduce the penalties, or change the characterization of the violation.

Based on certain assumptions, discussed below, it is calculated that the Department of Labor's win record before the review commission's ALJ's is approximately 92 percent of contested cases. The basic assumption underlying this statistic is that where, as a result of litigation, abatement of a hazardous conditon is required by an order of the commission in a manner substantially identical with that which would have been required in the original citation, the case is considered a win. Thus, if the case is settled by the parties with the abatement requirements substantially intact, it is considered a win. Similarly, a case is considered a win even if some items of the citation are vacated or some are modified, so long as the overall abatement ordered is substantially the same as that which would have been required by the citation.

III. REVIEW COMMISSION ADJUDICATION

Of those cases in which review was granted and the cases were briefed before the review commission, the Department of Labor has won 75 percent. This includes affirmance of favorable ALJ decisions, as well as reversals of ALJ decisions vacating OSHA citations.

IV. COURT OF APPEALS REVIEW

Between 1973 and 1978, a representative period covered in detail by an analysis published in the "Chicago-Kent Law Review," there were 137 cases in which U.S. courts of appeals issued decisions in cases reviewing orders of the OSHRC. Six of these cases were won in part by the Department of Labor, and in part by the employer involved. In the two cases filed by unions, one was won and one was lost by the union. Of the remaining 129 appellate cases, OSHA prevailed in 88—a little over 67 percent of the total number of cases. For a full analysis of OSHA's experience in appellate court reviews of commission decisions, see the "Chicago-Kent Law Review," vol. 56, 1980, No. 2.

V. CRIMINAL ACTIONS

During the years 1978 to the present, OSHA has referred 24 cases to the Department of Justice for consideration of possible criminal prosecution. Of the 24 cases, the Justice Department decided not to prosecute 8 cases, 12 are still pending in the Department of Justice, and 4 cases resulted in indictments. Of the four indictments, one case resulted in convictions of the defendants, in one case the defendants were found not guilty, and two cases are awaiting trial.

PERCENTAGE OF BUSINESSES INSPECTED BY OSHA

Senator SCHMITT. Surely. Let me make sure that the subcommittee understands what percentage of the businesses are actually inspected on an annual basis. Businesses of the country. What is that, 2 percent?

Mr. ZEIGLER. About 2 percent by OSHA, not including State program inspections.

COST STUDIES

Senator SCHMITT. So, the information you provide us needs to be viewed against the background of what you are doing. Do you make any spot efforts to evaluate the cost benefit of a particular compliance action?

Anyone can answer. Do you see what I am saying? What does it cost you to undertake a particular case, and what has been the benefit of having done that? In some quantitative terms, what has been the cost to the employer to comply?

Mr. MILES. Normally, in our day-to-day enforcement, we don't attempt to do that. Usually the cost analysis is done when the standard is promulgated. We don't do that on a normal basis. Some employers tell us what the abatement costs are. Then we have some idea of what it costs to correct it.

Senator SCHMITT. How do you make an evaluation during the promulgation of a particular standard, of what the cost to a particular industry or group of industries might be?

Dr. BELL. We begin by conducting what we call a phase 1 study, and that study helps us to generate data in regard to the technology in a given industry or industries in relation to whatever that regulation might be. The evaluation and data are gathered and brought to our Office of Regulatory Analysis. We make an assessment, usually through the data-gathering, and then the assessment is made by our economic people in-house, in regards to how it might impact a given industry. I am having a little difficulty. And I guess I need to get specific.

If we were looking at conveyors and possible regulation of conveyors, we would attempt to gather data from many industries using conveyors, and then try to extrapolate the cost of the regulation that would be written as a result of the standard to be promulgated.

Senator SCHMITT. You do that through hearings, or through your own research staff?

Dr. BELL. There are hearings. We have a procedure for that. What usually happens is that we do prepare the industry profile, and we also publish in the Federal Register a request for information to be submitted on the given subject.

We then publish an announced proposal for rulemaking, after which public meetings are held. Then we define the scope, application, and alternative provisions that might be provided in lieu of the proposed standard.

The various alternatives are then costed, or an attempt is made to gather information to determine the cost. We publish a draft regulatory analysis at that point.

Senator SCHMITT. Does it include your cost analysis?

Dr. BELL. Of the alternatives; yes.

Senator SCHMITT. And of what you are proposing?

Dr. BELL. Yes.

Senator SCHMITT. It is available for public comment then, also?

Dr. BELL. It is published and is available; correct.

WORKER SAFETY AND HEALTH IN OTHER COUNTRIES

Senator SCHMITT. Are there any analyses made of safety and health in comparable industries in other countries? Do you ever look, say, at the auto industry in Japan and see how they are doing with respect to health and safety?

Dr. BELL. It depends on the issue. We have had people observing the auto industry in Japan.

Senator SCHMITT. Do they have a law similar to OSHA in Japan?

Dr. BELL. They do have an organization for safety and health. Perhaps Mr. Hynan would like to comment on that.

Mr. HYNAN. Yes; Japan has an OSHA, and it is modeled to some extent on the U.S. law. So is the English OSHA. Germany's OSHA law has borrowed from the American OSHA, too.

Senator SCHMITT. Too bad that doesn't appear in our balance of payments. [Laughter.]

Mr. HYNAN. You mentioned automobile plants. Ms. Wright, I, and others inspected an automobile plant in Mexico. We have had a number of visits to Mexico and exchanges of information, examination of their program, and vice versa with Mexican officials visiting the United States for OSHA purposes.

Senator SCHMITT. Are there any statistical comparisons available for the other countries you have mentioned? How are we doing relative to them?

Mr. HYNAN. I do not know that. I think the statistics may be available for the more industrialized nations, such as Sweden or West Germany. I will see if they are. If they are, I will furnish them.

Senator SCHMITT. That would be useful to the committee.
[The information follows:]

INTERNATIONAL STATISTICS ON WORKER SAFETY AND HEALTH

The only consistent series of international statistics on occupational injuries, readily available, are those published in the International Labour Organization's "Yearbook of Labour Statistics, 1979." Only fatal industrial accident rates are provided. Deaths resulting from occupational diseases or commuting accidents are normally not included. Industries covered are mining and quarrying, coal mining, manufacturing, construction, and railways.

In 1973, a joint study on occupational injuries and illnesses was undertaken by the U.S. Department of Labor and the Ministry of Labour, Japan. Study results were published by OSHA entitled, "Occupational Safety and Health in the United States and Japan." Detailed statistics on Japan can be found in the "1979 Annual Report of the Japan Industrial Safety Association for Fiscal 1978."

A document prepared by the Pan American Health Organization, entitled, "Occupational Safety and Health in Latin America and the Caribbean," underscores the serious lack of data for international comparison purposes.

In general, international comparisons of occupational injuries and illnesses, even if the data were available, are so encumbered with problems that specious inferences would result from superficial study of them. Valid comparisons of the statistics of two or more countries must carefully take into account differences in underlying legislation; definitions of occupational injury, illness, fatality, and/or accident; industry and occupational classifications; recordability and reporting requirements; survey methodology; and estimation procedures. To obtain this precise information, individual country studies would have to be undertaken.

COLLECTIVE BARGAINING

Senator SCHMITT. There have been accusations that in some industries the compliance procedure has been used to accomplish actions that were not accomplished during contract negotiations between management and labor. Would you care to comment on that?

Mr. MILES. We evaluate the situation. We would have to decide if an unsafe condition existed or not. Generally, we try not to get involved in any labor-management negotiations.

Senator SCHMITT. Yes; but after the fact, when the negotiation has not been successful. The union and management negotiators have agreed to a particular contract, with some issues not resolved to the satisfaction of either labor or management, nevertheless, a contract has been signed. There have been accusations then, that the next step, is a complaint is filed, and the OSHA compliance officer then forces management into the position that had already been negotiated out of the original contract.

Mr. MILES. If it is an employee complaint under the act, we have to respond. If it is an unsafe condition, we would be required to cite that condition.

Senator SCHMITT. Do you involve yourself, effectively, although not directly in the negotiating process?

Mr. MILES. We respond to the complaint. It may be the fallout of the negotiations, but we are responding to a complaint.

Senator SCHMITT. Doesn't this undercut the collective bargaining process?

Mr. MILES. I don't feel it does. If it is an unsafe condition that exists and people are exposed to a hazard, then we are mandated by the act to try to get the hazard corrected.

Senator SCHMITT. The normal collective bargaining process cannot guarantee that unsafe conditions are dealt with.

Mr. MILES. I think in many cases there are many safety and health violations corrected through collective bargaining. Eventually, somebody will have an incident where it is not corrected, and will file a complaint with OSHA.

Senator SCHMITT. Why isn't there a better way to handle the safety and health problems in industries, at least in industries that are organized, in the collective bargaining process?

LABOR MANAGEMENT COMMITTEES

Mr. FRODYMA. The preamble to the act encourages OSHA to foster labor-management relations. There are some experiments we have now to try to use a joint labor-management committee, not necessarily the collective bargaining process, but the joint labor-management committee concept to address safety and health—bring in OSHA only as a court of last resort, but let management and labor resolve their problems through the committee process.

There is one experiment that is underway now, and has been for some time in California, a big nuclear powerplant construction project. In fact we have just recently inquired of our field offices if they know of committees that are already in existence that address the safety and health issue as part of the normal collective bargaining process. We have identified 70 or 80 instances where companies have these projects in existence. But here again the Federal Government is intervening—both labor and management are reluctant to participate in this at the request or the instigation of OSHA. So we are proceeding to see if in fact we can get these things going.

As another means besides simply enforcement—to add another mechanism for addressing safety and health issues—the labor-management committee seems to be a viable process, but we really don't know how effective it is going to be. So we are doing some work in that area.

Senator SCHMITT. Did you have a comment?

Mr. HYNAN. Apart from the fact that the statute sets up an independent program to secure a safe and healthful workplace, and apart from collective bargaining or other activities that may be happening outside the program—tort lawsuits and so forth. Just as a historical point I might mention that one of the reasons given for the enactment of OSHA, about 10 years ago, was that collective bargaining was by and large inadequate to provide safe and healthful working conditions.

How true that was, how extensive that failure, I am not able to say. I do recall that over and over again in the legislative development of the OSHA statute that point was mentioned. In fact, there was a phrase that summed it all up, and that was, "in collective bargaining safety and health comes after coffeebreaks."

Again, I have no judgment on that. Apparently, however, that was one of the major reasons the law was enacted, because collective bargaining wasn't adequate. But, that was 10 years ago; maybe today it is somewhat different.

Senator SCHMITT. Since you are mainly trying to protect the worker in the workplace, it is interesting that, in the collective bargaining process,

management and labor's perception of safety and health comes after coffeebreaks as a priority.

Mr. HYNAN. That is what the saying was.

Senator SCHMITT. If your story is accurate?

Mr. HYNAN. The story is accurate. Whether the judgment behind it is, I don't know. [Laughter.]

STATE ENFORCEMENT PROGRAMS

Senator SCHMITT. Ladies and gentlemen, if one were to establish sort of a revised model for OSHA which would begin to deemphasize Federal enforcement activities in favor of the supportive State enforcement activities, and simultaneously increase the emphasis on compliance assistance, vocational training, and other kinds of activities related to the workplace and labor-management councils, or other types of councils, what would be the impact of such a change in the structure of the OSHA program?

Mr. FRODYMA. I think that was the situation prior to the passage of the OSHA Act. Each State was left to conduct its own enforcement program as it saw fit, or if it didn't see fit to have——

Senator SCHMITT. I am not saying you don't have certain standards, but that the management of the program would be at the State level. You may have national standards. I am not arguing that point.

Mr. FRODYMA. There are some programs in States now. We have some 23 or 24 States that run their own programs. I think the experience amongst them is varied. Some State programs seem to be more effective than others.

If you are going to turn the whole thing over to the States, you still need to have some monitoring process, some mechanism to see some level of competence so that the workers would have some protection.

We do already have the section of the program that lets the States take authority if they so desire. Only some 23 have chosen to do so.

Senator SCHMITT. You have been very reluctant to let the fledgling out of the nest. You have probably received correspondence from me on that subject.

Mr. FRODYMA. Yes, sir.

Senator SCHMITT. So, you have ultimate faith in the good judgment of representative government and the bureaucracy at the Federal level and you don't have such faith at the State level.

Mr. FRODYMA. No, sir; I think there are some States where the level of performance seems to vary depending on the degree of emphasis the State has, the degree of involvement the State wants to put into the programs. I really don't know where New Mexico fits in that spectrum.

The act as it now exists does let the States, if they so desire, run their own programs. I don't see what changes are required.

Senator SCHMITT. Is there a way in which we can develop a lower cost Federal mechanism that will encourage the States to take on these responsibilities and exercise them in a responsible way, while at the same time reorienting the Federal effort toward assisting in the training and technical compliance activities? You are starting to head in that direction to some degree now anyhow.

Mr. ZEIGLER. Mr. Chairman, I am sure that is an issue that Secretary Donovan and the new administrator of OSHA will look at.

Senator SCHMITT. I am sure they will. I thought since you are the professionals you could tell me the impact. Just because I asked the question doesn't mean we are necessarily going to recommend that. Part of our job is to not only reduce the level of Federal spending where it is appropriate to do so but increase the effectiveness of programs. I think we can do both in many areas if we are just willing to learn from the past.

If you have any further thoughts on that general model that I have presented to you, I would appreciate having them for the record.

SMALL BUSINESSES

In 1979, according to my information, 30 percent of all OSHA inspections were conducted in businesses with 10 or fewer workers, even though these firms represented only 17 percent of the work force. Do you think this is an appropriate allocation of OSHA resources?

Mr. MILES. First let me say I believe that those numbers are misleading. The way we were collecting inspection data in our management information system pertaining to small businesses——

Senator SCHMITT. The numbers I have mentioned on a couple of other occasions, the source of those numbers is the CRS. If you have numbers on any of these statistics that you would prefer to have us include in our record, don't hesitate to do so.

Mr. MILES. I would like to submit for the record what we believe represents a more accurate count of inspections of small businesses. Last summer we noted that some of our records were not accurate on some of those things. There was misinformation on the number of inspections in small businesses. Our field people were checking the number of workers at the worksite on the particular day that they were there, and we may have had IBM or General Electric or another large company that had only two employees at that site. This was counted in that number of businesses with 10 or fewer employees.

The number is considerably less than the number you quoted here, and I will try to get the number submitted for the record as to what it actually was for fiscal years 1979 and 1980 also.

[The information follows:]

INSPECTIONS OF SMALL BUSINESSES

The information previously supplied to the Committee on OSHA inspections, by size of establishment, was based on inspection reports recording the number of workers employed at the worksite during the inspection. Inspections of a single establishment or worksite, owned or operated by a large, multi-establishment corporation or chain operation, were therefore counted as inspections of small businesses if relatively few workers were employed at the particular worksite. For inspections of construction jobsites, operations under the control of each independent subcontractor were counted as separate inspections. "Establishment size" was determined by the size of the work crew employed by the subcontracting firm at the jobsite, regardless of the number of employees actually employed by the subcontracting firm.

A more accurate measure of the employment size of inspected businesses is obtained by reporting the total number of employees controlled by the employer at all locations, not limited to employees at the inspected establishment or worksite. Total employment is recorded in the following size-groups: 1-19, 20-99, and 100 or more employees. Until recently, the method of coding these data for inspection reports did not permit a separate breakout of businesses with ten or fewer employees at all locations. Differences between the totals for inspections reported by these size-groups, and all inspections reported during fiscal years 1979-80, are due to the omission of the employment code on some inspection reports, especially during FY 1979.

As can be seen from the accompanying charts for fiscal years 1979 and 1980, approximately 30 percent of OSHA inspections were conducted in establishments where the total number of employees controlled by the employer was less than twenty. The percentage of inspections where the employer had ten or fewer employees would be significantly less than 30 percent, and probably less than 15-20 percent.

Charts 1-3 show the distribution of inspections in each employment size-group by industry and inspection type. When the smallest size-group is analyzed, the charts indicate that 4,010 of the 15,798 inspections in FY 1979 were complaint inspections, and 527 were accident investigations. Another 2,874 were follow-up inspections. Thus, 47 percent of the inspections in this size-group were not programmed, but were classified as "mandatory" inspections.* In FY 1979, 8,387 inspections in the smallest size-group were "programmed" (administratively scheduled), amounting to 53 percent of the inspections in this size-group, and 15 percent of all inspections. In FY 1980, programmed inspections amounted to 66 percent of the inspections in this size-group, and 20 percent of all inspections. (Chart 4.)

* A "mandatory" inspection is an inspection required by section 8 of the Occupational Safety and Health Act (employee complaints), or national policy (fatalities and accidents involving 5 or more workers hospitalized, and follow-up inspections to insure correction of serious violations within a specified abatement period). The mandatory nature of certain complaint and other inspections is currently being reviewed.

A further analysis can be made of these programmed inspections in the smallest size-group. Nearly 60 percent (4,985) in FY 1979 and 71 percent (8,941) in FY 1980 were inspections of construction jobsites. The construction industry, with about 5 percent of the Nation's employment, suffered 19 percent of the recorded workplace fatalities in 1979 (the most recent year for which data are available), and experienced a disabling injury rate 70 percent above the average for the private sector. Moreover, many jobsites in the construction industry simultaneously involve a number of independent subcontractors. OSHA's policy is to inspect all employers on construction jobsites, including subcontractors who may individually employ only a small number of employees, and to count each of these as a separate inspection.

The construction industry, and particular sectors of other industries such as agriculture (migrant labor housing), mining (oil and gas wells), and manufacturing, have been identified as high hazard or special emphasis areas even though they may be a subpart of a larger industry category having a relatively low injury rate. Included in the "trade and finance" industry classification, for example, are building materials dealers with high injury rates associated with sawing, milling, and materials handling operations, and a variety of "captive" types of employment that involve specific hazards. Also, many of the inspections in industries with relatively low injury rates were inspections for possible health hazards, for example, asbestos in auto repair shops within the "services" classification.

When high hazard industries are eliminated, the percentage of programmed inspections in FY 1979 dropped to 4 percent of the inspections within the less-than-twenty size-group, and 1 percent of all inspections. In FY 1980, these programmed inspections of small firms in low hazard industries amounted to only 2 percent of the inspections in this size-group, and less than 1 percent of all inspections, respectively. (Chart 5.)

Chart Number 1:

INSPECTIONS BY SIZE-GROUP: Number of employees controlled by employer: 1 - 19 Employees.

FY 1979

INDUSTRY:	Accidents	Complaints	Follow-ups	Programmed	Total
Agriculture	22	64	40	361	487
Mining	23	36	8	37	104
Construction	260	956	782	4,985	6,983
Manufacturing	87	1,445	1,455	2,350	5,337
Transportation	29	162	72	264	527
Trade & Finance	58	682	327	244	1,311
Services	47	657	187	143	1,034
Government	1	8	3	3	15
TOTALS	527	4,010	2,874	8,387	15,798

Percentage of FY 1979 Inspections in this Size-Group: 28%

FY 1980

INDUSTRY:	Accidents	Complaints	Follow-ups	Programmed	Total
Agriculture	19	57	40	485	601
Mining	25	27	13	96	161
Construction	255	636	1,065	8,941	10,897
Manufacturing	103	1,159	1,362	2,547	5,171
Transportation	30	115	58	111	314
Trade & Finance	74	460	222	163	919
Services	34	467	145	171	817
Government	0	2	0	3	5
TOTALS	540	2,923	2,905	12,517	18,885

Percentage of FY 1980 Inspections in this Size-Group: 30%

Chart Number 2:

INSPECTIONS BY SIZE-GROUP: Number of employees controlled by employer: 20 - 99 Employees.

FY 1979

INDUSTRY:	Accidents	Complaints	Follow-ups	Programmed	Total
Agriculture	18	39	55	495	607
Mining	45	38	22	62	167
Construction	237	899	632	4,409	6,177
Manufacturing	158	2,940	2,444	2,796	8,338
Transportation	60	358	124	277	819
Trade & Finance	52	793	240	130	1,215
Services	38	442	93	93	666
Government	0	8	3	4	15
TOTALS	608	5,517	3,613	8,266	18,004

Percentage of FY 1979 Inspections in this Size Group: 32%

FY 1980

INDUSTRY:	Accidents	Complaints	Follow-ups	Programmed	Total
Agriculture	16	43	37	390	486
Mining	38	49	26	136	249
Construction	256	789	874	7,425	9,344
Manufacturing	173	2,463	2,620	3,792	9,048
Transportation	44	249	78	192	563
Trade & Finance	34	569	208	123	934
Services	41	331	89	104	565
Government	0	4	0	1	5
TOTALS	602	4,497	3,932	12,163	21,194

Percentage of FY 1980 Inspections in this Size Group: 33%

Chart Number 3:

INSPECTIONS BY SIZE-GROUP: Number of employees controlled by employer: 100 + Employees.

FY 1979

INDUSTRY:	Accidents	Complaints	Follow-ups	Programmed	Total
Agriculture	11 *	35	10	170	226
Mining	63	40	18	82	203
Construction	240	988	425	2,585	4,238
Manufacturing	550	6,417	3,802	2,963	13,732
Transportation	111	997	245	498	1,851
Trade & Finance	50	777	217	124	1,168
Services	41	621	105	93	860
Government	2	9	1	15	27
TOTALS	1,068	9,884	4,823	6,530	22,305

Percentage of FY 1979 Inspections in this Size Group: 40%

FY 1980

INDUSTRY:	Accidents	Complaints	Follow-ups	Programmed	Total
Agriculture	12	36	13	106	167
Mining	72	43	36	157	308
Construction	270	946	578	4,268	6,062
Manufacturing	572	5,578	3,711	3,587	13,448
Transportation	119	855	209	315	1,498
Trade & Finance	57	634	179	99	969
Services	41	573	95	95	804
Government	0	3	0	5	8
TOTALS	1,143	8,668	4,821	8,632	23,264

Percentage of FY 1980 Inspections in this Size-Group: 37%

Chart Number 4:

INSPECTIONS BY SIZE-GROUP: Programmed inspections as a percentage of all inspections.

	FY 1979 Inspections		FY 1980 Inspections	
Size-Group:	Programmed Inspections	Percentage of Total	Programmed Inspections	Percentage of Total
1-19	8,387	15%	12,517	20%
20-99	8,266	15%	12,163	19%
100 +	6,530	12%	8,632	14%
All Sizes	23,183	41%	33,312	53%

Chart Number 5:

INSPECTIONS BY SIZE-GROUP: Programmed inspections in low-hazard industry classifications as a percentage of all inspections.

	FY 1979 Inspections		FY 1980 Inspections	
Size-Group:	Low-Hazard Programmed	Percentage of Total	Low-Hazard Programmed	Percentage of Total
1-19	654	1%	448	0.7%
20-99	504	1	420	0.7%
100 +	730	1	514	0.8%
All Sizes	1,888	3%	1,382	2.2%

SAFETY RECORD

Senator SCHMITT. What do you find generally is the relative safety record of small versus medium versus large businesses per employee?

Mr. FRODYMA. According to the BLS survey, which they conduct annually, the rates of injuries are lower in small businesses. And as the business grows in size, the rates of injuries increase until a point where the firm becomes fairly large, more than 500 employees. Then the rate of injuries seems to decline. It is a bell-shaped curve with a low rate of injuries for very small firms, and then a rapid increase in the rate of injuries for larger size firms, and then as the firm size increases the rates of injuries again drop.

Senator SCHMITT. What does that curve look like if you plot union versus nonunion businesses?

Mr. FRODYMA. I think we have done this. But I can't recall right away. I don't think there is too much of a difference.

Senator SCHMITT. It sounds like the collective-bargaining process might be working.

Mr. FRODYMA. I don't think it varies too much. I can't be sure. I would have to go back and check.

Senator SCHMITT. If you have some additional information on that, please provide it for the record.

Mr. FRODYMA. I don't think the BLS asks whether the firm is unionized or not.

[The information follows:]

INJURY RATES BY EMPLOYMENT SIZE

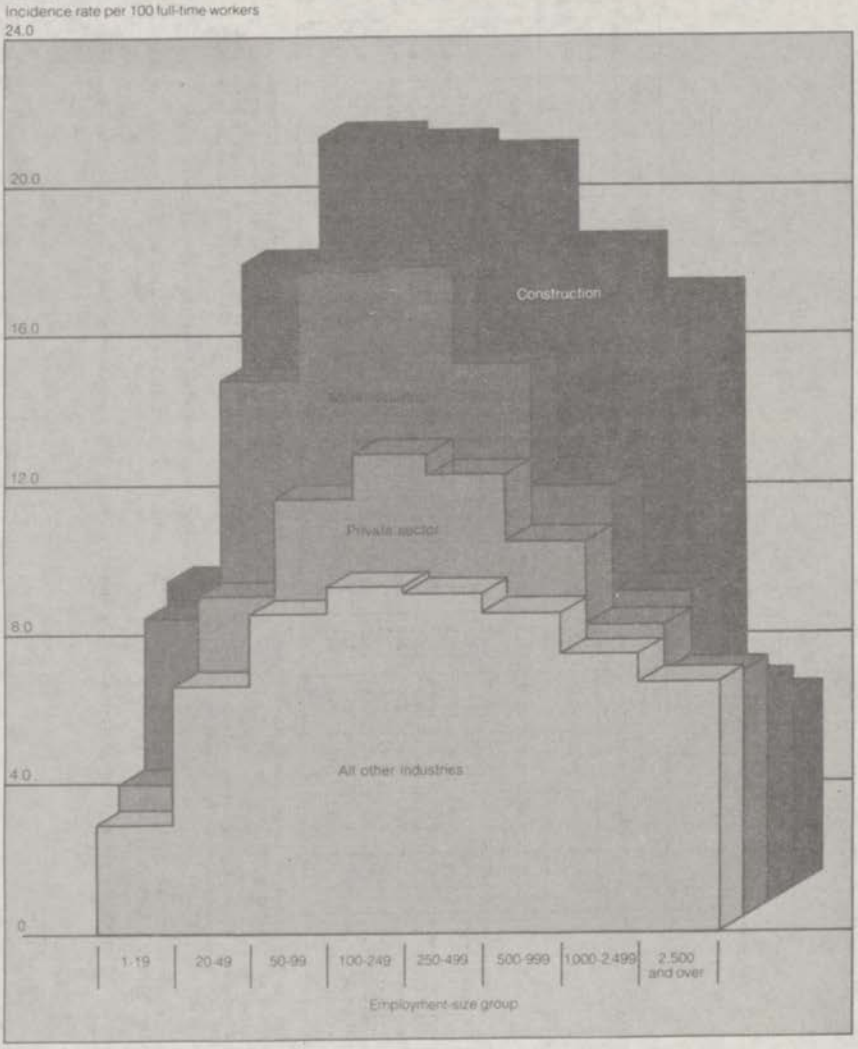
The enclosed chart and table provide the latest published BLS statistics on incidence rates for job-related injuries, by industry division and employment size. Although the data is for 1978, preliminary indications show approximately the same distribution for 1979. Since OSHA does not require recordkeeping for firms employing 10 or fewer workers, the smallest employment-size category for which data are available is for firms with less than 20 workers.

The data show that for the Nation as a whole, small businesses have the lowest injury rates. The injury rate quickly rises as firm-size increases, until employment exceeds 249 workers. For firms with more than 250 workers the rates begin to decrease, with

the largest firms—those with over 2,500 workers—having safer rates although the rates for the largest firms are not as low as for the smallest firms. However, in the more hazardous industries such as construction and manufacturing, the small firms—while still having a low injury rate—are more hazardous than the largest firms.

The Bureau of Labor Statistics survey of job-related injuries, illnesses, and fatalities, which is the only Federal source of workplace injury statistics, does not indicate whether or not a business is unionized. Comparisons of union versus nonunion workplaces, therefore, are not possible from the available data.

INJURY incidence rates by employment-size group, United States, 1978



SOURCE: Occupational Injuries and Illnesses in the United States by Industry, 1978, U.S. Department of Labor, Bureau of Labor Statistics

Occupational Injury Incidence Rates by Industry Division and Employment Size, United States, 1977 and 1978

Industry division	Incidence rates per 100 full-time workers 1/															
	1 to 19 employees		20 to 49 employees		50 to 99 employees		100 to 249 employees		250 to 499 employees		500 to 999 employees		1000 to 2499 employees		2,500 employees or more	
	1977	1978 2/	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978
Private Sector 3/	3.9	4.0	8.8	9.0	11.8	11.6	12.8	12.8	12.3	12.2	10.3	10.4	8.6	8.6	6.9	6.9
Agriculture, forestry, and fishing	6.7	6.5	10.3	10.4	13.4	13.5	14.3	14.6	15.1	16.5	11.9	14.0	22.8	21.7	-	-
Mining	6.6	7.5	12.8	12.5	14.2	13.4	12.2	12.8	10.7	12.8	11.0	9.5	5.6	8.4	.4	.9
Construction	9.2	9.4	17.9	17.9	20.9	21.3	20.8	21.1	19.4	20.7	17.6	18.3	16.7	17.4	6.2	6.2
Manufacturing	8.6	8.5	14.6	14.8	17.3	17.7	17.5	17.8	14.8	15.2	11.6	11.9	8.9	9.0	6.9	6.6
Transportation and public utilities	4.8	6.4	10.5	10.5	12.7	12.5	9.7	10.2	10.4	10.0	9.7	10.4	9.0	9.2	9.4	9.9
Wholesale and retail trade	3.2	3.2	7.6	8.0	10.8	10.2	12.0	11.8	12.7	11.3	11.2	11.3	11.8	10.9	8.6	10.0
Wholesale trade	4.3	4.5	8.7	9.0	12.1	11.4	11.7	12.6	12.2	11.8	11.8	10.8	6.9	7.1	.8	1.3
Retail trade	2.7	2.6	7.0	7.5	10.2	9.7	12.1	11.3	12.9	11.1	11.0	11.5	12.8	11.6	8.9	10.2
Finance, insurance, and real estate	1.1	1.3	1.7	1.7	2.1	2.1	2.4	2.6	2.7	2.8	2.7	2.5	2.5	2.3	1.8	2.1
Services	2.1	1.8	3.8	3.6	6.5	6.0	7.8	7.5	7.8	7.8	7.8	7.6	7.5	7.5	5.7	5.6

1/ The incidence rates represent the number of injuries per 100 full-time workers and were calculated as: (N/EH) x 200,000, where
N = number of injuries
EH = total hours worked by all employees during calendar year
200,000 = base for 100 full-time equivalent workers (working 40 hours per week, 50 weeks per year)

2/ In order to maintain the comparability of the 1978 survey data with the data published in previous years, a statistical method was developed for generating the 1978 estimates to represent the small nonfarm employers in low-risk industries which were not surveyed. The estimating procedure involved averaging the data reported by small employers for the 1975, 1976, and 1977 annual surveys.

3/ Excludes farms with fewer than 11 employees.

NOTE: Dashes indicate that data were not reported or that data do not meet publication guidelines.

SOURCE: Occupational Injuries and Illnesses in the United States by Industry, 1978, U.S. Department of Labor, Bureau of Labor Statistics

Senator SCHMITT. Senator Specter, do you have more questions for OSHA that you want to ask today? If not, we can proceed to MSHA.

Senator SPECTER. I will defer questions at this time, then.

Senator SCHMITT. Mr. Zeigler, your prepared statement will be inserted in the record. We will have numerous questions for the record. My focus today has been primarily to try to get some general feeling of the effectiveness of the OSHA program and any future changes that might be recommended. You will find the questions submitted for the record are more detailed than what we have asked today.

I want to thank you for your cooperation, for the information you provided today. We would hope when you return the corrected copy that you will provide answers to our questions. Your full statement will be included in our record.

[The statement, questions, and answers follow:]

STATEMENT OF DAVID C. ZEIGLER

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you. The budget you have under consideration was prepared and presented under the direction of the Administration of former President Carter. President Reagan and his appointees are now reviewing that budget carefully and preparing alternative recommendations in many areas, including major spending programs, and salaries and expense budgets. I am prepared today to outline for you the Carter budget recommendations, but I must tell you that substantial revisions are not only possible, but very likely.

This budget requests $242,608,000, which is a net increase of $29,183,000 over the agency's budget authority for 1981. The 1981 amount represents estimated expenditures on a full-year basis, although the continuing resolution under which we are presently operating will expire on June 5, 1981. Of this overall increase, $12,922,000 is for "built-in" or so-called mandatory changes, including inflation adjustments of $3.7 million for State program grants, $2.0 million for State agencies providing consultation services for employers, $1.2 million for the increased costs of grantees under OSHA's "New Directions" training grant program, and other mandatory increases. The program increases requested total $16,261,000, which I will outline for you individually.

In terms of employment, this request provides for an overall reduction of 84 full-time permanent positions, resulting from the limitations on hiring and employment directed by President Carter on March 14, 1980. This budget also consolidates related functions, namely, 37 positions for the OSHA Training Institute are transferred from the Enforcement activity to the Compliance Assistance activity, and 13 statistical positions that are responsible for the design of computerized guides for targeting inspections and consultation visits in high hazard industries are transferred from the Technical Support activity to the Statistics activity. There are no actual increases in positions or employment. In addition, this request does not include increased State grant funds to meet the enforcement "benchmarks" established by the U.S. District Court pursuant to the Appeals Court ruling in AFL-CIO versus Marshall. The decision to request no additional State grant funds or Federal enforcement personnel reflects the determination that the importance of a balanced approach between enforcement, and other compliance activities, requires putting available resources into consultation and training capacity.

Following is a brief summary of the program changes for 1982 which are contained in this budget request:

Safety and Health Standards. An increase of $500,000 is requested for contractor assistance in developing new and revised standards to deal specifically with occupational health hazards in the construction industry. All new standards are developed in accordance with Federal rulemaking procedures, which require preparation of environmental, economic, and other regulatory analyses, and which encourage public participation by anyone who may be affected by a proposed rulemaking.

Enforcement. This is the largest activity in OSHA's budget, accounting for 56 percent of the dollar resources and 80 percent of the agency's employment. The activity includes the entire OSHA field staff, and all of the 50-50 matching grants for State-directed

occupational safety and health programs. State programs include voluntary compliance aspects in addition to an enforcement program. No changes in the level of resources are requested except for mandatory increases, including increased State salary costs under State program grants. However, as compliance officers hired in previous years complete training and acquire added experience, safety and health inspections by the Federal staff are expected to increase about 6 percent in 1982, totaling nearly 67,000 inspections, and inspections by State program personnel are expected to total about 113,000, the same as in 1981.

This budget requests an increase of $1.2 million in salary funds to pay for existing temporary clerical staff in the agency's field offices. The support provided by these temporary employees has never been funded as a separate item in past OSHA budgets. This year, the budget requests that these funds be appropriated on a regular basis.

Technical Support. This activity provides laboratory support to the Enforcement activity in the analysis of industrial hygiene samples taken during inspections and in the maintenance of inspectors' technical equipment, and develops the detailed regulatory analyses which support the Standards activity. Since the two leases for the agency's analytical laboratories in Salt Lake City are due to expire, $600,000 is requested as a one-time expense to locate new and larger laboratory facilities in the same commuting area, to perform necessary modifications, and to contract for outside laboratory services during the transition. An additional $1.5 million is requested for increased capabilities to conduct regulatory studies, including studies of the technological feasibility, economic costs, and inflationary and environmental impact of proposed new occupational safety and health standards. An increase of $150,000 is requested to purchase technical reference materials for area offices and OSHA's Technical Data Center.

Compliance Assistance. This activity is composed of three program areas -- all of which provide for or enhance the voluntary compliance efforts of employers and employees:

On-site consultative services are provided to employers upon request in all 56 States and jurisdictions. Particular emphasis is given to small business employers. In 36 States, consultations are provided by State personnel under agreements allowing reimbursement of 90 percent of States' costs for providing this service. A program increase of $8.0 million is requested to increase the number of on-site visits by State consulting personnel from an estimated 28,000 in 1981, to more than 37,000 in 1982. This will allow an estimated response rate to employers' requests of about 80 percent.

New Directions training grants provide for the development of institutional competency by trade associations, employee organizations, educational institutions and other nonprofit organizations, to provide job safety and health training, and related services, for workers and employers. It is expected that after 3 to 5 years of Federal assistance, these private sector programs will become self-sufficient on their own merits. An increase of $2.3 million in grant funds is requested in 1982 to continue the growth and development of existing training projects, and to fund additional projects.

The third component of the Compliance Assistance activity is the agency's responsibility for providing leadership and direction to the job safety and health programs of Federal agencies. Under Executive Order No. 12196, effective in October 1980, the Secretary was dele-

gated new responsibilities, as were the heads of all Federal agencies. Among these new responsibilities, the Secretary is required to conduct training for designated safety and health officials of Federal agencies, collateral-duty personnel, and members of labor-management safety and health committees. An increase of $600,000 in contract funds is requested to develop training modules appropriate to the varied needs of Federal officials and workers in diverse Federal agencies, installations and work situations.

Safety and Health Statistics. The budget request for this activity in 1982 will allow for continuation of basic data collection, processing, and reporting activities, including the tenth annual BLS survey of work-related injuries, illnesses and fatalities. The budget also includes a request for the implementation of the first stage of an integrated management information system to automate the storage, processing, and dissemination of technical and administrative information used for inspections, abatement advice, policy studies, and evaluation, and to facilitate responses to outside requests for information. A program increase of $371,000, plus authority to transfer $1,150,000 in policy study funds from the Executive Direction activity, is requested to implement the first-stage of this system.

Executive Direction and Administration. No changes are anticipated in the overall program support and leadership functions associated with this activity, other than the transfer of contract funds in support of the integrated management information system.

In closing, each agency with regulatory functions has been asked to develop a regulatory budget measuring the aggregate costs and economic impact of regulatory programs. OSHA is, of course, a regulatory agency, and approximately two-thirds of its budget relates directly or indirectly to the promulgation and enforcement of regulatory actions for protecting the health and safety of American workers. Excluding the Statistical and Compliance Assistance activities, $165.4 million in the fiscal year 1981 estimate, and $172.4 million in the 1982 request, is primarily for support of regulatory activities.

Included are resources specifically for making regulatory analyses to determine the feasibility, costs, and inflationary impact of proposed new occupational safety and health standards. These studies allow us to estimate the relative costs and impact on the private sector of alternative regulatory approaches. Improved knowledge of the aggregate economic impact of regulations on the private sector would be an extremely useful policy tool. Unfortunately, the methodology and data do not presently exist for making comprehensive estimates of these costs, nor the benefits, of OSHA's standards. Even the limited studies presently undertaken are extremely costly. However, OSHA and the Department have been working for several years with other regulatory agencies to explore ways and means for preparing a regulatory budget.

Thank you, Mr. Chairman.

Occupational Safety and Health Administration
(Obligations in millions of dollars)

Activity	1980	1981	1982
Safety and Health Standards	$6.0	$8.4	$8.7
Positions	153	153	116
Enforcement:			
a. Federal Enforcement	$78.0	$89.2	$90.7
Positions	2,383	2,377	2,338
b. State Programs	$42.5	$43.5	$47.2
Positions	---	---	---
Technical Support	$13.2	$16.4	$18.8
Positions	248	248	190
Compliance Assistance	$37.7	$40.9	$61.2
Positions	91	91	128
Safety and Health Statistics	$7.0	$7.1	$9.0
Positions	51	51	64
Exective Direction and Administration	$7.1	$7.9	$7.0
Positions	89	89	89
Total Obligations	$191.3	$213.4	$242.6
Total Positions	3,015	3,009	2,925

Questions Submitted by Senator Schmitt

Injury Rates

Question: The rate of serious worker injuries is up 25 percent since 1972; and the length of time injured workers are out of work is up 34 percent. Why has OSHA been so ineffective in protecting workers' safety and health? Doesn't this mean that OSHA's heavy reliance on direct enforcement has been a mistake?

Answer: There is much room for improvement in the federal occupational safety and health program. The Secretary has stated his belief in the importance of the national job safety and health effort, and under his leadership, the program's administration will be reviewed intensively to make it as effective as possible.

As the question points out, the rate of worker injuries resulting in time away from work has increased by 25 percent since 1972, and the length of time injured workers stay away from the job has risen by 34 percent. It should be noted that this increase in lost workdays occurring as a result of job-related injuries may reflect significant societal trends, such as changes in workers' compensation eligibility and benefits, physicans' heightened sensitivity to malpractice suits, and the rising number of working spouses -- all of which probably influence an injured worker's decision to remain away from the job. The statistics that measure the occurrence of total

injuries -- those that result in time away from work and those that do not -- show a decline of 13 percent during OSHA's tenure, from 10.5 injuries per 100 workers in 1972 to a rate of 9.2 injuries in 1979.

Analysis of injury statistics tends to focus attention on the relationship between enforcement and safer workplaces to the exclusion of other activities designed to promote workplace health and safety through a broad range of assistance programs. Under the leadership of Secretary Donovan these activities will be thoroughly assessed as will the agency's enforcement efforts. The Secretary has expressed his belief that the OSHA law is important and necessary to protect the health and safety of workers.

TARGETING INSPECTIONS

Question: Two-thirds of OSHA's inspections do not result in penalties for serious violations. How can you say you are targeting enforcement efforts on the most dangerous businesses, when the evidence from citations has been so poor? What can be done to target OSHA inspectors on businesses with the worst safety and health records?

Answer: OSHA recognizes that it must better concentrate its resources on firms that have poor safety and health records so that American workers who are exposed to unsafe conditions receive protection. As indicated in earlier testimony, the agency has initiated a number of positive steps to target inspections in establishments with poor safety and health records. Moreover, Secretary Donovan has acknowledged OSHA's important role in providing such protection, but has indicated his intent to study this issue as part of a review of the agency's enforcement program. The Secretary is committed to increase the effectiveness of the agency in carrying out the mandates of the OSHA Act. However, specific proposals will have to await the review process.

BILL LANGUAGE "RIDER" ON SAFE BUSINESSES

Question: The fiscal 1981 continuing resolution retains a provision intended to restrict OSHA inspections of small businesses with good safety records. Is this provision of the law being strictly enforced?

Answer: The provision retained in the fiscal 1981 continuing resolution to restrict OSHA inspections of small businesses with good safety records is being strictly enforced. Four state-plan States, which administer their own job safety and health programs under section 18(b) of the Occupational Safety and Health Act of 1970, have decided not to abide by the restriction, but to use their own funds to conduct such inspections in small businesses, which, in their judgement, are warranted. These States are: Alaska, California, Washington, and Wyoming.

Question: What problems have there been in implementing this provision, and how is it working now?

Answer: Implementation of this provision is proceeding smoothly at present. In FY 1979, the year before the restriction became

effective, OSHA's system of targeting inspections to larger firms in high-hazard industries had eliminated almost all such inspections, and therefore implementation of the restriction does not represent a distinct change in the direction of agency policy. Out of a total of 57,937 inspections in FY 1979, Federal OSHA conducted 286 general schedule safety inspections in firms in Standard Industrial Classification (SIC) codes which in FY 1980 would have qualified for exemption from such inspections. Data are not available on the number of such inspections conducted prior to the FY 1980 restriction in the 24 States and jurisdictions that administer their own occupational safety and health programs.

Two minor problems have arisen in administering this provision. The high-hazard lists, from which the Area Offices schedule inspections, are not entirely accurate as to workforce sizes or SIC codes. Information as to number of persons employed by a given establishment may be in error, and in some instances, there may be no single, correct SIC code for a given establishment. (Under the SIC system used by Federal agencies to classify industry groups for statistical purposes, an establishment is assigned an industry code on the basis of its primary activity. In establishments with diverse activities, the principle activity determines the assignment of SIC code.)

Question: Wouldn't the modified version of this provision, in the House-passed version of the regular fiscal 1981 bill which has not been enacted, further strengthen the re-direction of OSHA resources toward inspecting larger, more dangerous businesses?

Answer: It is not possible for OSHA at this time to respond to specific questions about possible changes in the current provision in the appropriations legislation intended to restrict OSHA inspections of small businesses with good safety records. Under Secretary Donovan's leadership, the Department will be examining the version in the House-passed FY 1981 appropriations bill (H.R. 7998). The Department will report to the Congress on this matter at the earliest possible date.

Question: How much more comprehensive is this modified version, which is likely to be re-introduced into the fiscal 1982 regular Labor-HHS-Education appropriations bill?

Answer: The modified version of the provision in the House-passed FY 1981 appropriations bill (H.R. 7998), which has not been enacted, would increase the number of small establishments eligible for an exemption from OSHA's general schedule safety inspections from 1.6 million to 2.4 million. Although different injury indexes have been selected in each case (an injury-illness incidence rate in the FY 1980 restriction and a lost workday injury incidence rate in the House-passed FY 1981 restriction),the key to the expanded impact of the latter restriction is that it uses an <u>average</u> injury index as the criterion for exemption, whereas the earlier provision uses a <u>better-than-average</u> injury index.

DETERMINING MEANS OF COMPLIANCE

Question: With its nit-picking citations, OSHA allows no creativity in achieving safe work places. Wouldn't giving business more freedom to determine their own means of compliance result in greater accident reduction through better employer attitudes?

Answer: The initial body of OSHA standards was exceedingly specific in its prescriptions for compliance. It was adopted by the Agency directly from "consensus" standards developed by industry experts, and did not benefit from the extensive public participation that characterizes today's standards development process. Although during the last several years, some of the "nit-picking" regulations have been deleted or modified, much remains to be done to assist business in reducing workplace injuries and illnesses.

Secretary Donovan has already indicated his intent to fully review the agency's enforcement policies to determine which practices contribute to adversarial, rather than co-operative employer attitudes, and to increase agency effectiveness. We will share with the committee the details of any enforcement program changes.

VOLUNTARY LABOR MANAGEMENT COMMITTEES

Question: Murray Weidenbaum, President Reagan's Chairman of the Council of Economic Advisors, has noted that many safety professionals believe that workers' behavior is the prime determinant of accidents. What are you doing to develop more voluntary joint labor-management committees, so that the focus of safety and health efforts shifts to the people most directly involved in making the workplace truly safe?

Answer: OSHA currently has several projects underway in this area. First, several grants have been awarded to organizations to foster the development of voluntary labor-management committees. Secondly, OSHA has just completed four studies on the experiences of joint labor-management committees in Europe, Canada, and the U.S. Finally, the agency has collected information from its field offices on approximately 60 committees currently in operation and is analyzing the data compiled from these projects.

Secretary Donovan, at his confirmation hearings, indicated he plans to carefully review OSHA's enforcement policies. The data collected from the aforementioned projects will be useful in determining if modifications to the enforcement program could be made that would be more conducive toward a co-operative, rather than an adversarial role, for the agency.

OSHA STATE ENFORCEMENT EFFORTS

Question: What are your current expectations about there ever being States with OSHA programs which are fully independent of the Federal enforcement program?

Answer: Section 18(e) of the Act establishes the principle of ultimate relinquishment of Federal enforcement authority in a State plan State, subject to federal monitoring. The standard for this action is achievement of a program which is "at least as effective" as the Federal program - a term not further defined by the Act. Although initially expected to occur within five to six years of plan approval, the timeframe for this relinquishment has been effectively extended by the U.S. Court of Appeals for the District of Columbia decision in AFL-CIO v. Marshall (the "Benchmark" case). The District Court order implementing this decision imposes an additional requirement that plan States must have reached 100 percent of the compliance staffing benchmarks established pursuant to the Court order prior to a determination under Section 18(e). The States adjudged to be

operating effective programs at their current staffing levels will be unable to meet the 100 percent benchmark requirement in the immediate future, because large increases in Federal matching grants would be required, and/or changes in the existing legal requirements. The Reagan Administration budget policies are being developed now with the participation of Secretary Donovan and other Administration officials including the Office of Management and Budget. It would be inappropriate, therefore, to comment further on this issue until the final Reagan Administration budgetary proposals are submitted to the Congress.

Question: Are States which administer their own OSHA programs better staffed than States under Federal OSHA administration?

Answer: As a whole, the Federal OSHA program has approximately the same number of field compliance staff as do States with their own OSHA programs. There are, however, a number of other determinants which would contribute to a judgment on comparative levels of State versus Federal compliance staffing, such as quality and length of training, experience profiles, and levels of supervision. These factors would have to be evaluated, virtually on an individual basis, in addition to other considerations such as the relative proportion of covered workers and hazardous industry representation in plan States relative to Federal jurisdiction.

MORE EFFECTIVE CONSULTATION

Question: How are you making consultation more effective so that businessmen can head off health and safety problems without being cited.

Answer: Meetings are being held with State project managers to obtain their suggestions for improving the consultation program in several important areas, including training, project monitoring, and resource utilization. Consultant qualifications are continually being upgraded through Federally-sponsored training in the most recent hazard recognition and control techniques. Consultant project managers are encouraged to increase the amount of time consultants spend assisting employers in correcting hazards identified during their initial visits; this assistance may involve one or more additional workplace visits. A thorough safety and health consultation report must be supplied to the employer after the initial visit so as to assure effective correction of hazards.

COST OF REGULATIONS

Question: In this time of economic crisis, how can you issue regulations which cost businesses more than the dollar benefits resulting from reduced work-time lost?

Answer: Secretary Donovan has indicated that OSHA rulemakings will be reexamined to ascertain their usefulness and effects on the public. This review will include the costs to employers of implementing regulations compared to the benefits which may accrue to those businesses as well as other sectors of the economy. It is not possible at this time to address the specific criteria which are appropriate to a determination of the relative costs and benefits of regulations issued by OSHA. It is the Secretary's intention, however, to reduce regulatory burdens, but at the same time to improve the effectiveness of occupational safety and health safeguards. Specific changes will have to await the review process that will begin shortly.

ECONOMIC IMPACT OF OSHA REGULATIONS

Question: What figures do you have generally indicating the overall inflationary impact of OSHA regulation on the economy.

Answer: In a 1976 study of the inflationary impact of OSHA regulations, Chase Econometrics concluded that the aggregate impact of OSHA regulations on the national economy was so small as to be unmeasurable. This is the only known study of OSHA's inflationary impact that has been published.

Question: What do you estimate to be the total annual cost to the private sector to comply with OSHA standards?

Answer: OSHA is very concerned about the economic impact of its regulations on the economy and American businesses. In the past few years, the agency has greatly improved its capacity to conduct economic analyses, and OSHA complies fully with Executive Order 12044, which requires regulatory agencies to examine cost-effective approaches to compliance and to estimate the cost of compliance for a final regulation. However, the agency has not aggregated the total annual costs to the private sector to comply with OSHA standards.

Question: The McGraw-Hill survey estimated businesses would spend $3.7 billion for safety and health-related capital investments during 1980. Do you support the McGraw-Hill annual estimates as reasonably accurate? Do these estimates give a ballpark measure of the costs of complying with OSHA standards?

Answer: It is difficult to verify the accuracy of the McGraw-Hill survey for three reasons: First, the survey covers all safety and health expenditures by businesses, not OSHA-mandated expenditures. Second, the McGraw-Hill survey does not explain how corporate managers were able to separate health and safety from other forms of investment when the two may be embodied in the same item of capital equipment. Third, the 48 percent rise in safety and health capital equipment purchases, cited by McGraw-Hill as having taken place from 1972 to 1980, is considerably less than the 70 percent increase in the overall price index for durable equipment which occurred during the same period. This latter factor would provide evidence that health and safety spending per employee has declined rather markedly, especially when it is viewed in light of the employment increases occurring over the same period.

Question: What are total Federal and State OSHA administrative costs per business inspected?

Answer: In 1980, the combined cost associated with Federal and State occupational safety and health inspections was $127,586,000, and 169,554 inspections were completed. On this basis, the cost per business inspected was approximately $750.

OSHA ACCIDENT INVESTIGATIONS

Question: It has been said that complying with OSHA's standards would not prevent most accidents. To what extent do OSHA's inspectors attempt to determine the causes of accidents they investigate?

Answer: OSHA accident inspections are directed toward the following objectives: (1) to determine if a violation of Federal safety and health standards may have contributed to the accident; (2) to determine whether the accident could have been avoided had the proper safety and health regulations been followed; and (3) to determine whether OSHA standards should be revised to remedy the hazardous conditions which led to the accident. When an inspection is made where potential criminal proceedings may result, the agency must conduct an extensive investigation for accident causes and then relate a violation of a specific standard to the cause of the accident. Some of this information may also be useful for causal analysis and the agency has been extracting this information from case files in special studies which, to date, have covered such accident areas as scaffolds, fixed machinery, and oil and gas well drilling rigs.

Question: What percentage of accidents investigated by OSHA would not have occurred if employers had complied with OSHA's standards?

Answer: Over the past year, 60 percent of the industrial accidents investigated by the agency resulted in the issuance of citations which were categorized as "serious, repeat, or willful" violations of the applicable OSHA standard. These violations may well have contributed to the accident. However, until it is possible to clearly define the relationship between accidents and OSHA regulations, any estimated percentage would have no statistical base.

OSHA SAFETY AND HEALTH STATISTICS

Question: What new programs or schemes are being developed by your statistical personnel which will increase OSHA's knowledge about how to reduce injuries, fatalities, and illnesses, while maintaining current staffing and budget levels?

Answer: Secretary Donovan has expressed his belief that the OSHA law is important and necessary to protect the health and safety of workers. However, he has also indicated that enforcement policy should be studied to determine whether modifications could be made to be less adversarial, while at the same time, achieving effectiveness. We will share with the Congress the details of any changes in enforcement policy.

OSHA SAFETY AND HEALTH STANDARDS

Question: What do you consider to be your most important standards over the next year, both in terms of the ones you are currently preparing, and the ones you intend to finally promulgate within this time period?

Answer: Under the leadership of Secretary Donovan, the regulatory proposals for many Department programs will be reexamined to ascertain their usefulness and effects on the public. It is not possible at this time, therefore, to address any specific regulatory actions which may be undertaken by OSHA or a relative priority ranking of the Agency's overall promulgation process.

Question: How do you evaluate the costs and benefits of proposed new standards?

Answer: The agency prepares regulatory analyses of proposed standards that include estimates of the direct and indirect costs of compliance to employers, as well as estimates of injuries, illnesses and fatalities that may be averted if the proposed standards are met. The agency attempts to quantify these estimates to the extent that it is reasonable and possible. In keeping with Secretary Donovan's stated intention to reduce regulatory burdens, a review process will begin shortly, and improvements in OSHA's evaluation of costs to the private sector may be identified.

Question: What, if any, changes are you making in your promulgation procedures with an eye to reducing costs to the private sector or complying with new standards.

Answer: It is Secretary Donovan's intention to reduce the regulatory and compliance burdens, but at the same time improve the effectiveness of overall enforcement operations. However, specific changes will have to await the review process that will begin shortly.

FEDERAL OSHA ENFORCEMENT

Question: What are you planning for the next year to upgrade your enforcement efforts, without additional staff?

Answer: Secretary Donovan has expressed his belief that the OSHA law is important and necessary to protect the health and safety of workers. However, he has also indicated that enforcement policy should be studied to determine whether modifications could be made to be less adversarial, while at the same time, achieving effectiveness. Two policy areas now being closely reviewed for improvement in 1981 are the agency's procedures for responding to complaints alleging unsafe or unhealthful working conditions and the manner in which OSHA monitors the operations of States with §18(b) plans. We will share with the Congress the details of any changes in these policies.

Question: What efforts are you undertaking to try to zero in on standards which, when adhered to, will have the greatest impact on reducing injuries and fatalities?

Answer: Under the leadership of Secretary Donovan, the regulations for many Department programs will be reexamined to ascertain their usefulness and effects on the public. It is not possible at this time to discuss any specific program changes which would address this issue. It is Secretary Donovan's intention to reduce regulatory burdens, but at the same time improve effectiveness of enforcement operations. However, specific changes will have to await the review process that will begin shortly.

OSHA PENALTIES

Question: Does the Department of Labor have any uniform policies regarding OSHA penalty adjustments to settle contested cases, and efforts to be made to collect penalties?

Answer: The Department has a policy of evaluating the strengths and weaknesses of each case and determining on a case-by-case basis

what settlement would be appropriate. The Department also generally seeks to collect all unpaid penalties unless the local district court judges have indicated that they will not entertain suits under a specified dollar amount.

Question: Are the Department's regional offices consistent in their handling of settlements and collection cases?

Answer: The regional offices of the Solicitor of Labor are consistent in their settlement practices.

Question: In what percentage of contested cases are penalties reduced as a part of settlement agreements, and what is the average reduction as a percentage of the proposed assessment?

Answer: The only uniform data available with regard to penalty assessments are the amount initially proposed in the OSHA citation and the amount actually collected. Accordingly, there is no data available to determine whether the reduced amount collected is a result of settlement of the contested citation, reduction of the penalty by the Review Commission or its judges, or settlement of collection actions.

Question: For each of the last five fiscal years, how much has OSHA assessed in penalties, how much has been collected, and what accounts for the differences?

Answer: Following is the requested information:

Fiscal Year	Penalties Proposed	Penalties Collected
1976	$12,449,706	$ 8,157,369
1977	11,601,062	7,083,475
1978	19,834,467	8,085,791
1979	22,966,230	10,064,240
1980	23,490,506	11,116,678

It should be noted that the OSHA management information system collects data on the amount originally proposed at the time of citation issuance, which is prior to informal conference adjustments or any settlement and collection procedures. The amount of penalties actually assessed may vary significantly as a result of any later reductions, including those made by the Occupational Safety and Health Review Commission.

OSHA TECHNICAL SUPPORT PROGRAMS

Question: The Supreme Court ruled that OSHA's cost-benefit evaluation of the benzene standard did not document the conclusion that the "substantial costs" of the benzene standard were justified. How will the Supreme Court ruling on the benzene standard affect OSHA's schedule of standards promulgation and the budget required to prepare the cost-benefit studies required in connection with them?

Answer: In its decision on the benzene standards, the Supreme Court ruled that before OSHA can issue a standard which regulates exposure to a toxic substance, it must first show that the substance in question poses a significant risk in the workplace and that a new, lower standard is therefore necessary or appropriate. In the case of the benzene standard, the court found that OSHA had failed to make this showing.

As a result of the Supreme Court's decision, various standards projects which involve carcinogenic substances have been delayed to allow the implications of the decision to be fully studied and to enable the Agency to revise its Cancer Policy (OSHA's set of scientific and regulatory principles which govern its regulation of carcinogens) so that it conforms to the benzene decision. In addition, there has been delay to allow re-evaluation of available effects data to determine whether the requisite finding of "significant risk" can be made with regard to the carcinogens involved.

Question: What, if any, differences are there in the way you conduct cost-benefit studies now as a result of the benzene standard ruling, as compared with the way you conducted them under previous Executive Orders?

Answer: The effect of the benzene decision on the regulatory analysis budget is not certain. The ruling increases the need for performing risk assessments (studies which estimate the reduction in risks resulting from compliance with a standard). If available data can be used to produce adequate risk assessments and can be subject to quantification, the cost increases in this regard should be slight. However, if the Agency needs to develop new data where available data is not sufficiently amenable to quantification and risk assessment, then substantial cost increases can be expected.

As for changes in the way OSHA performs its regulatory impact studies, the benzene decision will require OSHA to devote more effort to performing risk assessments and on a more frequent basis.

OSHA COMPLAINT INSPECTIONS

Last year, OSHA said it was too early to evaluate the impact of the then recent policy of evaluating complaints to decide whether inspections were warrented rather than making inspections for all complaints. OSHA said: (1) Its management information system would be revised to show how many complaints have been resolved without inspections, and (2) It would evaluate how well the revised complaint policy was working.

Question: What has been the impact of the revised inspection policy on the complaint workload?

Answer: On September 1, 1979 OSHA initiated revised procedures for handling complaints alleging unsafe or unhealthful workplace conditions. Informal complaints, which are determined to be other than serious, are now handled by letter rather than scheduling an on-site inspection. As a result of these procedures the complaint backlog was reduced by 36 percent between 1979 and 1980.

Question: What are the results of your evaluation of the effectiveness of the revised inspection policy?

Answer: A preliminary evaluation of the revised complaint inspection policy has been generally favorable. In approximately 80 percent of the cases in which an employer was sent a letter OSHA received a satisfactory response and no inspection activity was necessary. The employer voluntarily complied with the standards. Responses by employers account for most of the reductions in nonformal complaint inspections between 1979 and 1980. It is Secretary Donovan's intent, however, to reexamine the regulations for many Department programs to ascertain their usefulness and effects on the public. As indicated in an earlier response, the complaint response policy will be undergoing an early review for further improvements in the utilization of OSHA resources.

Mine Safety and Health Administration

STATEMENT OF ECKEHARD MUESSIG, DEPUTY ASSISTANT SECRETARY

ACCOMPANIED BY:

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MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

PREPARED STATEMENT

Senator Schmitt. If you would summarize your statement and give us an overview of the programs under your jurisdictions and the related budget and background, you may proceed.

Mr. Muessig. I do have a short statement, and I would like to submit the full statement for the record.

Senator Schmitt. The full statement will be included in the record.

[The statement follows:]

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Statement of Eckehard Muessig

Thank you for the opportunity to appear before you. The budget you have under consideration was prepared and presented under the direction of the administration of former President Carter. President Reagan and his appointees are now reviewing that budget carefully and preparing alternative recommendations in many areas, including spending programs, and salaries and expense budgets. I am prepared today to outline for you the Carter budget recommendations, but I must tell you that substantial revisions are not only possible but very likely.

Before I present MSHA's specific activity requests for FY 1982, I would like to briefly outline MSHA's authorities and responsibilities.

The Federal Government first became involved in mine safety and health activities in 1910, when P.L. 61-179 created the Bureau of Mines. Between 1910 and 1941, Federal involvement in mining activities was for the most part limited to research activities. Any inspection and/or investigative activities that were conducted were advisory in nature.

In 1941, the Congress enacted P.L. 77-49, which gave Federal inspectors the right to enter the mines to conduct investigations. However, no enforcement powers were provided until 1952, when P.L. 82-552 was enacted. Public Law 82-552 gave Federal mine inspectors limited authority to issue notices of violations and order of withdrawal at the Nation's underground coal mines.

In 1961, the Congress enacted P.L. 87-300 which authorized a study of the causes and prevention of injuries and health hazards at metal/nonmetal mines. This Act also gave the Federal sector right of entry into the Nation's metal/nonmetal mines.

The next piece of legislation impacting the mining industry occurred in 1966, when P.L. 89-577, the Federal Metal and Nonmetallic Mine Safety Act (Metal Act) was enacted. The Metal Act, for the first time, allowed Federal inspectors to issue notices of violations and orders of withdrawal at the Nation's metal and nonmetal mines. In addition, the Metal Act required one annual inspection of all underground metal/nonmetal mines.

In 1969, the Federal Coal Mine Health and Safety Act of 1969, P.L. 91-173, (Coal Act) was enacted. This law considerably increased the enforcement powers of the Federal mine inspector. For the first time, surface coal mines were covered by a Federal statute, health problems were addressed, and civil and criminal penalty provisions for violations of mandatory safety and health standards were included.

In 1977, the Federal Mine Safety and Health Amendments Act of 1977, P.L. 95-164, (Mine Act) became law. The Mine Act, which became effective March 9, 1978, brought all mining operations under a single statute. However, the Mine Act specifically requires that the mandatory safety and health standards which were developed for coal mines remain applicable only to coal mines and the mandatory safety and health standards developed for metal/nonmetal mines remain applicable only to metal/nonmetal mines. The 1977 Mine Act also recognized the need for a cooperative effort among all segments of the mining community -- labor, industry, and government,

both Federal and State. This tripartite effort, encouraged by the Congress, is the main ingredient of the Mine Safety and Health Administration's programs, policies and objectives.

MSHA is required by statute to conduct four annual inspections of all underground mines, two annual inspections of all surface mines, as well as additional mandated inspections of especially gassy or hazardous mines. The Mine Act also increased the participation of miners in promoting health and safety activities in the mines. Another feature of the Mine Act is Section 115, the mandatory education and training provisions. In addition, MSHA is responsible for proposing civil penalties for violations of the mandatory regulations and standards, and for providing technical assistance to mine operators. To conduct these activities during FY 1982, MSHA's appropriation request totals $166.8 million and 3,808 positions. As MSHA is a regulatory agency, the vast majority of our FY 1982 appropriation request is for MSHA's enforcement activities.

Enforcement

A total of $105.9 million and 2,796 positions is requested for enforcement activities in both coal and metal/nonmetal mines. These resources will provide for an estimated 14,522 complete health and safety inspections of coal mines and 18,277 complete health and safety inspections of metal/nonmetal mines. In addition to these inspections, other followup inspections and investigations will be conducted to assure that violations against health and safety standards cited during the regular inspections are corrected and that mines are operated in a safe and healthful manner.

In FY 1980, MSHA initiated two special enforcement efforts designed to aid mine operators reduce accidents, injuries and fatalities in their mines. These programs are based on working cooperatively with mine management and labor to improve safety and health conditions.

The Compliance Assistance Visit (CAV) program in metal/nonmetal mines was initiated in response to requests from mine operators for consultative services. MSHA will conduct a CAV, upon the request of an operator under the following conditions: (1) new mines not yet producing; (2) seasonal, closed, or abandoned mines prior to reopening; and (3) new installations or new equipment in an operating mine prior to their becoming operational. The inspector, while conducting a CAV, will issue notices of violations whenever an imminent danger situation or violation is observed. Each notice will be clearly marked "CAV-NONPENALTY" and will not be included in the assessment process. The purpose of the notice is to alert the operator to a potentially hazardous condition or practice so that the operator may correct it prior to the beginning of operations, or use of the installation, equipment or plan, etc.

In FY 1980, 2,124 compliance assistance visits were conducted at the request of mine operators during which 14,911 CAV nonpenalty notices were written to point out potential violations of mine safety laws. Over 80 percent of these CAVs were conducted at sand and gravel and stone mines.

Followup checks have revealed outstanding operator cooperation in eliminating hazards brought to their attention during CAVs. In addition, we have received many favorable comments from industry on

the safety and health benefits of the program and hope that more eligible operators will take advantage of the service.

In the coal area, particular efforts were directed to reduce the number of fatalities from falls of roof, face and rib. A special emphasis program in roof control was initiated in 1980, to combat the increase in fatal roof fall accidents.

A large part of this program was devoted to improve our inspectors' skills in this area. Quarterly training of all coal inspectors in roof control hazards and enforcement procedures was implemented. This training concentrated on several key areas. Inspectors were given further training to recognize and solve roof control problems. In addition, they were instructed to discuss with both mine officials and miners the dangers from falls of roof and in particular the hazards of working beyond supported roof. These discussions were conducted on every working section during each underground inspection. Inspectors were also directed to schedule their inspections so the roof control plan could be reviewed with each section foreman and crew on each shift before the inspection was completed. Moreover, our inspectors were given guidelines to evaluate the training on roof-control hazards provided by companies to the miners as part of their roof control plans so suggestions for improvement could be made.

We believe the involvement and cooperation of all parties--the miners, mine management and inspectors--in this program, coupled with the installation of cabs and canopies and increased use of automatic temporary roof-support systems in the mines, did have an impact in reducing the number of roof fall fatalities. Deaths from falls of roof, face, and ribs declined in CY 1980, to 31, 35 fewer than in CY 1979. MSHA currently plans to continue to place special emphasis in this area as roof falls historically have been a major cause of fatalities at coal mining operations.

Assessments

A total of $6.7 million and 182 positions is requested for the assessments program in FY 1982.

The objectives of the assessments program are to assess civil monetary penalties for all violations of the Act consistently and in accordance with statutory criteria in a manner that will encourage compliance. The FY 1982 request will permit MSHA to continue to assess all violations in an efficient and effective time frame and to conduct a conference program to give the operators and miners an opportunity to discuss the violation assessment. This approach has resulted in the settlement of 81 percent of the violations without going through the formal adjudication process.

National Mine Health and Safety Academy

In FY 1982, a total of $5.5 million and 95 positions is requested to operate the Academy. These resources will permit the Academy to continue to provide intensive training for MSHA inspectors and personnel, as well as other mining industry personnel.

Education and Training

A total of $12.6 million and 149 positions is requested for the education and training program. These resources will be used to

review and approve training plans, and to assist mine operators in developing training programs that specifically address individual training needs. Programs to qualify industry personnel to conduct training or to conduct tests of work areas and equipment for hazardous conditions also will continue.

A total of $6.0 million is included for the State Grants programs. During FY 1981, proposals from 42 States were received. It is anticipated that this same level of State interest and participation in health and safety programs will continue in FY 1982.

Language attached to MSHA's FY 1980 appropriations which is in effect under the Continuing Resolution prohibits the expending or obligating of any funds to carry out Section 115 of the Mine Safety and Health Act or that portion of Section 104(g)(1) relating to the enforcement of any Section 115 training requirements with respect to shell dredging, or any sand and gravel, surface stone, surface clay, colloidal phosphate or surface limestone mine. The budget request deletes this language from MSHA's FY 1982 appropriation.

As stated earlier, the basis of all MSHA's programs and policies is a partnership with industry and labor. The training provisions of the Mine Act are an important mechanism to be used by the mining community to work cooperatively to reduce accidents and injuries in the mines. MSHA's preliminary data indicates that the CY 1980 fatality figure for metal/nonmetal mining was the lowest ever reported. Fatalities at sand and gravel operations also declined from 25 in CY 1979 to 15 in CY 1980. However, the fatalities which occurred at sand and gravel and stone mines collectively accounted for 55 percent of the total number of deaths which occurred at all metal/nonmetal mining operations. Sand and gravel and stone operations have consistently accounted for half of all the metal/nonmetal mining fatalities in each year since 1974. It is believed that the training provisions would provide mine operators and mine workers an opportunity to work together to help reduce these fatalities.

MSHA carefully designed with industry and miner participation the training rules to allow each operator to develop training plans specifically tailored to combat the hazards which may be encountered at that particular operation. The training program implemented by the operator should then aid the workers avoid those hazards.

Although prohibited from expending or obligating any funds to enforce the training provisions at the excluded operations, MSHA is continuing to provide requested assistance to operators of those industries in developing effective education and training programs. These requests indicate that many of the operators recognize the importance of adequate safety and health training for their workers. Therefore, the budget proposes to delete the language which prohibits MSHA from ensuring that these provisions are effectively used in promoting health and safety in all mines.

Technical Support

A total of $25.3 million and 411 positions is requested for MSHA's technical support program. This program is responsible for the statutory requirements relating to the approval and certification for use in mines of equipment, instruments, materials, explosives, and personal protective apparatus, and the collection, analysis and publication of injury and illness data from the mining industry. In

addition, technical assistance to mine operators in a variety of safety and health matters is provided by our technical support personnel. Also, the Technical Support branch provides mine rescue equipment and assistance for rescuing miners trapped in emergency situations.

The $25.3 million request includes a $4.4 million increase which is requested to provide a new structure for the consolidation of the Approval and Certification Center and the Mining Equipment and Safety Laboratory. This project is also included in the FY 1981 budget, but has been denied by the House. Fiscal Year 1981 House action included funding to purchase a permanent site for our Mine Emergency Equipment. Purchase has been delayed pending Senate approval. However, $500 thousand is requested for necessary building modification and maintenance.

Program Administration

A total of $10.8 million and 175 positions is requested for this program which provides for the effective executive direction and administrative management support for our safety and health programs.

Regulatory Budget

MSHA as a regulatory agency is responsible for developing, promulgating and enforcing mandatory safety and health standards, rules and regulations designed to improve the safety and health conditions in the Nation's mines.

Approximately $122.9 million and 3,274 positions are necessary to carry out these regulatory functions which are comprised primarily of the enforcement activities, the approval and certification section of technical support, the review and monitoring of training programs, and the assessment function.

Mr. Chairman, that concludes my prepared statement. I will be happy to answer any questions.

MINE SAFETY AND HEALTH ADMINISTRATION

[In millions of dollars]

Activity	1980	1981	1982
Enforcement:			
Coal	$59.8	$66.0	$69.1
Positions	1,904	1,904	1,904
Metal/nonmetal	$30.2	$33.9	$35.2
Positions	873	873	873
Standards development	$0.7	$1.1	$1.6
Positions	19	19	19
Assessments	$6.8	$7.0	$6.7
Positions	196	182	182
Academy	$6.9	[1] $6.0	$5.5
Positions	98	95	95
Education and training	$11.7	$12.0	$12.6
Positions	149	149	149
Technical support	$18.5	$19.8	$25.3
Positions	436	411	411
Program administration	$9.0	$11.8	$10.8
Positions	182	175	175
Total obligations	$143.6	$157.7	$166.8
Total positions	3,857	3,808	3,808

[1] Includes $0.8 million in funds carried over from 1980.

MSHA AUTHORITY AND RESPONSIBILITY

Mr. MUESSIG. Thank you for the opportunity to appear before you. The budget you have was prepared under the direction of former President Carter. President Reagan and his appointees are now reviewing that budget carefully and preparing alternative recommendations in many areas, including spending programs, and salaries and expense budgets. I am prepared today to outline for you the Carter budget recommendations, but I must tell you that substantial revisions are not only possible but very likely.

Before I present MSHA's specific activity requests for fiscal year 1982, I would like to briefly outline MSHA's authorities and responsibilities.

The Federal Government first became involved in mine safety and health activities in 1910 when Public Law 61–179 created the Bureau of Mines. Between 1910 and 1941, Federal involvement in mining activities was for the most part limited to research activities. Any inspection and/or investigative activities that were conducted were advisory in nature.

In 1941, the Congress enacted Public Law 77–49, which gave Federal inspectors the right to enter the mines to conduct investigations. However, no enforcement powers were provided until 1952 when Public Law 82–552 was enacted. Public Law 82–552 gave Federal mine inspectors limited authority to issue notices of violations and order of withdrawal at the Nation's underground coal mines.

In 1961, the Congress enacted Public Law 87–300 which authorized a study of the causes and prevention of injuries and health hazards at metal/nonmetal mines. This act also gave the Federal sector right of entry into the Nation's metal/nonmetal mines.

The next piece of legislation impacting on the mining industry occurred in 1966, when Public Law 89–577, the Federal Metal and Nonmetallic Mine Safety Act was enacted. The Metal Act, for the first time, allowed Federal inspectors to issue notice of violations and orders of withdrawal at the Nation's metal and nonmetal mines. In addition, the Metal Act required one annual inspection of all underground metal/nonmetal mines.

In 1969, the Federal Coal Mine Health and Safety Act of 1969, Public Law 91–173, was enacted. This law considerably increased the enforcement powers of the Federal mine inspector. For the first time, surface coal mines were covered by a Federal statute, health problems were addressed, and civil and criminal penalty provisions for violations of mandatory safety and health standards were included.

In 1977, the Federal Mine Safety and Health Amendments Act of 1977, Public Law 95–164, became law. The Mine Act, which became effective March 9, 1978, brought all mining operations under a single statute. However, the Mine Act specifically requires that the mandatory safety and health standards which were developed for coal mines remain applicable only to coal mines and the mandatory safety and health standards developed for metal/nonmetal mines remain applicable only to metal/nonmetal mines.

The 1977 Mine Act also recognized the need for a cooperative effort among all segments of the mining community—labor, industry, and

government, both Federal and State. This tripartite effort, encouraged by the Congress, is the main ingredient of the Mine Safety and Health Administration's programs, policies, and objectives.

MSHA is required by statute to conduct four annual inspections of all underground mines, two annual inspections of all surface mines, as well as additional mandated inspections of especially gassy or hazardous mines.

The Mine Act also increased the participation of miners in promoting health and safety activities in the mines.

Another feature of the Mine Act is section 115, the mandatory education and training provisions.

In addition, MSHA is responsible for proposing civil penalties for violations of the mandatory regulations and standards, and for providing technical assistance to mine operators.

To conduct these activities during fiscal year 1982, MSHA's appropriation request totals $166.8 million and 3,808 positions. As MSHA is a regulatory agency, the vast majority of our fiscal year 1982 appropriation request is for MSHA's enforcement activities.

ENFORCEMENT

A total of $105.9 million and 2,796 positions is requested for enforcement activities in both coal and metal/nonmetal mines. These resources will provide for an estimated 14,522 complete health and safety inspections of coal mines and 18,277 complete health and safety inspections of metal/nonmetal mines.

In addition to these inspections, other followup inspections and investigations will be conducted to assure that violations against health and safety standards cited during the regular inspections are corrected and that mines are operated in a safe and healthful manner.

In fiscal year 1980, MSHA initiated two special enforcement efforts designed to aid mine operators in reducing accidents, injuries, and fatalities in their mines. These programs are based on working cooperatively with mine management and labor to improve safety and health conditions.

COMPLIANCE ASSISTANCE

The compliance assistance visit (CAV) program in metal/nonmetal mines was initiated in response to requests from the mine operators for consultative services. MSHA will conduct a CAV upon the request of an operator under the following conditions: One, new mines not yet producing; two, seasonal, closed, or abandoned mines prior to reopening; and three, new installations or new equipment in an operating mine prior to their becoming operational. The inspector, while conducting a CAV, will issue notices of violations whenever an imminent danger situation or violation is observed. Each notice will be clearly marked "CAV—NONPENALTY" and will not be included in the assessment process.

The purpose of the notice is to alert the operator to a potentially hazardous condition or practice so that the operator may correct it prior to the beginning of operations or use of the installation, equipment, or plan.

In fiscal year 1980, 2,124 compliance assistance visits were conducted at the request of mine operators during which 14,911 CAV nonpenalty notices were written to point out potential violations of mine safety laws. Over 80 percent of these CAV's were conducted at sand and gravel and stone mines.

Followup checks have revealed outstanding operator cooperation in eliminating hazards brought to their attention during CAV's. In addition we have received many favorable comments from industry on the safety and health benefits of the program and hope that more eligible operators will take advantage of the service.

SPECIAL EMPHASIS IN ROOF CONTROL

In the coal area, particular efforts were directed to reduce the number of fatalities from falls of roof, face, and rib. A special emphasis program in roof control was initiated in 1980, to combat the increase in fatal roof fall accidents.

A large part of this program was devoted to improve our inspectors' skills in this area. Quarterly training of all coal inspectors in roof control hazards and enforcement procedures was implemented. This training concentrated on several key areas.

Inspectors were given further training to recognize and solve roof control problems. In addition, they were instructed to discuss with both mine officials and miners the dangers from falls of roof and in particular the hazards of working beyond supported roof. These discussions were conducted on every working section during each underground inspection.

Inspectors were also directed to schedule their inspections so the roof control plan could be reviewed with each section foreman and crew on each shift before the inspection was completed. Moreover, our inspectors were given guidelines to evaluate the training on roof control hazards provided by companies to the miners as part of their roof control plans so suggestions for improvement could be made.

We believe the involvement and cooperation of all parties—the miners, mine management, and inspectors—in this program, coupled with the installation of cabs and canopies and increased use of automatic temporary roof-support systems in the mines, did have an impact in reducing the number of roof fall fatalities. Deaths from falls of roof, face, and ribs declined in calendar year 1980, to 31, 35 fewer than in calendar year 1979. MSHA currently plans to continue to place special emphasis in this area as roof falls historically have been a major cause of fatalities at coal mining operations.

ASSESSMENTS

A total of $6.7 million and 182 positions is requested for the assessments program in fiscal year 1982.

The objectives of the assessments program are to assess civil monetary penalties for all violations of the act consistently and in accordance with statutory criteria in a manner that will encourage compliance. The fiscal year 1982 request will permit MSHA to continue to assess all violations in an efficient and effective timeframe and to conduct a con-

ference program to give the operators and miners an opportunity to discuss the violation assessment. This approach has resulted in the settlement of 81 percent of the violations without going through the formal adjudication process.

NATIONAL MINE HEALTH AND SAFETY ACADEMY

In fiscal year 1982, a total of $5.5 million and 95 positions is requested to operate the Academy. These resources will permit the Academy to continue to provide intensive training for MSHA inspectors and personnel, as well as other mining industry personnel.

EDUCATION AND TRAINING

A total of $12.6 million and 149 positions is requested for the education and training program. These resources will be used to review and approve training plans, and to assist mine operators in developing training programs that specifically address individual training needs. Programs to qualify industry personnel to conduct training or to conduct tests of work areas and equipment for hazardous conditions also will continue.

A total of $6 million is included for the State grants programs. During fiscal year 1981, proposals from 42 States were received. It is anticipated that this same level of State interest and participation in health and safety programs will continue in fiscal year 1982.

TECHNICAL SUPPORT

To conduct our technical support program in fiscal year 1982 MSHA is requesting a total of $25.3 million and 411 positions. This request includes a $4.4 million increase to provide a new structure for the consolidation of the Approval and Certification Center and the Mining Equipment and Safety Laboratory.

PROGRAM ADMINISTRATION

A total of $10.8 million and 175 positions is requested for the overall administration of our safety and health programs.

REGULATORY FUNCTIONS

Mr. Chairman, that summarizes MSHA's appropriation request for fiscal year 1982. However, as this committee is interested in the cost of regulatory functions, I would like to note that approximately $122.9 million and 3,274 positions are necessary to carry out MSHA's regulatory functions, which are comprised primarily of enforcement activities, approval and certification functions of technical support, the review and monitoring of training plans, and assessment activities.

I thank you for letting me present this opening statement. I would be happy to answer any questions.

Senator SCHMITT. Thank you. I appreciate the information on your regulatory activities. We may follow that up with the staff to get a little more detail.

FIELD ORGANIZATION

Mr. MUESSIG. Would you like details on how we are set up in the field? I noticed you asked that of OSHA. I can give you a quick overview, if that would help.

Senator SCHMITT. Please do.

Mr. MUESSIG. Our two prime enforcement activities are coal and metal. In coal we have 10 districts. They are primarily located where the mines are. In fact, that is the philosophy throughout our organizational structure. We have 10 districts headed by district managers in coal. They, in turn, in some of the larger districts have subdistrict offices located again in areas where the effort is expended, and in some cases the subdistrict offices have small field offices under them.

In metal we have six district offices, again spread throughout the United States and located primarily where the mining activity is ongoing.

In assessments we have small field offices located throughout the United States with usually pretty small staffs.

The academy is located in Beckley, W. Va. That is our primary source for training our inspectors and other persons.

Education and training has 10 centers located throughout the United States in different areas, headed by directors.

In technical support, our two main offices are in Denver and Pittsburgh where we have two labs and provide technical assistance to mine operators. We also have a fairly large activity at Dallas Pike, outside of Wheeling, W. Va.

Of course, program administration is primarily located at our national office.

We receive a lot of our program support from the regional offices of the Department of Labor.

That is a short overview of the MSHA organization, Mr. Chairman.

AUTOMATION

Senator SCHMITT. The ultimate safety in mining might be to get the miner out of the mine. If our mining was automated, presumably there would be no mine safety problem, except in the manufacture of the equipment and the installation of the equipment for the mining.

Some years ago MSHA and the Bureau of Mines tried to enter into an effort instigated by yours truly, to see if we could begin to leapfrog the existing technology of mining to a point where we would reduce the numbers of miners required to be underground or in hazardous situations.

RESEARCH AND DEVELOPMENT

We ran into the problem of patent policy, and we never got where we wanted to go, although an outgrowth of those efforts have been experimentation in long-wall mining and computerized long-wall mining that are still ongoing. We envision it is still ongoing.

Do you undertake to monitor these types of activities and in any way or encourage them?

Mr. MUESSIG. We have facilities at Dallas Pike where we do testing of equipment that goes into underground mines. It is tested for permissibility. Just about anything that goes into an underground mine is tested there; anything that is used at the face of the mine is tested by MSHA. Companies submit their drawings, diagrams, and prototypes of their mining equipment and we test them.

If I may say as an aside, in the last 70 years we have not had any mine ignition attributable to any type of equipment that we have approved.

We also have our basic research effort conducted by the Bureau of Mines. They do the research for MSHA.

Senator SCHMITT. Is that on a reimbursable basis?

Mr. MUESSIG. The Bureau receives direct appropriations for safety and health research. We have joint committees set up for our different program areas. We let the Bureau know what our priorities are based on our analysis of the accidents, injuries, and fatalities that have occurred. We then submit our program to them. There is a continuous dialog with the Bureau on research methodologies in our program area.

I might add that in my 30 years of experience, I would say it is a fine example of two different Government agencies working together. They have been very supportive of us and I think we have been of them in our mutual aim and effort to improve mine safety and health.

Senator SCHMITT. Do you think it will ever be possible to mine without ventilation in a coal mine, at least? Mine atmosphere becomes a pure methane atmosphere and, therefore, not subject to exposure.

Mr. MUESSIG. I don't think so. I don't see how we can get out of having ventilation somewhere along the line.

LEAPFROGGING TECHNOLOGY

Senator SCHMITT. Do you think it is reasonable to anticipate leapfrogging current technology to the point where you can do that?

Mr. MUESSIG. I don't know. I don't think I can answer that.

Mr. LAMONICA. There has been an attempt at using an inert gas environment for underground mining. The problem has been sealing the mine.

Senator SCHMITT. Methane is inert as long as there is no oxygen around.

Mr. LAMONICA. Correct. The problem is in sealing that environment to make sure that it remains inert and does not get into the explosive mixture range. There has been some research conducted over the last 10 years but with limited success so far.

Senator SCHMITT. Is that in concert with the Bureau of Mines?

Mr. LAMONICA. Yes, sir; I might add that the Department of Energy is also doing some work in advanced mining techniques.

Senator SCHMITT. Senator Specter, I will let you go ahead since my time is about up.

Senator SPECTER. Thank you.

Senator SCHMITT. You do have a coal mine or two in Pennsylvania, do you not?

Senator SPECTER. Yes, sir.

Mr. MUESSIG. We have two Senators from mining States today.

Senator SCHMITT. We can't get any new mines started in New Mexico, not because of MSHA, but because of a couple of other agencies.

COAL PROGRAM POSITIONS

Senator SPECTER. Perhaps we are directing our attention to the wrong agencies at the moment in that event.

I note that your positions are uniform at 1904 for all 3 years, 1980, 1981, and 1982. My question is, How are you able to maintain that kind of stability, uniformity, and precision at the same number over this period of time.

Mr. MUESSIG. Senator, the employment actually varies. Those are positions authorized. The actual employment number will vary within that figure depending on turnover. I think we are slightly below—in fact, I know we are below some of those figures. Those are slots that we have authorized. Within our total authorization, we have taken the positions, and put them on a priority basis where we thought they would be needed to get our basic job done.

Senator SPECTER. If the State of Pennsylvania, for example, is able to increase its coal production, as there are massive efforts underway at the present time, including development of Conrail facilities, port facilities, and many other areas, would that cause a necessity for increased positions, increased budgeting on your part?

Mr. MUESSIG. The first thing we would do if we have a large workload increase in any given State—let's say it's in the State of Pennsylvania—is look within the coal function, if that is where the increase occurred, to see if any resources could be shifted within that function. We would want to meet the basic need right away, and, therefore, we would weigh what we think the needs would be within that function, and the high-priority items would get the available resources. We would normally not shift from other obligations because then you end up having a problem in those areas also. Again, it depends very much on the priorities and what the real needs are about shifting.

QUALITY OF MINE SAFETY

Senator SPECTER. What is your evaluation of the quality of mine safety in the United States today? Good?

Mr. MUESSIG. You mean the record as such?

Senator SPECTER. I would particularize it or subdivide it in a number of respects. One subpart would be—and this is implicit in the statistics you have given us, since you believe you have adequate personnel at the present time to have high standards of mine safety, as it relates to coal and metal and all functions performed by your agency?

Mr. MUESSIG. Let me answer you this way. The record of fatals shows a steady decline. During the period 1911 to 1920 there were over 3,100 people killed annually in the mines. However, the period of 1971 to 1980, it is 280. I believe the record speaks for itself.

FATALS

Senator SPECTER. How many fatals were there last year, calendar 1980?

Mr. MUESSIG. There were 229 total. This includes 103 in metal and 126 in coal. Both of those are the lowest figures that we have ever had, excluding 1978 in coal. In 1978 there were 104 fatals, but that was the year the 4-month strike occurred.

Senator SPECTER. Would it be realistic to reduce that number even further by increased activity on the part of the Mine Safety and Health Administration?

Mr. MUESSIG. I think the record has shown that when we spend additional resources, we get results. Let me use an example as to one of the things we did this year in coal. One of our major problems in coal, as you know, Senator, being from a coal State, is that there are many accidents, injuries, and fatals caused by roof falls. This has been a very serious problem with us, so this year Mr. Lamonica and his coal enforcement people made a special effort. We went out and made special reviews. We did some special educational efforts. It was a fairly good effort, and as a result of that, we cut the fatalities resulting from falls of roof, face, and rib in half this year. We do attribute that a lot to the special effort that was made.

Senator SPECTER. Does that lead you to a conclusion that if you make special efforts in other categories that you can significantly reduce fatalities there as well?

Mr. MUESSIG. We have made special efforts in other categories. Normally, there is a decrease in the accidents and in the fatals; yes, sir.

CONGRESSIONAL BUDGET REQUEST

Senator SPECTER. Taking that into account, are you saying that this is the minimum number of people you want, minimum budget, optimum, maximum?

Mr. MUESSIG. No; we are not requesting any additional budget. I think rather than getting into that whole area of program changes, and what have you, I would defer to the people who will come on later on, Senator, if I may.

Senator SPECTER. Who are they?

Mr. MUESSIG. Once the Secretary has his new people, the assistant secretaries and other staff members look at the budget they may want to suggest some changes.

Senator SPECTER. The people that are going to succeed from President Reagan's administration?

Mr. MUESSIG. The people who will be appointed by Secretary Donovan, will look at the entire budget again.

Senator SPECTER. As a generalization, is it your position that you are satisfied that there is a reasonable and realistic level of mine safety and health, on the budgets which have been established in the past and the budget which you are requesting for the future?

Mr. MUESSIG. I support the budget that you have before you.

Senator SPECTER. I want to be sure that you are satisfied, albeit from the administration headed by President Carter, that this budget gives

you what you think you need, what your agency administration needs in order to have mine safety and health.

Mr. MUESSIG. Yes, sir.

OMB BUDGET REQUEST

Senator SCHMITT. If you would yield, one way to test that is to ask them if they would provide us with what their request was. I think it has been agreed that it is proper for us to ask for your submission.

Mr. MUESSIG. What was provided to OMB? Yes; we can provide that.

[The information follows:]

FISCAL YEAR 1982 DEPARTMENTAL REQUEST TO THE OMB

Level	Positions	Funds ($000)
Minimum program	3,851	154,090
Current program	3,962	159,639
Enhancement program	4,194	184,059

DEPARTMENTAL BUDGET REQUEST

Senator SCHMITT. That way we can see what they thought it should have been before they got their mark.

Senator SPECTER. I yield to the experience of the Chair.

Senator SCHMITT. I guess we might as well also ask for what you asked your Secretary for.

[The information follows:]

FISCAL YEAR 1982 AGENCY REQUEST TO THE DEPARTMENT

Level	Positions	Funds ($000)
Minimum program	3,609	159,919
Current program	3,694	164,165
Enhancement program	3,877	178,512

MHSA LIMITED TO MINING

Senator SCHMITT. I am interested to note the difference in the size of the population for MSHA versus OSHA. Maybe that reflects the fact that your bad reputation is more limited to the mining business and not general business as a whole.

Mr. MUESSIG. We are a single-issue agency, Senator.

Senator SCHMITT. Were you here for the discussion with OSHA?

Mr. MUESSIG. Yes, sir.

PROTECTING AGAINST CARELESSNESS

Senator SCHMITT. To what degree do you believe that MSHA is trying to protect against carelessness and has reached the saturation point of their ability to effectively affect mine health and safety?

Mr. MUESSIG. Let me answer that by what we do, and perhaps that would be responsive to your question. We make a conscious effort to analyze the cause of accidents. Once that is done, then a training effort is made, and we do this by improving training plans that operators submit, and we work very closely with our training and enforcement people so they know what is going on with the mining properties, so that

when the training plans are submitted, we try to tailor the plans toward what have been the primary causes of accidents.

We think that is one of the real keys—that, coupled with an awareness of safety and health on the part of all parties, a continuing stressing of that. And we make great efforts, again based on what our enforcement people find, to set up safeguards, engineering controls, to do as much as possible to manage the human element. If guards are needed or if a roof support is needed, that is the type of thing we would insist upon with a mine operator.

I think overall that this results in an awareness and a safety consciousness which is the way you really combat what is referred to as carelessness.

PROGRAM IN ACCIDENT REDUCTION

We have another program that maybe, Tom, you would like to mention briefly, that goes into this. We call it our PAR program. It is a program in accident reduction. We have had some, we feel, fantastic results on the reduction of accidents.

Senator SCHMITT. Would this be equivalent to the compliance assistance efforts of OSHA?

Mr. MUESSIG. We have within our own function, a sister-type program. We have what we call a CAV program that I mentioned in our introduction which may be considered equivalent to OSHA's compliance assistance efforts. If you would let Mr. Shepich mention PAR, then he can explain the CAV program.

Mr. SHEPICH. We, several years ago, recognized that there were injury occurrences at certain mining properties, perhaps at a higher rate than should be expected at that property or above what the national average might be for mines of that category. We devised a priority ranking or scheduling of activities at a given number of mines and, incidentally, a relatively small number of mines, more often larger mines, contribute an unusually large number of injuries.

Over a 4- or 5-year period, we have conducted a program of accident reduction whereby we, in addition to our regular enforcement activities, spend additional time with enforcement personnel, with education and training personnel or technical support people, trying to detect the causes of injuries and accidents at these mine properties to work closely with mine management, the worker and worker representative to try to combat the problems.

We feel we have had success with this program. In 1980, at 57 mines that were in this program across the country, we had a reduction of over 30 percent of the number of nonfatal but disabling injury types that had occurred at these mines as compared with the previous year at the mines under the program. In a way, it is a compliance assistance program, but more importantly it is an accident reduction program.

NONENFORCEMENT ACTIVITIES

Senator SCHMITT. Under what item in your budget would I find those activities that are PAR-related, training-related, and education-related, the nonenforcement activities? OSHA basically, had the one line, "Compliance assistance." Their training, I believe, was related to the training of their own personnel.

Mr. MUESSIG. Mr. Chairman, it is under item B, 873 positions under "metal/non-metal"; it is within the 873 positions. It is a small number.

Senator SCHMITT. It is within the enforcement area?

Mr. MUESSIG. Yes, sir; we don't differentiate. We consider this as part of the enforcement program, because it complements enforcement.

EDUCATION AND TRAINING

Senator SCHMITT. "Education and training" is that training of your own personnel?

Mr. MUESSIG. No; "Education and training" are the training centers that I mentioned. They are responsible for the training provisions of the Mine Act. Under that, as you are aware, Senator, there are some very stringent requirements—40 hours for new underground miners, 24 hours for new surface miners, and annual retraining requirements. That shop basically monitors that program. It is not the internal program.

The internal program is basically the leadership and direction provided by "Program administration," but the directors of our line functions are, in the final analysis, responsible for the training of their people. Of course, we have the Mine Academy that takes care of our basic training of our inspectors. That Mine Academy reports directly to the Assistant Secretary's office.

EMPHASIS ON NONENFORCEMENT ACTIVITIES

Senator SCHMITT. Within this budget—let me go back to OSHA. It seems that OSHA is starting to put more emphasis on the training, compliance assistance, and other types of nonenforcement activities. I don't see that same increase in emphasis in your budget. Is my perception correct, and if so, why is that?

Mr. MUESSIG. Under the Mine Act, we do have some basic statutory requirements that we have to meet. What we have done is tried to get a mix that basically gives us the most benefit for our positions and dollars. We certainly do not attempt to underestimate what we can do in training.

The Academy is, of course, a very large part of our training effort where we do all of our internal training, and now, over the 1½ to 2 years, since we have gotten over the initial training effort of our inspectors that we brought aboard after the 1977 act, we are training a number of industry people there. We are training a number of union people there. We are encouraging that, so they go through the same types of sessions that our inspectors do. We use the same manuals. We house them on station. They pay for it, but that is really the big part of our effort.

Senator SCHMITT. Do you feel this is going to be an emphasis that will increase in your program in the future?

Mr. MUESSIG. Yes, sir; I would say so. I think I am convinced and I think all of our line managers are convinced that training has to be the keystone of the overall effort.

HIRING QUALIFICATIONS

Senator SCHMITT. With respect to personnel evaluations, can you describe the typical profile of a person newly hired by your agency?

Mr. MUESSIG. Yes, sir; let me go back. Mr. Shepich has reminded me of an important aspect of our training effort. We have gotten together with the leading mining schools, the deans of mining, and have had two meetings with them; the focus being that we want to have a better interchange between the Government and the university community. We think that will be beneficial to us in the way of knowing what their needs are.

Also we are trying to stress more and more that when you are training these young mining engineers, safety and health should be a vital part of the curriculum. Then when they get out into the mining business, safety and health are as much a part of their educational process as is engineering.

Getting back to your question. Our inspector, our typical inspector, has to have at least 5 years of mining experience, practical experience. We would not hire anyone unless they have that, so our typical inspector is a high school graduate who has worked at least 5 years in the mines. Before we authorize him/her to go out and do any kind of inspection, he/she has to pass a rather stringent course that we have at the Mine Academy. This runs 6 to 8 weeks, and then we have specialized courses.

The process, basically, after they complete their training, of 3 weeks is to go back to their supervisor who takes them in hand and enforces the educational experience that was provided at the Academy. That is then enforced by on-the-job-type work.

Usually it is about 1 year before they get their authorized representative card, where they can go out and conduct inspections on their own.

PERSONNEL EVALUATION SYSTEM

Senator SCHMITT. Do you have a standardization evaluation system where you follow up and watch their progress?

Mr. MUESSIG. Yes; we have a work measurement system that we have worked on for about 3 years now, where we have measurable units broken out. And this is tied in now with civil service reform, where we have performance standards set up for people.

RETRAINING

We also have our retraining requirement. Each inspector has to go through a retraining session.

Senator SCHMITT. How frequently and how much?

Mr. MUESSIG. Annually.

Senator SCHMITT. Annually for what?

Mr. MUESSIG. Up to 2 weeks of general refresher training. We also provide specialized training as needed. We have, for example, ventilation training and electrical training we will send them through if needed.

SAFETY AND HEALTH CONSCIOUSNESS

Senator SCHMITT. Give me an overview of your impression of the safety and health consciousness of the average miner in a coal mine, and the average miner in the metal and nonmetal mines.

Mr. MUESSIG. Basically, I think it is very good. I attribute a lot of that to what the Congress did, Senator SCHMITT. I think the Mine Act has a basic philosophy and a thread throughout it of a three-party effort—the unions, the Government, and industry. We have worked very hard to try to make that work.

In reality, you know, it isn't "they"; it is "we." Everybody's interested in safety. I think the mining community as a whole is very, very safety conscious.

DECLINE IN ACCIDENT RATE

Senator SCHMITT. Unlike OSHA, you have actually seen a decline in the accident rate since you came into existence; is that correct?

Mr. MUESSIG. Yes, sir.

Senator SCHMITT. Would you care to expound on what is different about your actions versus OSHA?

Mr. MUESSIG. I really wouldn't, except our act is somewhat different than the OSHA act. It is a much stronger act.

DECREASE IN PRODUCTION OF COAL

Senator SCHMITT. We saw a major decrease in production of coal, although that is starting to swing back up again.

Mr. MUESSIG. I think it is swinging up. As far as I can tell from the figures, when I testified in front of Senator Huddleston 1 year ago, we ran some figures on productivity. There is a leveling-off period after the enactment of every statute, and then it slowly starts creeping up again. I think it is the learning process that we go through when something first hits.

REDUCTION IN ACCIDENT RATE

Senator SCHMITT. Generally, would you attribute the apparent success in reducing the accident rate, particularly fatalities, in mining to the stringent conditions laid down within the act, not to any difference in operational philosophy of the two agencies?

Mr. MUESSIG. The Mine Safety and Health Act is a very strong act, but again I think the philosophy that this act gives is of a partnership of the three parties and some of the participation that it gives the worker in this act; I think all of those things together have just made the mining community more and more aware of safety. It is a combination. You really can't attribute the reduced rate to any one thing.

COLLECTIVE BARGAINING

Senator SCHMITT. Do you feel that MSHA compliance actions have in any way substituted for collective bargaining?

Mr. MUESSIG. No; again maybe it is a little different with us than with some other Government agencies, because of the act and the three-party approach.

And as I think we mentioned before, we went through and continue to go through a process of looking at standards. We expect our inspectors to enforce those standards in a reasonable way. We expect them to enforce them in a way that there is some thought given. However, when someone is violating the standards, some actions are taken. We just haven't had that kind of a problem.

We have had the unions and other employees representatives come to us at times and say: "Hey, something is wrong at X mine," which is their right under the act, and we have looked at it. However, we have not had the problem of putting ourselves into the collective-bargaining process.

Senator SCHMITT. Can you tell me how frequently a contract has been signed and then you get a complaint about an issue that was negotiated out of the contract during the contract period?

Mr. MUESSIG. We don't have any figures on that.

Senator SCHMITT. Do you know of any examples? Have you heard of any examples?

Mr. MUESSIG. No, sir.

RELATIONSHIP WITH STATE GOVERNMENTS

Senator SCHMITT. Like with OSHA, I don't see any kind of a State program. What is your relationship with the State governments?

Mr. MUESSIG. The current Mine Act, does not permit State programs like the OSHA Act. We have a State grant program. I think there are 42 States that are participating. It is actually a $6 million grant program. In this program we work with the States in setting up training programs. As long as they have mines and miners in the States, and they set up an effective program, we try to, by a formula basis, give them money to be supportive of that.

Senator SCHMITT. Is there any reason to think the States could take over the general compliance enforcement activities of MSHA?

Mr. MUESSIG. I would answer that in a history sense, that at one time I think the 1966 Act did allow for States to have their programs, and then approved by what was MESA. The participation was low, six or seven States, and my sense of it was, that at that time it was not very successful.

In those States that have mining departments, and many of them do, we do try to work with them. When we are in the process of formulating new standards, we contact those people who are part of the process. Anything that has any kind of impact—for example, we are working on electrical qualification standards now. We have made sure that we get together with the States to see how they feel about it, if they have any input.

Our education and training function, works with the States constantly. They are probably the closest conduit that we have on a day-to-day basis. We encourage it very much, so that there is not any duplication.

Senator SCHMITT. As an aside, have you had much contact with New Mexico Tech, the mining school in New Mexico?

Mr. MUESSIG. They participate. I forget the dean's name. One of them came up and participated in both of our mining meetings.

Senator SCHMITT. That is an expanding operation?

Mr. SHEPICH. I would characterize it as more than participated. He was part of the planning committee for the session that was held at Beckley.

TRANSFER RESPONSIBILITY TO STATES

Senator SCHMITT. Do you think it would be possible now that your program is in place, now that you have gotten, if you will, some kind of control over accident rates, to transfer the responsibility through matching grants to State offices?

Mr. MUESSIG. Senator, I couldn't give you an intelligent answer. I have not looked at that.

Senator SCHMITT. Would it be worth experimenting, with a State, such as, New Mexico, to determine if they could stay on top of the problem?

Mr. MUESSIG. It would be worth looking at. I would be happy to submit something to the committee, if you would like.

Senator SCHMITT. Would you provide for the record the results of your examination with State models and what the impact would be?

Mr. MUESSIG. Certainly.

[The information follows:]

STATE HEALTH AND SAFETY PROGRAMS

Under the Federal Metal and Nonmetallic Mine Safety Act of 1966, as well as the 1952 Coal Act, provision was made for voluntary State plan agreements.

Although a State plan would have allowed States to retain control of mine safety and health activities within their borders, few States were receptive to the program. During the 7-year life of the program under the Metal Act, only eight States elected to enter into agreements. Of these, only two were in the program the whole time; two States, in fact, voluntarily withdrew from the program. Other States participated from 1 to 6 years.

At this time it is not possible to respond to specific questions about changes in legislation currently administered by the Department, or potentially under the purview of the Department. Under Secretary Donovan's leadership, the Department will be examining the transfer of the authority for mine safety and health to the States, along with a number of other proposals and will report to the committee on them at the earliest possible date.

FOREIGN MINING INDUSTRIES

Senator SCHMITT. Did you conduct any comparative studies of the mining industries in other countries?

Mr. MUESSIG. I don't believe we have any figures with us.

Senator SCHMITT. One moment. We will recess briefly.

[A brief recess was taken.]

Senator SCHMITT. The hearing is back in session. Please go ahead.

Mr. MUESSIG. Senator, let me sort of recap some of this. We have served on joint committees with different foreign nations. We have participated in conferences. Our latest effort has been on self-contained, self-rescuers, where we had some people with the Bureau of Mines, industry people, and union people go over to Germany and I believe some other countries, to see what they were doing on self-contained, self-rescuers.

It is very difficult to compare statistics because we are not always knowledgeable on how they gather their data, whether the basis is the same, and so we haven't done anything like that to any great extent.

I am reminded here, this fall we are cosponsoring with the Bureau of Mines, the International Symposium on Mine Safety and Health.

Senator SCHMITT. Where would that be held?

Mr. MUESSIG. Here in Washington.

Senator SCHMITT. What nations do you expect to participate?

Mr. MUESSIG. At the last count about 35 nations expressed an interest in participating. It is pretty much worldwide. We have a lot of expertise and papers are being assembled right now on some major problems that will be submitted.

Senator SCHMITT. Coal, metal, and nonmetal activities?

Mr. MUESSIG. Yes; we hope it will pay for itself. It is being charged for. It won't cost the Government any money, outside of time. We are supportive of this type of thing. It elevates the whole mining community, if we do take a leadership role occasionally on the international scene.

DUST REMOVAL

Senator SCHMITT. To get into some more specific questions, there has been a great deal of progress made in the metal and nonmetal area in dust removal. One of the classic examples of where progress has been made appears to be in the uranium industry. There was a major change about 1970 in the dust in the uranium mines, the underground mines; and since that time the cancer rate has dropped practically to zero. We are just at the edge of being able to measure that rate in terms of detectability. However, prior to 1971, one of the major correlations was between the presence of dust and the smoking by the miner.

What is the situation in the coal industry now? Have we pretty much licked the dust problem as a health problem for miners?

Mr. MUESSIG. Let me have Mr. Lamonica address that.

Mr. LAMONICA. In the coal area, coupled with the dust sampling program that measures the miners' exposure to the dust, is an X-ray program that is administered by NIOSH and HHS. There has been an ongoing study since early 1969, where epidemiology data is being gathered. We are coming up on approximately the 15th year of that study, where they have measured miners who just entered the industry since 1970. And hopefully we will see whether or not we are having an impact with our standards, which is 2 milligrams per cubic meter of exposure.

There is an extensive X-ray program that analysis shows that there has been a decrease. But the proof of the pudding will be after this next round. They are now in what they call the third round of the X-rays. We should be completed within the next year or so.

Senator SCHMITT. Any information you have for the subcommittee will be appreciated. That is a NIOSH program?

Mr. LAMONICA. Yes.

[The information follows:]

COAL MINE DUST STANDARDS

There have been major reductions in respirable coal mine dust exposures since the 1969 Coal Act established maximum exposure standards for coal miners, including the present standard of 2.0 milligrams per cubic meter—mg/m^3. British data—which has been accumulated for many years prior to the 1969 Coal Act and was the basis for the

present 2.0 mg/m^3 standard—indicates that a miner exposed to a 2.0 mg/m^3 respirable dust level for a working lifetime has a negligible probability of contracting a disabling degree of coal workers' pneumoconiosis—CWP.

The Federal Government began efforts to determine the relationship between respirable coal mine dust levels and CWP in this country in 1969 through the national coal study. This study, now under the National Institute of Occupational Safety and Health, is in its 12th year and its 3d round of medical examinations. The study should also, in time, show how well we are doing in eliminating CWP. However, as is pointed out in the national coal study protocol, "In view of the short time between X-ray examinations * * * and the slow rate the disease usually progresses * * * one cannot expect conclusive evidence of the efficiency of present control from this study." We understand that NIOSH is in the process of publishing a report titled, "Federal Mine Health Program in 1980" which they should complete shortly. This report will have data from the national coal study.

URANIUM MINING

Senator SCHMITT. We will try to remember to discuss that with them also.

Mr. SHEPICH. You made reference to uranium mining. You are correct. There has been a gradual and distinct reduction in the levels of dustiness. More specifically, in the levels of radiation hazards in uranium mines over the past years. I am not certain, however, that the statement that the radiation-induced cancers are down to a zero rate—there has been some suggestion and some studies that have been provided us by NIOSH and that we are working with NIOSH to attempt to validate, that suggest that the past exposures have not been controlled sufficiently to eradicate the radiation-induced cancers. We are working with NIOSH right now in that regard.

Senator SCHMITT. Are you familiar with the work at the Bernalillo County Medical Center, part of the University of New Mexico medical complex? They have done extensive testing.

Mr. SHEPICH. I am aware of the work. I believe NIOSH and our health specialists have been aware of that work.

MINER FATALITY RATE

Senator SCHMITT. The next 1 or 2 years the fatality rate for miners is expected to drop below the rates of both construction and agriculture. Do you concur with that statement?

Mr. MUESSIG. I don't know.

Senator SCHMITT. Would you check and see where you stand relative to other major industrial areas?

Mr. MUESSIG. Yes.

[The information follows:]

DEATH RATES OF SELECTED INDUSTRIES

The death rates per 100,000 employees according to the National Safety Council figures for 1968 and 1978 are as follows:

	1968	1978
Mining	117	63
Construction	74	57
Agriculture	65	54

SHIFT FUNDING TO OTHER INDUSTRIES

Senator SCHMITT. CRS says we are spending $150 a year to protect the lives of each miner. That is, I presume, a Federal Government expenditure. Is that taken by dividing the total cost of MSHA by the total number of miners in the country? We will assume that is how they got it. Well, only $3 each year goes to protect each construction and each farmworker. Do you think it is time to shift some of the funding from mine safety to safety in these other areas?

Mr. MUESSIG. Again, we will provide something to the committee.

Senator SCHMITT. If that factor of 50 was true, do you think it is comparing apples and oranges?

Mr. MUESSIG. I have not heard that figure before, Senator.

[The information follows:]

BUDGET POLICIES UNDER DEVELOPMENT

At the present time the Reagan administration budget policies are being developed with the participation of Secretary Donovan, the Office of Management and Budget, and other administration offices. Therefore, it would be inappropriate to comment on specific budget policy changes until the final Reagan administration proposals are submitted to the Congress.

SAND AND GRAVEL

Senator SCHMITT. One of the great areas of controversy for MSHA has been the sand and gravel industry.

Mr. MUESSIG. Yes, sir.

Senator SCHMITT. It really is a question of whether sand and gravel extraction is mining or construction. It's in the eyes of the beholder. Obviously, there are arguments on both sides. Would you summarize your agency's current feelings and the reasons for those feelings relative to the sand and gravel industry?

Mr. MUESSIG. We have in this budget requested that the previous amendment prohibiting MSHA from enforcing the training rules at certain operations be deleted, as far as the sand and gravel. Again, I would perhaps talk as to what the figures show. The figures show that about 55 percent last year of the metal/nonmetal fatals occurred in the sand, stone, and gravel industries.

Senator SCHMITT. What proportion of the employees are in those industries?

Mr. MUESSIG. Let me talk, and they can dig that up. We do have it.

Second, about these activities—you know, there is much said: "Hey, these things aren't mining." Well, if they aren't mining, they have been defined as mining for many, many years, Senator. They were under our previous act. We covered them. So we do consider them as mining. I find it rather strange that now all at once somebody says they are not mining.

Senator SCHMITT. You shouldn't find it strange. It is principally a political reaction of relatively small businesses being required to comply with, as you have already indicated, quite a stringent requirement of law compared to what they were used to, and compared to what they think is appropriate for their business.

Mr. MUESSIG. There are about 260,000 total workers involved.

Senator SCHMITT. Compared to what is the total mining labor force in the country?

Mr. MUESSIG. About 325,000 in metal/nonmetal.

Mr. SHEPICH. I think Mr. Muessig is adding the coal, metal, nonmetal together. There are about 260,000 workers in the metal/nonmetal industries covered by the act at the present time, of which about 160,000, 165,000, are in the sand, gravel, and crushed stone segments of the industry.

Senator SCHMITT. Is the per-employee accident rate about the same in both industries?

Mr. SHEPICH. About the same.

Mr. MUESSIG. The incident rate is about the same; yes. Senator. I guess one of the tragedies of this whole sand, gravel, and stone issue is that last year, when the act was first passed, problems and controversy surfaced.

Since then I believe those problems have been worked out. I must say, sitting where I am, last year the relationship and the work that has been done between, again, the two parties and the unions has been very, very fine. At least one of the major associations, I think, has testified to that effect. They felt that these units should remain under MSHA's jurisdiction. We are still fighting that first-year-type problem, as I refer to it, where there were some problems understanding what the act was all about. For example, it was alleged that the Boy Scout or the vendor going on mine property would have to take a 40-hour training course. We still have people saying that. It is so ludicrous.

But as I say, this last year my perception, for the most part, based on our working with these people, has been very, very fine. I think many of them would say the problems have been surmounted now. We have a good act, and we are complying with it.

COST OF ENFORCEMENT AND COMPLIANCE ACTIVITIES

Senator SCHMITT. We will see what they say when we bring them in for our public hearings.

Has the agency, the administration, made any estimate of the percentage of the increase in cost of various mined commodities that is attributable to enforcement and compliance activities?

Mr. MUESSIG. No, sir; I think the Coal Commission touched upon this. There is some further work being done now under the sponsorship of the President's Coal Commission and the National Academy of Sciences. Our evaluation office, is working with them. I can see if there is anything like that available.

Senator SCHMITT. We would appreciate it, if you would supply that information for the record.

[The information follows:]

INFLATIONARY IMPACT

The Mine Safety and Health Administration has not compiled any composite estimate on the inflationary impact of the Federal Mine Safety and Health Act.

Mr. MUESSIG. We make those studies before we promulgate standards. We go through that rather elaborate process.

Senator SCHMITT. How do you get the information? About the same way as OSHA does?

Mr. MUESSIG. I like to think that we do a little more at the outset. If you would like to spend another minute, maybe Mr. White could shorthand that through.

We feel, again, that when we finally come out with a standard, there is usually very little public outcry. I think this is because all of the preliminary work has been done. If you wouldn't mind, I would like Mr. White to briefly describe it.

Mr. WHITE. Our process is similar to OSHA's. We draw on our inspectorate that is out there everyday, and we have a grasp of the extent to which the industry is complying with a particular proposed standard. We can go to them and say, "How many mines are in compliance? How many are close to compliance?" and they can give us pretty good information on a very preliminary basis, which lets us then sort of check that information with industry.

We will go to industry even before we get to the formal public hearing stage, and ask for their statistics or if they would like to check our own, to go ahead and do that. So we begin at a very early point to collect economic data and then provide that to industry so that they can come back and say, "We think you are a little off here or there." We complete an economic analysis on every regulation, not just merely those that we are required to under the executive order.

Senator SCHMITT. Can you give me any example of a regulation that you withdrew because of the economic impact, or revised significantly because of that impact or in order to reduce it?

Mr. WHITE. Quite frankly, there are none we have actually withdrawn. We have made a number of changes in regulations based, at least in part, on economic arguments. One of those might be our recent mine rescue team regulations, where the impact on a small business would be very severe by requiring a 10-man mine to have a 12-man team. It is not feasible. We tried to make some changes whereby mines in a particular area could band together and form a team, so the economic impact of forming a mine rescue team could be spread around various mines.

Senator SCHMITT. Would you allow a variance where it was a one-mine operation?

Mr. WHITE. We tried to build into the regulations a number of mechanisms whereby if it were simply impossible to comply with a basic regulation, we would let the mine come to us and say, "We can't do this. But here is what we can." They would essentially submit a plan to us saying, "Here is what we can do." We will work with them and try to set up an acceptable system.

Mr. MUESSIG. Coupling what Mr. White has said, perhaps supplementing it somewhat, we found something rather interesting, speaking of the economic impact. Once parties basically agree in principle to a need, and then when you get into the economic impact and at the outset it would appear that it is a rather severe one, it is surprising how many

times the parties then can come up with some alternative measures and still derive the degree of safety that everyone agrees is needed, but at a lower cost.

I can't think of a specific example of where that has happened, having said that, but that does happen. Again, you have the parties agreeing at the outset, and then you take it in stages. And where the economics are so severe, then it really makes people sit down and think, "Hey, how else can this be done and be done in a safe way?" People come up with things.

Mr. WHITE. An example might be the mine rescue team regulations.

In the proposed rules, we suggested that every team have a formal mine rescue station, essentially a separate building with hot and cold running water and sort of an elaborate building that might cost up to $40,000. Industry came back and said, "We don't need that. Just tell us that we have to house it somewhere separately, where it is accessible, and that's good enough."

On reflection we said, "Yes, that's all we need, is a place to house the equipment, not a separate building with a lot of elaborate facilities." So we reduced that requirement significantly.

Mr. MUESSIG. And still provided the same degree of safety.

MINE RESCUE TEAM

Senator SCHMITT. What size team do you require now?

Mr. WHITE. We require a six-person team with a backup team of six members.

Senator SCHMITT. Can they be part of the regular force, or do they have to be on duty continuously?

Mr. WHITE. Oh, no, they are part of the regular mining force, and do not have to be sitting somewhere, like a fire department has to be.

Mr. MUESSIG. That is the norm.

Mr. WHITE. They are on call and can be working in a mine at any time.

Senator SCHMITT. Basically, you require that there be a minimum of 12 people.

Mr. WHITE. Available.

Senator SCHMITT. In the work force who have had the proper training and have access to the proper equipment.

Mr. WHITE. That's correct.

Senator SCHMITT. And to act as a mine rescue unit.

Mr. WHITE. That's correct.

COMMUNICATIONS AND MINE SAFETY

Senator SCHMITT. What about communications with respect to mine safety. It is my understanding that there have been significant breakthroughs in underground mine communications. Can you summarize that? Is that all still in the R. & D. area? Telephones, low-frequency radio transmissions?

There is a firm in Raton, N. Mex., associated with the York Canyon—Raton is associated, the firm is not—that has been working with the Bureau of Mines, I think, principally, on a low-frequency communi-

cations system to provide minimum information as to the health and welfare of a miner that may be trapped. Are you familiar with that?

Mr. LAMONICA. Yes, Senator; there is a multitude of research activities in this area, one for telecommunications within the mine for monitoring the mining environment, and also research in the area of mine rescue and being able to detect trapped miners.

We work very closely with the Bureau of Mines, the principal researcher in this area, with our mine emergency operation, which is a permanent function of our organization. This research in terms of new technology is compatible with that mining environment, and we lend our expertise, such as our Dallas Pike facility, in terms of, is the equipment permissible.

Senator SCHMITT. Have you made any estimates as to what degree mine safety can be enhanced by some of these sensing systems, improved miner-to-surface communications, and so forth? Are you doing this just based on the gut feeling that it is going to be worthwhile?

Mr. LAMONICA. It is based on having experience with past mining disasters. The need came up through investigations that said that that may have contributed. I am not aware of analysis, but we could search for that.

FUTURE COSTSAVING INNOVATIONS

Senator SCHMITT. One of the things that the subcommittee, I think, is interested in, is what does the future look like? Are we going to continue to bear this kind of expense? Are there potential administrative and/or technological innovations that will begin to reduce the level of cost of assuring that there is adequate safety, without compromising safety and health? I hope we get smarter with time.

Mr. MUESSIG. Let us give you something on that. There are three or four programs and technologies that are to the point where we are doing some extensive work.

Senator SCHMITT. I would appreciate that. Bureaucracies in the last couple of decades have taken on a life of their own, and existed because they are there. I think many of us now, over here in the Congress are trying to search to see whether or not that has happened in the case of every agency. I am not saying it has happened in the case of your agency. I think we have to keep asking that question.

Do we ever see any light at the end of the tunnel? Is it always going to have to be $166 million, or more, appropriated for mine safety and health activities?

[The information follows:]

MINING SAFETY RESEARCH

To briefly summarize the status of trapped miner communication research and development, it must be recognized that all mine safety research is the responsibility of the Secretary of the Interior, and is conducted by the Bureau of Mines. The Mine Safety and Health Administration has no research authority and no research dollars. However, we do have a very close relationship with the Bureau of Mines, including a large measure of input in the development of their mining safety research program.

For several years the Bureau has been working on the development of a device that will permit a trapped miner to send a signal to the surface. The device is, in reality, a small, low-frequency radio which sends a signal to the surface. It is powered by the miner's cap lamp battery. Receivers on the surface can, by triangulation techniques, lo-

cate to within a few feet the underground position of the miner. Extensive in-mine testing has proven the feasibility and reliability of the device. It can be carried on the miner's standard belt, along with the cap lamp battery and self-rescuer.

It should be noted that the device does not permit a trapped miner to talk to the surface. Rather, the device broadcasts only a tone signal. However, a newer version of the device does permit the trapped miner to receive verbal communications from the surface. Another limitation of the device is its range. Below about 1,000 feet in depth, the reliability of the instrument falls off dramatically; thus, for very deep mines the reliability and usefulness of the device is questionable.

We feel that the research and development of the device is essentially complete, although the Bureau of Mines is continuing research in an effort to improve the range and reliability.

Questions remain as to miner acceptance, industry acceptance, overall cost to the industry, methods of deployment of the device underground, and similar matters.

NEW MEXICO MINE RESCUE TEAMS

Mr. MUESSIG. Senator, I have just been given a note here. I know you would perhaps be interested. In the State of New Mexico, we do have approximately 40 mine rescue teams that are quite active.

And I guess our mine disaster recently in West Virginia, where we had five people who were killed, the immediate response of trained people, you know, nongovernment people, that came in on a real need—and you didn't have to go through any learning curve; it takes a highly skilled individual, and these people are highly trained—they responded. They went into the mine in shifts. There was never any problem in getting the people there to do it.

I think it is a real, major compliment again to the total safety effort, because these people go back—and as Mr. White has indicated, they are part of the work force. They aren't in some fire engine sitting down at the end of the road. They are part of the work force, and they preach safety and health. They know it, and they see it. They have seen death and injuries. It is a very good function, in our view.

Senator SCHMITT. I would concur in that. I have spent a great deal of time going around the mines of New Mexico. I grew up, actually, in them, around Santa Rita, and spent a lot of my younger days underground with my dad as a geologist. I have been very impressed when talking with these team members as to their—not only their motivation and enthusiasm, but clearly their competency.

I went through that same kind of safety instruction and exposure as part of learning how to live with Saturn V, which contained 4 million pounds of kerosene—plus a few other things that might set it off. Clearly, the motivation level is at least as high, if not higher, as the kinds of activities we have going for us in the space activities.

Your influence to the degree that it has been important, and I am sure that it has, is much appreciated by all of the families that are being protected, in a sense, by these gentlemen.

NATIONAL MINE RESCUE CONTESTS

Mr. MUESSIG. Occasionally we get criticized. We have these national mine rescue contests each year. One year we have a coal contest, the next year, metal. I have always said, and I have defended, that those are the cheapest bucks that the Government has spent in a long time to bring these people together and have these national contests, and again,

it enforces the whole safety awareness on the part of the companies and the workers. It is a great function.

QUESTIONS SUBMITTED FOR THE RECORD

Senator SCHMITT. The subcommittee will have some additional questions for the record. We hope that they will be answered in conjunction with your return of the corrected hearing transcript.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Schmitt

MSHA METAL AND NONMETAL ENFORCEMENT

Question: What have been the changes in injury and fatality rates among coal and metal nonmetal mines covered by and those exempt from training requirements, for two respective periods: before the training regulations were promulgated; and since they have been in effect?

Answer: The fatal and non-fatal days lost (NFDL) injury incidence rates per 200,000 hours worked are as follows:

	All Metal & Nonmetal Mines and Mills	Exempt Mines and Mills	Non-Exempt Mines and Mills
Fatal			
Jan.-Dec. 1978	0.05	0.05	0.05
Jan.-Dec. 1979	0.04	0.05	0.04
Jan-Sept. 1980*	0.04	0.04	0.04
NFDL			
Jan.-Dec. 1978	4.58	4.10	5.11
Jan.-Dec. 1979	4.81	3.98	5.72
Jan-Sept. 1980*	4.21	3.55	4.91

*Preliminary data

However, we believe it is premature to evaluate these data for the impact of the training requirements for several reasons. First, less than 5 months lapsed between the date required for surface mine operators to have an approved training plan in place (May 1979). Additionally, many of the exempt mines and mills had submitted training plans to MSHA which had been approved prior to the effective date of the restrictive language. Individual operators of the exempt mines and mills have indicated to MSHA that they are voluntarily implementing their training plans.

It is also necessary to realize that the training provisions do not operate in isolation. The Mine Act was carefully constructed to provide a balance between education and training, enforcement and technical assistance. MSHA has made conscious efforts to maintain this balanced approach. Further, MSHA, in implementing its programs and policies, has involved all sectors of the mining community--labor, management, and government--to ensure an effective balance is maintained which will result in improved safety and health conditions at all the Nation's mines.

TRANSFER OF JURISDICTION OVER SURFACE MINES

Question: Last year, both House and Senate passed similar versions of an Amendment to transfer jurisdiction from the Mine Safety Administration to OSHA for several types of surface mines, including sand and gravel; this Amendment never became law, however, under terms of the fiscal 1981 Continuing Resolution.

* What are the major "pros and cons" of transferring jurisdiction to OSHA for shell dredging, sand, gravel, stone, clay, limestone, and colloidal phosphate mines?

* How much money would have to be transferred from Mine Safety to OSHA, to go along with the transfer in functions?

Answer: The Department, under the leadership of Secretary Donovan, is examining a number of proposals for changes to its legislation, and will work within the Administration to develop a position. It is not possible to provide the Committee with a definitive analysis of the pros and cons at this time.

SAND AND GRAVEL MINING OPERATIONS

Question: How can you call sand, gravel and related operations "mining" when they are really construction operations?

Answer: These industries have historically been classified as mining. Prior to 1966, a study was conducted by the Department of the Interior, at the request of Congress, to determine which industries should be covered by a Federal mine safety law. That study specifically indicated that sand and gravel and stone should be covered, along with other metal and nonmetal mining operations.

Sand and gravel and stone mining operations have been covered by Federal mine safety legislation since 1966 when the Federal Metal and Nonmetallic Mine Safety Act became law.

The more than 10,000 sand and gravel and stone operations use traditional mining methods and the materials extracted at those operations have historically been considered minerals. (See United States vs. Schaub, 163 F. Supp. 875 (D. Alaska, 1958) and cases cited).

Sand and gravel and stone operations are classic mining operations in that their equipment, such as crushers, screens, conveyors, and haulage equipment, are used with about the same frequency and for the same purpose as other mining operations.

SAND AND GRAVEL UNDER OSHA

Question: Shouldn't sand, gravel and related operations really come under OSHA instead of Mine Safety?

Answer: The Reagan Administration is developing its budget and legislative proposals with the participation of Secretary Donovan, the Office of Management and Budget, and other Administration officials. Therefore, it would not be appropriate to comment on any new policies or programs planned for MSHA in 1982 until the final Reagan Administration proposals are submitted to the Congress.

SAND AND GRAVEL COMPARED TO CONSTRUCTION

Question: Isn't it true that these businesses are no more dangerous than ordinary construction?

Answer: MSHA does not dispute the fact that other industries besides mining are extremely hazardous. However, it is believed that the efforts of MSHA have contributed to the comparatively low incidence of injuries and fatalities at mining operations despite the extreme hazards involved. The hazards faced daily by workers in the sand and gravel and stone operations are similar, if not identical, to the hazards faced at other mining operations. Coal mining, including surface coal mining, is considered an extremely hazardous occupation. In each year since 1974, the sand and gravel and stone

mining operations have had a higher fatality rate than the surface coal mining industry.

NATIONAL MINE HEALTH AND SAFETY ACADEMY

Question: What new programs are being implemented at the National Mine Health and Safety Academy to better train mine inspectors in the detection of mine hazards and to improve relations between mine inspectors and mine operators?

Answer: The following programs being implemented and/or refined in FY 1981 and continuing into FY 1982 will have an impact on these goals:

1. A 2-week Program in Accident Reduction (PAR) prepares the MSHA inspector for the role of a safety professional, who works closely with mine personnel to pinpoint unsafe practices and conditions, to develop better communication of safety policies, and to find and eliminate any weaknesses in interpersonal relationships that could contribute to accidents. The success of the PAR program--with its emphasis on good safety programs with job safety analysis, accident prevention training and safety awareness on the part of both management and labor--has been proven.

2. A 3-day Interpersonal Communications and Human Relations course designed to improve relations between mine inspectors and mine operators is currently being taught by the Academy.

3. Instructor training programs to improve the quality of mine health and safety training in the mining industry have been given to industry training personnel.

4. All Academy Courses and Safety Seminars are open to mining industry personnel and the industry sends many students to these courses. In addition special programs, seminars, and short courses specifically tailored to the needs of mining industry have been provided.

5. The Instructional Materials, Safety Manuals, and Programmed Instruction Books which are prepared by the Academy personnel are widely used by the industry and contribute to better relations between mine inspectors and mine operators.

MSHA PROGRAM ADMINISTRATION

Question: In what new directions is the Administration planning to lead MSHA in 1982? Please give a synopsis of your most important new programs for the coming year.

Answer: The Reagan Administration budget policies are being developed now with the participation of Secretary Donovan and other Administration officials including the Office of Management and Budget. It would be inappropriate to comment on what new directions or new programs the Administration has planned for MSHA in 1982 until the final Reagan Administration proposals are submitted to the Congress.

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MSHA STANDARDS DEVELOPMENT

Question: What is the status of standards development for both metal and nonmetal mines?

Answer: MSHA has completed nearly all of the standards which were mandated by the new Federal Mine Safety and Health Act of 1977 (Mine Act). MSHA is, therefore, now focusing its attention on a review of all existing metal and nonmetal regulations in order to upgrade them and to consider eliminating, consolidating, clarifying, simplifying and reorganizing provisions, where appropriate. In March 1980, MSHA published an advanced notice of proposed rulemaking, informing the metal and nonmetal mining community of its intentions. At that time, MSHA also asked that they submit both their substantive comments relative to revisions of standards and their recommendations for prioritization of the review. Over 100 persons and organizations, including those representing almost every facet of the metal and nonmetal mining community, responded, and MSHA is reviewing those comments to determine which standards or groups of standards should be reviewed first. MSHA will then inform the metal and nonmetal community of its decision. At this time, MSHA plans to hold informal meetings with those affected to allow them to present additional views. Although the overall review will be a long-term project, MSHA plans to address the most serious and pressing issues and concerns as expeditiously as possible.

Question: In what new areas are standards currently being developed for each type of mining?

Answer: In November 1980, MSHA proposed revisions to the existing civil penalty regulations in order to restructure the civil penalty system so that it will provide a greater incentive for mine operators to comply with the Mine Act. In so doing, MSHA attempted to respond to those suggestions made by representatives of the metal and nonmetal community. MSHA received further comments from many metal and nonmetal operators and organizations and it plans to hold public hearings so that they will have an additional opportunity for input.

During the summer of 1980, MSHA published proposed changes to several of its equipment regulations. These changes were designed to reflect the advancing technology in safety-related mining equipment. For the most part, comments on these proposed changes have been very favorable. In accordance with policy established by President Reagan, all Departmental regulations will undergo review to determine if they are necessary and not overly burdensome on industry and the public.

Question: How might revised standards reduce costs of compliance, without sacrificing miner safety and health?

Answer: Revisions which eliminate duplicative provisions, clarify standards, include alternative means of compliance and reduce paperwork requirements may reduce compliance costs without sacrificing miner safety and health. As MSHA revises its standards, it will, to the extent possible, incorporate changes which minimize economic and other burdens on operators.

MSHA COAL ENFORCEMENT

Question: What are the biggest reasons (other than pay comparability increases) for the proposed increase in the need for coal enforcement funds?

Answer: Other than the pay comparability increases, the largest increases for the Coal Enforcement Program are for travel, transportation and rent, communications and utilities.

The largest increase--$540,000--is for travel and transportation. Per diem, raised from $35 to $50, and in high rate areas from $50 to $75, has resulted in an average increase of over 45 percent. In addition, GSA, on which MSHA is almost totally dependent for its vehicle needs, has increased motor vehicle rates on three occasions within a 12-month period--November 1979, June 1980 and October 1980. The latest rate increase effective October 1, 1980, amounted to a 7.3 percent increase overall in GSA motor vehicle rental charges. In addition, there have been increases in air fare costs. All of these increases which, incidentally, are beyond the control of MSHA, have added to MSHA's cost of sending mine inspectors to the various mines throughout the 26 coal-producing States.

Increased charges for the rental of GSA space, rental of ADP equipment and rental of telecommunications services and utilities account for $460,000 of the increases needed for the Coal Mine Safety and Health Enforcement Program. The automated Management Information System (MIS), which is still in the developmental phase, is expected to be fully operational in fiscal year 1982. As additional terminals are added during the implementation of this system, rental charges for ADP equipment and telecommunications have been increasing. Other rental increases are actually price increases charged by the various vendors for the rental of copiers, telephones and other equipment needed by MSHA in conducting the Coal Enforcement Program.

The remaining $100,000 of the total increase represents modest increases for printing, repairs of equipment and purchase of replacement equipment for inspection personnel. These increases are needed solely because of price increases charged by the various vendors.

NEW POLICIES OR PROCEDURES

Question: Please explain any new policies or procedures related to assessment or enforcement which might promote better relationships with mine operators.

Answer: In November 1980, MSHA proposed changes to the assessment regulations in order to make them uniform and more effective. Comments were solicited from industry and were analyzed by MSHA staff. The proposed rule establishes a system of fixed minimum penalties for violations of health and safety rules for nonserious violations and for violations where there is no negligence. The rule proposal also changes methods of determining an operator's history of previous violations. Other changes in the civil penalty regulations will include a separate gravity consideration for health violations, and awarding more good faith credit for fast abatement and special efforts to abate.

During March and April of 1980 a series of seminars, sponsored by United Mine Workers of America (UMWA), Bituminous Coal Operators Association (BCOA), Mine Safety and Health Administration (MSHA), and the Bureau of Mines were held at strategic locations in the coal-producing States. The purpose of these seminars was to acquaint the coal industry with the technical requirements, as well as recent changes that had been made in MSHA enforcement policy regarding illumination of working places.

On July 1, 1980, in compliance with the Mine Act, MSHA promulgated regulations identifying certain independent contractors as operators. The result of this rulemaking reduced the mine operators direct responsibility (recipient of citation and orders, payment of fines, recordkeeping, etc.) for the safety and health of persons or organizations that contract to perform services or construction at a mine. Those persons or organizations identified as independent contractors are now responsible for compliance with MSHA's regulations.

MSHA's Coal Enforcement Program has established a system for review and revision of safety standards, for which petitions for modifications are frequently granted by revising standards where existing standards have been consistently modified through the petition process. Standards revised under this system will permit operators to choose among acceptable alternative methods of compliance. In addition, both MSHA and industry will benefit from elimination of the time, labor and paperwork associated with the petition process in these areas.

Enforcement of the revised respirable dust regulations began in fiscal year 1981. These regulations and associated revised policies and procedures should provide benefits to the mine operators without sacrificing the protection provided to the miners and result in better relationships between the mine operators, the miners and MSHA.

SHIFTING MINE SAFETY FOCUS

Question: What recommendations do you have for how mine safety legislation could be changed to shift the focus of efforts to protect miners' safety and health toward greater cooperation between mine operators, workers, and the Government?

Answer: It is not possible for the Department at this time to respond to specific questions about changes in legislation currently administered by the Department, or potentially under the purview of the Department. Under Secretary Donovan's leadership, the Department will be examining mine safety legislation, along with a number of other proposals, and will report to the Committee on them at the earliest possible date.

MINE SAFETY OVER-FUNDING

Question: In the next year or two, the fatality rate for miners is expected to drop below the rates for both construction and agriculture. Yet, about $150 a year is spent to protect the lives of each miner, while only $3 per year goes to protect each construction and each farm worker.

* Don't you think it's time to shift some of the funding from Mine Safety to OSHA?

Answer: The difference in expenditures may be, at least in part, attributable to the more specific requirements of the Mine Act. For example, the Mine Act requires a minimum of four annual complete safety and health inspections of all underground mines and two annual complete inspections of all surface mines. In addition, MSHA is required to inspect more frequently especially hazardous operations. Also, the Mine Act contains specific mandatory training provisions, provides for walkaround rights for miners and/or their representatives participating in inspections and mandates civil penalties for all violations cited. MSHA also is responsible for the approval and certification of equipment used in underground mines. The requirements of the OSHA Act may not be as specific which could account for the difference in dollars expended to protect workers' health and safety. It may also be possible that the $3 figure does not include the expenditures made by the States which are participating in OSHA's State plan program which could have an effect on the dollar amount.

* In light of this situation, don't you think it's time to reduce the funds you spend on mine regulation?

Answer: The Reagan Administration budget policies are being developed with the participation of Secretary Donovan, the Office of Management and Budget, and other Administration officials. For this reason, it would be inappropriate to comment on any new budget policies planned for MSHA in 1982 until the final Reagan Administration proposals are submitted to the Congress.

REORGANIZING MINE SAFETY ADMINISTRATION

Question: The Mine Safety and Health Administration has a Coal Administration and a Metal and Nonmetal Administration which perform similar functions.

* What is the basis for having separate administrations for coal mines and for metal and nonmetal mines?

* How much would be saved by merging these administrations?

* What disadvantages would result from merging the two administrations?

Answer: The basic reason for having separate coal and metal/nonmetal enforcement organizations is the differences in the mining environments and, therefore, in the hazards in the divergent mine types.

The coal industry is geographically relatively compact and methodologically relatively uniform while metal and nonmetal mines are widely dispersed geographically and highly diverse in mining methodology. Different standards and regulations apply to the two industries. Moreover, the segments of the public served by the Coal Enforcement Program and the Metal and Nonmetal Enforcement Program (both industry and labor) consider themselves to be distinct.

It is not possible to comment specifically on a question relating to reorganization or realignment of functions until Secretary Donovan has had an opportunity to thoroughly review present operations.

ECONOMIC IMPACT OF MINE SAFETY REGULATIONS

Question: Are there any estimates on the inflationary impact of the Mine Safety and Health Act on metal and nonmetal mines?

Answer: MSHA has not compiled any composite estimate on the inflationary impact of the Federal Mine Safety and Health Act (Mine Act) on metal and nonmetal mines. Estimates of the economic impact of individual regulations are available in the Federal Register. The following estimates relating to metal and nonmetal mines published in final since the effective date of the Mine Act, have been made:

a. 30 CFR Part 48 - Health and Safety Training and Retraining of Miners - approximately $40 million.

b. 30 CFR 57.5-37, et al. - Radiation and other Miscellaneous Standards - approximately $25.1 million.

Over the past five years Academy personnel have conducted hundreds of tours and briefings for visitors from industry, government, the academic community and the general public, and have used these contacts to encourage utilization of the facility. The thousands of catalogs and safety manuals and other instructional materials which the Academy has distributed have promoted the use of the Academy and its services.

The Academy has also met with industry and labor representatives and designed programs to meet their specific needs or conducted programs out in the field upon request. In all these contacts the Academy has stressed its goal to promote health and safety through increased cooperation between government, industry and labor in solving the difficult problems facing the industry and instilled an awareness of the Academy as a source to meet those needs.

The growing participation from industry and labor seems to indicate that information regarding Academy educational service is becoming more widely known. The record of repeat usage by industry groups that have "discovered" what the Academy has to offer indicates utilization by industry will continue to grow in FY 1982.

PUBLICATIONS DISTRIBUTION CENTER

Senator Byrd: In fiscal year 1977, I was able to secure planning funds for MSHA's National Publications Distribution Center, and later I secured construction funds for the Center. What is the status of construction of the Publications Distribution Center?

Answer: The Publications Distribution Center is approximately six weeks ahead of schedule due to the unusually mild fall and excellent coordination between the general contractor, (Guy Johnson Construction Company), his subcontractors and the Academy. The building's walls are up; the roof is on; and interior stud work is done. Monetarily, 73 percent of the contract sum, or $1,391,000, has been expended to date, while only 45 percent of the allotted contract time has lapsed. This progress trend should continue throughout the construction barring material delivery problems and unusual weather conditions.

Senator Byrd: Are there sufficient funds in the fiscal year 1982 budget to complete construction of the Center?

Answer: The $2,000,000 appropriated in FY 1980 will be sufficient to complete construction.

Senator Byrd: When do you expect to complete construction?

Answer: The construction is expected to be completed by October 1981.

DISTRIBUTION OF SAFETY AND HEALTH PUBLICATIONS

Senator Byrd: What is the current distribution level for mine safety and health publications?

Answer: The number of mine safety and health publications distributed in FY 1980 and the first quarter of FY 1981 is shown below.

FY 1980		
	Safety Manuals	137,403
	Programmed Instruction Manuals	16,905
	Total	154,308
FY 1981 (First Quarter)		
	Safety Manuals	33,905
	Programmed Instruction Manuals	5,578
	Total	39,483

Senator Byrd: What do you project to be the FY 1982 level?

Answer: It is expected that the distribution of safety and programmed instruction manuals will exceed 200,000 in FY 1982. In addition, all other MSHA technical publications will be distributed from the new Center, increasing the volume of output even further.

Senator Byrd: How will the new Publications Distribution Center facilitate distribution?

Answer: The Publications Distribution Center will become a central distribution point for mine safety and health publications, as well as some technical and other publications. At present there are several distribution points for many of these publications. This central distribution point will make it easier for users to obtain copies of those MSHA publications and provide faster response to public requests. Efficiencies will continue to increase as more safety manuals, programmed instruction texts and other MSHA publications are developed and made available for distribution.

DALLAS PIKE ACTIVITIES

Senator Byrd: Could you summarize what programs and activities MSHA has planned for its proposed Dallas Pike facility?

Answer: The facility planned for Dallas Pike, West Virginia, is for the consolidation of the Approval and Certification Center to improve the efficiency and productivity of its operations and to provide the special purpose laboratories necessary to be responsive to the technological changes occurring in the mining and mineral industries. Present overcrowded conditions and dispersed locations of portions of the Center are making it difficult to meet the needs demonstrated by the mining industry while maintaining the statutory requirements placed on the Secretary.

The Approval and Certification center is responsible for the investigation of mining equipment, instruments, materials and explosives to ensure their safe use and, in addition, must provide such consultative engineering and scientific services to the mining industry necessary to ensure adequate safeguards can be designed for all technology improvements. These new facilities--explosion galleries, illumination simulator and fire test galleries--are needed to meet existing and emerging technological changes.

TECHNICAL SUPPORT

Question: Technical Support under the Mine Safety Administration has a higher budget than Technical Support under OSHA. What is being done to develop new and cheaper ways of analyzing mining samples?

Answer: The budget levels of the Technical Support functions of MSHA and OSHA must be considered in light of what each of these agencies are mandated to accomplish.

The MSHA Technical Support effort in analyzing samples collected by inspectors for determination of compliance is a relatively small part of its overall effort. There are two analytical laboratories employing a total of 27 persons. In FY 1980 the actual number of samples analyzed was 77,826. In addition, in the dust processing laboratory 545,616 respirable coal mine dust samples, submitted in accordance with statutory requirements, were weighed and the data transmitted for compliance decision. Over 95 percent of these were accomplished within one working day of receipt and 100 percent were processed within two days. This dust processing program requires 15 persons.

The total number of persons required to operate the analytical laboratories and the dust processing laboratory in FY 1981 is 42, at a projected cost of $1,200,000.

A revision of the existing analytical method has been developed to help reduce the costs of analyzing mining samples. Presently, inspectors may have to extend their stay at mines to three or more days in order to collect sufficient dust for analysis. The minimum quantity necessary for conducting an analysis using the high temperature ashing, KB-infrared method is five milligrams. The revised procedure, consisting of low temperature ashing and direct filter analysis by infrared, requires one-half milligram of the dust. This reduction in the quantity of dust will result in savings of inspectors' time, as well as providing analytical results that, heretofore, were beyond the capability of the analytical method. Additionally, this procedure will eliminate the necessity for compositing samples and preparing analyses without producing results useful for the inspectors.

It is expected that with the improved analytical procedure, there will be a 5-to-10 fold reduction in the number of respirable coal mine dust samples required for determination of quartz content. At the same time, applicable quartz data will be provided for each mine, at least annually.

c. 30 CFR 55, 56 and 57 - Conversion of Advisory Metal and Nonmetal Standards to mandatory standards - approximately $91.6 million.

d. 30 CFR 49 - Mine Rescue Teams at all Underground Mines - approximately $9.5 million.

EDUCATION AND TRAINING

Question: Since many nonmetal surface mines are exempt from training requirements mandated by the Mine Health and Safety Act, what secondary methods are being used to emphasize training and education for health and safety protection of these miners?

Answer: The Resolution has the effect of prohibiting MSHA from using any of the funds appropriated to carry out Section 115 of the Mine Act or to carry out that portion of Section 104(g)(1) relating to the enforcement of any training requirements with respect to the named industries.

While respecting the limits set by the Joint Resolution, MSHA has and is providing education and training assistance to these operators under Section 502(b) of the Mine Act. Many of these operators are still continuing to train their employees and are asking for assistance in such areas as advice on training materials, audio visual programs, and training programs designed to meet specific problems in exempt commodities.

MSHA is working with vocational-technical schools and State programs involved in assisting those mines with the direction of those safety programs to assure that the training done is applicable to accident trends within the specific mine commodity, mine size, etc. Through various mining associations (National Limestone, etc.), MSHA is maintaining contact to ensure that the necessity of effective safety training is communicated to the affected industry.

MSHA is also working with the U.S. Bureau of Mines to direct and assure the adequacy of effective training programs and research activities and to assist in the transfer of this technology to the industry through information meetings.

Question: Generally, what new safety education and training programs are being developed and undertaken?

Answer: New education and training programs being developed and undertaken by the MSHA mark a significant departure from past efforts where the Federal Government played the key role in teaching fundamental mine safety and health programs. Programs have or will be developed to meet changing requirements of Federal mining laws such as those needed for qualification/certification programs or to assist the mining industry in meeting regulatory requirements for the control of dust, noise, and waste impoundments. The most encouraging developments, however, are new programs that broaden the dimensions of the philosophy that industry is the key, not the Federal Government. Education and training programs as presently planned, provide strong linkages with State agencies, industry, labor and education, in order to arrive at decisions jointly that concern the health and safety

training of miners. The programs emphasize the Federal representative as catalysts in helping industry meet its responsibilities in achieving maximum safety goals.

Industry assistance programs are the mainstream programs being undertaken. They consist of mine visitations in response to health and safety injury rates that indicate a serious safety or health problem at a mine that may respond to training. The visitations serve two purposes: (1) They provide MSHA with an opportunity to evaluate in conjunction with the operator, the training programs underway. In addition, these visits allow MSHA representatives to talk to the miners themselves about the safety training they are receiving. Through a planned process of observations, interviews and discussions with all levels of workers including labor representatives and management, any changes or improvements needed are surfaced and recommendations are made; (2) They serve to help mine operators learn how to get and understand accident data available through MSHA. It is believed that teaching mine management and miners about what is happening to their mine relative to mine injury rates is the real key to the intelligent planning and accomplishment of effective safety and health training programs for miners.

NATIONAL MINE HEALTH AND SAFETY ACADEMY PROGRAMS

Senator Byrd: Could you provide us with a brief summary of the activities and programs currently being conducted by the National Mine Health and Safety Academy?

Answer: After the massive entry level inspector training in FY 1979, Academy efforts were redirected to other initiatives in FY 1980. Safety and health programs for industry and labor were expanded. Approximately 14 percent of the students were from industry or labor. Continued attention will be devoted to these training efforts in recognition of the cooperative effort among all segments of the mining community in improving the safety and health of the miner. In 1980, 13,761 students attended classes or other special programs for a total of 43,622 student days.

The Academy has developed ten programmed instruction workbooks and 18 safety manuals, and over the past four years more than 800,000 copies of these publications have been distributed to industry, labor and government sectors for use in training and in promoting improved health and safety in mining.

Since 1977, a total of 1,681 MSHA employees have completed 2,574 correspondence courses offered by the Academy.

The Academy's learning resource center has acquired holdings of more than 124,404 titles, including books, journals, microfiche, microfilm, films, videocassettes, slides, tapes and maps. This is probably the best collection of mine safety and health information in this region and is available for use by Academy staff, students and others concerned with health and safety in the mining industry.

ACADEMY FUNDING

Senator Byrd: Are funds in the fiscal year 1982 budget sufficient to continue current programs and activities at their current rates?

Answer: The proposed FY 1982 Academy budget is sufficient to conduct Academy programs at current rates and to provide for operation of the Publication Distribution Center.

PARTICIPATION OF LABOR AND INDUSTRY

Senator Byrd: I noted in your budget justifications that the Mine Health and Safety Administration will be making a special effort in fiscal year 1982 to increase participation of labor and industry groups in Academy mine safety and health programs. How do you propose doing this?

Answer: The Academy has been actively seeking increased participation from the mining industry and labor. This effort is in the form of frequent and growing contacts with industry through course announcements, catalogs and instructional materials which are distributed on request and through a mailing list which has developed over the years. Approximately 14 percent of Academy students in FY 1980 came from industry and labor. This seems to be growing as FY 1981 progresses and current programs have included many United Mine Workers of America safety inspectors taking the same 12-13 week program given to Federal inspectors.

The explosion testing galleries are to be used for determining if mining devices can be used in a methane-air mixture. These galleries are unique and would be modernized to allow the improvements in technology that have occurred in the 30 years since they have been built. A new illumination simulator and fire test gallery are also to be designed to enable the new technological advances to be adequately tested to provide the safety design criteria necessary to introduce the equipment into the Nation's mines.

DALLAS PIKE FUNDING

Senator Byrd: The fiscal year 1981 budget included $4.4 million for construction of the facility. That funding was not approved. I noted in your fiscal year 1982 budget proposals that you are requesting $4.430 million for construction of the facility on land donated to the government. Is this amount sufficient to complete construction of the facility?

Answer: Approval by September 30, 1981 of the $4.43 million requested will solidify transaction of the deed that donates land for construction to the Government and allow for the start and completion of a core building.

Senator Byrd: Noting the failure to secure construction funds in the FY 1981 budget, what inflationary impact has the delay had on construction costs for FY 1982?

Answer: Based on the present economy, construction costs will increase by between 18% and 25%. The 18% estimate is considered a conservative one when compared to increased construction costs in that area. Ostensibly, all increased costs to construction must be realized and applied for total costing out of the project. This includes such items as new contractor startup costs and weather problems. However, using the increased inflationary cost estimate of 18% as the only factor increasing construction in FY 1982, a more realistic cost of constructing the core building is, then, $5.23 million.

DONATED LAND

Senator Byrd: The 87 acres of land on which the Dallas Pike facility is to be located was donated to the Government by the Ohio Valley Industrial and Business Development Council, OVIBDC. Can you estimate the savings accrued to the Federal Government from this donation?

Answer: The estimated purchase price of the land, which is being offered to the Government at no cost, is $750,000. The combination of a new permanent structure which eliminates rental charges at other locations and free land suggests a potential savings over the life of the new building of about $450,000 per year, or at a 40-year life expectancy of $18 million.

Senator Byrd: I understand that the land will revert back to the OVIBDC if construction funds are not appropriated by September 30, 1981. Is that correct?

Answer: Yes. Funds for construction must be appropriated in either the FY 1981 budget or FY 1982 budget by the end of September 30, 1981 or the land reverts back to OVIDBC.

Senator Byrd: If the land were to revert back to the donor, what would happen to MSHA's plans for the Dallas Pike facility?

Answer: The Reagan Administration budget policies are being developed now with the participation of Secretary Donovan and other Administration officials including the Office of Management and Budget. Since MSHA's future plans for the Dallas Pike facility are a budget issue, it would be inappropriate to comment on the matter until the final Reagan Administration proposals are submitted to Congress.

DELAYED CONSTRUCTION COSTS

Senator Byrd: Can you estimate what the overall cost to the Federal Government will be <u>if</u> construction is again delayed and <u>if</u> it loses the land?

Answer: The Government has already invested approximately $250,000 in the feasibility study expanding Dallas Pike, requested by the Congress. If construction is delayed beyond FY 1981 and 1982 and land remains available at no cost, the increased inflationary costs would result in the original $6.25 million consolidation costing $7.77 million. If land is not donated and is subsequently purchased at its estimated value of $750,000, the total cost would be approximately $8.52 million.

SAVINGS

Senator Byrd: What are the savings we can look forward to if funding is approved this year?

Answer: If an FY 1981 appropriation of $4.43 million to construct the expansion of the Dallas Pike facility is received, an estimated $800,000 will be saved as the yearly inflationary construction cost of approximately 18% to 24% is avoided.

SUBCOMMITTEE RECESS

Senator SCHMITT. The subcommittee will recess until 10:30 a.m. tomorrow, February 5, when we will meet again in this room to hear testimony on the Bureau of Labor Statistics, the departmental management of the Labor Department, and the President's Committee on Employment of the handicapped.

Gentlemen, thank you very much. It has been interesting, as well as very helpful to the subcommittee.

Mr. MUESSIG. Thank you.

[Whereupon, at 4:32 p.m., Wednesday, February 4, the subcommittee was recessed, to reconvene, Thursday, February 5.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

THURSDAY, FEBRUARY 5, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:30 a.m., in Room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Arlen Specter presiding.

Present: Senator Specter.

DEPARTMENT OF LABOR

BUREAU OF LABOR STATISTICS

STATEMENT OF JANET L. NORWOOD, COMMISSIONER OF LABOR STATISTICS

ACCOMPANIED BY:
WILLIAM G. BARRON, DEPUTY ASSOCIATE COMMISSIONER, PRICES AND LIVING CONDITIONS
DOUGLAS R. BUTLER, BUDGET OFFICER, BUREAU OF LABOR STATISTICS
DONALD J. KEUCH, ASSOCIATE COMMISSIONER, OFFICE OF ADMINISTRATIVE MANAGEMENT
THOMAS J. PLEWES, ASSISTANT COMMISSIONER, OFFICE OF EMPLOYMENT STRUCTURE AND TRENDS
MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

SUBCOMMITTEE PROCEDURE

Senator SPECTER. Good morning, ladies and gentlemen. It is 10:30 so the subcommittee will proceed with its business.

Today, we conclude Labor Department appropriation hearings with testimony concerning fiscal year 1982 budget requests for the Bureau of Labor Statistics and departmental management.

Commissioner Janet Norwood is here to explain the Bureau's requests, to be followed by Comptroller Bill Riese to discuss the various components of the departmental management appropriations, and concluding with a statement from Bernard Posner, Executive Director of the President's Committee on Employment of the Handicapped.

We welcome all of you here this morning.

Mrs. Norwood, before proceeding to your prepared statement, we

would appreciate it if you would give to us a brief summary of the key programs under your jurisdiction.

Mrs. NORWOOD. Thank you very much, Mr. Chairman.

Let me just say that the Bureau of Labor Statistics is responsible for the Nation's economic indicators in the area of consumer and producer prices, both measures inflation, wage data, wage trends, productivity, employment and unemployment, as well as economic growth and occupational safety and health statistics.

BUDGET REQUEST

I want to thank you for the opportunity to appear before the committee to give you a brief explanation of our fiscal year 1982 budget request.

As you know, the budget you have under consideration was prepared and presented under the direction of the administration of former President Carter. President Reagan and his appointees are now reviewing that budget carefully and preparing alternative recommendations in many areas, including spending programs and salary and expense budgets.

I would like to outline for you very briefly the provisions of the request before you. The BLS request is for about $123 million and 1,967 positions. That represents an increase of $11.6 million and 24 positions.

Most of that increase is in the mandatory area which is required for the increased costs of the work that the Bureau does or added costs from contracting agencies—that is, agencies like the Census Bureau who perform a lot of survey work for the Bureau of Labor Statistics—mandatory pay increases, computer costs, and other costs of doing business.

The BLS request that you have includes three increases for programs which are offset by a series of program decreases. We have examined the Bureau's budget with great care. We are under enormous pressure these days because whenever the economy becomes an important public issue, the Bureau of Labor Statistics, which is responsible for the employment, unemployment, and inflation indicators, finds itself continually pressed to try to provide the service that the Nation needs.

And we are doing our best to do that. The demands for data are greater than they ever have been before.

Senator SPECTER. Would you amplify that, Mrs. Norwood? What do you mean by services the Nation needs? And what increases in requests for data have you been presented with?

Mrs. NORWOOD. For example, on the price side we care continually asked for information by the people in the executive branch of government for special calculations. Congress requests information about the way in which price indexes are put together and information on how we can trace inflationary pressures in the economy through the various stages of production in the producer-price system; and then on into the consumer-price system.

We produce the data which are required by the Congress for allocating money to State and local areas in several U.S. Government programs. And there is increasingly pressure for further information and explanations about the local area unemployment rates.

During the recent recession, a great deal of attention was focused on the changes in employment, in the various configurations of employment change by industry, and in the effect on people who are unemployed, particularly in the automobile industry, for example, and the steel industry, and in much of the durable manufacturing industry.

These are the usual kind of things that an agency like the Bureau of Labor Statistics gets requests for. We believe we are a service agency, and we try, first of all, to produce the data in the most useful way and accurate manner that we can, within the limits of our resources, and then to try to provide the administration and the Congress the information that they ask for.

Senator SPECTER. Thank you.

790 REVISION

Mrs. NORWOOD. Let me just say that there are three requests for program increases, and I would like very briefly to tell you what they are. The first and the largest is the request for revision of the basic monthly establishment employment statistics program.

This program, I believe, is one of the most important that the Nation has. It is a Federal/State cooperative program in which we provide direction and technical advice to the States. They collect data according to agreed upon cooperative arrangements with us, and the data then are processed for use by the States themselves and by the Federal Government so that we do not have unnecessary duplication of burden on respondents or of costs.

We call the program the BLS 790 program, which is the establishment employment statistics system. That system has been in place for several decades, and it has never had the kind of modernization that is sorely needed, particularly from the statistical point of view.

We believe that major indicators of this kind need to be looked at periodically. This one has not been looked at for some 20 to 30 years. There have been many changes in statistical procedures since this program was begun. It is extremely important that we examine the program, first of all, to see whether all of the data that are collected are in fact needed, whether the data that are collected could be collected more efficiently, whether we could use more modern statistical techniques, and whether there are ways for us to provide assistance to our partners in the State employment security agencies in this program which would make their job easier and also provide improvement at the national level.

This program will take several years to accomplish. It is, I believe, one of the most important things that we can do to improve the Nation's basic employment and earnings information.

CURRENT POPULATION SURVEY REDESIGN

The second program which is also in the employment area involves the redesign of the current population survey. The current population survey is a basic household survey that develops information on the unemployment experience and labor force experience of the population of this country.

It is necessary after the conclusion of a decennial census for the sample of the household survey to be redesigned so that it can properly represent the distribution of the population in the country. And this is a survey, by the way, which is carried out for the Bureau of Labor Statistics on contract for us by the Census Bureau because the Census Bureau has expertise in the development of household surveys. And we do want to use the most efficient collection procedure possible.

So we have a longstanding working relationship with the Census Bureau. Some of the funds for this redesign are in the Census Bureau appropriation, and some of the funds, a smaller proportion of them this year, are in the BLS budget request.

Senator SPECTER. Do you have any concern with the coordinated activity with the Census Bureau arising out of the challenges which have been made in the 1980 census?

Mrs. NORWOOD. Yes, sir; I certainly do. The effect of the outcome of the challenges of the 1980 census will affect the entire statistical system because the population data form the basic controls for much of the survey work that is done, not only by the Census Bureau and BLS, but by most of the other statistical agencies in the country.

So we are watching very carefully, and we are working very closely with the Census Bureau because the outcome of those challenges—whatever is done—will have an important effect on our data.

Senator SPECTER. Are you familiar with the basic contention which has been leveled against the work of the Census Bureau in the 1980 census?

Mrs. NORWOOD. I am sorry, the basic contention?

Senator SPECTER. Well, what is the basic contention, if you know, by those who have disagreed with the conclusions of the census?

Mrs. NORWOOD. I think the basic issue has been the question of whether the population census correctly and fully counts all of the people in the country; the issue that is before the courts has been, in large part, a question of whether there is an undercount, particularly of the minority population of the country which tends to be concentrated in particular areas.

The Census Bureau has made a heroic effort to try to count all of the people, and I understand that they feel that they have secured a more complete count than they ever had before.

The issue is still before the courts. And, as I said, we are watching that with great care because once the decisions are made on population figures, there must be one set of official population figures for the country. And those would need to be used not only as a part of the redesign, for example, of the current population survey but also of several of the other surveys that the Bureau of Labor Statistics has. We rely on the Census Bureau for these population data.

Senator SPECTER. Where do those who challenge the census, take issue with the Census Bureau procedures, say, on the counting of minority groups?

Mrs. NORWOOD. I think that there is not so much of a disagreement on the procedures in counting. I think the issue really is—as the Census Bureau agrees—that it is impossible to have a 100-percent count, even though they have certainly taken great steps, large steps, to try to get all of the data.

I think the disagreement occurs in trying to determine how much of an undercount there might be and then how to adjust for that undercount.

The Bureau of Labor Statistics' position on that issue is that if an adjustment is made for the undercount, and that is something that will have to be decided by others, it must be carried through to all levels—cities, States, and so on. There cannot just be a national estimate because we have to deal with local data.

Senator SPECTER. Proceed please.

CPI RENTAL EQUIVALENCE SAMPLE

Mrs. NORWOOD. The third program increase is a small proposal which we believe is needed to test the feasibility of the development of what we call a true rental equivalence sample. I am sure that you are familiar with some of the issues that we have raised and that others have discussed about the treatment of homeownership in the Consumer Price Index. We are now publishing, in addition to the official index, five alternative treatments of homeownership because we believe these are issues which are extremely important, which must be addressed in the next revision of the Consumer Price Index, and on which there should be a good deal of public discussion.

We have done most of the empirical work that is required in order to evaluate alternatives, although additional work needs to be done on the problem of developing adequate house prices.

The one piece of important empirical work that we have not had an opportunity to develop is testing the feasibility of development of a rental equivalence sample which is representative of the locations and the types of houses that are actually owned—how that should be developed and what it would cost.

One of the important measures and the one which I think has been discussed most in public discussions is an experimental measure that the Bureau of Labor Statistics publishes each month which is called CPI–XI. CPI–XI uses the CPI rental sample which represents rental units for owned homes as a means of measuring the cost of the shelter provided by a house and of eliminating the asset value of the house.

That is one of the techniques. It is a promising technique, and we believe that it is in the national interest to try to develop better measures of homeownership. And this is one aspect of that.

Senator SPECTER. I believe when you were here last week, you testified that it was that factor which could account for as much as, I think you said, a 2.7-percent difference in Consumer Price Index.

Mrs. NORWOOD. Yes, sir; that was an average of the first quarter of 1980 over the first quarter of 1979, the difference between the official index, CPI, for all urban consumers and the CPI using the rental equivalence which is estimated by a rent sample.

Senator SPECTER. I believe you testified also that that was not a very fixed indicator, but only maximum in response to my question, and then in some periods, there was a negative factor.

Mrs. NORWOOD. That's correct.

Senator SPECTER. Time did not permit an exploration of that substance of your testimony. And I would like you to expand on that at this time if you would——

Mrs. NORWOOD. Certainly.

Senator Specter [continuing]. As to what you meant by or what circumstances then led to the circumstance of the occasion of the negative factors you described.

Mrs. NORWOOD. The weight for homeownership—that is, the relative importance in the index, in the official index—is quite large. It is almost a quarter of the index.

Senator SPECTER. While you are at that point, why don't you outline roughly the other three-fourths of the index as well?

Mrs. NORWOOD. Well, in the rest of the index food constitutes a large portion.

Senator SPECTER. About how much?

Mrs. NORWOOD. It is about 18 percent, I believe. And then, there are other commodities and services.

Let me just run down the list. Food and beverages was almost 19 percent of the relative importance in December 1979. Then, there is housing, there is rent, for example, and homeownership. Rent is about 5 percent; homeownership is almost 25 percent. There is fuels and utilities; apparel and upkeep; transportation; medical care; entertainment. And then we have a category called "other goods and services."

Senator SPECTER. How much is fuel on that lineup?

Mrs. NORWOOD. Well, fuel and other utilities is about 6 1/2 percent.

Senator SPECTER. Apparel?

Mrs. NORWOOD. Apparel and upkeep is about 5.1 percent.

Senator SPECTER. That is apparel and upkeep of apparel?

Mrs. NORWOOD. Yes; that is correct.

And then, we have a transportation component which is about 18 1/2 percent; medical care which is almost 5 percent.

I am not sure these are going to add up to 100 percent because I am rounding them off, but I can provide you with a list for the record.

And then, entertainment which is about 3.7 percent; and other goods and services which is roughly 4 or 4.1 percent.

CONSUMER PRICE INDEX

Senator SPECTER. Thank you for that itemization. At this point, I think it would be useful if you would provide for the record the specific figures.

Mrs. NORWOOD. I would be glad to do that, sir.

[The information follows:]

TABLE 1. Consumer Price Index for all urban consumers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1979	Unadjusted indexes Nov. 1980	Unadjusted indexes Dec. 1980	Unadjusted percent change to Dec. 1980 from- Dec. 1979	Unadjusted percent change to Dec. 1980 from- Nov. 1980	Seasonally adjusted percent change from- Sept. to Oct.	Seasonally adjusted percent change from- Oct. to Nov.	Seasonally adjusted percent change from- Nov. to Dec.
Expenditure category								
All items	100.000	256.2	258.4	12.4	0.9	1.0	1.0	1.1
All items(1957-59=100)	-	297.9	300.5	-	-	-	-	-
Food and beverages	18.685	257.4	259.3	10.1	.7	.7	1.1	1.0
Food	17.655	264.5	266.4	10.2	.7	.8	1.1	1.1
Food at home	12.202	262.1	263.9	10.6	.7	.8	1.2	1.1
Cereals and bakery products 1/	1.518	255.8	258.5	11.6	1.1	1.4	.8	1.1
Meats, poultry, fish, and eggs	4.189	254.9	255.7	8.6	.3	1.4	1.5	1.4
Dairy products	1.642	235.4	238.0	9.7	1.1	.5	.9	.9
Fruits and vegetables	1.702	253.3	253.6	11.0	.9	-1.1	.8	1.1
Sugar and sweets 1/	.418	381.3	386.3	35.7	1.3	2.2	3.3	1.3
Fats and oils	.346	247.4	251.9	8.1	1.8	1.1	.7	2.0
Nonalcoholic beverages	1.373	405.5	405.2	7.9	-.1	.8	1.0	.4
Other prepared foods	1.013	239.9	242.4	11.5	1.0	.5	1.0	.8
Food away from home	5.454	275.3	277.7	9.6	.9	.7	1.0	1.0
Alcoholic beverages	1.029	190.9	191.6	7.6	.4	.3	.3	.7
Housing	44.999	273.8	276.9	13.7	1.1	1.3	1.0	1.3
Shelter	30.910	294.7	298.5	15.1	1.3	1.9	1.5	1.5
Rent, residential 1/	5.273	198.3	199.6	9.1	.7	1.0	.6	.7
Other rental costs	.734	268.3	267.7	9.3	-.2	.1	.4	.2
Homeownership	24.904	329.4	334.2	16.5	1.5	2.1	1.7	1.7
Home purchase 1/	10.396	267.3	267.2	11.4	.0	1.5	.7	.0
Financing, taxes, and insurance	10.902	416.9	429.4	23.3	3.0	3.1	2.9	3.4
Maintenance and repairs	3.606	294.2	296.8	10.6	.9	.4	.7	1.4
Maintenance and repair services	2.778	318.6	321.5	10.7	.9	.3	.7	1.5
Maintenance and repair commodities 1/	.828	237.1	239.1	10.4	.8	.6	.3	.8
Fuel and other utilities 1/	6.477	285.7	289.9	13.6	1.5	-.2	-.7	1.5
Fuels 1/	4.607	358.7	364.7	17.0	1.7	-.5	-1.1	1.7
Fuel oil, coal, and bottled gas 1/	1.214	567.0	585.3	19.9	3.2	-.5	1.5	3.2
Gas (piped) and electricity 1/	3.393	310.3	313.9	15.9	1.1	-.4	-2.1	1.1
Other utilities and public services 1/	1.870	169.0	170.6	5.4	.9	.4	.7	.9
Household furnishings and operation	7.612	211.0	211.6	8.1	.3	.4	.3	.4
Housefurnishings	4.139	178.1	178.3	6.8	.1	.3	.0	.3
Housekeeping supplies 1/	1.459	256.0	257.7	12.4	.7	.6	.9	.7
Housekeeping services 1/	2.015	276.1	277.1	7.4	.4	.4	.6	.4
Apparel and upkeep	5.107	184.8	183.9	6.8	-.5	.5	.3	-.1
Apparel commodities	4.446	177.2	176.0	6.0	-.7	.4	.2	-.2
Men's and boys' apparel	1.396	174.8	174.3	5.4	-.3	1.1	-.1	-.1
Women's and girls' apparel	1.701	159.9	157.4	1.8	-1.6	-.4	.0	-.7
Infants' and toddlers' apparel 1/	.108	248.9	250.1	10.1	.5	.7	2.0	.5
Footwear	.669	196.5	196.6	6.7	.1	1.0	.1	.6
Other apparel commodities 1/	.572	213.7	213.3	17.9	-.2	.6	.9	-.2
Apparel services 1/	.662	241.9	243.4	12.4	.6	1.1	.8	.6
Transportation	18.572	259.0	261.1	14.7	.8	.8	1.3	1.0
Private transportation	17.506	257.4	259.4	14.0	.8	.8	1.3	1.0
New cars	3.731	184.3	184.5	7.5	.1	-1.5	.1	-.4
Used cars	3.836	230.8	234.4	18.3	1.6	3.5	3.1	3.3
Gasoline	5.619	370.5	373.3	18.8	.8	.5	.9	1.1
Maintenance and repair	1.473	278.4	280.1	10.9	.6	.9	.9	.6
Other private transportation	3.845	228.8	231.0	11.3	1.0	.1	.6	.7
Other private trans. commodities 1/	.712	203.1	203.6	9.7	.2	.0	1.1	.2
Other private trans. services	3.133	237.9	240.6	11.8	1.1	.1	.5	.8
Public transportation 1/	1.066	277.0	280.1	25.6	1.1	1.0	1.2	1.1
Medical care	4.817	274.5	275.8	10.0	.5	.8	.6	.5
Medical care commodities	.802	173.8	175.1	10.0	.7	.8	.7	.9
Medical care services 1/	4.015	296.6	297.9	10.0	.4	.9	.6	.4
Professional services 1/	1.911	260.4	261.7	10.9	.5	.7	.5	.5
Other medical care services 1/	2.104	340.5	341.6	9.2	.3	1.0	.7	.3
Entertainment	3.738	211.2	212.0	9.6	.4	.3	.3	.3
Entertainment commodities	2.214	214.5	215.3	10.3	.4	.5	.6	.2
Entertainment services 1/	1.523	206.9	207.8	8.7	.4	.5	-.1	.4
Other goods and services	4.081	222.8	224.6	10.1	.8	.3	.6	1.0
Tobacco products 1/	1.080	207.3	210.8	9.7	1.7	.0	1.4	1.7
Personal care 1/	1.632	219.0	220.9	8.8	.9	.5	.6	.9
Toilet goods and personal care appliances 1/	.728	212.4	215.2	9.9	1.3	.7	.3	1.3
Personal care services 1/	.905	225.5	226.8	8.0	.6	.3	.8	.6
Personal and educational expenses	1.369	251.3	251.5	12.0	.1	.3	.3	.5
School books and supplies	.174	221.9	222.1	9.7	.1	-3.6	1.0	.6
Personal and educational services	1.195	258.1	258.2	12.3	.0	.8	.2	.4
Commodity and service group								
All items	100.000	256.2	258.4	12.4	0.9	1.0	1.0	1.1
Commodities	59.063	242.5	243.8	11.1	.5	.8	1.0	.7
Food and beverages	18.685	257.4	259.3	10.1	.7	.7	1.1	1.0
Commodities less food and beverages	40.379	232.0	232.9	11.5	.4	.8	.9	.6
Nondurables less food and beverages	17.706	245.3	246.8	12.7	.6	.1	.4	.9
Apparel commodities	4.446	177.2	176.0	6.0	-.7	.4	.2	-.2
Nondurables less food, beverages, and apparel	13.261	284.5	287.4	15.0	1.0	.1	.6	1.1
Durables	22.672	220.6	221.1	10.7	.2	1.2	1.3	.5
Services	40.937	280.9	284.7	14.2	1.4	1.2	1.0	1.5
Rent, residential 1/	5.273	198.3	199.6	9.1	.7	1.0	.6	.7
Household services less rent	21.692	331.9	338.4	17.0	2.0	1.6	1.4	2.3
Transportation services	5.673	253.3	255.8	14.1	1.0	.5	.7	.9
Medical care services 1/	4.015	296.6	297.9	10.0	.4	.9	.6	.4
Other services	4.285	227.2	228.1	10.1	.4	.7	.3	.5
Special indexes:								
All items less food	82.343	253.2	255.5	12.9	.9	1.0	.9	1.1
All items less shelter	69.090	243.6	245.2	11.2	.7	.5	.8	.8
All items less mortgage interest costs	91.346	244.5	245.9	10.9	.6	.7	.8	.8
All items less home purchase and mortgage interest costs	80.950	242.0	243.6	10.9	.7	.6	.8	.7
All items less medical care	95.183	254.9	257.1	12.5	.9	1.0	1.0	1.1
Commodities less food	41.408	230.0	231.0	11.5	.4	.8	.9	.4
Nondurables less food	18.736	240.5	242.0	12.5	.6	.1	.5	1.0
Nondurables less food and apparel	14.290	272.1	274.7	14.4	1.0	.1	.6	1.2
Nondurables	36.191	252.4	254.1	11.3	.7	.5	.9	.9
Services less rent	35.664	296.4	300.7	14.9	1.5	1.2	1.1	1.7
Services less medical care 1/	36.921	277.2	281.2	14.6	1.4	1.2	1.1	1.4
Energy	10.313	366.1	370.4	18.1	1.2	-.3	.3	1.5
All items less energy	89.687	247.7	249.7	11.7	.8	1.2	1.1	1.0
All items less food and energy	72.037	242.4	244.5	12.1	.9	1.2	1.1	1.1
Commodities less food and energy	34.488	211.2	211.7	9.9	.2	1.0	.9	.5
Energy commodities	6.920	400.2	404.9	19.1	1.2	.1	.8	1.5
Services less energy	37.544	278.6	282.4	14.1	1.4	1.4	1.3	1.5
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.390	$.387	-11.0	-.8	-.8	-1.0	-.8
1957-59=$1.00 1/	-	.336	.333	-	-	-	-	-

1/ Not seasonally adjusted.
NOTE: Index applies to a month as a whole, not to any specific date.

Mrs. NORWOOD. Let me just say that the official index includes the purchase price of the house plus the mortgage interest that is contracted for for the life of the mortgage. That means that the official index is very much influenced by the change in house prices and the change in mortgage interest rates.

So in a period when mortgage interest rates are changing, either up or down, the official index will be quite definitely affected in whatever direction the interest rates are going. If you look back over the last 10 years, my recollection—and I will provide a table for the record—is that in about 2 of those years, the experimental index, using rental equivalence, showed a lower percent change than the official index.

In the other years, the official index showed a slightly higher increase. And in recent years, as mortgage interest rates have gone up so much and as houses have appreciated, the official index has shown a larger increase.

[The information follows:]

Table 1. Official ALL-ITEMS CPI-U and EXPERIMENTAL MEASURES using alternative homeownership components: Percent change over 12 months

12 months ended December	Official Consumer Price Index for All Urban Consumers (CPI-U)	Experimental measures using alternative homeownership components				
		Flow-of-services measures			Outlays measures	
		X-1 Rental equivalence using CPI rent	X-2 User cost using current interest cost	X-3 User cost using average interest cost	X-4 Outlays using current interest cost	X-5 Outlays using average interest cost
1968	4.7	3.9	4.9	4.6	4.7	4.2
1969	6.1	5.2	5.6	5.2	6.0	5.7
1970	5.5	4.5	4.5	4.2	5.2	4.9
1971	3.4	3.5	1.6	2.2	3.2	3.8
1972	3.4	3.3	3.2	3.3	3.4	3.5
1973	8.8	8.5	10.5	10.0	9.2	8.7
1974	12.2	11.1	12.6	12.1	12.3	11.8
1975	7.0	6.6	6.3	6.4	6.8	6.9
1976	4.8	5.1	4.3	4.7	4.8	5.2
1977	6.8	6.3	5.8	5.7	6.6	6.5
1978	9.0	7.9	7.8	7.1	8.5	7.8
1979	13.3	10.8	13.2	12.1	12.5	11.3
1980	12.4	10.8	12.8	11.9	12.0	11.3

Source: U.S. Department of Labor
Bureau of Labor Statistics
Washington, D.C. 20212

Table 2. HOMEOWNERSHIP COMPONENTS used in official CPI-U and in experimental measures: Percent change over 12 months

12 months ended December	Official Consumer Price Index for All Urban Consumers (CPI-U)	Experimental measures of homeownership				
		Flow-of-services measures			Outlays measures	
		X-1 Rental equivalence using CPI rent	X-2 User cost using current interest cost	X-3 User cost using average interest cost	X-4 Outlays using current interest cost	X-5 Outlays using average interest cost
1968	7.6	2.8	11.0	8.0	11.0	6.0
1969	10.2	3.8	7.0	3.5	13.2	8.3
1970	10.2	4.5	4.3	1.7	12.6	10.1
1971	2.7	3.8	-12.1	-8.9	0.3	7.7
1972	4.1	3.5	2.3	3.2	4.8	6.2
1973	7.7	4.9	23.0	18.9	10.8	4.4
1974	13.3	5.4	16.8	12.9	14.9	9.1
1975	7.9	5.2	2.8	3.4	7.1	9.0
1976	3.8	5.5	-1.1	1.9	2.7	7.6
1977	9.2	6.5	2.5	0.4	10.4	9.0
1978	12.4	7.3	5.8	-1.1	12.0	5.3
1979	19.8	7.9	28.1	20.5	22.6	11.2
1980	16.5	9.1	25.0	19.8	20.0	14.5
Relative importance December 1977	22.8	14.5	11.4	10.0	10.0	8.7

Source: U.S. Department of Labor
Bureau of Labor Statistics
Washington, D.C. 20212

NEGATIVE FORMULA

Senator SPECTER. And how do you come to the negative balance?

Mrs. NORWOOD. Pardon me?

Senator SPECTER. You had testified that during some periods, using this other formula, you have a negative balance, I believe you characterized it.

Mrs. NORWOOD. In some years, particularly when houses are not appreciating so rapidly and when mortgage interest rates are declining, the official index will show a smaller rate of increase than one of the alternatives. It is extremely sensitive to these developments.

Senator SPECTER. It has been a long time since either of those factors has occurred, hasn't it?

Mrs. NORWOOD. Several years, certainly. In the last few years, we have had, as you know, very steep rises in interest rates in general, and we have had climbing house prices. We don't know what will happen in the future, but in 1976, for example, the official Consumer Price Index for all homeowner consumers for the 12 months ending in December rose 4.8 percent. But the XI using rental equivalence rose 5.1 percent.

Senator SPECTER. And that is a combination, as you design it, of interest rates and appreciation of real estate?

HOUSE PRICES

Mrs. NORWOOD. In the official index, that is what affects it most. There are other things in there, too, like property taxes, utilities, and so on. But the biggest elements are the house prices and mortgage interest.

Senator SPECTER. Do you have statistics which segment out the appreciation of real estate values aside from the other factors that you have identified?

Mrs. NORWOOD. No, sir; we do not. I think the Housing Administration, Federal Housing Administration, may have information on that. But we do not.

Senator SPECTER. Would you mind checking with the Federal Housing Administration to see if they have those and provide them for the record?

Mrs. NORWOOD. We would be glad to.

[The information follows:]

U.S. Department of Labor
Bureau of Labor Statistics
Washington, D.C. 20212

Consumer Price Index

All Urban Consumers - (CPI-U)

U.S. City Average

Home purchase

(1967=100)

YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEP.	OCT.	NOV.	DEC.	AVG.
1953	86.1	86.1	86.1	86.3	86.4	86.4	86.6	86.7	86.8	86.8	86.7	86.7	86.5
1954	86.7	86.8	86.8	86.7	86.7	86.8	87.1	87.3	87.5	87.4	87.4	87.5	87.1
1955	87.6	87.3	87.1	86.6	86.6	87.0	87.3	87.8	88.0	87.9	87.7	87.5	87.3
1956	87.3	87.0	86.7	86.3	86.4	87.3	88.0	88.6	88.5	88.4	88.2	88.3	87.6
1957	88.6	89.4	89.4	90.0	90.3	90.0	90.0	90.0	90.3	90.8	90.8	90.7	90.0
1958	90.8	90.8	91.6	91.8	92.0	91.5	91.5	91.4	91.1	91.0	91.2	91.3	91.3
1959	91.1	91.0	91.0	91.0	91.4	91.4	91.1	91.0	91.2	91.7	91.8	91.4	91.3
1960	91.7	91.7	91.7	91.7	91.5	91.3	91.3	91.7	92.1	92.4	92.1	92.1	91.8
1961	92.1	91.9	92.1	91.7	92.0	91.9	92.2	92.3	92.3	92.3	92.8	93.0	92.3
1962	93.1	92.9	92.9	92.9	93.4	93.5	93.5	93.5	93.4	93.2	93.3	93.3	93.2
1963	93.4	93.4	93.9	94.3	94.1	94.1	94.3	94.3	94.3	94.3	94.9	95.3	94.2
1964	95.3	95.6	95.6	95.3	94.9	95.2	95.4	95.7	96.0	96.2	96.5	96.5	95.7
1965	97.1	97.1	96.8	96.6	96.5	96.5	96.7	96.7	96.7	97.3	97.8	98.1	97.0
1966	98.4	98.2	98.2	98.3	98.5	98.7	98.8	98.5	98.5	98.9	98.9	99.3	98.6
1967	99.3	99.3	98.6	99.0	99.6	99.8	99.8	100.4	100.4	100.8	101.1	101.6	100.0
1968	101.5	102.0	101.8	101.8	101.5	102.3	102.7	103.0	103.0	103.7	104.9	105.8	102.8
1969	106.3	106.8	107.7	107.8	108.3	108.6	109.6	110.3	111.1	112.0	112.5	113.2	109.5
1970	114.3	115.1	115.7	116.2	117.1	117.9	118.2	119.3	120.5	121.1	121.8	122.5	118.3
1971	122.8	122.5	122.5	122.9	123.8	125.1	125.3	125.7	126.0	126.4	127.4	127.7	124.8
1972	128.1	128.4	128.3	128.5	128.9	129.7	131.0	131.5	131.4	131.3	131.4	131.5	130.0
1973	131.2	131.2	131.3	131.3	131.6	131.9	131.8	133.0	133.5	134.5	135.1	136.0	132.7
1974	137.1	138.2	139.7	140.2	140.9	141.7	142.4	143.7	145.1	146.3	147.4	149.7	142.7
1975	152.1	154.7	157.0	159.2	160.6	161.1	161.9	162.1	163.0	163.3	164.0	164.7	160.3
1976	165.3	165.1	165.4	165.8	167.0	167.8	169.2	170.2	170.8	170.9	171.1	171.8	168.4
1977	172.7	174.3	175.3	176.8	178.1	178.7	180.2	181.1	182.8	183.4	184.8	186.2	179.5
1978	188.1	189.0	190.5	191.7	193.4	195.3	197.4	197.9	201.2	203.4	204.8	207.1	196.7
1979	208.1	210.9	212.7	215.4	217.6	220.9	224.0	226.9	229.8	233.4	237.3	239.9	223.1
1980	242.1	243.0	244.0	246.5	249.7	252.6	253.9	258.1	261.5	265.5	267.3	267.2	254.3

EXCESS REAL ESTATE APPRECIATION

Senator SPECTER. Aside from the specific statistics which you say are not available, at least in your department, do you have a general impression that real estate appreciation has been in excess of the general price increase?

Mrs. NORWOOD. Well, I think that it is clear from looking at the house prices that are used in the CPI, that in recent years, they have gone up more than in other years.

I should point out, however, that the house price series that is used in the CPI has a number of limitations. It is based upon data that we get from the Federal Housing Administration. And it is representative of a smaller proportion of the housing transactions in the country than we would like to have.

Senator SPECTER. Why is that? Why is it limited? Is it geographically limited?

Mrs. NORWOOD. No; it is limited to transactions that are processed by the Federal Housing Administration. We have done a great deal of work, particularly during the last revision of the Consumer Price Index—BLS did a great deal of testing—in order to determine whether it would be possible and how much it would cost for us to develop a survey of house prices for use in the CPI.

We found in that process that it would be, first, extremely expensive and, second, that the kind of data that were required probably would require different kinds of survey techniques in different areas of the country.

Senator SPECTER. Do you have an opinion as to why housing appreciation is a higher percentage than the general cost-of-living index? I hear that question asked a lot about housing. Housing goes up more, more appreciation in housing, more investment in the housing. Not all the people who buy the houses, though, live in them. People are now buying apartments and condominiums for investment purposes.

And that seems to be a category which is apparently out of balance. And from what you describe, if your statistics only reflect Federal housing transactions, that would not include high-cost condominiums, for example, or high-cost other real estate which would probably be substantially in excess on market increase, not only in this city which is astronomical, but probably generally.

There is one question which I have heard asked, but have never had a good answer to. Having the availability of your services and realizing it is only opinion, do you have an opinion or a speculation as to why that is?

Mrs. NORWOOD. I think that in any period of inflation and in any period where the expectations of inflation have been as high as they have been in the United States in recent years, people have tried to handle their personal finances by investing almost as a saving in commodities.

And one of the biggest commodities that can be bought with a mortgage, and therefore does not need to have the entire amount paid at the beginning, is a house. And so I think in any period of inflation that that is what one would expect.

CPI-XI

Senator SPECTER. Do you have a judgment as to whether CPI–XI is a superior statistical index than without XI?

Mrs. NORWOOD. I think that the issue really gets down to the question of the concept that one wants to use and the application of the index. The official CPI basically includes both the purchase of the house for resale, the asset, and the cost of the shelter that is provided, the cost of living in the house.

XI includes only the latter. That is, the cost of the living in the house, the cost of the shelter provided by the house. And I think that that is a very clear distinction.

The Bureau of Labor Statistics has felt that it is extremely important for that kind of conceptual issue to be discussed and understood. And we have been trying for the last 10 years, as a matter of fact, to have as much public understanding of these issues as possible.

Senator SPECTER. The three proposals, as I tabulate the cost figures, are about in line with your written statement and amount to about $3.4 million.

Mrs. NORWOOD. $3.3 million, yes.

PROGRAM DECREASES

Senator SPECTER. And what is the decrease or the series of decreases which you testified about?

Mrs. NORWOOD. The decreases are much smaller. They are roughly $700,000. And they involve decreases in the wage program of the Bureau, in State and area projections work, and some management efficiencies.

MANDATORY INCREASES

Senator SPECTER. So in the tabulated increase which appears to be about $11 to $12 million, between 1981 and 1982, about $8 million of that comes in in what you have designated as mandatory increases?

Mrs. NORWOOD. Yes, sir; $9 million almost, $8.9 million. And that includes such things as the increased costs of the Bureau of the Census contracts, pay increases of State salaries, computer costs, the working capital fund increases, and other various increases which I believe are specified in the budget such as rent and other things.

Senator SPECTER. Computer costs go up automatically?

Mrs. NORWOOD. Computer costs are included in this. The Bureau of Labor Statistics has contractual arrangements with two computer centers and does some work also with the Department of Labor Computer Center.

And our costs, of course, are both questions of how much work we do and also the charges that the computer centers place on us.

Senator SPECTER. Has Mr. Stockman contacted you and asked for your inputs as to where you think cuts could be most easily made in your agency?

Mrs. NORWOOD. No, sir; I have had no contact with Mr. Stockman. I can tell you that we have for some months in the Bureau of Labor Statistics had a review of our budget, primarily, I might say, to try to determine how to cope with the inflationary costs that we are faced with.

For example, our keypunch costs have gone from something like 72 or 75 cents a unit to $3.

Senator SPECTER. Aside from the specifics, let me reach the question that I am approaching with the question of whether Mr. Stockman has contacted you. He met with a number of us on the Appropriations Committee and outlined his suggestions of reductions. And we had a vast amount of material and a relatively short time to talk to Mr. Stockman about it.

One area of interest is to what extent, if at all, has Mr. Stockman or his subordinates contacted you or your subordinates or someone in the Bureau of Labor Statistics to get your inputs as to what cuts would be least painful?

Mrs. NORWOOD. To my knowledge, we have had no contact with Mr. Stockman. I am sure that Mr. Stockman will work with Mr. Donovan and we will have some discussions in the future.

Senator SPECTER. Well, that may be so, but there is not very much time to have those discussions. He has already come forward with volumes of material. If Mr. Stockman or this committee were to say to you, "We have to find *x* percent—say 3 percent—of your budget that has to go as a matter of equitable belt-tightening across the board," what would your response be? Where is the least painful 3 percent?

Mrs. NORWOOD. I really don't know, sir. I would have to look at that with great care. As I said, one of the things that I have underway in the Bureau right now, quite apart from any further cuts, is the question of how to deal with the increased costs that are being put upon us because of inflation for our basic work.

For example, most of our travel involves data collection. And to the extent that we reduce staff travel, we have to redesign samples so that we don't have to go as far. But in so doing we are affecting the validity of the data.

And so we do have to look at that with great care.

You mentioned the Consumer Price Index as an example. A 1-percent change in the Consumer Price Index affects something like $1½ billion in indexation payments. I would be very reluctant to do anything to increase the sampling error on the CPI.

I would, therefore, have to look at other areas. We have been trying to do that. In the last three budgets, the Bureau of Labor Statistics itself has proposed cuts to offset increases, particularly in order to accommodate increases in the price area that the Council of Economic Advisers and others, the Federal Reserve Board, have felt were necessary. So we would certainly try to cooperate in anyway that we could.

Senator SPECTER. Well, I think it would be very useful to Congress to have your suggestions. There is, as everyone knows, a move afoot to reduce the budget by some $40 or $50 billion. And we have Mr. Stockman's expertise, and it is not surprising that Mr. Stockman or his subordinate colleagues have not had an opportunity to work with you as to what you would find least painful by way of cuts.

I don't think we can presume that there is going to be any more contact between Mr. Stockman and Secretary Donovan as we move into the next round of analyses here. So I think it would be useful if you take a 3-percent figure just as a starting point and say to this com-

mittee, if you have to do with 3 percent less money, where would you find it least painful to have it cut?

LEGISLATIVE PROGRAMS

Mrs. NORWOOD. Well, I would certainly want to discuss that with Secretary Donovan, and we will see what we can do.

I think the one point that I would like to make is that, whether it is fortunate or unfortunate, sometimes I am not quite so sure, a good deal of the Bureau of Labor Statistics program finds itself somehow into legislation. And we have uses of the data that we frequently did not know about and find that it is required. So it is frequently very difficult for us to cut out a series.

Local unemployment statistics program is, I think, an excellent example of the kind of use of data we had not envisaged. And as a result of our discussions with the Congress, it has been felt by the Congress, and by us, that we have had to improve the accuracy. And that has cost money.

There are several other programs like the BLS family budget program, which are used in legislation. And that makes it very difficult for us to cut. There are other programs that involve the Nation's basic economic intelligence like the unemployment rate, the Consumer Price Index, the whole producer-price index system, productivity data, and some of the basic wage data, which are required generally by policymakers. And we are trying to look at those always to find efficiencies.

MANAGEMENT EFFICIENCIES

There is also managerial efficiency. And since I have been Commissioner for the past year or so, I have paid great attention to trying to improve the managerial efficiency of the Bureau of Labor Statistics. And because of that, I think we have been able to take on some of these increased activities without increased resources.

So we certainly always want to look at these questions to do the best job we can.

Senator SPECTER. Mrs. Norwood, I understand what you are saying. The work you are doing is very important. The Congress relies on it. Monumental decisions are made based upon the work which you do. The importance of that work is undisputed.

I have a sense that as each agency is reviewed with a view to cutting costs, there will be similar attitudes. And there has to be some give somewhere.

Mrs. NORWOOD. I understand that, sir. And I don't want you to misunderstand me. I am not saying that there is nothing that can be cut out. What I am saying is that when we begin to cut statistical series, we have to be certain that they are not statistical series which are used in legislation, first of all, or are considered absolutely essential for the formulation of policy. And that is the kind of thing that we look at.

There are other series which we have in the last 2 years—in the two budgets that I have been responsible for—recommended cutting.

ADDITIONAL QUESTIONS

Senator SPECTER. Mrs. Norwood, we will be supplying you with a number of questions which time will not permit us to go into during the course of these hearings. And as has been announced at prior hearings, you will be provided with a copy of the transcript. And as I understand it, the rules of the committee are that you will have the opportunity to correct any errors in the transcript if any should appear. And at that time, the committee has requested that the other questions be responded to at the same time.

And at this time, I will take up to the extent that time permits the questions which staff has prepared.

FIVE EXPERIMENTAL CPI'S

There are five experimental alternative Consumer Price Indexes. What was the rationale for selecting CPI–XI as one index, if in fact it has been selected, over the others as a basis for adjusting Federal benefit programs?

Mrs. NORWOOD. Well, let me say that the Bureau of Labor Statistics has not selected any of the alternatives as the absolute replacement for the housing homeownership component. What we have done is to suggest that this is an important issue for consideration.

I have said publicly, and I do believe, that the rental equivalence approach is appealing. And one of the reasons that it is appealing is, first of all, because it removes the asset value of the house. But second, because, as I indicated earlier, there are rather serious problems and I think very large costs in developing a really adequate set of house prices for use in the index.

I think it would be cheaper to use a rental equivalence measure should it be decided in the next revision of the index to move to a cost-of-shelter or flow-of-services measure.

BLS BUDGET LEVELS

Senator SPECTER. Skipping ahead on some of the questions, one appears here which might have some greater probative value, and this is the question; it comes under the category of determining staff and budget levels: The Bureau of Labor Statistics has nearly 2,000 employees and a budget of $112 million. For fiscal 1982, 24 new staff positions and an additional $11.6 million is being requested. Our point of inquiry goes to why staff and budget are needed in this quantum.

And the specific question is, How do you determine staff and budget needs for each of the Bureau's activities as a procedural matter.

Mrs. NORWOOD. First, let me answer the last aspect. We try to develop with very great care the specific plans for the work that is to be done and then to develop on the basis of management information that we have the actual cost of that. And then we estimate what the cost of the work would be.

And I think if you would like to have further information about that, I would like to ask Mr. Barron who is sitting here, who is responsible for a good deal of the administration of the price program. which is our largest category, to explain further to you how that is done.

Senator SPECTER. Fine; let me include two additional subparts, to the question which staff has prepared and see if you can incorporate them into the overview of your answer. And they are:

What measurements do you have for your employee productivity center for more efficient performance? Can you incorporate that question in your answer?

Mr. BARRON. For something like a proposed estimate of staff required for an experimental rental equivalence measure, for example, we would estimate the number of households that a data collector in the field would have to visit to collect the data.

I am not sure that would be called a pure productivity measure in a conceptual sense, but it is a good workload statistic.

So the largest part of that increment that we are requesting is in fact for data collectors. In that case, we have a specific workload measure. We know how many units we want our people to visit, and we calculate the number of data collectors we need, based on the total number of visits.

The same way with processing staff in Washington. We estimate the number of forms that will come in, and we have measures, workload measures, for collection. Again, the number of people that we end up going through the budget process with would be a function of the amount of work we estimate has to be done.

One could go through each of the price statistics programs with those kinds of measures, and that is in fact how all of those estimates are derived.

FEDERAL COMMISSION ON STATISTICS

Senator SPECTER. Shifting to another subject, relating to a Federal Commission on Statistics, what do you think of the suggestion that a Federal Commission on Statistics be created to insure that the public's confidence and impartiality of the Federal Government in statistics is maintained?

Mrs. NORWOOD. Senator, the Bureau of Labor Statistics and I have always welcomed outside review. We have had a whole series of outside reviews of our work. There was a review under the auspices of the National Academy of Sciences, Committee on National Statistics, reviewing our whole productivity program. We have had reviews of other programs. We have had an outside review of the BLS family budget program. There have been reviews of many of the other Bureau's programs.

We also have advisory committees, both labor and business. And we would welcome any kind of outside review of the Bureau's work. We believe that it is in the public interest to provide the public in any form that it is desired, information about what we do.

Senator SPECTER. Commissioner, the question does not go to outside review. The question goes to the public confidence in the impartiality of Federal Government statistics.

I guess a subordinate or an ancillary question would be: Are there implicit assumptions there may be some lack of confidence by the public in BLS statistics? I don't know that that is so. What is your sense of it?

Mrs. NORWOOD. I do not believe that there is a lack of confidence in the objectivity of the Bureau's statistics. I do think that our statistics

are, particularly the inflation measures, quite sensitive. And I think that people frequently do not fully understand the issues.

We try our best to provide the public with as much information as we can about the data. I think one good example is the problem of the measurement of homeownership in the Consumer Price Index. We have tried to provide the public with alternative measures. We have tried to explain wherever we could how the measures are put together.

And our feeling is that if the Bureau is as open as it possibly can be, that the credibility of our work and the objectivity of our work will be understood.

CPI STATISTICS

Senator SPECTER. Commissioner Norwood, I think the thrust of the question really turns on the concern that might be present, hypothetically, in a Presidential election year when the CPI statistics have a fair amount of public impact on the evaluation of the incoming President's performance. Are those statistics compiled and released in all instances as a result solely of professional work from your department without any intervention from anyone whatsoever on a political basis?

PUBLIC DISCLOSURE OF DATA

Mrs. NORWOOD. Absolutely; the Bureau of Labor Statistics has followed the policy since I have been Commissioner of not having any outside review of any kind either in the Department, Council of Economic Advisers, the White House, anywhere else. In fact, no one sees the data until they have been fully compiled and releases have been sent forward to the printer.

In addition, the Bureau has attempted to provide to the public——

Senator SPECTER. You say no one sees, you mean no one outside of the Bureau of Labor Statistics?

Mrs. NORWOOD. Yes; that is what I meant to say.

Senator SPECTER. That would include the Secretary of Labor?

Mrs. NORWOOD. The Secretary of Labor does not see the data. The chairman of the Council of Economic Advisers does not get them until the data goes to the printer. And then, the process for the release of all the Government statistics, which was really initiated during the Presidency of Mr. Ford, provides that late in the afternoon of the day before the release, in the case of our data, I telephone the Chairman of the Council of Economic Advisers and provide him with the information for the direct use of the President.

And last week, when we released the CPI, I telephoned Mr. Weidenbaum, and he provided them to the new President. But that is done after the release has been submitted to the printer and after everything has been completed within the Bureau of Labor Statistics.

Senator SPECTER. Have you had any experience of any leaks on disclosure to the public in advance of the anticipated date for public disclosure?

Mrs. NORWOOD. There has not been any evidence of any leak before the day of the release. We provide the data to the press generally at 8 a.m., embargoed until 9 a.m. because of the comprehensive set of data that is released. This procedure gives them an hour to digest the information and to question the Bureau's staff should they want to do so.

Senator SPECTER. I have a recollection, although vague, of hearing radio reports, saying on Thursday, "Tomorrow, it is expected that," et cetera.

Mrs. NORWOOD. Well, I would like to make two points. Let me first say that there have been some suggestions, I have heard from a few people in the financial community, that the numbers may be available some 10 minutes before the embargo period is over. And there were a few articles in the newspaper on that. We are trying to track that down.

It is not just BLS, by the way; it is the entire Government. We are looking at that because we want a thorough check.

As to your other question, yes; it is true that there is frequently a great deal of speculation about our data. There is a very large forecasting business in this country. There are many people who earn quite a good living forecasting BLS statistics and Census Bureau and Commerce Department statistics. They sometimes are right; they sometimes are wrong.

But there is frequently a good deal of speculation. But that is not a leak of data.

WEEKLY EARNINGS

Senator SPECTER. Let me ask you just one more question before submitting a group of other questions to you. And that is: Your Bureau publishes spendable weekly earnings data based on supposedly typical case of a married person with three dependents. Some have said this data has become less useful due to the growing number of single persons and part-time workers in the economy as well as due to the lack of inclusion of white-collar workers. Do you think those figures bear upon the procedures which are currently followed?

Mrs. NORWOOD. I think there are serious problems with the spendable earning series. We have indicated that we have done a number of studies on it. We have recently begun the collection of data on the current population survey from households on earnings by demographic characteristic.

We are in the process of developing some research papers which attempt to develop spendable earnings data using the current population survey and comparing that to the spendable earnings series that is currently produced. One of the recommendations of the National Commission for the Review of Employment and Unemployment Statistics was that further work be done in that area.

BLS had already begun that work before that recommendation, and we hope to be publishing some articles in which we can show the differences and assess them.

Senator SPECTER. Thank you very much, Commissioner Norwood, for your very helpful testimony.

Thank you, gentlemen, for coming with the Commissioner.

PREPARED STATEMENT AND QUESTIONS AND RESPONSES

Your prepared statement and written questions will be submitted, and the procedure will be followed for submitting them for the record. Thank you.

[The statement and questions and answers follow:]

STATEMENT OF JANET L. NORWOOD

Mr. Chairman, Members of the Subcommittee, thank you for this opportunity to appear before you. The budget you have under consideration was prepared and presented under the direction of the Administration of former President Carter. President Reagan and his appointees are now reviewing that budget carefully and preparing alternative recommendations in many areas, including spending programs and salaries and expense budgets. I am prepared today to outline for you the Carter budget recommendations, but I must tell you that substantial revisions are not only possible but likely.

The budget request for the Bureau of Labor Statistics for Fiscal Year 1982 is for $123.4 million and represents a net increase of $11.6 million over the revised estimate of $111.9 million for Fiscal Year 1981. The primary reason for the increase in funds is the anticipated continued inflation in the cost of producing the Bureau's regular output over the next year: More than three quarters of the additional funds, nearly $9 million, are to cover costs that are essential just to maintain the agency's current operations, such as rent, travel, supplies, printing, and computer costs. The program increases--to begin the work necessary to evaluate and redesign employment and unemployment measures and to test the feasibility of developing a rental equivalence sample for alternative approaches to price measurement of homeownership--have been partially offset by decreases in other programs. Hence, if the mandatory increases are set aside, the net program increase is only $2.6 million: a limited but essential investment to keep the Bureau's most sensitive data from deteriorating in quality at a time when they are becoming ever more tightly interwoven into decisionmaking processes throughout the country. The past few years have been ones in which not only Congress and the Executive Branch but business and labor generally have increasingly used Bureau unemployment, wage, and price data to trigger a variety of economic decisions from escalating wages, salaries and contract costs to allocating Federal funds and qualifying for economic assistance programs.

The proposed program increases for FY 1982 represent only the most essential improvements in Bureau data, improvements the Bureau has an obligation to make. Since these obligations cannot, responsibly, be dismissed or deferred, several program and overhead reductions are proposed at the same time to offset some of their cost.

The proposed program cutbacks are in:

* quarterly and annual surveys of union scales in the construction industry and some related wage survey work, and

* technical assistance to state agencies in the development of projections of employment by occupations for use in planning education and training programs.

I would like now to tell you a little more about the FY 1982 proposals.

The proposal to revise the Current Employment Statistics (the "790" program) is to start a long overdue revision. These data, which together with the household survey provide the country with the monthly employment situation information, are sorely in need of revision and modernization. This survey is our most important

source of intelligence on cyclical movements in industry employment and earnings. The revision has been strongly urged by several outside groups like the National Commission on Employment and Unemployment Statistics, by the Creamer Committee on improving the national accounts, the Rees Panel on Improving Productivity Measures, and the Subcommittee on Economic Statistics of the Economic Policy Group. Present plans call for a multi-year, phased revision: expenditures required in FY 1982 are $1.9 million and 44 positions. The program will take several years to complete and will cost about $22 million in all.

The second proposal--to redesign the sample for the Current Population Survey--is an absolute necessity, because the household survey must reflect the population changes registered in the decennial census, if it is to be relied upon to produce reliable data. Work on the redesign, a joint effort of the BLS and the Census Bureau, is already under way with funds provided to the Census Bureau for the decennial census. This work will take several years to complete and cost about $8.7 million. The BLS share will be about one-half. The Bureau's FY 1982 request is for $510,000.

The last proposal is to test the development of a sample for a rental equivalence homeownership measure for the Consumer Price Index so that empirical evaluation of alternatives can be made. During this period of high inflation, the method of calculating the homeownership component of the Consumer Price Index (CPI) has been severely criticized. To illustrate the differences among possible alternatives to the present method, the Bureau recently developed five different approaches to the calculation of change in this component. The most widely publicized of these measures, X1, is a rental equivalence concept, which is based on the CPI rent sample. This sample, however, is not rental units of the same type and in the same locations as owned units. The feasibility of developing a rent sample that represents owner-occupied housing is a major area of empirical research that has not been--and needs to be--done. This work is needed to evaluate different approaches to the difficult issues involved in measuring the costs of owner-occupied housing is a major area of empirical research that has not been--and needs to be--done. This work is needed to evaluate different approaches to the difficult issues involved in measuring the costs of owner-occupied housing. Moreover, this work would improve the Gross National Product implicit deflator, which is also based upon a rental equivalence concept. The request is for $941,000 and 19 positions.

Over the past few years, the Bureau's appropriations requests have been limited primarily to (1) revisions of data series, like the producer price measures, that--despite their heavy involvement in economic analysis and decisionmaking--were not measuring up to the present day uses or (2) the development of new series, like the international price measures, that were strongly supported by such outside economic policy groups as the Federal Reserve Board and the Subcommittee on Economic Statistics of the Economic Policy Board, whose concerns were that their economic decisions be based on the best available information. To allow room in the budget for these essential improvements and expansions the Bureau has simultaneously cut back each year on many on-going programs. In most of the recent years--again leaving aside the mandatory increases that reflect inflation--the program cutbacks have equalled, or nearly so--one year they exceeded--the need for additional funds to maintain the quality of existing series and to meet some new needs for data for use in economic policy decisions.

Simultaneously with the program cutbacks to offset the new needs, I have also been stressing responsible and efficient management of existing resources. We are using the computer more effectively to reduce labor costs and stressing the responsibility of the program manager for effective use of funds assigned to him or her.

In the past two years, FY 1980 and FY 1981, we have produced our regular output in a timely fashion. At the same time, we have been able to serve many needs of the Department and other users in Government. For example, we worked closely with the National Commission on Employment and Unemployment Statistics in its review of our data and with the Secretary of Labor in evaluating and reporting to Congress on the Commission's recommendations. At the request of the Office of Personnel Management, we collected data on benefits in private industry and worked with the President's Pay Agent on plans for data required for possible Federal Pay Reform.

I hope these remarks are helpful in outlining the Bureau's present programs and future plans. I welcome your questions on any of these points. This concludes my statement. Thank you, Mr. Chairman.

Bureau of Labor Statistics
(Obligations in millions of dollars)

Activity	1980	1981	1982
Labor Force Statistics....	$38.0	$39.1	$43.9
Positions.....	388	330	368
Prices and Costs of Living.....	$32.9	$38.7	$43.3
Positions.....	717	754	773
Wages and Industrial Relations.....	$13.6	$14.2	$15.2
Positions.....	394	394	385
Productivity and Technology.....	$3.3	$3.8	$4.2
Positions.....	92	109	109
Economic Growth and Employment Projections..	$.8	$3.1	$3.0
Positions.....	16	74	60
Executive Direction and Staff Services.....	$13.1	$12.9	$13.8
Positions.....	277	282	272
Total Obligations.....	$101.7	$111.9	$123.4
Total Positions.....	1,884	1,943	1,967

Questions Submitted by Senator Specter

SPENDABLE EARNINGS

Question: The Bureau of Labor Statistics currently publishes spendable weekly earnings data, based on a supposedly typical situation of a married person with three dependents. Critics have charged that this data has become less useful, due to the growing number of single persons and part-time workers in the economy, as well as due to the lack of inclusion of white collar workers. Given the limitations in the spendable earnings data series, does it make sense to continue to calculate and publish this data?

Answer: The BLS has recognized for some time that the spendable earnings series, based on the earnings data derived from its survey of establishments, is subject to several limitations. This survey does not cover white-collar workers; it does not provide separate earnings data for any population groups or particular family types; and it includes, in the average, earnings for both full-time and part-time workers. The trends in earnings derived from this survey have, thus, been affected by the changing composition of the labor force. This is why the Bureau has intensified its efforts to obtain data on the weekly earnings of specific family types and population groups through the national survey of households. These data previously were available only once a year, but the BLS has now begun regular publication of median weekly earnings from the household survey. They cover all wage and salary workers, can be broken down to show the earnings of specific demographic groups and family types, and can be limited to full-time workers. The Bureau believes that these data are extremely useful in assessing the earnings trends of American workers. Work is now underway at BLS to develop a spendable earnings series based on the new quarterly earnings data from the household survey, which can be used for comparison with the existing published monthly series. We expect to publish a research article comparing these data by next fall.

Question: Given the fact that the Department of Commerce publishes data on disposable income, why do you need to calculate and publish similar spendable earnings data?

Answer: The Bureau has long been aware of the usefulness of the series on per capita disposable personal income, and has published articles comparing the trend in this series with the trend in the spendable earnings series. It must be noted, however, that the disposable income series does not provide earnings information for any specific group of workers, or even for all workers. What it shows is the trend in average after-tax income available to Americans of all ages, whether in or out of the labor force. Because the universe covered by this series includes children of all ages, its long-term trend can be significantly affected by changes in the birth rate, and it steep rise since that early 1960's is partly a reflection of the decline in the birth rate, which has slowed the growth of the American population. Two other factors that have also has a big impact on this series are the increase in transfer payments and the steep increase in labor force participation among women and youths. So, while the disposable income series is a very useful guage of the economic welfare of the American population, it is affected by factors other than the earnings of American workers.

Question: How much is budgeted for FY 1982?

Answer: Since the calculation of spendable earnings is based on data already available, no separate budget is required. The only "out of pocket" costs are associated with the preparation and release of the monthly press release. Less than one-half staff year of effort is involved in this activity.

LABOR TURNOVER STATISTICS

Question: What use is made of monthly labor turnover statistics published by the Bureau?

Answer: By measuring the month-to-month movement of wage and salary workers into and out of employment status in the highly cyclical manufacturing sector of the economy, the labor turnover survey produces a number of series that are among the best of the government's leading economic indicators. The layoff rate is one of the twelve components of the Bureau of Economic Analysis' composite of leading economic indicators. In addition, the accession rate and quit rate are included as cyclical indicators in the Bureau of Economic Analysis' Business Conditions Digest.

Question: How much of the cost of collecting and publishing labor turnover data is paid by the Bureau, and how much is funded by the State Employment Security Agencies.

Answer: The labor turnover statistics program is conducted as a cooperative Federal/State program, and is jointly administered by the Bureau of Labor Statistics and the Employment and Training Administration (ETA). The funding to support State agency program activities involving sample selection, data collection and analysis and publication of the data are provided by the Employment and Training Administration, with the Bureau of Labor Statistics providing one half of the State agency personnel costs and the Employment and Training Administration funding the other half of personnel costs and all non-labor costs. In Fiscal Year 1980, approximately $1.1 million was provided to the States for personnel costs. BLS has no information on the non-labor costs paid by ETA.

The Bureau of Labor Statistics provides extensive technical assistance to the cooperating State agencies, collects data from establishments in 3 States not participating in the cooperative program, and develops and publishes national estimates of labor turnover. In Fiscal Year 1980, the BLS expenditures for these program services amounted to approximately $350,000.

OCCUPATIONAL EMPLOYMENT STATISTICS

Question: What use is made of the occupational employment estimates which the Bureau of Labor Statistics produces by industry at the State and sub-state levels?

Answer: Occupational employment estimates by industry at the State and sub-State levels are used by private industry and State and local government groups such as State Occupational Information Coordinating Committees, CETA prime sponsors, vocational educators, economic development planners, career counselors and those involved with Career Information Delivery and Occupational Information Systems. These estimates are used as the foundation for occupational

projections which, in turn, are used in the development of employment and training plans, in educational and vocational guidance and planning, market research, plant location studies, employment impact studies such as those related to energy industry growth, and State and local economic development studies. Additionally, (1) the Vocational Education Act of 1968 (section 123), as amended, calls for the development of State vocational education plans that take into consideration "information regarding current and projected manpower needs and job opportunities... on the local, State, and national, levels"; (2) the annual CETA plans (section 105) call for "providing labor market and occupational information to prime sponsors" for appropriate planning of employment and training programs; and(3) Title VII (section 703) of CETA requires "an analysis of private sector job opportunities, including estimates by occupation industry and location".

Question: Why does the Bureau have to get involved in occupational employment surveys - couldn't this work be done directly by the Employment and Training Administration?

Answer: As the statistical arm of the Department of Labor, the Bureau undertakes, either directly or on a contract basis, most of the regularly recurring survey work in the Department. In Federal State cooperative programs, the Bureau--as the principal source of statistical expertise in the Department--(1) provides cooperating State agencies with technical assistance on survey methodologies, sample design, survey questionaires, and estimating methodologies, and (2) validates State estimates in accordance with accepted statistical standards. The Employment and Training Administration--as the administrator of programs enacted under CETA, the Wagner Peyser Act and Title III of the Social Security Act dealing with unemployment insurance--provides financial support and administrative assistance to State Employment Security Agencies and prime sponsors in the conduct of these programs authorized by Congress. Thus, in the case of the OES survey each agency contributes its special expertise to make the survey more cost effective.

INSURED EMPLOYMENT AND WAGES

Question: How exactly are the quarterly State and industry data on Employment and Wages of workers covered by State unemployment insurance programs used?

Answer: The report on employment and wages of workers covered by State unemployment insurance programs (ES-202) is one of the most important administrative record systems maintained by the government. The ES-202 report, a by-product of the records compiled in administering the unemployment insurance system, provides basic information on the extent of unemployment insurance coverage and the financial condition of the unemployment insurance system. For example, the ES-202 data are regularly used in actuarial evaluations of the financial condition of the State unemployment insurance reserve funds, experience rating evaluations and in establishing maximum weekly benefit levels for unemployment insurance recipients. In addition, some States use the data to set the weekly benefit levels for workmen's compensation, and the counts of covered employment are used in the computation of insured unemployment rates.

The ES-202 reporting system forms the statistical foundation for the Bureau's sampling frame and primary employment benchmarks for statistical surveys -- both in the Federal/State cooperative system

and in the Bureau's directly-collected wage, price and occupational health and safety areas.

Data from the ES-202 are also used as direct input to other economic data series. The administrative record data are the major component of the Bureau of Economic Analysis' preliminary GNP and regional personal income estimates.

Question: What is the cost of developing and publishing this data?

Answer: The costs of providing administrative and financial support to the State agencies to sponsor the collection and tabulation of data from individual employer unemployment insurance contribution reports are built into the on-going Unemployment Insurance program and are not separately identified in the Employment and Training Administration's cost accounting system.

The Bureau of Labor Statistics costs cover maintaining the large (4.5 million establishment records) data base, technical assistance to the States regarding the efficient collection and use of the data, additional data editing, summarizing the data by county, metropolitan area, State and the Nation by detailed industry and size class (for the first quarter of each year), and disseminating the data to the many users. The Bureau's Fiscal Year 1981 costs are approximately $2 million.

EMPLOYMENT, HOURS AND EARNINGS SURVEY

Question: You are proposing a $1.9 million increase for fiscal 1982 to initiate revision of the survey on employment, hours, and earnings. This is just the first installment of a total estimated cost of $22 million to complete the project by 1990. Explain how you arrived at your cost estimates for this expensive project.

Answer: The cost estimates are based on an extensive planning process involving representatives of the Bureau of Labor Statistics, the Employment and Training Administration and the cooperating State Employment Security agencies. In early FY 1980, special teams of functional area experts from these agencies were formed to study deficiencies in the program and recommend improvements. Each team report included a list of activities needed to improve the subject area -- such as sample design, estimation and data processing. Time and cost estimates for each of the activities were made based on historical cost data and other experience. These activities were then spread over time based on precedence relationships. Reviews were conducted at each step to assure consistency and to cut out extraneous work. As a result of this process, the Bureau has developed a plan with about 400 time-phased activities over a 10 year period -- each with separately identifiable resource estimates. This detailed project plan can be made available to the Committee on request.

Question: How much is for federal salaries, and how much for consultants?

Answer: Total personnel compensation and benefits for the 44 requested positions accounts for $795,100 of the total. Only about $20,000 is planned for small contracts with two of the leading experts in sample design methodology.

Question: What would be the impact of either postponing or eliminating this project?

Answer: Postponing this project will further push back the improvements that are necessary to maintain the quality of these data for public and private decisions. Eliminating this project will inevitably lead to diminishment of timeliness, quality and usefulness of the data as the program will be unable to keep up with changing industrial composition, changing payroll recordkeeping practices by firms, and will prevent the basic work necessary to take advantage of advancements in data processing and in sampling theory.

CURRENT POPULATION SURVEY

Question: If the Current Population Survey is expanded to improve estimates of State and local unemployment, how much will it cost to obtain a minimum level of reliability?

Answer: Existing legislation requires monthly unemployment data for 6,000 local areas, including all States and and all metropolitan areas. Because many of the smaller jurisdictions are included in larger areas, approximately 4,200 sample areas would have to be surveyed each month to provide reliable CPS data. The National Commission on Employment and Unemployment Statistics estimated that it would cost $2.3 billion a year to survey these areas to obtain an unemployment estimate with a sampling error of 10 percent when the unemployment rate is 6 percent. The current CPS cost is about $21 million a year.

Question: If the Current Population Survey is expanded for this purpose, what additional information will be available to improve national labor force statistics?

Answer: A further expansion of the CPS for improving local area unemployment statistics will have only a marginal impact on the reliability of the total labor force and total unemployment estimates for the nation as a whole. Depending on the design of the sample expansion, some improvement in reliability can be obtained for Blacks, Hispanics and Asian Americans. However, significant reductions in sampling error for these minority groups would be exceedingly expensive.

Question: Why is an additional $510,000 needed for updating the Current Population Survey, when $39,148,000 is already available for this purpose?

Answer: The $39,148,000 reflects the overall labor force statistics budget activity and reflects a diversity of programs. In addition to the Current Population Survey (CPS), the figure includes the cost of the Current Employment Statistics (790) program, the insured employment statistics program (ES-202), the labor turnover program, and the Occupational Employment Statistics program. The overall total includes $10,508,000 funding for the Census Bureau to produce national CPS estimates and $10,431,000 for the Census Bureau for additional CPS data for state and local area estimates. The additional $510,000 is required as the Bureau's share of the funds needed by the Census Bureau for FY 1982 work in the redesign and updating of the CPS which must be done each decade to reflect the new population figures.

Question: Couldn't you find a way to absorb your updating work within the existing budget?

Answer: If this work were to be absorbed under existing budget some other parts of the Bureau's program output would have to be cut. Costs for all our basic programs are rising with inflation at a time when the Nation's need for economic intelligence is greater than ever. Due to the increasing costs of all BLS work, we have found it difficult just to maintain our basic programs in the field of prices, wages, employment and productivity.

Question: Exactly how is the $39,148,000 and 330 staff currently utilized in the Current Population Survey program?

Answer: As we indicated in our answer to a previous question, the $39,148,000 reflects many other programs in addition to the CPS national and local area labor force statistics program. CPS national data is budgeted in FY 1982 at $12,370,000 and 66 positions, while the local area program is budgeted at $13,634,000 and 69 positions. The other programs, which are identified in our budget submission, include the Current Employment Statistics (790) program ($9,787,000, 93 positions), the insured employment statistics program (ES-202) ($1,759,000, 49 positions), the labor turnover program ($263,000, 13 positions), and the Occupational Employment Statistics program ($1,335,000, 40 positions).

CPI HOUSING COMPONENT

Question: Didn't BLS propose several years ago changing the way the housing component of the CPI is treated?

Answer: Yes. During the course of the last Consumer Price Index Revision program, the BLS staff proposed that the treatment of owner-occupied housing in the Consumer Price Index be changed. In essence, the BLS position was that the CPI should measure the cost of consuming the shelter provided by a house--the cost of shelter services--but that the investment aspects of homeownership should be removed. BLS staff papers pointed out two empirical methods which could be used to measure the cost of consuming housing services--a "user cost" or cost function approach, or an approach which would utilize a rental equivalence sample of prices to represent the types of homes which are owned. At the time of the last revision of the CPI, completed in 1978, however, all three of the Bureau's Advisory Committees--Business, Labor and Government--recommended further research and testing before adoption of a change. BLS has not had the resources to test the feasibility of developing a sample of rental units of the same type and in the same locations as owned units, and this is the reason that funds to test this method are requested in the fiscal 1982 budget.

Question: Why weren't these proposals ever implemented?

Answer: Neither the BLS Business Research Advisory Council, the BLS Labor Research Advisory Council, nor an interagency committee involving the major economic policymaking agencies of the Executive Branch agreed, either individually or collectively, that a change should be made. Since these groups represent most of the major users of the CPI, Julius Shiskin, then Commissioner of BLS, decided to retain the historical treatment.

Since the completion of the CPI Revision, rising house prices and mortgage interest rates have contributed significantly to the recent overall inflation, and many of the concerns originally set forth by BLS concerning the treatment of owner-occupied housing in the CPI are now receiving public discussion. Some support has emerged for a rental equivalence approach to measurement of homeownership costs. However, BLS has not thus far had the resources required for empirical testing to develop a sample of rental units having the same characteristics as owner-occupied housing. Thus the BLS budget proposal for fiscal 1982.

CPI-X1

Question: The Carter Administration Fiscal 1982 budget proposed tying Federally indexed programs to a new measure of inflation - the CPI-X1 as a way of slowing the growth of Federal spending.

What costs, if any, would be associated with perfecting the CPI-X1 for use in indexing?

What kinds of additional statistical development work would be needed to make the CPI-X1 adequate for use in indexing?

Answer: The Carter budget reflects a policy decision that X-1 as now constructed should be adopted for Federal indexing while work to improve X-1 as a statistical measure proceeds.

The BLS fiscal 1982 budget submission includes a proposed program increase for $941,000 and 19 positions to test the development of a national sample of rental homes having the same characteristics in terms of type and location as homes that are owner-occupied. The purpose of this proposed program, which at the proposed level would require about 36 months to complete, is to assess the feasibility and cost of incorporating a rental equivalence approach into the ongoing CPI program, which produces indexes not only at the national level, but also regional indexes as well as Consumer Price Indexes for 28 large metropolitan areas. At the present time, the rent component represents about 5 percent of the total CPI market basket. Adoption of a rental equivalence approach would mean that an important part of the index weight would be represented by rental units. In light of this, the work proposed in the fiscal 1982 budget is critically important.

Question: Would such a proposal be fair to Social Security recipients, who would receive smaller benefit increases than otherwise?

Answer: The answer to the question of under or overcompensation for inflation in programs that are indexed hinges significantly on how members of Congress view the objectives of individual programs and how they view inflation itself. One must establish which inflation measure best represents the events that are taking place in the economy, which impact benefit recipients. In this context, one must consider, for example, how representative the inflation measure is of the group whose benefits are being escalated, what differential impacts result from the application of an aggregate index designed to represent the average experience to individual consumer units, and what impact does the existence, or lack thereof, of other sources of income have on the ability of beneficiaries to deal with inflation.

SPECIAL INDEXES

Question: It has been suggested that special price indexes be developed to reflect experiences of specific programs, such as Social Security.

Do you intend to tabulate price indexes for specific population groups, such as the elderly?

Answer: We do not have sufficient data to produce price indexes for population subgroups such as the elderly, or for other groups such as Social Security beneficiaries. The Consumer Price Indexes which are now produced are designed to represent two very large segments of the American public. The Consumer Price Index for All Urban Households (CPI-U) represents about 80 percent of the total population; the Urban Wage Earner and Clerical Worker Index (CPI-W) represents about 40 percent of the total U.S. population. While retired persons, for example, are specifically excluded from the CPI-W, retired persons are included in the CPI-U.

Development of a CPI specifically for retired persons would require that we follow the same steps used to construct one of the existing CPI's. Briefly, this would require that a sample of areas representing the areas where retired persons live be selected, and that Consumer Expenditure and Point of Purchase Surveys be conducted in these areas to develop a "market basket" which reflects specifically what retired persons buy, the proportion of expenditures made on these various items, and the locations or outlets where such expenditures are made. Not only would such a process be necessary from a statistical point of view, it would also seem necessary in light of the fact that the first use of such an Index would probably involve a comparison with one of the broader, already existing CPI's which are constructed in this manner. Thus development of a CPI for a population sub-group based on limited data, or involving methodological shortcuts, probably would not be accurate enough to make such comparisons.

Question: What would be the cost of such special indexes?

Answer: We do not know the exact cost of producing special indexes for population sub-groups. By way of example, constructing a CPI for retired persons would require a significant expansion in the size of both the Consumer Expenditure and Point of Purchase Surveys. A sizeable budget increment would be required to expand both of these surveys. Additional funds would also be required to develop samples for rent, housing, and other CPI components which require special treatment. All told, an expansion in the existing BLS budget of several million dollars would be required for the start-up and developmental costs alone.

Question: Would you recommend the use of special indexes, in place of the current Consumer Price Index, to determine cost-of-living benefit increases?

Answer: As I have indicated in my remarks, the development of special purpose indexes would require the expenditure of substantial amounts of money and take considerable time. Because of this, and because we do not know how such special purpose indexes would differ from existing measures--or if they would differ at all--BLS believes that, before launching a major new program, a relatively modest pilot project should be undertaken to estimate the costs and the benefits of

producing such measures. We believe that a carefully designed pilot project could provide sufficient empirical information on which to assess the merits of producing special indexes, assuming that funds for this purpose were provided and that policy determinations as to the scope and objectives of such special indexes could be agreed upon. For example, we have found that the terms Social Security Beneficiaries, retired persons, and the elderly are frequently used interchangeably when, in fact, they are not identical. Survey designs and costs are extremely sensitive to such issues, and policy level decisions on matters such as these would have to be obtained in order for BLS to proceed.

CPI STATUS

Question: What progress is being made to improve the Consumer Price Index?

Answer: The revised CPI program, which was set in place in early 1978, represents a significant improvement over its pre-1978 predecessor. For example, as part of the now ongoing program, a system has been established to update the CPI outlet sample over time, since prior to 1978 there was no scientific, objective measure to replace outlets which went out of business or otherwise "disappeared" from the CPI sample. Congress agreed with the need for this effort, and this project has been successfully incorporated into the ongoing program. Other major improvements could also be enumerated. For example, work has begun on collection of consumer expenditure data on a continuing basis.

The fact remains, however, that the controversy concerning the treatment of owner-occupied housing, which ironically was originally raised by BLS itself during the course of the CPI Revision, has in many ways obscured the improvements in the CPI which have been achieved. While BLS has initiated publication of 5 experimental measures in order to encourage public discussion and further public understanding of this issue, the ongoing budget for the CPI is a production and maintenance budget.

CONSUMER EXPENDITURE SURVEY

Question: Specifically, how is the Continuing Consumer Expenditure Survey proceeding?

Answer: Data collection for the Consumer Expenditure Survey, which is being conducted for the BLS by the Bureau of the Census, began in the last quarter of fiscal 1979. Calendar 1980 will be the first full year of data collection; data collecton for the last quarter of 1980 (the quarterly interview component of the survey is done on a three-month recall basis) will be completed by the end of March of this year. Current plans call for the initial publication of survey results covering calendar year 1980 in 1982. This initial publication point will mark the completion of developmental work on the complex processing and tabulation systems required to support a survey of this type and from this point forward, regular publication of survey results will begin.

In terms of a future CPI Revision, it should be noted that the current Consumer Expenditure Survey, in any one year, is about one-fourth as large as the last survey to revise the CPI conducted in 1972-1973. Thus, given that this program has just recently been started, three more years of data collection will be required in order to support revision of the CPI weights.

Question: When will survey results first be reflected in the Consumer Price Index? Can this be speeded up?

Answer: While BLS has been seeking funds for an ongoing survey of consumer expenditures for almost thirty five years, full funding to launch this survey was not obtained until fiscal year 1979. The first quarter of data collection (October, November and December of 1979) will serve as a bounding quarter for the first full year of data collection covering calendar year 1980. At current funding levels and sample sizes, the design of the survey is such that about four years of data will be required to revise the weights in the CPI. At the present time, no detailed plans for a revision of the CPI weights have been made or budgeted and no prior announcement of a pending revision has been made. However, it is expected that the historical process for revision of the CPI will be carried out and that a revision could be completed sometime after 1985. Such a plan, of course, would have to be approved through the budget process.

EXPERIMENTAL CPI's

Question: There are five experimental alternative Consumer Price Indexes; what was the rationale for selecting the CPI-X1 index over the others as a basis for adjusting Federal benefit programs?

Answer: A report prepared by the Council of Economic Advisers and the Office of Management and Budget, "Report on Indexing Federal Programs," was submitted to Congress on January 15 of this year in response to a request contained in the First Concurrent Resolution on the Budget for FY 1981. The report discusses in detail both the technical issues related to indexing benefit levels as well as the broader policy issues which arise because programs are indexed. The report recommends that the experimental index called CPI, U-X1 be used to compute benefit level adjustments for Federal programs. The detailed rationale for this recommendation is presented in the report and, as stated in the letter of transmittal, is based upon the belief that CPI, U-X1 is a "...more representative measure of the cost of living..." than the CPI-U.

Question: What is the cost of producing the five experimental indexes, and will you continue to produce all five of them?

Answer: The cost of producing the five experimental indexes is less than $1,000 per year. The cost is low because the experimental indexes utilize data that are already being compiled as part of the regular CPI program and are estimated only at the national level. In the interests of promoting public dicussion and understanding of the complex issues involved in the estimation of homeownership costs for the CPI, we plan to continue publication of the experimental measures.

SUBSTITUTION and the CPI

Question: How much is inflation overstated as a result of the fact that consumers tend to substitute products whose prices rise more slowly for those in the "market basket" upon which the Consumer Price Index is based?

Answer: Historically, differences in weighting patterns have not usually created large differences in price index measures. BLS research suggests that between CPI Revisions in the past, the effect of consumption shifts in price measurement has been no more than a few

tenths of an index point per year. Nevertheless, it is important to note that the effect of consumption shifts is probably related to the degree of inflation in the economy. In the last few years, when inflation has been running at double-digit rates, this difference may have been somewhat larger. These differences, at the aggregate or all items level, are, of course, somewhat smaller when translated into relative or percentage terms, which is the way the CPI is used.

With the full implementation of the continuing consumer expenditure survey, we will be able to monitor the degree to which consumption patterns are changing. However, the fact that consumption patterns have changed does not mean that inflation is overstated. Changes in consumption patterns reflect the impact of changes in relative prices and changes in the social and demographic characteristics of the population. In order to determine whether the CPI is overstated, it is necessary to determine the impact of changes in relative prices alone on the CPI market basket. The present state of the art in economics and statistics does not allow us to answer this question with any degree of precision.

CPI PLACEMENT

Question: Why shouldn't administration of the cost-of-living surveys be transferred to the Bureau of the Census?

Answer: U.S. government statistical agencies have, in order to increase efficiency and to cut data collection costs, specialized in the areas in which each has special competence. The BLS is the specialist in the U.S. government in collection of data from business establishments through the use of trained field data collectors. The Census Bureau, on the other hand, is a specialist in collection of data from households, and the BLS contracts with Census to collect household data for BLS. In the last major review of the organization of statistical agencies of the Federal government, this basic division of labor between the Bureau of the Census and the Bureau of Labor Statistics was recognized. This division of labor reflected the Bureau of the Census' historical experience and expertise in the conduct of direct surveys of households, and the BLS experience and expertise in direct collection and production of statistics compiled from business establishments. The growth and development of statistical programs within the executive branch has proceeded in accordance with this view. Since the price statistics, like wage statistics programs, fall into the establishment survey category requiring trained, technical personnel, they fall within the area where BLS has a comparative advantage in terms of operational experience and analytic expertise. Integration of price and wage data collection through the Bureau's eight regional offices also is cost effective.

The BLS Consumer Price Index program is one of the major price statistics programs conducted by the BLS. Because the BLS is the government's expert in the price area, it has overall responsibility for the collection and compilation of all the basic price statistics programs of the Federal government, including not only the CPI, but also the Producer Price Index program, and the International Price programs of the Federal government. Together, these programs, which are closely related, both conceptually, as well as operationally, cover all the major levels of the economy: consumers, producers or the pre-retail levels of distribution, and exports and imports. Viewed from a budgetary, an operational, or a conceptual perspective, it would be grossly inefficient and ineffective to separate these programs.

Question: What is the statutory basis for the Bureau's authority to prepare cost-of-living indexes?

Answer: The Bureau of Labor Statistics has collected the nation's price statistics since 1890. The Act of 1888 establishing the independent Department of Labor (the second of many titles for the Bureau of Labor Statistics), especially charged the BLS to collect and analyze the cost and price of internationally traded products in the United States and abroad. At that time Congress was engaged in the discussions preceding the McKinley Tariff of 1890, and their charge to BLS covered "costs of producing iron and steel, and the materials of which iron is made, in the United States, in Europe, and the earnings, the efficiency, and the cost of living of the men employed in such production."

Since the 1890 beginning, the Congress has by resolution directed BLS to collect and study wage, price and cost of living data and continuous series have been published by BLS since the beginning of the century. In recent years Congress has built into a variety of different laws wording requiring the use of price data and stating that these data were to be the data collected and compiled by the BLS. Following is a partial list of references covering such programs as social security, nutrition programs for the elderly, parity for sugar prices, school lunch programs, and Federal campaign expenditures: 5 U.S.C. 8101; 5 U.S.C. 8240; 5 U.S.C. 8146(a); 7 U.S.C. 2016(a); 10 U.S.C. 1401(a); 22 U.S.C. 112; 29 U.S.C. 981(a); 42 U.S.C. 415(1); 42 U.S.C. 1759(a); 42 U.S.C. 2971(d); 42 U.S.C. 3045(f); 45 U.S.C. 231(b); 50 U.S.C. 402; 7 U.S.C. 1111; and 29 U.S.C. 882.

Two Commissions on the organization of the executive branch have referred to the BLS mandate for the collection of price data with such observations as

- "The Bureau of Labor Statistics should, in view of its long experience, continue as the official agency for handling wholesale price data..." Committee on Government Statistical and Information Services, under the aegis of the American Statistical Association, 1933.

- "The Division of Statistical Standards in the Office of the Budget, in its efforts to coordinate statistical activities, should focus responsibility in the Bureau of Labor Statistics for collection of data, research, and analysis relating to wholesale prices and living costs, employment and unemployment, working hours, wages pay rolls, and productivity." The "Hoover Commission"--appointed by Congress--to recommend a reorganization of the executive branch: 1949.

Question: Don't you think production of cost-of-living indexes are more closely related to functions of the Commerce Department than the Bureau of Labor Statistics?

Answer: No, I do not believe this is true. I am not aware of any functions or responsibilities of the Department of Commerce which would support this view. At present, all of the major price statistics programs of the Federal government, covering the consumer, producer, and international trade sectors of the economy are located within the BLS within a single organization. These programs are more familiarly known as the Consumer Price, Producer Price, and International Price programs. These programs, along with the Consumer

Expenditure Studies, Family Budgets, and a small Price and Index Number Research program, are administered by the Office of Prices and Living Conditions within the BLS. The price programs of the BLS are as closely related, in both conceptual and operational terms, as the levels of the economy which they represent. Data collected by the BLS are used by parts of the Department of Commerce, such as the Bureau of Economic Analysis, as basic inputs to such measures as the Gross National Product and its PCE deflators, but the Commerce Department has no experience in the sample design, data collection, and compilation procedures required to administer statistics programs. BLS price indexes are part of a comprehensive program which is published on a very tight time table, within only a few weeks after the reference period.

IMPORT AND EXPORT STATISTICS

Question: How much is budgeted for commodity and import and export statistics, and why shouldn't these functions be carried out by the Department of Commerce?

Answer: In Fiscal Year 1981, approximately $9.8 million is budgeted for the commodity price indexes, which make up the Producer Price Index (PPI) program. Approximately $3.4 million is budgeted for the import and export price indexes also known as the International Price Program (IPP).

The budget for the Producer Price Index program encompasses two major components. The first is price collection, index construction, analysis and publication of the traditional commodity price indexes (the old WPI, now renamed PPI), and the second is a comprehensive revision program which is designed to expand and improve these data and, for the first time, to sample all producers prices along industry lines as well as commodity lines. The PPI revision program develops commodity price indexes in the process of measuring the price change of total industry output.

The budget for the International Price Program covers the development, maintenance and publication of price indexes covering 81 percent of the value of products imported into the U.S. from other countries and 81 per cent of the value of products exported to other countries from the U.S. In addition, it covers development, maintenance and publication of comparisons of price trends of U.S. products and those of competing imports, as well as similar comparisons for U.S. exports and their principal competition in world markets. Price data from the Producer and International Price Programs are integrated for these comparisons at the most detailed level to assure comparability.

Both the Producer Price Index and the International Price Program are two subparts of a comprehensive and integrated program of price measurement at the BLS. These components cover the major sectors of domestic production and U.S. foreign trade: The PPI covers all mining and manufacturing output; the Import and Export Price Indexes cover goods in U.S. foreign trade. U.S. foreign trade in 1980 accounted for over 33 percent of the value of total final goods produced in the U.S. economy (this ratio was 16 percent in 1970). Together with the consumer Price Index (CPI), the Consumer Expenditure Survey and Family Budget component, this overall program at the BLS is the Federal Government's primary, ongoing price intelligence system.

Because the CPI, PPI, and the International Price Program are integrated parts of a comprehensive program--with shared facilities, joint statistical and technical staff, and integrated design and analytic characteristics--separation of these parts to different agencies would be inefficient, would require redundant technical and support staffs and computer systems, and would require an additional and costly inter-agency superstructure for coordination and for integrated analysis of price changes throughout the economy.

At present, there is no program nor expertise in the Commerce Department for direct and comprehensive collection of prices at the consumer level, or the producer level, or for the U.S. foreign trade sector.

DAVIS-BACON WAGE RATE

Question: Do you think the Bureau of Labor Statistics could do a better job, more cheaply, in collecting construction industry Davis-Bacon wage-rate information than the Employment Standards Administration?

Answer: The BLS has no information on the Employment Standards Administration's costs, data collection methods, and current information requirements for Davis-Bacon wage determinations. The Bureau's annual and quarterly union wage rate surveys in construction--a program that will be phased out in FY 1981--are conducted quickly and at relatively low cost. Developing wage data for nonunion construction firms, on the other hand, are very time consuming and expensive because of problems in locating and collecting data from the multitude of very small firms that move in and out of the industry over short time periods.

Question: Wouldn't it be more objective for BLS to collect this information, independent of the Federal agency which administers the Davis-Bacon Act?

Answer: The BLS often acts as an independent statistical agent providing the data needed to administer Federal laws. In such cases, the objectivity of the data is typically an uncontested issue. The BLS activities of this type include occupational wage surveys used in wage determinations under the Service Contract Act and in setting salaries for Federal white-collar workers under the Federal Pay Act of 1970. It should be noted that only aggregated data are given to the Federal administrators, concealing the individual establishment responses as guaranteed by the Bureau's confidentiality policy.

CONSTRUCTION INDUSTRY DATA

Question: What is the feasibility of moving collection of wage rate and fringe benefit information for the construction industry from the Employment Standards Administration to the Bureau of Labor Statistics?

Answer: The Bureau could collect the wage and fringe benefit information for the construction industry that the Employment Standards Administration (ESA) needs in the implementation of the Davis Bacon Act. The ESA requirements are similar to the kind of information now collected in the Bureau's surveys of union wage and benefits in the construction industry in cities of 100,000 or more population. The principal problems would be expanding coverage to

include nonunion establishments and adding more areas. The Bureau's surveys--shortly to be phased out as an economy move--are a very small program--only $160,000--hence, they do not provide enough data for Davis Bacon purposes. But, they could be redesigned to do so. The Bureau has the technical expertise to collect and process the data.

Question: How much would you save, by consolidating data collection with information already available through the Bureau's Productivity and Technology program?

Answer: The Bureau's program to measure the labor and material requirements in construction in the Office of Productivity and Technology would not meet the Davis Bacon requirements, because it does not provide area data nor are the data frequent enough for Davis Bacon purposes. It provides information on major types of building construction, like schools, hospitals, public and private housing on long cycles, like every 7 or 8 years.

The Bureau's Office of Wages and Industrial Relations has a survey, however, that might be adapted--or "consolidated" with the ESA survey--to meet the Davis Bacon needs: the construction union wage and benefit survey. If a decision were made to have the Bureau provide these data--or cooperate with ESA in a survey--a plan might be developed to expand the present survey to include nonunion establishments and additional areas to meet the ESA requirements, following which cost estimates could be developed. Two problems to be overcome--if the Bureau were to collect the data for ESA--would be (1) the Bureau's confidentiality guarantee to individual respondents: If ESA needed data for small areas dominated by one or two large firms, disclosure of the data might violate the confidentiality rule and preclude transfer of the data to ESA and (2) nonunion establishments are difficult to include in a survey because they go in and out of business frequently.

MAJOR BARGAINING AGREEMENTS

Question: Since only about 10 percent of the civilian labor force is covered by "Major Bargaining Agreements" --those covering 1,000 or more workers--why doesn't the Bureau of Labor Statistics use a more representative sample to show wages and compensation of union members?

Answer: THE BLS limits its collective bargaining settlements program to units with 1,000 employees or more because: (1) These are the largest and most visible settlements, often referred to as "pattern setters" for other sectors of the economy; (2) There are only 2,000 major bargaining agreements for which settlement data are readily available; (3) The coverage of smaller bargaining units--numbering over 200,000--would require a massive resource build up even on a sample basis. Samples would have to take account of a wide variety of variables including the timing of bargaining cycles, industries, unions involved, and location.

It should be noted that in 1975 the BLS initiated a new quarterly time series, the Employment Cost Index (ECI), which provides much broader coverage of union wage movements. The ECI presently covers about 73 million workers in the private nonfarm economy and provides details on wage movements by occupation and industry group, region, and union/nonunion status. Coverage will be expanded by 12 million State and local government workers in 1981.

UNION MEMBERSHIP

Question: The Bureau publishes data on union membership which are based on information voluntarily provided by union leaders. Couldn't this information be replaced by data collected by the Bureau of Census Current Population Survey?

Answer: Union membership data are developed by the BLS as part of the information required to publish the biennial "Directory of National Unions and Employee Associations." The Directory provides information on individual union officials (names and addresses), union conventions, number of bargaining agreements in force, union dues, the size and sexual composition of union governing boards, in addition to union membership.

The Current Population Survey (by supplement to its May questionnaire) produces data on union membership by demographic characteristics. The survey estimates on overall union membership are very close to those developed in the Directory. Relying solely on the survey, however, would result in a loss of substantial intelligence on the internal structure and membership of individual unions and membership data by State.

Question: How much would be saved if the Bureau did not collect and publish information from union officials in BLS Form 2441?

Answer: The Bureau devotes 1 staff year and approximately $100,000 annually to this effort.

TOTAL FACTOR PRODUCTIVITY

Question: What is the Bureau of Labor Statistics doing to develop a regularly published measure of total factor productivity?

Answer: A major research effort is under way at the present time on the requirements for (a) the development of measures of capital stock and the price of capital services for the major sectors: private business, nonfarm business and the manufacturing sector, (b) development of energy input measures for the manufacturing sector, and (c) development of a labor input measure adjusted for the effects of changing work force composition (age, sex, education, occupation, industry). Once the resources included in the 1981 budget request become available, BLS will begin the empirical work required to estimate annual measures of multifactor productivity growth with adjusted labor input and capital and energy input measures will be prepared.

Regular publication of annual total factor productivity measures will begin four to six months after the measures are circulated for review.

Question: How much is requested for fiscal 1982 activities to develop a total factor productivity measure?

Answer: No funds are requested in FY 1982 beyond an annualization of the FY 1981 request. The latter is for $575,000, lapsed to $367,000 in FY 1981 for development of multifactor productivity measures. Since these funds are not expected to become available until the fourth quarter of FY 1981, only a small planning effort in anticipation of future activities has been possible so far.

Question: What is the projected cost of developing a total factor productivity measure?

Answer: The FY 81 budget appropriation of $575,000 would yield the following products, phased in over a period of several years: 1. Quarterly and annual multifactor measures based on capital and labor only, as well as capital productivity measures for private business and nonfarm business sectors. 2. Annual multifactor measures for manufacturing--total, durable, nondurable and two digit industries--based on capital, labor, energy, and materials, as well as energy and capital productivity measures for these sectors. 3. Labor input measures for all sectors listed above adjusted for changes in age, sex, education, occupation and industry. 4. Measures of labor input based on hours worked, rather than hours paid for, which are the basis of the current measures. 5. Industry measures of multifactor productivity growth for steel and auto industries.

Question: What problems need to be overcome before an acceptable total factor productivity measure can be developed?

Answer: The major single problem is measuring capital input. Significant progress in the theory and practice of capital measurement for productivity analysis has taken place in the last 10 years. The capital stock measures prepared as a part of the national accounts are designed for use in national income accounting. Parallel measures, based on the same historical investment series, must be created for purposes of productivity measurement and analysis. Key issues to be addressed include the rate and method of depreciation, the price of capital services, the net vs. gross measurement of capital stock and aggregation of different asset types to a single capital input measure.

Other key issues to be addressed include the measurement of effects on productivity growth of changing labor force composition (age, sex, education, occupation and industry), development of hours worked measures in place of hours paid, measurement of energy input, and the appropriate weights for aggregation of various input factors.

BLS PRODUCTIVITY

Question: What measurements do you have of employee productivity; and incentives for more efficient performance?

Answer: The Bureau of Labor Statistics (BLS) has developed and maintains an overall measure of productivity (output per employee-hour) for the agency. The measures are based on the change in final output of the Bureau that is, the economic and statistical information prepared and disseminated by the Bureau related to the change in hours of employees. Currently, the output index is based on 350 indicators and includes such items as statistical series developed and maintained, studies completed, surveys conducted, and information requests answered. The input measure is based on hours of all employees in the Bureau.

While the aggregate index is useful for analyzing general trends in efficiency, this measure must be supplemented with more detailed measures to monitor the performance of individual program areas.

The Bureau has no specific monetary incentives for the improvement of employee performance beyond those built into the

existing systems for awards, suggestions, quality increases, merit pay and senior executive service bonuses, and Commissioner's awards for special achievements. However, in the last year and a half, the BLS has focused increasing attention on efficient management and effective staff utilization.

TEN YEAR PROJECTIONS

Question: How accurate and useful are the ten year projections you develop on occupational and industrial employment requirements?

Answer: The accuracy of the Bureau's occupational and industrial projections is analyzed when the target year of the projections has been reached. The analysis, which includes a comparison of actual and projected data, provides knowledge of the causes of inaccuracies which is then used to improve the next set of projections. The analyses are published to provide users with information about the accuracy of the data. Analyses of our 1975 occupational and industrial projections, published in the Monthly Labor Review, are available upon request. For the nine major occupational groups the average absolute difference between actual and projected data was 6.1 percent and for eleven major industry groups, 6.2 percent. The difference, however, was larger for detailed occupations and industries.

The use of the Bureau's occupational and industrial projections is extensive in career guidance, education and training planning, and policy planning activities by government and industry. One measure of use is the continuing sales and inquiries from the public. Sales of the Occupational Outlook Handbook (150,000 copies of each of the past three editions), Occupational Outlook Quarterly (30,000 copies each quarter), and other occupational outlook materials account for the majority of Bureau publications sold by the Superintendent of Documents. In total, the sales of the projection-related publications provide approximately $1 million a year in revenues.

Because most copies of the Occupational Outlook Handbook and Occupational Outlook Quarterly are purchased by schools and libraries and have multiple users, the number of users each year is estimated to be in the millions. The extensive use of the Occupational Outlook Handbook is documented by recent surveys by the Educational Testing Service, which show that users consider the Handbook to be the most valuable publication in the career guidance field. In addition, more inquiries are received from the public concerning the Occupational Outlook Program than any other Bureau program, except for the Consumer Price Program.

The Bureau's projections are also used extensively in economic planning, because they are based on an economic model that provides projections of detailed occupations by industry. The Bureau's model, therefore, makes it possible to analyze the impact of alternative assumptions about the future for use in making policy decisions. For example, a recent analysis by BLS of the employment effect of alternative levels of defense expenditures enabled the National Science Foundation to provide information to the White House on the effect of alternative levels of defense expenditures on the demand for scientists and engineers.

ROLE OF ADVISORY COMMITTEES

Question: What is the role of the Business - Labor Research Advisory Committees established by the Bureau?

Answer: The Business and Labor Research Advisory Councils and their committees provide advisory views on the development of new programs, the revision of ongoing programs, and the technical statistical problems which develop out of changing economic conditions. The Business Committee is also representative of respondents to most BLS surveys and advises on matters of respondent burden. The extensive participation in each case includes economists and statisticians from labor and business institutions which are widely representative of the nation's economy. Participation by the advisors serves as a ready avenue to keep these important sectors informed of the technical content and any changes in Bureau programs and releases. In addition, the meetings provide a forum for ascertaining the needs of important users of the Bureau's output and for explaining statistical issues involved in producing data.

Question: Are federal funds used to support these advisory committees?

Answer: Advisors receive no recompense either for services or expenses. Staff support is provided by the Bureau for the continuing operations of each of these advisory groups.

Question: How much is spent on the advisory committees?

Answer: For each Committee, a senior professional and a secretary devote time to support the ongoing activities of the advisory groups. Estimated costs assigned to these advisory committees are about $135,000. No estimate has been made of the cost of professional staff time spent on BRAC and LRAC meetings and related preparation and correspondence.

STATUTORY REQUIREMENTS

Question: Which statistics are required by legislation and how much is budgeted for these?

Answer: The major comprehensive legislative authority for all BLS programs stems from the Act of June 27, 1884, establishing the Bureau itself, which stated that the Commissioner "shall collect information upon the subject of labor, its relation to capital, the hours of labor, and the earnings of laboring men and women, and the means of promoting their material, social, intellectual, and moral prosperity." Since that time, many statutory requirements have been added for various specific series. The references are, however, so numerous--some requiring production of, and others requiring use of, BLS statistics--that a complete collation would be tedious and unwieldly to review. For this reason a precis of the general nature of the references by major program is set forth below.

- Labor Force Statistics: The general foundation for employment and unemployment data is found in 29 U.S.C. 1, 2 which provides that "the Bureau of Labor Statistics shall collect, collate, report and publish full and complete statistics of the volume of and changes in employment.." A later statute, 29 U.S.C. 8, requires publication of unemployment data relating to Hispanic Americans. Many other laws require the use of BLS-produced labor

force data, such as the Comprehensive Employment Training Act, the Public Works and Economic Development Act, and the Longshoremen's and Harborworkers Compensation Act.

The FY 1981 budget for this statistical area is about $39 million and 330 positions.

- Prices and Living Conditions: The Bureau of Labor Statistics has collected the nation's price statistics since 1890. The Act of 1888 establishing the independent Department of Labor (the second of many titles for the Bureau of Labor Statistics), especially charged the BLS to collect and analyze the cost and price of internationally traded products in the United States and abroad. At that time Congress was engaged in the discussions preceding the McKinley Tariff of 1890, and their charge to BLS covered "costs of producing iron and steel, and the materials of which iron is made, in the United States, in Europe, and the earnings, the efficiency, and the cost of living of the men employed in such production."

Since the 1890 beginning, the Congress has by resolution directed BLS to collect and study wage, price and cost of living data and continuous series have been published by BLS since the beginning of the century. In recent years Congress has built into a variety of different laws wording requiring the use of price data and stating that these data were to be the data collected and compiled by the BLS. Following is a partial list of references covering such programs as social security, nutrition programs for the elderly, parity for sugar prices, school lunch programs, and Federal campaign U.S.C. 2016(a); 10 U.S.C. 1401(a); 22 U.S.C. 112; 29 U.S.C. 981(a); 42 U.S.C. 415(1); 42 U.S.C. 1759(a); 42 U.S.C. 2971(d); 42 U.S.C. 3045(f); 45 U.S.C. 231(b); 50 U.S.C. 402; 7 U.S.C. 1111; and 29 U.S.C. 882.

Two Commissions on the organization of the executive branch have referred to the BLS mandate for the collection of price data with such observations as

- "The Bureau of Labor Statistics should, in view of its long experience, continue as the official agency for handling wholesale price data..." Committee on Government Statistical and Information Services, under the aegis of the American Statistical Association, 1933.

- "The Division of Statistical Standards in the Office of the Budget, in its efforts to coordinate statistical activities, should focus responsibility in the Bureau of Labor Statistics for collection of data, research, and analysis relating to wholesale prices and living costs, employment and unemployment, working hours, wages pay rolls, and productivity." The "Hoover Commission"--appointed by Congress--to recommend a reorganization of the executive branch: 1949.

In addition to requiring the production and use of the Bureau's price data, Congress has, in recent years, invited the Commissioner to appear each month before its Joint Economic Committee to report on the behavior of the Bureau's principal macro economic measures including the Producer Price Index, Consumer Price Index and the international price measures.

The FY 1981 budget for this program is about $39 million and 754 positions.

- Wages and Industrial Relations: Programs of this office are authorized by an Act of July 7, 1930, which provides that the Bureau of Labor Statistics "shall collect, collate, report, and publish complete statistics of...total wages paid, and the total hours of employment, in the service of...industries and their principal branches" (46 Stat. 1019) (29 U.S.C. 2).

  The Labor Management Relations Act of 1947 also mandates that BLS "shall maintain a file of copies of all available collective bargaining agreements....for guidance and information of interested representatives of employees, and the general public" (Sec. 211) (29 U.S.C. 181). Congress also ordered the Bureau to conduct annual surveys of rates of pay in private enter-prise for use by the Federal Pay Agent (29 U.S.C. 5305).

  Many uses of wage data are built into legislation like the use of the Professional, Administrative, Technical and Clerical survey data in setting Federal pay (29 U.S.C. 5305) and the use of measures of negotiated wage and benefit changes in large bargaining units as part of the procedure of establish the level of subsidies under the Merchhant Marine Act (46 U.S.C. 1173).

  The FY 1981 budget for this program is $14 million and 394 positions.

- Productivity and Technology: These programs are authorized by an Act of June 7, 1940, which mandates that the Bureau of Labor Statistics shall "make continuing studies of productivity and labor costs in manufacturing, mining, transportation, distribution, and other industries" (54 Stat. 249) (29 U.S.C. 2b).

  The FY 1981 budget for this program is about $4 million and 109 positions.

- Economic Growth and Employment Projections: This program was authorized by an Act of July 7, 1930, which provides the Bureau of Labor Statistics "shall collect, collate, report, and publish full and complete statistics on the volume of and changes in employment..." (46 Stat. 1019) (29 U.S.C 2). The use of the occupational projec-tions and related career guidance materials by the Department of Education are required by 20 U.S.C. 2505.

  The FY 1981 budget for this program is about $3 million and 84 positions.

BLS PUBLICATIONS

Question: How much do you receive from sales of Bureau of Labor Statistics publications?

Answer: BLS publications are sold to the public, not by BLS, but by the Government Printing Office. Most recent data available from GPO show that BLS publications sales produced $1,617,912 in revenues during Fiscal 1979. The Bureau has asked GPO to supply the FY 1980 data. None of these revenues was returned to BLS. In each case, however, BLS paid all research, writing, design, typesetting, and production costs, plus printing costs for the initial press runs.

Question: Don't you think you should conduct a comprehensive review of current publications and reports to see which might be trimmed or eliminated.

Answer: All materials published by BLS as bulletins, reports or releases receive comprehensive reviews annually with respect to publishability, salability, and possible economies. Each year available resources are examined and the Bureau's overall printing plan reviewed. In addition, need, quality, size, printing method, salability, and distribution are again evaluated in the editorial process.

Some months ago, BLS began an additional nationwide drive to cut printing costs. All managers in the national and field offices have been requested to review printing budgets with a view to reducing outlays.

Question: What reports and publications are now distributed free, for which charges could be made.

Answer: About 120 BLS bulletins, five monthly periodicals, and one quarterly periodical are offered for sale to the public through the Government Printing Office. BLS news releases, statistical summaries, and occasional reports are distributed free to the public. We, currently, are discussing with the Government Printing Office the possibility of including additional BLS publications in the GPO sales program.

CAUSES OF INFLATION

Question: In the next few months, as well as through fiscal year 1982, what are likely to be the most significant components driving inflation upward? Labor costs? Food? Energy? Medical Care? Housing? Interest Rates?

Answer: The sources of major inflationary pressures in the economy changed dramatically during 1980. Early in the year, rapidly rising homeownership costs and energy prices were largely responsible for pushing the annual rate of increase in the CPI to about 18 percent. By the second quarter of the year, the advance in energy prices had slowed appreciably and continued as a moderating influence on this index for the remainder of the year. Homeownership costs showed substantial advances until the third quarter when mortgage interest rates fell very sharply. Food prices, which had risen at a comparatively moderate pace during the first half of the year, accele rated sharply in the third quarter.

The outlook for 1981 depends significantly on these three components of the CPI. Late in 1980, mortgage interest rates appeared to be again headed for a sharp upturn. Food supplies are expected to be short for some major commodities in 1981 with some forecasts calling for a larger increase for the year than in 1980. The crude oil situation, clouded by the Iran-Iraq military conflict, seems to be the major uncertainty in the inflation outlook for 1981.

Question: What are the prospects for controlling these sources of inflation?

Answer: While this question is aimed at an area which is beyond the scope of my responsibilities as Commissioner of BLS, I would still like to point out that two of these components; namely, food and energy, are subject to external or uncontrollable events. Thus, the

effectiveness of policy initiatives in each of these areas is difficult to evaluate.

INTEREST RATES AND THE CPI

Question: To what degree do higher interest rates work their way into the Consumer Price Index?

Answer: Interest rates directly impact the CPI in two areas--financing costs for homes and new automobiles. As of December 1980, these index components represented about 10.7 percent of the weight of the All Items CPI. An increase of, for example, 10 percent in interest rates on home mortgages and new car loans would, therefore, result in an increase in the overall CPI of about 1.1 percent. This estimate includes the direct impact of higher interest rates for these items but does not include the secondary effects which one might expect higher interest rates to have on, for example, inventory financing costs for retailers.

Question: Specifically, what increase in the Consumer Price Index would result from a one percent increase in prime interest rates?

Answer: Consumers do not, of course, borrow money at prime interest rates and these rates are thus not directly measured for the CPI. Higher interest rates for home mortgages and new car loans do directly impact the CPI. An increase from, for example, a rate of 14 percent to a rate of 15 percent for these components would result in an increase in the overall CPI of about .8 percent. Additional effects on the CPI might also be expected from higher interest rates to the extent that these higher rates increase costs to retailers.

Question: How much would this increased Consumer Price Index cost the Federal government in higher costs of indexed programs?

Answer: It is my understanding that the Congressional Budget Office has estimated that a one percent change in the CPI raises indexes benefits of Federal programs by about 2 billion dollars.

Question: How much does each one percent increase in interest rates raise the budget to pay the cost of financing the Federal debt?

Answer: The Bureau of Labor Statistics does not compile data relating to the financing costs of the Federal debt. However, we will try to see that this information is provided to you.

JOB VACANCY DATA

Question: In September, 1979, the National Commission on Employment and Unemployment Statistics recommended against collecting job vacancy data. They found "no evidence that useful job vacancy statistics can be collected in a cost-effective manner." Does the Bureau of Labor Statistics indeed plan on developing job vacancy data, in view of the National Commission's recommendations against collecting the data?

Answer: The Bureau has completed its pilot survey testing of collection of job vacancy statistics. The work showed that a survey of the kind contemplated would require collection of data from some 300,000 establishments and cost in excess of $25-30 million a year. The Bureau plans no further work in this field at this time.

Question: When will the Bureau issue a formal report on the results of its pilot work in this area?

Answer: The Bureau has made available to committee staff copies of the draft report on the results of the pilot projects involving collection of job vacancy statistics. The report will be issued in final form later this fiscal year.

DEPARTMENTAL MANAGEMENT

STATEMENT OF WILLIAM R. REISE, COMPTROLLER

ACCOMPANIED BY:

ALFRED G. ALBERT, DEPUTY SOLICITOR
HERBERT N. BLACKMAN, ASSOCIATE DEPUTY UNDER SECRETARY FOR INTERNATIONAL AFFAIRS
MARY N. HILTON, DEPUTY DIRECTOR, WOMEN'S BUREAU
WILLIAM J. HARRIS, DEPUTY DIRECTOR, OFFICE OF CIVIL RIGHTS
BERNARD POSNER, EXECUTIVE DIRECTOR, THE PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED
MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET
EDWARD STEPNICK, ASSISTANT INSPECTOR GENERAL, AUDIT

INTRODUCTION OF ASSOCIATES

Senator SPECTER. We will now hear from Mr. Bill Reise, Comptroller, Labor Department, testifying on the departmental management appropriation request.

Mr. Reise, could you begin by giving a brief overview of the departmental management major activities?

Mr. REISE. I would be very happy to do so.

First of all, I would like to introduce my associates, Mr. Chairman. To my immediate right is the Associate Deputy Under Secretary for International Labor Affairs, Mr. Herb Blackman.

To his right, Ms. Mary Hilton, Deputy Director of the Women's Bureau.

To her right, Mr. Ed Stepnick, Assistant Inspector General for Audit.

And Ms. Mary Ann Wyrsch, the Department's Budget Officer.

To my left, Mr. Al Albert, Deputy Solicitor for the Department.

Mr. Bill Harris, Deputy Director of the newly established Office of Civil Rights.

And to my far left, Mr. Bernard Posner, Executive Director of the President's Committee on Employment of the Handicapped. Mr. Posner has a statement which we will enter into the record.

I also have a statement that we will enter into the record, concerning the special foreign currency account.

Senator SPECTER. Thank you very much.

BUDGET REQUEST

Mr. REISE. The departmental management appropriation request for 1982 was prepared under the direction and the administration of former President Carter. President Reagan and his appointees are now reviewing this budget request carefully and are preparing an alternative recommendation so I must tell you that substantial revisions are not only possible, but very likely.

Departmental management covers a wide variety of organizations as you can see by the individuals that I have with me this morning. It covers much more than the normal executive direction and oversight management functions in the Department. It includes the Solicitor's office, which provides support to the Secretary's office and the agencies of the Department and regulatory overhaul and litigation matters. It includes the Bureau of International Labor Affairs, which is involved with trade issues and how they affect the workers of this country, issues involving foreign labor, liaison with the labor attaches of the various nations around the world, and, of course, the activities of the Department under the Trade Adjustment Assistance Act.

We have several adjudicatory bodies included within the departmental management appropriation—the Employees Compensation Appeals Board, the Benefits Review Board, and the Office of Administrative Law Judges. These organizations get involved in hearings and decisions on workers' compensation issues involving claims, appeals of claims, actions on claims, and also in certain of our investigatory activities where an issue has been raised.

The President's Committee on Employment of the Handicapped, of course, is very deeply involved in working to improve the lot of the handicapped in this country.

The Women's Bureau gets involved in economic analysis of issues involving women, the status of legislation, legislative issues concerning women, and coordination of activities within the Department and throughout the Government with regard to the problems and needs of women workers in this country. They get involved in outreach efforts trying to improve the lot of women workers.

The Office of the Inspector General detects, investigates, and works to deter fraud and abuse within the Labor Department.

The Minimum Wage Study Commission was a special commission established in 1978 and will be phasing out this year, but it still is doing work, particularly looking at minimum wage provisions of the Fair Labor Standards Act.

Finally, we have the newly established Office of Civil Rights which works to achieve nondiscrimination in the financial assistance programs of the Department of Labor.

ESTABLISHMENT AND FUNCTION OF OFFICE OF CIVIL RIGHTS

Senator SPECTER. The civil rights unit was just added in 1981?

Mr. REISE. Yes; the Office of Civil Rights is a newly established office. We were not without such a function in the Labor Department prior to this.

Senator SPECTER. Within the Department of Labor alone?

Mr. REISE. Within the Department of Labor. There was a group in the Employment and Training Administration working with the grantees involved through the Employment and Training Administration.

This newly created office is a unit placed immediately under the direction of the Office of the Secretary with broadened responsibilities to not only look into matters associated with the Employment and Training Administration programs, but also to look into all programs of the Department which involve grants or other types of financial assistance

received from the Labor Department. So it is performing a function that is broadened and, we hope, strengthened.

Senator SPECTER. And that unit seeks to see to it that the civil rights of individuals who are, say, employees in the contracts where the Federal Government is involved with various adequate minority hiring there?

Mr. REISE. It would really be with those involved in employment and grantees, organizations that are getting financial assistance from the Labor Department, not contracts per se, but grants through State employment service agencies, CETA sponsors, and others that get financial assistance.

We are looking at them as employers, operating with Federal money to assure that their internal employment practices do not involve discrimination.

OFFICE OF FEDERAL CONTRACT COMPLIANCE

Senator SPECTER. How about the other facets, the facet of seeing to it that there is minority hiring in accordance with existing laws on Government contracts?

Mr. REISE. That is primarily under the leadership of the Office of Federal Contract Compliance which is part of the Employment Standards Administration that appeared yesterday.

Senator SPECTER. That is also Department of Labor?

Mr. REISE. That is Department of Labor, but it is on a Government-wide basis. They have responsibility for looking at compliance with Executive Order No. 11246.

Senator SPECTER. Which provides essentially what?

Mr. REISE. Which basically provides for nondiscrimination in employment under Government contracts. Until the last 1 or 2 years, that responsibility was vested in the contracting agencies throughout the Government. There was a consolidation a couple of years ago which put the full responsibility for that program within the Labor Department. The staff that was previously dispersed throughout Government agencies was consolidated within the Labor Department to make that a more effective program.

Senator SPECTER. Thank you. You may proceed.

DEPARTMENTAL MANAGEMENT BUDGET REQUEST

Mr. REISE. For 1982, we are requesting a net increase of $14.7 million. Almost all of that total, $14 million of it, is for a series of built-in and mandatory increases. We have a few small program increases amounting to $2.7 million and an increase of 21 full-time permanent positions.

This increase in positions is going to the Office of Civil Rights, which we have just been discussing, basically to assist them in responding to their workload requirements and in providing enhanced leadership direction and guidance for that particular program. Some of these positions will be in the field and some will be in the national office. All will be targeted toward improving the effectiveness of that organization.

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CENTRAL STATES TEAMSTERS FUND LITIGATION

We are also requesting that a total of 69 temporary and part-time positions be continued in the Office of the Solicitor to help in the Central States Teamsters' fund litigation effort. This is an effort which is basically involved in collecting and analyzing, cataloging and indexing a tremendous number of documents. There are estimates of 1.5 million documents that will be involved in a long-term litigation effort involving the Central States pension fund.

We were authorized those positions on a temporary basis in 1981. Litigation is moving a little slower than was initially anticipated, and we need these people continued into 1982.

Senator SPECTER. When did that litigation start?

Mr. REISE. Al?

Mr. ALBERT. The lawsuit, Mr. Chairman, was filed in February 1978.

Senator SPECTER. And when do you anticipate it will be concluded?

Mr. ALBERT. I would hesitate to make a prediction, but it will be several years. It is a very intensive, complicated, sensitive type of suit, akin to an antitrust.

Senator SPECTER. I understand it is lasting awhile. I just wondered when you thought it would be over?

Mr. ALBERT. My guess would be several years at least.

Senator SPECTER. So that you haven't been surprised by its duration up to now? I thought you had testified, Mr. Reise, that it had gone on longer than you had expected.

Mr. REISE. No, it has not; the particular phase that we are in right now is not as far along as we thought in terms of using these temporary and part-time people to be able to obtain the necessary documents and get them in their possession and to be able to do the work cataloging, indexing, and analyzing the data.

So that is where we are on that project. It is not a new activity. It is just a matter of where we are in timing. It is not really new positions; we just need them a little bit longer.

WOMEN'S BUREAU BUDGET REQUEST

We also are requesting 10 other than full-time permanent positions to support the Women's Bureau in their regional and national office programs. It amounts to some $400,000.

The Women's Bureau is a very small organization, and these positions are important to them, particularly in the field where they need leverage in some of their outreach efforts.

PROGRAM DECREASES

There are program decreases totaling $2 million and four positions including the phase-out of the Minimum Wage Study Commission. The activities of that Commission are winding down as provided for by the law. It will be phasing out.

TRADE ADJUSTMENT ASSISTANCE

We have $1.5 million provided for the International Labor Organization, the Bureau of International Labor Affairs, to provide increased staff leaders for the trade adjustment area. The workloads, as you know, are very, very heavy.

These are essentially the major changes that we have. They are few in number. The changes that we do have in terms of pricing are frequently based in most instances upon specific guidelines and factors provided to us by OMB. We are ready to answer any questions you might have, Mr. Chairman.

REVISIONS TO BUDGET REQUEST

Senator SPECTER. Were you or any of those in your department consulted by Mr. Stockman on his proposed revisions for the budget?

Mr. REISE. We have not been contacted at our level, Mr. Chairman. We understand it is the intention of Mr. Stockman and the President to directly involve the Cabinet member in such dialog and discussions.

Senator SPECTER. What is the factual basis of any of your understanding as to that?

Mr. REISE. I have been in touch with members of the transition team, and my superior, Mr. Zuck, has been the Acting Secretary, awaiting Mr. Donovan's confirmation.

Senator SPECTER. You heard the comments I made during the prior testimony. I would appreciate it if you would give the committee, this subcommittee, your thinking as to where budget cuts would be least painful, picking out a figure of some 3 percent.

And I ask for that because the Appropriations Committee has already been briefed, at least preliminarily, by Mr. Stockman. And when his cuts have been proposed without taking into account the thinking of people in the departmental management, I think we would find it useful for this subcommittee and the Appropriations Committee as a whole to have your thinking on where cuts would be least painful.

Mr. REISE. I will communicate them immediately to the leadership of the Department in terms of that.

Senator SPECTER. Would you let us know as soon as you can what their response is to the request?

Mr. REISE. I will.

Senator SPECTER. That information could be imparted doubtless sooner than giving us the figures, if you intend to do that.

OFFICE OF INSPECTOR GENERAL

I noted that you have referred on a couple of occasions in your chart to the Office of Inspector General. Was your department Inspector General terminated along with others by the Reagan administration?

Mr. REISE. At the time, our position of Inspector General was vacant. It had not been refilled. The previous incumbent, Marjorie Knowles, had resigned several months ago. It was not related to the outcome of the election. The Acting Inspector General, the Deputy Inspector General, has left the Department in the last several days.

Senator SPECTER. How about the Deputy's deputy?

Mr. REISE. The Deputy has departed.

Senator SPECTER. I know, but how about his deputy?

Mr. REISE. His deputy? We have two Assistant Inspectors General, which is the next level. They are on board. Mr. Stepnick is one of the Assistant Inspectors General, and he is present.

Senator SPECTER. Mr. Stepnick, how has your department functioned without an Inspector General or Deputy Inspector General? Did you notice a difference?

Mr. STEPNICK. Yes, sir; I certainly did.

Senator SPECTER. How many Assistant Inspectors General are there in your department?

Mr. STEPNICK. There are two; both of them are provided by statute—Assistant Inspector General for Audit and Assistant Inspector General for Investigations.

Senator SPECTER. When President Reagan terminated the 15 Inspector Generals, do you know whether he left intact the deputies and their deputies?

Mr. STEPNICK. I believe that there were very few deputies who were statutory. For those deputies that were career SES, I would assume that they are still present. I saw a recent list, and most of the people who are on the list of acting inspectors general are career people who were in some capacity in the Inspector General's Office.

Senator SPECTER. So they reverted to a career position on the termination of the Inspectors General?

Mr. STEPNICK. Pending new appointments, these people are in an acting capacity.

ROLE OF INSPECTOR GENERAL

Senator SPECTER. What does the Inspector General do in a general way in departmental matters?

Mr. STEPNICK. It is a four-pronged program. The one that I am most familiar with, audit, consists of a comprehensive audit program, examining primarily financial accountability and economy and efficiency of the Department's operations.

Senator SPECTER. How many people are in that Department—487?

Mr. STEPNICK. There are 487 in total. In audit, for example, we have on board now a little over 200.

Senator SPECTER. So if the Inspector General departs and her deputy departs, you still have the Inspector General's unit which functions nonetheless.

Mr. STEPNICK. Yes, sir; we have work plans that are developed well in advance to cover a specified number of the Department's larger grantees and contractors.

Senator SPECTER. Is the Inspector General's unit in departmental management of Labor structurally different, if you know, from the Inspectors General in other Departments?

Mr. STEPNICK. No; all of them are required by law to have an Assistant Inspector General for Audit and an Assistant Inspector General for Investigations.

In the Department of Labor, there is one unique feature. There is a group that is associated with the coordination of organized crime in-

vestigations with the Department of Justice. In addition, we have a fourth unit that is called the Office of Loss Analysis and Prevention, which represents an innovative approach toward bringing systems analysts and other managerial disciplines into focus so that we can identify loss opportunities and block them before they occur.

I understand that most of the Inspectors Generalss around town have augmented the traditional audit function and the traditional investigation function with specialized groups. There is a feeling that if the Congress had simply wanted to continue to make audits and investigations as they had been before the Inspector General Act, that would not have been enough.

Senator SPECTER. The Inspector General Act provided essentially what?

Mr. STEPNICK. For audits and investigations.

Senator SPECTER. Is that only your Department?

Mr. STEPNICK. No; it is for the 15 Departments that are required by law to have them.

SAVINGS GENERATED FROM THE OFFICE OF INSPECTOR GENERAL

Senator SPECTER. Would you have an approximation as to how much the Inspector General's Office has saved the taxpayers in your Department?

Mr. STEPNICK. I don't have a specific number.

Senator SPECTER. Could you give me a ball park number?

Mr. STEPNICK. I will give you an example of the ball park in which, for example, audit is dealing, although I would not want to say that this represents a saving. For example, during fiscal year 1980, there were 296 audit reports that we issued which covered the Department's grantees and contractors, largely the CETA grantees and contractors. During those audits, the auditors identified $111 million which they felt either required further justification as to allowability or—in the absence of that justification—the cost that should be recovered.

In addition to that, the auditors made a number of recommendations for improved controls, procedures, and better operations and improved service deliveries for which we aren't able to put a dollar benefit on. But the semiannual reports do contain further information on dollars that are associated with the investigations activities.

PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Senator SPECTER. Mr. Posner, Mr. Reise has stated that there would be included a statement by you in your capacity as Executive Director of the President's Committee on Employment of the Handicapped. I note that your written statement has been provided to the subcommittee as available.

For the benefit of the special concerns that many of us have for the employment of the handicapped, would you care to highlight that or supplement it in any way at this time?

Mr. POSNER. I would be happy to.

First, I express the regrets of our chairman, Harold Russell, who was unable to be here. He is on the west coast making a segment of the "Trapper John, M.D." television series as a handicapped physician.

The President's Committee on Employment of the Handicapped is asking for no increases in operations, no increases in staff, and merely mandatory increases of money. The reason we are doing this is that we have acquired the ability to change our priorities and to change our directions with the changing times. We have done that this year, and I would like to summarize just briefly in what ways.

1981, this year, is the International Year of Disabled Persons. A great deal is going on this year. Organized labor is taking actions, management is taking actions, handicapped groups are taking actions, and so on. Our worry is that everything will come to a grinding halt when 1982 comes along.

One of our priorities for next year is to try to maintain some of the impetus that is taking place this year and to try to perpetuate and to make worthwhile activities permanent rather than transient.

A second priority has to do with Governors' committees on employment of the handicapped in all the States. That is really where the action is. These committees are constantly in need of our advice, counsel, support, material, suggestions for priorities, and so on.

We are a small staff; they are our amplifiers. We constantly provide them with all kinds of consultations, advice, and materials.

A third priority has to do with the matter of architectural barriers in our society. There, we have two parts for the coming year. One is that we get so intent on thinking that victories are won because buildings built with Government funds are accessible that we forget there is a vast segment of the private establishment in this country not covered by any laws.

Our emphasis will be on trying to convince this private segment that accessibility is good for them, good for handicapped people, and good for the country.

The other part we will be concerned with is promoting the new architectural standards which have recently been created by the American National Standards Institute. These standards are much more detailed than previous standards that existed in this country. They need to be "sold." Standards don't automatically become accepted.

A fourth priority during the coming year will be to work with handicapped consumer organizations. These are springing up around the United States. They are very small grass roots groups without too much sophistication and without too much ability to make a large impact.

We hope to conduct a number of seminars informing them, for example, of ways to use the political process at the local level and State level and also to conduct publicity campaigns to gain visibility for their efforts.

Finally, we intend to do what we can to promote employment of handicapped people throughout the United States; this has been our basic objective for many years. In this area, we hope to promote voluntary compliance with affirmative action programs for handicapped people.

It is one thing to have laws; it is another thing to make programs palatable and positive in order to gain willing compliance.

Also, we will continue our promotional efforts to the more than half of the employers in this country which are not covered by any kinds of affirmative action programs.

Those are our priorities. We operate in this manner: We are a very small staff, a total of 40, of whom about 20 are professionals. The President's Committee on Employment of the Handicapped itself is made up of several hundred leaders in various walks of life. Our staff works with them in subcommittees, a blend of a small staff and a large group of volunteers solving major problems, making some major gains.

Senator SPECTER. Thank you. Thank you very much, Mr. Posner.

I might note for the record at this point that one of my colleagues, Senator John East of North Carolina, is handicapped. And the Senate Chambers themselves have not accommodated to Senator East's condition. So you may have substantial momentum beyond 1981 in a number of directions.

PREPARED STATEMENT

Your prepared statement will be inserted in the record at this point.

[The statement follows:]

Statement of William R. Reise

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you. The budget you have under consideration was prepared and presented under the direction of the Administration of former President Carter. President Reagan and his appointees are now reviewing that budget carefully and preparing alternative recommendations in many areas, including major spending programs and salaries and expense budgets. I am prepared today to outline for you the Carter budget recommendations for two Departmental Management Appropriations--Salaries and Expenses and Special Foreign Currency--but I must tell you that substantial revisions are not only possible but very likely.

Departmental Management -- Salaries and Expenses

This appropriation provides funds for a wide variety of programs and organizations which do not logically fall within the program administrations of the Department. In addition to providing funds for executive direction, adjudicatory, and management functions of the Department, this appropriation provides funds for:

the Office of Inspector General,
the Office of Civil Rights,
the Women's Bureau,
the President's Committee on Employment of the Handicapped,
the Bureau of International Labor Affairs, and
the Solicitor's Office.

Furthermore, this appropriation provided funds for the Minimum Wage Study Commission, due to phase out in FY 1981.

The budget request for Fiscal Year 1982 for the Departmental Management Salaries and Expenses appropriation is $148.5 million from general funds. In addition, the request includes $1.1 million from the Unemployment Insurance Trust Fund and $11.3 million from the Black Lung Disability Trust Fund within the Employment Standards Administration. The total request is for $160.9 million and 2,872 positions. This request represents a net increase of $14.7 million and 17 positions over the comparable base in Fiscal Year 1981. Included in the base is an increase to our 1981 appropriation of $13.1 million and 156 positions resulting from comparative transfers affecting the appropriation. Thirty-one positions and $2.6 million are being transferred from the Labor Management Services Administration to the Solicitor in support of the Central States Teamster Pension Fund litigation effort. To carry out the Department's responsibilities for non-discrimination and equal opportunity provisions in programs receiving financial assistance from the Department of Labor, 66 positions and $2.5 million are being transferred from the Employment and Training Administration to establish the Office of Civil Rights. A transfer in Fiscal Year 1981 of 42 positions and $7.6 million for data processing support of administration and management information needs to the Directorate of Information Technology will allow for these activities previously financed by the Departmental Management working capital fund to be carried out by the administration and management function of this appropriation. Additionally, seven positions are being transferred from this function to provide accounting services to this account. A transfer of six positions and $259,000 from the reimbursable fund provides support for the Office of Small and Disadvantaged Business Utilization. A total of four positions and $133,000 are being transferred from the Occupational Safety and Health Administration. Three of these positions will support the Employee Assistance Program

in the OASAM Office of Safety and Health, and one will provide technical assistance to the Office of Information, Publications and Reports.

The major portion of the requested increase of $14.7 million is $14 million for the net cost of mandatory increases and decreases. These mandatory increase items totaling $14.3 million include: 1) full-year funding of new positions already authorized in Fiscal Year 1981, 2) the additional cost of within-grade promotions, 3) the increased cost of contributions to the Federal Employee's Compensation Fund, 4) the net cost of Senior Executive Service merit pay increases, 5) the cost in 1981 of the October 1980 pay increases, 6) the increased costs of administrative and program support services, 7) the increased cost associated with a reduction of lapse rate in the Trade Adjustment Assistance Program, and 8) other miscellaneous items explained in detail in our summary of changes. Mandatory decreases of $.3 million reflect a change in the lapse rate for trust fund positions and a transfer of space rental charges to the reimbursable account.

An increase of $1,056,000 and 21 new positions is requested for the Office of Civil Rights to increase the number of complaints investigated, compliance reviews performed, and other program activities within this office. This office was created during Fiscal Year 1981 by transferring resources that were dedicated to these same objectives from the Employment and Training Administration.

An additional 10 other than full-time permanent positions and $365,000, including $100,000 for contracts, will allow the Women's Bureau to increase its review of employment related services for women in CETA programs, implement training models to increase the number of women in construction and apprenticeship trades, and carry out a Clearinghouse for Women Business Owners pursuant to Executive Order 12138 and other activities.

The Legal Services activity is involved in litigation pertaining to the Central States Teamster Pension Fund. As part of this effort, the Solicitor has set up a special litigation staff of 31 full-time permanent and 69 temporary and part-time positions that were transferred from the Labor Management Services Administration in Fiscal Year 1981. The 69 temporary and part-time positions dedicated to this effort are due to phase out at the end of Fiscal Year 1981. The 1982 Budget includes authorization and funding for these positions in the amount of $1.3 million. The Department's suit against the Pension Fund is expected to result in the accumulation of over 1.5 million pages of documentation, most of it arriving in Fiscal Year 1981 and Fiscal Year 1982; and this staff is needed to sort, label, and track this documentation.

Since the authorization for the Central States Pension fund litigation effort expires at the end of Fiscal Year 1981, a reduction of sixty-nine temporary and part-time positions and $1,100,000 is reflected in the Legal Services activity.

A reduction of $.9 million and 4 positions is requested for the Minimum Wage Study Commission. The Commission is expected to finalize its mandated report and phase out before the end of Fiscal Year 1981.

In summary, program increases of $2.7 million and 21 positions are substantially offset by program decreases of $2 million and 4 positions and of 69 temporary and part-time positions, resulting in a net total increase of $.7 million and 17 positions requested for this appropriation in 1982.

Departmental Management -- Special Foreign Currency

The budget request for Special Foreign Currency in Fiscal Year 1982 totals $200,000 necessary to support travel to a world-wide conference for all Labor attaches. Holding a world-wide conference will contribute significantly to our efforts to acquaint all overseas labor attaches with the current reporting needs of the Department, discuss strategies for achieving U.S. goals in the international labor field, and to consider methods for increasing the effectiveness of the Labor attache corps.

I appreciate the opportunity to appear before the Subcommittee. Here with me today are other officials of the Department whose organizations are funded by this appropriation. We will be happy to answer any questions.

Departmental Management
(Obligations in millions of dollars)

Activity	1980	1981	1982
Executive Direction.....	$9.3	$10.8	$12.0
Positions.....	189	196	196
Legal Services.....	$29.8	$36.2	$39.5
Trust Funds.....	$1.7	$2.0	$2.0
Positions.....	915	956	956
International Labor Affairs.....	$9.6	$9.7	$12.1
Positions.....	234	232	232
Administration and Management.....	$12.8	$24.4	$26.7
Trust Funds.....	$.2	$.2	$.2
Positions.....	337	389	389
Adjudication.....	$5.3	$8.2	$8.5
Trust Fund.....	$9.0	$9.0	$9.4
Positions.....	369	389	389
Promoting Employment of the Handicapped.....	$1.6	$1.8	$2.1
Positions.....	50	50	50
Women's Bureau.....	$2.9	$3.6	$4.3
Positions.....	86	86	86
Inspector General.....	$29.2	$34.6	$39.3
Trust Funds.....	$2.0	$2.1	$.8
Positions.....	487	487	487
Minimum Wage Study Commission.....	$1.2	$1.0	0
Positions.....	10	4	0
Civil Rights.....	0	$2.5	$4.1
Positions.....	0	66	87
Federal Fund Obligations....	$101.7	$132.8	$148.5
Trust Fund Obligations 1/...	$12.9	$13.4	$12.4
Total Positions.....	2,677	2,855	2,872

1/ Transfers from the Unemployment Trust Fund and the Black Lung Disability Trust Fund.

Special Foreign Currency Program
(Obligations in millions of dollars)

Activity	1980	1981	1982
Foreign Service Consultants.....	$.2	---	$.2

--- Less than $50 thousand.

Working Capital Fund
(Obligations in millions of dollars)

Activity	1980	1981	1982
Administration and Management.....	$15.7	$17.1	$17.5
Positions.....	335	313	313
Field Services.....	$15.2	$17.1	$16.7
Positions.....	490	488	488
Data Processing.....	$14.9	$5.0	$5.4
Positions.....	178	34	34
Penalty Mail and Telecommunications.....	$12.9	$13.9	$14.9
Total Obligations.....	$58.7	$53.1	$54.5
Total Positions.....	1,003	835	835

Statement of Bernard Posner

Thank you for inviting me here to discuss our FY 1982 budget request.

Once again, I come to you asking for no increase in personnel, no increase in programs. Rather, our 1982 budget request is for $2,113,000. This is a modest increase over our 1981 budget, and it covers only mandatory costs. It is a slight increase brought about by inflation, not expansion. We have been able to operate with no substantial budget increases because we have learned to remain flexible enough to change our priorities with the changing times.

I would like to describe briefly some of our major priorities for the 1982 fiscal year.

First, there is the aftermath of the 1981 International Year of Disabled Persons--proclaimed by the United Nations and observed around the world. The President's Committee has taken the lead in this special year, encouraging our constituents to develop special programs and projects in its observance. Now we must develop the follow-up machinery to assure that at least a majority of these projects do not disappear once the International Year comes to a close. We intend to devote priority attention to assuring their continuity--particularly those projects dealing with employment.

Second, we intend to step up our services and counsel to Governors' and local Committees on Employment of the Handicapped around the country. These Committees are our "amplifiers." It is through these Committees that our programs reach the people of the United States. In 1982 there is a special role for these State and local Committees. The major thrust of the 1981 International Year of Disabled Persons has been in the direction of State and local action. This has put these State and local Committees in the thick of things. Therefore, we want to devote much of our time in 1982 assisting them to perpetuate the worthwhile International Year projects they have undertaken. In doing this, we also feel we can provide a solid underpinning for the State and local Committees that will last for many years.

Third, we intend to heighten our efforts in the elimination of architectural barriers in several ways. New standards of accessibility have been issued by the American National Standards Institute under the joint leadership of the President's Committee, HUD, and the Easter Seal Society. It is going to take intensive effort to encourage national adoption of these new standards. Also, we intend to observe the problems and progress of the new standards. Are modifications needed? Are they contributing to a barrier-free society? Another direction we propose to take is to encourage accessibility by all the nations's institutions, businesses, and enterprises not covered by Federal or State legislation. Without their support and involvement, there never can be an effective barrier-free society.

Fourth, we plan to encourage the organizations of handicapped persons to strengthen themselves. Our efforts in this area have given a new sense of dignity and equality to handicapped men and women--necessary preludes to successful employment. However, this movement, like other such movements in our nation's history, needs our support. We plan to hold State seminars on how to use the political process and how to evaluate and select self-help devices for handicapped people.

Fifth, we plan to remain a strong voice in urging voluntary compliance with affirmative action programs for disabled people--Sections 503 and 504 of the Vocational Rehabilitation Act of 1973. We do not enforce these programs, but we do have the capacity to conduct promotional and education efforts around the country to enlighten employers about the capabilities of handicapped people. We all know that affirmative action truly works when employers become enthusiastic. They hire handicapped people because they are "sold" on their capabilities, not because they are "ordered" to.

In addition to these specific priorities, we have a great many more in a variety of fields: preparation of young handicapped men and women for jobs with decent futures, special material about the labor market written for mentally retarded and mentally ill people, special employer seminars dealing with pain and with heart conditions, special projects with organized labor to gain their full support, on-going mass media promotion, and much more.

As I said last year, the common denominator behind these diverse activities is our ability to bring together diverse segments of society, public and private, to work on common problems involving handicapped people.

Thank you very much.

SUBMITTED QUESTIONS

Senator SPECTER. Thank you very much, ladies and gentlemen. We have quite a number of questions which we will submit to you in written form. And I would have been inclined to have asked more questions at the hearing today except that there is scheduled at 12 noon, which is about 3 minutes from now, the vote on the Judiciary Committee on confirmation of the Deputy Attorney General which requires my attendance.

His nomination had been considered there this morning, and I was there very briefly before coming to the chair of this subcommittee.

So that unless there is anything that anyone particularly wants to put on the record at this time, the questions will be submitted in written form. And the subcommittee thanks you for coming here and providing this information to us.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Specter

Travel and Consultant Cost Reductions

Question: Provide a table indicating how much each of the Labor Department appropriations will be reduced in each of Fiscal Years 1981 and 1982, as the result of President Reagan's order to cut travel and consulting costs by 15 and 5 percent, respectively.

Answer: It is not possible for the Department to respond to specific travel and consultant costs reductions at this time. These reductions are presently being finalized and will be announced in the revised FY 1981 and FY 1982 budgets to be submitted to Congress on March 10 by President Reagan. It is anticipated that the reductions will be well within the required percentages.

Savings From Hiring Freeze

Question: How much do you estimate will be saved in Fiscal Year 1981, for each of the Department's appropriation accounts, resulting from the hiring freeze imposed by President Reagan?

Answer: The amount of savings in Fiscal Year 1981 resulting from the hiring freeze has not yet been determined. Departmental staff are presently working with OMB in determining these savings which will be reflected in the revised FY 1981 and FY 1982 budgets to be submitted to Congress on March 10 by President Reagan.

DOL Attrition

Question: What is the normal attrition rate for Labor Department employees?

Answer: The attrition rate for full-time permanent employees of the Department of Labor for FY 1980 was approximately 11%. However, this rate should not be taken to be indicative of the attrition rates for FY 1981 and FY 1982. So long as there is a complete hiring freeze in the Federal government, it is reasonable to assume that the attrition rate will be much lower. This is due to the lack of opportunity for Federal employees to move between Federal Departments.

DOL Lapse Rate

Question: What is the lapse rate used in calculating salaries and expenses requirements in your fiscal 1982 budget requests?

Answer: The lapse rate used in calculating salaries and expenses requirements in FY 1982 varied greatly from agency to agency, but the average lapse rate was approximately 3%.

REGULATIONS BEING POSTPONED

Question: What regulations are being held in abeyance, for review by the new administration?

Answer: The following memorandum from Alfred G. Albert to all Department Agency Heads, and its attachments lists all the Department of Labor regulations for which notices postponement were published in the Federal Register.

All of the postponed regulations will be carefully examined to determine whether they should be amended, rescinded, or published in final.

Question: Do you plan a further moritorium on all new Labor Department regulations in the coming months?

Answer: With regard to the question of future Department of Labor regulations, the Department will be mindful of President Reagan's policy of reviewing proposed regulations to insure that they do not place undue burdens on the public, and are necessary. All regulations will undergo rigorous review within the administration before publication.

Federal Register / Vol. 46, No. 25 / Friday, February 6, 1981 / Presidential Documents 11227

Presidential Documents

Memorandum of January 29, 1981

Postponement of Pending Regulations

Memorandum for the Secretary of the Treasury, the Attorney General, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Health and Human Services, the Secretary of Housing and Urban Development, the Secretary of Transportation, the Secretary of Energy, the Secretary of Education, the Administrator of the Environmental Protection Agency

Among my priorities as President is the establishment of a new regulatory oversight process that will lead to less burdensome and more rational federal regulation. I am now directing certain measures that will give this Administration, through the Task Force on Regulatory Relief, sufficient time to implement that process, and to subject to full and appropriate review many of the prior Administration's last-minute decisions that would increase rather than relieve the current burden of restrictive regulation. This review is especially necessary in the economic climate we have inherited.

1. *Postponement of Pending Final Regulations.* To the extent permitted by law, your agency shall, by notice in the Federal Register, postpone for 60 days from the date of this memorandum the effective date of all regulations that your agency has promulgated in final form and that are scheduled to become effective during such 60-day period.

2. *Postponement of Proposed Regulations.* To the extent permitted by law, your agency shall refrain, for 60 days following the date of this memorandum, from promulgating any final rule.

3. *Emergency Regulations and Regulations Subject to Short-Term Deadlines.* Your agency shall not postpone regulations that respond to emergency situations or for which a postponement pursuant to this memorandum would conflict with a statutory or judicial deadline.

4. *Consultation with the Office of Management and Budget.*

(a) Your agency shall report to the Director of the Office of Management and Budget all regulations that cannot legally be postponed under paragraphs 1 and 2 of this memorandum, and all regulations that will not be postponed under paragraph 3 of this memorandum, including a brief explanation of the legal or other reasons why the effective date of any such regulation will not be postponed.

(b) After consultation with the Director, or the Director's designee, your agency may decide to postpone the effective date or promulgation of a regulation for fewer than 60 days from the date of this memorandum, if circumstances warrant a shorter period of postponement.

5. *Exemptions.* This memorandum shall not apply to:

(a) regulations issued in accordance with the formal rulemaking provisions of the Administrative Procedure Act, 5 U.S.C. 556, 557;

(b) regulations issued with respect to a military or foreign affairs function of the United States;

(c) regulations related to Federal government procurement;

(d) matters related to agency organization, management, or personnel; or

(e) regulations issued by the Internal Revenue Service.

6. *Definition.* For purposes of this memorandum, "regulation" or "rule" shall mean an agency statement of general applicability and future effect designed to implement, interpret, or prescribe law or policy or describing the procedure or practice requirements of an agency.

Ronald Reagan

THE WHITE HOUSE,
Washington, January 29, 1981.

[FR Doc. 81-4006
Filed 2-5-81; 12:14 pm]
Billing code 3195-01-M

Editorial Note: The Office of the Federal Register was requested to print the memorandum in the Federal Register by the Acting Counsel to the President.

DEPARTMENT OF LABOR

Office of Federal Contract Compliance Programs

41 CFR Parts 60-1, 60-2, 60-4, 60-20, 60-30, 60-50, 60-60, 60-250, 60-741

Government Contractors; Affirmative Action Requirements

AGENCY: Office of Federal Contract Compliance Programs, Labor.

ACTION: Final rule; deferral of effective date.

SUMMARY: This notice defers the effective date of certain OFCCP regulations until April 29, 1981.

EFFECTIVE DATE: January 28, 1981.

FOR FURTHER INFORMATION CONTACT: James W. Cisco, Acting Director Division of Program Policy, Office of Federal Contract Compliance Programs, Room C-3324, U.S. Department of Labor, Washington, D.C. 20210. Telephone (202) 523-9426.

SUPPLEMENTARY INFORMATION: The effective date of the regulations contained in 41 CFR Chapter 60 and published in the Federal Register on December 30, 1980 (45 FR 86216), and of the corresponding correction notice published in the Federal Register on January 23, 1981 (46 FR 7332) has been deferred until April 29, 1981.

The Purpose of this action is to allow the Department to review the rule fully before it takes effect.

Signed at Washington, D.C., January 26, 1981.

Alfred M. Zuck,

Acting Secretary of Labor.

[FR Doc. 81-3270 Filed 1-27-81; 8:45 am]

BILLING CODE 4510-27-M

Office of the Secretary

Mine Safety and Health Administration

Pension and Welfare Benefits Program Office

29 CFR Parts 2, 2520 and 2550

30 CFR Parts 71 and 90

Final Rules; Deferral of Effective Dates

AGENCY: Department of Labor.

ACTION: Final rule; deferral of effective dates.

SUMMARY: This rule defers the effective dates of certain Labor Department regulations until March 30, 1981. This action is taken in response to a January 29, 1981 Memorandum from the President of the United States of America, Ronald Reagan, to the Secretary of Labor and other cabinet officials.

EFFECTIVE DATE: January 29, 1981.

ADDRESSES: Send comments to Gail Lively, Director, Executive Secretariat, Room S2515, Francis Perkins Building, 200 Constitution Avenue, N.W., Washington, D.C. 20210, *Attention: Deferral of Effective Dates.*

FOR FURTHER INFORMATION CONTACT: Donald Smyth, Office of Information, Publications and Reports, Telephone: (202) 523-7316.

SUPPLEMENTARY INFORMATION: By memorandum dated January 29, 1981, attached as an Appendix to this rule and filed with this document, President Ronald Reagan requested that the executive agencies postpone for sixty (60) days the effective date of those final regulations which are currently pending and have not yet become final. This document will formally postpone the effective dates of the below listed rules until March 30, 1981. I take this action because of the reasons stated in the President's Memorandum.

Rule	Agency	Date and page of publication in the Federal Register	Original effective date
30 CFR Part 71 Mandatory Health Standards—Surface Work Areas of Underground Coal Mines and Surface Coal.	MSHA	Dec. 5, 1980 45 FR 80746	Feb. 1, 1981.
30 CFR Part 90 Procedures for Transfer of Miners with Evidence of Pneumoconiosis.	MSHA	Dec. 5, 1980 45 FR 80760	Feb. 1, 1981.
29 CFR 2.7 General Regulations	SECY	Jan. 2, 1981 46 FR 34	Feb. 2, 1981.
29 CFR 2520. 104-46 Rules and Regulations for Reporting and Disclosure.	PWBP	Jan. 6, 1981 46 FR 1261	Feb. 6, 1981.
29 CFR 2550. 404b-1 Rules and Regulations for Fiduciary Responsibility.	PWBP	January 6, 1981 46 FR 1268	February 6, 1981.

MSHA—Mine Safety and Health Administration.
SECY—Office of the Secretary.
PWBP—Pension and Welfare Benefits Program office.

Authority: Please refer to the above-mentioned documents in order to ascertain the specific statutory authority for each of the rules.

Signed at Washington, D.C. this 30th day of January, 1981.

Alfred M. Zuck,

Acting Secretary of Labor.

[FR Doc. 81-4133 Filed 1-30-81; 4:30 pm]

BILLING CODE 4510-23-M

DEPARTMENT OF LABOR

Employment and Training Administration

Office of the Secretary

Employment Standards Administration

Wage and Hour Division

Occupational Safety and Health Administration

Pension and Welfare Benefits Program Office

Office of Federal Contract Compliance Programs

20 CFR Parts 655, 676, 677, 678 and 679

29 CFR Parts 1, 5, 6, 1903, 1910, 1952, 1955, 1990, 2520, 2550 and 2560

41 CFR Part 60-1

Notice of Deferral of Effective Dates of Regulations

AGENCY: Department of Labor.

ACTION: Notice of deferral of effective dates of regulations.

SUMMARY: This notice defers the effective dates of certain Labor Department regulations until March 30, 1981. This action is taken in response to a January 29, 1981 Memorandum from the President of the United States of America, Ronald Reagan, to the Secretary of Labor and other cabinet officials.

EFFECTIVE DATE: January 29, 1981.

ADDRESS: Gail Lively, Director, Executive Secretariat, Room S2519, Frances Perkins Building, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington D.C. 20210.

FOR FURTHER INFORMATION CONTACT: The names and telephone numbers of the contact persons are set forth in the Supplementary Information.

SUPPLEMENTARY INFORMATION: By memorandum dated January 29, 1981, attached as an Appendix to this notice and filed with this document, President Ronald Reagan requested that the executive agencies postpone for sixty (60) days the effective dates of those final regulations which are currently pending and have not yet become final. This document will formally postpone the effective dates of the below listed rules until March 30, 1981. I take this action pursuant to the President's Memorandum, in order to allow for a full and appropriate review of these rules.

FOR FURTHER INFORMATION CONTACT:

Agency and Contact

1. Employment and Training Administration (ETA)—Robert Anderson, Telephone: (202) 376-6254
2. Employment Standards Administration, Wage/Hour Division (ESA-W/H Div.)—Henry T. White, Jr., Telephone: (202) 523-8305
3. Occupational Safety and Health Administration (OSHA)—James F. Foster, Telephone: (202) 523-8151
4. Pension and Welfare Benefit Programs Office (PWBP)—Robert Doyle, Telephone: (202) 523-8684 or Doris Jacobs, Telephone: (202) 523-6644
5. Office of Federal Contract Compliance Programs (OFCCP)—James W. Cisco, Telephone: (202) 523-9426
6. Office of the Secretary—Gail V. Coleman, Telephone: (202) 523-6268.

Authority: Please refer to the above-mentioned documents in order to ascertain the specific statutory authority for each of the rules.

	Rule	Agency	Subject	Date and page of publication in the FEDERAL REGISTER	Original effective date
1.	20 CFR Part 655	ETA	Labor Certification Process for the Temporary Employment of Aliens in Agriculture. Adverse Effect Wage Rate Methodology.	Jan. 16, 1981, 46 FR 4566.	Feb. 17, 1981.
2.	29 CFR Part 1	ESA W/H Div.	Procedures for Predetermination of Wage Rates.	Jan. 16, 1981, 46 FR 4306.	Feb. 17, 1981.
3.	29 CFR Part 5	ESA W/H Div.	Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction (Also Labor Standards Provisions Applicable to Nonconstruction Contracts Subject to the Contract Work Hours and Safety Standards Act).	Jan. 16, 1981, 46 FR 4380.	Feb. 17, 1981.
4.	29 CFR Part 6	SECY	Rules of Practice for Administrative Proceedings Enforcing Labor Standards in Federal and Federally Assisted Construction Contracts and Federal Service Contracts.	Jan. 16, 1981, 46 FR 4396.	Feb. 17, 1981.
5.	29 CFR Parts 1952 and 1953	OSHA	Proposed Withdrawal of the Indiana State Plan.	Jan. 16, 1981, 46 FR 3919.	Feb. 17, 1981.
6.	41 CFR Part 60-1	OFCCP	Payment of Membership Fees and Other Expenses to Private Organizations.	Jan. 15, 1981, 46 FR 3492.	Feb. 17, 1981.
7.	29 CFR Part 1903	OSHA	Walkaround Compensation.	Jan. 10, 1981, 45 FR 2652.	Feb. 17, 1981.
8.	29 CFR Part 1990	OSHA	Identification, Classification and Regulation of Potential Occupational Carcinogens, Conforming Definitions.	Jan. 16, 1981, 46 FR 4589.	Feb. 18, 1981.
9.	29 CFR 2520.102-5	PWBP	Limited Relief From Reporting, Disclosure, and Claims Procedure Requirements With Respect to Welfare Plans Offering Membership in a Qualified Health Maintenance Organization as an Option.	Jan. 21, 1981, 46 FR 5882.	Feb. 20, 1981.
10.	29 CFR 2520.104-20	PWBP	Limited Relief From Reporting, Disclosure, and Claims Procedure Requirements With Respect to Welfare Plans Offering Membership in a Qualified Health Maintenance Organization as an Option.	Jan. 21, 1981, 46 FR 5882.	Feb. 20, 1981.
11.	29 CFR 2520.104-44	PWBP	Same as items 9 and 10.	Jan. 21, 1981, 46 FR 5882.	Feb. 20, 1981.
12.	29 CFR 2560.503-1	PWBP	Same as items 9 and 10.	Jan. 21, 1981, 46 FR 5882.	Feb. 20, 1981.
13.	29 CFR Part 1910	OSHA	Occupational Exposure to Lead; Supplemental Statement of Reasons; and Amendment of Standard.	Jan. 21, 1981, 46 FR 8134.	Feb. 20, 1981.
14.	29 CFR 2550.414c-3	PWBP	Regulations Relating to Certain Loans, Leases and Dispositions of Property Prior to June 30, 1984.	Jan. 23, 1981, 46 FR 7320.	Feb. 23, 1981.
15.	20 CFR Parts 676, 677, 678, and 679	ETA	Comprehensive Employment and Training Act Regulations, Amendments to Administrative Provisions.	Jan. 23, 1981, 46 FR 7822.	Feb. 23, 1981.
16.	20 CFR Part 678	ETA	Comprehensive Employment and Training Act.	Jan. 23, 1981, 46 FR 7832.	Feb. 23, 1981.

DEPARTMENT OF LABOR

Wage and Hour Division, Employment Standards Administration

29 CFR Part 4

Service Contract Act; Labor Standards for Federal Service Contracts

AGENCY: Wage and Hour Division, Employment Standards Administration, Department of Labor.

ACTION: Effective dates of regulations stayed.

SUMMARY: On January 16, 1981, the Department issued a final rule to take effect on February 17, 1981 revising 29 CFR Part 4, Labor Standards for Federal Service Contracts (46 FR 4320–4376). On January 19, 1981, the Department issued a second final rule regarding the treatment of concession contracts to take effect on February 18, 1981 revising § 4.133 of Part 4 (46 FR 4686). The effective dates of these two regulations are stayed until April 17, 1981 to permit the Department to conduct a regulatory analysis and to review the rules fully before they take effect. It is the Department's intention to repropose appropriate modifications to Part 4 after this is done and to hold public hearings on the proposal.

FOR FURTHER INFORMATION CONTACT: Henry T. White, Jr., Deputy Administrator, Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Room S3502, 200 Constitution Avenue, NW., Washington, D.C. 20210, Telephone: 202–523–8305.

Signed at Washington, D.C., this 29th day of January 1981.

Craig Berrington,

Deputy Assistant Secretary of Labor for Employment Standards.

[FR Doc. 81-4943 Filed 2-10-81; 4:00 pm]

BILLING CODE 4510-27-M

29 CFR Part 541

Defining and Delimiting the Terms "Any Employee Employed in a Bona Fide Executive, Administrative, or Professional Capacity (Including any Employee Employed in the Capacity of Academic Administrative Personnel or Teacher in Elementary or Secondary Schools), or in the Capacity of Outside Salesman."

AGENCY: Wage and Hour Division, Employment Standards Administration, Department of Labor.

ACTION: Effective date of regulation stayed; comment period reopened.

SUMMARY: Final regulations effective February 13, 1981, increasing the salary levels used to determine eligibility for exemption from the minimum wage and overtime compensation provisions of the Fair Labor Standards Act were published in the Federal Register of January 13, 1981 (46 FR 3010). The effective date of these regulations is stayed indefinitely. The purpose of this action is to allow the Department to review the rule fully before it takes effect. The comment period is reopened. Pending final determination in this rulemaking, the interim salary tests which became effective April 1, 1975 are continued.

DATES: Effective date: February 12, 1981. Comments are invited from other Federal agencies and the public. They must be received on or before April 6, 1981.

ADDRESS: Send written comments to Henry T. White, Jr., Deputy Administrator, Wage and Hour Division, Employment Standards Administration, Room S–3502, U.S. Department of Labor, 200 Constitution Avenue, NW., Washington, D.C. 20210; (202) 523–8305.

FOR FURTHER INFORMATION CONTACT: Henry T. White, Jr., Telephone (202) 523–8305.

Signed at Washington, D.C., this 29th day of January, 1981.

Craig Berrington,

Deputy Assistant Secretary of Labor for Employment Standards.

[FR Doc. 81-4945 Filed 2-10-81; 4:00 pm]

BILLING CODE 4510-27-M

DEPARTMENT OF LABOR

Occupational Safety and Health Administration

29 CFR Part 1910

Hazards Identification

AGENCY: Occupational Safety and Health Administration, Department of Labor.

ACTION: Withdrawal of Proposed Rules.

SUMMARY: On January 16, 1981, (46 FR 4412–4453), the Assistant Secretary for Occupational Safety and Health issued a proposed standard that would require employers to identify the hazardous chemicals in their workplaces through specific hazard identification and evaluation procedures, labeling requirements, and record preservation. The proposed rule is withdrawn. This will permit the Department to consider regulatory alternatives that had not been fully considered and then, if appropriate, repropose the regulation. This process will eliminate the need for the public to comment on a proposal that the Department may change significantly.

EFFECTIVE DATE: February 12, 1981.

FOR FURTHER INFORMATION CONTACT: Mr. James Foster, Room N3641, Office of Public Affairs, Occupational Safety and Health Administration, U.S. Department of Labor, 200 Constitution Avenue, NW., Washington, D.C. 20210; Telephone: (202) 523–8151.

Signed at Washington, D.C. this 29th day of January 1981.

David C. Zeigler,

Acting Assistant Secretary of Labor for Occupational Safety and Health.

[FR Doc. 81-4944 Filed 2-10-81; 4:00 pm]

BILLING CODE 4510-26-M

INTERNATIONAL LABOR AFFAIRS

MULTILATERAL TRADE NEGOTIATIONS

Question: Your budget justification indicates the Bureau of International Labor Affairs will work toward assuring the implementation of the Multilateral Trade Negotiations Agreements. Doesn't the Commerce Department have the lead role in assuring the implementation of Multilateral Trade Negotiations?

Answer: Although the Department of Commerce has the lead role with respect to monitoring the operation of the codes negotiated in the Multilateral Trade Negotiation (MTN), and for administering the U.S. antidumping and countervailing duty programs, it is not responsible for interpreting the MTN agreements nor for developing policy relating to their enforcement. Such policy formulation is a function of the interagency trade policy committee framework which is coordinated by the U.S. Trade Representative. The Department of Labor is an active member of and has an equal voice with other Departments in the interagency organization. Our primary role is to be alert to developments which affect American workers, development which may not be readily apparent to other agencies, and to assure that these interests are taken into account in the formulation and implementation of code policy.

In this regard the Department has taken the lead on several policy issues relating to foreign implementation of the codes, including the type of commitments made by less developed countries to take on the responsibilities of the Subsidies Code, the question of non-market economies and the codes, and the need for effective monitoring of the Aircraft Agreement.

Question: Specifically, how many staff and dollars are budgeted for this activity, and what implementation work is done that is not carried out by the Commerce Department?

Answer: Approximately three staff-years and $110,000 for salaries and related costs are devoted to MTN follow-up and policy developments related to code implementation.

The Department of Labor is the agency responsible for representing the interests of American workers, interests which do not always coincide with those of the constituents of the Department of Commerce. Our role is to assure that the operations of the codes 1) do not lead to the unintended loss of U.S. jobs and 2) will result in increased exports and related job opportunities for U.S. workers.

TRADE ACT DELAYS

Question: Why is the Department still generally unable to make determinations on worker petitions for adjustment assistance within the 60-day statutory time-frame?

Answer: At current staffing levels the Department has the capability of completing about 190 cases each month. Current case inflow is generally exceeding that level but is down from previous months which ranged from highs of 400 to more than 800 for individual months. The result of the disparity of case inflow to case outflow has been the development of a very large case backlog and the progressive lengthening of the time required to process petitions in excess of the 60-day statutory time frame.

SPECIAL FOREIGN CURRENCY

Question: What practical value has been achieved from recent conferences in which Labor Department personnel have participated under the Special Foreign Currency program?

Answer: Labor Attache conferences are a key element in the Department's efforts to increase the effectiveness of the Labor Attache Corps and to make it more responsive to our needs. The Conferences provide an opportunity for the Department to outline and explain to the labor officers our current requirements for reports. They also provide a forum for officials from the Departments of Labor and State to discuss key international and domestic developments with the labor officers. The discussions help inform and instruct the U.S. Labor Attaches about current U.S. policy and programs and give Washington officials better insight into foreign labor problems to which they may have to react.

Question: How much of the $200,000 requested for FY 1982 is for cost of travel of Labor Department personnel to go overseas?

Answer: The travel cost for the DOL participants will be $35,000.

Question: How many Labor Department employees are expected to participate in the New Delhi conference planned during fiscal 1982?

Answer: There will be 10 Department of Labor employees participating in the conference.

Question: What would be the impact of providing zero fiscal 1982 Special Foreign Currency Appropriation?

Answer: Since the FY 1981 Special Foreign Currency funding will have been depleted by then, a provision of zero FY 1982 SFC appropriation would make it impossible to hold any Labor Attache conference that year. This would mean that the Labor Attaches from Latin America and the Caribbean would not meet together for at least four years (they last met in September 1978), those from Europe and Africa for three years (last meeting in March 1980), and labor officers stationed in Asia for over two years. Coming during a period of fast-changing international and domestic developments, including a new Administration in Washington, this delay would certainly reduce the professional effectiveness of the Labor Attache corps and hamper the Washington officials' exercise of their policy and program responsibilities.

Question: How much would be available for fiscal 1982 from unspent fiscal 1981 Special Foreign Currency funding?

Answer: No money would be available from FY 1981 funding.

OFFICE OF CIVIL RIGHTS EXPANSION

Question: The Labor Department's Office of Civil Rights was created in December, 1980, upgrading the visibility of 66 staff that were already performing civil rights activities within the Employment and Training Administration. Why are you proposing to expand the staff to 87 positions, a one-third increase, before the new office has a chance to get established and oriented to its upgraded, department-wide responsibilities?

Answer: The staff of 66 who were performing Civil Rights activities in the Employment and Training Administration (ETA) were limited in their ability to fully address the problems that existed in ETA contractor/grantee programs. That same staff is now responsible for ensuring equal opportunity compliance of all DOL contractors/grantees who receive financial assistance from the Department. In addition, the Interagency Task Force who first proposed that there be an Office of Civil Rights, and the Department of Labor Task Force appointed by the Secretary of Labor, who explored how such an Office might be organized, recognized that there was a lack of sufficient positions for the effective administration of Equal Opportunity programs within Departmental contractor/grantee programs. The request for increased staff is based on the need which has come with the additional responsibilities. We are attempting to set up a national Office of Civil Rights with three divisions from what was a single division within an office in ETA. We are also attempting to set up ten Regional Offices of Civil Rights from what were small staff units in ETA Regional Offices.

OFFICE OF CIVIL RIGHTS VOLUNTARY COMPLIANCE PROCEDURES

Question: What are you doing to encourage more wide-spread voluntary compliance, rather than focusing solely on complaint investigations and compliance reviews?

Answer: One of the major divisions in the National Office of Civil Rights is the Division of Management Assistance and Program Support. This division will be responsible for equal opportunity training and technical assistance to contractor/grantee staff and Federal staff. This training will improve the effectiveness of compliance enforcement undertaken by DOL recipients, and technical assistance will provide direction and guidance in avoiding potential problem areas.

For example, the following training has been targeted:
- An informational course for DOL executive staff providing an overview of the equal opportunity and compliance program;
- A skills development course for Federal staff in complaint processing;
- A concomitant skills development course for recipient staff on complaint handling. The course will be revised to explain the administrative processing of complaints required by the Department of Labor;
- A skills development course for Federal staff providing procedural guidance on how to determine the compliance status of Job Corps programs;
- A skills development course for Federal staff on monitoring compliance of CETA programs, including pre-award and post-award assessment, desk audit, and on-site review components;

- An informational course for CETA prime sponsor staff outlining and explaining their responsibilities, when administering PSE programs, vis-a-vis the Uniform Guidelines on Employment Selection Procedures.

In addition to technical assistance and training, OCR will improve its administrative procedures in the following ways:
- More effective use of the now existing EO reporting system. The system provides impetus for self-evaluation and eventually voluntary compliance.
- Development of a technical assistance guide which provides written consultation in developing an EO program.
- Wide distribution of new equal opportunity information citing equal opportunity laws and options for individuals to follow.

PROMOTING PRIVATE SECTOR PRODUCTIVITY

Question: GAO recently issued a report on December 4, 1980 outlining how the Labor Department has failed to take a lead in promoting private sector productivity. Promoting private sector productivity has been identified as a high priority by the Reagan Administration. What can the Department do to provide leadership in this area?

Answer: The Department recognizes the importance of promoting productivity in the private sector. The factors influencing productivity, however, are complex involving such factors as the rate of capital formation, technological innovation, energy prices and, of course, human capital. While these factors are recognized as critical to achieving private sector productivity growth, the appropriate policy response to harness these factors require critical evaluation. The Administration is currently examining options with respect to fiscal policy and regulatory reform as vehicles for improving U.S. productivity growth. The Department, itself, is reviewing its role in promoting U.S. productivity growth consistent with other initiatives being considered by the Administration. A more detailed discussion will be provided by the Department's response to Congress on the GAO report scheduled for April 15, 1981.

ASSISTANT SECRETARY FOR POLICY, EVALUATION AND RESEARCH

Question: What outstanding examples of research and evaluation have been completed recently by the Office of Assistant Secretary for Policy, Evaluation and Research?

Answer: ASPER's budget contains no funding for specific research and evaluation efforts; however, in the past agencies have provided modest funds to ASPER for conducting some research. Much of this research involves cooperative efforts with the agenices and with other Departments. Examples of outstanding research which involved ASPER include:

Unemployment Insurance System Analysis

The National Commission on Unemployment Compensation relied almost exclusively on ASPER for estimates of the potential worker and cost effects of alternative recommendations it considered.

Inflation and Unemployment

One of the projects completed in this area examined the role of vacancy statistics in measuring inflationary pressures in the labor market.

Youth Unemployment

One of several studies in this area highlighted the importance of the relationship between a youth's individual characteristics and his labor market experience. The study concluded that much youth unemployment is concentrated on the same individuals over time.

Increasing Adequacy of Unemployment Insurance Benefits

An in-house research project found that the net wage replacement of UI benefits in the U.S. has increased by .3 percent per year, on average, since 1960. The increasing monetary advantage of not taxing UI benefits was more important than rising dollar benefit levels in accounting for the trend increase.

Congressional Mandated Study of Occupational Diseases and Compensation

This study was the first attempt to define the scope of the occupational disease problem, in order to efficiently prioritize problem areas and alternative policies.

These are only a few of the research and evaluation activities that ASPER has been involved with recently. A complete listing and description of all ASPER research completed from 1970-79 is contained in ASPER Research and Evaluation Projects, 1970-79, a copy of which can be provided.

AVOIDING DUPLICATION OF EFFORT

Question: Since each component of the Labor Department has its own policy, evaluation and research budgets, why do these activities need to be duplicated at the Departmental Level?

Answer: ASPER does not duplicate the activities of agency policy, evaluation and research offices. ASPER performs a staff function for the Secretary's Office by providing staffing support on policy, research and evaluation matters. This support is independent of the agency operational perspective. This function also involves crosscutting issues, and areas not covered by agency interests.

ASPER has the oversight role for the Labor Department's research and evaluation program. This includes providing technical assistance to the agencies on research and evaluation.

ASPER research and evaluation responsibilities include: to assist and to review agency development of research and evaluation projects, to assist in the preparation of and to review annual agency research and evaluation plans, and to approve sole source research and evaluation contracts.

ASPER also provides assistance to the agencies on policy, research and evaluation issues. ASPER coordinates research with agencies and between agencies to eliminate duplication and improve the integration of research and evaluation projects. This process is achieved through the approval of the agency research and evaluation plans. This process involves ASPER early in the planning phase and leads ultimately to approval of the agency's annual plan and the preparation of an overall Labor Department research and evaluation agenda. The Office of Management and Budget has commended the Department on this improved approach, and is considering recommending it to other executive agencies.

POSSIBLE SAVINGS GENERATED FROM ASPER

Question: How much could be saved by eliminating research and evaluation appropriations at the departmental level, forcing greater utilization of component agency budgets to carry out priorities of special interest to the Secretary?

Answer: The Labor Department receives no appropriation for ASPER to conduct research and evaluation projects. The modest amount of Labor Department research funds expended by ASPER are contributed by the agencies. Priorities of special interest to the Secretary may involve the transfer of funds to ASPER, or as likely, joint ASPER-agency efforts with the funds remaining under agency authority.

ASPER's budget, and staff resources, focus primarily on cross-cutting Departmental issues such as regulatory reform, pensions, and social security.

ASPER has assisted the agencies in prioritizing their research programs for consistent direction and elimination of duplicate effort. ASPER provided a consistent focus for organizing the Department's research goals. This emphasis is intended to integrate, within agency program offices, research bearing on more specific policy needs rather than on theoretical research.

ASPER staff activities involve areas that may be difficult to eliminate, including guidance and assistance in setting the research agenda for agency research budgets and coordinating development of plans for these research and evaluation activities. Finally, ASPER staff handles emerging and crosscutting areas not covered by agency policy and research offices.

BENEFITS REVIEW BOARD

Question: In fiscal 1982, your budget indicates you plan to appoint three alternate members to the Benefits Review Board, to handle appeals of Black Lung and Longshoreman's claims cases. How exactly will this new system work, with three permanent and three Alternate Board Members?

Answer: The expanded Board, consisting of three permanent and three Alternate Board Members will operate in the following way. Appeals before the expanded Board will be considered by panels of three Members. Seven panels are envisioned: one composed of the three present Permanent Members, the remaining six composed of combinations of Permanent and Alternate Members. Certain procedures will be adopted to ensure the continuity and consistency of decisions. On cases before panels composed of two Permanent

Members and an Alternate on which the two Permanent Members differ, the case will be referred to the panel of three Permanent Members for review and determination. Similarly, on appeals before panels of one Permanent Member and two Alternates in which the Permanent Member is in the minority, those cases will also be referred to the panel of Permanent Members for review and final determination.

Staff attorneys will continue to carefully research and prepare all cases. Counsels will be responsible for expediting the consideration of motions and the issuance of orders through their respective Members as well as the review and disposition of routine cases. They will also perform a substantial amount of work involving the preparation of separate opinions. While three positions are required to provide Counsels to Alternate Members, seven positions are presently utilized for Counsels to Permanent Members. This differential will continue to be required owing to the greater responsibility of Permanent Members for reviewing motions and orders, for conducting second panel reviews in the instances outlined above, and for resolving appeals raising Constitutional issues.

Question: Is this a temporary or permanent change?

Answer: Under the present legislative authority, it is expected that the need for Alternate Board Members will be temporary, continuing for between four and six years or until such time as the additional black lung cases that resulted from the 1977 amendments have completed their appeal process.

Question: What will be the added cost of three Alternate Board Members?

Answer: There will be no additional resources requested for the three Alternate Board Members. The cost of the three Alternate Board Members will be absorbed within existing resources.

Question: Do you have legislative authority to appoint three Alternative Board Members?

Answer: The enabling legislation for the Benefits Review Board provides for three Members, appointed by the Secretary of Labor to serve on the Board (33 U.S.C. §921 (b)). Similiar language appears in the enabling statute establishing the Employees' Compensation Appeals Board, providing that the Secretary of Labor appoint three members to that Board (5 U.S.C. §8194). In actual practice, the Employees' Compensation Appeals Board, with the approval of the Secretary of Labor, fulfills its mission through the utilization of additional "alternate" members. We have been informally advised by the Solicitor of Labor that there should be no legal problem with the Benefits Review Board adopting a similar procedure; however this authority remains unclear.

It is possible that such action might, if challenged, require a statutory basis. Such a statutory basis could be provided by appropriate language in appropriation acts authorizing the use of additional Board Members. In three cases -- Director, Office of Workers' Compensation Programs v. National Mines Corp., 554 F.2d 1269, 1275 (4th Cir. 1976), rehearing den. (1977); Director, Office of Workers' Compensation Programs v. Eastern Coal Co., 561 F.2d 632, 651 (6th Cir. 1977); and Director, Office

of Worker's Compensation Programs v. Peabody Coal Co., 554 F.2d 310, 339-342 (7th Cir. 1977); 1/courts have held that Congress may, if it chooses, amend substantive legislation by means of an appropriation bill.

1/ The issue in these cases was whether the Secretary of Labor had the authority, pursuant to language in appropriation acts, to designate hearing officers, instead of administrative law judges, to adjudicate claims under the Black Lung Act.

OFFICE OF INFORMATION, PUBLICATIONS AND REPORTS

Question: How many staff, at what Fiscal 1982 budgeted cost, are assigned to the Office of Information, Publications and Reports?

Answer: There are a total of 62 positions and $2,624,000 in the Salaries and Expenses account of the Office of Information, Publications and Reports.

Question: Specifically, what work do these staff perform?

Answer: The Office of Information, Publications and Reports (OIPR) is responsible for providing the Department of Labor with a comprehensive information program. It serves as the Department's central contact point for all inquiries from the media and the private sector, as the central review and dissemination point for all Departmental issuances, as the central source within the Department for advice and guidance on all information matters and provides all information support and services required by the Secretary and the agencies in the field.

More specifically, OIPR provides the Secretary with all required informational supports and services; plans and implements nationwide, multi-media information campaigns or activities of a Departmental nature; develops policies and procedures for uniform conduct of informational activities throughout the department; assists the agencies in developing and implementing their plans; plans, coordinates and implements all information activities for the Secretary and the agencies in the regions; monitors the progress made by the agencies and OIPR's field staff in accomplishing the goals and objectives identified in the information plans; advise agency information personnel on day-to-day information matters; produces a newsletter for all employees keeping them abreast of Departmental policies, goals and activities. (Through centralization of basic services, OIPR is able to eliminate duplication, improve the quality of materials produced and assure timely service to coonstituent groups and the public at large. The field operation assures the Department of a uniform coordinated information program throughout the country and eliminates the need for agencies to allocate funds and positions for information support in each region.)

PUBLIC INFORMATION ACTIVITIES

Question: How many staff are assigned to information, publications and reports activities of each agency within the Labor Department, at what budgeted dollar levels for Fiscal 1982?

Answer: The information follows:

AGENCY	BUDGETED POSITIONS	DOLLAR LEVEL*
OSHA	25	$ 650,000
MSHA	15	338,440
ETA	8	300,983
ESA	9	323,000
LMSA	3	112,000
ERISA	6	160,000
BLS	48	1,220,309
OIPR	62	1,860,000
ILAB	2	55,044
WB	8	170,150
PCEH	9	237,574
TOTAL	195	5,427,500

* Includes Personnel Compensation and Benefits only.

Question: What lower priority activities could be eliminated to reduce public information expenditures?

Answer: The Department's Annual Information Plan, developed and implemented by OIPR and the various agencies, has already gone a long way toward improving the efficiency and effectivenes of the Department's informational efforts. Through careful targeting of high priority program goals and objectives, the plan enables the Department to channel resources where they can have the greatest impact.

The utilization of this plan coupled with the increased demand for service from the public and a reduction of staff and fund resources have already resulted in a voluntay elimination of many low priority activities. Reductions to the size of resources devoted to informational activities would necessitate a reevaluation of resposibilities and priorities within the Department.

EXECUTIVE DIRECTION

Question: With a pay raise of only 5.5 percent, what is the reason for more than a 10 percent increase, from $10,841,000 to $11,960,000 for Executive Direction of the Labor Department, when no increase in the 196 positions is being requested?

Answer: The pay raise figure of 5.5 percent that is referred to is the figure that is the current assumption for the pay raise that may take place in October, 1981. This figure is properly not contained within the budget request for any activity in the Department of Labor because the Department cannot assume that this pay raise will be enacted. If a pay raise for Federal workers is approved, the Department of Labor will assess its ability to pay for it within available resources and request a pay supplemental if it is necessary.

Regarding the 10.3 percent increase for Executive Direction, although there is no increase in positions for this activity there are costs increases that take place which are included so that functions will be able to maintained at their current level. These built-in changes include the following items: net cost of within-grade promotions becoming effective in 1982, net cost of within-grade promotions effective in 1981, net cost of Senior Executive Service merit pay increase, net cost of General Merit pay bonuses, an increase in contributions to the Federal Employee's Compensation Fund, increased cost of program related travel, increased cost of transportation of things, increased cost of GSA Standard Level User Charges and utility costs, increased cost of rental of equipment, increased cost of printing, increased cost of administrative and program support services, increased cost of supplies, increased costs in DOL's share of operating the Consumer Information Center, increased cost of other services, increased cost of replacement equipment, an overall reduction in the lapse rate, and the cost for annualization of pay effective in October, 1980.

Question: How many of these 196 Executive Direction positions fall into the "schedule C" non-career category?

Answer: There are a total of 46 "schedule C" positions in the Executive Direction activity.

Question: Do you see any areas where these "overhead" staff might be trimmed back?

Answer: The Executive Direction activity is comprised of the following offices: the Office of the Secretary; the Office of the Under Secretary; the Office of Legislation and Intergovernmental Relations; the Office of Information, Publications and Reports; the Office of the Assistant Secretary for Policy, Evaluation and Research; and the Office of Small and Disadvantaged Business Utilization. While none of these offices are line functions, they all provide programmatic oversight of the program activities administered by the various Departmental agencies. Since 1977, while the number of positions in the Department has increased by over 5,000, the positions of the Executive Direction activity have remained at approximately the same level. This activity has absorbed the increased responsibility and demands associated with this growth within existing resource levels. As a result, reductions to the size of Executive Direction would necessitate a reevaluation of responsibilities and priorities within this activity.

WOMEN'S BUREAU

EXPERTISE OF THE WOMEN'S BUREAU

Question: What type of expertise does the Women's Bureau offer the Employment and Training Projects and Programs it is monitoring?

Answer: The Women's Bureau's (WB) capability to develop and conduct a demonstration program stems from its 60-year history of analyzing data on the economic status of women and developing policy and programs to address issues identified. Through its field and national networks, the Bureau has developed extensive knowledge of government programs and how they operate. The Women's Bureau has participated in the development and operation of State and local Commissions on the Status of Women and has established through the regional offices close working relations with various offices at the State and local level as well as with constituent groups. Historically, the Women's Bureau has provided technical assistance in meeting the needs of women workers to a wide range of groups, including employers, unions, and government officials.

The Bureau's staff brings a broad range of experience to Employment and Training Projects. This experience includes knowledge of the developing issues which can enrich opportunities for cross-fertilization of ideas, extensive technical assistance regarding the policies and priorities of the Department of Labor which the projects seek to address, advice on evaluation of the projects, help in developing and writing the components of a model program or a how-to guide, and assistance in opening doors to State and local agencies for cooperation and/or resources.

COORDINATION WITH OTHER ORGANIZATIONS

Question: What type of coordination does the Women's Bureau have with other Federal, State, and local organizations that are funding similiar projects?

Answer: The Women's Bureau initiates coordination with other agencies to develop projects and acts as a catalyst in focusing program dollars on the problems of women workers. Through its contacts with an extensive network of women's groups that form part of its constituency, the Women's Bureau has a good base for obtaining information concerning the availability of program funds of other Federal, State, and local agencies. As a result, projects are often jointly funded or operated with heavy input from appropriate agencies. The Women's Bureau also plays an advocacy role with various agencies on behalf of women's programs. Local support is sought to maintain programs begun as WB-supported model demonstrations. The following are examples of such coordination.

-- In FY 1980 a prime sponsor in Newark, New Jersey, funded a project for low-income women jointly with the Women's Bureau. The Bureau provided an incentive grant.

-- After the demonstration phase of the employment project for low-income women in San Antonio, the prime sponsor picked up funding for the ongoing operation of the project.

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-- The Women's Bureau joined with the Federal Bureau of Prisons and the Bureau of Apprenticeship Training to conduct a national workshop on women offenders and apprenticeship for State corrections coordinators from 29 States. This workshop grew out of the Bureau's earlier initiative to develop apprenticeship programs in Federal prisons.

-- The Women's Bureau works with the Coalition of Labor Union Women (CLUW) to provide support and materials in the strengthening and development of local chapters of CLUW.

WOMEN'S BUREAU PARTICIPATION IN PILOT PROJECTS

Question: Can the participation of the Women's Bureau in pilot projects and programs be considered vigorous or is their participation more of a public relations gesture with little meaningful input?

Answer: The Women's Bureau initiates most of the pilot projects with which it is involved. As a part of the Bureau's annual planning cycle, consideration is given to emerging issues of women and to target groups of women where there are demonstrated needs. The Bureau then develops a project concept to address these needs and/or issues. Usually a project is planned to cover a two to three year period to allow for start-up time, implementation and monitoring, phase-down, evaluation, and documentation. The Bureau has now included the replication of its model projects in regional office work plans, which entails developing and implementing a strategy to integrate proven techniques into ongoing programs.

The Bureau invests a great deal of time, initiative, and expertise in carrying out a project through the replication phase. Data concerning work measurement is available upon request. The Bureau conducts hard-nosed negotiating and planning sessions with contractor staff so that expectations are clear from the outset. Monitoring visits and reports follow up these planning sessions, and extensive interviews with clients, relevant community agencies, and individuals provide perspective on the effectiveness of a program. Extensive contact with State and local officials is established in order to have the pilot projects incorporated into ongoing community programs. The Women's Bureau staff has been trained in record-keeping and provides the same training to its contractors.

Question: What has the Women's Bureau learned as a result of its pilot projects?

Answer: The Women's Bureau has learned that projects designed for specific target groups of women are effective in helping them gain better job opportunites. Specifically, the Bureau has demonstrated that low-income women prefer to work and will accept employment where the wages allow them to get off of welfare. Low-income women are often unable to get information about programs, opportunities, and jobs. They also need training in skills that lead to good jobs--nontraditional jobs or jobs in new technical or service fields.

The Bureau has learned that rural women have similar employment needs and that geographic isolation compounds the problems related to the need for information, transportation, and supportive services.

The School-to-Work Transition projects for adolescent women have shown that more precise and client-oriented techniques are needed to help young women avoid the women's job ghetto that usually awaits their graduation from high school. Most of the special youth projects are designed to serve the interests of young men with young women included as an afterthought, if at all.

Overall, the Bureau has learned that a great deal more needs to be done to demonstrate effective ways of improving job opportunities for women and girls if they are to achieve economic self-sufficiency, and these efforts must be coordinated with agencies whose responsibilities are providing ongoing services to the Bureau's target groups.

INCREASING EMPLOYMENT PROSPECTS FOR WOMEN

Question: Do you know what works best for increasing the employment prospects for women?

Answer: The Women's Bureau has found that projects that incorporate the following factors work best for women: (1) information and technical assistance to employers in order to increase the involvement of the private sector in improving opportunites available for women workers; (2) information and basic orientation on new career opportunities for women so that they may prepare themselves for productive work; (3) outreach programs for women which recruit, counsel, provide pre-orientation, and establish peer support systems; and (4) women's resource centers as a community base for obtaining information and technical assistance on the many issues concerning women.

WOMEN'S BUREAU CONSTITUENT INQUIRIES

Question: You indicate in your budget justification material that $100,000 is being requested for the Women's Bureau to conduct a feasibility study on computerizing clearinghouse activities, "to respond more quickly to the rapidly increasing constituent inquiries." What kinds of inquiries are the Women's Bureau receiving, and what accounts for the rapid increasing level of inquiries?

Answer: In the last 20 years women's labor force participation increased rapidly, going from 37.7 percent in 1960 to 51.6 percent in 1980. In numerical terms, this represents an increase from 23.2 million women workers to 44.6 million in the 20-year span. The demand for information related to women's employment skyrocketed. One reason for the increased demand for information is related to the media which has focused more and more on women workers and their successes and problems. Magazine and newspaper articles often refer to the Women's Bureau as a source of data or as a place where women can receive technical assistance on employment-related issues. Another reason for increased inquiries relates to the enhanced level of sophistication of women regarding employment rights. The Bureau foresees greater utilization of women in a broader variety of occupational roles. The Bureau of Labor Statistics has projected that 73 percent of all working age women

will be in the labor force by 1990. It is anticipated that this continued growth in the number of women workers will result in expanding requests for technical assistance from employers, legislators, analysts, researchers, service organizations, and women constituents as part of the Bureau's ongoing clearinghouse functions.

A large percentage of the public inquiries received by the Women's Bureau concern employment--job hunting, career choices, availability of jobs and/or training programs, statistical data on women in the work force. Consequently, publications such as A Working Women's Guide to Her Job Rights, A Woman's Guide to Apprenticeship, and Job Options for Women in the 80's generate a large number of requests. In addition, the development, implementation, documentation, and replication of Women's Bureau model programs to assist specific target groups of women result in requests for technical assistance from employers and employment program operators. Among the models the Bureau has replicated are Women in Nontraditional Jobs programs in Boston and Denver, the Women Offender Apprenticeship Program, Training for Child Care Work: Project Fresh Start, and the Fitchburg, Massachusetts, Displaced Homemaker program.

LEGISLATION AND ISSUES AFFECTING WOMEN WORKERS

Question: What do you see as the major legislation and regulating issues affecting women workers in 1981 and 1982?

Answer: Unusually high visibility of issues important to women has characterized the opening weeks of the 97th Congress. These issues are likely to result in new laws or regulations in 1981 and 1982. Some are in the early stages of policy exploration and formulation and some relate to Congressional oversight of the implementation of laws and regulations already in place. A briefing of Congressional staff by the Congressional Research Service of the Library of Congress, four Congressional hearings, the formulation of a legislative package of "Women's Opportunity Bills," and the efforts of two broadly-based coalitions to meet new members of Congress have all identified problem areas of high concern to women. A major theme has been "the feminization of poverty," supported by statistical evidence of women's low earnings and the high incidence of poverty among older women and among families maintained by women.

Some issues raised during these events related directly to better jobs, training, or more equitable retirement systems. Tax measures related to family income and family issues per se are among other agenda items. Information concerning the hearings, briefings, and coalitions is available upon request.

Wage-earning women surely have a primary stake in any steps that will revitalize the economy as a whole and curb inflation. Major interest will probably continue to focus on the problems of occupational concentration and low wages for women and consequently on proposals that would give women access to a greater variety of better paying jobs, especially in occupations that are emerging with new technology, and that would examine wage classification systems that may mask pay inequities based on sex. Other major proposals directly affecting women's income would reformulate social security and pension systems to take account of new work and family patterns, to provide incentives

for industry-sponsored child care, to assure that employment and training programs are designed to lead to real economic opportunity, and to overcome barriers for target groups with different specific training needs--e.g., youth, displaced homemakers, minority women, rural women, women offenders. After a series of hearings, the National Commission on Unemployment Compensation made recommendations which identify significant issues affecting women. Evaluation of and continued experimentation with flexible work schedules under laws for Federal employees may provide information useful to private employers and to employees who need flexibility in meeting responsibilities at work and at home.

THE PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

PCEH SUPPORT OF STATE AND LOCAL COMMITTEES

Question: The President's Committee on Employment of the Handicapped provides no direct services, but primarily promotes acceptance of the handicapped in the labor force through educational and informational programs. Can't these activities be carried out just as well by State and local Committees on Employment of the Handicapped?

Answer: The majority of Governors' Committees on Employment of the Handicapped have inadequate staffs and budgets. The volunteer members of the committee devote what time they can spare to committee affairs. These committees not only need constant guidance from the President's Committee on Employment of the Handicapped (PCEH) but also a constant supply of printed material and promotional material such as radio and TV spots. Local committees in nearly 1,000 communities are largely volunteer organizations, relying heavily on President's Committee materials and projects for effectiveness.

The States look to the President's Committee for leadership in various areas on new issues facing disabled individuals. Examples of these issues are life safety and the handicapped, Workers' Compensation, innovative ways to achieve reasonable accommodations, and methods of eliminating attitudinal barriers. The President's Committee also dispenses information among the States as they identify cost effective ways to promote employment of disabled persons.

The President's Committee has been able to make achievements far beyond the scope of the Governors' Committees. PCEH has been able to maintain activities in at least 12 different areas making use of volunteers and of staff support. All these areas have made notable contributions to handicapped persons. This kind of effect would be impossible at State levels. PCEH has been able to maintain strong contacts with all organizations and agencies involved in handicapped affairs. Through this, the President's Committee has kept its activities meaningful and on target. It is doubful that the States have this kind of capacity.

COST OF PCEH SUPPORT OF STATE AND LOCAL COMMITTEES

Question: How much of $2.1 million Federal appropriation is spent on travel and other activities in support of State and local Committees?

Answer: Estimated Federal funds spent by the Office of State Relations in support of their activites are as follows: personnel compensation and benefits--$311,337; travel--$30,983; printed support materials--$80,800 (approximately 40% of the Committee's printing budget); other services--$5,000. The total is $428,120.

FUNCTIONS OF PCEH STAFF

Question: Specifically, describe how many of the 50 Federal staff are assigned to carry out each of the major functions of the President's Committee.

Answer: The President's Committee has 50 budgeted positions. The following is a breakdown of the staff and their functions.

OFFICE OF THE DIRECTOR (11 positions)

The Office of the Director gives overall guidance to the Committee and maintains contacts with all segments of society.

Operating Officials	Support Staff
Executive Director	Secretary (2)
Deputy Executive Director	Clerk-Typist (2)
Administrative Officer	Administrative Assistant
Program Assistant (Supervisor)	Mailroom Clerks (2)

OFFICE OF COMMUNICATIONS (14 positions)

The Office of Communications conducts national media campaigns and National Employment for the Handicapped Week activities and publishes magazine and other printed materials.

Operating Officials	Support Staff
Public Information Officer (Director)	Secretary
Writer-Editor (2)	Program Assistant
Public Information Specialist (3)	Clerk-Typist (3)
Writer	Editorial Assistant (2)

OFFICE OF STATE RELATIONS (13 positions)

The Office of State Relations maintains contacts with all Governors' Committees and provides counsel and training and support services.

Operating Officials	Support Staff
Employment Security Advisor (Director)	Secretary
Employment Security Advisor (7)	Handicapped Employment Assistant (3)
	Clerk-Typist

OFFICE OF PROGRAMS (12 positions)

The Office of Programs coordinates projects of 12 standing committees which are made up of President's Committee members. These standing committees include the Women's Committee, Labor Committee, Committee on the Mentally Handicapped, Medical Committee, Recreation Committee, Youth Development Committee, Disabled Veterans Committee, Workshop Committee, Committee on Barrier Free Design, Library Committee, Awards Committee, and Membership Committee.

Operating Officials	Support Staff
Employment Security Advisor (Director)	Secretary (2)
Employment Security Advisor (4)	Clerk-Typist (3)
Program Analyst (2)	

There is much "doubling in brass" by the staff. When program people visit States, they provide support and guidance for the States. Responsibility for standing committee operations are carried out not only by the Office of Programs but also by staff people in State Relations and in the Director's Office.

OFFICE OF THE SOLICITOR

ALLOCATION OF RESOURCES AND STAFF OF THE SOLICITOR'S OFFICE

Question: There are 956 positions budgeted for the staff of the Office of Solicitor, costing $41.5 million. In any operation that large, there is always the suspicion that while some people may be working hard, others may be hardly working. Have you carefully examined existing staff to see if more efficient allocation of resources might be possible?

Answer: All operations in the Office of the Solicitor are reviewed annually as part of the budget process to determine needs and to allocate resources according to those needs. With the advent of the new administration, it is anticipated that the new Solicitor will conduct his own review to align resources according to the policies of the Reagan Administration.

Question: How many attorneys does this office have?

Answer: The Office of the Solicitor has 632 budgeted attorney positions.

Question: Why do they need so many?

Answer: The Office of the Solicitor provides legal services to all programs administered by the Department. There are 146 acts and laws for which the Department is responsible. The programs supported are varied, complex and involve substantial resources. Legal support and advice is crucial to assure compliance according to legislative intent.

During the past few years, various programs have been added or expanded throughout the Department, generating an increasing demand for legal support and advice. Even though effective and ongoing litigation strategies have been developed in conjunction with the client agencies, the clients are continuing to refer more cases to the Office of the Solicitor for possible litigation. Also, the number of defensive suits filed against the Department is on the increase. In FY 1980 the Office of the Solicitor received 44,589 cases to review for possible action. In FY 1982 the number of cases received is expected to rise to approximately 55,700. The number of requests for legal opinions is expected to increase from 6,353 in FY 1980 to 7,600 in FY 1982.

ENHANCED PRODUCTIVITY OF THE SOLICITOR'S OFFICE

Question: What are you doing to provide incentives for increased attorney productivity, and what recent experience do you have with enhancing productivity?

Answer: The implementation of the Civil Service Reform Act of 1978, requiring the setting of minimum performance standards, provides the incentives for increased attorney productivity and is expected to have a substantial impact. Performance standards for merit pay managers are currently being finalized as further incentives. The Office of the Solicitor has a computerized workload reporting system currently in place in its field offices which tracks a case from the time it is received until some type of final action occurs. This system is planned to be implemented in the National Office in FY 1981. This system, used with employee hours worked, provides a means of measuring employee productivity.

EXPANDING ROLE OF SOLICITOR'S OFFICE

Question: The work of the Solicitor's Office makes it involved with the programs of the entire Labor Department, on a daily and detailed basis. Do you think the Solicitor's Office should assume a greater role in coordinating programs throughout the Labor Department, as well as playing a more central role in key policy decisions?

Answer: The Office of the Solicitor as well as other organizations within the Department of Labor, such as the Offices of the Assistant Secretary for Administration and Management and the Assistant Secretary for Policy Evaluation and Research, are currently involved in a broad spectrum of Department of Labor programs. The Solicitor of Labor is a policy officer of the Department as well as its chief legal officer. As such, he currently plays an important policy role in the implementation of existing legislation and the development of new legislative proposals. The efficiency and desirability of any increased coordination role for the Office of the Solicitor would depend upon the particular matters in question and whether they are suited to the professional expertise of Solicitor's Office personnel. The Department of Labor is committed to seeking more effective and less costly means of carrying out its responsibilities. In this connection, the Office of the Solicitor will be continually reviewing its methods of operation for the purposes of making needed improvement.

Question: If the Solicitor's Office were utilized as a coordinating and decision-making arm of the Secretary, how much could the budget for Departmental "overhead" staff be reduced?

Answer: The amount of overhead reduction would depend on the degree of coordination that could be achieved between the different Departmental components.

AUDITS OF CETA PROGRAMS

Question: What is the status of the Department of Labor's efforts to eliminate the CETA audit backlog?

Answer: The Department has made considerable progress toward eliminating the CETA audit backlog. CETA prime sponsor audits accounted for 80 percent of all audits conducted by the Office of Inspector General during FY 1980. As a result, 114 prime sponsor audit reports were issued and audits of another 156 prime sponsors were in process or in the draft report stage at the end of the fiscal year. Only three CETA prime sponsors have not been audited at least once since inception of the program and these audits are scheduled for FY 1981.

Question: What has the Department determined to be the amount of resources necessary to perform needed audits?

Answer: With successful implementation of the plan for increased use of grantee procured audits, 104 staff years and $15.2 million of contracting funds are required for 1982 to audit each CETA prime sponsor on the required two-year cycle.

Question: How much is being requested for both in-house audit staff as well as funds necessary to engage independent public accountants and State or local government auditors?

Answer: We plan to use 104 staff years on CETA prime sponsor audits in FY 1982 which includes 16 residencies. We requested for FY 1982 an increase of $1.4 million, from $13.8 million to $15.2 million, for contractual services to continue at the same level as FY 1981.

Question: What quality assurance procedures have been instituted to ensure that all CETA audits meet required audit standards?

Answer: CETA audits are conducted either by OIG staff, by Independent Public Accountants (IPAs) and State and local auditors who are under contract with the Department, or by IPAs who are under contract with prime sponsors.

Audit reports prepared by OIG staff are all reviewed by a supervisor prior to release. The audit report and the supporting documentation in the working papers are reviewed to assure that the work and the report were completed in accordance with DOL, GAO and other professional standards. The audit reports and selected working papers of selected auditors are reviewed again at the National Office level.

Audit reports prepared by IPAs or State and local auditors are reviewed by OIG auditors. Additionally, working paper reviews are made for a number of the accepted audit reports. A percentage of those working papers are traced to actual documentation at the audit site to verify the accuracy of the work performed and the conclusions presented.

Question: What is the balance between various types of audits, such as contract reviews, desk reviews, workpapers reviews, and onsite reviews?

Answer: With the implementation of the single audit concept in Attachment P to OMB Circular A-102, a significant change in auditing is taking place. The advantages of a single audit, in terms of a more complete financial and compliance coverage of grantee's entire operation, can only be achieved if some control mechanism is devised to monitor that GAO audit guidelines and agency program requirements are rigidly followed by Independent Public Accountants.

The Office of Inspector General is developing a mechanism through policies and procedures which will enhance our present quality assessment program. The enhanced program will be implemented this fiscal year and is designed to assess the quality of work performed by DOL auditors as well as the work performed by independent public accountants and State and local auditors. It will comply with OMB Circular A-102, Attachment P, which requires the cognizant agency to obtain or make quality assessment reviews of the work of non-federal audit organizations, and provide the results to other interested audit agencies. The tests will be a balanced mix of contract reviews, desk reviews, workpaper reviews and onsite reviews.

Question: What, if anything, has the Department of Labor done to increase the surveillance over prime sponsor audits to assure that the effectiveness of controls over subgranted or subcontracted funds is tested?

Answer: The Office of Inspector General is using two special initiatives, in addition to its quality assessment program, to increase the effectiveness of prime sponsor audits in regard to subgrantees and subcontractors: the audit residency provides for the full-time assignment of an audit team to a prime sponsor. The resident auditors review grantee and subgrantee operations on a current basis, identify problems or deficiencies early, and provide more timely and effective followup on corrective actions. In fiscal year 1980, audit residencies were established at 15 of the larger CETA prime sponsors.

The unified audit also accommodates the significant impact of the estimated 50,000 subgrantees and contractors on total CETA grant operations. It emphasizes a comprehensive examination in one audit of financial operations at all levels: prime sponsor, subgrantees and contractors. The audit of subgrantees is performed either by or under the operational control of the audit organization which conducts the audit of the prime sponsor, the audit of the prime sponsor and its subgrantees covers the same funding period and the result is a comprehensive audit opinion on all operations which are the responsibility of a prime sponsor. The unified audit will eliminate the fragmented reporting that has existed in the past which made it difficult to identify and correct weaknesses at the subsponsor level.

Question: Among the duties of the Inspector General's office, besides investigating fraud and program abuse, are overseeing the auditing of Department programs, in regard to the Comprehensive Employment and Training Act programs, have the required number of audits been made?

Answer: No. The requirement for two-year cyclical audits of the prime sponsors has not been met but the backlog has been reduced and gains have been made toward achieving that requirement.

Question: What steps have been taken to assure that the backlog in the audits is quickly cleared up?

Answer: The following steps have been initiated to meet this problem:

1) Greater reliance is being placed on the grantee-procured audits than in the past. Under this arrangement the grantee arranges for its own audit in accordance with 41 CFR 29-70. As grantees have always had the responsibility of arranging for subsponsor audits, the grantee can now arrange for its own audit so that it coincides with that of its subsponsors. In this way, a "unified" type audit is accomplished.

2) We are planning to implement in FY 1982 the "risk analysis" concept. Risk analysis is a form of strategic planning through which the audit scheduling is based on known or potential weaknesses, prior adverse audit experience, total dollar outlays, and other types of vulnerability factors. In instances where an entity's audit record and other factors are favorable, there would be less need to conduct an audit, and audit resources would be directed toward entities which reflect greater vulnerabilities.

Question: What steps have been taken to ensure that audits being peformed meet appropriate quality standards?

Answer: The Department's quality assessment program consists of (1) desk review of the audit reports, (2) working paper reviews and (3) on-site reviews. All audit reports are desk reviewed before release, the working papers supporting a selected number of the audit reports are then reviewed, and a percentage of these working papers are traced to source documentation at the audit site.

Question: What steps have been taken to assure that the surveillance over CETA prime sponsor audits is adequate to oversee the subgranting or contracting of CETA funds?

Answer: The CETA audit guide contains provisions for auditors to examine the controls over funds to subgrantees or contractors and requires examination of these controls as a normal part of the audit.

The unified audit provides for the audit of the prime sponsor as well as the audit of an adequate number of subgrantees and contractors to enable an opinion to be expressed regarding the entire grant operations.

IMPACT OF TRAVEL RESTRICTIONS ON OIG

Question: Recent Presidential orders have restricted the use of travel funds. The most recent order called for a 15 percent decrease in the use of such funds. These restrictions tend to have a heavy impact on travel functions, such as audit and investigation. How will the recent travel restriction be implemented in the Department and will any effort be made to minimize the impact on the Office of Inspector General functions?

Answer: The Department is currently assessing the impact of travel restrictions on all Departmental Management programs to ensure minimum interruption of high priority activities, including high priority activities in the Office of Inspector General. Every effort will be made to minimize the impact on major programmatic areas, although a reduction in travel will reduce the level of program activities in all areas.

EFFECTIVENESS OF THE OIG

Question: How effective has the Inspector General's Office been in conducting investigations of Labor Department program?

Answer: In FY 1980 the OIG responded to complaints referred to the OIG and initiated two major proactive investigations into DOL programs. The major investigations are not yet completed. Those efforts resulted in: 468 investigations opened; 214 referred to U.S. Attorneys or local prosecutors; 64 indictments; and 57 convictions.

SAVINGS BY OIG

Question: How much has the Inspector General's Office saved the taxpayers in relation to its cost of operations?

Answer: At present we have available measures which are very limited in their scope and applicability. For FY 1980 those current measures indicate: $111,312,114 in disallowed costs, $808,405 in recoveries, and $4,900,000 in savings. Specifically for CETA, from its inception through August 1980, our audits resulted in $66,700,000 in questioned costs, $20,200,000 in disallowed costs and $6,700,000 collected. OIG is planning a major project to develop standard performance indicators which would be applicable to all OIG program efforts and which will provide solid measurements of dollar savings, losses prevented, etc.

UNRESOLVED AUDITS

Question: The Supplemental Appropriations Act for 1980 requires that pending unresolved audit findings be resolved by September 30, 1981. At that time about $284 million in Labor Department audit findings were in question. What action has been taken to resolve these findings and will the September 30 target be met?

Answer: The FY 1981 Supplemental Appropriations Act, Section 305, states:

> "All unresolved audits currently pending within agencies and departments, for which appropriations are made under this Act, shall be resolved not later than September 30, 1981. Any new audits, involving questioned costs, arising after the enactment of this Act shall be resolved within 6 months."

The Department is confident it will meet this requirement. Most of our audits are of ETA programs and actions taken by ETA to meet this goal include:

-- Notifying ETA managers (1) that all audit reports more than 180 days old must be resolved before September 30, 1981 and (2) that ETA's FY 1981 goals and objectives plan was revised accordingly.

-- Continuing ETA's intensive campaign to reduce its audit backlog. ETA counts any audit report more than 120 days old without a Final Determination by the grant officer as a part of its backlog. This backlog was reduced by 35 percent in FY 1980.

The overall backlog reduction campaign includes these elements:

-- Provided grant officers, their technical support staff, and grantees training in audit resolution and debt collection. All training is complete except for grantee training, which is about 50 percent complete.

-- In 1980, ETA developed and disseminated firm policy in audit resolution and debt collection. These policy issuances formed the basis for the above-noted training.

-- Corrective action plans for eliminating the audit backlog were negotiated with regional administrators and national office components.

-- Monthly progress reports are required, so that progress is continually reviewed against plan.

-- Backlog reduction requirements are included in the SES performance standards of appropriate ETA managers.

The Office of Inspector General and ETA have scheduled a "halfway point" evaluation of progress toward meeting the September 30, 1981 deadline. This evaluation will be completed by mid-March 1981 and an intensified effort, directed at individual managers and program units, will ensure that any audit report issued before April 1981 will be resolved by September 30, 1981.

Question: As of September 30, 1980, what was the dollar value of unresolved/questioned costs?

Answer: At September 30, 1980, there were 987 unresolved audit reports with $284 million in questioned costs.

Question: What criteria are being used to resolve the audits.

Answer: Most audit activity is in the ETA program area and efforts to improve audit resolution have been concentrated with that agency. The criteria that ETA grant officers use in resolving audits are set forth in Field Memorandum 80-80, dated January 1980, which is excerpted below:

Grant Officer's latitude in allowing and disallowing costs. The grant officer shall consider the following rules in determining whether to allow or disallow questioned costs:

a. Violation of statute. Any item of cost which violates applicable statutes must be disallowed. Consult the Office of the Solicitor, where interpretation of statutes is involved.

b. Violation of regulations. Any cost which clearly and unequivocally violates the CETA regulations must be disallowed.

c. Allowability under Section 676.88 (c). The CETA regulations, at Section 676.88(c), add five criteria to be considered when the questioned costs are "associated with ineligible participants and public service employment programs." In essence, these five criteria permit the grant officer to allow certain costs when a grantee's program management systems (e.g., eligibility determination systems) meet ETA requirements, even though a few inadvertent but otherwise "unallowable" costs were incurred, e.g., the grantee's system failed to screen out a few ineligibles. The Office of the Solicitor has indicated that the phrase "costs associated with ineligible participants and public service employment programs" means "cost associated with ineligibles (in any Title and program activity) and costs associated with PSE programs (under any Title)." Thus, any PSE questioned cost may be tested against the five criteria. The cost may be allowed if it meets all applicable criteria. The burden of proof is upon the grantee in showing that these criteria have been met...

d. Violation of grant terms. A cost must be disallowed if it clearly and unequivocally violates grant terms and conditions.

e. Violation of grantee subgrant or contract. Subgrants and contracts let by a (prime) grantee are often more restrictive, in the range of activities and types of cost permitted under that subgrant or contract, than is ETA's grant with the prime. Therefore, it is possible that a cost could be unallowable under the subgrant/contract but allowable under the CETA regulations. If the grantee subsequently allows and accepts such a cost, the ETA grant officer need not disallow the cost.

f. Strength and validity of the evidence.

(1) Where the evidence (e.g., the findings of an audit report) is weak or inconclusive, an attempt should be made to secure additional supporting facts or evidence. If the grant officer determines that all available evidence, including evidence received after issuance of the final audit report, is too weak to support a disallowance, the cost may be allowed. In evaluating such new evidence, the grant officer should consider the advice and analysis of OIG, particularly with regard to the original audit workpapers.

(2) Notwithstanding (1) above, incurred costs must be supported by required source documentation such as time and attendance records, bills and invoices, and cancelled checks: the grantee's inability to produce such documentation is in itself supportable grounds for disallowing questioned costs.

g. ETA policy on specific items of cost. The ETA National Office, from time to time, may issue policy directives on the allowability of specific items of questioned costs which appear

frequently in audit reports. These issuances will be based on Solicitor's opinions, legal precedents, etc. and published in a series... The grant officer should use these issuances as a basis for allowing and disallowing questioned costs.

h. Exceptions to general principles. Costs must be allowed or disallowed in accordance with the above-noted general principles, except as noted below:

(1) The Solicitor advises that the cost is allowable. Suppose the grant officer believes--based on common sense, good business judgment, fairness, the good of the program, etc.--that a questioned cost should be allowed, but the questioned cost appears unallowable based on the general principles in "a" through "g" above. In such cases, refer the problem to the Solicitor. The Solicitor then will examine whether there is a legal justification for allowing the costs. If the Solicitor does not respond in time for the grant officer to meet audit resolution deadlines, disallow the cost.

(2) Higher ETA authority directs, after a hearing is requested, that the cost should be allowed. The grant officer's latitude in allowing and disallowing costs is restricted, as noted above. However, higher ETA or DOL officials have more latitude. This additional latitude will be employed only after the final determination is issued and a hearing is requested. When the hearing is requested, the questioned cost may still be allowed, but the power to allow the questioned cost passes from the grant officer to upper-level ETA management, in consultation with the Solicitor and the Administrative Law Judge.

Question: How many of the unresolved audits are over a year old?

Answer: At September 30, 1980, there were 739 audits with $183 million in questioned costs which were unresolved and were more than one year old.

Question: When are questioned costs removed from control records?

Answer: Most audit activity is in the ETA program area. Therefore, while similar systems exist for all DOL program areas, the ETA system will be described in answering the question.

ETA utilizes a manual system for establishing accounts receivable. This system eventually will be replaced by an automated system, which is complete except for building and testing of the data base.

The manual system does not record questioned costs. It does record, as accounts receivable, questioned costs disallowed by the grant officer.

The automated system will record questioned costs, allowances and disallowances, and the disposition of all accounts receivable.

Both systems follow the same rules for deleting accounts receivable. Accounts receivable are:

- Reduced as repayments are received and accepted by the grant officer.

- Deleted (after aggressive ETA administrative collection efforts fail) when a claim of $20,000 or more is referred to the General Accounting Office (GAO) for compromise or termination. (In such case, the deleted accounts receivable are picked up on GAO's books.)

- Deleted (after aggressive ETA administrative collection efforts fail) when a claim of less than $20,000 is compromised or terminated by ETA.

- Deleted (after aggressive ETA administrative collection efforts fail) when the claim is referred to the Department of Justice (DOJ) and DOJ declines to initiate civil action (to collect the debt) or fails to win such an action.

Question: What is the cumulative amount of debt collection compared to questioned costs for the last three years?

Answer: Because the data base for ETA's automated accounts receivable system is still being built, we do not have data immediately available in the array requested. However, based on our last study, we have cumulative data from the inception of CETA through August 15, 1980. The data shows that the Department has collected 31 percent of the amount disallowed by Grant Officer Final Determinations.

	Amount	Grant Officer Final Determinations		
Audits Resolved	Questioned By Auditors	Amount Allowed	Amount Disallowed	Amount Collected As of 8/15/80
392 reports	$66.2 mil.	$46.0 mil.	$20.2 mil.	$6.2 mil.

To this point, ETA efforts in regard to audits and debts have focused upon (1) developing policy, (2) training ETA staff and grantees, (3) reducing audit backlogs, and (4) beginning the collection process. The next step in that effort is to replace the manual system with an automated system (nearly complete) which will produce current data in a timely manner.

Question: Why are disallowed costs significantly less than questioned costs?

Answer: Audit exceptions are significantly greater than disallowed costs for four basic reasons:

- Questionable costs. OIG audit reports present two kinds of audit exceptions: (1) questionable costs and (2) costs recommended for disallowance. The preponderance of audit exceptions fall into the "questionable cost" category, e.g., costs for which the auditor could not find adequate supporting records or documentation. Subsequent to release of the final audit report, the grantee may present evidence, records, or documentation to support the questionable expenditures. Such evidence or documentation is frequently presented (1) with formal grantee comments on the final

audit report, (2) at informal resolution sessions required under the Act and regulations, or (3) prior to or during a formal hearing before an Administrative Law Judge. Thus, in allowing audit exceptions the grant officer is usually dealing with "questionable costs" and is accepting new evidence or documentation that was not available when the final audit report was issued. Thus, the grant officer, in most cases, is not "overruling" the auditor.

- Borderline cases and gray areas. When in doubt, the auditor should question a cost. Borderline cases and costs falling into "gray areas" should be brought to the grant officer's attention, and let the grant officer decide if the cost is truly unallowable.

- The five criteria. The five criteria at 29 CFR 676.88(c) are applied by the grant officer, not the auditor. The auditor would be remiss if he/she failed to question a cost, associated with ineligible participants, which appeared to violate any section of the regulations. However, the grant officer has the authority to apply the five criteria and, if the grantee is "faultless" in light of these criteria, allow the cost.

- Differences between agency and OIG. There have been instances where an agency has interpreted its legislation, regulations, and grant requirements differently from OIG; e.g., an auditor may question a cost based on an OIG interpretation of a CETA regulation and grant officer, using an ETA interpretation might allow that cost. A small number of troublesome, commonly recurring items of cost cause most of the differences of interpretation between the agency and OIG. Recently ETA and OIG entered into an agreement to resolve these differences and have identified, resolved, and promulgated to auditors and grant officers joint positions on eleven of these troublesome, common items of cost in ETA programs.

IMPACT OF THE HIRING FREEZE ON OIG

Question: In the past the Inspector General's office has indicated that the shortage of staff and money has had a significant negative impact on its ability to carry out audits. What impact has the hiring freeze had on filling Inspector General staff positions?

Answer: At present OIG is authorized to fill positions by reassignments from within the Department of Labor on a one-for-one basis as employees separate or transfer out of OIG.

Question: How many of your authorized positions remain unfilled?

Answer: Thirty full-time permanent positions.

FRAUD CONTROL PLAN

Question: Has the joint Inspector General - Employment and Training Administration plan for fraud abuse control been finalized?

Answer: OIG and ETA have established a special task group to address audit resolution problems and other matters of mutual concern. This group has made real progress in the areas of both issuance and resolution of Audit reports. Another area of cooperation is the survey of cash management practices within the CETA program. That effort is not yet complete but expected to result in significant recommendations for improved CETA cash management.

Question: What is the joint plan of action to address this concern?

Answer: OIG's Office of Investigations has effected a Memorandum of Understanding with CETA which provides for exchange of information and the reporting of vulnerabilities identified from proactive and reactive investigations.

Question: What resources -- staff and dollars -- have been committed to achieve these plans?

Answer: Separate staff and budget have not been identified for this effort as it is considered part of the overall OIG responsibilities.

CETA AUDITS

Question: How often are CETA prime sponsors audited?

Answer: In FY 1979 and 1980 we issued 120 and 114 final audit reports, respectively, on the 474 prime sponsors. At this rate we are, on the average, auditing CETA prime Sponsors once every four years.

Question: How often are subcontractors audited, and by whom?

Answer: The prime sponsor is responsible for having the subcontractors audited, and 41 CFR 29-70 requires that subcontractors are to be audited every two years.

The audits are usually conducted by CPA firms or State or local government audits. The Department performs quality assessment reviews of these audits.

Question: Does the Inspector General's office review these audits?

Answer: Yes. Audit reports are reviewed when they are first submitted to the Office of Inspector General. They are reviewed again when the audit of the prime sponsor takes place. During Fiscal Year 1980, over 8,000 subgrantee audit reports were reviewed.

Question: What assurance does the Labor Department have that subgrantee audits are being done?

Answer: During FY 1980, there were a total of 9,036 audit reports received by OIG. Of these 8,333 were reviewed and 586 (7 percent) were rejected as not meeting DOL standards.

IMPOSING SANCTIONS ON CETA GRANTEES

Question: Has the Office of Inspector General ever recommended that the Employment and Training Administration take sanctions -- such as stop funding of grantees or subgrantees -- with high questioned or disallowed costs or significant financial management problems?

Answer: In March 1979, the Office of Inspector General issued a policy directive which stated:

"Reports containing a disclaimer (of opinion) because of unauditable conditions must contain a recommendation to the Employment and Training Administration to suspend funding the grantee until corrective measures have been taken."

Question: Has criteria been promulgated for such actions?

Answer: The Office of Inspector General can recommend such actions and has promulgated criteria for doing so. There have been several audit reports containing this recommendations affecting subgrantees.

GRANTEE'S CONTROL OVER SUBCONTRACTOR FUNDS GRANTED

Question: Does Labor require that audits of subcontractors analyze grantees' control over funds granted to subcontractors?

Answer: Yes. The CETA audit guide requires that audits of subcontractors analyze grantees' control over funds granted to subcontractors.

Question: Is this an effective control over mismanagement?

Answer: Yes. The most effective way to analyze the grantees' control over funds granted to subgrantees is at the grantee level. At this level, the auditor has the full perspective of the controls and can see the results of their implementation by examining evidence from several subgrantees.

Auditors report all weaknesses found during their examination, whether they exist at the grantee or the subgrantee level.

SUBCOMMITTEE RECESS

Senator SPECTER. The subcommittee will now recess until Tuesday, February 17, when we will meet in this room at 10 a.m. to discuss appropriation requests for the Health Services Administration.

Thank you.

Mr. REISE. Thank you, Mr. Chairman.

[Whereupon, at 11:56 a.m., Thursday, February 5, the subcommittee was recessed, to reconvene at the call of the Chair.]

[CLERK'S NOTE.—Testimony of the Secretary of Labor is printed next, so that testimony of all Labor Department witnesses appears in the same volume.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

TUESDAY, APRIL 7, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 3:10 p.m., in room 114, of the Everett McKinley Dirksen Senate Office Building, Hon. Harrison Schmitt (chairman) presiding.

Present: Senators Schmitt, Andrews, Specter, Byrd, and Burdick.

DEPARTMENT OF LABOR

STATEMENT OF HON. RAYMOND J. DONOVAN, SECRETARY OF LABOR

ACCOMPANIED BY:

ALFRED M. ZUCK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT
ALBERT ANGRISANI, ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING
THORNE AUCHTER, ASSISTANT SECRETARY FOR OCCUPATIONAL SAFETY AND HEALTH
JANET L. NORWOOD, COMMISSIONER OF LABOR STATISTICS
THOMAS J. SHEPICH, ACTING DEPUTY ASSISTANT SECRETARY FOR MINE SAFETY AND HEALTH
CRAIG BERRINGTON, ASSOCIATE DEPUTY UNDER SECRETARY FOR EMPLOYMENT STANDARDS
HILARY SHEPLY, ACTING DEPUTY ASSISTANT SECRETARY FOR LABOR-MANAGEMENT SERVICES
MARY ANN WYRSCH, DIRECTOR, OFFICE OF BUDGET

SUBCOMMITTEE PROCEDURE

Senator SCHMITT. The subcommittee will come to order.

This afternoon we continue a series of hearings with the Secretaries of the Departments of Labor, Health and Human Services, and Education.

This is our 10th week of hearings, begun in late January with a week of economic overview hearings by the full Appropriations Committee. During February and March, we held hearings examining the specific programs under the jurisdiction of this subcommittee with both administration witnesses and various interest groups and individuals.

The distinguished Senator from Pennsylvania was very, very helpful, as were many of my colleagues, in insuring that those hearings were carried out in a timely fashion, and the subcommittee has the basis now to proceed quickly, we hope, to mark up both the rescission bill as well as the fiscal year 1982 appropriation bill.

We have saved the best for last. That is the testimony directly from the Cabinet Secretaries who have been deeply involved in the decisionmaking of the Reagan administration, which produced the budget recommendation we are considering. We plan to cover not just fiscal year 1982 requests but fiscal year 1981 supplementals, rescissions, and deferrals as well in the course of the hearing. In many cases, these latter items must precede the major long-range changes being proposed by the administration.

Today the subcommittee is very pleased to welcome the Secretary of Labor, Raymond Donovan. Mr. Secretary, we welcome you to your first appearance before the subcommittee, and we look forward to your presentation of the Labor Department's appropriations requests.

Your statement, if necessary, will be included in its entirety in the record, if you wish to summarize it, and then we will proceed with questions.

Would you introduce your colleagues at the table with you for the record.

INTRODUCTION OF ASSOCIATES

Secretary DONOVAN. Thank you, Mr. Chairman. I do have a short summary statement. Before that I will introduce my colleagues.

On my direct left is Alfred Zuck, Assistant Secretary for Administration and Management. On my direct right is Albert Angrisani, Assistant Secretary for Employment and Training; Thorne Auchter, who is Assistant Secretary for Occupational Safety and Health. Next to Mr. Angrisani is Janet Norwood, Commissioner of Labor Statistics, and on my far right is Mary Ann Wyrsch, Director, Office of Budget.

Mr. Chairman and members of the committee, I am pleased to have the opportunity to appear before you today to discuss the Department of Labor's revised appropriations request for fiscal years 1981 and 1982. With your permission, I would like to make a brief summary statement and submit the full statement for the record.

PREPARED STATEMENT

Senator SCHMITT. Without objection, so ordered. The statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF RAYMOND J. DONOVAN

I am pleased to have the opportunity to appear before you today to discuss the Department of Labor's revised appropriations request for Fiscal Years 1981 and 1982.

Before addressing the details of the Department's revised requests, I want to discuss briefly the basic philosophy which governs the budget revisions that we are proposing.

As you know, the reduction in the growth of Federal expenditures is a key element of the President's comprehensive program for economic recovery. This program of budget control, tax reduction, regulatory reform and a stable monetary policy is necessary to halt the growth of inflation and reduce the high levels of unemployment that are plaguing our economy.

The budget reductions for Department of Labor programs were developed within the context of the criteria set forth by the President in his Program for Economic Recovery. Among these criteria are the removal of programs which have not proven effective, or which have strayed from their original purpose. Other criteria are the reduction of Federal programs which have been created as subsidies rather than real assistance to persons affected by economic downturns, and the increased use of block grants to State and local governments for service delivery. In determining our budget reductions, we have kept in mind that the truly disadvantaged must be provided for, and that the resultant sacrifices of budgetary reductions must be shared in an equitable fashion.

The Department of Labor's Fiscal 1982 request to the Appropriations Committee is $11.0 billion in Federal fund budget authority and $2.2 billion in trust fund transfer authority, for a total of $13.2 billion in funding for Fiscal 1982. This represents a reduction from our original request to the Committee of $6.1 billion in Federal funds and $246 million in trust funds. In addition, we have submitted revisions to our 1981 budget requests. These changes include the rescission of funds in the Temporary Employment Assistance Account of $234 million, and reductions in our program supplementals of $2.3 million in Federal funds, and $88 million in trust fund transfer authority. New 1981 program supplemental totals are $4 milion in Federal funds and $29 million in trust fund transfer authority.

Total requests for 1981 pay supplementals has been reduced to $20.3 million in Federal funds and $1.5 million in trust fund transfers, an overall reduction of

$22 million in Federal funds and $300 thousand in trust fund transfers.

The above amounts exclude savings anticipated from certain legislative changes in entitlement programs which have been proposed by the Department, and which will require amendments to appropriations once legislation is enacted. For Fiscal Year 1982, these savings are estimated to be $1.6 billion in Federal funds.

The proposal for change in entitlement programs include amendments to the extended unemployment compensation law to eliminate the national trigger, change the method of calculating the insured unemployment rate for purposes of determining extended benefit eligibility, to raise the State extended benefit trigger, and to require a minimum period of work history to determine eligibility for extended benefits.

In the Trade Adjustment Assistance (TAA) program, we are proposing to limit TAA payments to the amount of unemployment compensation payments, and to delay payment of these benefits until potential recipients have exhausted all unemployment benefits.

Other changes to the basic unemployment compensation laws would encourage a return to work following a basic period of unemployment and eliminate unemployment benefits for ex-servicemembers who voluntarily leave the military, or are discharged for cause.

In the Federal Employee's Compensation program, the Department proposes to eliminate incentives for questionable claims and disincentives for return to work by Federal employees who are receiving worker's compensation for job-related injuries. We believe these reforms will restore a more equitable balance between the competing objectives of providing adequate compensation to disabled workers and their families while at the same time providing positive incentives for workers to return to work as soon as they are medically able.

In addition to the legislative proposals outlined above, the Department is currently working within the Administration to review options for changes in the Black Lung program that would result in solvency for the Black Lung Disability Trust Fund. Since these proposals are still under consideration, it would be premature to discuss them until the Administration has developed a proposal for submission to the Congress for its deliberation.

Changes currently shown in Departmental appropriations for Federal Unemployment Benefits and Allowances (FUBA), Advances to the Unemployment Trust Fund, Special Benefits, and the Black Lung Trust Disability Fund relate primarily to changes in economic assumptions and technical reestimates and include necessary amounts for unemployment compensation for former PSE employees. Each of these appropriations requests would be reduced if proposed legislation is signed into law..

A major portion of the $6.2 billion reduction in requests for Federal funds in Fiscal 1982 relates to the phase out of the public service jobs programs funded under Titles II-D and VI of CETA. These programs, which provide for subsidized employment in State and local government and non-profit agencies do not support the Administration's primary goal of increased unsubsidized private sector employment. The intent of this Administration is to refocus CETA on its primary purpose of training and reemployment services.

For Title II-D, under the Employment and Training Assistance appropriation, we propose to defer $607 million from Fiscal 1981 to Fiscal 1982. We are withdrawing our Fiscal Year 1982 request of $2.8 billion for the II-D program. For Title VI, under the Temporary Employment Assistance appropriation, we are proposing the Fiscal Year 1981 rescission referred to above, and the withdrawal of our Fiscal Year 1982 request for $1.1 billion.

The formal transmittal in January to the Committee for Employment and Training Assistance did not provide for Special Youth Programs funded under Title IV-A of CETA for which appropriation authority has expired. That budget contemplated a later transmittal for youth programs of $1.125 billion under new legislation. This Administration will not submit separate youth legislation, but, rather is proposing to consolidate services to youth under Title II-B, C, the basic training provisions of CETA. The total budget authority request for Title II-B, C will be $1.5 billion. Although, this represents a net reduction of $589 million from the January budget authority request, it reflects the $607 million deferral of 1981 Title II-D authority into 1982. It provides an increase of $17 million over the January budget in resources available for the basic training program. We anticipate that the prime sponsors will be able to develop more effective programs under the combined programs by enhancing the prime sponsors authorities to tailor the programs to best meet the local needs.

Other changes in the Employment and Training Assistance appropriation relate to reductions in the Special National Programs, the elimination of the Welfare Reform Demonstration Program, and the elimination of the proposed Positive Adjustment Assistance Demonstration Program. We are also proposing to reduce the $62 million increase for Job Corps Capital Improvements in the January request to $47 million.

The Department will maintain its January requests of $325 million for the Private Sector Initiative Program funded under Title VII of CETA, and $277 million for the Community Services Employment for Older Americans Program.

In the Grants to States Account, the Department is reducing its Federal fund request by $4.4 million, as part of an overall reduction of Employment Service funding of $150 million.

The salaries and expenses appropriations reflect $25 million in reductions to the Fiscal 1981 pay and program supplemental request, and a $74 million reduction in FiscalYear 1982. These savings will be achieved in part by reducing overall employment levels in Fiscal Year 1981 by 900 from December 31, 1980 employment levels. Further employment reductions of 308 will be achieved in Fiscal Year 1982. These savings will also result from reductions in state grants, research, travel, consulting services, and furniture and equipment purchases.

Mr Chairman, this concludes my prepared statement. I will be happy to answer any questions you have.

BUDGET REDUCTIONS

Secretary DONOVAN. The reduction of the growth of Federal expenditures is the key element of the President's comprehensive program for economic recovery. This program of budget control, tax reduction, regulatory reform, and stable monetary policy is necessary to halt the growth of inflation and reduce the high levels of unemployment that are plaguing our economy.

The budget reductions for the Labor Department programs were developed within the context of the criteria set forth by the President and his program for economic recovery. Among these criteria are the removal of programs which have not proven effective or which have strayed from their original purpose.

Other criteria are the reduction of Federal programs which have been created as subsidies rather than real assistance to persons affected by economic downturns, and the increased use of block grants to State and local governments for service delivery. In determining our budget reductions, we have kept in mind that the truly disadvantaged must be

provided for and that the resultant sacrifices of budgetary reductions must be shared in an equitable fashion.

The Department of Labor's fiscal year 1982 request to the Appropriations Committee is $11 billion in Federal fund budget authority and $2.2 billion in trust fund transfer authority, for a total of $13.2 billion in funding for fiscal year 1982. This represents a reduction from our original request to the committee of $6.1 billion in Federal funds and $246 million in trust funds. In addition, we have submitted revisions to our 1981 budget requests.

These changes include the rescission of funds in the temporary employment assistance account of $234 million and reductions in our program supplementals of $2.3 million in Federal funds and $88 million in trust fund transfer authority. New 1981 program supplemental totals are $4 million in Federal funds and $29 million in trust fund transfer authority.

The amounts I just mentioned exclude savings anticipated from legislative changes in entitlement programs which have been proposed by this Department and which will require amendment to the appropriations once legislation is enacted. These savings are estimated to be $1.6 billion in Federal funds.

This concludes my summary, Mr. Chairman. My staff and I will be happy to answer any questions you or the members of your committee may have.

Senator SPECTER [presiding]. Mr. Secretary, we have had a temporary shift of chairmen because a vote has just been called and Chairman Schmitt has departed to vote. Hopefully, he will return before the next set of buzzers go off, and if he does not, we shall be without a chairman for a short period.

JOB TRAINING REDUCTIONS

Mr. Secretary, what is the total reduction in the programs under the category of job training in the 1982 budget, reduced from what had been submitted by the former administration?

Secretary DONOVAN. In the training portion alone, Senator?

Senator SPECTER. Yes.

Secretary DONOVAN. Al Angrisani can give you those exact numbers, I believe.

Mr. ANGRISANI. Senator, are you talking specifically about II–B/C of CETA?

Senator SPECTER. CETA would be one program. What is the reduction as to C?

Mr. ANGRISANI. There are several areas in CETA, and let me just run down the three primary categories.

Title II–B/C, which is our primary training vehicle, which is essentially the basic program established under the CETA Act of 1973, has a reduction of $589 million.

Senator SPECTER. From what?

Mr. ANGRISANI. From the Carter budget.

Senator SPECTER. Which was what figure?

Mr. ANGRISANI. According to what I have here, $2.117 billion to a Reagan budget figure of $1.528 billion.

Senator SPECTER. The question I have for you, Secretary Donovan, is one which has been propounded to me on many, many occasions. With such heavy emphasis on the President's program for the creation of jobs and job opportunities, why is there such a cut in the programs for job training which would seem to be in the mainstream of what President Reagan has proposed in order to revitalize the economy?

Secretary DONOVAN. This area of our budget was the most difficult to cut. You are correct. Training for the private sector is the long-range answer to the problems that we face. These cuts came in the third attempt at bringing the budget under control. We hope to cushion some of the effect here—and Al Angrisani can again get into some of the details—by approaching this in a block grant manner, so that we can recoup some savings in administration. From the evidence that's been given to me, it could be substantial.

Al, would you like to add to that?

Mr. ANGRISANI. Well, I think the Secretary stated the case. I think we should make clear for the record, though, that the reduction in training funds that we are proposing here in the budget does not necessarily mean the elimination of training. Even after the CETA cuts, we will have in excess of $5 billion in training money. I'm told that this $5 billion identified as a percentage of GNP far exceeds the percentages of many, many past administrations.

So I think we should at least couch this situation in terms of the fact that there will be training money available, and hopefully, sir, when we get into rewriting CETA next year, we will be able to sharpen the focus and perhaps with fewer dollars accomplish a lot more than is being accomplished right now.

METHOD OF DETERMINING CETA REDUCTIONS

Senator SPECTER. Mr. Secretary, the CETA program has come under a great deal of criticism of a variety of sorts, politically a sign to jobholders at the local level without some real regard for the kind of training or the kind of personnel.

I have been visited recently by the two distinguished Commissioners from Lackawanna County, Pa.—Commissioner Lugar and Commissioner Petinada—who brought to my attention the very critical aspect of CETA there. It is, I think, an admittedly very well-administered program and very central to the county's operation. And they have raised the concern with me that the cuts in CETA will very seriously cripple Scranton which is in Lackawanna County.

My question is, Might there be some consideration from the Department of Labor to making an analysis as to the effectiveness of the CETA programs with some particularity so as to retain those which have functioned effectively and cut back on those which have not—the scalpel approach as opposed to the more generalized treatment which has been rendered up to the moment?

Secretary DONOVAN. That's a logical suggestion, but in view of the budget cuts demanded by our Department, we obviously concentrated on those areas of CETA that have been least effective. Generally speaking Lackawanna County may be an exception—I think Baltimore is, too—but there is tremendous evidence that in public sector training,

CETA was ineffective which, generally speaking, led to blind alley jobs and did not prepare the participants to enter the private sector.

In addition, the costs are three times greater than training programs, and the results of the reports that we are getting indicate that only 30 percent of the participants find their way into private sector jobs. It has been one of the least effective areas of CETA.

The difficulty in making specific exceptions——

Senator SPECTER. Mr. Donovan, I hate to interrupt, but that's the call for all of those who have not reported to the floor to do so. These votes are very important. I must leave now, so we will stand in recess until Chairman Schmitt returns.

Secretary DONOVAN. Thank you.

[A brief recess was taken.]

Senator SCHMITT [presiding]. The hearing will come to order.

Mr. Secretary, there may be some misunderstanding. Do you have to leave at 4:15?

Secretary DONOVAN. Yes; I have to go to that Senate dinner, and I'm sitting on the dais, so I have to go home and get a tuxedo.

Senator SCHMITT. Mr. Secretary, that isn't going to work. We're going to have votes like this all afternoon. That gives us 45 minutes to cover a tremendous amount of information. So if you would ask your staff to think about not only this afternoon's schedule while we go ahead, but also about some alternative time. We aren't going to get through this afternoon.

Secretary DONOVAN. My staff is willing to stay.

Senator SCHMITT. Mr. Secretary, this is your hearing. You've never appeared before this subcommittee before.

Secretary DONOVAN. All right. We'll pass the dinner. I'll stay, but your staff was notified, Senator Schmitt.

Senator SCHMITT. I'm not aware of my staff being notified.

MISUSE OF CETA DISCRETIONARY FUNDS

Mr. Secretary, there was a recent account in the Washington Post of possible abuse, fraud, and mismanagement of CETA discretionary funds during the last week of the Carter administration. Have you found out so far about any problems in this particular case?

Secretary DONOVAN. The Inspector General's Office of the Labor Department is investigating that right now. I expect a report in my office within 30 days. We are taking certain actions in that area, and Mr. Angrisani can address the specific actions we have taken to date.

Mr. ANGRISANI. Mr. Chairman, it came to my attention shortly after this administration took office that there was an oversubscription or overcontracting to titles III and IV discretionary funds in the amount of approximately $42 million, constituting something in the neighborhood of about 15-percent overcontracting.

We were aware of this, and we had to immediately reevaluate all of these programs to determine how this had to be addressed. I believe that under the Anti-Deficiency Act, we cannot exceed our budget authority, and this clearly would have put us in excess of that authority.

My staff embarked upon a major review of these programs, trying to identify where the oversubscription or overcontracting occurred. We

feel we have identified it. Most of it was in the period between November 5 and January 20.

We have dealt with the matter after careful evaluation of every single contract by moving to cancel certain contracts and to reduce the funding amounts of others. We feel that we approached it in a fair, equitable, and responsible manner.

I think that's all I can say. The matter is currently under investigation in our Inspector General's Office, and I think if you need more specifics than that, we'd probably have to get into it with the Inspector General.

Senator SCHMITT. In your investigation, have you seen any possible violations of law?

Mr. ANGRISANI. I would not feel comfortable commenting on that at this point in time. I would like to refer that to the Inspector General.

OVERUSE OF TRAVEL VOUCHERS

Senator SCHMITT. Is there any evidence of overuse of official travel vouchers?

Mr. ANGRISANI. That matter is also currently under investigation in the Inspector General's Office and it would be improper for me to comment on it.

SAFEGUARDS AGAINST ABUSE OF DISCRETIONARY FUNDS

Senator SCHMITT. Based on your investigation, what procedures are you instituting to safeguard against possible abuse of this kind in the future, particularly with respect to use of departmental discretionary funds?

Mr. ANGRISANI. Mr. Chairman, right now we have a freeze on any contracting to be sure that even after these cuts that we have made there will be no problems, and I have appointed Mr. William Kascvinsky of our staff to be responsible for all discretionary funds, and he is reporting to me on a daily basis on the magnitude of this problem.

One of the moves that we are making is that we are making sure that our own office controls sole-source contracting. We will work to maintain control on all contracts.

I personally will review every discretionary CETA contract that comes out of the Department. I will hold myself personally accountable.

METHOD OF HANDLING PREVIOUSLY AWARDED CONTRACTS

Senator SCHMITT. Is there any step being taken to deal specifically with the contracts that were let during this period of time? Or do you feel that that takes action by the Inspector General first?

Mr. ANGRISANI. As I indicated, Mr. Chairman, we canceled a certain number and reduced funding on others. We did this in consultation with our solicitor's office, and we've been informed that we are on proper legal grounds. Many of these funds were allocated by TWX as opposed to a written contract. I don't believe we can personally do anything else. Any legal prosecution that may result will have to come out of the Inspector General's Office.

AMOUNT TO BE RECLAIMED FROM CONTRACT CANCELLATIONS

Senator SCHMITT. How much money do you expect to be reclaimed by the cancellation?

Mr. ANGRISANI. Our goal is $42 million, and our cancellations, of course, went beyond that, because a good portion of this money has been spent. So we may not get back 100 cents on every $1 that we claim. However, we feel we will come close to this $42 million.

Certainly we have to stay within our budget authority.

Senator SCHMITT. Will any of this be reflected in the rescissions?

Mr. ANGRISANI. I don't believe so, sir.

Senator SCHMITT. Mr. Secretary, Senator Andrews will chair the hearing for about 5 minutes.

I appreciate it, Senator Andrews. Welcome.

Senator ANDREWS [presiding]. Nice to be back.

CANCELLATION OF CETA CONTRACTS

I'd like to carry on a little bit about some of the CETA cancellations, particularly what we are doing about them. In my State, which is probably one of the most rural States in the Nation, we have rural water and sewer systems, and they used CETA to do a study, an evaluation study, of how they're going to deal with water, wastewater programs. The contract with CETA was for $400,000. We now find the present administration spending $417,000 to investigate this award. How do we save money by spending $417,000 to investigate a $400,000 project?

The president of the National Rural Water Association happens to be a constituent of mine, and he happens to be a darn good Republican. But he is particularly upset. What do I tell him?

Mr. ANGRISANI. If I may respond to that.

Senator ANDREWS. Sure.

Mr. ANGRISANI. That was, first of all, not a contract let by this administration.

Senator ANDREWS. No; but this administration spent the $417,000 to investigate, as I understand, the contract that was awarded.

Mr. ANGRISANI. The $417,000 contract to monitor the $400,000 contract was made by the past administration. We have canceled that contract.

Senator ANDREWS. OK; well, you have canceled, then, the contract to make the investigation.

Mr. ANGRISANI. That's correct.

Senator ANDREWS. Which cost more than what they were investigating.

Mr. ANGRISANI. That's correct.

COST OF CANCELING CONTRACTS

Senator ANDREWS. How many other things like that have we got going on? And is there going to be a considerable cost involved in the Department of Labor in canceling these contracts?

Mr. ANGRISANI. As I was indicating to the chairman before, we have canceled in excess of $42 million in contracts. The ones that we felt had

to be canceled are canceled, and this was one of the ones included. In terms of how much it really costs us, we hope nothing. We feel we are on good legal grounds, and we have now brought the funding authority within that title III discretionary account into line with budget authority.

As you know, in the budget proposal there is a major reduction proposed of some 60 percent in the title III discretionary account, which we support. Our purpose will be to reduce funding and at the same time concentrate on those programs where in fact we are getting the biggest bang for our bucks.

IRREGULARITIES IN AWARDING CONTRACTS

Senator ANDREWS. Have you found any irregularities in awarding some of these contracts?

Mr. ANGRISANI. Senator, as I indicated to the chairman, the matter is currently under investigation by the Inspector General's Office. I don't feel I can comment on irregularities until that report is concluded. I'm certain that the Inspector General's Office will make any information available to this committee.

Senator ANDREWS. But you can assure the committee that you are moving ahead in the investigation?

Mr. ANGRISANI. Yes, sir.

PHASEOUT OF PUBLIC SERVICE JOBS ON INDIAN RESERVATIONS

Senator ANDREWS. Now the phaseout of the public service jobs program, CETA, is, as I understand, part of your goal to encourage unsubsidized employment in the private sector, and everyone applauds that. But one segment of my constituency that used the CETA program extensively is the Indian reservations. And there aren't any private employers on Indian reservations. In fact, one of our biggest problems is trying to get industry to locate on the reservations so we can in fact offer job opportunities to native Americans.

Standing Rock Sioux Tribe alone, CETA has provided over 2,000 jobs since 1974, and they estimate the loss of CETA jobs on the reservation will increase unemployment there by at least 20 percent over the present unemployment rate of 68 percent.

Major employers on this reservation, are Bureau of Indian Affairs, Indian Health Service, and the tribal government, they're all Federal agencies. The nearest urban area where the residents of the reservation can go for private sector employment is 65 miles away.

Have you done any analysis of the effect of the loss of these CETA jobs, on the one hand which provide the native American with some pride, some training, and a host of other things, obviously at Government expense, but provides a lot of pluses to the alternative of outright welfare, which is what it's going to have to be supplanted with. You have no dollar savings.

It's a unique situation, I will grant you. But have you looked at the unique situation when you move to eliminate CETA? And have you possibly come up with some suggested alternatives that could fit in these situations in replacing CETA?

Secretary DONOVAN. We recognize the uniqueness and understand their plight. There has been discussion on the work fare program. Al Angrisani can comment on it. In the case of the Indian reservations, PSE has worked as an income supplement, there is no question about it. The Indian reservations are a very unique and sad situation.

I don't know the solution other than a work fare-type program.

Can you add something to that, Al?

Mr. ANGRISANI. Senator, the issue that we are struggling with right now is the concept of training versus income supplement. There is no doubt that this is a unique situation, and it does present a problem. But in terms of defending the administration's position, we have to deal with this notion right now of what was the purpose of CETA, and the purpose of CETA was to train.

If we have a unique situation like that where there are major dislocations in the private sector involved, I'm not sure that we should call it training and try to accomplish something else.

I think we will better serve your constituents and your clients and yourself if we identify the problem and try to deal with it as a basic income supplement mechanism.

Senator ANDREWS. I would hope we could do that. As a matter of fact, I'm not saying CETA per se represented the best that we have to offer native Americans. I'm just saying in 125 years since the Great White Father in Washington began pushing them farther and farther west we have offered the native Americans little but a subexistence on the reservations, and what the answer is obviously is a job. They are very constructive workers, and we found on the two reservations where we have had in effect Government-sponsored plants, one, the Bulova jewel bearing plant, wherever one of our Indians has a job in that plant his home is painted, his yard is clean, his family is doing well, they're not on welfare, and there is a sense of pride and accomplishment.

We've got a plant on another reservation, Ft. Totten Reservation, where Brunswick is making camouflage nets for the Government. As a matter of fact, the productivity is up, the camouflage nets are being produced for the Government at as low a rate as they can get it anywhere else, and native Americans are being offered job opportunities.

They want to stay on the reservation. One of the great things in their culture is living together. They refer to it sometimes as going back to the blanket. Well, they want to go back to the blanket. They want to stay on the reservation.

I think that we ought to have enough initiative—and this isn't the first administration that has taken a look at this. For 20-some-odd years I remember my colleague, Ben Rifle, who was a native American himself, and a proud member of the Sioux Tribe, we attempted to put special incentives in the private sector to get this kind of private sector program on the reservation. Every time we did, somebody screamed tax loophole at us. Now I sense a unique opportunity when we're moving CETA out, which was kind of a halfway house in resolving this problem, that maybe it could stimulate the imagination again on how do we locate this type of plant on or close to these reservations so we can provide productive jobs for all of these people.

I would hope, Mr. Secretary, that we could move in that direction.

COST EFFECTIVENESS OF CETA REDUCTIONS ON INDIAN RESERVATIONS

Do you think that the rise in unemployment and the need for public welfare assistance that's going to result from the loss of these CETA jobs will be cost effective in the long run on Indian reservations?

Secretary DONOVAN. Yes, and for this basic economic reason; unless we get the budget under control and get the President's economic package into law we will have no growth. The situation will only get worse unless economic growth is established. Once that growth is established by the four-phase program of the President's economic package, the budget cut being one, there should be new job opportunities on the Indian reservations.

ALTERNATIVES TO CETA ON INDIAN RESERVATIONS

Senator ANDREWS. The President's economic package, as much as I am in favor of it—and we have a vote going on in the Budget Committee, which is why I wasn't here earlier, and I've got to go back up. We're doing a pretty good job in putting together the President's economic package, as you know. But that President's economic package just doesn't reach through to our native Americans on the reservation. And I think it's about time we get some new initiative established in this new administration, Mr. Secretary. It's kind of, you know, up your alley, really, to take a look and see what your shop can do in constructive collaboration with the Bureau of Indian Affairs and with other people to determine just how we can offer these jobs opportunities in an area that isn't going to be stimulated by the economic stimulus, and supposedly try to help the rest of the economy.

Do you understand——

Secretary DONOVAN. I do. Do you feel the Kemp-Garcia bill or something similar to it would have a positive effect?

Senator ANDREWS. It might. Any type of approach that would provide sufficient incentive to locate the plant close to or on that type of an Indian reservation. And you can put restrictions, if you want to, and I think there ought to be restrictions where the majority of the employees are native Americans and the rest of the benefits go to the people who want to help.

The trouble with ETA is oftentimes it was targeted at Indian reservations, but it missed sometimes by a mile, really, to get anything accomplished.

But I would hope, Mr. Secretary, that you would direct somebody from your shop to take a look at this, and I think for the type of talent you are assembling around you, that you can find a method, a better method really than CETA was, because CETA was really just a halfway house, but it was a uniquely different situation, Indian situation, than it is in the rest of the country.

Secretary DONOVAN. We have a historic opportunity in the next 18 months to do just that.

Senator ANDREWS. I would hope you would.

I also happen to be on the Select Committee on Indian Affairs, and I know Senator Cohen, who is the chairman of that committee is intensely interested in what I am suggesting.

We look to you for any ideas or suggestions you can come up with.

Thank you, Mr. Chairman.

Senator SCHMITT. Thank you, Senator, for filling in and helping us out.

PREVENTION OF FRAUD AND ABUSE

Mr. Secretary, the GAO has reported weaknesses in internal controls over receipts, disbursements, and property at the Department of Labor and its selected CETA grantees. They say this is because managers have concentrated more on delivering program funds and services than providing grantee oversight to insure that controls are adequate to prevent fraud, waste, and abuse.

What steps are you taking to instill the attitude in program managers that prevention of fraud and abuses are of utmost importance and far better than curing it?

Secretary DONOVAN. From what I see after 2 months in the Department, its ability to fund has far outstripped its ability to audit either the dollars or the results desired.

I'm certain that the GAO's observations are accurate. We intend to redirect efforts, particularly in the audit end.

Mr. Al Zuck can give some details on our activities there. We take the obligation very seriously. It was very apparent from initial reports that there was lack of audit and lack of control in that area.

Can you respond to that, Al?

Mr. ZUCK. I infer that the question relates to the GAO report that dealt with inappropriate or lax practices in——

Senator SCHMITT. More specifically what steps were being taken or will be taken to convince the employees of the Department and grantees that prevention of fraud and abuse is better than having to cure it after it's occurred?

Mr. ZUCK. There are two essential parts of that audit report. The first dealt with the CETA prime sponsor State and local units of government, and the big, large outstanding unresolved audit dollars. The Inspector General's Office has audited a large majority of those grants and there are several hundred million dollars of audit exceptions that have been taken that have not yet been resolved.

The Employment and Training Administration, has assigned a high priority to this activity, reviewing those audit reports, working with the prime sponsors to determine which of those questioned costs are in fact legitimate, which were inappropriate expenditures, and then returning whatever funds are available.

The timetable ETA has established would have, in effect, the resolution of those audit reports within 6 months. That's a relatively new development to try to respond to the GAO criticism.

The second aspect of the GAO report dealt with outstanding travel advances by Department of Labor employees. There is a procedure for followup with individuals before they terminate their employment. We are reiterating through instructions to each of our operating administrations that before employees are finally terminated, that in fact those

travel advances, balances, are to be refunded and if not, to have the amount withheld from any final payment to the individuals.

FINANCIAL CONTROL OVER PRIME SPONSORS

Senator SCHMITT. The GAO reported, Mr. Secretary, that prime sponsors are drawing cash from the Federal Treasury in excess of their immediate needs, that prime sponsors provide subgrantees cash in excess of their immediate needs. The problem appears to be one of tardy grant closeouts, also.

What is the Department of Labor doing to prevent prime sponsors from drawing cash from the Federal Treasury in excess of their needs and those of their subgrantees?

Secretary DONOVAN. Mr. Angrisani will address that. I don't believe it's as widespread as the GAO feels. At least I hope not.

Mr. ANGRISANI. The issue was brought to our attention with the completion of the GAO report. The first and foremost thing that we have to do in this area, I have to admit, Mr. Chairman, is to tighten up our financial controls and our financial processing. It's also raising in our own minds the question in terms of when we rewrite CETA, how in fact, should the disbursement of funds be made.

In terms of giving you a specific answer to your question, I cannot say specifically at this point that any action has been taken. We can tell you we are aware of it, and that we are looking at it. I met with the Inspector General's Office. Mr. Zuck is correct. We have given them a 6-month timeframe to deal with these and resolve matters. But I can say also we have in fact recognized this as a major problem, and we feel personally it should be readdressed in the CETA rewrite.

RECOVERY OF UNUSED SUBGRANTEE FUNDS

Senator SCHMITT. And in that respect, what is the Department doing to insure the prime sponsors promptly recover unused funds held by subgrantees after the contract period ends?

Mr. ANGRISANI. Well, in terms of the specifics, I met with my regional administrators the other day, and through this regional structure we will be asking them to review all of that contracting, just like we were reviewing our contracting in the head office, and to report back to us identifying from which contractors we must recoup these funds.

I would say that is going to take us a while to identify each of these, but I can tell you we will be doing a thorough contract review. We felt it was necessary to set an example at the head office first, which we have done with our review of titles III and IV. Now we'll reach out and extend into the contracting authority of the regions.

Senator SCHMITT. Thank you.

Senator Burdick?

Senator BURDICK. I yield to the Senator.

Senator SCHMITT. I thought you might do that. The Minority Leader? Senator Byrd, for your information we generally operate on a 5-minute loop, but we'll operate very loosely in your behalf.

Senator BYRD. Thank you, Mr. Chairman. I will try to be as brief as possible.

PROPOSED CHANGES IN BLACK LUNG DISABILITY TRUST FUND

Mr. Secretary, on February 26, I wrote to you and expressed concern about an interest in the administration's proposal to change the black lung disability trust fund. I'm interested in cooperating with the administration to formulate a proposal which is equitable to all. On March 25, I received your response to my letter, and while you state that joint affirmative action is clearly required to resolve that increasing problem, referring to the problem of insolvency in the black lung trust fund, you did not indicate what options the administration was considering that would resolve insolvency of the trust fund.

You state in your opening statement that it would be premature to discuss the options which the administration is considering until it develops a proposal for submission to the Congress.

Could you, at this time, give us any details concerning the options you're currently reviewing so that we may be able to have the best efforts of all, as you stated in your letter, in resolving this important issue?

Secretary DONOVAN. Senator, the aim of this administration is to save the black lung program and to make the trust fund solvent. The obvious avenue we are looking at is an increase in the coal tonnage tax. We see it as an industry-labor situation, and that certainly is the option.

In addition, we are looking at proposals to tighten the administration of the program to assure that only those miners who are actually the victims of black lung would qualify for benefits. These are the options that are being looked at. The hard numbers have yet to be arrived at actuarially.

Senator BYRD. So are you saying that one of the options is to increase the coal tonnage but you don't have any figures on that at this point?

Secretary DONOVAN. That's correct, Senator.

Senator BYRD. You cannot indicate what kind of an increase you have in mind?

Secretary DONOVAN. That's what is being studied now actuarially.

Senator BYRD. When you refer to tightening up administration of the program, what do you mean by that?

Secretary DONOVAN. There is a large area of disagreement as to the number of individuals who should qualify for black lung benefits. GAO stated that 88 percent of the participants in the program may not deserve to be in the program for lack of medical evidence.

I disagree with that. Others would say there aren't any in the program who don't deserve to be there. We have to review the evidentiary criteria for certification in the black lung program. It's an area that's being studied and it needs tightening up. I'm convinced of that. How we do it is being studied now.

Senator BYRD. Do you anticipate any proposed changes in the eligibility?

Secretary DONOVAN. Obviously not for those who are in the program now. We are looking at evidentiary criteria, which would affect people coming into the program in the future.

Senator BYRD. So you expect that changes in the eligibility will be proposed?

Secretary DONOVAN. I'd hate to be that definitive at this stage. I am convinced, though, that there are some abuses in the program. How we resolve that, I am not certain at this stage.

Senator BYRD. But you are not saying "Yes" or "No" to the question as to whether or not there will be changes in the eligibility.

Secretary DONOVAN. That's a fair statement, yes.

Senator BYRD. If there were changes in eligibility, would they be retroactive?

Secretary DONOVAN. They would not.

Senator BYRD. Is the administration considering changes in eligibility?

Secretary DONOVAN. All options are being looked at. I would rather stand on my agreeing to your previous statement, Senator.

Senator BYRD. You indicated you didn't know whether or not they would be proposed. Are they being considered?

Secretary DONOVAN. It's too early to say. It has not gotten the attention some of the other proposals have at this stage.

Senator BYRD. So there are proposals to change the eligibility?

Secretary DONOVAN. No; I didn't say that. I said that the black lung program has not gotten sufficient attention to permit me to say whether eligibility will be changed or not.

Senator BYRD. I thought you were addressing yourself to my question as to whether or not there were proposed changes, whether there would be proposed changes. I thought you said they had not gotten the attention that the others had gotten?

Secretary DONOVAN. No, sir.

Senator BYRD. So you're saying no changes have yet been proposed?

Secretary DONOVAN. That's correct.

Senator BYRD. And are you saying that no changes in eligibility will be considered?

Secretary DONOVAN. It's an area that has to do with medical technology, an area obviously in which I am not an expert. But it's those areas that are being studied. Medical technology and being able to accurately diagnose black lung, if that's possible, will define the conditions of the applicant.

Senator BYRD. And based on those findings are you saying that there will be or may be changes in eligibility?

Secretary DONOVAN. There could be, I would say. I wouldn't say there would or would not be. It's too early to say.

Senator BYRD. The administration has relied heavily on a GAO report, and you referred to this earlier, which report was interpreted—I'm not sure the report itself specifically and definitively says that 88 percent of the recipients are not disabled, but I believe it's being interpreted to mean that 88 percent are presently not disabled or if disabled, do not have black lung. Is that a correct statement?

Secretary DONOVAN. There is real confusion as to what that report meant.

Senator BYRD. Would you explain how you have been able to apply the findings of the report which deals with the Social Security Administration program to your proposals to change the trust fund administered by your Department.

Secretary DONOVAN. We have no decision as yet. It as well as other options within the Labor Department are being studied.

RATE OF APPROVAL OF BLACK LUNG CLAIMS

Senator BYRD. I believe the administration has at times portrayed the black lung program as "almost an automatic coal miner's pension program." I think I read that in the book that Mr. Stockman had circulated around the Hill. I meant the economic program.

What percentage of the black lung claims processed by the Department are actually approved?

Secretary DONOVAN. It's about 25 percent, I believe.

Craig, can you respond to this?

Mr. BERRINGTON. Currently less than 20 percent are approved, less than 20 percent of new claims. It has been on a downward curve.

Senator BYRD. If only 20 percent or less are being approved, wouldn't it be a rather exaggerated conclusion to find that "the black lung program is almost an automatic coal miner's pension program"?

Secretary DONOVAN. That is not my quote. I don't know whose it is. Yes, I would say that borders on being an exaggerated statement.

Senator BYRD. So it is not your opinion that this percentage constitutes an automatic coal miner's pension program.

Secretary DONOVAN. That's correct.

SUFFICIENCY OF BLACK LUNG BUDGET REQUEST

Senator BYRD. On February 26, the Baltimore Sun reported you stated you had found some truly needy individuals in the form of a backlog of 30,000 unprocessed black lung applicants. Are your funding and staffing levels sufficient to both eliminate these backlogged claims and process current ones through fiscal year 1982?

Secretary DONOVAN. Craig, would you address that?

Mr. BERRINGTON. Through fiscal year 1982?

Senator BYRD. Through fiscal year 1982.

Mr. BERRINGTON. Assuming the budget requests of the administration are acted upon, the answer to that is we will have sufficient funds. The backlog currently in the program of older, undecided claims should be completely reduced by the end of this calendar year.

Senator BYRD. I note on your revised budget justifications for fiscal year 1982 that you are requesting a reduction of $12.2 million in total obligations from the black lung disability trust fund. The rationale used for making this request is that black lung benefits costs in fiscal year 1982 will reflect a drop of 31 percent in the number of claims duly placed in payment status and net growth in beneficiary roles will amount to 5 percent. There's no explanation as to how these figures were arrived at.

Do these figures assume changes in the black lung disability trust fund?

Secretary DONOVAN. No; they do not, Senator Byrd. They do not.

Senator BYRD. Then on what are they based?

Secretary DONOVAN. I'm advised it's a downturn in the overall workload, Senator.

Senator BYRD. And would that wholly constitute the basis for the statement.

Secretary DONOVAN. Yes; it would for most of the downturn.

DALLAS PIKE REQUEST

Senator BYRD. The administration is requesting $4.4 million in fiscal year 1982 for the proposed Dallas Pike facility. Is the amount you are requesting sufficient to complete the construction of that project?

Mr. SHEPICH. Phase I of the project.

Mr. ZUCK. Yes, sir.

SAVINGS FROM LAND DONATED FOR DALLAS PIKE FACILITY

Senator BYRD. The 87 acres of land on which the Dallas Pike facility is to be located were donated to the Federal Government by the Ohio Valley Industrial and Business Development Council. Can you estimate the savings accrued to the Federal Government from that donation?

Mr. ZUCK. I do not have a figure. It's very significant, however, because it is a sizable piece of land. We could try to put a value on it.

Senator BYRD. If you could for the record.

Mr. ZUCK. Yes.

[The information follows:]

ESTIMATED VALUE OF DALLAS PIKE ACREAGE

The current value of the 87 acres is estimated to be approximately $900,000.

DALLAS PIKE REVERTER CLAUSE

Senator BYRD. The deed conveying to the Federal Government the land on which the Dallas Pike facility is to be constructed contains a reverter clause, which requires that the land revert back to the donor if construction funds are not appropriated by September 30 of this year.

And I will ask, Mr. Chairman, that the text of the clause be included in the record.

Senator SCHMITT. Without objection.

[The information follows:]

REVERTER CLAUSE

It is specifically agreed by and between the parties that in the event legislation appropriating funds for the construction of permanent improvements or facilities on the herein described real estate in connection with phase I of the expansion of MSHA's approval and certification center is not enacted on or before September 30, 1981, and construction of such permanent improvements or facilities on the above-described real estate does not commence within 9 months following the date such legislation is enacted, title to the real estate shall revert to the grantor. Said right of reverter shall terminate immediately upon the expenditure of any funds appropriated for construction of such permanent improvements or facilities.

EFFECT OF REVERSION OF DALLAS PIKE LAND

Senator BYRD. If the land were to revert back to the donor, what would happen to the administration's plans for the Dallas Pike facility?

Mr. ZUCK. They would presumably be abandoned, and I'd say to you, Senator, that the reason that $4.4 million is requested is precisely to take care of the opportunity that exists. That was one of the arguments we were successfully making in retaining the funding for it.

Senator BYRD. So it's very important in order that the reverter clause is not activated that the construction funds be appropriated and made available by or before September 30 of this year.

Mr. ZUCK. So long as they are acted upon by the Congress, we have been informed that there should be no problem in retaining the property.

Senator BYRD. Mr. Chairman, I will not impose on the time of the committee further or the Secretary. I would like to submit some additional questions for the record.

If you would kindly respond to them, Mr. Secretary.

Secretary DONOVAN. I will, thank you.

Senator BYRD. Thank you very much.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Byrd

NATIONAL MINE HEALTH AND SAFETY ACADEMY

Senator Byrd: Could you provide us with a brief summary of the activities and programs currently being conducted by the National Mine Health and Safety Academy?

Answer: After the massive entry level inspector training in fiscal year 1979, Academy efforts were redirected to other initiatives in fiscal year 1980. Safety and health programs for industry and labor were expanded. Approximately 14 percent of the students were from industry or labor. Continued attention will be devoted to these training efforts in recognition of the cooperative effort among all segments of the mining community in improving the safety and health of the miner. In 1980, 13,761 students attended classes or other special programs for a total of 43,622 student days. Since 1977, a total of 1,681 MSHA employees have completed 2,574 correspondence courses offered by the Academy.

The Academy has developed ten programmed instruction workbooks and 18 safety manuals, and over the past four years more than 800,000 copies of these publications have been distributed to industry, labor and government sectors for use in training and in promoting improved health and safety in mining.

The Academy's learning resource center has acquired holdings of more than 124,404 titles, including books, journals, microfiche, microfilm, films, videocassettes, slides, tapes and maps. This is probably the best collection of mine safety and health information in this region and is available for use by Academy staff, students and others concerned with health and safety in the mining industry.

ACADEMY FUNDING

Senator Byrd: The Administration is requesting $5.504 million in fiscal year 1982 for the Academy. How would these funds be spent?

Answer: The proposed fiscal year 1982 Academy budget of $5.504 million consists of:

Personnel (salaries and benefits for 95 positions)	$2,254,000
Travel and transportation and other operating costs	1,313,000
Utility and service contracts	1,862,000
Equipment for Publications Distribution Center	75,000
	$5,504,000

The expenditure of these funds in fiscal year 1982 will enable the Academy to conduct 50,000 student days of training.

Senator Byrd: Are they sufficient to continue Academy programs and activities at the appropriate level?

Answer: The proposed fiscal year 1982 Academy budget is sufficient to conduct Academy programs at current rates and to provide for operation of the Publications Distribution Center.

PARTICIPATION OF LABOR AND INDUSTRY

Senator Byrd: I note in your fiscal year 1982 budget justifications for the Mine Health and Safety Academy that "a special effort will be made in fiscal year 1982 to increase participation of labor and industry groups in Academy mine safety and health programs." How do you propose to do this?

Answer: The Academy has been actively seeking increased participation from the mining industry and labor. This effort is in the form of frequent and growing contacts with industry through course announcements, catalogs and instructional materials which are distributed on request and through a mailing list which has developed over the years. Approximately 14 percent of Academy students in fiscal year 1980 came from industry and labor. This seems to be growing as fiscal year 1981 progresses and current programs have included many United Mine Workers of America safety inspectors taking the same 12-13 week program given to Federal inspectors.

Over the past five years Academy personnel have conducted hundreds of tours and briefings for visitors from industry, government, the academic community and the general public, and have used these contacts to encourage utilization of the facility. The thousands of catalogs and safety manuals and other instructional materials which the Academy has distributed have promoted the use of the Academy and its services.

The Academy has also met with industry and labor representatives and designed programs to meet their specific needs or conducted programs out in the field upon request. In all these contacts the Academy has stressed its goal to promote health and safety through increased cooperation between government, industry and labor in solving the difficult problems facing the industry and instilled an awareness of the Academy as a source to meet those needs.

The growing participation from industry and labor seems to indicate that information regarding Academy educational service is becoming more widely known. The record of repeat usage by industry groups that have "discovered" what the Academy has to offer indicates utilization by industry will continue to grow in fiscal year 1982.

PUBLICATIONS DISTRIBUTION CENTER

Senator Byrd: In fiscal year 1977, I was able to secure planning funds for MSHA's National Publications Distribution Center, and later I secured construction funds for the Center. Are there funds in your fiscal year 1982 budget request to continue construction of the facility?

Answer: The $2,000,000 appropriated in fiscal year 1980 will be sufficient to complete construction.

Senator Byrd: What is the status of construction of the Publications Distribution Center?

Answer: The Publications Distribution Center is approximately six weeks ahead of schedule due to the unusually mild fall and excellent coordination between the general contractor, (Guy Johnson Construction Company), his subcontractors and the Academy. The building's walls are up; the roof is on; and the interior electrical work is completed. What remains to be done is: outside electrical work, floor covering, painting, and minor work in warehouse. Monetarily,

90 percent of the contract sum has been expended to date. This progress trend should continue throughout the construction barring material delivery problems and unusual weather conditions.

DISTRIBUTION OF SAFETY AND HEALTH PUBLICATIONS

Senator Byrd: What is the current distribution level for mine safety and health publications?

Answer: The number of mine safety and health publications distributed in fiscal year 1980 and the first quarter of fiscal year 1981 is shown below.

FY 1980	
Safety Manuals	137,403
Programmed Instruction Manuals	16,905
Total	154,308
FY 1981 (through Second Quarter)	
Safety Manuals	115,981
Programmed Instruction Manuals	12,408
Total	128,389

Senator Byrd: What do you project will be the fiscal year 1982 distribution level?

Answer: It is expected that the distribution of safety and programmed instruction manuals will exceed 200,000 in fiscal year 1982. In addition, all other MSHA technical publications will be distributed from the new Center, increasing the volume of output even further.

Senator Byrd: How will the new Publications Distribution Center facilitate distribution?

Answer: The Publications Distribution Center will become a central distribution point for mine safety and health publications, as well as some technical and other publications. At present there are several distribution points for many of these publications. This central distribution point will make it easier for users to obtain copies of those MSHA publications and provide faster response to public requests. Efficiencies will continue to increase as more safety manuals, programmed instruction texts and other MSHA publications are developed and made available for distribution.

DALLAS PIKE FACILITY

Senator Byrd: I understand from the Mine Health and Safety Administration that engineering and design work on the facility could begin as soon as funds were made available. What is the minimum amount which is needed to initiate engineering and design work?

Answer: The minimum amount needed to initiate engineering and design work is $1,000,000. These funds must be appropriated by September 30, 1981, and construction begun within nine months or the land on which the expanded Approval and Certification Center is to be constructed will revert to the Grantor, the Ohio Valley Industrial Development Corporation. The $1,000,000 will allow for design of the main building located on Site D and the three test galleries located on the Porter Tract of the Dallas Pike property. The contract for the

engineering design of the main building can be awarded almost immediately with a delivery date of three months at an estimated cost of $300,000. The remaining $700,000 will cover the design of a new fire test gallery and a dual explosion environment test control chamber for two galleries to be relocated from Pennsylvania to the Dallas Pike site.

Senator Byrd: In an effort to speed up work on the project, can you suggest any funding options other than the regular fiscal year 1982 Labor, HHS and Education Appropriations Bill which might help move the project along, for example, a reprogramming of funds or a supplemental request?

Answer: Since all of MSHA's FY 1981 available funds are programmed for continuous operating expenses or scheduled projects with high priority, a reprogramming of funds is not a feasible alternative. A supplemental request would only speed up work on the project if enacted well before the end of the fiscal year to allow sufficient time to utilize the funds before they expire. However, since consideration of FY 1981 supplementals is expected to be given concurrent with the FY 1982 appropriations bill, funds would not be made available any sooner through a supplemental request.

Senator Byrd: Would you recommend and/or support an alternative to the regular bill which would secure funds sooner so that some work could begin on the project?

Answer: There does not appear to be an alternative to the regular FY 1982 appropriations bill which would secure funds any sooner.

Senator Byrd: In the event that the minimum amount of funds required to begin work on the project were secured prior to passage of the regular appropriations bill, what would happen to the Administration's full request of $4.43 million?

Answer: If the minimum amount of $1,000,000 were secured prior to passage of the regular appropriations bill, only $3,430,000 would be required in FY 1982 to initiate actual construction of the Dallas Pike facility.

LETTER FROM DONALD SHASTEEN, DEPUTY UNDER SECRETARY FOR LEGISLATION AND INTERGOVERNMENTAL AFFAIRS, DEPARTMENT OF LABOR

JUNE 19, 1981.

Hon. HARRISON SCHMITT,
Chairman, Subcommittee on Labor, Health and Human Services, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The enclosed information provides the initial steps taken by the Department to comply with the directive contained in Senate Report No. 97-67, concerning the construction of the Dallas Pike Facility.

I shall keep you informed periodically as the work progresses.

Sincerely,

DONALD SHASTEEN,
Deputy Under Secretary for Legislation and Intergovernmental Relations.

MINE SAFETY AND HEALTH ADMINISTRATION—DALLAS PIKE PROJECT

The deed conveying to the United States the land on which the expanded Approval and Certification Center at Dallas Pike, W. Va., is to be constructed contains a reverter clause which provides as follows:

"It is specifically agreed by and between the parties that in the event legislation appropriating funds for the construction of permanent improvements or facilities on the herein described real estate in connection with phase I of the expansion of MSHA's Approval and Certification Center is not enacted on or before September 30, 1981, and construction of such permanent improvements or facilities on the above-described real estate does not commence within 9 months following the date such legislation is enacted, title to the real estate shall revert to the grantor. Said right of reverter shall terminate immediately upon the construction of such permanent improvements or facilities."

The fiscal year 1981 appropriation request for Mine Safety and Health contained $4,430,000 to initiate construction of permanent testing facilities. However, H.R. 7998, which as passed by the House on August 21, 1980, deleted funding for this project. House Rept. 96-1244, which accompanied the bill, indicated that construction could be deferred.

No significant activity was conducted for the next several months until Senate action on the Supplemental Appropriations and Rescission Bill, 1981. Senate Rept. 97-67, which accompanied this bill, contained the following directive:

"The Committee is concerned that the delays incurred in initiating construction of the Dallas Pike facility may jeopardize Federal land ownership, and directs that the agency use previously appropriated, but unexpended savings from earlier projects to begin construction during fiscal year 1981. The Committee will expect to be advised of the details of the agency's proposal to comply with this directive prior to entering into any contract."

The House Appropriations Committee did not object to this directive during the conference process. The conference agreement bill was signed as Public Law 97-12 on June 5, 1981. It is felt that this action on the part of Congress satisfies the reverter clause with reference to legislation appropriating funds. As a result, MSHA has initiated various activities to comply with the congressional directive.

The in-house preliminary engineering work for the Porter tract site development has been completed.

This includes:

Construction and final roads and drainage plans;

Temporary utility layout requirements;

Forbes Avenue Gallery relocation specifications cost estimates and preliminary work;

Geotechnical and topography studies specifications for the site;

Final road and truck delivery areas requirements; and

Initiating final negotiations with A/E firm for engineering design and bid package for main building located on site D.

The following plan has been devised to proceed with construction at the Dallas Pike facility in an orderly and economical manner, considering that the project is being incrementally funded.

1. *Main building—Site D.*—Complete negotiations for architectural and engineering (A/E) for preparation of the engineering and desing and construction bid package. The A/E firm, A. M. Kinney, Inc., ranked first by the selection Board from interested respondents, submitted their cost proposal to the contracting officer in December 1980. On June 12, 1981, the contracting officer advised A. M. Kinney to reevaluate their cost proposal and reconfirm their interest by June 16, 1981. MSHA is finalizing the Government estimate to allow negotiations, tentatively scheduled for June 24, 1981, to commence. At the conclusion of the negotiation, MSHA would be in a position to award the contract. We expect to be able to notify the Appropriations Committees of the details of this determination by early July fulfilling our commitment prior to entering into formal contract. The timeframe for completing the construction package would be approximately 6 months. At th at time the building main frame bid package would be advertised. An award would be made by late spring, subject to congressional action on the $4.4 million in the fiscal year 1982 budget request.

2. *Test galleries—Porter tract.*—The activities on this site will be accomplished in three packages. The first will be to complete subsurface investigation, soils engineering recommendation, site topography, and survey work necessary to finalize engineering on roads, utilities, and gallery locations. Since these would be two separate contracts, each under $10,000, work could be completed by the end of August.

The second item would be to prepare a bid package for site development which would include roads, utilities, and site preparation. This would be readied for bid by

September 1, 1981. Allowing 60 days for requesting proposals and review of submissions. An award of contract could occur by November 1981, for spring 1982 (March-April) construction.

The third item is to prepare a bid package for relocation of Forbes Avenue gallery and construction of a dual-control building. This would require extensive in-house engineering and design. A bid package would be ready about November 1981. Contract award could be made January 1982, for work to commence about June 1982, the estimated completion of the site development work.

These actions are within the 9-month timeframe for construction and fully satisfy the second aspect of the reverter clause.

VETERANS EMPLOYMENT SERVICE REDUCTIONS

Senator SCHMITT. Senator Byrd?

Senator BYRD. I want to thank Senator Burdick for allowing me to proceed.

Senator BURDICK. Thank you.

In the administration's budget for the Department of Labor there are listed reductions of $635,000 for 52 positions in the progam administration of the Veterans Employment Service activities. Can you elaborate on this reduction and be specific about what positions are to be affected?

If this cut is targeted to secretarial positions, why would the Department of Labor propose this reduction since Congress so strongly disagreed with this proposal 2 years ago and, in fact, included language in the appropriations bill which mandated the Department of Labor to retain these positions?

Secretary DONOVAN. Mr. Zuck will address that.

Mr. ZUCK. Senator Burdick, you are correct. The 52 positions are the secretarial positions to the State veterans employment service directors. The reason for that reduction is, one, obviously in making overall reductions in order to achieve the President's budget goals, we had to look at areas in which some consolidation and sharing of various support activities was possible. This is one of the areas. VES directors are located in State employment security offices, and we felt that the clerical and secretarial assistance could be provided in those offices.

Obviously if we were not faced with the need to make the budget reductions, that may not be the approach we would have taken, but every program in the Department obviously was subject to being reviewed to determine whether or not some possible reductions could be made.

REDUCED SERVICES RESULTING FROM VETERANS EMPLOYMENT SERVICE REDUCTIONS

Senator BURDICK. If these positions are eliminated, I'm told some of these State offices will have to close completely. Do you know how many of the offices will be so affected? Who will absorb the responsibilities for carrying out the functions of these offices? Certainly not the State employment service which is already expected to cut 5,100 jobs.

The high rate of joblessness amongst veterans indicates greater than usual need for the Veterans Employment Service providing veterans with job counseling, training, and placement. It would seem this is not the time to make this cutback.

Can you answer who's going to assume the responsibility?

Mr. ZUCK. As I indicated, the State employment security agencies, which we fund to a level of about 25,000 positions annually, would be asked to provide that service. We do not believe it would result in a reduction of services to veterans.

Senator BURDICK. Some of the veterans organizations who have contacted me think otherwise.

Mr. ZUCK. I would say there's a difference of opinion.

Senator BURDICK. You're asking that the Employment Service be cut by $150 million in fiscal year 1982, more than 5,000 of the staff, which the Interstate Conference on Employment Security Agencies says will result in nearly 1 million less job placements.

How many fewer job placements for veterans result from your proposed Employment Service cut? That's No. 1.

Are you also making the Employment Service—asking the Employment Service to absorb the loss of CETA funding which currently pays for 1,500 Employment Service staff to prepare the disabled veterans outreach program? Why not request Federal funding directly to the Employment Service to continue this successful disabled veterans outreach program?

And last, how much would be needed in fiscal year 1982 to comply with the law passed by Congress last year requiring the 2,000 State employment staff earmarked for service to disabled veterans?

Have I got that in order, or should I go over it again?

PLACEMENT OF VETERANS

Mr. ZUCK. I think there are three questions there. I believe the first question is what would be the resulting reduction in the number of veterans placed, with the reduction of staff. I think we are projecting that essentially we would provide service or the State agencies would provide service to the same number of veterans.

STATE EMPLOYMENT SECURITY AGENCY STAFFING REDUCTIONS

The reason for the reduction in the State employment security agency staffing, again we could not overlook any area of activity. We would hope that those reductions would be made in overhead, administrative areas; we hope to reduce some of the reporting burden, so to the maximum extent possible we would not disrupt the basic line operations.

STATUS OF DISABLED VETERANS PROGRAM

With respect to the last question on the disabled veterans program, that was initially funded out of discretionary money in CETA. It was a temporary program until the Congress legislatively mandated it, and we are now asking that that also be funded by our basic grant to the State employment security agencies to insure the priority attention to disabled veterans.

Senator BURDICK. It seems to me there's a lot of funds coming out of one place that didn't come before. There's got to be some reduction here—some reduction in service; isn't that correct?

Mr. ZUCK. There will undoubtedly be overall some reductions, but we cannot continue to fund at the level that we have and achieve the President's economic goals.

Senator BURDICK. Then for all intents and purposes, the disabled veterans outreach program will be greatly reduced, if not eliminated, won't it?

Mr. ZUCK. No; we are asking that the State agencies fund that at a level of 2,000 positions, which is an increase from the 1,500 at which they're presently funded.

Senator BURDICK. And if the States haven't got it in their budget, then what?

Mr. ZUCK. They've got to make some priority decisions as to where they make the reductions.

STATUS OF CONTRACT TO REVIEW NATIONAL RURAL WATER ASSOCIATION

Senator BURDICK. In January, the Department of Labor renewed its contract with the National Rural Water Association to train and upgrade water and sewer operators.

We're told by the people of North Dakota that this is a good program; it's helped a lot of small communities. The new contract signed in cooperation with EPA was for $400,000—$133,000 less than the previous year. It's my understanding the Department of Labor has contracted with a private firm to conduct a review of this 2-year-old program, which is certainly within its jurisdiction.

What I'm concerned about, however, is the agency is awarding this firm $417,000 to conduct a review of a $400,000 program. What is the status of this review contract?

Secretary DONOVAN. Senator Burdick, while you were out of the room that question was asked, and Mr. Angrisani has testified to it, and I'll ask him to do that again.

Senator BURDICK. I don't want to duplicate here. Give me the short form.

Mr. ANGRISANI. Senator, the $417,000 contract that you are referring to was canceled.

Senator BURDICK. It was canceled?

Mr. ANGRISANI. Yes, sir.

Senator BURDICK. That ends that.

Senator SCHMITT. That's the short form. [Laughter.]

Mr. ANGRISANI. Can the rest of them be that easy?

Senator BURDICK. Could I ask why?

Senator SCHMITT. Now you get the long answer.

Mr. ANGRISANI. Now you buy the long one. We found out, Senator, when we occupied the office about 1½ months ago that there was an overcontracting in our titles III and IV discretionary funds of approximately $42 million. We reviewed all of our contracts, and we found the oversubscription or overcontracting came sometime in the period between November 5 and January 20. We have identified those contracts. This was one of them, sir, and we had to cancel many of those contracts and reduce the funding of many others to get ourselves in line with budget authority, and this contract just didn't make much sense to us.

Senator BURDICK. The Government runs 12 months of the year, doesn't it?

Mr. ANGRISANI. Excuse me, sir?

Senator BURDICK. Doesn't the Government run 12 months of the year instead of 10? Just because it happened in November and December, that shouldn't make any difference if it's needed.

Mr. ANGRISANI. Yes, sir; one of the decisions we had to make is how, in fact, do we equitably get ourselves back into budget authority which is obviously necessary. We could have in many ways taken a percentage across the board of all the contracts. We could have taken a number of approaches.

What we tried to do was consider a number of factors. No. 1 was the productivity of the contract itself. We did consider that. This one clearly was one that we did not feel should continue. We tried to look at where we were going long term, because if the Senate and the House adopt the economic package, we'll realize a 60-percent reduction next year in titles III and IV discretionary funds. We had to take that into consideration relative to those contracts that were normally expiring between now and the end of the fiscal year.

Lastly, we had, in fairness to the contracts that have been here for a long time, to give those a little bit extra weight and give a little bit less weight to those that were issued at the last minute. Clearly, in those instances where there was not a contract signed or where there was a TWX or a telex executing the contract, we felt those last few minutes of haste just didn't match up against the years of service that many of the other contracts had. We tried to weigh all three of those factors and make a decision. We feel we made the most responsible decision we possibly could under adverse circumstances.

Senator BURDICK. Thank you, Mr. Chairman.

Senator SCHMITT. Thank you, Senator.

REPROGRAMING REQUEST

Mr. Secretary, on March 6, the subcommittee received your reprograming request for $245 million to pay unemployment benefits required by law to lay off CETA workers. Then on March 30, we received a revised request providing new information that only $100 million was needed immediately.

Whether or not the Congress ultimately agrees with your proposal to eliminate all public service jobs, Mr. Secretary, can you assure us now that you have in hand all of the relevant information you need and that we need to judge this reprograming request?

Secretary DONOVAN. Yes; we confirm the $100 million, Mr. Chairman.

Senator SCHMITT. What would happen if the $100 million was not made available.

Secretary DONOVAN. Mary Ann, would you address that for us?

Ms. WYRSCH. Essentially the reprograming request was done by the Department at the request of our prime sponsor community which thought it would be administratively easier to have a central pot at the national office level to pay unemployment insurance claims for public service employees over the next 3 years.

Our revised reprograming request was based on the fact we won't outlay all that $245 million in fiscal year 1981. We'll outlay about $100 million of it this year, $135 million in 1982, and the remainder in 1983. So it's a liability that we have over the next 3 years.

If we don't get the reprograming, we will have to do business as usual, which is, the obligations for payment of unemployment insurance benefits will rest with the prime sponsor and/or sometimes the program agent, which is a private nonprofit organization or the State and local government. That is, by their account and by our estimation, too, an administrative nightmare. Each of them would have to establish within their own individual entities an estimate of what the unemployment liability would be, set the money aside for it, and then set up the mechanisms to pay for it.

Also in some instances, it does raise their experience rating, which means their history of unemployment in their organization. In some States an organization has what we call an experience rating, which means their history of having employees drawing on the State unemployment accounts is kept and the tax rates change based on their experience rating.

Another problem related to this is that prime sponsors, tending to be cautious about the whole question of having to pay these unemployment insurance benefits, and trying to make sure they have enough money set aside, are beginning to now hoard money and beginning precipitous layoffs. We have heard that from the prime sponsor community.

So all in all, the reprograming request was an attempt to make the whole situation of the UI liability much simpler by bringing the whole program back here, setting up a national account, and paying them all from Washington. This is actually, as I said before, in response to a request from the prime sponsor community that we do that.

Senator SCHMITT. Would you expect to avoid lawsuits by proceeding along these lines?

Ms. WYRSCH. I don't know that this would exactly make us avoid lawsuits. It certainly makes our life easier.

REPROGRAMING REQUEST—DEVELOPMENT OF ESTIMATE

Senator SCHMITT. How did you develop the estimate that it's $100 million rather than $125 or $75 million?

Ms. WYRSCH. Actually the total liability for the public service employees that will be laid off is a little over $500 million. We still have some money in the FUBA account that pays for weeks of wages that were wage credits before December 5. The passage of the reconciliation bill as of December eliminated our ability to pay unemployment for public service employees out of the Federal unemployment benefits account, and we now have to assess prime sponsors in the State and local communities for it.

Our actuary made assessments about numbers of people who would come in to claim the average weekly benefits that they would claim, and an average length of benefit receipt. It is an actuarial estimate.

Senator SCHMITT. Now I presume the whole $245 million is based on that kind of actuarial analysis?

Ms. WYRSCH. Right; if I may add one more thing, the $100 million is the money we need this year and would be funds that we needed despite whether the Congress approved our rescission.

REPROGRAMING REQUEST—EFFECT OF UNDERESTIMATING

Senator SCHMITT. We understand that. What if we're wrong? What if it isn't $245 million? What if it's $300 million? Is that possible?

Ms. WYRSCH. I don't think so. Our actuaries tell us it isn't possible.

Senator SCHMITT. No hidden factors that could leap out of the woodwork to bite us?

Ms. WYRSCH. I don't think so, Senator. I think we have taken into account—we've made the best guess we can in these kinds of matters, and I think we're on pretty good ground.

Senator SCHMITT. I'm just reminded of a question I asked a previous witness—if they wanted catsup with their crow. [Laughter.]

Fortunately, I don't remember those lines myself.

EMPLOYMENT AND TRAINING SERVICES DUPLICATION

Mr. Secretary, both the CETA prime sponsors and local employment services offices provide an array of employment and training services for the unemployed. And they have been known to engage in turf wars, with considerable duplication and overlap.

Do you have any suggestions for legislative changes or administrative changes to better consolidate and coordinate these local CETA and employment service agencies?

Secretary DONOVAN. Under CETA reauthorization, we do, and we will. And Mr. Angrisani will give you our present thinking.

Mr. ANGRISANI. We are learning very fast in this job, Mr. Chairman. The turf wars usually end up in my office at one point or another, so they have come to my attention. I think it raises the whole issue of the prime sponsor, the prime sponsor's role, and definition of the prime sponsor, in the implementation of our training programs.

What are the specifics right now, in terms of how we want to deal with it? Well, in the 2 short months that we have been there, I think it would be a little presumptuous to tell you that I have those answers. I don't. I am aware of them. But I can say this: It has opened up my thinking a little bit, and I think the Department's thinking, into just how we define a prime sponsor, how do we define the area of responsibility, and getting back to your earlier question, which is a very good one, how do we define the control of the funding mechanism?

I suggest we would very much like to come back before this committee if it's appropriate, as we are rewriting CETA, to touch on each of those checkpoints.

Senator SCHMITT. When do you expect to be in a position to make those kinds of recommendations?

Mr. ANGRISANI. Well, we have already started preliminary discussions on the CETA rewrite. I would say, giving myself a little bit of room, within the next 3 months we should have a good feel of where we're going with this.

I have already met with a number of Members of the House and the Senate to begin discussions. So I would say we could come back with a broadbrush approach to you, not too far down the road.

WIN AND CETA DUPLICATION

Senator SCHMITT. It's been argued that the WIN program duplicates services to welfare recipients provided under the Comprehensive Employment Training Act. This has been especially a criticism since enactment of the 1978 CETA amendments, which shifted the focus of services to the most severely disadvantaged, such as those on public assistance.

Why should Congress continue to fund two separate manpower programs serving welfare recipients—both WIN and CETA—Mr. Secretary?

Secretary DONOVAN. Do you want to take that, Al?

Mr. ANGRISANI. Well, the issue here is one of targeting. The WIN program is specifically targeted toward welfare mothers. To the best of our ability to bring statistics into line, we feel approximately 17 percent of our CETA employees, particularly in the PSE areas, have come from the welfare rolls. Whether or not they were welfare mothers is very difficult to determine.

As you know, the funding legislation for WIN comes from HHS, and we basically administer the program, or drive the vehicle, if you will. They provide the gas for the vehicle.

I think as we approach the rewriting of CETA, that issue will come up again. And all I can say is that to the best of my ability to determine what's happened here over the last 7 years is that we have started out with a concept and we kept adding on and adding on and adding on, and in that additive process, we lost our focus and our identity.

To answer your question specifically, why?—the only answer I can determine at this time is that they wanted to hit that very critical target market. They felt they weren't hitting it with CETA, so they went back and tried to do it again.

POSSIBILITY OF CONSOLIDATING WIN AND CETA

Senator SCHMITT. But you believe that there is a possibility of consolidating these kinds of programs?

Mr. ANGRISANI. The thought has crossed my mind.

Senator SCHMITT. And that will be looked at in the next few months with respect to the rewrite?

Mr. ANGRISANI. That's correct.

PLACEMENT RATE OF PSE AND JOB CORPS

Senator SCHMITT. Mr. Secretary, in a more philosophical vein, it's been the impression of this subcommittee at earlier hearings, before your team was fully on board, that what little bit of statistical information there was about the success of various CETA programs, indicated that the so-called public service job programs could expect to get about half of the participants in a permanent job, at least for a limited period of time. Other programs, where there was more of a vocational

component, possibly related to prime sponsors of more established means—Job Corps, had a much, much higher rate, maybe 85, 90 percent of positive termination. That is placement in permanent jobs.

Do you agree with this general assessment, insofar as, you have been able to review the very, very limited, at least so far as we know, very, very limited evaluation data?

Secretary DONOVAN. Yes; the information is very, very limited. I think in your statement you are probably more generous than the figures I remember. On the public sector I believe it's more like 30 percent finding their way into productive private employment.

Senator SCHMITT. Could you provide us where you get those numbers, because the previous testimony I had, I believe, was 54 percent.

Secretary DONOVAN. Ours is certainly less than one-third. Isn't that right, Al?

Mr. ANGRISANI. That's correct; the most current data in the Department suggests that we serve—well, we place in permanent jobs about 34.8 percent.

I would like to add here, for the record, there are several studies and new numbers. There have been much new data surfacing here in the last 2 to 3 weeks. We are trying to look at it all, and we are trying to corroborate it against historical data that's in the Department.

And I think that everyone I have talked to in the Department that has this historical perspective and all the numbers and data they prepared for me right here suggests this is a good number.

For the record, I'd just like to state the Department's position, so that you have it. And if, in fact, after evaluating all these other studies, there is a change, we will certainly come back and testify to that extent.

But right now we're talking about, in 1980, spending on PSE employment, approximately $3.7 billion. We're talking about placing 34.8 percent or approximately 174,117 individuals in permanent jobs, at an estimated cost per placement of about $20,240. There is some reason to believe, in our historical data base, that of the 34.8 percent, 13 or 14 percent are only able to remain in private sector jobs long enough to be counted.

Senator SCHMITT. 13 or 14 of the 34 or 13 or 14 percentage points?

Mr. ANGRISANI. 13 or 14 of the 34. The key here is in the measurement process. Many of the studies coming out right now are measuring permanent status in these jobs after 2 years' separation from the program, which begs the issue of did the training in fact contribute to getting them in the job, or were the 2 million unfilled jobs reported to our employment services offices last year being filled by these individuals after they had to face the ultimate question of do I go back to work or do I stay home? So all those questions are wrapped up in this, and I would urge that this statement be taken as our position right now. We're looking at other studies, and we'll correct it if it's not true.

Senator SCHMITT. We would like to have any summary information you have on studies, and particularly those in your evaluation of the validity of the studies.

Mr. ANGRISANI. Yes, sir; we're reviewing some now. We will certainly share it with your staff.

Senator SCHMITT. That would be very helpful.

[CLERK'S NOTE.—The information will be furnished to the committee as soon as the analysis is completed.]

SAN ANTONIO TRAINING PROGRAM

Senator SCHMITT. It's come to the subcommittee's attention that there are a variety of programs buried within CETA and within other training activities that seem to have a very high success ratio. One was brought to national attention by "60 Minutes," the San Antonio, Tex., program that placed more than 80 percent of its enrollees, according to the information we have, in permanent jobs at a cost of less than $700 per participant. I think these were AFDC recipients that joined in a training program.

Is it possible that that kind of program, developed between organized craft unions and general contractors, and a variety of others, that seem to have an extraordinarily good success ratio, could become the principal focus of the CETA work?

Mr. ANGRISANI. Yes, Mr. Chairman; it's an excellent example to raise. It's clearly an indication of the ability of States, counties, or local markets in general to serve the client, if, in fact, they truly do want to serve them.

This is a very productive program. It has been brought to my attention over the last couple of weeks. We are looking at it. And we're very seriously considering proposing immediately—if not immediately, certainly in the CETA rewrite—that we embark upon some pilot tests of this program to see if we can expand its use.

It points out the ability of the creative resources of Americans at the local level, where the problem is known best, to deal with the problem. And where we are providing some funding which essentially is matched by ownership funding from other individuals—this becomes a very critical ingredient.

We can see right now the successful versus nonsuccessful programs where we can, in fact, encourage ownership funding. We feel that we have the best chance of success with these programs. Basically, San Antonio is a program that does fall into the success category when you compare $700 cost of placement relative to the $20,000 cost we have under PSE.

EVALUATION OF TRAINING PROGRAMS

Senator SCHMITT. Have you done any preliminary evaluations of pilot programs that have demonstrated success? And what are the unique parameters with respect to them, that may be the reason for their success? The San Anontio program, I think, in large part, had to do with one individual's drive and motivation.

Secretary DONOVAN. Yes; it's true. Let me say this: I am very much impressed with the ability of the staff in the Employment and Training Administration to assess that. They have done a lot of work in this area. They are able to tell me, as in this case here, what the productive versus nonproductive programs are. Their data base is excellent. Their sense of purpose and direction is good. What they have needed was the vehicle and ability to implement these things, and that's where I am spending my time, trying to provide them with this vehicle.

We will continue our analysis of these productive programs. They will become primary examples in CETA rewrite legislation. I think we have the resources and the knowledge of what's there to be able to make these workable programs work, and to do away with the ones that are just a waste of taxpayers' money.

Senator SCHMITT. In New Mexico, the Carpenters Union and the Associated General Contractors, in what is now a statewide printers training program, some of which is funded by CETA funds, has universal high marks within the State by everybody that I have run into that's acquainted with it, both in the non-Indian community and in the Indian community.

I draw that one to your attention as another excellent example of where an institution basically existed, upon which you could then graft a strong CETA-funded program.

I would also suggest, Mr. Secretary, that the existence of a proven track record, institutional track record, is maybe in most cases one of your best criteria for deciding that you have a grantee that should be funded. Now, having said that, I don't think that the San Antonio program would have come in under that umbrella. So you have the other problem of deciding where do you have highly motivated individuals that are going to make a new, innovative program work.

That doesn't help you in your decisionmaking, but certainly the subcommittee will be happy to work with you on this. I think that's the only way we're going to have the Federal Government play its legitimate role, and play it efficiently and properly, is to concentrate on things that work, and get away from these things that obviously don't work.

STRATEGY TO KEEP WAGES AND PRICES DOWN

You stated, Mr. Secretary, in the press, that the administration in its efforts to hold down wages and prices would avoid jawboning labor leaders in an attempt to win peaceful, less costly settlements. Can you elaborate on what the alternative to jawboning may be, and tell us what strategies you intend to employ to keep down wages and prices when labor and industry fail to do so in the collective bargaining process?

Secretary DONOVAN. Well, obviously, we're on the record as being against wage and price controls. That's the ultimate weapon which has never proven effective, in our view.

The collective bargaining system has served this country well. By saying we would avoid jawboning, I didn't mean to imply that we would not interest ourselves in the process, but I think government in the past has interjected itself into the normal union-mangement relationships too much and not too successfully.

I think if the free enterprise system works, we should allow it to work.

FEDERAL MEDIATION STAFF REDUCTIONS

Senator SCHMITT. Do you think you will be able to reduce the Federal mediation staff under whatever proposals you have in mind?

Secretary DONOVAN. The staff itself?

Senator SCHMITT. Yes.

Secretary DONOVAN. I don't think there are any cuts in the Federal mediation staff, nor in the NLRB. I'm not sure of that, but I don't believe there are any cuts there.

Senator SCHMITT. But do you think new approaches that you may try would permit such reductions, and still accomplish greater benefits than we've realized in the past?

Secretary DONOVAN. Well, mediation is certainly an honored process that Government should be involved in. I have a feeling, Mr. Chairman, that there is hopefully a new attitude dawning between labor and management, that the days of constant adversarial relationships are in neither person's interest. I see it in the automobile industry. And to the degree that we can be helpful in promoting that, I think that's the most positive thing we can do.

Senator SCHMITT. You don't see it yet in the coal industry, I presume?

Secretary DONOVAN. I do; I see it there. I was disappointed, as we all were, in the contract being rejected by the membership, but from what I understand from what I have read, and the conversations I have had, both parties are aware of the mutual interest that they have.

COAL STRIKE STRATEGY

Senator SCHMITT. Has the administration decided on any strategy or alternative strategies to deal with the ongoing coal strike and the fact that miners have turned down a 36-percent wage increase over 3 years?

Secretary DONOVAN. Yes; we know the issues that remain, and we're aware of the reasons the membership turned the contract down.

We have not opened any dialog, and we don't intend to. We encourage them to get back to the bargaining table. I'm optimistic that they will shortly and it will be resolved.

UTILITY INDUSTRY PRODUCTION CAPABILITY

Senator SCHMITT. What is the current capability for the utility power industry to continue at the present production rates?

Secretary DONOVAN. I am made to understand that the reserves above ground have a life of 6 months, minimum, and 9 months, maximum.

COST OF COAL STRIKE TO FEDERAL GOVERNMENT

Senator SCHMITT. What is going to be the cost to the Federal Government if the strike should continue for 6 months?

Secretary DONOVAN. To the Federal Government, I don't see a cost.

Senator SCHMITT. No cost, no benefits that must be paid?

Secretary DONOVAN. Not to my knowledge.

Are you aware of any?

Mr. ZUCK. Unemployment benefits for strikers are paid in two States—New York and Rhode Island. The only Federal costs that would possibly be paid by the Department of Labor would be unemployment insurance benefits.

There could be residual secondary effects in secondary industries. Things could be affected in which employment might be affected.

Secretary DONOVAN. I am just reminded that the coal tax receipts obviously will be affected.

Senator SCHMITT. The tax receipts?

Secretary DONOVAN. Yes.

Senator SCHMITT. Could you provide for the committee a summary of the direct and indirect impacts you see of the coal strike, say the cost per month or per week or whatever seems to be a reasonable figure of the strike, to the Federal Government, because it could affect our future deliberations on the fiscal year 1982 budget.

Secretary DONOVAN. Yes; we'll attempt to do that, sir.

[The information follows:]

IMPACT OF COAL STRIKE

The black lung disability trust fund is partially funded by an excise tax levied on mined coal. The tax receipts are collected by the Treasury Department and deposited in a Treasury account. Funds are advanced to the black lung disability trust fund every month, based on an estimate of tax receipts. Any difference between actual receipts and the funds advanced is corrected by Treasury, with a few months timelag.

If the strike lasts less than 90 days, there should be little impact on the trust fund revenues, as higher than normal coal production in the first half of fiscal year 1981 will result in increased tax receipts sufficient to offset lower coal production in the third quarter. However, if the strike lasts significantly longer than 90 days, the possibility exists that Treasury would begin reducing estimated tax receipt advances in late fiscal year 1981 or early fiscal year 1982. Therefore, any shortfall between actual tax revenues and the amount projected for budgeting purposes would result in additional Federal funds advanced to the black lung disability trust fund. These funds would be repayable, with interest, to the Treasury. It is estimated that if the strike continues through September 1981, approximately $35 million in tax receipts will not be collected.

PAPERWORK REDUCTIONS

Senator SCHMITT. In response to a question submitted by the subcommittee in February, the Labor Department indicated it expected a 50-percent decrease in paperwork resulting from microfilming reports from labor unions. I don't know whether you have any reason to agree or disagree with that number. But why couldn't you, therefore, reduce your current staff of 70 people handling these reports by some figure arbitrarily, say 50 percent.

Secretary DONOVAN. I would like Janet Norwood to address that in a general way, and specifically if she can. We've asked Dr. Norwood to do a survey on all paperwork at the Labor Department. And she's coming up with some very interesting findings. She has only been working on the study for a few weeks.

Dr. Norwood, would you generally and, if you can, specifically address that?

Dr. NORWOOD. Yes, sir; we are looking at the Secretary's request at all activities that involve reports from the private sector and as a matter of fact, from the public sector, too, the State employment security agencies.

Microfilming, in general, is a process which we have found extremely useful in the processing of data. After a period of time, when it has been applied, it can frequently bring about increased efficiency.

The specific question that you asked relates to the work that is done in the Labor Management Standards Administration, and I believe that Mr. Shepley is here and perhaps could respond more specifically to that issue.

Mr. SHEPLEY. I don't have that data right here with me, but we are making studies to reduce the processing of the reports. And we are trying to get them on microfilm.

We don't have the equipment in place. We don't have the cost figures yet.

Senator SCHMITT. Mr. Secretary, why shouldn't the law be changed to require only that unions—and maybe even other organizations—make reports available to their workers or other immediately interested parties, and eliminate the Labor Department's function as a warehouse, whether it's for microfilm or anything else.

Secretary DONOVAN. I couldn't agree with you more, Mr. Chairman. There are many reports that find their way into the Department that are never even read in all areas of our responsibility, and these are substantive numbers we're talking about.

And that's why we asked Dr. Norwood to begin this search. Both legislatively and in the regulatory area, I think we can make substantial improvements.

INFLATIONARY IMPACT OF DAVIS-BACON ACT

Senator SCHMITT. The Carter administration conducted a study, and it was released last week, concluding that Labor Department wage-setting procedures under Davis-Bacon and service contract acts are inflationary. Do you agree that administrative changes can be made to save $1.9 billion and drop inflation 0.3 percent, as recommended by this study?

Secretary DONOVAN. I don't know what the numbers are. We are—and it's on the front burner—reviewing Davis-Bacon, with the aim of administratively tightening up the act. I am not even aware of those numbers, but there's an indication that there's substantive dollars that can be saved here.

Senator SCHMITT. We will ask a few more questions on that one for the record.

OFFICE OF FEDERAL CONTRACT COMPLIANCE

You are reportedly considering replacing the current requirement for specific plans from individual Federal contractors with broad performance standards. Can you tell us more about these plans for Federal contract compliance activities?

Secretary DONOVAN. Yes; that regulation is being reviewed right now at the Labor Department. We are trying to focus our assets and our people in the areas where it is most effective. One suggestion being studied is to raise the level of coverage from $50,000 to a much higher figure.

Interestingly enough, at least preliminarily, the study indicates that if we raise the level we will in no substantial way be changing the number of employees covered across the country. It's getting high priority, and we hope to have our proposals over to the OMB for review within the next 3 weeks.

Senator SCHMITT. Presumably, if the proposals are implemented and are successful, there will be reduction in personnel required for certain enforcement activities and so forth?

Secretary DONOVAN. Yes, sir.

Senator SCHMITT. Will your proposals to the OMB indicate the level of reductions that might be achieved?

Secretary DONOVAN. I hope they will; yes.

Senator SCHMITT. Mr. Secretary, this subcommittee, over the last three budget cycles in which I have been associated with it at any rate, has had the chance to evaluate, back to back, OSHA and MSHA programs, Occupational Safety and Health Administration and Mine Safety and Health Administration.

There seems to be within MSHA a rapidly improving climate between the agency, the business community, and labor community that it associates with. In contrast, although there may have been a little bit of improvement in recent years in OSHA relations, when you see them back to back, the contrast is obvious. OSHA does not have a good relationship with labor and the business community it associates with.

There are exceptions, but generally I think everyone on the subcommittee that sat through the hearings the last 3 years would probably agree with that assessment. The major thing that we see that is different between the two agencies, is that MSHA has a greater concentration of its funding resources in training, cooperative arrangements, in interaction with the industry, and the workers in the mining industry. Whereas OSHA has a far greater proportion of its resources allocated to enforcement.

CHANGING ROLE OF OSHA

I don't think you can argue with the numbers, but do you agree with the general assessment? And is there some way that we could begin to bring OSHA into more of a training and cooperative mode, rather than one of confrontation and enforcement?

Secretary DONOVAN. We sure hope so, Mr. Chairman.

I would suggest that one other obvious reason for the difference is that in MSHA they're dealing with one industry, while in OSHA they are dealing with thousands of different industries.

One of our greatest concerns is the health and safety of the workers and our desire that OSHA—and I would like Thorne Auchter to address this and give you our philosophy—have more of a spirit of cooperation. There is definitely an adversarial relationship out there, and we have to change that tone. And I would ask Thorne Auchter to elaborate on that, if he would.

Mr. AUCHTER. Thank you, Mr. Secretary.

Mr. Chairman, we agree with your statement about the adversarial relationship that has been, we think, a prime problem in OSHA in the past.

OSHA NEW DIRECTION GRANT PROGRAM

We believe there are numerous ways to address that problem, not the least of which is to get more heavily involved with consultative efforts with our new directions grants program. We think it can be an effective tool for the creation and dissemination of safety and health material and programs with the aid of State programs, so that the problem solving that goes on will be done closer to home. There is a strong need for special projects, such as the experience that we have had recently at the San Onofre Nuclear Power Plant site in California, where they have a

labor-management safety and health committee. They conduct their own regular inspections, and they respond to employee complaints as well, internally. We do a paper monitoring, if you will, of that situation. There are many good signals coming out of that sort of approach.

We currently have a couple of requests from some Midwestern manufacturers to see if we can set up something like that in conjunction with them on a permanent worksite. We will monitor them on a paper review setup. If the results look good, then it will be business as usual. If there's a problem with the results, then we would get more intimately involved and see if we could solve whatever problems had arisen.

But we're looking forward to a more cooperative effort, and we believe that it is the job of the Occupational Safety and Health Administration to act as a catalyst to bring those individuals, employers and employees, together to solve these problems early, utilizing the expertise they have in their own particular workplaces.

REPROGRAMING FROM ENFORCEMENT ACTIVITIES

Senator SCHMITT. Why shouldn't we begin the process of reprograming resources from enforcement activities in OSHA to these kinds of activities?

Mr. AUCHTER. We've done that in our budget request. If you look at our employee levels, under compliance, we list about 1,800 people in the compliance area. That includes dual enforcement States and State plan monitors. And we plan—with our personnel reductions—to reduce our monitoring forces in the States by eliminating dual enforcement and by improving our targeting system at the same time.

Senator SCHMITT. We will be working more closely with you on that at the staff level. But it is my impresssion—and I think the impression of others in the subcommittee—that the relative weight could be changed more quickly than maybe the administration has envisioned.

Part of the problem though may be in having the kind of people in OSHA that are qualified by experience and training themselves to undertake the kind of programs that you're talking about.

In the catalytic activity that you're talking about, MSHA has recruited fairly extensively from the industry that it works with. OSHA does not seem to have done that quite as extensively.

OSHA RECRUITMENT

Is it your intention to change that approach in terms of recruitment?

Mr. AUCHTER. Yes, sir; it is our intention to alter that approach where we can, keeping in mind that our agency covers something like 4½ million workplaces, and over 70 million employees. It is rather difficult to have a high number or a high percentage of our inspectors targeted to any particular industry. A number of our inspectors do have construction and maritime experience specifically, and we try and take that into account in scheduling our field operation.

OSHA INTEGRATED MANAGEMENT SYSTEM

Let me add to that, Mr. Chairman, if I may. We are currently in the process of instituting an integrated management system that we believe will allow us to more effectively measure what our people are doing in the field. We're going to be coming up with about 20 to 25 key indicators that we can measure on a month-to-month basis to see what effects our policies are having in our compliance effort and to see how we believe our inspectors are conducting themselves and what effects we're having.

That then will allow us, on any 90- to 120-day period to measure what's going on and make midcourse corrections rather than waiting until the pressures mount over 1 or 2 years and then have a program that has gone awry in the field. We will be able to make improvements in our programs before a crisis arises.

Senator SCHMITT. Well, we'll get into that in more detail with you. The numbers don't appear to be quite compatible with your testimony. But I think it's better that we work that out when we have more time.

Mr. Secretary, I would ask you to think about whether you are by trying with such a broad spectrum of workplaces and industries in OSHA, to do the impossible with 1,800 inspectors. I mean, you are probably not really doing very much out there to improve health and safety. Whereas if you reoriented the approach to the program so that it was more one of providing the assistance, industry and labor groups, organized or not, can develop their own compliance system. As you have indicated, some experiments are working—as we know, within the mining industry. You may find a much more rapid success rate than under the present scheme of things.

Secretary DONOVAN. I agree; and it's the only way to go, Mr. Chairman.

Senator SCHMITT. I believe the Department's testimony has indicated you're covering about 2 percent of the businesses at present. And I doubt if that's enough of a threat, if you think of OSHA as a threat, to force compliance on the other 98 percent.

ELIMINATION OF OSHA RIDERS

You propose the elimination of several of the OSHA bill language riders in the fiscal year 1981 appropriation intended to alleviate harassment of small businesses and better target inspection activities. In what way do these "riders," limit the flexibility of OSHA to respond to specific situations? That's the rationale stated within your budget justification.

Mr. AUCHTER. Mr. Chairman, we believe that our compliance effort needs to be targeted more effectively to those workplaces where the hazards actually exist. With that in mind, we have got about a half dozen pilot projects currently going on around the country, some of which use workmen's compensation data, some use a review of the OSHA log when our compliance officers first go in to a plant.

We feel that it would reduce our effectiveness if we were in the posture of having to eliminate certain workplaces based on numbers of employees alone. And that is the purpose for our approach with regard to the riders.

Senator SCHMITT. Mr. Secretary, one of the major suggestions that we have had from the State Occupational and Health Director, Environmental Improvement Division Director in New Mexico, Tommy Baca, and others, is removing duplication.

For example, there is apparently a three-tier monitoring activity within OSHA at the present time: the area office, the regional office, and then the Washington office. And it is the feeling of those people out in the field that are trying to carry out the OSHA tasks, that much of this could be eliminated. Is that part of the thrust of your reexamination?

Secretary DONOVAN. That's what we're doing; yes, sir.

Senator SCHMITT. I think we will make a part of the record, without objection, the letter and suggestions from Mr. Baca.

[The information follows:]

LETTER FROM THOMAS E. BACA, DIRECTOR, ENVIRONMENTAL IMPROVEMENT DIVISION, HEALTH ENVIRONMENT DEPARTMENT, SANTA FE, N. MEX.

February 27, 1981

Mr. Thorne Auchter
Assistant Secretary
Occupational Safety & Health Admin.
U.S. Department of Labor
200 Constitution Ave., NW
Washington, D.C. 20210

Dear Mr. Auchter:

Congratulations on your recent appointment. It is especially encouraging to see that President Reagan and Secretary Donovan have selected an individual who has an understanding and expertise in the field of safety.

In order to assist you in evaluating OSHA/State problems, I am providing some thoughts and recommendations for your consideration.

Over the years the Environmental Improvement Division has experienced numerous problems in its Federal/State relationship. In reviewing those problems, it becomes clear that the mandates and goals of the Occupational Safety and Health Act are not the problem. The problem lies with past administrative policies and interpretations in the implementation of the Act.

The Environmental Improvement Division of the New Mexico Health & Environment Department looks forward to working with you in a truly professional relationship. If I may be of any assistance, please do not hesitate to contact me at your convenience.

Sincerely,

Thomas E. Baca
Director

Concurrent Jurisdiction

In those states with active state (18b) programs, federal offices having "concurrent" jurisdiction have produced continual problems and confusion by having two independent agencies providing interpretations of regulations and enforcement. This problem has existed in New Mexico since December, 1978 and provided the basis for our filing suit in federal court to resolve the issue.

The reasons for federal OSHA's reestablishment of concurrent jurisdiction in 1978 was, at best, questionable and since that time the state program has undergone considerable maturation. This growth in the state program has carried it far beyond the need for jurisdictional support to a point where concurrent activities now produce confusion with the State's businesses and unnecessary duplication of effort, manpower and resources.

The problems involving concurrent jurisdiction can best be illustrated by a recent incident where the State's efforts to address an imminent danger was unnecessarily delayed. The State's attempt to investigate an employee complaint concerning the use of defective high pressure sand blasting equipment on a 50 ft. scaffold was clearly hampered when the federal OSHA office in Albuquerque, without full knowledge of the situation, indicated to the employer that the interum measures being used were permissible under the Maritime standards. While this may be true in ground operations with clear visibility, it certainly is not true 50 ft. in the air inside a generating plant boiler. The federal staff made no effort to have the employer check

with the state program. The entry of the States investigators was delayed by the employer until the confusion could be cleared up.

We would recommend that in those states having active 18b programs, federal offices should be deactivated, concurrent jurisdiction withdrawn and their staff transferred to federal program states as openings arise.

Monitoring

The State of New Mexico has two areas of concern in relation to OSHA monitoring activities. These concerns are the level of monitoring and the subject matter being monitored.

Level of Monitoring

From 1975 to date the state has had to accept continual, often daily, monitoring covering every aspect of its program from its inventory control of minor expendable items (film, etc.) to the activities of state compliance staff and the content of case files. While we recognize the need for federal oversight of state program activities, there is no rational justification for this obvious waste of federal manpower and resources. This waste is often duplicated and compounded by having the same program aspects monitored by federal staff from the area office, again by the regional office staff, and then a third time by the Washington office.

We would recommend that monitoring responsibility be removed from area and regional offices and placed with qualified staff operating out of a central unit. This would reduce duplication of effort, manpower, and resource requirements and insure consistency in evaluating all state programs.

Subject Matter

The states' concern over the subject matter being monitored is derived from OSHA's emphasis on procedures and administration. As a result, the comments and recommendations center on the procedural differences between the state and federal program. The apparent assumption is that if the state is not exactly like the federal program it is "not-as-effective as".

No attempt has been made to evaluate the state program's effectiveness in reducing accidents and illnesses.

Grant Administration and Monitoring

Presently the State's grant application undergoes many unnecessary review and approval evaluations at the area, regional, and Washington levels. While we recognize the need for grant review, we recommend that a single, central unit be established to handle grants. This would reduce the lengthy turnaround time for grant approval and reduce the manpower required for review of the original application, expenditures and audits.

Program Emphasis

Currently, the federal program and the states, as required by federal dictate, place primary emphasis on enforcement via the issuance of citations and fines. While the need to have a viable enforcement program is recognized, many situations could be effectively handled through a rigorous voluntary compliance (consultations) and a technical services program.

We would recommend that the states be given the flexibility to individually develop a balance between levels of compliance and consultation activity. If the true goal is worker safety and health, then hazard correction is the objective and the means to gain that objective (enforcement versus voluntary

correction) become insignificant. Additionally, a decrease in unnecessary enforcement activity would proportionally reduce the expense of hearings, court time, legal services, etc., without reducing program effectiveness, and have the side effect of greatly improving public opinion and acceptance of the program.

Regulations

In its original attempt to develop regulations, Federal OSHA adopted numerous standard industry practices and national codes. While this may have been the most expedient way to adopt such standards, it failed to consider that many of those standards and codes were already being enforced by state agencies. The result was duplication of effort and industry confusion over differing interpretations of the standards. Additionally, as the national codes and standards were continually updated and modernized, the OSHA regulation remained the same. This compounded the confusion and produced growing national opposition.

We would recommend that OSHA eliminate, as regulation, those standards and codes that create dual or duplicate enforcement jurisdiction between federal and state agencies. Specific examples include:

a. Life Safety Codes
these are presently enforced by state and local fire marshalls,

b. National Electric Code
presently enforced by state and local Construction Boards and inspectors during initial construction,

c. Housing and general sanitation requirements
presently enforced by State, county and local health departments,

Finally, we would recommend that federal OSHA actively encourage new state 18(b) programs. An equivalent state plan, while funded on a 50/50 grant basis, costs in federal funds only approximately 40% of the federal cost to operate an all federal program. The extra savings of a state operation are incurred through reduced manpower costs, and shared administrative support activities.

DUAL ENFORCEMENT STATE

Mr. AUCHTER. Mr. Chairman, could I respond to that?

Senator SCHMITT. Yes.

Mr. AUCHTER. I am aware of that letter. Mr. Baca wrote me a letter in February. It has some good thoughts in it, by the way. With regard to that, we have already ordered a reduction of Federal personnel in New Mexico effective September 30, cutting our staff of eight Federal enforcement or Federal compliance officers back to four to get back to a monitoring base.

New Mexico has been a dual enforcement State. And we are reducing dual enforcement across the board—we are not just doing that in New Mexico, by the way. We intend to eliminate dual enforcement in those States that currently have effective State plans.

Further, we are going to develop an objective system of monitoring State plans that makes sense and eliminates the three-tier approach to which you referred earlier. We don't think the three-tier approach is appropriate either.

Senator SCHMITT. New Mexico and OSHA have had a running battle. I'm glad to hear it's gradually being worked out, because we have had

and effective organization, and the area OSHA office, at least, has not been willing to admit that. Now it appears that it's been done.

MINE CLASSIFICATION

Do you agree, Mr. Secretary, with respect to MSHA, that sand, gravel, and related operations should not be classified as mining since they are more closely associated with construction operations?

Secretary DONOVAN. We're not ready to agree right now, Mr. Chairman. We're currently reviewing this area to determine whether changes are needed, and if so, just what they should be.

Senator SCHMITT. I hope you will keep us informed as soon as you reach a decision on that. As you know, there has been a fair amount of interest in the Congress on that issue.

Secretary DONOVAN. We're very aware of that.

Senator SCHMITT. I'm sure if you make the wrong decision there will be continued interest.

BLS BUDGET REQUEST

Virtually every component of the Labor Department has taken a substantial cut under the Reagan budget revisions to the Carter proposals, except the Bureau of Labor Statistics. The request for BLS is still $123 million, an increase of 16 percent over fiscal 1981. If you had to take a 6-percent cut in this budget, still leaving a 10-percent increase over fiscal year 1981, what lower priority activities would you curtail?

Secretary DONOVAN. We'll have Janet Norwood address that, please.

Dr. NORWOOD. It is not quite true, sir, that we are not taking our share of the cuts. One of the roles of the Bureau of Labor Statistics is to provide contract services to other Government agencies and to other parts of the Department of Labor.

Senator SCHMITT. Is that reimbursable?

Dr. NORWOOD. Yes, sir; in many cases those contracts are being curtailed and in some cases completely eliminated as a result of decisions that have been made in this budget process. The effect of that on the Bureau of Labor Statistics is quite large.

We are, in fact, going to be reducing our staff by some 175 positions by September. We are, however, balancing some of that, but not all of that, by some very important changes. We have discussed before this committee, the problems involved in the Consumer Price Index; we do need to do some experimental work in that area. There are a few other places, but on balance we are taking a cut, and we are hearing almost daily of other reductions in our reimbursables. So we're not quite sure where we are on that.

Senator SCHMITT. So the cuts, as you call them, in BLS really are out in other portions of the Department's budget as well as the budgets of other Departments.

Dr. NORWOOD. We are taking quite a cut. We are a small agency, and we are taking a large cut in the wage program; we're cutting out local area projections work; we are cutting a good bit of our work in the occupational safety and health area. So we are taking a number of cuts, both in fiscal years 1981 and 1982.

We had taken some in fiscal year 1980. I think what is perplexing perhaps is the fact that at the same time that we are winding down a large number of programs for us, we are also having some increases, but the increases do not counterbalance the decreases. That is, there is still a net reduction. The increases are for such things as the redesign of the current population survey, because 1980 population data will become available, and in order to keep our employment-unemployment survey up to date we have to take steps to redesign the samples. There are things of that sort that are normally done at about a 10-year interval that need to be taken on.

Senator SCHMITT. Something isn't clear to me, you must be thinking of the total direct funding and reimbursable funding.

Dr. NORWOOD. Yes, sir.

Senator SCHMITT. Your direct funding was essentially not changed from the Carter submission and is up $17 million from the 1981 continuing resolution.

BLS INCREASED COSTS

Dr. NORWOOD. Yes, sir; that's true. I was referring to the total budget which is from a managerial point of view what we have to deal with. However, in terms of the dollar increases in our budget, a lot of that is due to inflationary costs.

I just learned the other day, for example, that our keypunching costs, which are a very important element in the work that we do, have risen from something like 80 cents to almost $2. We have a lot of cost increases of that kind.

Senator SCHMITT. Do you think your inflation rate is higher than the normal rate?

Dr. NORWOOD. Since we're the experts in measuring inflation, I'm not quite sure how to answer that, sir. But it's hurting, certainly, and we are making a large number of efficiencies——

Senator SCHMITT. Remember, we can go back to your testimony in January and check and see what you said. [Laughter.]

Dr. NORWOOD. I know that. I think I'm consistent.

Senator SCHMITT. Are you finding very high inflation rates in certain types of services such as computational services? What other services?

Dr. NORWOOD. Well, some of the processing. Not all of it. One of the things that we have instituted in BLS that I am rather proud of is a dual computer center policy. We divide our work between two computer centers since our work is extremely important. If one group fails to provide the services we've got to be able to go to the other computer center. As a result of that we seem to be getting much better service, and we seem to be getting competitive prices.

We are the only statistical agency that I am aware of in the city that is doing that, and I think it is paying off.

REIMBURSABLE REDUCTIONS

Senator SCHMITT. Mr. Secretary, are you aware of a general emphasis on cutting reimbursable funds between subdivisions of your Department or between Departments?

Secretary DONOVAN. No, I am not.

Senator SCHMITT. It would, I guess, be a natural tendency for a Secretary to cut out reimbursable money that's going to another agency.

Secretary DONOVAN. If we can find it we will.

Senator SCHMITT. But I'm not sure I advocate that. And I'm not sure that it necessarily is the most efficient way to do things. For example, if the Department of Health and Human Services or Department of Education, needs certain types of statistical analysis, obviously the BLS is the place to go. Why duplicate it in each agency? Another case that I know of is in NASA, where there have been major cuts in reimbursable funding that had to do with certain specific types of energy technology development that were funded in NASA by the Department of Energy.

I just caution you not to, in your own dealings with other agencies where they have a capability that you don't have, I think it's cheaper to tap that capability rather than to duplicate it.

Dr. NORWOOD. I would just like to be sure that the record shows, sir, that I am not suggesting that all of these cuts are indefensible. I think that when people are looking at their programs and are cutting back some functions they frequently find that their data needs are also cut, and in those cases I believe very strongly that data requirements should then be reduced.

Senator SCHMITT. I agree with you, but I also think that it's a turf thing. You cut money going to other agencies before you cut your own. Let's face it. I've been there.

Dr. NORWOOD. I'd be much happier if we didn't have any reimbursables these days.

Senator SCHMITT. OK.

COUNCIL ON INTEGRITY AND EFFICIENCY

Mr. Secretary, do you know what the Council on Integrity and Efficiency is?

Secretary DONOVAN. It comes under the Inspector General—it's an inspector general council, as I understand it.

Senator SCHMITT. It has recently been created by the President to help all Departments, I presume, make greater savings in the control of the ever present fraud, waste, and abuse. Have you had any interaction with the Council yet?

Secretary DONOVAN. No, I have not. We have a new Inspector General Designate, Mr. Tom McBride, whom I am very, very impressed with. He has a lot of experience in Government, particularly in the Department of Agriculture, and I look forward to working with him. He has not been confirmed as yet.

Senator SCHMITT. Is he meaner than a junkyard dog?

Secretary DONOVAN. He sure is. I think he is, "Yes." [Laughter.]

Senator SCHMITT. I understand that's one of the criteria.

Secretary DONOVAN. I felt that when I was interviewing him he was interviewing me. That's how mean he is. [Laughter.]

Senator SCHMITT. Is it your understanding then that the representatives from each Department on the Council on Integrity and Efficiency will be the Inspector Generals?

Secretary DONOVAN. That's my understanding; yes.

PROMOTION OF PRIVATE SECTOR PRODUCTIVITY

Senator SCHMITT. Let's see, what are we batting now? Two out of three for meaner than junkyard dog? One of the secretaries wasn't quite sure that his Inspector General was going to be meaner than a junkyard dog. So two out of three is not too bad.

GAO recently issued a report on December 4, 1980, outlining how the Labor Department has failed to take the lead in promoting private sector productivity. Promoting private sector productivity has been identified as a high priority by the Reagan administration. Do you agree with that assessment, and if so, what can you do to improve on your record?

Secretary DONOVAN. I'm not familiar with the report, but if there is one major thing wrong in this Nation it is productivity. It's like being for motherhood. Getting it is another matter. I am not familiar with the GAO report, though, Mr. Chairman.

Senator SCHMITT. The report, for your reference—and you may want to comment on it for your record. In fact, I would ask you to do that—is December 4, 1980, AFMD 8110.

Secretary DONOVAN. Thank you.

[The information follows:]

U.S. Department of Labor's Response to the Final General Accounting Office Report Entitled-- "Department of Labor has Failed to Take the Lead in Promoting Private Sector Productivity"

Recommendation:

"We recommend that the Secretary of Labor take steps to carry out the President's directive and provide leadership in human resources productivity. As a minimum, we believe the Secretary should:

--Create a focal point at the Assistant Secretary level to prepare specific program goals and objectives, to coordinate and monitor the Department's programs, and to coordinate programs with other agencies.

--Assign specific leadership responsibilities to agencies within the Department.

--Establish an ad hoc group within the Department to assess program needs, consult with business, labor, and academic leaders to determine appropriate actions for the Department to take to improve productivity, define program goals and objectives, plan implementation, and recommend organizational changes for the Department."

Response: The Department concurs.

The Department feels that the "focal point", the "specific leadership responsibilities", and the "ad hoc group" that the GAO Report recommends that the Secretary of Labor establish already exist. The GAO bases its conclusion that "The Department of Labor Has Failed to Take the Lead in Promoting Private Sector Productivity" largely upon its "finding" that these functions are lacking in the Department; this is clearly an error as will be demonstrated below. The Department does not, however, wish to imply that it believes that the execution of these functions could not, or should not, be improved, or that it should not more clearly define its productivity policy, including its goals and objectives.

Direct DOL Efforts

The Department has an active productivity research program, much of which is the product of the same type of forum recommended in the GAO report. Last Spring, for instance, DOL sponsored a seminar on productivity. Out of this meeting grew a great deal of information, comments, and suggestions on the most fruitful future direction of federal research efforts and policy in the area of productivity.

A departmental research review process has been established whereby most DOL agencies, as a matter of routine, circulate research proposals and completed drafts of research for review and comment, including opinions on funding. Moreover, ASPER has responsibility for reviewing the budgets of all DOL agencies, including their research and program development budgets. These arrangements help

to assure a coordinated productivity research effort within the Department.

The Bureau of Labor Statistics has had and does have a Business Relations Advisory Committee (BRAC) and a Labor Relations Advisory Committee (LRAC) to provide advice and review of BLS programs in productivity measurement and analysis. The BRAC and LRAC, along with the Department of Labor activities and interactions that have been described, are apparently unknown to GAO. The Department feels their existence totally negates and renders superfluous the major recommendation made to the Secretary of Labor in the GAO report.

DOL Efforts Involving Other Federal Departments and Agencies

The Department's activities in the productivity promotion area are more far-reaching than has yet been described. DOL has worked actively and closely with other Federal departments and agencies to learn more about the productivity problem and to coordinate efforts and resources in this area. For instance, as an outgrowth of a number of seminars and meetings sponsored by the Department on the declining international competitiveness of U.S. industry, and its adverse impacts upon the quality of life in the U.S., the Department of Labor and the Department of Commerce (Office of the Chief Economist) are jointly funding a major study at the University of Pennsylvania, under the direction of Lawrence Klein. This study examines industry-specific development policies and seeks to determine whether or not such policies would have desirable effects on the U.S. economy in terms of per capita income growth, employment, inflation, exchange rate stability, productivity, and real output growth.

The Economic Development Administration (EDA) is separately funding a study of the regional aspects of industry-specific development policies which can be considered an extension of the DOL-Commerce study. The Departments of State and Energy and the Agency for International Development (AID), in addition to the federal agencies already cited, were also consulted. The Department of State, although not participating in the funding, decided to undertake a series of related studies on its own, and agreed to help review portions of the DOL-Commerce study. AID and Energy chose not to participate.

Still another example of the Department's efforts to promote improvements in productivity and the quality of working life--as well as the lack of anarchy within the Department--pertains to the synfuels program. Such a mammoth project would have significant implications for labor markets, productivity, labor-management relations, and the quality of working life in the U.S. generally. ASPER coordinated the DOL effort.

Last Summer DOL and Energy Department officials met to identify appropriate questions and issues in three sets of labor related issues of concern to DOL in implementing the synfuels program to see which could be answered with information now available and which would require additional work.

The expectation was that once these determinations were made, DOL and DOE would jointly allocate the work and set up a schedule for completion of the key tasks. A second higher level meeting was to be arranged in which these issues would be explored further. This initiative has been shelved, however, pending the priorities of the new Administration.

ASPER played a coordinating role in this cooperative DOL-DOE effort. ASPER worked with various DOL agencies to develop issue papers in the areas of DOL concern, all of which have implications for productivity.ASPER worked with ESA on the labor supply and demand issues and served as an intermediary between DOE and the ESA contractor who is developing a model to convert the various synfuels scenarios provided by DOE into labor demand requirements. It also worked with LMSA to develop papers on the various industrial relations issues and with OSHA on papers in its areas of concern.

Other examples of the type of role described in the GAO recommendation to the Secretary of Labor can be cited, but those already given will, hopefully, be sufficient to enforce the Department's lack of concurrence with the recommendation of the GAO study.

Comments

The Makeup of the NPC Reflects the Complexity of the Nation's Productivity Problem

In the Department of Labor, the Bureau of Labor Statistics has conducted considerable research on the productivity slowdown, examining such factors as:

(a) the changing composition of the U.S. labor force, particularly the movement of more women, teenagers, and minorities into the labor market;

(b) rising energy prices and the resulting labor-capital substitution; and

(c) intersectoral shifts of resources.

Still other productivity researchers have examined the role of government job safety, health and environmental regulations; tax laws that discourage saving and investment and encourage speculation and tax avoidance activities; and the slowdown in the rate of capital formation. Executive Order 12089, issued on October 23, 1978, recognized the complexity of the productivity problem and that the major factors involved cut across the jurisdictions of a large number of Federal agencies, including the Department of Labor. Thus, the National Productivity Council (NPC) was established, comprised of the heads of a number of federal agencies, or a designated representative. Included are:

(a) Department of the Treasury

(b) Department of Commerce

(c) Department of Labor

(d) Office of the Special Representative for Trade Negotiations

(e) Council of Economic Advisers

(f) Office of Management and Budget

(g) Office of Science and Technology Policy

(h) Council on Environmental Quality

(i) Civil Service Commission, and

(j) Council on Wage and Price Stability

The Director of the Office of Management and Budget--not the Secretary of Labor--was designated Chairman of the Council. The GAO report appears unwilling to accept this fact. The organizational structure of the NPC is quite consistent with the complexity of the productivity problem. The Department feels that this is the reasoning underlying the NPC's makeup.

DOL Has Addressed Its Assigned Responsibilities

The memorandum implementing Executive Order 12089, however, did assign the Department of Labor the following specific responsibilities:

(a) Productivity growth through improved and innovative utilization of employee skills and capability--in cooperation with the Department of Commerce;

(b) Protecting and improving the quality of working life of employees in conjunction with productivity improvement--in cooperation with the Department of Commerce;

(c) Productivity measurement; and

(d) Labor-Management cooperation in productivity growth.

Other federal agencies, particularly the Department of Commerce, were also assigned specific responsibilities in the memorandum. The Department feels that its own assignments have been either carried out satisfactorily or that a diligent effort is at least being made. The Department's specific efforts relating to Executive Order 12089 are described below by the DOL agency most involved:

Bureau of Labor Statistics. There is no mention made in the GAO report of the responsibility of the Department through the BLS to provide leadership on productivity measurement in line with the assignment of responsibilities included in Executive Order 12089. The BLS has exerted leadership in this area and has undertaken a program to improve the productivity measures of the Government. It has requested funds for a program for the development of multi-factor productivity measures to supplement the existing productivity measures of the Government. In addition, it has conducted extensive studies of the factors affecting productivity change and has disseminated the

results of these studies widely through its usual public releases, as well as through professional economic journals. Therefore, the statement on page 6 in the report that the DOL has not taken advantage of opportunities to increase its understanding of the factors affecting productivity is incorrect.

While BLS has had no role in the productivity enhancement effort, the Department through the BLS activities has aided the productivity program of the Government by furthering the understanding by the general public of the factors involved in the productivity slowdown.

Labor-Management Services Administration. On February 27, 1979, the Secretary of Labor upgraded the Office of Construction Services (OCIS) from the status of a division within the Labor-Management Services Administration (LMSA). This action was in line with provisions of Executive Order 12089 issued on October 23, 1978.

One of the main functions of the NPC, which set forth the mission of the OCIS, was noted in section 1-204 of the Executive Order, which states:

> "The council will serve as the focal point within the Executive Branch for liaison with elements of the private sector concerned with improving productivity and will seek the advice and assistance of business, labor, and academic leaders, as well as representatives from State and local governments and others concerned with productivity."

In announcing the creation of OCIS, the Secretary of Labor noted, that "the construction industry is so large and complex that it certainly requires special focus within the Department of Labor." Among its major functions, it is the responsibility of OCIS to advise the Secretary and Assistant Secretary for Labor-Management Relations on construction industry policies and issues, especially seasonality/cyclicality and productivity.

The primary productivity - improvement work of the OCIS involves the administration of the Construction Coordinating Committee program. Local construction coordinating committees (CCCs) are composed of representatives of labor, management and government (Federal, state and local). These groups seek to improve productivity and hold down inflationary pressures in construction by promoting programs to spread building activity more evenly throughout the year.

The industry acceptance of and success of the first construction coordinating committee (Chicago, 1973) promoted DOL to expand the tripartite coordinating committee program. Additional construction committees were established in Kansas City (1978), San Francisco (1978), Boston (1979) and Denver (1980).

The Committees' top priority is to counter seasonality/cyclicality in the construction industry. The Committees seek to improve productivity and hold down inflationary pressures in construction by promoting programs to spread building activity more evenly throughout the year. To do

this, each Committee staff produces a bid calendar listing planned public construction in its geographical area. The calendars focus attention on concentrated periods of planned public construction and give government agencies the option of rescheduling projects to slack periods during the year. By using this information, seasonal unemployment in the industry can be significantly reduced. In addition, local parties such as building trades unions, contractors, materials suppliers, lending institutions and bonding firms can gauge planned construction activity and better control their resources.

The operations of the Department's Office of Construction Industry Services were pointed out by the General Accounting Office as the only DOL productivity program that succeeded in carrying out the mandate of Executive Order 12089 (an assertion that the Department maintains is erroneous). The GAO report cited the CCC program as designed to foster labor/management cooperation, the quality of working life and the utilization of employee skills in the construction industry. It also noted that a similar initiative could help to stimulate productivity improvement in other major industries. An important accomplishment of the CCC program has been its success in generating local and private community support and in creating a local forum to review the effect which government regulations are having on the construction industry locally. Such local-level, industry-specific initiatives are seen as potentially important links in the effort to help some ailing U.S. industries.

In addition to the specifics already cited, the Department was a participant in the activities of the Industrial Innovation Task Force when it was active. DOL has also been represented at meetings of the Manufacturing Studies Board of the National Research Council's Assembly of Engineering, which is also conducting studies of the problems of reindustrialization, and the implications for jobs, productivity, technology, investment, corporate strategy, and innovation from the point of view of various industry sectors and for the economy as a whole.

Leadership Role Envisioned by GAO Requires Board, New Powers and Resources

Although the Department feels that many of its activities since the Executive Order have been consistent with a leadership role, it does not agree with GAO that the Executive Order specifically assigned, or even intended, that DOL should play that role. DOL can and does have programs to improve human resources and the quality of working life, but it is clearly in no position to restore the level of capital formation to previous levels; to change tax laws to encourage savings and investment; to reduce energy prices; to curtail excessive regulation (outside of that for which DOL is directly responsible); etc. Other agencies on the NPC and the Congress are in far better positions. The composition and chairmanship of the NPC, in the Department's view, reflects a recognition of this fact.

If the Department maintains that this particular role was not assigned to it by the Executive Order, then what of the GAO's view that legislation should be enacted

to specifically put language into the Department's mandate to that effect? The Department feels that no amount of legislation will be sufficient to change matters unless that legislation also gives the Department some authority over the programs, research and spending of other agencies; some say over tax policy; and substantial additional staff and financial resources to conduct an expanded program. This, however, is not likely; and, in the Department's view, not desirable. What is needed is a concerted Federal effort by all appropriate agencies; the NPC was established to promote this type of cooperation.

Human Resource Development and Productivity Objectives Not Always Compatible

The Department's program objectives in the human resource development and quality of working life areas can at times be at odds with its productivity objectives, at least in the short-run. As more youth, women, welfare recipients, and members of disadvantaged groups are encouraged to enter the labor force, the initial impact upon measured labor productivity may be negative, since these new labor force entrants may lack the job skills, experience, and work habits that older, more seasoned workers would possess. Among currently proposed policy initiatives, for instance, enactment of a youth subminimum wage would improve job opportunities, but adversely impact productivity; workfare would do the same. Few would, however, argue that these trends in labor force participation should be discouraged despite their initial impacts upon output per hour.

If the Department were to assume the role assigned to the NPC by Executive Order 12089, an awkward situation, laden with potential conflicts of interest, could arise. The Department feels strongly that it is in the long-term best interest of the Nation to encourage individuals from disadvantaged groups to enter into the labor force, thereby reducing welfare roles, crime, urban tensions, and some of the other side effects of high levels of unemployment and frustration--even if it means less measured productivity growth. Holding the Department accountable to the Congress for the growth of measured productivity could under some circumstances result in these desirable objectives being compromised, or at least being pursued less vigorously. Apparently, the authors of Executive Order 12089, which designed and established the NPC, were well aware of this situation.

BLS ROLE IN PRODUCTIVITY

Senator SCHMITT. A typical GAO report entitled, "Department of Labor Has Failed To Take the Lead in Promoting Private Sector Productivity."

Secretary DONOVAN. Do they make any suggestions?

Senator SCHMITT. Well, we will let you have a copy of it. They have a set of recommendations to you and agency comments were made, but we would like to have the new administration's comments.

Secretary DONOVAN. Fine; in BLS there is a productivity area. Maybe Janet Norwood can throw some light on it.

Dr. NORWOOD. The report that you refer to is built around the Government thrust to increase productivity in the private sector. The Department of Labor, as I understand it, was involved in that in the last couple of years, and there was a Cabinet level committee, but the lead agency in that area was the Department of Commerce.

In the Bureau of Labor Statistics we have a program, as you know, for the measurement of productivity, and we provided some service support to the groups in the Government who were working on the policy issues. We, of course, were not involved in the policy questions.

Senator SCHMITT. Have you any idea how you can determine the productivity of Federal workers? Service productivity is extremely difficult. I recognize that.

Dr. NORWOOD. Yes; that's true. We have a very small program in the Bureau of Labor Statistics to try to develop Government productivity measurement. We do publish some measures by function of Government. It's a program that was started by the Office of Management and Budget. The Office of Personnel Management has been also involved.

It is, of course, extremely difficult to measure output. It's important, by the way, for two reasons. One reason is the gross national product. The national accounts of the United States make the assumption that as workers increase so does productivity increase for Government. As workers for Government decrease, then there is an equal productivity change. So that it's extremely important for a national account measurement, and that's the area in which BLS has been making an effort.

But it is quite experimental, because, as you point out, there have been quite a few exceptional issues on needs to relate the employment to the specific output, and the output, as you pointed out, of services is very difficult to measure.

We also have been working closely with the Office of Personnel Management in order to provide them with whatever support we can on ways in which they can apply measurement techniques to the issue of providing more efficiency in Government.

INSPECTOR GENERAL STAFF REDUCTIONS

Senator SCHMITT. Well, I think the Appropriations Committee in general would commend you in that effort. We see numbers, as you do, of employees in an area and a certain amount of money, and we have no idea what they're producing, except our constituents say it's only paper and nothing very useful.

One approach, of course, has been to just measure productivity indirectly by cutting until you squeal enough to know you've cut too deep.

Mr. Secretary, your budget proposes a cut of 46 staff from the Office of the Inspector General. What's the basis for making that kind of a cut at this time?

Secretary DONOVAN. Al Zuck will take that, Mr. Chairman.

Mr. ZUCK. The number of positions reflected there is, as you say, a reduction of 46. I think, in terms of the actual number of employees from current employment levels, we're talking of a reduction of about 25. The essential rationale for the reduction relates to the very substantial reductions in the funding levels of the CETA program where the roughly $5 billion, almost $6 billion, has been reduced. We recognize that most of the auditing still will be required for the higher level of program. But it was felt the Inspector General as well should contribute something to the overall reduction.

I might indicate that in some testimony just last week by the Deputy Director of OMB, showing some comparison of funding levels of all of the Inspector General offices of the Departments, Inspectors General funding level has gone from just under $20 million in 1980 to a level of $38 million in 1982 under the Reagan budget. So there has, in fact, been almost a doubling of funding for the Inspectors General offices over the last 2 years.

ORGANIZED CRIME STRIKE FORCE REDUCTIONS

Senator SCHMITT. Do you expect these cuts to affect the organized crime strike force activity?

Mr. ZUCK. I don't think so.

Senator SCHMITT. You participate in that, do you not?

Mr. ZUCK. The Department of Labor, yes, the Inspector General's office has an organized strike force component working with the Justice Department.

If there's a reduction, it may be a few positions, but no substantial numbers at all.

Senator SCHMITT. Would you report back to us whether or not your effort in support of the Justice Department will be affected?

Mr. ZUCK. Yes.

[The information follows:]

INSPECTOR GENERAL ORGANIZED CRIME STRIKE FORCE COMPONENT

The organized crime and racketeering program, which had 90 authorized positions, would lose 5 authorized positions out of the 46 total authorized positions by which the Office of the Inspector General is being reduced.

UNRESOLVED AUDITS

Senator SCHMITT. The Supplemental Appropriations Act for 1980 requires any pending unresolved audit findings be resolved by December 30, 1981. At that time about $284 million in Labor Department audit findings were in question. Do you expect that target to be met, Mr. Secretary?

Mr. ZUCK. Yes; we expect to meet the deadline. The Employment and Training Administration, which is responsible for about 97 percent of the open audit findings, has implemented a corrective action plan to resolve these findings by September 30, 1981, as required by the continuing resolution.

Senator SCHMITT. Is the unresolved dollar cost still about the same level?

Mr. ZUCK. It's close to that number, because as audits get resolved and closed out additional ones are coming in. But we can provide the latest information for the record.

[The information follows:]

Audit Resolution Activity 1/
October 1, 1980 to March 31, 1981

Agency/Program	October 1, 1980 Balance Unresolved Reports	Dollars 2/	Issued (Increases) Reports	Dollars	Resolved (Decreases) 3/ Reports	Dollars	March 31, 1981 Balance Unresolved Reports	Dollars
Employment and Training Administration								
CETA Sponsors								
State and Local Prime Sponsors	195	$144,705,308	83	$80,141,586	100	$41,923,436	178	$182,923,458
Native American Grantees	286	24,164,936	-	-	64	2,903,270	222	21,261,666
Migrant Grantees	86	14,054,648	8	1,796,955	17	1,564,290	77	14,287,313
Job Corps Contractors	23	6,056,524	6	657,615	11	2,127,589	18	4,586,550
National Programs for Older Workers	27	4,670,039	3	183,191	3	316,762	27	4,536,468
Policy, Evaluation & Research Grantees	36	3,670,948	2	318,298	4	671,906	34	3,317,340
Other National Programs Grantees	94	6,991,736	7	56,365	17	72,898	84	6,975,203
Pre-CETA Categorical Grantees	164	31,121,104	-	-	66	3,910,264	98	27,210,840
State Employment Security Agencies	51	47,057,924	1	2,629,140	18	12,398,049	34	37,289,015
Occupational Safety & Health Administration								
OSHA Sponsors	11	152,447	4	194,007	3	73,469	12	272,985
Bureau of Labor Statistics								
BLS Contractors	1	65,475	-	-	-	-	1	65,475
Mine Safety & Health Administration								
MSHA Sponsors	-	-	1	234,248	1	234,248	-	-
Office of the Assistant Secretary for Administration and Management								
OASAM Contractors	13	895,874	2	1,676	6	686,717	9	210,833
Total	987	$283,606,963	117	$86,213,081	310	$66,882,898	794	$302,937,146

1/ This table does not include internal, ADP, or any other reports issued which did not question or recommend for disallowance any costs.

2/ "Dollars" signifies both questioned costs (costs that are inadequately documented or that require the grant officer's interpretation regarding allowability) and costs recommended for disallowance (costs that are in violation of law or regulatory requirements).

3/ Audit resolution occurs when a final determination for each audit finding has been issued by the grant officer and accepted by the Office of Inspector General. Thus, this table does not include activity subsequent to the final determination such as: establishing a claim for reimbursement; the appeals process; or the results of the program agency's debt collection efforts.

COLLECTION OF DISALLOWED COSTS

Senator SCHMITT. Now in late January, we were told that only 31 percent of the disallowed costs are being collected. That was Labor Department testimony at that time.

Would you look at that again and verify for our record that you agree with that number?

Mr. ZUCK. Yes, we can update it as a matter of fact.

[The information follows:]

COLLECTION OF DISALLOWED CETA COSTS

The 31-percent figure is the amount collected through August 15, 1980, of costs disallowed through that time. It represents only a portion of the disallowed costs we expect to collect, as the bulk of the disallowed costs are still in the collection pipeline. That pipeline is long and uncertain as described below.

Disallowed costs in the pipeline.—About 2 years ago ETA began an aggressive audit resolution campaign, which has begun to produce dividends, primarily in the past year. Aggressive audit resolution results in debts owed ETA, since ETA establishes a debt when a cost is disallowed. Thus, aggressive audit resolution pushes disallowed costs into the beginning of the collection pipeline in the form of accounts receivable.

In March 1980 ETA's accounts receivable was $15.5 million. One year later, in March 1981, it climbed to $40.2 million, almost tripling due solely to audit resolution activities. Thus, these debts went into the collection pipeline fairly recently.

Length of the pipeline.—The collection pipeline for our grants is long and uncertain, due largely to legislative requirements. As of December 31, 1980:

Approximately 27 percent of all ETA audit disallowance cases were under appeal. When a cost is disallowed, the grantee may appeal the decision to an administrative law judge—ALJ. The appeal hearing before an ALJ must be scheduled, conducted, and a decision rendered before collection action may be resumed, a process that may take many months, since increased audit resolution has also affected ALJ workloads.

About 69 percent of ETA's audit disallowance cases were still in the debt collection process, not counting the 27 percent in the appeal stage.

Finally, approximately 4 percent of our cases have been forwarded to GAO for collection, compromise, or termination, or to the Justice Department for litigation. Once sent to GAO or Justice, an ETA claim is rarely collected.

We expect our collection percentage to show dramatic improvement as debts work through the collection process.

VOCATIONAL TRAINING DUPLICATION

Senator SCHMITT. Mr. Secretary, finally trying to correlate between two of our Departments, the Education Department and Labor, it appears to some members of the subcommittee that there just has to be duplication and inefficiency in vocational training as a result of the two Department's activities.

Do you have a plan to work with Secretary Bell in the near future to determine whether duplication is occurring? I don't mean so much that people are being taught twice, but duplication in terms of staff, overhead, management overhead.

Secretary DONOVAN. Yes; I've had conversations with Secretary Bell on the subject, and apparently there are some. I'm not aware of the depth of it, at the moment, but there are some. Vocational training, to me, is one of the most productive areas for our youth, and Secretary Bell feels likewise.

Senator SCHMITT. Well, there doesn't seem to be any doubt that if we're ever going to really solve the problem of the structurally unemployed, the unemployed youth of this country who literally have no marketable skills at this time, that we're going to have to focus on vocational style training on the job, as well as, in the institutions of the country to break the back of that cycle that we have gotten ourselves into. Obviously public service jobs are not going to do it.

Now you will find this subcommittee and, I think, the full committee tremendously concerned about the problem of structurally unemployed youth, far more so probably than any other sector of unemployment and also very enthusiastic about the potential of vocational training and other types of programs that really and truly get to the problem and develop a marketable skill in the young people of this country who are not currently employable.

So I hope that you and Secretary Bell and others in the administration will get on top of that one as fast as you possibly can, because frankly, unless we do that, I don't think the President's budget proposals and program proposals in this area are really going to work. I think the net result will be not very defensible unless we begin to work on that fundamental problem.

Secretary DONOVAN. Vocational training, as you know, in the schools has fallen on bad times. There's a big addition going on in my hometown vocational school, and I believe that should be not only promoted but should get as much attention as any other program. I agree with you, in order to break the back of this vicious cycle, we need more vocational training, and the earlier the better.

Senator SCHMITT. In many States these programs are overmatched. The States almost 10 to 1 will support with their dollars each Federal dollar, but in other areas, particularly the inner city areas and in some rural areas, where there's just a continuous cycle of unemployment, that is not happening. Targeting, as well as, understanding how to work with the States to make the most out of the resources that they clearly should and in most cases are willing to provide will be a big help in this matter, and it's one which the subcommittee will be paying very close attention to.

Secretary DONOVAN. Thank you.

Senator SCHMITT. Mr. Secretary, that's all. I hope we've left time for both of us to go do our duty tonight.

One more imposition on your time. On behalf of the chairman of the full committee, would you sign his book?

Secretary DONOVAN. It would be a pleasure.

Senator SCHMITT. We need your autograph.

Secretary DONOVAN. Thank you for your courtesies, Mr. Chairman.

Senator SCHMITT. Thank you for staying and letting us complete this. We will have additional questions for the record that I will give you to be answered. Please provide the answers at the same time you return the corrected hearing transcript.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Schmitt

HIGH TRAVEL COSTS

Question: Recently, it was reported in the press that the Labor Department is one of the top Federal agencies in terms of the number of trips taken per employee, as well as the average cost per trip. What is the rationale for the reported 12 trips per year for each employee, costing an average of $1,880 per trip?

Answer: Based on Fiscal Year 1980 full-time permanent employment alone, for the Department of Labor to average 12 trips per person at a cost of $1,880 per trip would have required an annual travel budget of almost $490 million. Departmental obligations for both travel and transportation of things actually totaled $40.4 million in Fiscal Year 1980. During the year, combined travel and transportation estimates were reduced as part of the Government-wide effort to meet a reduction mandated by Congress. As a result of that effort, actual obligations were $3.2 million below original estimates and well within the $2.9 million reduction target for the Department.

It is true, however, that the Department is travel-intensive by virtue of its specific missions and functions. More than 85% of the Department's travel funds are required to perform direct program activities at the levels approved by Congress. These program activities include safety and health inspections, data collection, employment standards and labor-management enforcement, and audits and investigations. However, each of the Department's agencies has placed fiscal constraints and management controls on travel in an effort to reduce activity in an environment of escalating costs.

Question: What steps have you taken to reduce travel costs-particularly related to conference activities?

Answer: The following management actions have been initiated in an effort to hold down travel costs:

- Meetings and conferences are held to a minimum and are arranged to serve multiple purposes. Attendance is limited to those individuals involved directly in the presentation of material or with definite need to receive information.

- Use of the MSHA training facility located in Beckley, West Virginia is encouraged as a means of minimizing costs related to conference attendance (i.e., per diem, transportation).

- Travelers are required to schedule overseas travel in advance to utilize the lowest available airfares. All participants are required to have prior approval from the Associate Deputy Secretary for International Labor Affairs to ensure that only those essential to a successful conference attend.

- Increased utilization of FTS, conference calls and telecopiers is encouraged to reduce field trips.

- The most cost-effective modes of transportation are encouraged through use of discount airfares, GSA common carrier program, and limosine or bus service rather than automobile rental.

- Compliance reviews are planned in two or more closely located areas during one enforcement trip, to increase the amount of enforcement activity accomplished while reducing the overall cost of enforcement travel.

- In selected agencies, satellite offices have been established outside regional office where workload would otherwise require considerable travel from regional offices.

- Travel vouchers are required to be submitted in a timely fashion to facilitate control and monitoring of travel allocations.

TELECOMMUNICATIONS IN LIEU OF TRAVEL

Question: A great deal of information now obtained by travel could be obtained more cheaply through other means. What has the Department done to encourage the use of conference calls, the exchange of videos, the use of telecopiers, and exchange of information by mail, as alternatives to travel?

Answer: There are enforcement, investigative, and data collection functions for which travel is integral in meeting the Department's responsibilities. Even so, the Department has done--and continues to do--as much as possible to reduce travel through alternative means of communication. Each agency has been adapting the variety of these alternatives to suit its special needs.

Conference calls are being used throughout the Department, particularly in lieu of meetings between the field and national office staffs. The use of FTS in general has been increasing.

Telecopier use is steadily rising for a variety of purposes: from simple transmission of policy guidance to graphics, tables, and other complex data in support of conference calls.

Management has been instructed to make maximum use of the mails, but in the most cost-effective manner. While agencies may be reducing their use of registered or express mail services, the postal system has become a key factor in reducing travel through such uses as self-instructional training materials and evaluations and reviews in the form of written questionnaires.

Audio-visual devices are being used, particularly for training purposes or in lieu of on-site demonstrations whenever possible.

Question: Are the same travel savings being encouraged for Labor Department grantees and contractors?

Answer: Every effort is made to ensure that only essential travel is conducted. Where possible, travel itineraries are obtained and reviewed. Actual expenditures are monitored. At least one agency provides copies of its own and Departmental travel regulations to grantees and contractors who are expected to abide by them.

PUBLICATIONS AND FILMS

Question: How much will be saved in fiscal 1982 as the result of President Reagan's order to cut back on publications and films? Specifically what amounts will be saved in each Labor Department appropriation?

Answer: A moratorium on all production and procurement of new audio-visual products and publications was issued April 20, 1981. In conjunction with this moratorium, the President ordered a review of existing materials to eliminate superfluous items.

Potential savings from the cutback on new and existing audio-visual and printed materials cannot be accurately projected at this time. The results of the review, due by July 15, 1981, will become part of a government-wide estimate of total production costs of periodicals, pamphlets, and audio-visual products.

OTHER POSSIBLE LABOR DEPARTMENT RESCISSIONS

Question: Without forcing further reductions in staff, please tell us how much you still can rescind and what the effect will be for each of the following: Labor-Management Services Administration; Employment Standards Administration; Occupational Safety and Health Administration; Mine Safety and Health Administration; Bureau of Labor Statistics; and Departmental Management.

Answer: Labor-Management Services Administration estimates that no additional reductions can be made without a further employment decrease. A number of planned activities requiring travel, printing, and contractual services will have to be eliminated.

Employment and Standards Administration is unable to identify reductions without incurring further employment cuts. Any additional decreases will have an adverse effect on a variety of programs.
Certain federal contract compliance and workmen's compensation evaluations would be curtailed or eliminated. There also would be insufficient capability to continue the development and maintenance of improved automated management information systems and case processing, resulting in decreased productivity and program effectiveness.

To date, Occupational Safety and Health Administration has $5.8 million in unobligated funds for the following non-staff items:

1. 7(c)(1) consultation-$1,000,000. The consultation funds represent half of the money originally transferred from the 50/50 state grant program to support the anticipated conversion of consultation programs to the 7(c)(1) program. If the money were rescinded, it would seriously hamper the agency's ability to provide anticipated, planned program support.
2. New Directions grants-$3,000,000. The unobligated funds for New Directions are planned for obligation in the fourth quarter to fund the second year of the second round of grants that were awarded in FY 1980. If funding for these grants were eliminated, it would adversely affect not only the efforts of the trade associations, unions, universities and other non-profit organizations directly involved, but the entire momentum of the program as well. OSHA's efforts to encourage flexible programs for workplace protection would suffer if rescissions occur.
3. Consultant services-$1,800,000. The majority of funds earmarked for consultant services are planned for obligation in the third and fourth quarters. Resources will be needed in examining alternative compliance strategies, the standards-setting process, Federal-State joint programs, and the New Directions program. All of this is designed to ensure the best mix of enforcement, consultation, labor-management, education and state plan resources.

In the Mine Safety and Health Administration, the following items could be eliminated without incurring additional staff reductions:

1. Regulatory impact analyses - $344,000. Although the majority of MSHA's standard development workload is currently being devoted to the review of existing regulations, efforts to develop necessary new standards to protect the safety and health of the miner will continue. These analyses are necessary to comply with Executive Order 12291 and the Regulatory Flexibility Act, and to assure that any standard promulgated by MSHA achieves its regulatory goal with the least net cost to society. Rescission would result in the deferral of these standards.
2. Mine emergency operations purchase - $600,000. Rescission of these funds would defer purchase of the Eastern Staging Facility of the Mine Emergency Operations at Hopewell, Pennsylvania, and postpone consolidation of the Western Staging Facility with the Hopewell organization. This would result in continued operation of two separate facilities that could be operated more effectively and efficiently as one. Rescission would also increase the liklihood that the Hopewell property will be sold to another party inasmuch as the owner is eager to sell and the Government would be faced with an expensive relocation.
3. Replacement motor vehicles - $603,000. MSHA operates approximately 500 owned motor vehicles which are used primarily by mine inspectors in conducting inspections and

investigations. Each year those vehicles which meet GSA mileage and age standards are replaced with new vehicles in order to maintain a reliable and economical fleet of motor vehicles. Rescission of the $603,000 budgeted for this purpose in 1981 would force MSHA to operate unreliable vehicles which would be more expensive to operate. Rescission of these funds would merely postpone purchase of the vehicles since the number of owned vehicles currently on hand is the minimum required.

4. Equipment purchases - $370,000. Rescission of these funds would require MSHA to use outmoded, inefficient ADP equipment. Use of such equipment would be both time consuming and costly. MSHA currently leases ADP equipment which has been offered for sale at considerable savings. Rescission would necessarily cause the savings to be sacrificed in both the current and future years. In one case, MSHA has been receiving an ADP service from another Government agency which can no longer provide it. Because of the unique nature of the service and the lack of other agencies able to provide service, it is necessary to purchase the equipment. Rescission would defer the purchase and eliminate the service.

The Bureau of Labor Statistics cannot reduce resources further without incurring additional staff reductions. Nearly half of its budget is related to personnel costs. Another major portion of the budget is for the collection of vital labor force and price data. Therefore, there is little flexibility left in which to make reductions without adverse effects on staffing.

In Departmental Management, resources available for the second half of the fiscal year relate primarily to staffing costs. There remains approximately $11 million of unobligated funds as follows:

1. Inspector General audit contract funds - $10,564,000. These are unobligated contract funds and it would be possible to reduce this money without reducing staff. However, this funding is essential to carrying out a balanced program in the effort to eliminate fraud, waste, abuse and mismanagement in Departmental programs and reductions would create serious problems in ensuring proper audit coverage is maintained throughout Departmental programs.

2. Administrative travel - $146,000. These funds were planned for use in the last two quarters of Fiscal Year 1981. The administrative travel that remains for the rest of 1981 is an integral portion of Departmental Management's programs and should be not be considered as superfluous or unnecessary. This travel is critical in carrying out the current programs of DM as well as for planning future operations. Included in this figure are planned trips for the staff of the Inspector General, the President's Committee on Employment of the Handicapped, and the Administrative Law Judges. Elimination would create problems from both an administrative and programmatic standpoint in the areas where the cuts were enacted.

Most of the funding for equipment that remains unobligated is planned for use by the Office of Inspector General for sensitive equipment and for use by the Library for the purchase of books to keep their holdings current.

The money for audit contracts, administrative travel and equipment are planned to be entirely obligated by the end of the fiscal year. Any rescissions to these amounts would have to consider obligations that have already taken place in these areas since the end of the second quarter.

IMPACT OF AUTHORIZATION LEVELS RECOMMENDED BY THE SENATE LABOR AND HUMAN RESOURCES COMMITTEE

Question: The Senate Committee on Labor and Human Resources has recommended authorization levels for the Department of Labor that are substantially below the reduced levels in the Reagan Budget for Fiscal Year 1982. For example, the Committee's recommendations for LMSA, ESA, OSHA, MSHA, and BLS are 22 percent below the levels requested by President Carter for Fiscal Year 1982. What would be the impact of a 22 percent reduction in the budget for these Agencies? To what extent would the Department be able to enforce existing labor laws if the 22 percent reduction is approved?

Answer: For the Labor-Management Services Administration (LMSA), a 22 percent cut from the January Congressional submission would total $14.8 million. The revised FY 1982 budget request included a reduction of $5.7 million from the January request. A further reduction would seriously erode the enforcement programs of this agency and would leave no alternative but to begin plans for a reduction-in-force of 235 full-time permanent employees from the 1,163 now on board. It is difficult to project the full range of effects of such an action, but the following will lend insight as to the absolute minimum that will occur over and above changes already reflected in the revised budget now pending.

In the Office of Labor-Management Relations Policy Services a reduction of 16 employees would (1) deprive many individuals under the Redwood Employee Protection Program of health care coverage and other individuals of their only source of income, (2) prevent timely processing of applications for Federal grants. Grants cannot be made by program administering agencies without the Secretary of Labor's certification; (3) cause delays in both on-going and planned DOL grant projects in virtually every state with concomitant cost increases, (4) severely restrict our ability to provide information and assistance to the Secretary and Assistant Secretary for Labor Relations for the purpose of minimizing disruptions flowing from labor disputes, and (5) necessitate the closing of two regional tripartite construction committees -- likely Denver, Colorado and Boston, Massachusetts.

In the Office of Labor-Management Policy Development the proposed 22 percent budget reduction would have an impact primarily in two areas. First, research assistance normally offered to the Solicitor's Office would be halted. This assistance usually consists of studies of union constitution provisions related to an LMRDA issue that is being litigated, the subsequent development of an affidavit based upon the study, and, if necessary, appearance as an expert witness to introduce the study and to discuss the issue. Occasionally the Solicitor's Office will request a constitution provision study to help it in reaching a decision to litigate.

Second, support normally offered to other offices of LMSA in the Administration and enforcement of laws under the Assistant Secretary's jurisdiction would be significantly limited. For example, the Research Division presently studies union constitution provisions at the request of Labor-Management Standards Enforcement (LMSE), largely for Title IV enforcements, and provides a schedule of major union elections and analysis of election provisions that helps LMSE in planning its program. In another program area, the Division is studying major collective bargaining agreements for language potentially violative of veterans' reemployment rights to help the Office of Veterans' Reemployment Rights (OVRR) in planning technical assistance. The reduction in staff would mean that the Research Division's response might not be quite as thorough or as timely as it has been in the past.

The Labor-Management Services Enforcement program would experience a reduction of 80 field investigator positions, since previous budget cuts reduced the national office ceiling to a level which can barely meet the needs of maintaining essential mandatory requirements.

The reduction of 80 investigator positions would result in the elimination of, at minimum, all criminal investigations of alleged embezzlements pertaining to labor organizations, all on-site audits, and all reporting, and other miscellaneous type investigations in the field. Specific activities eliminated would include 268 embezzlement investigations, 536 compliance audits, 56 union fiduciary audits and 598 reporting and other complaint investigations. The only major activities which could be performed by the reduced field staff would be the election investigation and supervised election activities that are mandated as first priority activities by statute. However, even these programs would face severe curtailment since the FY 1982 projection reflects that approximately 78.2 staff yers will be required to meet the projected needs for these activities. If the proposed reduction is implemented only 63 investigative staff years would be available.

The Veterans' Reemployment Rights statute obligates LMSA to undertake the advocacy of veterans and reservists who encounter difficulty in regaining the jobs they leave to serve in the Armed Forces. After full ascertainment of the facts and issues, the program stresses mediation and, through this means, resolves 80 to 90 percent of disputes which arise between employers and returning servicemen and women. In cases where an impasse is reached, the program is obligated to present the case to the Department of Justice and, when necessary, assist in the litigation (discovery) process. The issues involved run from simple reinstatement to proper position, status, pay, vacation and other benefits, including pension entitlements. In terms of dollars, settlements may vary from a few dollars to as high as millions of dollars in multiple violation (class action) claims.

The statute obligates the Government to provide this assistance and service at no cost to veterans and reservists, who in most all cases cannot afford legal representation. The proposed 22 percent budget cut, which will have the effect of eliminating 12 positions in the program, will seriously undermine the ability of LMSA to fulfill its mandate. This reduction will reduce the number of investigators from 19 to 10 and their clerical support from four to one. The number of cases processed would fall from an estimated 1,421 to 748 and the number of cases pending would increase from 2,506 to 3,179. The case backlog will escalate from an already excessive 21 months to 51 months by the end of FY 1982, with increasing backlogs in subsequent years. Much of the program's success in achieving mediation has been due to its ability to respond to complaints on a timely basis. A 51 month backlog will more than likely result in: (1) An increase in costly litigation over issues which can normally be resolved through negotiations; (2) loss of meritorious claims as a result of delayed processing and the doctrine of laches; and (3) discontinuance of technical assistance to employers and veterans, which many times avoids problems for the parties and precludes complaints.

The Pension and Welfare Benefit Programs (PWBP) is responsible, in general, for enforcing the fiduciary, reporting and disclosure provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Enforcement of these provisions is aimed at assuring that the over $250 billion in assets in 320,000 private pension plans is available to pay retirement income to over 40 million participants and beneficiaries, in addition to preventing the misuse of the contributions to 1.7 million welfare plans (1975 figures). PWBP does this by investigating or auditing plans to discover any misuse of plan assets by fiduciaries in their investment or administrative duties. These investigations and audits are conducted both in response to specific complaints and as a result of leads obtained from the annual reports filed by plans. Once a violation is uncovered, we move, through civil remedies, to prevent the misuse of the funds and recover, for the plan and its participants, assets already taken.

The effectiveness of this enforcement program as a deterrent to abuse of plan assets would be virtually eliminated and ability to recover misused assets for plans would be severely reduced by a twenty-two percent reduction in staff. The Internal Revenue Service has determined that auditing two percent of individual taxpayer returns provides it with a meaningful deterrent presence; we currently look at roughly one-half of one percent of plans funded by trusts. The twenty-two percent cut would let us look at even fewer plans. It is estimated that the total number of investigations and audits that could be conducted would be reduced by at least one-third, or only half of the number of investigations closed in FY 1980. This severe cutback would so reduce our deterrent presence that it would be quite clear to individuals who wanted to misuse plan assets that there would be little chance that PWBP would discover the violation.

A twenty-two percent reduction in staff would result in a reduction of 106 positions in PWBP. Because of reductions previously taken by the national office functions, virtually the entire reduction would have to be absorbed by the field enforcement staff, reducing that staff by between one-half to one-third. Certain area offices would be closed. In those offices that remained only skeleton staffs would exist.

The proposed reduction of 21 positions in Executive Direction, Management and Support, (EDMS) would result in a weakening of the management control, the efficiency of planning, and utilization of dollars and people in the Agency. It will severely curtail program and operations reviews; evaluation studies of agency and program operations, management analysis and organizational studies, and improvements in procedures, all negatively impacting on the efficient utilization of available national office and field staff. Quarterly review and analysis activity will be reduced to a clerical task of assembling data on required report forms for transmission to the Department without interpretation or evaluation. The quality of budget formulation will suffer from lack of evaluation and accountability reviews. Training programs and individual development counseling for LMSA personnel will be discontinued, as will be staff supervision of merit pay, performance evaluations, and Senior Executive Service and executive development activities. Personnel and other services will be curtailed and significantly delayed. Management Information and ADP services and the functions of the Agency's information office likewise will be further diminished and delayed.

In sum, the proposed reduction would very substantially diminish the Agency's ability to conduct effective enforcement programs, as required by law, in FY 1981 as well as future years.

For the Occupational Safety and Health Administration (OSHA), a 22 percent reduction from the January submission would total $53.4 million. The revised FY 1982 budget for OSHA already reflects reductions of $14.7 million from the January budget, including a reduction of 313 full-time permanent and 140 temporary positions. These reductions represent a balanced reappraisal of OSHA's program in concert with the President's overall intention to reduce Federal spending. Further reductions of an additional $38.7 million from the revised budget would severely diminish the agency's effectiveness in dealing with the safety and health considerations facing both business and labor.

Additional reductions from OSHA's revised request for FY 1982 would adversely impact most of the agency's programs and seriously undermine the agency's ability to provide practical options and alternatives for ensuring safe work environments. OSHA would be unable to meet the recommended funding level without a drastic reduction of approximately 840 on-board positions. This would represent an actual reduction in personnel of over 30 percent from OSHA's revised budget and would require an immediate implementation of a reduction-in-force action with considerable disruption to the agency and its planned activities.

Personnel reductions would be focused in two major program areas. Over 170 staff involved in technical support activities would be eliminated and over 560 positions would be reduced from the enforcement activity.

Elimination of the technical support positions would mean that OSHA would no longer be able to provide specialized technical services or advice and assistance on scientific, engineering, medical and environmental matters. This cutback would directly inhibit the identification, abatement and control of workplace hazards. Operation of OSHA's two laboratories (sample analysis in Salt Lake City, Utah and equipment calibration in Cincinnati, Ohio) would be terminated and their functions handled on a contractual basis. This would necessitate greatly restricting the samples of potential hazards analyzed, create longer turnaround time in the analyses conducted and delay the availability of properly calibrated technical equipment. Determinations of individual requests for variances from workplace standards would be absorbed in other functions, but would proceed at a slower pace due to the reduced staffing posture.

The other area severely affected by personnel reductions would be Federal enforcement activity. OSHA's staff reductions would necessitate termination of over 400 compliance officers in addition to decreases in associated administrative and clerical support staff. This would result in about 15,600 fewer inspections being conducted during FY 1982 than in the current budget estimate. An inspection reduction of this size would gravely distort OSHA's efforts in balancing its programs for worker protection.

The remainder of the staffing reductions would be spread throughout the agency's operations. OSHA's capacity to review, simplify, and improve existing standards would be greatly diminished. Fewer personnel would be available to administer voluntary compliance programs and to conduct compliance officer training courses. Statistical and administrative services would be significantly reduced, hampering OSHA's ability to analyze its programs and respond to outside concerns.

In addition to these staffing reductions, the following program areas would be affected in meeting the proposed funding recommendations:

- On-site Consultation - $500,000 would be reduced from the planned level of funding for the on-site consultation program in FY 1982. As a result, approximately 600 fewer consultation visits would be provided. This reduction would coincide with a continuing increase in employer requests for services and would contradict statements of the Administration's intent to assist employers in meeting their commitments under the Act.

- New Directions - $500,000 would be reduced from the New Directions institutional competency building program. This would restrict the growth and development of grants, resulting in the curtailment of training activities and termination of a number of recently hired professional safety and health personnel. This program represents an important cornerstone of the Department's commitment to expand voluntary compliance activities; continued program reductions would make it impossible to fulfill that commitment.

- Federal Agency Programs - $500,000 would be reduced from contract funds supporting federal agency program training efforts. This reduction would limit the agency's ability to develop requisite training modules appropriate for federal agency safety and health officials, collateral-duty safety personnel and labor-management committees. The lack of timely, adequate, effective training materials would severely hamper efforts of Federal agencies to meet their obligations under Executive Order 12196.

- Compliance Officer Training - $500,000 would be reduced from contract funds supporting the development and provision of compliance officer training. This would impede the agency's efforts to redesign and strengthen courses for improving compliance officers' professionals, technical expertise and interpersonal relations in dealing with employers and others.

- State Programs - $500,000 would be reduced from 23(g) 50-50 grant funds to support State occupational safety and health plans. Under the proposed appropriations language in 1982, States cannot be required to expend for State programs more than an amount equal to Federal funding. Therefore, it is probable that parallel reductions would occur in State matching funds. This would result in a reduction in State compliance personnel with comparable reductions in staffing and services in all other program areas. A 50-50 grant program is at the margin of attractiveness to assure continued State participation in this program, and many states are currently funded at less than their "requested" level. In some instances, program reductions may act to discourage continued State participation.

- Technical Equipment - $2,500,000 would be reduced from the purchase of technical equipment for the sampling, measurement, and analysis of workplace hazards. Much of this cut is associated with the proposed dissolution of OSHA's laboratories and decreased need for equipment due to compliance officer reductions. Notwithstanding these factors, these reductions would require that use of present inventory be extended beyond its recommended lifetime and thus be more susceptible to malfunctions and inaccuracies.

For the Employment Standards Administration (ESA), the proposed reduction from the January submission would total $39.8 million. Significant staffing reductions and serious erosion of workload accomplishments would result.

In the Wage-Hour Division, approximately 20 area offices and 190 compliance officer positions would be eliminated with a corresponding 10,000 fewer FLSA, FLCRA, and Government Contracts investigations performed. The backlog of complaints awaiting investigation would increase by 6,000, with the average time for complaint resolution extending from 90-120 days to 120-180 days. The strike force program will be eliminated in FLCRA, and limited to one or two in FLSA. Such decreases in enforcement activity are expected to increase the potential for non-compliance with existing labor standards legislation.

The Office of Federal Contract Compliance Programs would be reduced by 136 positions, resulting in 340 fewer compliance reviews and 220 fewer complaint investigations. The compliance backlog will increase to over 5,000 with response time exceeding one year.

The Office of Workers' Compensation would lose 43 positions, the vast majority from the Federal Employees' Compensation Act program. The staff reduction will result in 2,000 fewer periodic roll reviews and 10,000 fewer cases closed.

The most serious impact in OWCP will be a $3.3 million reduction in ADP contracts, which will eliminate funding for all the improvements that have been under development and design for the last two years. Without the availability of these improved ADP systems, program performance in terms of claims processing times will deteriorate by an estimated ten percent.

The overall management staff of ESA will be decreased by 17 positions, affecting all functions. Funding for research will be reduced by $1.0 million, eliminating evaluation studies in OFCCP, Wage-Hour, and Workers' Compensation, with the concomitant loss of improved administration and enforcement of ESA programs.

For the Mine Safety and Health Administration (MSHA), the proposed reduction from the January submission would total about $36.4 million. A total of 1,261 full-time permanent positions (approximately one-third of MSHA's total workforce) would be eliminated by a reduction in force. The major impact would be in enforcement which represents about 73 percent of MSHA's budget request. The ability to enforce existing labor laws if the 22 percent reduction is approved would be severely impaired. Approximately 47 percent of the budgeted mine inspections would not be approved. Specific program impacts follow.

In the coal mine enforcement the reduction would result in a decrease of 670 positions and 44,735 fewer inspections and would require an overall change in the current inspection policy. The first inspection priority would be to ensure that all underground and surface mines receive at least one regular

inspection and that all mines which liberate excessive gas be inspected. The second priority would be to concentrate inspection activities at those mines with accident frequency rates above the national average. Regular inspections would decline by 7,210 to 7,312. Other inspections would be reduced by 37,525 to 38,255.

In metal and nonmetal mine enforcement the reduction would result in a decrease of 306 positions and 13,245 fewer inspections. This staffing level would allow two regular inspections per year at year-round active underground mines, one regular inspection per year at seasonal or intermittent underground mines, one regular inspection per year at year-round active surface mines and one regular inspection per year at one-half the seasonal or intermittent surface mines.

Other inspections would not only be reduced in number, but the mix of types of events would change as well. For example, compliance followup inspections would be reduced by allowing more time for the correction of violations; compliance assistance visits would be eliminated; there would be fewer spot inspections of high hazard operations; and there would be fewer investigations of alleged knowing and willful violations and unwarrantable failures.

Standards development would be reduced by five percent, or one-third of the current staffing level.

In assessments a decrease of 59 positions would result in a decline from 165,000 to 120,000 of the number of assessed violations. The number of conferences held would decline to 19,000 from 24,000.

The National Coal Mine Health and Safety Academy would be reduced 25 positions, reducing the number of student training days by one-half. The unit cost of a student day would then increase by 30 percent. Development and distribution of safety publications would be significantly reduced; e.g., the number of safety manuals written would be reduced from seven to two and the number of programmed instruction manuals would drop from four to two. Mine safety and health training provided on location to mining company safety specialist would be eliminated.

In education and training, most of the 40 positions to be reduced would come from the training plan evaluation function. Evaluations will be reduced from 300 to 265. Positions would also be reduced in the training materials development and distribution function. Twelve fewer training courses would be developed and a backlog would develop in the distribution of training materials.

A $2.0 million reduction in State grants would result in each participating State's funds being decreased by 33%.

In technical support, a reduction of 109 positions would eliminate the information analyses function. Accident, injury and illness data would be collected, but no analysis will be made.

No assistance would be given in search and rescue operations unless human lives were involved.

Mine investigations to assure compliance with industry safety and health standards would be reduced from 600 to 250 and would be conducted only when imminent danger exists.

The number of samples analyzed would decrease to 30,000 from 90,000. The Pittsburg analytical laboratory would be closed.

Approval and certification investigations would depend on a pass-fail determination with no consultation or assistance to the industry. There would be no change in the number of completed investigations; however, nonapprovals would significantly increase.

Funds for the initial phase of construction to consolidate the Approval and Certification Center and the Mining Equipment and Safety Laboratory at the Dallas Pike facility would be reduced by $1.0 million. This would extend the construction period and increase the overall cost of the project.

Funds for alterations to the mine emergency operation facility would be reduced by $.3 million, delaying needed repairs and renovation.

In program administration, a reduction of 47 positions would be made. Since workload within this activity is maintained directly proportionate to the total workload, no adverse programmatic impact will result.

For the Bureau of Labor Statistics (BLS), the proposal would result in a reduction of $27.2 million from the January request. A cut of this magnitude could only be accommodated by cutting deeply into the Bureau's basic programs including those involving measurement of price, wage, productivity, employment and unemployment. Every BLS program would be affected.

Specific decisions need to consider: (1) increases in statistical error resulting from reductions in sample sizes; (2) data required by Congress for Federal program implementation; (3) data needed to monitor the health of the economy and (4) requirements of States and local governments to implement Federal programs.

Revisions of the Producer Price program would stop. Within a few years of completion, improvements and industry expansions would end. All work on producer services would end. Important parts of the comprehensive set of data planned for monitoring inflation and improving the GNP accounts would be lost. The Family Budget program would be totally eliminated. The Consumer Expenditure Survey would be restricted to only the areas required for CPI weights, i.e., the rural sample would be entirely eliminated. The Bureau would with great reluctance

also relinquish the FY 1982 request for testing rental equivalence feasibility. Finally, BLS would cut back its efforts to maintain statistical equality between the CPI-W and the broader based CPI-U by reducing the W sample.

Occupational employment statistics, a Federal-State cooperatiave program providing data used in the development of educational and training programs by States as well as to provide data on employment by occupational, would be eliminated. The labor turnover statistics program, an important component of the index of leading indicators, would be cut out. The long-needed modernization and revision of the business employment, hours and earnings program would be eliminated. These data, one of the Nation's principal sources of monthly information on the Nation's health, would continue to be criticized because of documented need for improvement. Drastic cuts (about half the published series) of industry and area detail would take place in the business survey.

Sample reductions would also have to be made in the Current Population Survey, resulting in much wider bands in the unemployment data for more than one-half of the States and the local areas within them. Finally, a severe cutback would be made in collection and analysis of data on special labor force issues.

The entire industrial relations program would have to be eliminated, including studies on collective bargaining agreements and work stoppages. In addition, the industry occupational wage surveys for about 65 industries (IWS), used by both business and labor in collective bargaining, would have to go. Attention might even have to be given to reducing the size and scope of the pay comparability survey even though this is required by law.

It would be necessary to cut out completely the surveys of labor and materials requirements in major construction projects such as public and private housing, schools and hospitals as well as the work to measure Federal Government productivity. The Government productivity measurement program is especially important in this period of concern about Government efficiency. Finally, the technological studies program would be drastically reduced. It is especially unfortunate, given the current concern about the Nation's productivity performance, to slash programs providing the information and analysis of these problems.

The Economic Growth and Employment Projections program provides a long-range view of the projected growth in our economy and the labor force, including industry and occupational projections for career planning. The entire program would be cut drastically. The number of industries and occupations would be drastically reduced, occupational outlook publications and analytical work would be cut back significantly as would occupations included in the best seller Occupational Outlook Handbook.

Executive direction would be cut steeply. Most of the publication program would be curtailed or eliminated. Systems and survey design, essential for reducing cost, collection burden, improving productivity and statistical quality would be slashed. Economic research and evaluation, necessary to keep BLS programs at high quality would be sharply curtailed.

The effect of the proposal on the BLS budget request must be considered against the following background of reality:

1. Nearly 45 percent of the BLS budget is for personnel compensation.

2. Another 25 percent is for contracts with the Census Bureau for the Nation's labor force and unemployment surveys and for consumer expenditure data for CPI weights.

3. The remaining nonlabor funds are relatively small; they include data collection travel, space rent, computer usage, and working capital fund contribution. Consequently, a cut of the magnitude proposed would have to come from personnel.

4. Federal laws, regulations, and Labor Department union contract provisions make a proposed reduction in force time consuming and expensive (i.e., prior notice to union and to employees, bumping rights, salary retention rights, severance pay and accumulated leave payments).

Although elimination of a large number of major programs would reduce some of the nonlabor costs, BLS would have to take a significant part of the proposed FY 1982 cut by a massive reduction in force. We estimate that, if RIF procedures were to be started in the summer, BLS would have to eliminate perhaps 900 people from its payroll to meet the proposed level for FY 1982. A cut of this magnitude--nearly one-half the workforce--in one year would create such havoc that the Bureau could not possibly meet the time schedule for release of even its most critical data series.

Determining the effect on BLS of such a massive RIF would require considerable time since the transfer of personnel, their required retraining, and restructuring of the Bureau would probably be required. The above statement of effect on BLS programs, therefore, does not take into account the incremental impact resulting from a RIF compressing the dollar cut into only a portion of the fiscal year.

ROLE OF FEDERAL GOVERNMENT IN CETA

The Comprehensive Employment and Training Act, to a large extent, already allows "prime sponsors" - State, county, and city government-wide flexibility in deciding the array of services to be provided.

Question: Do you believe the Federal Government should take a more aggressive role in encouraging prime sponsors to devote resources to programs of proven effectiveness -- such as vocational training leading directly to job placements in private industry?

Answer: The present provisions for limited flexibility permit decisions to be made at the local level by those who are closest to the needs of that locality. The Federal Government will continue to monitor prime sponsors' plans and performance to assure that programs carried out by prime sponsors are designed to address the most pressing local needs and that the programs are administered and operated in such a manner that assures that the desired outcomes are achieved.

CUTTING COSTS OF VOCATIONAL TRAINING

One of the most expensive components of CETA vocational training programs has been the payment of allowances to participants during training--nearly 50 percent of the cost of classroom training programs.

Question: Why do all participants need to get allowances, when their financial needs obviously vary?

Answer: Although the financial needs of participants may vary from individual to individual, all must meet stringent income criteria in order to be eligible to receive any service, either in the form of training or employment. Due to their economic status, many CETA enrollees would not be able to participate in training programs without the allowance payment. Prime sponsors do, however, have the authority to request waivers of allowance payments.

Question: To what extent have studies shown that payment of allowances tends to attract participants who are not really motivated to complete training, but are really there only to get some quick money, and then drop out?

Answer: We are not aware of any studies that address this issue. However, the payment of an allowance, which usually equals the minimum hourly wage, for a limited number of hours per week, would not generally be considered a source of quick money.

Question: What plans do you have to review the level of allowance payments actually needed for successful CETA vocational training programs with the idea of possibly suggesting cost-saving legislative changes when CETA comes up for renewal next year?

Answer: Any new employment and training initiative will consider the relationship of allowance payments to participation in classroom training.

CETA BLOCK GRANTS

Budget revisions for Fiscal Year 1982 anticipate the merger of separate youth grant programs funded under CETA into a single block grant to State and local government prime sponsors. According to the Department, a block grant will help alleviate administrative and oversight burdens and make CETA more efficient.

Question: Are you planning to propose CETA block grant legislation?

Answer: For FY 1982, new block grant legislation is not necessary. A block grant approach is an option for FY 1983 since the current CETA legislation expires in FY 1982, and a task force is currently considering reauthorization.

Question: How do you justify recommending such major changes in CETA through the appropriations process, without amending the basic law?

Answer: Currently, no authorization exists for the youth programs (Title IV A). The programs are operating until June 5, 1981 through a continuing resolution. The Administration is simply not requesting a reauthorization of these activities. In this light, a merging of a limited number of features of these programs with Title II-B/C for FY 1982 is not considered a major change.

Question: How will consolidation of the programs make CETA more efficient?

Answer: A block grant approach will lessen the paperwork requirements substantially in terms of the number of annual plans which will be prepared, the number of separate reports which will be required, as well as the numbers of eligibility factors which must be collected and verified. These reduced requirements will result in the need for smaller administrative staffs. It will also allow more flexibility at the local level in determining service strategy and utilization of resources targeted to local needs.

BLOCK GRANT CONSOLIDATION

The Department of Labor proposes to return to the single grant approach and consolidate all basic employability development service under Title II B, C of CETA to alleviate administrative and oversight burdens and make the program more efficient.

Question: In light of recurring reports of inadequate financial management at some CETA prime sponsors and subgrantees, how will the Department ensure adequate control over block grant funds at the local level?

Answer: Consolidation will result in elimination of the numerous programmatic and eligibility requirements of the various categorical youth programs and thus eliminate the need to monitor compliance in these areas. However, the Department will still continue to oversee and monitor for other requirements which will not be affected by the consolidation.

Question: How much do you realistically expect to save in administrative costs through block grant consolidation?

Answer: We expect that a substantial amount will be saved through block grant consolidation. For instance, a block grant approach will lessen the paperwork requirements substantially in terms of the number of Annual Plans which will be prepared, numbers of separate reports which will be required, as well as the numbers of eligibility factors which must be collected and verified. These reduced requirements will result in the need for smaller administrative staffs.

Question: Won't most of the 15 percent of program costs now allowed for local administration of Youth Employment and Training projects still be needed to operate youth projects under the block grant approach?

Answer: Under a block grant approach, there would generally not be a specific setaside for youth services. Rather, administrative costs would be attributable to operation of the entire program.

CETA CONSOLIDATION

Question: What is the estimated schedule to implement CETA consolidation? What effect will the consolidation have on current prime sponsor planning process? What is the implementation mechanism which will be used for consolidation?

Answer: Final instructions affecting the content of prime sponsor FY 1982 plans will be issued by May 15. Prime sponsors will be directed to complete the planning document issued for Title II B/C, but not to submit any planning on YETP and YCCIP. Accompanying planning instructions would underscore that the majority of current YETP type services are allowable under Title II B/C.

Question: What, if any, targeting criteria will be used in the consolidation plan?

Answer: The CETA statute and regulations require that prime sponsor's plans for each fiscal year include goals to serve the local "significant segments" of the population eligible for Title II-B.C services, subdivided by race, sex, and age categories. Unless a prime sponsor can document plans to vary proportionate levels of service to concentrate activities particularly on one or more target groups within the eligible population (for example, disadvantaged youth or female heads of household), the Department will give approval to plans showing planned participation of each significant segment proportional to its incidence among eligibles.

Question: Will there be an interruption of services on currently-funded training programs caused by this consolidation? If so, how significant will these disruptions be?

Answer: Since authorization for services and activities under Title II-B/C is in place for Fiscal Year 1982, no interruption in program operations will occur with consolidation in October 1982 as long as prime sponsor funding is provided by approved annual plans based on new annual allocations pursuant to FY 1982 appropriations or a continuing resolution.

There will be pressure on Title II-B/C enrollment capacities during the late FY 1981 - early FY 1982 period, when PSE programs and YCCIP and YETP are phased out. Participants from these programs who are not placed into unsubsidized jobs may be transferred into Title II-B/C to receive additional services and training. While this transfer of participants will mean that a number of prime sponsors may reduce the number of new enrollments into Title II-B/C during the period, program delivery will continue, and normal intake activities would resume once participant transfers were slotted.

IMPACT OF CETA BLOCK GRANTS ON REGULATIONS

Question: Will Title II-B/C funds be awarded to prime sponsors in one lump sum? If yes, what should the Labor Department hold prime sponsors accountable for?

Answer: Title II-B/C funds are now and will continue to be awarded to prime sponsors in one lump sum with the amount awarded being determined according to the statutory formula.

The Department of Labor should continue to assure that the funds are expended for purposes authorized by the Act; that the funds are expended in a timely manner and for specific authorized activities that the local prime sponsor determines are most critical based on its analysis of the needs of the local labor market. The Department also will continue to assure that prime sponsors operate their programs in accordance with specific annual plans developed by the prime sponsor, and most important, that the prime sponsors achieve the outcomes called for both by the Act and by their plans.

Question: What effect will the single block grant approach have on the Department's current regulatory requirements? Will you have to suspend the existing regulations, promulgate new ones, or make revisions? If so, how long might this take before the single grant approach becomes operational?

Answer: For FY 1982, we would anticipate no change in regulations. As addressed previously, the youth programs would operate substantially according to the current Title II-B/C regulations.

SEPARATE YOUTH PROGRAMS

One of the reasons Congress enacted the Youth Employment Demonstration Projects Act was that State and local CETA project sponsors were not giving enough attention to assisting youth.

Question: What reasonable expectation do you have that, by abolishing the separate CETA youth programs, local project sponsors will now utilize block grants to adequately focus on the needs of youth? (Background: The Senate Budget Committee voted to add $300 million over the President's fiscal 1982 Budget to continue funding CETA youth programs--

based on Senator Hatch's assessment that the Human Resources Committee would not accept total elimination of this program.)

Answer: Before the implementation of the youth programs in FY 1978, prime sponsors served both youth and adults under Title I of the 1973 CETA legislation. The decision on the relative funding amounts for these two groups was based on the prime sponsor's analysis of the employment and training needs existing in its local labor market and on the proportion of eligible youth in the total eligible population. The CETA law and Departmental regulations require that youth be served in Title II-B/C and in Title VII programs according to at least their proportional incidence in the local CETA eligible population. Variations in Annual Plan goals set for service to age segments of a jurisdiction's eligible population are accepted by ETA Regions only if supported by justification that additional services to target groups identified as most in need in Section 103(b) of CETA are planned. Economically disadvantaged youth are one of the specified target groups.

Additionally, a vigorous technical assistance program, growing out of our experience with research, experimental and demonstration projects, will provide prime sponsors with more effective methods of serving youth.

Under the Administration proposal, prime sponsors will have the flexibility under Title II-B/C to decide which clientele groups to serve. Thus, youth may receive higher priority in some areas (where youth unemployment constitutes a relatively more serious problem) than in others. We have no way to estimate the numbers or proportions of the various clientele groups that will be served. We will be encouraging prime sponsors through information, technical assistance and training, to increase their services to youth under Title II-B/C.

I would like to point out that while the overall number of persons served under the combined program will be smaller, a higher proportion of the youths served will be the most disadvantaged. This is because Title II-B/C has more restrictive eligibility criteria than Title IV-A. (Title II-B/C uses 70% of the lower living standard income level as a criterion, while YETP uses 85% and YCCIP enrolls many individuals who do not meet the 70% criterion.)

YOUTH PROGRAMS

The revised budget request for 1982 assumes that several of the Youth training programs will be funded under Titles IIB and C, however, no additional funds are provided for this purpose.

Question: What steps are you taking to assure that the youth programs will continue to receive a high priority under Title IIB and C?

Answer: Under II-B/C, youth will be identified as a significant segment, whom prime sponsors must plan to serve as they are represented in the CETA-eligible population. In addition, we plan to pursue aggressive technical assistance to make available to prime sponsors the knowledge gained through YETP and YCCIP demonstration research projects. This technical assistance effort will enhance the ability of the CETA system to serve youth well.

Question: How much of the funds requested under Title II-B and C do you estimate will be spent on youth programs in 1982?

Answer: We cannot judge at this time how many dollars will be spent on youth in 1982. These decisions will be made by prime sponsors as they assess their local needs during the 1982 planning cycle (due to start in late May 1981). Currently, 48 percent of the II-B/C enrollment are youth.

YOUTH VERSUS ADULTS

During public witness testimony before this Subcommittee, it was suggested that your plan to consolidate several youth programs with the regular CETA vocational training programs would be unfair--forcing youth and adults to compete for a reduced level of funding.

Question: Do you have any evidence to suggest that local CETA project sponsors would object to having to decide how to allocate services between youth and adults--Rather than having the Federal government earmark separate youth funding? (Background: The AFL-CIO strongly opposed merging CETA youth programs with the regular CETA programs, in March 16, 1981 testimony before Chairman Schmitt).

Answer: Before the implementation of the youth programs in FY 1978, prime sponsors served both youth and adults under Title I of the 1973 CETA legislation. The decision on the relative funding amounts for these two groups was based on the prime sponsor's analysis of the employment and training needs existing in its local labor market. A return to this approach would result in giving more authority to prime sponsors to make a wider range of decisions at the local level. It is not anticipated prime sponsors would object to this turn of events.

Question: What is the rationale for recommending elimination of youth jobs programs, while keeping a separate program just for older workers?

Answer: A major difference between the Older Americans program and youth programs is the system for service delivery. Unlike nationally administered Older Worker Programs, youth programs are administered by local agencies which have considerable experience in designing local delivery systems which balance the needs of young workers and adult workers. We feel that the experience of both formula-funded and demonstration-type youth programs since 1977 are sufficient at this point to enable local agencies to make sound program design decisions.

Question: Should the separate $350 million Private Sector Initiative Program also be merged into a block grant, turning virtually the entire CETA program toward a stronger private sector orientation?

Answer: The Private Industry Councils (PIC's) formed under the Private Sector Initiative Program (PSIP) have become increasingly involved in programs funded under other CETA titles during the past year and one-half since full funding was provided. Recent reports indicate that, in 45 percent of the prime sponsor areas, PIC's were involved in CETA programs other than PSIP. The most common involvement was with Title IIB training programs, where 39 percent of the PIC's were involved to some degree. We will encourage continued involvement of this nature.

It would be premature, however, to eliminate PSIP as a separate program at this point. Evaluation reports from the Ohio State University (OSU) continue to stress the long-term, institution-building nature of PSIP. In its fourth report, OSU concluded that "continuation of this demonstration program without major changes would seem to be a sensible course to follow for the next few years." We agree, and feel that PSIP should be maintained as a separate title.

Prime sponsors will be accommodating a significant number of changes in their CETA programs this year--planned public service employment (PSE) reductions, reemployment efforts to place terminated PSE participants (in which PIC's will play a significant role), consolidating youth programs with Title IIB/C programs, implementing performance standards for local deliverers of employment and training programs, etc. Another major change, consolidating PIC's with other local planning bodies in the same year, would not be desirable. It would be preferable to address the integration of PSIP with the broader CETA program a year from now, when the Administration presents its proposals for the reauthorization of the basic CETA legislation.

PROPOSED ELIMINATION OF YETP

Question: Why should the appropriations process be used as the vehicle to eliminate the Youth Employment and Training Program, before the authorizing committees have the chance to decide whether this program should continue?

One of the goals of the Youth Employment and Training Program is to keep young people in school, or encourage their return to school.

Answer: The authorization for YEDPA (Title IV A youth programs) appropriations expired in FY 1980. At present, authority for these programs is being maintained only through a continuing resolution. We are requesting a further extension of that authority, under the appropriation process, through the end of FY 1981. No new budget authority is requested for FY 1982.

Question: How could these youth be effectively served by transferring them to the CETA Title II A, B, C program, which has the primary objective of training people for jobs, rather than completing high school?

Answer: While the primary objective of Title II B/C programs is to place participants in unsubsidized jobs, this is not the only objective of the program. One of the purposes of Title II as stated in Section 201 of the Act is ". . . to enhance the potential for individuals to increase their earned income." A person returning to or remaining in high school after participation in a Title II B/C activity is an appropriate outcome of many of the activities authorized under Title II B/C and is recognized as a positive outcome of program participation.

Question: Wouldn't reporting systems have to be changed if the basic CETA vocational training program were to assure the new mission of helping youth stay in school? Is the "stay in school" mission authorized under CETA Title II A, B, C?

Answer: As previously noted, the "stay in school" mission is authorized under CETA Title II A, B, C, and is recognized as a positive outcome. Prime sponsors report information on the number of participants terminated and related outcomes using identical categories on the CETA Program Status Summary for Title II B/C and the Youth programs. Therefore, no modification of the form to capture this information for Title II B/C would be necessary. Although the same forms are used by prime sponsors to report information quarterly, there are a number of items which are required for the youth programs and not for Title II B/C. One of the advantages of consolidating these two programs is to minimize the number of reports and the amounts of information to be provided by prime sponsors. At present, we do not plan to request this additional information for Title II B/C. However, it could be requested should its usefulness justify the increased prime sponsor costs of providing it.

Question: Describe in detail how youth are served under typical YETP projects, compared to how they are now served under CETA Title II A, B, C projects.

Answer: Under YETP, the same basic array of services are offered as under II B/C. However, II B/C emphasizes job retention and YETP emphasized employability development, by focussing on basic education as it affects job readiness. To that end, YETP has two important special features: a mandatory 22 percent fund set-aside for Local Educational Agency agreements, and relaxed eligibility requirements for a range of youth - oriented services, such as counseling, vocational guidance and career information.

MILITARY TRAINING IN LIEU OF YOUTH PROGRAM

Your new Assistant Secretary for Employment and Training, Al Angrisani, was quoted in the Press as seeing the military as having a potentially big role in youth training.

Question: Do you see the military as taking up the slack for the $746 million Youth Employment and Training Program you propose to abolish in Fiscal 1982?

Answer: At present, we do not have detailed information on the extent to which the interests of the Armed Forces and youth who are typical clients of Youth Employment and Training Programs can be productively matched. As part of the Administration's general program to improve the health of the domestic economy, this is one area which will be explored.

Question: How many of those who enroll in the Youth Employment and Training Program--the hard-core disadvantaged--would meet the entrance criteria for military service?

Answer: The types of criteria used for the Youth Employment and Training Program (YETP) are not the same as those used for military service. Essentially, YETP focuses on low income, i.e, the economically disadvantaged, while the military focuses on physical and mental fitness. Lacking comparable data bases, we cannot predict "transferability" at this time.

Question: Would you support lowering entrance standards to get more disadvantaged youth into the Military?

Answer: This is really an issue which should be addressed by the Defense Department, as part of its analysis of the skills or characteristics which are most appropriate for military service candidates.

Question: How many graduates of CETA programs, such as the Job Corps, go into military service, who otherwise would not have qualified?

Answer: In Fiscal Year 1980, approximately 2,100 Job Corps terminees had initial placements in the military services (6% of the total reported to be available for placement). It is estimated that three-fourths would not have been otherwise qualified based on age and education.

Approximately 700 FY 1980 new enrollees had been rejected for military service.

According to the Mathematica 1980 follow-up study, in the first 18 months after termination about nine percent of all terminees sampled were in the military.

Regarding the other CETA programs, data on participants who complete programs and enter employment is not categorized as to whether such employment was military service. Such individuals would be included in the termination category as other indirect placements, along with participants who were able to locate unsubsidized employment on their own.

Question: How useful has military training been in developing job skills needed for civilian employment?

Answer: There has been widespread and growing interest in the role the military plays in developing job skills. The military is the single largest employer of youth and the experiences of the military are of particular importance to the employment and training community since some civilian programs, like YACC and Job Corps, also provide skill training in residential settings.

Unfortunately, there are few sources of research available on themes bridging the military experience and employment/training issues. Exceptions to this are studies done by David Gottlieb, Ohio State University, and R.V. Cooper.

Skills training is an important component of the military and is one of the major reasons for enlistment given by recruits. However, the relevance of the skills acquired in the military to civilian employment has been questioned. The Army offers, for example, some remedial education to its enlistees whose educational deficiencies would impair their performance. The goal of this remedial program, however, is limited to improving basic education skills to the degree that is necessary to function as a soldier.

In his study, Gottlieb found that job satisfaction and satisfaction with skills training were greatest among those who planned on a military career. Other enlistees found the skills learned in the Army

were irrelevant to the civilian labor market. Similar views are maintained by R.V. Cooper who found that "military service in general does lead to the formulation of human capital that can be applied to post-service civilian employment. As would be expected, though, the degree to which human capital accumulated during military service can be transferred to the civilian sector is obviously greater for individuals serving in military occupations with more direct civilian counterparts."

Military and civilian planners share a common knowledge that many youth are seeking a moratorium from the uncertainty of street life by enrolling in these programs. Military planners, however, have perhaps done a better job than their CETA counterparts in capturing, through recruitment methods, the spirit of many young people and their desire to experience a new and exciting life style. Youth who complete training in both military and youth programs look back with pride on their accomplishments. Finally, criticism of the relevance of skill acquisition for unsubsidized civilian jobs has been challenged in both CETA and the military.

The implications of this position should not be overstated. Indeed, the primary purpose of the Army is to train soldiers for defense purposes and, unlike CETA, not to train youth for "marketable" skills. Moreover, there is much that can be done to improve military training to provide youth with skills they can use after their military experience; there are serious problems with the transition of youth to other employment and education opportunities. The need for the development of linkages with outside training programs, schools, and employers should be given attention to ease this transition. A collaborative effort by military and civilian planners might well prove to enhance the retention rate of the volunteer military, as well as improve the transition from military to civilian employment.

POSSIBLE RESCISSION OF CETA YOUTH PROGRAM

Mr. Secretary, all departments and agencies of the Federal Government are being forced to cut back programs and staff in the interest of reducing government spending.

Yet, it appears that you have not requested any rescission for the Youth Employment and Training Program in fiscal 1981, despite the fact you propose to abolish this program in Fiscal 1982.

Question: For the time remaining in the current fiscal year, please tell us how much you still can rescind and what the effect will be. Keep in mind: we are looking for the largest rescission possible.

Answer: The current Administration budget is based on the assumption that approximately $196,403,000 of obligated 1981 funds would be used as 1982 outlays to permit an orderly phasedown of youth programs. This represents the maximum amount of money which could be rescinded in 1981. The impact of such an action would be severe: a loss of 38,000 service years, representing a reduction of 143,100 persons served. Such a significant drop at this point in the Fiscal

Year would require a radical phase down plan for services to youth, and would carry with it substantial opportunity cost in the form of failure to complete planned service strategies.

POSSIBLE RESCISSION OF CETA NATIONAL TRAINING PROGRAMS

It also appears that you have not requested any rescission for National Training Programs, despite widespread allegations of abuse, and your plan to severely cut back Fiscal 1982 funding.

Question: For the time remaining in the current fiscal year, please tell us how much you still can rescind and what the effect will be. Keep in mind: We are looking for the largest rescission possible.

Answer: Within days after President Reagan was inaugurated, we discovered that the Fiscal Year 1981 budget for Special National Programs and Activities under CETA Title III was overcommitted by approximately $7.3 million. This situation, coupled with stories about last moment grants and contracts being issued by outgoing officials, led us to order a freeze on any further commitments or obligations of funds from this budget account. During the intervening weeks, we have examined Special National Programs very carefully and have adjusted our Fiscal Year 1981 plan in a way that erases the $7.3 million deficit projected earlier. These adjustments have also been designed to facilitate the transition to the substantially reduced funding level requested for Special National Programs in Fiscal Year 1982.

At this stage, our new plan calls for the full utilization of the funds budgeted in Fiscal Year 1981 for Special National Programs. As you will recall, the amount of funds provided for these programs in Fiscal Year 1981 was $20 million (or 13%) less than was requested by the Carter Administration. We believe that our new spending plan for Fiscal Year 1981 will provide for prudent and effective use of these funds, and we are not recommending any rescission at this time.

With respect to the allegations of abuse that have been brought forward concerning Special National Programs, I am reluctant to comment as there are a number of inquiries and investigations taking place at this time. Based on the information we have already gathered, however, I can assure you that the great majority of Special National Programs are being conducted in a responsible and totally honest manner.

STAFFING FOR EMPLOYMENT TRAINING

The Reagan appropriation request for the Employment Training Administration is $8.9 billion compared to $14.3 billion in 1981. This represents a cut of 38 percent -- mostly in the CETA program. At the same time, the number of positions in the Employment and Training Administration declines from 2,197 to 1,987, a reduction of only 10 percent.

Question: When program funds are cut by 38 percent, why do staff positions decline by only 10 percent? Why shouldn't there be a greater cut in the number of positions to reflect the reduced program level?

Answer: The number of positions required are not significantly influenced by the amount appropriated for employment and training programs. Of greater influence are:

- o the number of different programs that must be administered
- o the number of different grantees that are involved, and
- o the level of oversight and technical assistance required and/or desired.

The following table, reflecting total ETA positions and funds appropriated in recent years, illustrates the lack of a consistent relationship between these two factors:

Fiscal Year	Positions	Dollars in Billions
1973	4,085	$ 4.0
1974	3,552	3.8
1975	3,432	13.2
1976	3,266	12.8 1/
1977	3,831	20.4
1978	3,831	6.6
1979	3,567	14.0
1980	3,185	13.8

1/ Includes funding for 1977 and 1978 for PSE and Advances to the Unemployment Trust Fund and Other Funds.

Question: What level of staffing for the Employment and Training Administration did the Department request of OMB?

Answer: For the Program Administration appropriation, the Department requested 3,478 positions.

Question: Have the number of grants that must be monitored in the typical prime sponsor increased or decreased in recent years?

Answer: The Department of Labor does not maintain data which shows the exact number of subgrants and contracts let by prime sponsors. However, estimates have been made that indicate the number was in the range of 50,000 during the peak of the public service employment (PSE) program in Fiscal Years 1978 and 1979. The monitoring of these subparts and contracts were, of course, primarily the responsibility of the prime sponsors.

With respect to the number of prime sponsors which must be directly monitored by the Department of Labor, these have increased every year since the implementation of CETA.

Question: Compare the number of grants that must be monitored in Fiscal 1982 with the level of five years ago.

Answer: The number of prime sponsors has increased steadily since FY 1977. The number of separate grants per prime sponsor rose from six in FY 1977 and FY 1978 to seven in FY 1979, with the authorization of the Title VII program, and will drop to three in FY 1982 with the phaseout of the Title II-D and Title VI PSE program and the Title II BC fold in of YCCIP and YETP. These grant levels are reflected below:

Fiscal Year	No. of Prime Sponsors		No. of Programs		Total Grant Monitoring Responsibility
1977	445	X	6	=	2,670
1978	450	X	6	=	2,700
1979	460	X	7	=	3,220
1980	473	X	7	=	3,311
1981	475	X	7	=	3,325
1982	483	X	3	=	1,449

Not included in these totals are over 450 grants and contracts funded through prime sponsors or nationally-administered programs for a variety of special initiatives such as Community Service Employment for Older Americans, Native American and Migrant and Seasonal Farmworker programs, and Special National Programs and Activities.

It should be noted that dramatically increased monitoring of grant programs, unrelated to the number of such grants, has occurred over the past several years as a result of the CETA reauthorization and various government-wide requirements. Such monitoring includes increased audit resolution, assessment of prime sponsor administrative and management functions, increased eligibility monitoring, special target group legislation requirements, the monitoring of the achievement grantees, the assessment of Independent Monitoring Units on noncompliance and abuse, and the annual settlement of the preceding year's plan.

IMPROVING MANAGEMENT

Mr. Secretary, you have been quoted in the press as planning to bring stronger management to Labor Department programs--CETA in particular.

Question: What specific plans do you have for strengthening management of CETA?

Answer: The specific details are still being worked out. However, we anticipate changes not only in the Department's administration of the programs, but in local CETA management. It will be our intent to focus more on program outcomes and to assure that the program objectives of placing participants in unsubsidized employment and enhancing their potential for increased income are being met.

Question: What plans do you have to reward well-managed grantees to strengthen incentives for good performance?

Answer: Recognition is already being provided to prime sponsors which operate outstanding CETA programs. Such recognition at the present time involves special acknowledgement, plaques and special commendations. Other means of recognition such as special allocations using discretionary funds have and are being considered. However, this form of recognition will not be implemented until specific procedural details have been worked out and until we are assured there are funds available which can be used for such a purpose.

Question: How can you improve oversight of CETA when your budget shows you plan to eliminate 262 jobs in Fiscal 1982--nearly 10 percent of the current Federal staff managing the CETA program? (Background: The Heritage Foundation report indicated this spring that Employment and Training Administration staff may have been cut back too far to adequately prevent fraud, abuse and waste--a 20 percent cut since 1979; the Human Resources Committee has recommended restoring staff in Fiscal 1982, over the President's Budget request.)

Answer: For the most part, the proposed reductions are not in the CETA area. Of the 91 positions which are in the CETA area, 51 are related to the proposed phaseout of welfare reform demonstration sites and the public service employment program and 40 are related to the completion of Job Corps expansion efforts.

PREVENTING FRAUD AND ABUSE UNDER BLOCK GRANTS

Question: In the past, Labor has seldom used any of its available sanctions, e.g., defunding, against prime sponsors who were found to continuously have serious fiscal and management problems. In light of this trend, what sanctions will you exercise under the block grant approach?

Answer: Developing the details of any revised approach to employment and training programs will be one of my major objectives for the upcoming year. The identification of possible sanctions and their appropriate uses will receive particular attention in light of my commitment to improve the management of the program at both the Federal and local levels.

EQUIPMENT MANAGEMENT

The GAO has reported that:

--Some prime sponsors do not maintain controls over property acquired with Federal monies.

--Some prime sponsors do not have property records which will identify all property purchased with Federal funds.

--Some prime sponsors have not taken periodic inventory as required by Department of Labor regulations.

--Some property cannot be located.

--Department of Labor Regional staff have not provided the technical assistance anticipated in assisting prime sponsors in establishing and maintaining property accountability records.

Question: Is the GAO estimate accurate that the value of property in the hands of CETA prime sponsors and subgrantees is about $200 million?

Answer: Federal agencies do not have records indicating the value of property in the hands of CETA prime sponsors. OMB Circular A-102, Attachment N, does not require this information to be provided to Federal sponsoring agencies.

Question: What is the value of property which has been reported as lost or stolen in the past 3 years?

Answer: CETA prime sponsors are not required to report property losses to the Federal agency as provided in OMB Circular A-102, Attachment N.

Question: To what extent is the Department increasing regional resources to oversee property controls at prime sponsors?

Answer: There has been no increase in Regional resources in the immediate past nor are any planned in the future.

Question: With the planned phase out of public service employment programs, what actions are planned to assure that equipment acquired for these programs is made available for use in other federally sponsored employment and training programs and what measures will ensure the accountability for this property?

Answer: The following Field Memorandum which was sent to all Regional Administrators provides instructions for the disposition of and accountability for the nonexpendable property remaining due to the phase out of certain CETA programs.

The Committee understands that it is the Department of Labor policy to reserve the right to take title to property costing over $1,000.

Question: To what extent has this policy been implemented in the Department's agreements with prime sponsors?

Answer: The implementation of this policy at the Regional level has been inconsistent. Some Regions have included the requirement in their grant documents while others have not. We are unaware at this time of the extent of compliance in the field.

However, a reminder has been sent recently to the Regional Administrators in the form of a field memorandum, giving specific directions regarding compliance with property regulations.

EPILEPSY FOUNDATION

CETA Title III National Programs is the source of funding for employment and training programs for handicapped people, which are conducted by a number of national organizations. Among these is the Epilepsy Foundation of America's Training and Placement Service (TAPS), which in Portland (Oregon) alone has prepared and successfully placed in private sector jobs 500 people with epilepsy. Through its nationwide program, it has placed almost 4,000 such people over a four year period. The one-time cost of each placement is more than repaid to the Federal Government within the first year of employment through taxes paid and financial assistance no longer needed.

Question: To what extent will programs such as this be retained despite overall budget cuts recommended by the President?

Answer: It is our preliminary intention to maintain Special National Programs for handicapped people at or near their current level of operation. In this regard, we do not contemplate any need to make a substantial cut back in the Epilepsy Foundation's funding level in FY 1982.

COORDINATION OF MIGRANT SERVICES

Question: How do you coordinate your employment and training programs for migrants with Department of Education services for this group?

Answer: The Department of Labor (DOL) receives information from the Department of Education (DOE) on a regular basis concerning educational programs and services being offered to members of migrant and seasonal farmworker families. DOL uses this information when negotiating grants under the Migrant and Seasonal Farmworker Employment and Training Program to avoid duplicative and overlapping services. In addition, many of the DOL grantees have entered into agreements or working partnerships with educational agencies at the local level.

U.S. DEPARTMENT OF LABOR Employment and Training Administration Washington, D.C. 20213	CLASSIFICATION Admin & Mgmt CORRESPONDENCE SYMBOL TSS DATE

DIRECTIVE : FIELD MEMORANDUM NO.

TO : ALL REGIONAL ADMINISTRATORS

FROM : T. JAMES WALKER
Administrator
Administration and Management

SUBJECT : Disposition of Nonexpendable Personal Property and Real Property due to Phase Out of Certain Programs Funded Under CETA

1. Purpose.

a. To provide instructions for the disposition of nonexpendable personal property, lease/purchase agreements, and real property due to phase out of programs funded under Title IId, Title IV, and Title VI; and

b. To ensure an orderly execution of property management procedures.

2. References. 41 CFR Part 29-70 and ET Handbook No. 303.

3. Background. Prime Sponsors are responsible for the accountability and disposition of personal and real property under 41 CFR Part 29-70

Prime Sponsors are also responsible for sub-contractors' and sub-grantees' compliance with property regulations. These include the accountability and disposal of equipment in the possession of sub-grantees and contractors where sub-grants or contracts will expire or be terminated.

GAO and other interested parties have expressed concerns about Prime Sponsors following property management procedures.

4. General Procedures. Under 41 CFR Part 29-70. 215-7 Property Management Standards for Nonexpendable Personal Property and ET Handbook No. 303, Chapter VI, Federal standards must be observed in managing nonexpendable personal property. These include accurate property records which have at least description, identification number, source of the property, title (recipient or Federal government.), acquisition date, percentage of Federal participation, unit acquisition cost, and ultimate disposition data.
Under these standards, recipients must conduct a physical inventory and reconcile results with property records at least once every two years and they must keep control and maintenance procedures to ensure adequate safeguards on preventing property damage, loss, or theft. These records are inspected during on-site visits at least once every three years, as required by ET Handbook No. 303.

5. Specific Procedures. When personal property acquired with Federal funds, with an acquisition cost of $1,000 or more, is no longer needed for the original project, and is not otherwise provided for in the grant, the following disposition actions are available:

a. With the grant officer's approval, the recipient shall use the property for other Federally assisted activities in the following order:

(1) Activities receiving financial assistance from DOL.

(2) Activities receiving financial assistance from other Federal agencies.

b. The recipient may keep the property for other uses, provided compensation is made to DOL according to 41 CFR Part 29-70. 215-5 [e]2(i).

c. If the property is no longer needed, the recipient shall report the item(s) to the Grant Officer according to 41 CFR Part 29-70. 215 [e]2(ii). The attached chart shows the disposition actions for nonexpendable personal property at grant closeout/phasedown as described in 41 CFR Part 29-70. 215.

d. When lease/purchase agreements establish Federal interest through option credits, the property covered by these agreements are considered to be property which should be disposed of according to 5.a,b, and c above.

6. Actions Required. Regional Administrators shall:

a. Provide the above procedures to all Prime Sponsors and ensure that they provide this information to all sub-contractors and sub-grantees;

b. Instruct all Prime Sponsors to:

(1) Report all items purchased with Federal funds, with an acquisition cost of $1000 or more, no longer required or not required after 9/30/81 for the program;

(2) Report all lease/purchase agreements for equipment, with an acquisiton cost of $1000 or more, no longer required or not required after 9/30/81 in the program in which the Federal government established interest or option credits;

(3) Report all lease/purchase agreements for real property no longer required or not required after 9/30/81 in which the Federal government established interest or option credits;

(4) Review all Property Management records to ensure that they are current; if not, they should update records by conducting a physical inventory as required by 41 CFR Part 29-70. 215-7; and

(5) Ensure that property records are available for review by Federal personnel during site visits.

c. Take the following actions for property reported under items b.(1),(2), or (3) above before releasing the property to the Grantee for sale action, or reporting it to GSA:

(1) Determine if a requirement exists for the property in that region;

(2) Notify the National Property Officer who will determine if a requirement exists in another region or program; and

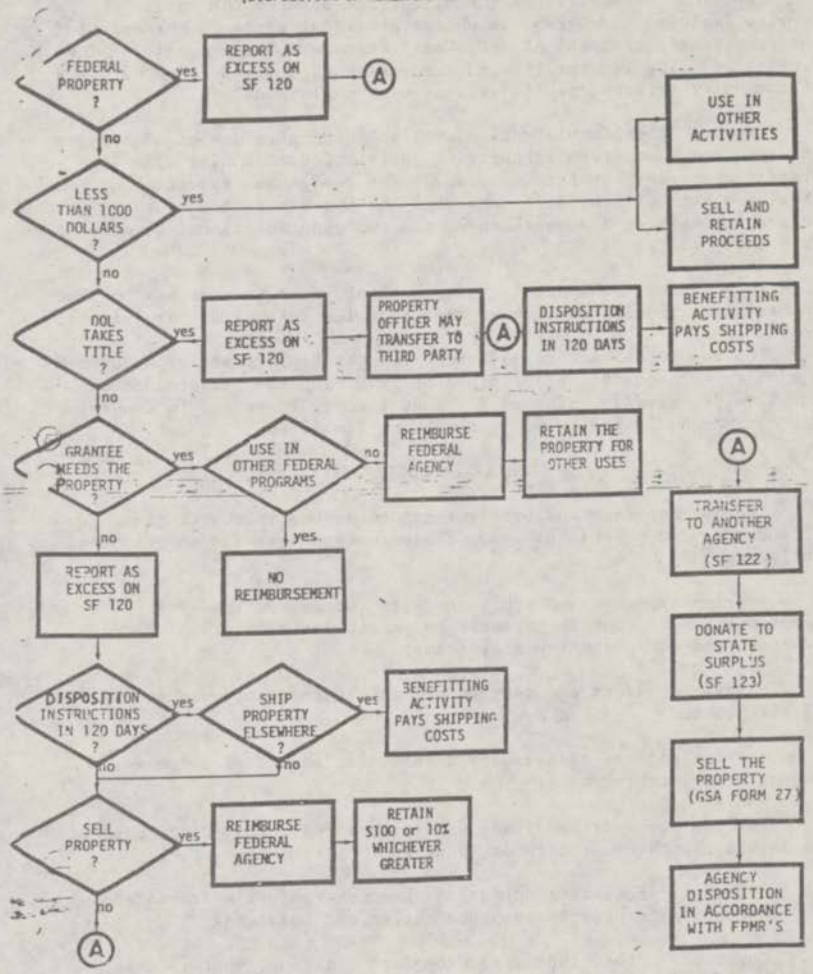
(3) If no requirement exists, then release the property to the grantee for sales action or report it to GSA.

7. Inquiries. Direct questions to Stan Burger at 8-376-6200.

8. Attachment. (RO's only) Disposition Flow Chart.

Disposition Flow Chart ATTACHMENT TO FM

(DISPOSITION OF NONEXPENDABLE PERSONAL PROPERTY)



WORKFARE

Question: What will be the difference between the Public Service Employment Program, which the President wants to phaseout and the President's proposal of AFDC/Workfare--where, as a condition for receipt of AFDC, it appears a mother must engage in 20 hours per week of community related, public service type employment?

Answer: The Administration will shortly introduce amendments to the AFDC and Food Stamp authorizing legislation that will allow the States to operate workfare programs. The design and operation of these programs will be left completely to the discretion of the States, therefore, a comparison of the two programs cannot be made at this early stage.

Both bills will indicate that the Employment Service may be used to assist in finding employment opportunities for welfare recipients.

The Food Stamp Act of 1977 requires the Departments of Labor and Agriculture to conduct pilot projects involving the performance of workfare programs in exchange for food stamps. A report to Congress was due March 31, 1981, and is now being finalized.

TIME/ATTENDANCE/PAYROLL

The GAO has reported problems regarding controls over time, attendance, and payroll at some CETA prime sponsors and subgrantees, including:

--Prime sponsors and subgrantees lacked or had inadequate documentation to support payments to participants in training programs and work experience programs.

--Prime sponsors and subgrantees made incorrect payments to CETA participants.

--Prime sponsor systems for determining amount of allowance payments need improvement.

--Prime sponsors had inadequate procedures for voiding uncashed unclaimed checks and returning funds to the prime sponsor.

--Payroll processing duties at some subgrantees were vested in too few people to provide adequate checks and balances.

Question: Other than after-the-fact auditing, what is the Department doing to ensure that abuses, such as those found by GAO in its past and on-going work, do not continue? (Background: The Department's Inspector General's Office has issued two reports (March 24, 1980, and January 26, 1981) regarding its payroll systems. Neither report addresses the time/attendance/payroll problems at CETA grantees.)

Answer: A discussion of weaknesses in prime sponsor and subrecipient control of payments to participants through time and attendance and payroll systems was included by the GAO in their recent vulnerability assessment of the CETA system. This report presented an overview of management practices and internal controls observed during,the GAO's recent field work on CETA. It is important to note that the purpose of the vulnerability assessments is to focus Federal agency management on problem areas in program administration, particularly areas where weaknesses in internal controls at the local level present opportunities for abuse in program operation. While supporting examples of actual abuse and mispayment were cited, the report pointed up the potential for abuse through inadequate systems at subgrantees visited, rather than widespresd incidence of actual abuse.

Monitoring of time and attendance systems has been and will remain a staple of DOL's review of employment and training programs. Given the large number of participants receiving the minimum wage for work experience hours or CETA allowances for time spent in classroom training, the payroll function has always been a major issue in program management since pre-CETA categorical manpower programs. With turnover in prime sponsor and subrecipient staffs, and with the large number of small community-based subrecipients in public service employment in recent years, the workload in policing these and other program management systems in the field has been continuous. Each new cycle of review will inevitably point out instances where systems require tightening or questionable costs must be supported or refunded.

Payroll systems review has been an element of the annual special monitoring of the Summer Youth Employment program for the past three years. It is an area spotlighted by CETA regulation for the review of local program administration and management practices by the Independent Monitoring Units established in each prime sponsorship following the CETA Amendments of 1978. "Reviewing pay records and attendance reports to insure controls are established for preventing unauthorized payments" (29 CFR 676.75-2(a)(2), "Prime Sponsor Monitoring Procedures"). Prime sponsor response to post audit exceptions by taking any corrective actions required to recover disallowed costs or improve deficient systems are part of the current Annual Formal Performance assessment of each prime sponsor's program.

The Department has taken two recent actions to strengthen its compliance work in this area. The Employment and Training Administration (ETA) is working with the DOL's Inspector General's Office to develop clarified standards for time, attendance, and payroll systems which will be published officially in the Federal record. Payroll practices and what constitutes weak or questionable documentation vary considerably among local governments and community agencies in different areas of the country. In the past, auditors have challenged certain practices in one part of the nation which are customary and acceptable in other areas - for example, "negative" or "exception-reporting" payroll systems. Also, a unit on the review of payroll systems and internal controls in payroll preparation and distribution was included in ETA's 1981 Financial Management Information Systems Certification Guide for CETA prime sponsors. ETA will begin conducting new, detailed reviews of the financial

management aspects of prime sponsor programs during this fiscal year to determine what actions or modifications are required before ETA can certify systems as acceptable. Periodic re-certifications will be conducted in the future as a part of the Department's new national monitoring system for CETA.

REPROGRAMMING OF CETA FUNDS

On March 6, you requested approval of a $245 million reprogramming within CETA to set up a national reimbursement system for paying unemployment compensation to laid-off CETA workers. The $245 million is based on the assumption that Congress will ultimately approve the total phase-out of the CETA program requested by the Administration.

Question: What are the consequences of delaying action on the reprogramming request until this Subcommittee reaches a decision on the CETA phase out?

Answer: Delaying action on reprogramming any funding would invoke a chaotic situation on the CETA prime sponsors who would have to estimate their potential UI liabilities and set aside money to pay for the benefits. The benefits would still be paid without the reprogramming but the distribution and allocation of the monies would be significantly less efficient.

Question: If you were to pay benefits just for those who have already been given lay-off notices, how much would have to be reprogrammed?

Answer: It is estimated that up to $100 million in liabilities will be incurred by the primes in the remainder of FY 1981 to individuals laid-off under normal attrition.

Question: How many of the 300,000 people currently enrolled in public service jobs do you expect to apply for unemployment benefits?

Answer: Our current estimates are that approximately 200,000 individuals will receive a benefit payment at some time in FY 1981 or FY 1982.

Question: What will you do if the $245 million you propose to earmark for unemployment benefits to CETA workers turns out to be not enough?

Answer: The $245 million figure was developed by the Unemployment Insurance Service actuarial staff and is based on the most current information available. We anticipate monitoring the levels closely, however, and if a deficiency arises we will request additional funds.

IMPACT OF CETA CUTS

The Wharton Econometric Forecasting Associates have predicted unemployment will rise by 0.6 percent due to your proposed cutbacks in CETA--with direct job losses of 713,000 people.

Question: What estimates have you made on the net job losses that would result from the CETA cutbacks?

Answer: Any reduction in numbers of jobs must be viewed in the context of the President's Program for Economic Recovery. The phaseout of these relatively less cost-effective programs is in line with President Reagan's goal of reducing Federal spending and stimulating private investment to ultimately create increased numbers of permanent private sector jobs. We strongly believe that in time our nation and its unemployed will substantially benefit from this action.

Question: With 7.8 million people currently unemployed, how can you reasonably expect private industry to find jobs for hundreds of thousands of laid-off CETA enrollees--who tend to be the most hard-core unemployed?

Answer: It must be remembered that the phaseout of public service employment programs is only one part of the President's economic recovery program. The program as a whole will create thousands of new jobs not only for laid-off CETA workers, but for other unemployed workers. In addition, the Department's Reemployment Effort aimed at the CETA participants losing PSE jobs does not provide for all these participants to be transitioned into private sector jobs. We anticipate that many will find jobs in the public sector, others will be placed in other CETA funded activities and still others will have such positive outcomes as returning to school.

Question: How much do you estimate will be the extra cost of unemployment and welfare benefits to laid-off CETA workers?

Answer: In regard to unemployment compensation, there will be no additional cost associated with the phaseout of the PSE program than would have been required during Fiscal Years 1981 and 1982. We have estimated that $523 million will be necessary to cover unemployment compensation costs attributable to wages of all former PSE participants. Of the $523 million, we estimate that $278 million will be attributable to the Federal Unemployment Benefits Account. The remaining $245 million will be attributable to CETA. The funds represent both the estimated amount needed to pay unemployment benefits to former public service employment enrollees which accrue as a result of the December Budget Reconciliation Act as well as the costs associated with the phaseout of the program. However, it is important to note that the overall 2 year costs, $523 million, are the same, with or without program phaseout in FY 1981. Because of the 18 month limitation in PSE programs, all participants currently in the program should have been terminated in time in any case.

It is estimated that the early phaseout will require expenditures in FY 1981 of $100 million for UI which would otherwise have occurred in FY 1982. Since no new enrollees are entering the program, costs for FY 1982 will be $100 million less. The net effect is that the estimated 2 year costs will remain at $523 million.

With respect to welfare benefits, some increase in public assistance payments would occur in the absence of an intensive effort to place participants into permanent jobs especially those participants

receiving some form of public assistance at the time of entry into the program. In FY 1980, less than 1 out of 4 participants who were recipients of cash public assistance programs were placed in jobs after leaving the program. We expect that our present reemployment efforts should increase the number of participants who are placed in jobs. Therefore, public assistance costs should not rise over a level it would have been had all PSE participants terminated in accordance with the 18 month limitation or otherwise experienced normal attrition.

ASSISTANT SECRETARY FOR VETERANS EMPLOYMENT

Last fall, the Congress passed legislation creating a new Labor Department position of Assistant Secretary for Veterans Employment.

Question: When do you plan to fill this important post for overseeing Labor Department issues of concern to veterans?

Answer: The Assistant Secretary for Veterans Employment (ASVE) is appointed by the President and confirmed by the Senate. The White House is currently screening applicants for this position and we anticipate an announcement in the near future.

Question: What duties and responsibilities will be specifically assigned to the Assistant Secretary for Veterans Employment?

Answer: The duties and responsibilities of this office will be those that are prescribed by law.

Question: Will the Assistant Secretary be in charge of: 1) the Veterans Employment Service; 2) the Veterans Re-employment Rights Programs?

Answer: This matter is under consideration but the details have not yet been worked out.

Question: What assurances can you make that the Assistant Secretary for Veterans Employment will have full access to you personally as Secretary?

Answer: This Assistant Secretary will receive the same assurances that I have given the other assistant secretaries.

VETERANS EMPLOYMENT SERVICE STAFF

Question: We understand there are currently several vacancies in the 52 Veterans Employment Service clerical positions proposed for elimination from the Fiscal 1982 ETA Program Administration Appropriation. How much would it cost to restore all 52 positions in Fiscal 1982, assuming all vacancies are filled?

Answer: Assuming all vacancies are filled, it would cost $881,000 to restore all 52 positions in Fiscal 1982.

DISPLACED HOMEMAKERS

Question: Why haven't you earmarked funds in your Fiscal 1982 budget, as you did in 1981, to continue displaced homemakers projects? (Background: $5 million has been earmarked in past years from CETA discretionary funds for Displaced Homemakers Projects.)

Answer: Separate requests for programs for youth, offenders, and displaced homemakers were not made for the same reasons. The Administration is committed to returning to the "block grant" approach envisioned by the authors of the original CETA legislation. This approach provides funds under one program to State and local prime sponsors for employment and training activities for the economically disadvantaged. It is the responsibility of local elected officials to determine the types of programs to be offered and the groups to be served based upon their analysis of local needs and opportunities in their communities.

Since the early days of CETA, we have observed an increasing flow of categorical programs from the Federal Government to address problems perceived to be national in scope. This removed much of the flexibility of local officials to design programs to meet local needs and substantially increased the costs to administer these programs at both the Federal and local level. It is our intention to return local decisionmaking to local officials and to reduce administrative costs by consolidating many of the existing programs designed to meet the need of specific disadvantaged groups.

Although we have not requested funds for displaced homemaker programs, it is our preliminary intention to continue support in FY 1982 for the promotional and developmental activities being carried out by Displaced Homemakers Network, Inc., a private nonprofit group which is an advocate for the well being of displaced homemakers. We support effective groups such as this one which has an important role to play and has the capability to highlight to local officials the need for these services and provide technical assistance in the design of such programs.

Question: Isn't is unrealistic to expect prime sponsors to carry out displaced homemakers on their own initiative, without an earmark?

Answer: No. As we have continually stated, we think these types of decisions can be made best at the local levels. It is true that without some sort of "earmark" some areas will choose not to operate separate displaced homemaker projects because of local determinations that these persons can be served adequately through existing programs. However, we believe this type of flexibility is necessary if the overall effectiveness and efficiency of employment and training programs are to be increased.

EMPLOYMENT OF WOMEN

According to a study released last year by the National Advisory Council on Economic Opportunity entitled Critical Choices

for the 1980's, the impact of economic growth and the resultant "trickle down" of jobs and increased earnings has reduced poverty only for male-headed families. From 1964 on, according to the report, women and minorities were virtually unaffected by gains in jobs and earnings resulting from economic growth. Yet, the total number of female-headed households has increased 10 times over that period. In a period of limited resources, it is difficult to argue against targetting those most in need.

Question: What does the Labor Department intend to do to encourage Job Corps and local CETA "prime sponsors" to more adequately address the employment and training needs of women?

Answer: Regarding CETA prime sponsor service to women, the CETA law and Departmental regulations require that women be served in programs according to their proportional incidence in the local CETA eligible population. A review of the Fiscal Year 1980 experiences in serving women indicate that additional actions are probably not necessary. Approximately 50 percent of all CETA participants were women. In Title II B/C, 53 percent of all participants were women. This reflects a substantial increase over levels reported for prior years. In FY 1975, the first full year of CETA, women comprised only 46 percent of Title I (now Title II B/C) participants. Prior to CETA, only 42 percent of the participants enrolled in categorical programs were women.

The Department reviews on a continuous basis the actual service to all significant segments, including women, against those levels planned. Where a substantial variance is identified, the Department requires immediate corrective actions. In addition to this ongoing review of programs, it is our preliminary intention to continue to support promotional and developmental activities for programs designed to address employment problems of women similar to those performed by the Displaced Homemaker Network, Inc., a private nonprofit group. Groups such as this one can highlight to local officials the need for types of programs that address the needs of displaced homemakers and can provide information and assistance in their design.

It has been reported that several "non-traditional" local programs administered by the Department of Labor have been successful at placing women in nontraditional, higher paying jobs at a relatively low cost.

Question: Does the Department plan to capitalize on innovative ideas from such programs and incorporate certain aspects of them into other DOL programs?

Answer: An approach such as that suggested by the question has too often been adopted in the past. Aspects of successful programs have been incorporated in legislation, policy, and regulations in order to attempt to replicate successful programs documented in a few areas throughout the nation. While the objectives of specific advocacy groups have been realized through these past efforts, the flexibility to design programs to meet local area needs has gradually been removed.

Our efforts will be directed to returning this flexibility to local areas. Successful program designs will be well-publicized and technical assistance readily available should local officials decide that these ideas would be appropriate in their locale.

Question: What mechanism has been established to help promote a sharing of such concepts?

Answer: No one mechanism is being relied upon to help promote a sharing of innovative ideas. Rather a combination of promotional and developmental activities and management assistance and training activities are used and will continue to be used.

WORK INCENTIVE PROGRAM

Question: Looking at a profile of WIN participants, could you compare services for males and females:

in terms of numbers of job placements; and
in terms of entry level wages.

Answer: In FY 1980, out of 564,935 males registered in the WIN program at one time or another during the year, 95,443, or 17 percent, entered unsubsidized employment. Out of 1,624,857 female registrants, 228,671, or 14 percent, entered unsubsidized employment.

The entry level wages for males averaged $4.60 per hour; for females the average was $3.58 per hour.

Question: Has this (comparison of services for males and females) changed since the reauthorization of the program in 1978?

Answer: The WIN program was established by the 1967 amendments to the Social Security Act. These amendments set no expiration date for the program, so that no reauthorization is required, as, for example, with CETA. In 1971 there were major legislative changes to the program (the "Talmadge Amendments") which made registration in WIN mandatory for certain eligible AFDC recipients, including unemployed fathers in States providing AFDC benefits to fathers. These amendments also established a service priority within WIN under which unemployed fathers were to be served first, followed by others deemed most employable.

Since 1973, the ratio between males and females has remained quite constant, with about one-fourth of the registrants being male and three-fourths female.

Question: It is my understanding that even though public welfare recipients are largely female, WIN far more positively affects men than women. Please comment.

Answer: It is true that a higher proportion of male registrants enter unsubsidized employment and that males receive higher entry wages. This is due in large part to several factors: (1) by law, unemployed fathers are to be given priority for WIN services; (2) AFDC males generally have more work experience than females and are therefore perceived to be more employable; (3) males generally do not

have as great child care responsibilities and thus are freer to accept employment or require fewer services to become employed.

It is not true, however, that the benefits from WIN are far greater for males than females. A recent longitudinal study of the WIN program by a private contractor found higher estimated life-time earnings benefits for females. It also found that the vocational training and work experience components of WIN resulted in greater earnings benefits for females than males.

Question: What kinds of skills training does WIN offer female enrollees vs. male enrollees?

Answer: As part of the normal intake process, most WIN registrants, male and female, are appraised in terms of their employment potential based on previous work experience, education and training. An employability development plan is also prepared, which identifies employment-training services and social services deemed necessary for the individual to achieve unsubsidized employment.

If a training opportunity is available consistent with an individual's employability plan, he or she is referred to that slot. Thus, the training offered, whether to males or females, is generally in line with a participant's experience, abilities, and interest.

WIN also has a long standing policy of encouraging nontradtional job opportunities for females.

Question: What percentage of WIN female enrollees enter traditonal, low-paying jobs?

Answer: Almost half of WIN females entering unsubsidized employment in FY 1980 had entry wage rates of $3.10 an hour or less, as opposed to about one-fourth of WIN males. The average entry wage an hour for males was $4.60 and $3.58 for females.

About 60 percent of WIN females entering unsubsidized employment went into clerical or service occupations. For males, the proportion entering those occupations was a little over 10 percent. However, a slightly higher proportion of females entered professional, technical, and managerial occupations than males; 6.2 percent female to 4.7 percent male.

Question: How does a WIN enrollee who needs skills training get referred to a CETA training program?

Answer: Following appraisal and the preparation of an employability development plan, a WIN enrollee is referred to either WIN-funded work or training slots, or to slots in other programs, such as CETA, depending on the availability of opportunities which are consistent with the individual's employability plan. Local WIN program operators have been encouraged over the years to develop linkages with CETA and other employability development programs for which WIN registrants could qualify, as a means of providing a richer and more balanced array of services.

In FY 1980, almost 150,000 WIN participants received work or training services in programs other than WIN, most of which were in CETA.

Question: Various reports indicate the Administration's proposed cuts in welfare benefits may in fact create a disincentive for AFDC recipients to work. To what extent do you think the Administration's proposed cutback in welfare benefits may in fact keep AFDC recipients from working--by limiting access to child care services, for instance?

Answer: Child care services are clearly needed in some instances to permit a welfare parent to accept employment. Under the Administration's block grant proposal, programs such as WIN, which are attempting to assist welfare recipients to secure unsubsidized employment leading to economic independence, will have to negotiate at the State and local levels for available services. We are confident, however, that States share the goal of reducing welfare costs through employment and will focus available service resources on this goal.

Question: To what extent do you expect cutbacks in welfare services to lead to an increased demand for enrollment in Federally funded employment and training programs?

Answer: It is not clear exactly how the Administration's welfare proposals will affect various groups on welfare. It is possible that some groups, such as unemployed fathers, will look to employment and training programs if their welfare benefits are reduced. However, the demand for employment and training services will be much more heavily influenced by the general economic situation and the unemployment rate.

LESSONS FROM JOB CORPS SUCCESS

Our hearings in January pointed out the fact that the Job Corps has been one of the most successful of all Federal employment and training programs. However, it is also the most expensive, costing $14,000 per trainee, compared with the $2,000 unit cost associated with vocational training provided under Title II A, B, C of CETA.

Question: Is the lesson from the success of Job Corps that we really ought to be concentrating resources to provide comprehensive services to a select group of trainees, rather than spreading dollars thin in order to provide limited services to a larger number of individuals?

Answer: The more expensive training in a residential setting employed by Job Corps is appropriate for many disadvantaged youth. Other youth require the types of training and services which can easily be provided on a non-residential basis, thereby reducing the overall costs for such programs. The lesson to be learned is that both residential and non-residential approaches to training have an important role to play in the employment and training delivery system, and the decision as to which is more appropriate for any youth should be continued to be made on an individual basis.

NEW MEXICO JOB CORPS CENTER

Question: Provide for the record a status report on negotiations between the Labor Department and Eastern New Mexico University with respect to terminating the University-operated Job Corps Center, including remaining obstacles to agreement.

Answer: A decision has been reached by Eastern New Mexico University Board of Regents to release the Eastern quadrant of the campus to the Department of Education with the understanding the property will ultimately be acquired by the Department of Labor for the purpose of operating a self-contained Job Corps Center. A part of the overall plan for Job Corps becoming a self-contained unit on the campus is the selection of an independent contractor to operate the center. We believe a contractor selected from private industry will provide more effective and tighter management control at the center.

Question: What possible alternatives might be worked out to either terminate this Job Corps Center, or to move its location to alleviate tensions between enrollees and the community?

Answer: The above plan was selected from several options and no other options are currently under study.

Question: How does the performance of this Job Corps Center rate in comparison to all other Job Corps Centers?

Answer: The Department of Labor has not been satisfied with the performance of this center. The Weekly Termination Rate has been excessive and the Completion Rate is very low which results in few placements. The present Contractor chose to decline a new contract.

Question: Have there been similar problems with Job Corps centers located on other college campuses?

Answer: The Roswell Job Corps Center is unique in that few centers are operated under similar agreements with universities. The overall philosophical concept of joint participation of the university and Job Corps youth has not worked well at Roswell.

CRITICISM OF THE YOUNG ADULT CONSERVATION CORPS (YACC)

YACC has been criticized as a way for the Forest Service, National Park Service, and the States to get "free" extra laborers they don't have to justify in their own budgets.

Question: Wouldn't the quality of YACC Forest and Park Service projects be improved if these agencies had to justify funding for them directly in their regular budgets?

Answer: The quality of work accomplished by YACC crews was generally acclaimed to be equal to (or better in some cases) than work accomplished by crews hired directly by the agencies (USDI, USDA).

The quality of projects would be the same in that, given dollars and ceilings, the agencies would simply lengthen the list of projects to be accomplished in their yearly work plan. Whether these projects be classified as backlog (with YACC) or included in the agencies yearly work plan would not change the project.

Question: Why couldn't these agencies hire youth in temporary jobs to do the same thing as the Young Adult Conservation Corps, without all the extra bureaucracy created by the YACC program?

Answer: Given dollars and ceilings, the agencies could do the same thing they did with YACC. The agencies would still need dollars, people, ceilings to accomplish a given amount of work with proper supervison and proper administration. Any addition to present agency work load requires additional ceilings, people and dollars.

Question: How many States have indicated willingness to take over YACC camps (or projects) for which Federal funding is being withheld under the President's deferral?

Answer: The following States have indicated a willingness to take over YACC camps or projects:

Ohio
California
Alaska - Proposal to continue YACC is with State legislation
Minnesota - Proposal to continue YACC is with State legislation
Connecticut - Would like to continue--looking into possibility
Pennsylvania - Would like to continue--looking into possibility

FOOD STAMP WORK TEST PROGRAM

Question: How successful has the work test program been for Food Stamp applicants, administered by the Employment Service?

Answer: The Food Stamp Work Test has had minimal success to date, because regulations currently require that individuals register for work at the Food Stamp Office. The work registration form is then forwarded to the Employment Service and the registrant is called in if there is a job available for which the individual is qualified.

Under the new regulations to become effective July 1, 1981, the work test and sanction for non-compliance have been strengthened. Each registrant will be interviewed and an assessment made of his or her employability. Those that are found to be employable will either be placed or will have to conduct their own job search. The job search requires that an individual contact up to 24 employers during an eight week period and during that time report progress to the Employment Service. Failure to participate in the job search will result in termination of Food Stamp benefits for the entire household for a period of two months. We expect that the new regulations will have a very positive effect on the success of the program.

Question: What does it cost the Employment Service to administer the Food Stamp Work Test program, and how much does the Agriculture Department actually pay to reimburse the Employment Service?

Answer: The cost of operating the work registrant program during Fiscal Year 1980 was an estimated $43.7 million. The Employment and Training Administration was reimbursed $28 million by the Department of Agriculture.

Question: How many applicants are served by this program, and placed into permanent jobs?

Answer: In Fiscal Year 1980, there were 1,674,401 new renewal Food Stamp work registrants. Of those, 24 percent were referred to jobs and 11 percent were placed. Four percent were counseled, two percent were tested and less than one percent were enrolled in training.

In addition, nearly 202,000 Food Stamp registrants failed to report to the employment service when called-in. The welfare or local Food Stamp office is responsible for following-up on those who fail to respond to call-in.

Question: What do you estimate to be the savings in Food Stamp and other welfare and unemployment costs resulting from this work test program?

Answer: This question could be more accurately answered by Agriculture's Food Stamp and Nutrition Service, as the benefit paying and disqualifying agency. The employment service role is to expose work registrants to job openings and report the results to the welfare agency.

DISABLED VETERANS OUTREACH PROGRAM

Question: What is the rationale for requesting that the Disabled Veterans Outreach Program (DVOP) be funded from employer tax revenues, rather than general revenues, in the Grants to States appropriation?

Answer: The rationale for requesting that the Disabled Veterans Outreach Program (DVOP) be funded from the Grants to States appropriation, as derived from employer tax revenues, is compatible with the intent of Congress as codified in chapters 41, 42, and 43 of Title 38, U.S. Code. Maximum employment and training opportunities for veterans and disabled veterans in particular are stressed throughout this legislation. The Wagner-Peyser Act of 1933, which is the charter of the public employment service system, provides for special services to veterans. With the enactment of P.L. 96-466 in October 1980, Congress mandated DVOP as a permanent program. Therefore, the use of Title III grants to fund the DVOP program in furtherance of services to veterans as provided by the State employment services would appear to be proper and appropriate.

Question: Will these DVOP positions be solely used for veterans work, or will they be available to help out in other Employment Service activities, if workload permits?

Answer: Section 2003A, chapter 41, Title 38, U.S. Code, provides that DVOP staff "shall be assigned only those duties directly related to meeting the employment needs of eligible veterans" according to a priority order. The mandatory functions which DVOP staff are to perform make the limitations of their assignment clear.

TRADE ACT WORKER RELOCATION PROGRAMS

Question: Why haven't relocation and retraining programs designed to get displaced workers into new occupations been more successful?

Answer: In the case of Trade displaced workers, only 624 persons relocated to other areas within the United States in Fiscal Year 1980. Most displaced workers did not want to relocate. Many were secondary wage earners and more than 50 percent cited family ties in the area as a reason for not taking advantage of relocation benefits.

Question: What suggestions do you have for improving the effectiveness of worker relocation programs?

Answer: The Administration has made two proposals in its specifications for amending the Trade Act program which address this issue. The first relates to a proposed requirement that appropriate categories of workers who have been eligible for TRA benefits for eight weeks extend their search for work outside their labor market areas. The presumption is that if these workers are successful in obtaining employment outside their labor market areas they will be amenable to relocating. Secondly, the Administration is proposing an increase in Federal reimbursement of necessary relocation expenses from 80 percent to 90 percent of the total expenses incurred. Additionally, we propose to increase the lump sum payment for incidental expenses from $500 to $600.

UNEMPLOYMENT INSURANCE BENEFICIARIES

You are estimating that the number of unemployment insurance beneficiaries will be nearly $10 million in Fiscal Year 1982.

Question: How do you expect the Employment Service to find jobs for these people and avoid costly increases in the average number of weeks individuals will be receiving unemployment checks, if you cut Employment Service staff by 15 percent?

Answer: States will be asked to reduce their administrative overhead and streamline their operations in order that more staff may be assigned to direct services. The overriding emphasis in Fiscal Year 1982 planning is to make as many resources as possible available for direct operations. State agencies will be required to review their organizational configuration to identify areas where organizational modification can be adopted to free-up staff for local office assignment. In addition, the State agencies will be expected to review existing local offices to identify which are high cost/low productivity offices for closing in order to redirect the funds for more productive purposes.

Other administrative measures will include the use of self-directed job placement assistance through Job Finding Club techniques as a means of helping job seekers find employment with less staff.

Question: How much more do you estimate will be paid out in unemployment benefits due to your proposed cutbacks in job services?

Answer: The Employment Service (ES) participates with the Unemployment Insurance Service (UI) in the administration of the work test. Since the two agencies work together there is no reason to assume that benefit payments will increase because of the reduction of ES staff. Unemployment insurance claimants still will be required

to meet the work test requirements of applicable State law. In addition, planning requirements for Fiscal Year 1982 will require State ES and UI staff to develop a joint plan for handling the UI claimant workload.

Question: If the average length of unemployment were decreased by just one day for all claimants, how much would be saved in benefit payments during Fiscal Year 1982?

Answer: Additional information or assumptions would be needed in order to answer this question. For example, one day of work at the end of the week may result in total disqualification for a week of benefits, a partial reduction in the weekly benefit amount or have no impact on the weekly amount. Also, if an individual went to work one day earlier in the middle of the week the impact on unemployment benefits would be negligible as he would in all likelihood be disqualified anyway.

EXTRA EMPLOYMENT SERVICE DUTIES

Question: Over the years, it appears State Employment Security agencies have been asked to perform a wide variety of additional tasks, without adequate funding to cover the extra workload. Provide for the record, a list of all the special projects and activities performed by the Federal-State Employment Security system, over and above its basic labor exchange mission; indicate for each, the estimated cost of administration, compared to the amount of funding provided in addition to the Grants to States appropriation. Also indicate which of these additional duties is administratively imposed, and which are mandated by specific provisions of authorizing legislation.

Answer: A detailed study would be required to list all activities performed by the Employment Service above and beyond its basic labor exchange mission. However, the following list provides the most significant non-basic labor exchange activities that State Employment Service agencies are required to implement. There are no other fund sources in addition to the Grants to States appropriation for these activities.

FY 1981 Estimated Cost

Activity	Cost ($ in 000's)	Authority
Monitor Advocate	$ 1,540	Civil Action No. 2010-72, USDC
Migrant and Seasonal Farmworkers Outreach	7,241	Idem
Trade Act	4,728	P.L. 93-618, 1/3/75
Redwood Forest Act	81	P.L. 55-250, 3/27/78
Immigration Certification	6,835	P.L. 89-236, 10/3/65
Rural Loan Certification	270	P.L. 95-334, 8/4/78
Housing Inspections	378	20 CFR 654 Subpart E
	$21,073	

LOW VETERANS UNEMPLOYMENT RATE

Question: In February, 1981, the unemployment rate for Vietnam Era Veterans was 6.4 percent -- less than the national average of 7.3 percent. Given that Vietnam-era veterans appear better off in the job market than non-veterans, why do we need to continue special veterans preference employment programs? Why not limit veterans preference job-finding services to the disabled, who truly need special help?

Answer: The need to continue special veterans preference employment programs for all veterans has not eased. For example, in February 1981, the unemployment rate for Vietnam-era veterans ages 25 to 29 was 11.1 percent compared to the 8.5 percent unemployment rate experienced by non-veterans in the same age group. The economic downtrend and heavy unemployment occurring in many parts of the Nation have dimmed the employment prospects of all segments of the veteran population, including the Vietnam-era veterans, especially the disabled, minorities, and disadvantaged, and made more difficult their job search. Maximum employment and training opportunities have been legislatively mandated for all eligible veterans, disabled veterans in particular, for services rendered in time of war or national emergency. Such rewards and benefits are not unique and have abundant precedent in our Nation's history. Therefore, it is not considered feasible nor prudent to further fragment the veterans population by restricting services to disabled veterans only.

RATIONALE FOR EMPLOYMENT SERVICE CUT

Question: The Interstate Conference of Employment Security Agencies estimates that your proposed cuts in State Employment Service staff may result in a 20 to 25 percent drop in job placements -- about one million fewer jobs, including 400,000 fewer youth placements. How many local Employment Service offices would have to be closed - particularly smaller offices in rural areas - in order to make the recommended $150 million reduction?

Answer: No one can accurately assess the number of closures, if any, as a result of the budget reduction. States have been advised to review leasing arrangements relating to premises, equipment and other long term commitments with a view to consolidation of costs. The decision to maintain, close, or relocate offices will be made by the appropriate State agencies.

Question: Who will help find placements for the 300,000 public service jobs enrollees being terminated, if Employment Service staff is also being cut?

Answer: The Employment and Training Administration has mounted an aggressive Reemployment effort in behalf of Titles II-D and VI participants being terminated. It will involve cooperation of all prime sponsors, Private Industry Councils, National Alliance of Business, Job Corps, in addition to the Employment Service. While the ES is to be reduced in Fiscal Year 1982, they still will be able to cope with this placement effort by utilizing group and self help techniques usually applicable in mass layoff situations. Each of the State Employment Security Agency's are also being directed to coordinate their efforts internally among the Unemployment Insurance, Work Incentive and Target Jobs Tax Credit programs as well as working closely with other State and local groups to place the 300,000 participants.

Question: Who will administer stricter work test rules for unemployment beneficiaries if Employment Security Agencies are cut back?

Answer: The State Job Service and Unemployment Insurance (UI) staff will jointly administer the stricter work test rules. They will jointly plan, coordinate and implement the work test to maximize the use of available resources. Additionally, advantage will be made of Job Finding Clubs and Job Search Workshops whereby one ES or UI staff person can effectively work with approximately 20 claimants at one time. In Job Search Workshops jobseekers are taught how to find jobs, how to handle themselves in interviews, and how to prepare resumes and fill-out application forms. Job Finding Clubs which go beyond job search workshops, provide supervised, sustained and systematic job search in a group setting.

CETA/EMPLOYMENT SERVICE DUPLICATION

Question: Both the CETA prime sponsors and local employment service offices provide an array of employment and training services for the unemployed and have been known to engage in turf wars, with wasteful duplication and overlap. What suggestions do you have for legislative changes to better consolidate and coordinate local CETA and employment service agencies?

Answer: The Department of Labor has worked toward encouraging coordination between CETA and the Employment Service. Major improvements, such as a marked increase in the number of financial arrangements between prime sponsors and employment security agencies have taken place. The regulations implementing the Comprehensive Employment and Training Act Amendments of 1978 require each CETA prime sponsor to enter into a written agreement with State Employment Service agencies that delineates the responsibilities of each. Also, the recently published Job Service regulations require the State Employment Service agencies to develop written agreements with prime sponsors to coordinate services with a view toward minimizing service overlap.

The Department of Labor is now in the process of developing its legislative plans and policies regarding the CETA reauthorization. The roles of CETA and the Employment Service will be considered in that process.

ELIGIBILITY DETERMINATIONS FOR UNEMPLOYMENT BENEFITS

Question: Some States are notoriously lenient while others are notoriously tough in determining eligibility for unemployment benefits. Do you rate States in terms of the relative ease with which they determine applicants eligible for unemployment benefits?

Answer: We have no formal system for rating States as to their leniency in determining eligibility for benefits. Any such rating would be misleading since it would not reflect the States' UI laws and economic conditions for that State which undoubtedly have at least as great an impact on the rate of eligible claimants as the State's leniency or stringency in determining eligibility. However, we do maintain data for each State on the number and percent of claimants disqualified from benefits, by cause as well as those found monetarily ineligible for benefits.

Question: What actions can you take from the Federal level to encourage States to tighten up their eligibility determinations for unemployment benefits?

Answer: Under the Federal-State unemployment insurance system, the States are responsible for interpreting and applying the State

law's eligibility requirements. At the Federal level, we can make recommendations on State law provisions and on methods of operations. In this regard, the Employment and Training Administration (ETA) has issued guidelines for an eligibility review program and has allocated funds to the States for its operation. The purpose of the eligibility review program is to review a claimant's continuing eligibility for benefits, and provide reemployment assistance to claimants to hasten their return to work. The eligibility review program serves to insure benefits are being paid only to individuals who meet the eligibility requirements of the law. Accordingly, ETA is continually working with the States to improve the program.

WORK DISINCENTIVES FROM UNEMPLOYMENT PROGRAM

Question: Is the so-called "work disincentive" effect of Unemployment Insurance a serious problem?

Answer: Yes, while we believe that most Unemployment Insurance (UI) claimants are unaffected in their job search, some tend to prolong their unemployment because of the receipt of UI benefits. This happens because UI benefits enable them to avoid having to accept "unsuitable" jobs and/or they find leisure preferable to work. (The latter is the true disincentive effect).

Most studies on this issue have found that each week of benefits is associated with at least some increase in unemployment duration, ranging between .1 and .8 week of increased unemployment per week of potential duration. The problem is serious because such tendency of the workers has an adverse effect on the productivity of the economy, and the system is incurring unnecessary benefit costs.

Question: What can be done to reduce work disincentives from the Unemployment Insurance program?

Answer: -- Gear the period of income protection under UI more precisely to the truly appropriate duration (i.e., the "temporary period" of unemployment) which is likely to vary among workers and over time.

-- Try to determine and provide an appropriate amount of UI benefits. This calls for a benefit adequacy study.

-- Create an effective system of continuing eligibility review/job service in order to ensure the current labor force attachment of claimants while maximizing the opportunity for their reemployment.

ERRONEOUS PAYMENT OF UNEMPLOYMENT BENEFITS

Question: A study prepared for the National Commission on Unemployment Compensation has found evidence of disturbingly high rates of unwarranted benefit payments, ranging from 3 percent to 22 percent in the seven localities surveyed. Projected to the nation as a whole, 3 percent overpayments would mean $720 million in erroneous overpayments for fiscal 1981, and a whopping $5.3 billion if overpayments were as high as 22 percent. Are you taking steps to find out if this study is representative of a serious overpayments problem nationwide?

Answer: Under regular or routine benefit payment control procedures used by State agencies, the detection rate of overpayments during the period July 1979-June 1980 was about 7.4 percent of the payments issued. In the National Commission on Unemployment Compensation (NCUC) study the rate, averaged for the six sites, was about 18 percent for weeks of compensated unemployment. The Department's Unemployment Insurance Service is presently engaged in a program to determine if the rates of overpayments/improper payments found in the study are realistic. A random claim audit (Quality Control Program) is being field tested in five selected States. It will be expanded to another 10 States in FY 1982 and, hopefully, to all States by FY 1984, funds permitting. This audit has been designed to produce valid rates of detectable overpayments/improper payments on a Statewide basis and will serve as a management tool to identify problem areas, to take corrective action promptly and thereby conserve benefit funds. It is anticipated that the rates of overpayments/improper payments found in the random audit will fall somewhere between the 7.4 and 18 percent rates already determined.

Question: Doesn't the survey's finding that more than half of detected overpayments involved claimants who had not actively looked for a job or were "unable" to work indicate serious problems with inept local administration?

Answer: About 44 percent of the overpayments found in the NCUC study were caused by errors by the claimant, 22 percent by State agency personnel, and 8 percent by employers. As to the reasons for these errors, the highest rate, or 46 percent was related to issues of continuing eligibility, such as claimants not being available for work, not looking for work, or refusing suitable employment. While the 22 percent error rate attributable to State agency personnel is unacceptably high, it is not fair to place the blame for most overpayments on "inept local administration" when claimant errors caused twice as many overpayments. Various factors may have contributed to the rate of State agency errors such as high claim workloads, staffing problems and lack of adequate training for local office staff. The Department is very concerned about the findings of the study and is enhancing its ongoing system for detecting overpayments and reducing errors.

Question: What suggestions do you have to correct abuse and mismanagement in the unemployment insurance program?

Answer: In addition to the random claim audit, previously discussed, the Unemployment Insurance Service is currently working with State agency staff to:

-- Improve the Benefit Rights Interview Program so claimants can better understand their rights and responsibilities when filing for unemployment benefits.

-- Operate job search workshops to instruct claimants in job-finding techniques, as well as to motivate them to seek work.

-- Develop an evaluation system for assessing the effectiveness of a State agency's Eligibility Review Program.

-- Increase training of State agency staff in conducting eligibility review interviews.

-- Accelerate the training of State agency personnel in eligibility determination, fraud investigation, and the prosecution of fraud.

-- Expand State automated systems to control, detect, and recover overpayments.

-- Improve controls to prevent overpayments in UI benefits for jobless Federal workers and ex-service personnel.

-- Urge more States to adopt a common intake process whereby UI claimants can more easily register with the Job Service for assistance in obtaining employment.

-- Establish stronger quality measures for local office claims-taking operations.

POOR RECORD ESTIMATING TRADE ACT BENEFITS

Question: Why has the Department been unable to accurately estimate the cost of the cash benefits being paid under the 1974 Trade Act's Worker Adjustment Assistance Program?

Answer: Prior to 1980, estimates of TAA outlays were extremely close to actuals. The program has recently become quite volatile with outlays depending on many variables including:

-- The level of new certifications

-- The actual number of certified workers

-- The relative level of cyclical activity for certified industries

-- Import penetration rates

-- The eligibility remaining in "old" certifications

-- The States in which petitions are approved

-- The duration of regular UI benefits and the duration of the total unemployment

-- The age of claimants and extent of training monies available.

Some of these variables are relatively stable thereby improving the reliability of the estimates - others are subject to many outside forces and are exceedingly difficult to estimate. To further compound the estimates each variable can have a significant different impact on final estimates. For example, estimates of the number of individuals included in a petition may be quite different from the number covered in the final certifications. Changes such as this would not become apparent until benefits are actually drawn. There is also a lack of historical data for most of these variables upon which to build for future estimates.

Question: What is the Department doing to improve its methods for estimating costs to be incurred under the Trade Act?

Answer: The Department has taken extensive steps to improve its ability to coordinate required information from numerous sources. In addition extensive studies of TAA claimants in Michigan and Ohio (60 percent of 1980 outlays) have been undertaken in order to better understand the dynamics of the 1980 cohort. Monitoring activities in general have been stepped up and new methodologies have been developed in an attempt to improve estimates of key variables.

While a program of this type is always going to be difficult to measure and forecast we feel the steps are being taken that will reduce the chance of major forecasting errors in the future.

CONTROLLING GROWTH OF TRADE ADJUSTMENT ASSISTANCE

Question: The Reagan Administration is recommending legislative changes to reduce unemployment benefits under the Trade Act. Pending action on legislative changes, what administrative measures can you suggest that might help to control the growth of the Trade Adjustment Assistance Programs?

Answer: The growth of the trade adjustment assistance program has been due primarily to the fortunes of the automobile industry which has been subject to sustained and growing import competition. Caseload arising from the auto industry is not controllable at the certification level because of the terms of the legislation and case precedent established over the past five years. State agencies administer benefits to individual workers and may marginally control program growth through more stringent enforcement of applicable State unemployment insurance statute provisions dealing with availability for work and requirements for workers to accept suitable employment. The Administration believes that new legislation is necessary to control program growth and has proposed legislative changes that would address this problem by tightening up the standards that groups must meet for certification as well as it obligatory for workers to accept suitable employment on the same basis that currently apply to workers applying for extended unemployment insurance benefits.

Question: Can you administratively tighten up on the group eligibility criteria under the Trade Act which says imports must be "an important cause" of unemployment?

Answer: The Trade Act of 1974 and attendent legislative history define "contributed importantly" in such terms that make it difficult to apply a harsher test than has been applied over the past five years for the purpose of controlling program growth. Case decisions in thousands of cases and court decisions upholding present standards have substantially reduced the possibility of administratively changing existing standards. It should be noted, however, that the caseload explosion that occurred was one substantially related to imports impacting the automobile industry, a major employing industry, and that except for the auto industry there have not been unusual increases in caseload over prior years.

TRADE RETRAINING

Question: In the past, very little has been spent for retraining and relocation of workers adversely affected by foreign import competition -- less than $20 million a year. With Trade Act unemploy-

benefits estimated at $1.5 billion for Fiscal 1982, why is so little emphasis being placed on retraining to get these workers back into productive jobs?

Answer: It is primarily a matter of budgetary constraints. The dollars are simply not available under CETA Title III. The $8 million presently allocated nationally for training, job search and relocation allowances will provide virtually no training opportunities to trade impacted workers since most of the resources allocated will be utilized to cover the mandatory job search and relocation allowance benefits.

Additionally the Trade Act of 1974 provides for the mandatory payment of trade readjustment allowances (TRA), job search and relocation allowances. However, training is not a mandated right under the act. A referral to training is made on an individual basis when funding resources and training opportunities are available and employment is virtually assured. This means that an individual worker may be considered for training only to the extent funds are available and approved training can be expected to result in employment. As you know the administration has proposed various changes to the Trade Adjustment Assistance Program, as part of the President's program for economic recovery. While it is unlikely that additional training resources can be made available in Fiscal Year 1981, I am confident that if the President's proposals are approved by Congress, we can expect to see a greater emphasis placed on the training aspect of the Trade Act program in Fiscal Year 1982.

Question: How many of the estimated 350,000 recipients of Trade Act unemployment benefits will be retrained and relocated in Fiscal 1982?

Answer: The administration is still in the process of reviewing and finalizing its funding levels for TAA training, job search and relocation allowances. As soon as this process is completed we will be able to provide more definitive data on our training projections. Meanwhile, it appears that we may be able to train in excess of 20,000 trade impacted workers if Congress approves the administration's proposed funding level for trade training. It is always difficult to project the number of workers who will seek relocation assistance because there are so many variables which cannot be determined. However, our budget planning for this activity as well as job search allowances should allow those workers who seek such assistance to be accommodated.

Question: Based on experience to date, what percent of those retrained will be placed in non-import affected employment?

Answer: We cannot identify the extent to which retrained workers enter non-adversely affected employment. However, we do know that of the 12,670 workers who completed training during the life of the program 3,090, or 24 percent, were placed in jobs by State Employment Security Agencies. Additionally, many more were placed in jobs through their training facilities.

Question: Would it make sense to earmark a portion of funds budgeted for Trade Act unemployment benefits to increase expenditures on retraining, job search, and relocation assistance?

Answer: The thrust of the Reagan Administration's proposal is to deemphasize the cash outlay provisions of the Trade Act program and place a greater emphasis on training, job search and relocation assistance. Under the administration's proposal, additional funds would be made available for this assistance. We expect that $112 million will be appropriated for these activities in Fiscal Year 1982.

Question: To what extent could loans be given, instead of direct subsidies for assistance in retraining and relocation?

Answer: We are not enamored of this concept. It could conceivably necessitate the establishment of another bureaucratic layer to handle a loan and collection program with dubious results in aiding the adversely affected workers. However, this concept could be explored under the evaluation portion of the administration's proposals and a finding could be made as to its feasibility.

Question: Will training funds be increased under the proposed TAA legislation and if so, how much?

Answer: It is anticipated that there will be additional funds for training under the proposed TAA legislation. Up to $112 million will be available for training, job search, relocation and evaluation activities. No set amount has yet been determined for training, but it could possibly be a substantial portion of the $112 million depending on the needs and conditions existing at the time the legislation is enacted.

REDWOOD AND AIRLINE BENEFIT PROGRAMS

Question: In addition to the separate trade benefits program, there are separate legislatively mandated unemployment benefit programs for Redwood and Airline workers. Why shouldn't there be an Omnibus Worker Protection Program, taking care of the special needs of different groups, but organized into one consistent system?

Answer: This concept has been under discussion within the Department, but no legislative proposal has yet been developed. Such an omnibus program, with a single set of regulations and rules for States to follow, would replace the many programs that have sprung up. This approach, when carefully thought out and developed, would have the advantages of administrative simplicity, equity between similarly situated workers, and the ability to promote the transition to reemployment.

Question: Wouldn't an overall system be easier and less expensive to administer and more equitable to workers?

Answer: To the extent that the overall program provided the same benefits to workers similarly situated regardless of the reason for the unemployment, that assumption is correct. If, within the overall program, special provisions are retained for airline personnel, or workers adversely impacted by imports or other groups who now have special programs, neither administrative ease nor worker equity are likely to be attained.

Question: How costly is the Redwood Program?

Answer: From the beginning of the program in June 1977 through the period ending March 31, 1981, the following amounts have been paid.

Health and Pension Payments	$ 1,083,160
Weekly Payments	$21,119,437
Severance Payments	$14,709,759
Total Benefits	$36,912,356
Job Search Allowances	$ 14,281
Relocation Allowances	$240,346
Total Allowances	$254,627

Question: Isn't it a prime target for legislative change?

Answer: Presumably any proposal to replace the multitude of special programs with an overall program would include the Redwood program.

CHANGE IN TRADE ADJUSTMENT ASSISTANCE LEGISLATION

Question: The revised Reagan budget contains an estimate of $1.5 billion for Trade Adjustment Assistance for Fiscal Year 1982 under current law. At the same time, proposed legislation, if enacted, would reduce this estimate by $1.15 billion. What assumptions went into the $1.5 billion estimate and specifically, how many workers in what industries would be eligible for benefits under current law?

Answer: The Fiscal Year 1982 Budget request of $1.5 billion for Trade Adjustment Assistance (TAA) outlays was based on the following assumptions:

-- The current level of new certifications would continue with no new large numbers of workers certified. (100,000 per year)

-- The large number of auto workers certified in 1980, 500,000 to 600,000, would retain significant eligibility in Fiscal Year 1982 but would show significant signs of aging.

-- The total population of eligible workers would be dominated by the auto sector with non-auto eligibles in the 100,000 to 150,000 range.

-- The number of layoffs in the auto-sector is expected to average 200,000 per week in Fiscal Year 1982 with a diminishing number eligible for TAA as claimants exhaust eligibility for benefits.

-- At the time forecasts are made for TAA expenditures several factors are taken into account. These include:

a. The level of actual expenditures up to the forecast point.
b. The anticipated level of layoffs. (Based on discussions with State TAA coordinators and the auto manufacturers.)
c. The outlook for auto sales in the forecast period.
d. The probability of new certifications and the exhaustion rate of old certifications.
e. The aging (exhaustion) of the current cohort of auto workers.

Estimates are not made on an industry basis but the majority are expected to be auto workers.

Question: How many workers in what industries would be eligible for benefits under the proposed legislation?

Answer: The total number of workers estimated to receive Unemployment Insurance and Trade Adjustment Assistance would not change significantly in Fiscal Year 1982 as a result of the proposed legislation.

UI BENEFITS FOR JOB TRAINING

Question: In public witness Testimony before this Subcommittee, the National Association of Counties suggested that unemployment benefits be utilized for job training. Please comment on the merits of such a proposal.

Answer: Currently the Federal law prohibits the use of trust fund money for any purpose than the payment of benefits. However, the Federal Unemployment Tax Act (FUTA) requires that all State unemployment compensation laws include provisions to the effect that: "compensation shall not be denied to an individual for any week because he is in training with the approval of the State agency (or because of the application, to any such week in training, of State law provisions relating to availability for work, active search for work, or refusal to accept work)." This provision, enacted in 1970, became effective for all States in 1972. Even before that time more than half the States had similar provisions.

Massachusetts and Michigan, in addition to payment of regular benefits during periods of training or retraining, provide up to 18 additional weeks of benefits to permit completion of a course of training. While in almost all States the participation of an individual in training is voluntary, in the District of Columbia and Missouri, an individual may be required to accept such training. California has in progress a demonstration project, extending until 1985, that will use special eligibility criteria and other procedures designed to test the effectiveness of training selected individuals for new jobs while collecting unemployment benefits. We would not favor a broader use of unemployment compensation trust funds for the financing of general training programs for the unemployed.

IMPACT OF UNEMPLOYMENT RATE ASSUMPTIONS

Question: The Reagan Administration is assuming an unemployment rate of 7.2 percent for calendar year 1982 compared to the 7.5 percent assumed in the Carter budget. This assumed lower rate of unemployment has enabled the Reagan Administration to reduce the outlay estimate for unemployment compensation by $1.4 billion below the Carter budget. On the other hand, CBO contents that 7.9 percent would be a more realistic unemployment assumption for 1982 and that the Reagan budget for unemployment compensation is $1.9 billion below what is likely to be required. In preparing the March budget revisions, did the Office of Management and Budget consult with the Department of Labor about what unemployment rate assumptions to use, and if so, what rate did the Department of Labor recommend for calendar year 1982?

Answer: The Office of Management and Budget does not consult with the Department of Labor on unemployment rate assumptions.

Question: Does the Department of Labor have its own projections for unemployment for calendar year 1982, and if so, what are they?

Answer: The Department uses unemployment assumptions provided by the Office of Management and Budget.

ARBITRARY UI CUT

Question: How do you justify imposing a 3 percent cut on the Unemployment Insurance Service (UI), after deciding the level of funding needed to accomplish mandatory workload?

Answer: A 3 percent reduction in UI funding will not significantly reduce the quality of services provided to claimants. Any program which has the range of costs and performance between States and an administrative budget the size of the UI program can periodically accept productivity assessments. Such staff reductions encourages the system to reappraise its operating costs, procedures and systems to determine the most cost effective means for delivery of program services.

Question: Why have a system for determining resource requirements based on workload at all, if arbitrary adjustments are to be made?

Answer: The workload-based system of determining resource requirements, even with "arbitrary adjustments", allows for funding differences in State workloads and for differences in State operating procedures. A system of standardized productivity factors would not allow this, penalizing some States, and creating windfalls for others.

Question: Was this 3 percent cut imposed on the Labor Department by the Office of Management and Budget?

Answer: This reduction as well as other budget reductions for the Department of Labor were developed with the Office of Management and Budget within the content of the criteria set forth by the President in his program for Economic Recovery.

Question: What will be the impact of the across-the-board on the ability of the Unemployment Insurance Service to process benefit claims on a timely basis, as well as to prevent fraud, abuse and waste?

Answer: We do not anticipate any appreciable impact in the areas of timely benefit payments and in the prevention of fraud, abuse and waste in the UI program because of the across-the-board cut on the level of funding. Both of these areas of program operation have received major emphasis over the past several years. The intrastate national cumulative average on timely payments for the measurement period April 1980 - February 1981 is 87.6 percent against a criteria of 87 percent. The interstate average for the same period is 68.5 percent as compared to a criteria of 70 percent. We would expect that State agencies could continue to maintain this level of performance. In the area of prevention, fraud and abuse, additional resources are contained in the Fiscal Year 1982 budget for the random audit procedure, to increase the number of participating States by 10, as well as to add an internal security and control program in all States. Overall, these new budget items should contribute to the improvement of benefit payment control operations.

LABOR-MANAGEMENT RELATIONS IN THE
NON-FEDERAL PUBLIC SECTOR

In response to a question at our February Hearings, The Department indicated the Fiscal 1982 budget contained $554,000 "To improve the climate of Labor-Management Relations in the Non-Federal Public Sector." We understand you have reduced this request to $542,000 in reviewing the Carter Budget.

Question: Why couldn't States or local governments provide their own funding to improve non-Federal public sector labor-management relations?

Answer: Although State and local governments do provide a significant amount of funding to administer legislation covering their public sector labor-management relations activities, little if any, funds are available for activities to improve labor management relations. Many States have created neutral administrative agencies which adjudicate disputes and resolve impasses, functions provided to the private sector by the National Labor Relations Board and the Federal Mediation and Conciliation Service. However, these State agencies are generally understaffed and underfunded. Economies of scale allow The Division of Public Employee Labor Relations to provide resources on a nationwide basis, such as complete training packages and training films, which would be impractical on a Statewide basis even if funds were available.

The impending loss of Intergovernmental Personnel Act grants, administered by the Office of Personnel Management, and revenue sharing will place further constraints on State and local government's resources for dealing with their labor-management relations problems. Many of the institutional resources, such as the National League of Cities' Service Program on Employer-Employee Relations, are being curtailed because of loss of Federal funding. At the same time, this significant loss of revenue will exacerbate the types of problems that will have to be resolved through collective bargaining. The services of this Division are rapidly becoming the only resource available to many organizations in major areas of the country.

The Division makes available a comprehensive program of services, available on request to legislative bodies, public management, labor organizations representing public employees, and neutral administrative agencies, to encourage the development of constructive public policy and to raise the skills of all parties involved in labor relations at the State and local government levels. For example, technical assistance is provided to legislative bodies in the review and analysis of proposed legislation and to State administrative agencies in the implementation of new legislation; comprehensive skills training materials are developed and exported in train-the-trainer programs for organizations to use in training their own constituents; training seminars in labor relations skills are conducted through sponsoring organizations with outreach to broad areawide, Statewide, or regional audiences, with particular emphasis on public safety groups and States with new legislation; conferences are sponsored in States with new or developing legislation; an annual national workshop is conducted for new appointees to State public employment relations boards to assist them in expediting their effectiveness as board members; and a series of publications is produced to provide information on legislation, resources, events, and technical problems.

Of all State and local government employees, almost 5 million, or 38%, were represented in 32,484 bargaining units as of October 1979. Of these, 212,340 employees were engaged in 553 work stoppages, many of which involved services critical to the communities' well being such as public safety, health, and education. These problems are being addressed by an authorized staff of only ten positions which, in the last five years, has reached directly almost 20,000 individuals from every State and Territory and every major organization. Many times that number of individuals has been reached indirectly through the distribution of publications and through trainers from other organizations using training materials developed by the Division.

Some of the Division's operating expenses are recovered through the sale and rental of its training films and publications. For instance, more than 400 copies of the Division's training films have been purchased and several of the Division's publications are being used as classroom textbooks, indicating both the pressing need for these types of products and their broad acceptance. The lack of appropriate legislation has restricted the Department from imposing any type of user charges. In the face of the ever increasing need for assistance and shrinking Federal resources, this would be an appropriate time to consider such a change.

RATIONALE FOR FEDERAL INVOLVEMENT

Question: Absent any violation of law, shouldn't the government stay out of private relations between employers and employees?

Answer: The public interest is well served by the services provided by such Federal agencies as the Federal Mediation and Conciliation Service, the National Mediation Board, the Federal Services Impasses Panel, and the Bureau of Labor Statistics. These agencies are essential to making our system free of collective bargaining work. Their involvements are constructive and welcomed by the parties.

The relationship between a public employer and its employees is not "private." Because this relationship involves critical public services, it is of great public interest and is thus subject to intense public and media scrutiny. This relationship is complicated by a wide variety of State laws, court decision, and attorney general opinions. This makes it infinitely more complex and more difficult to deal with than private sector collective bargaining. Furthermore, the parties involved in this relationship are relatively inexperienced, and the available resources are inadequate.

The Division of Public Employee Labor Relations does not intervene or intrude upon the relationship between a public employer and its employees. It is a resource. It provides voluntary educational and technical assistance to help the parties make their relationship function in a mutually constructive manner. It provides the information to enable the parties to learn to manage and control the conflicts which may arise in their relationship.

State and local government, employing approximately 20 percent of the nation's workforce, is unique in that its labor relations are not covered by a Federal collective bargaining law. There is divided opinion and continuing debate over whether or

not this public policy should be changed. This has created a political dilemma with continuing pressures and problems difficult to ignore. The activities of the Division are the only Federal response to this problem. To the extent that the Division is successful, the Federal Government can continue to resist the pressures on it to regulate, control, or otherwise interfere with that relationship.

RATIONALE FOR FEDERAL INVOLVEMENT

Question: In an era when most people want less government in their lives, why should the Federal Government be providing assistance or advice to unions or employers in regard to labor relations matters?

Answer: A significant amount of this assistance is provided, not to the parties, but to the State administrative agencies and other neutral organizations that have great impact on the nature and quality of public sector labor-management relations in their State. The assistance provided directly to the parties is completely voluntary; it does not interfere with or regulate their lives in any way. Quite the contrary, it helps them to deal with their critical problems without Federal interference or regulation.

The Division makes available voluntary programs designed to improve the skills and understandings of all parties involved in the collective bargaining process, often in response to joint requests. The assistance is provided from a neutral perspective and focuses on making their own collective bargaining process work. The Division does not provide advocacy assistance or involve itself in specific labor relations problems. Those who need the assistance have a resource which they have found responsive and helpful to their needs as indicated by their repeated requests for additional services. Such requests for assistance have so greatly exceeded the Division's limited available resources that some services, such as onsite training, have had to be significantly curtailed.

It should be noted that, in the 10 years of its existence, the Division has achieved a high level of user acceptability. They have written many letters of appreciation to the President, Congress, and the Secretary of Labor. The following letter to Congressman Marlenee is typical:

> Cities and counties in Montana operate on very limited budgets; and specialized training in Labor Relations, Management Development, etc., is not available except in the large metropolitan centers outside our area. Because of this, very little can be done to improve the skills so necessary in directing the activities in local government.
>
> An exception to this has been the training provided by the Labor-Management Services Division of the U.S. Department of Labor. During the past year they have provided two three-day workshops in Great Falls and Billings. Over thirty managers and supervisors from the City of Great Falls and the County of Cascade have been able to attend these quality workshops at no cost to us. If we had sent these employees out of Montana to comparable workshops it would have cost thousands of dollars. We simply would not have been able to afford it!
>
> In my opinion, Federal programs like this are essential to Montana. Federal funds used to improve local governments are well spent and produce substantial benefits for many years.

LABOR-MANAGEMENT STANDARDS ENFORCEMENT

Question: How do you decide how much of your limited Labor-Management Services Administration staff resources to devote to employer and consultant activities, as opposed to compliance audits, investigations of union election challenges and union embezzlement complaints?

Answer: Since October 1, 1980 Labor-Management Standards Enforcement (LMSE) has operated in conformance with the LMSE Enforcement Strategy Document which presribes program priorities and guidelines.

The Enforcement Strategy Document provides specific investigative time allocations for each type of program activity, expressed as a percentage of total production time. Percentages can be revised to reflect changes in program priorities and emphasis as determined by current workload, backlog, the anticipated volume of complaints, staffing levels and/or other program considerations.

The budget assumes that the strategy design for FY 1982 will continue to commit substantial resources to certain types of enforcement activities, such as embezzlement investigations and compliance audits. An estimated 75 percent of production time, not utilized on election cases, will be devoted to these activities, and about 10 percent will be devoted to employee consultant cases.

Question: To what degree do you plan to shift resources towards consultation activities, as opposed to direct enforcement?

Answer: Since LMSE's limited resources cannot, at all times, fully achieve the goals and expectations for administering the program, we undertook a strategy designed to maximize our efforts by assigning priorities and setting time allocations for program activities. Commencing in FY 1981, LMSE has allocated ten percent of its available production time, after election case work, to handling employer consultant activities and ranked them lower in priority to criminal investigations and financial audits.

Prior to FY 1980, 25-40 specific complaints were received each year concerning employer and consultant reporting situations. In past years each such situation was fully investigated and, where warranted, whatever action necessary was taken to obtain required reports.

During FY 1980 the number of complaints concerning employer and consultant reporting situations increased to more than ten times the number received in prior years. The resulting backlog of cases as well as increased public interest in the program were the major factors behind the decision to provide additional enforcement activity in the employer-consultant area.

In FY 1981 the level of complaints has declined considerably and it is expected to continue at a much lower level than was experienced in FY 1980.

FUNDING FOR LABOR-MANAGEMENT DISPUTE INFORMATION

In response to questions submitted by the Subcommittee during our February hearings, the Labor Department indicated $392,000 is budgeted for providing information to assist the Secretary in minimizing disruptions from labor-management disputes. We understand you have reduced this request to $380,000 in reviewing the Carter Budget.

Question: Why could not this entire request be eliminated from the budget?

Answer: This activity provides information and assistance to the Secretary of Labor essential to the purpose of minimizing disruptions flowing from labor disputes. Others which utilize this service include other Federal Departments, such as the Departments of Defense, State, Transportation, Agriculture, as well as the White House. This activity maintains day-to-day liaison with agencies such as the Federal Mediation and Conciliation Service, the National Mediation Board, and the National Labor Relations Board. Since the Secretary of Labor is the principal advisor to the President on labor relations matters, this activity is essential to carrying out his responsibilities. The information provided by this activity diminishes the possibility of unwarranted governmental interference in the collective bargaining process.

Regular and special reports are prepared in advance and during negotiation of major labor-management contracts for the Secretary. These reports consist of a calendar of major contract expirations; prenegotiation memoranda setting forth the background, issues and positions of the parties; and status reports during the course of the bargaining. Outside of these regular reports, the Division, during the last 12 months, responded to 130 Congressional and 1,484 inquiries from the public and other Federal agencies. The following is a selected list of special assignments requested by the Secretary's Office which were completed by the Division since the new Administration took office.

- A paper on 1981 negotiations was also prepared for the Secretary and the White House. The paper summarized the structure of collective bargaining in the metal containers, air traffic controllers, bituminous coal, offshore maritime, west coast longshore, railroad and postal negotiations and expected bargaining demands. Included also were possible industrial relations problems in the East and Gulf Coast Longshore container handling rules, currently under review by the NLRB and the Air Line Pilots Association regarding flight crew manning levels on new generation aircraft.

- A detailed paper on the 1981 Bituminous Coal negotiations was forwarded to the Secretary and the White House. The paper contained information relating to the bargaining structure in the industry, previous bargaining rounds, influences in the negotiations, union and company demands, key individuals and other pertinent data concerning production and employment in the industry.

- Papers and status reports have been and continue to be produced for the Secretary and the White House on developments in the coal negotiations.

- A paper was prepared on the dispute between the Air Line Pilots Association and the Federal Aviation Administration concerning flight crew complement on new generation jet aircraft. The paper included the past history of crew complement disputes in the industry as well as the positions taken by ALPHA and FAA.

A detailed paper on the negotiations between the Federal Aviation Administration and the Professional Air Traffic Controllers was forwarded to the Secretary and the White House. Included in this report was a background of negotiations between the parties, key issues in the talks, the legality of some of the demands, the introduction of legislation to permit air traffic controllers to negotiate economic benefits and influences on the negotiations.

- A summary paper on the upcoming postal negotiations was prepared and forwarded to the Secretary and the White House updating information on the prospects for the talks and the personalities involved.

- Briefing materials were prepared for the Secretary in anticipation of his meeting with the President and leaders of several major unions including the Marine Engineers Beneficial Association; The Professional Air Traffic Controllers; The Teamsters; The National Maritime Union; The United Mine Workers; The United Automobile Workers, and the President of the AFL-CIO. These included biographical information on key union leaders, major union issues, and a short history of the unions.

- A briefing paper on U.S. labor concerns with Mexico for the President's proposed visit to Mexico was also prepared for the White House, and Division personnel briefed, during the last year, some 25 foreign visitors representing industry, union and government officials of Japan, Australia, Italy, Uruguay, Great Britian and Kenya.

In addition, the GAO Report entitled, Department of Labor Has Failed to Take the Lead in Promoting Private Sector Productivity, recommended the Department of Labor assess private sector needs to determine what Federal actions are necessary to improve productivity, develop a plan based on the assessment, and monitor the plan. To this end, Division representatives have been working with the United Mine Workers in developing a program to train mine committeemen to deal with grievances. The purpose of the program is to reduce wildcat strikes in the industry thereby increasing productivity. In the same Report, the GAO praised the Department of Labor's recent efforts to promote effective communication and grievance handling through experimental training programs. "GAO views these actions as promising first steps."

Professor Thomas Kochan, in his Final Report to the Secretary of Labor, dated January 1980, pointed out in his recommendations that ... "less than 7 percent of the budget of the Labor-Management Services Administration, the Department agency with chief labor relations responsibilities, and less than 1 percent of the total Department's budget are currently allocated to activities designed to improve labor-management relations."

In summary, this low-cost activity provides to the Secretary of Labor, the primary labor spokesman for the Administration, his only source of staff assistance for timely and accurate information on industrial and labor relations matters. Without this activity, the Secretary and Administration, would not have readily available, the necessary information and expertise to adequately respond to situations which require their attention.

COST OF PENSION PAPERWORK

The Labor Department indicated in response to questions in our February hearing that it does not have reliable figures on the cost to employers of preparing summary plan descriptions under the Employee Retirement Income Security Act.

Question: Since employers have complained of excessive costs of paperwork in the pension program, do you plan to find out what government reporting requirements really cost them?

Answer: The Department of Labor made an attempt to determine the cost of preparing the summary plan description and the other reporting and disclosure documents under ERISA in 1977. At that time we contracted with Price-Waterhouse to determine the administrative cost for small plans. Unfortunately, due to a poor return rate from the sample and the inability of many plans to state what their costs were, the data are somewhat unreliable.

At the current time, we do not intend to do another survey of costs. Such a study would be extremely expensive to perform (we estimate a potential cost of at least $500,000). Moreover, because of the time required to design the study and obtain OMB approval, together with the expected time that such a study would take to complete, it is possible that the results from such a study would not be timely. Instead what we have tried to do is use the information available from the Price-Waterhouse study along with cost information from private studies, such as the Business Roundtable's survey of costs. While this information is not as detailed or accurate as we would like, it allows us to begin to get an idea of cost.

VETERANS' REEMPLOYMENT RIGHTS PROGRAM

Question: Why couldn't the Veteran's Reemployment Rights Program for which you are requesting 55 Federal jobs be carried out by the staff of the State Employment Service Agencies?

Answer: We are reviewing at the present time the veterans programs of the Department to determine their appropriate location. No decisions have been made at this time.

LABOR-MANAGEMENT RESEARCH ACTIVITIES

It appears you have eliminated the $3.9 million increase requested in the Carter Budget for Labor-management Research Activities.

Question: What Labor-Management Research will still be conducted in Fiscal 1982 with your $710,000 request?

Answer: Research work plans are not yet complete for FY 1982. Consequently, we know in general what areas we would recommend to

the Assistant Secretary for contract research, but not the precise studies. First, we would direct some research funds to continue our interest in developing a systematic means of measuring the effectiveness of labor-management committees. In FY 1980 we contracted for such a study of area labor-management committees. In FY 1982, we would contract for a similar study of in-plant productivity committees since such committees are vital to our concern with lagging productivity in the United States. Second, we would continue to fund studies that would be useful to the development of administration policy on labor-management relations and labor laws such as the NLRA and the LMRDA. Third, we would continue to fund studies on collective bargaining and labor-management relations in the public sector, including provision of support to the Bureau of the Census in data collection for its annual publication on labor-management relations in state and local governments. Fourth, we would continue to provide support to meet the research needs of the construction coordinating committees which are administered by the Office of Construction Industry Services. There may be more than one study recommended in each of these areas, depending upon the size of the projects. The full research work plan is subject to approval of the Assistant Secretary for Labor-Management Relations and is also reviewed at the Department level. These reviews permit modification to meet policy needs of LMSA and the Department.

Question: Why couldn't this research be conducted by universities and other private firms without federal funding?

Answer: There is no doubt that research on labor-management relations could be carried out in universities in the absence of Federal funding, but it would be indeed a haphazard means for LMSA to meet its research needs. Our research interests are not necessarily the same as those of university researchers although there may be occasionally a serendipitous coincidence of mutual interest. Moreover, universities, as a practical matter, tend to turn their research interests to where the research money is, as they did when ETA and its predecessors made funds available for employment and training research. Such a turn would mean that there would be even less of a chance than there is now that someone in the universities would do research on the precise questions and issues which LMSA would like answered. In this respect, universities and private firms are alike. The private firm is a "for-profit" organization and will only study questions for agencies which supply funding support. To meet its research needs, therefore, LMSA must continue its contract research program.

INFLATIONARY IMPACT OF THE DAVIS-BACON AND SERVICE CONTRACT ACT

QUESTION: A Carter Administration study, released just last week, concluded that Labor Department wage-setting procedures under the Davis-Bacon and Service Contract Acts are inflationary. Do you agree that administrative changes can be made to save $1.9 billion, and drop inflation 0.3 percent, as recommended by this study?

ANSWER: There are quite a large number of estimates as to the inflationary impact of the Davis-Bacon Act including the study released by OMB recently, the 1979 GAO report on the Act, and various private sector pieces. The Department of Labor cannot agree or disagree with these estimates. We are in the process of developing our own estimates as to savings which will be realized. Our primary focus

is now being placed on administrative changes which are necessary and can be made. We believe this approach is most productive and will enable us to show positive results most immediately.

QUESTION: How much could the Federal staff of the Employment Standards Administration be reduced in connection with simplifying administration of the Davis-Bacon and Service Contract Act?

ANSWER: For the past several months, the Department has been reviewing these regulations thoroughly to determine ways to improve their administration, minimize costs to the Government, and protect workers within the intent of the statutes. We will increase productivity and efficiency in the administration of these Acts and will reduce staff wherever possible.

No final decisions have been made on these administrative changes as yet. When these decisions are made, we will look at the impact of the changes on staffing requirements. To the extent we find that present staffing is no longer justifiable, we will propose appropriate reductions.

QUESTION: How much could be cut from the $1.8 million budgeted for BLS data collection, if current procedures for obtaining detailed prevailing wage data are simplified?

ANSWER: The Bureau of Labor Statistics does not collect data for the Davis-Bacon Act. The collection of wage data and making of wage determinations for Davis-Bacon are handled by wage specialists with the Wage and Hour Division. We are currently exploring the cost-effectiveness of contracting with a private firm to collect the wage data for us. The Employment Standards Administration is working with BLS in an attempt to reduce the costs in collecting Service Contract Act wage data. This examination is not complete, but is expected to yield some savings.

QUESTION: Both the Congress and the current Administration are giving serious consideration to changing the prevailing wage provisions of both the Davis-Bacon and the Service Contract Acts. The current procedures for obtaining detailed prevailing wage data must be quite costly to collects at local levels. What should we consider in our deliberations to reduce the burden and costs imposed upon the Bureau of Labor Statistics by these and other pieces of legislation?

ANSWER: The collection of wage data and the making of wage determinations in the Davis-Bacon program are not handled by the Bureau of Labor Statistics. These procedures are handled by Wage Specialists working for Wage and Hour. We are presently exploring the cost-effectiveness of contracting out the wage data collection under Davis-Bacon.

The interrelationship between ESA and BLS is being studied and the findings will isolate areas where unnecessary burden and cost exist in the collection of wage data under the Service Contract Act. Where possible, adjustments will be made to reduce these costs.

FARM LABOR CONTRACTOR REGISTRATION

QUESTION: How could the Farm Labor Contractor Registration Act be made more effective in protecting the interests of migrant workers, and of the farmers and others who employ them?

ANSWER: We feel strongly that migrant agricultural workers need substantive labor protections similar to those currently provided by FLCRA. However, FLCRA currently contains ambiguous language that makes it difficult to distinguish between classic crewleaders and fixed situs operators including farmers. The Act is difficult to administer and the rights and responsibilities of various parties are not clear. Considerable litigation has resulted. Even so, the Department plans to continue seeking out crewleaders known to be the worst offenders, and in this way, use our resources where most needed.

At the same time we have initiated a review of our administration of FLCRA for the purpose of exploring changes that might be adopted to reduce the paperwork burden that faces employers under the Act. We have decided to apply the decision of the U. S. Court of Appeals for the Ninth Circuit in Marshall v. Green Goddess Avocado on a nationwide basis. That decision held that corporations can act personally under FLCRA and thus qualify for exemption under Section 3(b)(2) provided they meet the tests.

QUESTION: Do you intend to review the extent to which regulation of farmers, processors, and other agriculture employers is required under the FLCRA?

ANSWER: FLCRA regulations are under review to determine if some provisions are unnecessary and could be removed. We are considering an abbreviated certificate renewal process for those persons who obtained a certificate in the previous year, and are looking at other ways of reducing paper work burdens on employers.

The act, as amended in 1974, has many ambiguous sections which are susceptible to different interpretations. As a result there has been considerable litigation since these amendments. One of the more significant cases decided by the Ninth Circuit Court of Appeals in the past year held that corporate agricultural employers can qualify for exemption under the act on the same basis as noncorporate employers. We are applying this decision throughout the country. With regard to other sections of the act, we are considering what legislative changes might be made in order to make clear the rights and responsibilities of the various parties covered by the act and which unnecessary regulatory burdens might be removed while still maintaining essential safeguards for those intended to be protected.

QUESTION: Do you believe it's right to consider farmers as crewleaders or labor contractors?

ANSWER We believe a major problem with the current law is that it makes no distinction between classic crewleaders and fixed situs operatiors. Standards are needed that relate clearly to each, and make clear the responsibility of classic crewleaders and fixed situs operators, including farmers.

WAGE AND HOUR EXEMPTIONS

QUESTION: In February testimony submitted to this Committee, the Labor Department agreed that employers might realize benefits from reduced recordkeeping if the complex array of wage and overtime exemptions under the Fair Labor Standards Act were simplified. As a practical matter, might it not be cost effective to eliminate many, if not all, of the exemptions?

ANSWER: The 1977 amendments to the FLSA established a Minimum Wage Study Commission to review the economic ramification of the Act and make legislative recommendations to the Congress. We have not yet had an opportunity to review the Commission's report on the FLSA exemptions. Before making our recommendations on the repeal or retention of exemptions we will review their report and discuss their findings with all interest parties.

QUESTION: Don't you think it would be worthwhile to find out how much Federal staff time would be saved by simplifying wage and overtime exemptions, not to mention savings of employer's time and money?

ANSWER: Yes. When we have reviewed the Minimum Wage Study Commission findings and are prepared to make our recommendations on the FLSA exemptions we will prepare an estimate of savings which could result from simplification or elimination of exemptions.

COPELAND PAYROLL REPORTING REQUIREMENTS

QUESTION: The Department of Labor reportedly never uses the weekly payroll reports required to be filed under the Copeland Anti-Kickback Act. These reports are supposed to prevent contractors from demanding kickbacks from employees. Shouldn't this waste of manpower and paper be eliminated?

ANSWER: The weekly payroll reports required to be filed under the Copeland Anti-Kickback Act are received by the contracting agency. They are used to verify conformance to the contract and to identify contractors for investigation by agency compliance officers. We are actively reviewing a number of possible ways to reduce the paperwork burden on employers while still complying with the requirements of the Act.

QUESTION: Why not only ask for quarterly reports, which you may then have time to review?

ANSWER: The Department of Labor is carefully reviewing the regulations which require submission of weekly payrolls. The final decision of the Department will be made with a view towards the maximum reductions of paperwork burden.

UNDOCUMENTED WORKERS

QUESTION: What policies can you suggest to significantly reduce the hiring of undocumented workers--illegal aliens employed in the United States?

ANSWER: As you know, the Select Commission on Immigration and Refugees Policy recently submitted its report and recommendations to the Congress. The report addresses a wide range of issues

which are particularly pertinent to the nation's immigration policy. President Reagan has established an Interagency Task Force on Immigration and Refugee Policy to review the report of the Select Commission and report back to the President in May 1981. This Department is participating in that effort. I am sure that the Administration will consult with appropriate members and committees of the Congress as part of its review of immigration policy.

QUESTION: Do you intend to eliminate the Undocumented Workers Program under the Fair Labor Standards Act which the General Accounting Office has reported to be ineffective?

ANSWER: In FY 82, there will be no dedicated resources for the Undocumented Workers program. We will continue, however, to schedule investigations of employers in industries and particular geographic areas where concentrations of violations persist and workers, both domestic and foreign, continue to be exploited. We intend to maintain a high visibility labor standards enforcement program in these areas and will utilize the strike force techniques which were developed under the undocumented workers program for this purpose. These strike forces have now become an integral part of our basic FLSA enforcement program.

A vigorous FLSA enforcement program is not only of critical importance to all workers at the low end of the wage scale but is equally as important to all law abiding employers at a competitive disadvantage with those employers who would attempt to undercut them through evasion of Federal Labor standards laws.

We will, of cource continue to coordinate with INS and will respond to referrals from that agency involving possible violations of laws administered by this Department.

FEDERAL CONTRACT COMPLIANCE

Question: You are reportedly considering replacing the current requirement for specific plans from individual federal contractors with broad performance standards. To what extent will you be able to reduce direct enforcement staff in the Office of Federal Contract Compliance?

Answer: The Department will make a major reassessment of our needs as part of our re-evaluation and promulgation of OFCCP regulations. Although broader performance standards, per se, do not necessarily decrease the need for enforcement staff, our commitment is effective operation of our program with a lean staff. The new regulations and procedures will be taken into account when we develop the FY 1983 budget.

Question: Would it make sense to exempt firms with less than 25 employees from federal contract compliance reporting requirements?

Answer: OFCCP is exploring ways to modify reporting requirements for small firms. Our analysis of appropriate thresholds, or employment levels, is now under active review.

Question: What will be the Department's recommendations concerning the December 1980 regulations published by OFCCP?

Answer: The final rulemaking made numerous revisions in OFCCP regulations dealing with EEO obligations of federal contractors. The

regulations were published in December 1980 and their effective date was to be January 29, 1981. However, before becoming effective, the regulations were postponed. The effective date has now been deferred until June 29, 1981.

The Department of Labor is conducting an internal review to evaluate further revisions which might be made to minimize the burden on contractors, particularly smaller ones. My intent is to make OFCCP more manageable and reasonable in its enforcement efforts. In this regard, interested parties are being consulted.

Question: Are any changes planned for refocusing the activities of this agency? What are the proposed changes and their subsequent effect?

Answer: We are intensively reviewing the programmatic focus of OFCCP to determine whether there are more effective ways to carry out its mission without confrontational methods. We are emphasizing the bottom line of creating greater equality in job opportunities.

Question: Will OFCCP be placed directly under the Secretary of Labor?

Answer: There are no current plans to place OFCCP directly under the Secretary of Labor.

Question: What, if any, organizational changes do you plan to make for the Office of Federal Contract Compliance Programs?

Answer: The Department of Labor is currently reviewing the fundamental OFCCP regulations. Possible modifications will be discussed with all major interest groups before they are published. The new OFCCP Director will review the entire program and recommend any changes he or she considers necessary.

Question: The Office of Federal Contract Compliance has been criticized for setting unrealistic hiring goals for women and minorities, without taking into account that certain industries, such as construction trades, may have a shortage of qualified applicants.

What are you doing to see that federal employment and training programs provide sufficient numbers of qualified minority and female applicants, instead of simply imposing unrealistic hiring goals?

Answer: Because evaluation of a contractor's compliance is made on the basis of good faith efforts and the pool of workers actually available to it, no contractor is penalized for conditions beyond its control. OFCCP recognized that local circumstances may require local modification of goals which are otherwise reasonable and appropriate.

As a means to further local contractor availability of minority and female applicants, ESA has a linkage project with the Employment and Training Administration and hundreds of federal contractors designed to train people for work needed by contractors. While these types of linkage programs will be of great importance over the long term, we don't believe that federal employment training activity can be the only source from which a contractor should recruit prospective employees.

TAXING WORKERS' COMPENSATION

Question: Do you support Taxing Workers' Compensation Benefits, which would save an estimated $18 million per year?

Answer: The Administration supports the taxation of Federal Employees' Compensation benefits. We have recommended that the benefit rate be increased from 75 percent to 80 percent, subject to Federal taxation. This will result in lower wage replacement rates than provided for under current law, and net savings for the Federal Government.

The estimated saving of $18 million per year was a preliminary figure developed several months ago. Assuming an effective date of July 1, 1982, our current estimates show the following net savings for the Federal Government.

Fiscal Year	Savings (in millions)
1982	$ 6.8
1983	16.5
1984	19.0
1985	20.5
1986	21.9

FECA HEARING LOSS UNIT

Question: The Labor Department sent a letter to Chairman Schmitt on March 27, 1981, indicating plans to phase out its Federal Employees Compensation program Hearing Loss Unit. How much money will be saved from this action, in each of Fiscal Years 1981 and 1982? Is this reflected in your Budget documents submitted March 10, 1981?

Answer: There will be no savings in the FECA program after the Hearing Loss Unit is phased out in September, 1981, because the four (4) permanent positions are on loan from the Branch of Special Claims and will be returned to that Unit upon elimination of the Hearing Loss Unit. The three (3) term positions will be eliminated in September, 1981, due to the expiration of budget authority for term positions. The four (4) temporary positions will be eliminated due to unavailable funds to hire temporary employees in FY 1982.

HEARING LOSS CASE WORKLOAD

Question: What remaining workload will have to be picked up by the regular district offices in Fiscal 1982, at what cost?

Answer: FECA district offices have, since January 1979, been responsible for adjudicating all new occupational hearing loss claims. An additional 1,350 hearing loss cases were transferred from the Hearing Loss Unit to the field for final adjudication. These cases have been developed to the extent that the work remaining for the district offices on most cases is minimal. Most cases will be adjudicated by the end of FY 1981, with only a small carry-over into FY 1982 and, as

a result, only a slight impact on district office operations is expected in FY 1982.

For FY 1981, the impact will fall primarily on six of the program's sixteen district offices. For the remainder of FY 1981, these six FECA district offices will be asked to adjudicate approximately 80 percent of the cases returned to the field.

There will be no additional costs associated with returning these cases back to the field. The additional workload will be absorbed into each district office's existing workload responsibilities with a minimum amount of disruption, particularly in FY 1982.

BLACK LUNG SUPPLEMENTAL

Question: You are requesting an additional $4 million in a fiscal 1981 supplemental for administration of the Black Lung Benefits Act. Of this amount, $2.5 million is to augment automated data processing funding. Why weren't these extra ADP costs anticipated in the original fiscal 1981 budget request?

Answer: When the original FY 1981 budget request was prepared in the summer of 1979, we anticipated that incoming workloads, then at high levels, would drop off relatively quickly in FY 1980 and FY 1981. Consequently, the projected numbers of beneficiaries and volume of payment activity were much smaller than has turned out to be the case. For example, our original FY 1981 request projected that 29,000 claims would be received in FY 1980, while the actual figure was 62,800. A major share of this increase came in claims for medical benefits which rose from a projected 9,300 to 24,146, largely due to considerable publicity and two extensions of the time limit for filing. In 1980, while we received more claims than anticipated, the Department of Labor also processed more claims than anticipated. Our ability to adjudicate claims continues to outstrip our ability to place approved claims into payment status.

As a result, much of our effort in late FY 1980 and in FY 1981 has been directed toward the payment system. At the end of the FY 1980, the number of Black Lung beneficiaries was actually lower than the estimate in our original FY 1981 budget request. By the end of the first quarter of FY 1981, we had eclipsed not only the original 1980 projection but the December 1979 estimate for 1981 as well. We now project there will be 196,400 beneficiaries at the end of FY 1981.

Once it became apparent that our FY 1981 request would not sustain the level of activity needed in the payments area, we began, in the spring of 1980, the necessary work to request supplemental funding.

As noted above, the pace of claims adjudication in 1980 greatly overburdened our payments system. Since that time, primarily through the use of large-scale contractor support, we have spared no effort to place eligible claimants in benefit status with a minimum of delay. Consequently, we have operated at a rate of obligation exceeding that which would sustain program operations throught the current fiscal year. At the same time, however, we have requested supplemental funding to sustain necessary payments activity until the end of the year.

Question: What would be the impact if you had to absorb these extra costs within the existing $797 million Black Lung appropriation?

Answer: The current Black Lung appropriation request of $797,261,000 includes the program supplemental request of $4,000,000. The request provides $647,992,000 to pay Black Lung benefit costs, $113,000,000 to pay interest on advances, and $32,269,000 (exclusive of the supplemental) to fund all administrative costs of the program.

The Department of Labor is not permitted to reprogram benefit funds to meet excess administrative costs without Congressional approval. Of the $32,269,000 in the budget for administrative expenses, $20,970,000 is available to ESA for administration of its part of the program. Of the remainder, $10,543,000 is for the Department of Labor's Solicitor's Office, Office of Administrative Law Judges, and Benefits Review Board to perform their functions in adjudicating Black Lung claims. The remaining $756,000 covers Trust Fund administrative expenses of the Treasury. Thus, in the absence of Congressional action, we are faced with the absorption of $4,000,000 in costs within the $20,970,000 currently available to ESA for Black Lung activities.

Without the supplemental funding, the Black Lung program will expend all presently available funding by August 1. Only through the institution of the most severe restrictions on the obligation of funds by June 1 could a minimal level of program activity be extended until the end of the fiscal year. For all practical purposes, these restrictions, including the loss of all contractor support for the payment system, would mean a halt to significant program activity.

AVOIDING DUPLICATION BETWEEN FEDERAL AND STATE OSHA

Question: Do you support the idea of deactivating Federal OSHA offices in States which have their own well-managed, effective OSHA programs?

Answer: The continuance of two parallel enforcement programs, Federal and State-operated, is not a justifiable use of our limited Federal resources. OSHA is currently working on plans to eliminate as much of this dual activity as possible. At present, I contemplate maintaining area offices in plan States both for monitoring State plans and for enforcement in areas not covered by a State's program, e.g., maritime and Federal employees. In addition, however, one of my top priorities will be the development of an objective system for monitoring State plans which is dependent more on statistical analysis than on a Federal presence.

Question: How much would be saved by eliminating concurrent OSHA jurisdiction?

Answer: OSHA is actively exercising concurrent enforcement jurisdiction in the following five States: Virginia, Indiana, Iowa, New Mexico, and the Commonwealth of Puerto Rico. The agency has developed plans to terminate this duplicative activity effective September 30, 1981, at an estimated annual saving of $1,700,000. This saving is reflected in the revised 1982 budget request.

STATE FLEXIBILITY UNDER OSHA

Question: To what extent do you recommend giving States operating their own OSHA programs the flexibility to decide the proper balance between levels of compliance and consultation activity?

Answer: I believe that an effective program must include an equitable mix of compliance and consultation. OSHA will put more emphasis on programs to encourage voluntary compliance than it has in the past. However, while I would encourage State innovation in this area, I also believe that the mix of enforcement and voluntary compliance activity should be relatively uniform across the nation in order to assure that all employers and employees have similar rights and responsibilities. I hope to work closely with the States and other interested groups in reaching a decision on appropriate levels of program emphasis.

STATE PLAN INDEPENDENCE AND BENCHMARKS

Question: No State has yet gained total independence from the Federal OSHA agency. One reason appears to be that the benchmarks for quantity and quality of state personnel, established in accordance with the Circuit Court ruling, for example require many more industrial hygienists than States can find and afford to hire. Is it the Circuit Court ruling or is it OSHA that is responsible for the specificity of the benchmarks?

Answer: The U.S. Circuit Court for the District of Columbia in its decision in AFL-CIO v. Marshall ruled that plan States must have the personnel and funding necessary for a "fully effective" enforcement program. The U.S. District Court for the District of Columbia in its implementing order required OSHA to develop numerical staffing requirements. Numbers defining such a non-specific term as "fully effective" must ultimately include an element of subjectivity. OSHA's April 25, 1980 report to the Court recognized this and contained specific provisions for adjusting the benchmark numbers. Thus, while OSHA was responsible for the original numbers, the agency may also reevaluate them and propose alternative numbers within the framework of the Court's requirements. The agency is currently assessing all of these alternatives for adjustments in the benchmarks.

Question: What is your administration doing to facilitate States gaining their independence from Federal OSHA?

Answer: The Court order provides that final approval of the State OSHA program under section 18(e) of the Act cannot be granted and concurrent Federal jurisdiction relinquished until 100 percent of the benchmark is reached. Many States meet the current benchmark numbers for safety inspectors, but only a few the current health inspector benchmarks. The possibility of granting an 18(e) determination will be in part dependent on the outcome of the benchmark adjustment process. I am hopeful that we will be able to grant some final approvals early in my administration.

OSHA STATE ENFORCEMENT EFFORTS

Question: What are your current expectations about there ever being States with OSHA programs which are fully independent of the Federal enforcement program?

Answer: If "fully independent" means relinquishing Federal enforcement authority, I am very hopeful that this will happen within the forseeable future--dependent, of course, on the resolution of the problems with State benchmarks for enforcement staff. However, OSHA does retain a responsibility to continue evaluating State plans even after the 18(e) determination, and to take action to reinstitute Federal authority should a State be unable to fulfill its responsibility.

Question: Are States which administer their own OSHA programs better staffed than States under Federal OSHA administration?

Answer: In FY 1980, plan States employed enforcement staff averaging 42 percent of their established benchmarks. Federal OSHA employed only 26 percent of the comparable benchmark numbers. Both State and Federal OSHA met approximately 19 percent of the benchmarks for industrial hygienists, but plan States employed proportionately more safety inspectors, i.e., plan States averaged 74 percent of their State benchmarks for safety inspectors compared to Federal OSHA's 39 percent of the comparable benchmark levels for non-plan States.

MORE EFFECTIVE CONSULTATION

Question: How are you making consultation more effective so that businessmen can head off health and safety problems without being cited?

Answer: Meetings are being held with State project managers to obtain their suggestions for improving the consultation program in several important areas, including training, project monitoring, and resource utilization. Consultant qualifications are continually being upgraded through Federally-sponsored training in the most recent hazard recognition and control techniques. Consultant project managers are encouraged to increase the amount of time consultants spend assisting employers in correcting hazards identified during their initial visits; this assistance may involve one or more additional workplace visits. A thorough safety and health consultation report must be supplied to the employer after the initial visit so as to assure effective correction of hazards.

REVIEW OF COTTON DUST STANDARD

Question: OSHA has announced its plans to review the cotton dust standard, which has been criticized as unnecessarily costly in relation to its benefits. How long do you expect this review to take?

Answer: OSHA decided to review the cotton dust standard for two reasons: to analyze costs and benefits to determine the regulatory alternatives that offer the greatest net benefit; and to explore the usefulness of cost-benefit analyses in setting occupational health regulations generally. The length of time required to complete this analysis will depend in part on the responsiveness of industry and labor organizations in supplying necessary data.

Question: To what extent do you expect to be able to reduce burdensome costs to the cotton industry, without exposing workers to undue harm?

Answer: During the past year, employers have been required to institute most of the rule's protective measures, including mandatory use of respirators to control exposure. The provision that cotton dust be controlled solely by engineering and work practice methods is not scheduled to go into effect until 1984. This allows time to investigate the practicality of weighing the standard's costs and benefits, which were not considered during the original rulemaking, and if warranted, to make changes in the standard. The current standard remains in effect, and will remain in effect during the entire review period.

We are reopening the record to get data on the extent to which cost-benefit analyses can be used in setting occupational health standards, as well as the information necessary to conduct comprehensive analyses of the cotton dust standard and any regulatory alternatives. We do not yet know whether the standard's costs can be reduced without exposing workers to excessive risk. This is the purpose of the analysis.

Question: What was the cost of the booklets on the cotton dust standard which the press reported you ordered destroyed? Explain exactly why you had the booklets destroyed at this time?

Answer: The printing cost of the three cotton dust publications which were removed from distribution was approximately $16,000. I withdrew these publications because of the use of photos to make a dramatic statement that clearly established a biased viewpoint on the cotton dust issue. It is my belief that proper government public information products should be as neutral in tone, content and approach as is consistent with the subject matter. The "Worker Health Alert" booklet on cotton dust has already been reprinted minus the photos, but with no change in technical content, at a cost of $1,200 for 15,000 copies.

ACCIDENT CAUSES AND PREVENTION

Question: Of primary importance in preventing accidents is knowing what causes them. Yet after ten years of existence, OSHA has never published on an industry-by-industry basis a listing of the major causes of accidents, and the standards which should be enforced to prevent those accidents. Given the current Administration's focus on "biggest bang for the buck," how will you make sure that OSHA is making inroads into determining specific causes of accidents on an industry-by-industry basis?

Answer: Over the years OSHA has collected data on the most frequently cited standards and the impact of inspections on injury rates, but neither of these activities has provided clear-cut direction for OSHA's efforts. The agency has worked in the past with insurance companies and professional safety organizations in trying to isolate causal data, and I intend to expand these relationships during my tenure. However, the complexities of cause and effect relationships in accidents have precluded the development of simple lists of accident causes and the standards which could prevent them. Therefore, our approach to developing better causal data will be to try to improve the methodology of accident investigations. We are currently requesting assistance from various sources

in developing this accident investigation methodology. I will also ask the National Advisory Committee on Occupational Safety and Health to give top priority to this subject. There is in the Committee a wealth of talent and expertise on accident prevention that has for too long been ignored.

PROGRAMMING OSHA INSPECTIONS TO REDUCE INJURIES AND FATALITIES

Question: Studies show that reduced accident rates tend to follow after a plant has been inspected by OSHA. The Bureau of Labor Statistics estimates that roughly 70-75 percent of all fatalities occur in 10 percent of all businesses--namely those with 26 or more workers. Yet OSHA concentrates nearly 50 percent of its inspections on businesses with 25 or fewer workers. What are you doing to develop a more common sense inspection program, concentrating virtually all OSHA inspection efforts on those firms with both a large number of exposed employees and a high accident rate?

Answer: Data on inspected establishments by employment size can give erroneous indications of the level of OSHA activity affecting small businesses. In the past, OSHA has recorded the number of workers at the inspected site rather than the total number of persons employed by the company. For example, if OSHA inspected a warehouse facility employing ten workers, but operated by the U.S. Steel Corporation, the agency recorded this as an inspection of a firm with ten or fewer employees. Inspections of construction sites also tended to overstate the number of small firms inspected. Because each subcontractor is an independent employer, each is counted as a separate inspection. Employment-size was determined by the number of employees assigned to the subcontractor's work crew at the particular job site. We are now categorizing inspections according to the number of employees "controlled by" the employer. Using this classification, we expect a much lower proportion of inspections to be categorized in the future as "small business" inspections.

A number of changes have been made in the procedures for selecting firms for general schedule inspections. Firms are not reinspected which have been inspected during the previous year, except to follow-up on abatement problems, and those with good safety records are not reinspected for at least two years. All firms with 5 or fewer employees have been removed from the targeting lists.

OSHA is also conducting a number of demonstration projects in field locations to test a variety of concepts for improving the targeting and selection of establishments for general schedule inspections. One approach currently being tried on a limited basis is to check the required records of injuries and illnesses upon entering an establishment. If the record is good, the inspector does not make an inspection. Other demonstration projects are being conducted which make use of workers'compensation data to target firms with the worst injury records.

MAXIMIZING OSHA'S ACCIDENT-REDUCTION POTENTIAL

Question: Studies show that the accident rate of a particular firm tends to drop after an inspection. To maximize OSHA's accident reduction potential are you considering concentrating on enforcing standards which have the greatest potential impact on reducing injuries in a given industry? If OSHA did this and conducted a cursory inspection of the rest of the plant, couldn't it greatly increase the number of plants inspected in a given hazardous industry?

Answer: OSHA is already conducting "limited scope inspections" in investigations of employee complaints in low hazard industries. We are conducting studies at the regional level to determine the feasibility of extending the use of these limited scope inspections, to increase the number of establishments which can be inspected at a given resource level.

SHIFTING MINE SAFETY FOCUS

Question: What recommendations do you have for how mine safety legislation could be changed to shift the focus of efforts to protect miners' safety and health toward greater cooperation between mine operators, workers, and the Government?

Answer: In carrying out MSHA's enforcement responsibilities, there must be more effective efforts to assure that enforcement resources are devoted primarily to areas of demonstrable need. The agency must have the flexibility to direct its enforcement capability toward those operations which pose significant threats to health and safety and away from areas which have been shown to present few risks. For example, a relatively small percentage of all mining operations generally accounts for a high percentage of all mining injuries. It would appear that a greater degree of flexibility in utilizing existing enforcement resources could yield tangible health and safety benefits and could provide additional incentives for mine operators to improve safety and health conditions. In addition, it allows for other enforcement alternatives such as Compliance Assistance Visits (CAV) through which mine operators may request an inspection under certain conditions without incurring monetary penalties for any violations observed during the CAV. Programs such as the CAV reduce the role of Government while providing incentives for mine operators to improve safety and health conditions.

The statutory requirement for the imposition of mandatory civil penalties for all violations cited is a critical component of the enforcement scheme of the Mine Act. There has been considerable criticism of this inflexible approach. It has, in fact, been indicated that this provision of the statute is one of the root concerns that gave impetus to legislation that would exempt sand and gravel and certain other non-metallic mining operations from MSHA's jurisdiction.

The congressional assumption in adopting this provision was that mandatory fines would be an effective deterrent to future violations. However, automatic mandatory penalties may, in many cases, generate friction and frustrations among those mine operators who have worked earnestly and have dedicated themselves conscientiously to improving miner safety and health. MSHA believes that considerations such as these should lead to a reexamination of the civil penalty system in order to determine whether the current statutory approach, which does not fully take into account an operator's actual safety and health record, should give way to a system which would recognize such efforts and provide more effective incentives to reduce injuries and illnesses.

Consultative approaches to health and safety problems, such as the Mine Safety Analysis program in effect in the Commonwealth of Kentucky should be carefully examined for possible application on a nationwide basis. In addition, we must explore the possibility of further expanding the cooperative efforts between MSHA and the States in order to make optimum use of the resources which both have to offer in the mine safety and health arena.

The Mine Act was carefully constructed to provide a balance between education and training, enforcement and technical assistance. MSHA has made conscious efforts to maintain this balanced approach. Further, MSHA, in implementing its programs and policies, has involved

all sectors of the mining community--labor, management, and Govern--ment--to ensure an effective balance is maintained which will result in improved safety and health conditions at all the Nation's mines.

SAND AND GRAVEL

Question: How much money would have to be transferred from Mine Safety to OSHA, to go along with the transfer in functions?

Answer: At present, MSHA is unable to fully carry out its enforcement responsibilities under the 1977 Act. As a result, only about $2.6 million could be transferred in fiscal year 1982 to OSHA if the function were transferred. The rest would be retained by MSHA to provide in full for the exercise of the remainder of its mission.

FUNDING LEVEL MANDATED BY LAW FOR MINING INSPECTIONS

Question: What is the minimum amount that must be appropriated in fiscal year 1982 to comply with frequency of inspection requirements of the Mine Safety and Health Act, for each of: coal enforcement and metal/nonmetal activities? Provide a table for the record indicating how this amount is computed and how it compares to your budget request.

Answer: The amounts calculated below were determined using work unit measurement standards developed for the mandatory requirements that must be accomplished. These time units were then converted into staff years with standard allowances for supervisory and clerical support. Dollar conversions are based on the average FY 1982 budget costs.

	1982 Minimum Amount Needed	1982 Revised Budget	Differences Funds	Differences Staff
Coal	$69,068,000	$63,229,000	$+5,839,000	150
Metal/ Nonmetal	40,107,000	32,824,000	+7,283,000	178

MSHA PROGRAM ADMINISTRATION

Question: In what new directions is the Administration planning to lead MSHA in 1982? Please give a synopsis of your most important new programs for the coming year.

Answer: The Administration will propose changes in the direction enforcement and other efforts under the Mine Act should take in order to improve the overall effectiveness of the Federal mine safety and health program. Under the Administration's guidance, MSHA will look for new and creative ways to improve health and safety in the mines while reducing its regulatory role.

In executing its enforcement responsibilities, MSHA will direct more of its efforts toward the most hazardous operations and less toward those which have few hazards.

A concerted attempt will be made to encourage further cooperative endeavors among industry, labor and MSHA, and to find new methods to assist the industry in its efforts to foster health and safety in the mines. Enforcement alone is clearly not the key to improved

health and safety. Ways must be found to provide the agency's valuable assistance to industry without the constant threat of enforcement action. Programs like the recently initiated Compliance Assistance Visits will be continued and expanded.

The imposition of mandatory civil penalties for every violation of the Act, standards and regulations will be reexamined to determine whether this approach should be replaced by a system which considers an operator's actual safety and health record. It is believed that recognition of the operator's record would provide more effective incentives to reduce injuries and illnesses.

The mandatory health and safety training provisions of the 1977 Act will also be examined for more flexible approaches. Consideration will be given to placing more emphasis on MSHA's own education and training program as a part of an overall effort to improve safety and health through increased cooperation with industry and labor.

Under the new Administration, MSHA will place special emphasis on the revision of existing standards and regulations in an effort to reduce regulatory burdens, improve the cost effectiveness of its rules and generally simplify and clarify current regulatory requirements. An increased emphasis will be placed on the development of performance rather than design specification standards in order to permit the maximum degree of flexibility for compliance purposes.

In general, MSHA will direct its attention toward maintaining and improving the safety and health of miners without disrupting production of the Nation's mineral resources. In 1982 MSHA's primary concern will continue to be the protection of the health and safety of the Nation's miners. Existing programs will be continued, but with a change in emphasis. Generally a consultative approach will be emphasized in coordination with the traditional regulatory role now employed by MSHA.

MSHA National Mine Health and Safety Academy

Question: What new programs are being implemented at the National Mine Health and Safety Academy to better train mine inspectors in the detection of mine hazards and to improve relations between mine inspectors and mine operators?

Answer: The following programs being implemented and/or refined in fiscal year 1981 and continuing into fiscal year 1982 will have an impact on these goals:

1. A 2-week Program in Accident Reduction (PAR) prepares the MSHA inspector for the role of a safety professional, who works closely with mine personnel to pinpoint unsafe practices and conditions, to develop better communication of safety policies, and to find and eliminate any weaknesses in interpersonal relationships that could contribute to accidents. The success of the PAR program--with its emphasis on good safety programs with job safety analysis, accident prevention training and safety awareness on the part of both management and labor--has been proven.

2. A 3-day Interpersonal Communications and Human Relations course designed to improve relations between mine inspectors and mine operators is currently being taught by the Academy.

3. Instructor training programs to improve the quality of mine health and safety training in the mining industry have been given to industry training personnel.

4. All Academy courses and safety seminars are open to mining industry personnel and the industry sends many students to these courses. In addition special programs, seminars, and short courses specifically tailored to the needs of mining industry have been provided.

5. The instructional materials, safety manuals, and programmed instruction books which are prepared by the Academy personnel are widely used by the industry and contribute to better relations between mine inspectors and mine operators.

REORGANIZING MINE SAFETY ADMINISTRATION

Question: The Mine Safety and Health Administration has a Coal Administration and a Metal and Nonmetal Administration which perform similar functions.

* What is the basis for having separate administrations for coal mines and for metal and nonmetal mines?

* How much would be saved by merging these administrations?

* What disadvantages would result from merging the two administrations?

Answer: The basic reason for having separate coal and metal/nonmetal enforcement organizations is the differences in the mining environments and, therefore, in the hazards in the divergent mine types.

The coal industry is geographically relatively compact and methodologically relatively uniform while metal and nonmetal mines are widely dispersed geographically and highly diverse in mining methodology. Different standards and regulations apply to the two industries. Moreover, the segments of the public served by the Coal Enforcement Program and the Metal and Nonmetal Enforcement Program (both industry and labor) consider themselves to be distinct.

Both the Coal Administration and the Metal and Nonmetal Administration are structured with lean internal technical administrative, and upper management staffs (for example, only 4 percent of both metal/nonmetal and coal personnel are assigned to national headquarters). Even under these circumstances, the coal and metal/nonmetal inspection force is still not large enough to perform 100 percent of the inspections mandated by the Act. The major administrative functions both for coal and for metal/nonmetal are now carried out either by the Office of Administration and Management, which is centralized as an MSHA function, or by the Department. The technical function for both agencies is also centralized in the Office of Technical Support of MSHA. A merger of the coal and metal/nonmetal internal technical staffs (national and district) might result in minimal savings; however, the distinct expertise required by the differing hazards in coal and in metal and nonmetal severely limits these savings. If top management were merged, the administrator would find the function of managing very diverse inspection activities creating added managerial difficulties, with a probable resulting loss of effectiveness. Such a step would almost certainly require the establishment of a new intermediate management level, at least at the level where MSHA comes in direct contact with separate coal and non-coal industries, that could well result in additional cost instead of savings. It would appear that a merger of the two administrations, without changes in

their responsibilities and functions, would be unlikely to achieve any significant short-term savings. Long-term savings might result from merging the inspection of surface mines and facilities, if generally identical standards were developed in the future for these mines and facilities.

Geographically, it would be extremely difficult to merge. Coal operators are concentrated in limited areas while metal/nonmetal operations are located throughout the Nation. A problem could develop with one type of mining dominating a particular district (region) to the detriment of the other.

Presently, there exists clear cut divisions in MSHA with which mine operators, representatives of miners, manufacturers, etc., are able to identify. To mix these operations would only serve to confuse the public and make access to MSHA more difficult, while at the same time provide no significant advantages.

A major disadvantage would be the perception, if not actuality, that metal/nonmetal mine industry was being subjected to coal mine safety and health standards.

It is not likely that either the mine operators or the miners in a metal/nonmetal mine would accept the expertise or capability of an inspector with only coal mine experience (and vice versa).

Inspections, investigations and policy regulation writing require personnel qualified and experienced in the particular area. By merging, personnel cross-overs could result. This would place unqualified people in problem situations that they would not be able to solve.

Section 505 of Public Law 91-173 recognized this problem when it stated "That, ...in assigning mine inspectors to the inspection and investigation of individual mines, due consideration shall be given to the extent possible to their previous experience in the particular type of mining operation where such inspections are to be made."

Problems encountered concerning either coal or metal/nonmetal are in most cases unique to that particular industry. All-encompassing solutions to these problems would most likely result in compromises regarding the safety and health of the miners. Policies and procedures governing enforcement in the two industries cannot be generally standardized. They must take into consideration distinct characteristics of each.

MINE SAFETY ACADEMY

Question: If direct MSHA enforcement efforts are to be deemphasized in favor of other means of ensuring mine safety, why shouldn't the Mine Health and Safety Academy budget be reduced?

Answer: Since the Academy's main function is training and training would not be reduced if MSHA enforcement efforts are deemphasized, the Academy budget should not be reduced.

Only one course, Inspections and Investigations, directly trains inspectors in enforcement techniques. The remaining 95-course curriculum is comprised of courses which train and educate MSHA inspectors and other personnel, Federal and State employees, and mining industry personnel in the areas necessary to recognize, pre-

vent, and eliminate health and safety hazards in the mining industries. Some of the areas covered include:

Mine rescue and first aid, emergency procedures in the mine, cardiopulmonary resuscitation, and anatomy and physiology.

Professional development in human relations, interpersonal communications, and English for report writing.

Concepts, functions, and operations of the technical aspects of mining; mine ventilation, and basic skills of mathematics for scientific calculation and measurement.

Accident prevention and investigation, industrial hygiene, safety management, stress and its impact on safety and health, and alcoholism as an industrial safety and health problem.

LABOR MARKET SURVEYS

Question: How much does the Bureau of Labor Statistics spend for monthly employment and labor market surveys?

Answer: The Bureau of Labor Statistics spent about $38 million on labor force statistics in 1980, which include:

- the national employment and unemployment data and other labor force data derived from the Current Population Survey.
- local area unemployment statistics used primarily for determining eligibility for, and amount of, funds for various Federal allocation programs.
- employment, hours and earnings data for 3,400 industries.
- labor turnover statistics for manufacturing, mining and communications industries.
- quarterly employment and wage data of workers covered by State unemployment insurance programs.
- occupational employment statistics for all non-agricultural industries.

VALUE OF DATA

Question: Are there not instances where the gathering and reporting of certain data may not be worth the expenditures?

Answer: The bulk of the BLS budget is for statistical data that serve one or more of two purposes:

(1) Major economic indicators, like the monthly Consumer and Producer Price Indexes, the household and establishment

employment, labor force and unemployment series (also monthly), quarterly and annual national and industry-sector productivity series, and measures of changes in wages, total compensation and collective bargaining settlements; or,

(2) Data used for Federal fund distribution or other Federal administrative purposes, like the Local Area Unemployment Statistics Program (data used for allocating funds for a variety of Federal programs), the Professional, Administrative, Technical, and Clerical pay surveys (used for determining Federal pay), and certain other smaller surveys.

Some surveys in the major economic indicator category (principally, Consumer Price Index, Producer Price Index, and wage and earnings series) are also widely used--both in and out of government--for a variety of escalation purposes.

Within this framework, however, the value of the data will vary. With the present need to hold down the level of government expenditures, the task is to identify correctly those series whose value to users is lowest in relation to their cost, measured both as a Federal expenditure and as a burden on respondents. The BLS has tried to identify, and will continue to do so, those series, that--if additional budget cuts occur--would have to be terminated.

This task is not easy, since, when any BLS series is discontinued, user groups complain vigorously that the data were valuable. For example, when several pay series were dropped in FY 1980, comments came from the BLS Business and Labor Research Advisory Committees, the Carter Administration's Pay Board and the House Education and Labor Committee, all indicating that the data were extremely valuable. Although their positions have merit, one cannot always meet all user demand for data; decisions must be made among competing data needs. Since this environment seems likely to continue during the next few years, competing user needs must be balanced against each other in deciding which programs will be terminated and which will survive.

EVALUATION OF BLS DATA

Question: When was the last time you seriously evaluated the utility of the data published by the Bureau of Labor Statistics?

Answer: The BLS has a continuing evaluation activity, set up in February, 1980, for assessing the utility of BLS data for meeting user needs. This activity, located in the Office of Research and Evaluation, is charged with the responsibility (among others) for looking across BLS programs to form assessments of the balance of user needs for different data. This Office has made, for example, recommendations to the Commissioner on relative program priorities for use in the present budgetary cycle.

EMPLOYMENT TRIGGERS

Question: If the program that utilizes State and local unemployment figures as a trigger are cut back as the Administration has proposed in many cases, what reductions in the survey efforts do you see as justifiable to complement these cutbacks?

Answer: State and local unemployment data are used to allocate funds under CETA and PWEDA and to identify labor surplus areas

eligible for preferential contract bids under Defense Manpower Policy Number 4B. The elimination of public service jobs under CETA will mean that data would no longer be required for cities with a population of 25,000 to 50,000. Since these data are estimated from decennial Census labor force data, cost savings would be minimal.

However, the proposed demise of the Economic Development Administration would cause a significant reduction in resources for the BLS devoted to the development of unemployment data for individual counties. Over 20 percent of the staff resources (amounting to 20 positions) devoted to the local area unemployment statistics program is paid for by the EDA through a reimbursable contract. While these resources will be eliminated, county estimates would still be needed to satisfy data requirements under Title II B&C of CETA and for administration of DMP 4B.

Thus, even though some programs are being cut back, the remaining legislation and regulations will still require the same quantity of area data. The only change will be that the data will be used for fewer programs in the same areas. This requirement for the same output continues at a time when the elimination of the EDA contract means that the Bureau will have significantly smaller resources with which to produce the same output.

STATE AND LOCAL STATISTICS

Question: With the phasing out of or elimination of many of the programs which use these data to allocate funds, can State and local statistics now be reported on a quarterly basis using the more reliable Current Population Survey?

Answer: Current legislative requirements and cost considerations preclude the substitution of quarterly data from the Current Population Survey for our current procedures even with the phasing out or elimination of some programs.

On the legislative aspect, the Comprehensive Employment and Training Act uses "areas of substantial unemployment" in determining the allocations to be made under provisions providing services for the economically disadvantaged and upgrading and retraining under Titles II A, B, and C. The allocation formula for these areas of substantial unemployment requires the use of monthly data.

From a cost standpoint, the use of quarterly CPS data in the development of estimates for both the CETA areas and the county and city data required by DMP 4B would be prohibitive. The National Commission on Employment and Unemployment Statistics estimated that it would cost 1.2 billion dollars to develop quarterly CPS data for these 4,200 areas.

Question: If this is feasible, cannot we do away with the complex "70-step method" used to develop State and local unemployment data, and save valuable funds?

Answer: Our basic strategy in the development of LAUS estimates, given that estimates must be prepared for several thousand geographic areas, has been that the cost and respondent burden precludes the use of the Current Population Survey for anything but States and a few large areas. Cost efficiency dictates that we continue to rely on administrative and other data to

disaggregate the CPS-based control totals into the needed geographic components. We are currently investigating alternatives to the "70-step method" that are simpler and more accurate. Our efforts, however, reflect a primary concern with improving the accuracy of the method, since the costs involved in using the 70-step procedure are very small compared to alternative survey-based estimating procedures.

TRAVEL REQUEST

Question: What is the rationale for the $653,000 increase request for BLS travel--nearly a 20 percent increase even though staff is being reduced 6 percent in Fiscal 1982?

Answer: About a third of the requested increase--$212,000--represents estimates of travel expenditures for new work to be initiated in FY 1982, i.e., to revise the industry employment, hours and earnings series and to develop data to test the feasibility of developing a sample of rents from housing units similar to owner occupied housing for possible use in the next revision of the Consumer Price Index. The remaining $441,000 of the travel increase is to cover increases in the mileage rate, per diem allowance, which were approved by GSA in October 1981, and air fare components of travel costs, which rose steadily throughout the year.

The suggestion that Bureau staff is being reduced by 6 percent is contrary to fact. The Bureau's position allocation will rise from 1,945 in 1981 to 1,969 in FY 1982. Some selected staff reductions are being made throughout the Bureau--to offset partially the program increases--but none is in a travel intensive area.

STANDARD LEVEL USER CHARGES

Question: Why did the Bureau of Labor Statistics take no reduction at all from the Carter request for Standard Level User Charges?

Answer: In developing the Department's revised budget estimates all components funding requirements, including Standard Level Charges were subjected to a detailed analysis by both the Department and the Office of Management and Budget. As a result, it was determined that the initial estimate was justified and should be retained.

Question: Why is the BLS estimate for Standard Level User Charges increasing so dramatically--about 70 percent over the fiscal 1981 level--when most Labor Department agencies are asking about a 10 percent increase?

Answer: Since BLS has many different landlords, its SLUC estimate for FY 1982 was consolidated from GSA estimated costs of space in each of the buildings in which the BLS occupies space throughout the U.S. Lease rates--according to our latest leasing information--are scheduled to increase dramatically in 1982. For example, the Bureau currently occupies approximately 271,000 square feet of space in the GAO building, at an average cost in FY 1981 of $6.22 per square feet, or approximately $1.7 million a year; in FY 1982 GAO will increase its charge to an average $11.89 a square foot, up 91 percent, or from $1.7 million to over $3.2 million. This rental increase at the GAO building site, where most of the Bureau's national office staff is located, accounts for 62 percent of the requested increase.

RESEARCH ACTIVITIES

Question: How much is budgeted for research activities in FY 1982 compared with FY 1981?

Answer: FY 1982 budget estimates provide for $879,000 for work designed to improve the concept or quality of Bureau statistical series compared to $838,000 in FY 1981.

Question: What lower-priority research activities could be deferred, or cancelled, if you had to take a further budget cut?

Answer: The total amount budgeted for work on concept and quality in FY 1982 is less than one percent of the BLS budget, and all of it is an integral part of the program to which it is attached, or to overall evaluation efforts.

The work carried out in BLS is all directed toward understanding or resolving technical problems in BLS data, or which would help BLS to produce data that better meet user needs. For example, BLS attention, over several years, to issues concerning the measurment of housing in the Consumer Price Index has been extensively used in all major government evaluations of this issue, and this work is continuing, as the issue itself remains urgent. As another example, BLS work in the causes of the productivity slowdown has been used within the government and without, and has been integrated into a budget request that will ultimately result in publication by BLS of multi-factor productivity measures. These measures will provide much greater guidance for policy makers of the causes of changes in productivity.

EMPLOYEE MORALE

Question: There appears to be some indication that many employees at the Bureau of Labor Statistics are working in jobs that are either very narrowly defined or require little effort to fulfill work objectives, this could--and probably has--resulted in boredom, monotony, lack of enthusiasm, and ultimately high turnover among lower and some mid-level data analysts as well as others. Thus, the effect on productivity in the Bureau, on personnel development, retention, promotion and on the added costs of high turnover could be considerable.

* Can you tell us whether this is the case or not (from your perspective, at least) and, if so, why aren't these job descriptions broadened in scope to generate more job commitment, less turnover, and eventually, higher productivity and lower labor costs?

Answer: I do not know, of course, what "indication" the Committee has about employee boredom and turnover, which makes it difficult to respond directly to whatever facts the Committee has. From "my perspective," however, the Bureau--like most large producers of similar products--must be constantly alert to the managerial problems of underutilization and employee "boredom." The Bureau produces a great many surveys on a regularly recurring basis; hence, many tasks are routine. One of the problems the Bureau faces is that in the early stages of new surveys, opportunities abound for creative work on concept and methodology, and work assignments are varied. Employees generally find this phase stimulating: their enthusiasm is high. But once the survey is in place, the jobs

become maintenance oriented. Employees are apt to find this stage less satisfying as time goes by. Although we try to transfer employees who seek change and to broaden responsibilities, when this is feasible, we are not always able to change work requirements to suit each employee's preferences.

I have paid a great deal of attention recently to improving the management environment in the Bureau, including clarifying my expectations of managers. Because the Bureau is organized along functional lines, it has been difficult to hold managers accountable for their effectiveness in managing programs and resources. Recently, however, points of decisionmaking have been identified and procedures for handling areas of dispute established. While some conflict among the functional skills within the Bureau continues--and should, in my view, if quality standards are to be maintained--I believe that a gradual recognition of the authority of program managers for the final output and accountability in the effective use of human and financial resources has taken place.

Another area of management improvement relates to Civil Service Reform (CSR). In the process of CSR implementation, performance requirements have been made more specific, detailed, and program related than before and my SES appointments all have had impressive qualifications and records of proven program and managerial achievement. The Bureau has also set in motion a system for implementing merit pay and training that requires closer supervision by the BLS top staff on a continuing basis. Although successful implementation will take time, I believe that BLS has gone further than most Government Agencies to ensure CSR is used by the entire top staff to improve planning and to enhance managerial efficiency.

I expect all these recent actions--as they filter down within the organizational structure--to result in an improved work environment, more teamwork, and a steadily rising productivity at BLS.

Some evidence of our success in these activities may be found in the Bureau's turnover experience, which is considerably better than that for the Government as a whole, as shown below:

EMPLOYEE SEPARATIONS

	ALL AREAS
FY 1980 1/	
Federal Civilian Work Force	35.9%
BLS	13.0%
FY 1981-First Quarter	
Federal Civilian Work Force	
October	1.72%
November	1.58%
December	2.04%

BLS 2/

October	1.4%
November	0.9%
December	1.2%

1/ Data Source: U.S. Office of Personnel Management, Federal Civilian Work Force Statistics, September 1980.

2/ From BLS personnel records.

OFFICE OF THE SOLICITOR

ALLOCATION OF RESOURCES AND STAFF OF THE SOLICITOR'S OFFICE

Question: There are 956 positions budgeted for the staff of the Office of Solicitor, costing $41.5 million. In any operation that large, there is always the suspicion that while some people may be working hard, others may be hardly working. Have you carefully examined existing staff to see if more efficient allocation of resources might be possible?

Answer: All operations in the Office of the Solicitor are reviewed annually as part of the budget process to determine needs and to allocate resources according to those needs. The 956 positions and $41.5 million reflect the Carter budget proposal. The Reagan administration has reduced the FY 1982 proposed budget to 880 positions and $38.5 million. The Solicitor is now conducting a thorough review of operations, policies, and staffing to determine basic needs for the FY 1983 budget.

Question: How many attorneys does this office have?

Answer: In FY 1982 the Office of the Solicitor has 582 budgeted attorney positions. This represents a decrease of 50 attorney positions from the Carter budget proposals.

Question: Why do they need so many lawyers?

Answer: The Office of the Solicitor provides legal services to all programs administered by the Department. There are 146 acts and laws for which the Department is responsible. The programs supported are varied, complex and involve substantial resources. Legal support and advice is crucial to assure compliance according to legislative intent.

During the past few years, various programs were added or expanded throughout the Department, generating an increasing demand for legal support and advice. Even though effective and ongoing litigation strategies have been developed in conjunction with the client agencies, the clients are continuing to refer more cases to the Office of the Solicitor for possible litigation. The number of defensive suits filed against the Department is on the increase. In FY 1980 the Office of the Solicitor received 44,589 cases to review for possible action. In FY 1982 the number of cases received is expected to increase again even though the department is actively trying to eliminate or minimize regulatory burdens previously created. The 8 percent decrease in the number of budgeted attorney positions will necessitate discriminating

case selection and increased attorney productivity to insure that the current backlog does not increase.

ENHANCED PRODUCTIVITY OF THE SOLICITOR'S OFFICE

Question: What are you doing to provide incentives for increased attorney productivity, and what recent experience do you have with enhancing productivity?

Answer: The implementation of the Civil Service Reform Act of 1978, requiring the setting of minimum performance standards, provides the incentives for increased attorney productivity and is expected to have a substantial impact. Performance standards for merit pay managers are currently being finalized as further incentives. The Office of the Solicitor has a computerized workload reporting system currently in place in its field offices which tracks a case from the time it is received until some type of final action occurs. This system is planned to be implemented in the National Office in FY 1981. This system, used with employee hours worked, provides a means of measuring employee productivity.

OFFICE OF CIVIL RIGHTS

The Labor Department's Office of Civil Rights was created in December, 1980, upgrading the visibility of 66 staff that were already performing civil rights activities within the Employment and Training Administration.

PRE-AWARD COMPLIANCE REVIEWS AND TECHNICAL ASSISTANCE

Question: How do you expect to increase pre-award compliance reviews from 518 to 1,200, and technical assistance from 5 to 7 staff years, with no increase in positions?

Answer: Essentially, this will be accomplished as follows:

a) In order to provide coverage of the grantee/contract universe within a reasonable period of time, we will be more "selective" in the number and kinds of items which we check in the pre-application of a potential grantee. In the past we have reviewed grant applications indepth; in future years we will have to review twice as many grant applications in the same amount of time with no increase in staff levels. Within existing staff resources, this cursory approach would appear to be the most feasible in order to accomplish program goals within existing time frames.

b) In FY 1982 we will more closely "tie-in" the delivery of OCR technical assistance (TA) with the incidence of our on-site complaint investigations and compliance reviews. Accordingly, as we monitor grantees, we will provide on-site TA. This will complement the on-site TA currently rendered upon request. By combining TA with monitoring and complaint investigations, we will be able to increase the number of staff years we devote to this endeavor.

VOLUNTARY COMPLIANCE PROCEDURES

Question: What are you doing to encourage more wide-spread voluntary compliance, rather than focusing solely on complaint investigations and compliance reviews?

Answer: One of the major divisions in the National Office of Civil Rights is the Division of Management Assistance and Program Support. This division will be responsible for equal opportunity training and technical assistance to contractor/grantee staff and Federal staff. This training will improve the effectiveness of compliance enforcement undertaken by DOL recipients, and technical assistance will provide direction and guidance in avoiding potential problem areas.

For example, the following training has been targeted:

- An informational course for DOL executive staff providing an overview of the equal opportunity and compliance program;
- A skills development course for Federal staff in complaint processing;
- A concomitant skills development course for recipient staff on complaint handling. The course will be revised to explain the administrative processing of complaints required by the Department of Labor;
- A skills development course for Federal staff providing procedural guidance on how to determine the compliance status of Job Corps programs;
- A skills development course for Federal staff on monitoring compliance of CETA programs, including pre-award and post-award assessment, desk audit, and on-site review components;
- An informational course for CETA prime sponsor staff outlining and explaining their responsibilities when administering PSE programs, vis-a-vis the Uniform Guidelines on Employment Selection Procedures.

In addition to technical assistance and training, OCR will improve its administrative procedures in the following ways:

- More effective use of the now existing EO reporting system. The system provides impetus for self-evaluation and eventually voluntary compliance.
- Development of a technical assistance guide which provides written consultation in developing an EO program.
- Wide distribution of new equal opportunity information citing equal opportunity laws and options for individuals to follow.

AUDITS OF CETA PRIME SPONSORS AND SUBGRANTEES

Two GAO reports have revealed problems with auditing of CETA prime sponsors and subgrantees, including:

--shortfalls in audit coverage of prime sponsors and subgrantees,
--many audits failing to meet applicable audit standards,
--Labor's failure to aggressively resolve audit findings,
--insufficient audit resources to perform all necessary audits and quality control reviews.

In responding to the most recent GAO report, the Department of Labor stated that it had begun to assess the change in resource requirements brought about by the assignment of 100 State departments and agencies from OMB in October 1980 but that it was still too early to assess the problems it may encounter in using grantee-procured audits (under Attachment P to OMB Circular A-102).

Question: When does the Department anticipate receiving the additional guidance it needs from OMB in this regard?

Answer: OMB has not advised us as to when it will award cognizant responsibility for the top 1,000 units of local government. In addition, it is not known yet how many of these will be assigned to DOL.

Question: Meanwhile, what is the Department now doing to ensure that the problems identified in the two GAO reports are corrected?

Answer: The Office of Inspector General is enhancing our quality assessment program to improve the quality of work performed by DOL auditors as well as the work performed by independent public accountants and State and local auditors. In addition, the Office of Inspector General is using two special initiatives to increase the effectiveness of prime sponsor audits in regard to subgrantees and subcontractors: audit residencies and unified audits.

Question: Regarding the use of audit residencies and unified audits to help identify and correct weaknesses at the subgrantee level, what has been the outcome of establishing audit residencies at 15 large prime sponsors in FY 80?

Answer: These audit residencies have enabled the resident auditors to review grantee and subgrantee operations on a current basis, identify problems or deficiencies early, and provide more timely and effective followup on corrective actions. This has resulted in improved financial management and closer compliance with DOL requirements. One of the fifteen residencies has been closed as a result of improvements by the grantee.

Question: How many additional ones will be established in FY 81?

Answer: One additional audit residency will be established during FY 1981. This will be in the District of Columbia.

Question: How many unified audits have been conducted and with what results?

Answer: Regarding unified audits, of the 92 CETA prime sponsor audits completed during the last six months, six were unified audits. In addition, 51 of the 103 CETA prime sponsor audits in progress as of March 31, 1981 were unified audits. The results of these comprehensive examinations of financial operations at all levels in one audit (prime sponsors, subgrantees and contractors) have enabled OIG to better identify significant weaknesses in financial management and grant administration, particularly with respect to the monitoring of subgrantees by prime sponsors. These unified audits have resulted in numerous recommendations to the prime sponsors to strenghthen internal accounting and administrative controls.

Preventing Fraud and Abuse Under Block Grants

Question: Will audit be part of Labor's control under the block grant approach?

Answer: There are no legislative block grant proposals being made in FY 1982. The nature of the Department's control system and the audit coverage required would be determined by legislation authorizing block grants.

Question: What will be the impact of the block grant approach on the Inspector General function and its resources?

Answer: Legislation authorizing block grants would have to be reviewed to determine the potential impact on the function and resources of the Office of Inspector General. Prior to such legislated change the Inspector General's responsibilities will remain unchanged.

IMPACT ON WELFARE REFORM ON WORK INCENTIVES

Question: Various reports indicate the Administration's proposed cuts in welfare benefits may in fact create a disincentive for AFDC recipients to work. To what extent do you think the Administration's proposed cutbacks in welfare benefits may in fact keep AFDC recipients from working--by limiting access to child care services, for instance?

Answer: Two types of welfare benefit changes are relevant when considering the impact of the proposed welfare reforms on work incentives. First, changes in the cash welfare payment formula affect the attractiveness of work. And second, changes in the provision of direct supportive services (e.g., child care under Title XX) affect the ability of welfare recipients to accept a job opportunity when one is offered. The impacts of these changes will be considered separately.

Three major changes in the cash benefit formula would affect work incentives. These changes are: the proposed phase-out of the "$30 plus one-third of earnings" disregard, the maximum limit on work-related expenses, and the maximum limit on child care expenses. The cumulative impact of these three formula changes will be to remove some recipients from welfare roles and to reduce the welfare grants of other recipients. For wage earners among the current recipient population who would no longer be eligible to receive benefits, the Administration's proposed changes would probably act as a work incentive. This is true both because worker will have greater need for increased wage earnings (because the welfare grant has been eliminated) and also because the return from additional work will increase (because the implicit welfare tax on earnings has been eliminated if the worker no longer receives benefits). For those recipients who intend and are able to remain on welfare roles, the proposed benefits would reduce the attractiveness of work. On the basis of information currently available to the Department of Labor, it is difficult to say whether the work incentive for one group of current recipients is greater than the work disincentive experienced by some other recipients.

The Administration has also proposed instituting Community Work Experience programs to which many unemployed welfare recipi-

ents will be assigned. The Department of Labor expects that these programs will encourage some current recipients who do not now work to find gainful employment in the private sector. Thus, this program should act as a work incentive for some recipients.

With respect to the Administration's proposed changes in supportive services like child care, it is also difficult to make a firm assessment of possible work incentive impacts. Since the Administration proposes converting many existing categorical programs into a single block-grant program that can be allocated at the states discretion, it is unclear whether supportive services to working welfare recipients will be increased or decreased. Some states will presumably favor providing more help to working recipients, and consequently the barriers to work may be reduced in those states.

Question: To what extent do you expect cutbacks in welfare services to lead to an increased demand for enrollment in Federally funded employment and training programs?

Answer: For many employable welfare recipients, the Administration's proposed changes in the welfare benefit formula should make work relatively more attractive than sole reliance on public assistance benefits. For that reason the Department expects that the demand for slots in employment and training programs may increase somewhat, as welfare recipients seek to improve their skills and employability. On the other hand, it is difficult to predict whether the proposed changes in supportive services will lead to higher or lower demand for employment and training positions. Since the Administration proposes consolidation of several forms of categorical assistance into a single block-grant program, states at their discretion may choose to provide greater or lesser amounts of supportive services to help welfare recipients obtain employment and training positions. In states that provide increased amounts of supportive services, demand for employment and training positions will probably increase. In remaining states, demand will probably remain unchanged or decline.

Question: What will be the Labor Department's role in "workfare" programs, which States will be required to administer, according to Secretary Schweiker's opening statement prepared for this Subcommittee?

Answer: It is the understanding of the Labor Department that local Employment Security Agencies will assist in referring welfare clients to appropriate Community Work Experience projects, and that the Employment Security Agency will be reimbursed for this referral assistance under contractual arrangements with State Welfare Agencies. Local welfare agencies will determine which welfare recipients are mandatory participants in the program. These mandatory participants will then be referred to the local Employment Service, which in turn will locate appropriate positions in local Community Work Experience projects and refer welfare recipients to those postions. At the present time, no other role for the Labor Department has been suggested.

WOMEN IN THE LABOR FORCE

Question: Mr. Secretary, the wage-earning statistics of the female population in America are unsettling. Today's woman must work nearly nine days to gross the same earnings that a man grosses in five days. And that income gap has widened in the last 10 years. The facts surrounding women in poverty are even more startling: Women are 42% of the U.S. work force, yet they comprise over two-thirds of the people living in poverty. It is my under-standing that occupational segregation and wage differentials by sex within federal employment and training programs are substantial and in some cases even surpass the general picture in the U.S. labor force. What is the Department of Labor doing to address these issues?

Answer: To some extent, sex differentials in CETA reflect the world at large. Employment in CETA consists of on-the-job training with private employers or public service employment (PSE) in a public agency or private non-profit organizations. In fact, women do as well in CETA as in the labor market as a whole, and in some cases, better.

In terms of wages, the male-female differential in wage rates is smaller in CETA than it is in the total labor force. In the total 1978 U.S. work force, the average earnings of women were 60 percent of men. In CETA in FY 1976 the average hourly in-program wage of female jobholders was 88 percent of that of male jobholders. In PSE and adult work experience, the average hourly wage of female jobholders was 93 percent of males' average hourly wage.

In terms of occupations, data on the CETA in-program occupations held by female participants shows improvement over time. Between FY 1976 and FY 1978 the proportion of female CETA jobholders in the professional/technical category increased (from 17 percent to 21 percent) and the proportion of females in the clerical category decreased (54 percent to 48 percent).

Since 1978 the CETA occupational picture for females has been improving. In 1978 there were explicit statements in the CETA Amendments stressing the placement of women in nontraditional jobs. The regulations require specific recruitment actions on the part of prime sponsors to encourage the entry of women in nontraditional occupations. In addition, women's aspirations for nontraditional jobs are increasing. Further, there is greater acceptance among employers of women for nontraditional jobs.

Prime sponsors are conducting training for women in nontraditional occupations. Wider Opportunities for Women, a nonprofit interest group for women, has compiled a list of projects providing employment assistance to women, 40 of which were funded by CETA. In addition, Title III national program dollars have been used to fund programs for women, including demonstration programs for outreach and placement of women in skilled nontraditional jobs and apprenticeships, and special outreach programs for minority women and for displaced homemakers. Further, the Department's Women's Bureau has developed technical assistance and informational materials on nontraditional training and employment for prime sponsors.

A significant amount of work remains to be done before the picture portrayed in your question is reversed. However, the Department of Labor recognizes the needs of women workers and those who desire to enter the labor market and intends to make sure that women have every opportunity to achieve economic self-sufficiency and to participate in the labor force.

WOMEN'S BUREAU

PROPOSED STAFF REDUCTION

Question: What is the rationale for your proposed 30 percent cut in staff for the Women's Bureau?

Answer: The formula used by the Department in deciding Agency staff cuts was based upon an on-board strength of 71 full-time permanent (FTP) employees as of December 31, 1980. Therefore, a reduction from 71 FTP positions to 62 FTP budgeted positions represents a cut of only 8.7 percent, not 30 percent. It should also be noted that the Department is requesting 10 "other" positions for the Women's Bureau in its FY 1982 Congressional budget submission. This would allow the Bureau to operate at a level almost equal to its on-board strength as of December 31, 1980.

DISPLACED HOMEMAKER PROGRAM

Question: Do you also plan to curtail the displaced homemaker program, currently funded at $5 million with CETA discretionary funds?

Answer: At this time, no decision has been made by the Department concerning which specific programs will be funded in FY 1982.

SPECIAL PROBLEMS OF WOMEN IN THE WORKPLACE

Question: What initiatives do you plan to deal with the special problems of women in the workplace, such as widowed and divorced women trying to enter the job market after years as homemakers?

Answer: The Women's Bureau has initiated, and plans to continue, a number of projects which deal with the special problems of women in the workplace. These projects have focused on low-income women, rural women, mature women, displaced homemakers, women in corporations and management, and women training as apprentices to enter the construction industry.

One of the most successful projects has been a low-income women's project in San Antonio, Texas. This project has provided training, counseling, and placement to Spanish-speaking female welfare recipients and women earning less than the poverty level, many of whom lived in public housing. The women have obtained employment with construction contractors, local manufacturers, grocery chains, and other businesses, usually in jobs not traditionally open to women. This project has recently been re-funded by the Women's Bureau, and the Project Director will be working with other communities to replicate it.

The Women's Bureau is also about to launch a nationwide training program for employers, union officials, outreach program operators, women's organizations, and others on ways to recruit, place, and retain women in nontraditional apprenticeship programs. A Women In Apprenticeship Training Package has been developed by the Bureau and will be used in regional training sessions. It is anticipated that this initiative will enhance the entrance of women into apprenticeship and add to the availability of women for employment in the construction industry.

The Department has extended the Displaced Homemaker Network through May 15, 1982. This initiative works with divorced, separated, and widowed women who are seeking to re-enter the labor market. The Network has demonstrated significant success in serving the needs of this group of women, and we will be studying this project to determine the feasibility of continuing it past 1982 and/or expanding it. The Women's Bureau has undertaken other efforts to address the needs of mature women. At the present time, most of these efforts are at the policy development stage and program concept level. But we do recognize the unique problems of the mature woman in the workforce and intend to make every effort to see that her concerns are addressed.

Overall, the Department of Labor is very concerned with the economic status of women in this country. The Department intends to work, not only through the Women's Bureau but in all of its Agencies, to enhance the economic self-sufficiency of women and to ensure that they have every opportunity to participate fully in the workforce.

SUBCOMMITTEE RECESS

Senator SCHMITT. The subcommittee will recess until 2 p.m., April 8, when we will meet in this room to continue the testimony begun last week by Health and Human Services Secretary Schweiker.

Thank you.

[Whereupon, at 5:25 p.m., Tuesday, April 7, the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, April 8.]

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