Kansas Legislative Research Department February 1, 1996

MINUTES

SENATE COMMITTEE ON COMMERCE

November 9-10, 1993
Room 123-S -- Statehouse

Members Present

Senator Alicia L. Salisbury, Chairman
Senator Pat Ranson, Vice-Chairman
Senator Paul "Bud" Burke
Senator Christine Downey
Senator Paul Feleciano, Jr.
Senator U. L. "Rip" Gooch
Senator Mike Harris
Senator Anthony Hensley
Senator Marge Petty
Senator Marian Reynolds
Senator Don Steffes
Senator Ben Vidricksen

Staff Present

Jerry Ann Donaldson, Kansas Legislative Research Department
Lynne Holt, Kansas Legislative Research Department
Jim Wilson, Revisor of Statutes Office
Bob Nugent, Revisor of Statutes Office
Mary Jane Holt, Committee Secretary

Others Present

Charles Krider, Professor, Kansas University School of Business
Robert Stacks, Director, Division of Employment Security, Kansas Department of Human Resources
Terry Leatherman, Kansas Chamber of Commerce and Industry
Wayne Maichel, Kansas AFL-CIO
William H. Layes, Chief, Labor Market Information Services, Kansas Department of Human Resources
Paul Bicknell, Chief of Contributions, Kansas Department of Human Resources
Sam Orozco, Chief of Benefits Field Operations, Kansas Department of Human Resources
Claude Lee, Chief of Appeals, Kansas Department of Human Resources, Division of Employment Security
Linda Tierce, Acting Chief of Benefits, Kansas Department of Human Resources
Jackie Summerson, Manpower Temporary Services
Mark Barcellina, Kansas Department of Commerce and Housing
Patrick Brazil, Kansas City
Brent Doane, Topeka
Jim McBride, observer

November 9, 1993
Morning Session

The meeting was called to order by the Chairman, Senator Alicia L. Salisbury, at 9:00 a.m. The Chairman explained the Committee has been invited to attend a meeting at Stormont-Vail Regional Medical Center Board Room, at 3:00 p.m. today. Scott Hessell of Kansas Inc. will report on workforce training. The Chairman informed the Committee that the Joint Committee on Economic Development has been focusing on workforce training this summer and fall and will probably have some recommendations for the full Legislature. The Education Committee is also focusing on workforce training. During the session the Commerce Committee and the Education Committee will hold joint meetings on workforce training.

Employment Training

Charles Krider, Professor, University of Kansas School of Business, testified the goal for Kansas in the workforce area is to have a highly skilled workforce that is competitive on an international basis. Employers are requiring more highly skilled employees. Instead of dividing jobs into small pieces that could be performed by unskilled workers, firms are recombining and expanding jobs and requiring higher skills of employees. When companies restructure they combine jobs, cut out levels of management, and enhance the authority and responsibility of front line workers. The laid off, unskilled employee will not be reemployed after a short period of unemployment. When a person leaves high school, community college, or university their training and education is not completed. They need continuous upgrading and training in order to maintain a competitive position in the labor force.

Dr. Krider stated the person who has been laid off, in addition to receiving unemployment insurance, will need some training in order to be competitive in the labor market. When a person becomes unemployed it is essential to determine why that person is unemployed, and what are the prospects for the person's reemployment. A one-stop workforce center where a person could go to receive an array of services on a coordinated basis has been suggested. In addition to assessing the individual's skills and abilities, the one-stop workforce center could refer that person to training and education.

Dr. Krider suggested several options to finance additional training to those individuals who have not been eligible in the past for public training programs.

1. Set up some type of training account provided by the employer or employee. The funds would accumulate while the employee is working.

2. Use the unemployment insurance system in some way, such as assessing a tax on the wage base that would be set aside for training. The reserve fund would still be there.

3. Encourage employers to provide training by offering an incentive.

California has a employment training tax of .1 percent of the wage base covered by the unemployment insurance system. The fund is separate from the reserve fund and is capped at $55 million per year. Employers and unions administer the fund. Delaware also has a .1 percent tax for training under their Blue Collar Jobs Act. Massachusetts has a .2 percent tax on the unemployment insurance base. This is a separate training fund. The Illinois Prairie State 2000 fund provides unemployment insurance recipients vouchers equal to the cost of tuition at a community college. The program is paid for by voluntary contributions.

Dr. Krider also stated there is a concept for using the unemployment insurance system to support entrepreneurship. Persons who are receiving unemployment insurance and want to start their own businesses may be encouraged to do so by allowing unemployment insurance benefits to continue while they are starting up a new business. Another idea would be a lump sum advance on their unemployment insurance to start a new business.

In answer to Committee questions, Dr. Krider replied a study should be completed by next summer on workforce training programs that are in effect in Kansas at this time. There is a possibility a federal demonstration grant will be forthcoming from the Department of Labor. The Kansas Industrial Retraining program is used when a company using new technology needs to retrain their workforce. Kansas has a lot of low pay, low skill jobs. There are no longer high pay, low skill jobs available.

Lynne Holt, Legislative Research Department, testified in response to the Committee's request for research on workforce training issues in other countries, in other states, and on financing (see Attachment 1). European countries, Japan and Canada vary in their respective treatment of unemployment. However, one of the most noticeable distinctions between all of these countries, particularly the European countries, and the U.S. is the recognition by government and industry that global competition requires the innovation and diffusion of information and advanced manufacturing technology, and the recognition that the application of such technology requires ongoing labor force training to adopt change. Workforce training is thus integrated into these countries' technology development and export policies.

In France, unemployment insurance is funded by the payroll tax. Employers contribute 64 percent and employees 36 percent. To be eligible for unemployment insurance in a given year, a person must work at least one-fourth of the year. Benefits may last up to two-thirds of a year but may be extended for a duration based on a combination of an individual's age and length of work service. The National Employment Fund provides up to 70 percent of the expenses in retraining workers in any firm that is restructuring as a result of automation. The Agency for Development of Information Technology assists postsecondary institutions in training engineers and technicians to help meet the labor shortage for high-tech applications. The Agency for the Development of Automation advises and subsidizes enterprises proposing to introduce technologies. The federal government finances continuous training activities under regional and local agreements which meet the needs of target groups for employment assistance and provide for specified skills training. Employers must contribute 1.1 percent of payroll to finance such efforts. The National Employment Agency has created courses designed to upgrade skills of job seekers who do not have the necessary job qualifications. Agreements signed with employers are designed to prevent layoffs and to provide financing of training programs to upgrade worker skills as needed to accommodate changes in work demand and technology. The national government also provides "solidarity payments" to: unemployed youth who have completed academic or vocational training and meet other qualifications; long-term unemployed with previous insurable employment, persons 55 and older taking early retirement under solidarity contracts in which jobs are created for younger people; and unemployed persons setting up their own businesses. To assist unemployed persons in setting up their own businesses, the program Chomeurs Createurs (CC) was established in 1979. An analysis of the CC program and of a similar British program called Enterprise Allowance Scheme disclosed that the two programs had succeeded in turning less than 1 percent of transfer payment recipients into entrepreneurs and an even smaller proportion of these recipients into successful ones.

In Germany, the unemployment coverage is also financed through payroll taxes, half paid by the employer and half by the employee. The UI benefit formula provides for the state to replace 63 percent of wages (more for workers with dependents), but on an after-tax basis. UI benefits for full-time workers last up to a full year. As in France, the UI system is coordinated with the national pension system and workers receiving pensions are excluded from receiving UI benefits. Since 1990 payroll levies for the insurance have increased from 4.3 percent to 6.5 percent. The German government recently proposed legislation to reduce the percentage of a recipient's net pay that would be subject to unemployment compensation.

The workforce training system in Germany is the dual system of apprenticeship, which is characterized by a partnership of business associations, unions, and government. Businesses pay directly for apprentices' stipends and finance the system through their compulsory memberships in the Chamber of Trade and Craft or the Chamber of Industry and Commerce. Individual German states fund vocational schools, which adhere to federal guidelines and curricula developed jointly with industry.

Short-Term Compensation (STC) is provided as an alternative to layoffs by reducing working hours but retaining jobs during cyclical downturns. Total hours at a plant must be reduced by at least 10 percent and at least one-third of the workers must have their hours reduced by 10 percent or more. Typically, plans are proposed by six months but may be extended to 12 months and, in exceptional circumstances, to as many as 24 months. While the plan is in effect, employers add the STC payments to the paycheck for the hours worked and are later reimbursed by the Bundesanstalt fuer Arbeit, the federal agency that administers unemployment insurance and active labor market programs. STC payments have the same wage replacement rate as regular UI program payments, except that the replacement rate in the part of Germany that is the former German Democratic Republic is considerably higher.

Canada uses the payroll tax to fund UI. Employers generally contribute 58 percent and employees 42 percent to the tax. The average UI benefit duration is two-thirds of a year, but the duration may be almost a year for full-time employees in regions with unemployment exceeding 10 percent. The minimum benefit duration is 17 weeks. As in France and Germany, UI funds may be used directly for training.

The Canadian government provides funding for the Canadian Labour Congress for worker education programs. In 1983-1984, 2.3 percent of the labor force participated in job training funded by the government. A program of strategies for retraining, known as the Canadian Jobs Strategy (CJS), was initiated in 1985, with a commitment of substantial federal government funds.
The sill investment component of the CJS provides workers with on-the-job retraining assistance, relocation and travel assistance, worksharing, and a training trust fund to finance worker's future training needs.

Japan augments its payroll tax with general government funds to finance UI benefits. Employers and employees contribute 37.5 percent each and the government provides the remaining 25 percent. Like Germany and France, Japan coordinates coverage with a national pension system. Japan's wage replacement rate varies in accordance with income -- up to 80 percent at low wage levels. Wage supplements and subsidy payments to firms may be used to retain underemployed workers in their regular jobs. UI funds may be used directly for retraining.

Continuous training is an integral part of Japan's industrial strategy. A governmentally operated vocational training system encourages employers to provide training to their workforce. Such training includes: general training; skills training; and training to facilitate updating and upgrading of skills and assistance to workers who need to change jobs.

The United States relies on payroll taxes to fund unemployment benefits. The U.S. system operates under rules established by subnational governments, rates the unemployment experience of employers in setting tax rates; uses insured unemployment as a measure by which extended benefits are triggered; has relied on temporary benefit extensions to provide additional benefits during recessions; disqualifies job quitters for the duration of their unemployment; and provides dislocated worker benefits based on import competition.

The U.S. unemployment compensation program is financed almost entirely from taxes on the employer. Two states also tax employees for this purpose and two other states trigger employee contributions under certain circumstances. Generally, a recipient's weekly benefit is one-half of his or her weekly wage. All states provide a maximum on the weekly amount payable to any claimant. All states provide up to 26 weeks of coverage, with a few states providing more. In most states the benefit duration depends on the recipient's base period work and benefits. Eligibility is based upon a 12-month period of continuous employment in the recent past. State law requires all benefit recipients to be able to work and "available for suitable work." UI benefits may not be denied if the recipient is engaged in training approved by a state's oversight agency.

There is no national employment or training program for individuals who are not eligible for Job Training Partnership Act (JTPA). JTPA is the nation's primary employment and training program for disadvantaged adults and youths. Title III program of JTPA provides retraining, relocation, and placement services for workers dislocated due to plant closings or layoffs; and various state set-aside programs to fund state oversight, education coordination, incentive awards to service delivery areas that meet state performance measures, and older worker training and placement.

Job Service is a federally-mandated service that provides job placement services to individuals receiving unemployment insurance benefits, as well as other enrolled unemployed individuals.

STC allows employers with reduced work loads to avoid layoffs by reducing all employees' regular hours. Seventeen states currently provide STC programs. The Kansas program was initiated in 1988. State STC programs are governed by a requirement that each plan developed for a worksharing arrangement be agreed to by both the employer and the union, and approved by the state oversight agency. Unemployment benefits are payable to workers for hours lost. Benefits are payable in the same proportion to a full weekly benefit amount as the hours lost relate to full-time work.

A 1982-1983 study conducted by Mathematica Policy Research found that STC participation did seem to reduce the extent to which layoffs were made; STC benefit payments were more effectively experience-rated that were regular UI benefit payments; STC participation did save on hiring and training costs. Certain general drawbacks are the potential for subsidizing regular fluctuations in business activity; retarding the adjustment of firms to structural change in the economy; helping inefficient firms to survive; or keeping workers in jobs until their STC benefits run out, thus postponing layoffs but not eliminating them. Some advantages associated with STC include: fewer unscheduled absences from work; a reduction in stress-related accidents and illnesses; more effective use of preventive health and dental care; worker contentment; direct productivity improvements per hour of work; a cost savings in payroll resulting from those plans in which senior workers share fully in the economic burden of reduced hours; an increased ability of employers to raise the level of production rapidly when demand returns to prerecession levels; and the savings on training costs due to less attrition. The costs of STC benefits per capita were found to be below those of advanced vocational training and retraining and general job-creation schemes. Despite the advantages STC programs in the U.S. have not been used very extensively.

The Washington Self-Employment and Enterprise Development (SEED) project was initiated on September 27, 1987 and is scheduled to end in December, 1993. The project is an effort to test self-employment as an alternative use of unemployment insurance. The intent is to determine the effectiveness of providing self-employment assistance to interested UI claimants to help them start their own small businesses. Benefit recipients are provided business training, business counseling, and lump-sum grants. Three other nontraining strategies are cash bonuses to employers or UI claimants; job search workshop; and job search assistance.

In 1982, the California Legislature created the Employment Training Panel (ETP) as a cooperative business-labor program to retrain workers.

The Delaware Blue Collar Jobs Act was passed in 1984 and is funded through a special assessment. The Delaware Division of Employment and Training targets services to dislocated workers, school-to-work transition, and other innovative training programs approved by the Council. Most of the training is targeted to new skills acquisition for occupations.

Workforce training programs can be financed in various ways. If linked to the UI system, a surtax in the form of a surcharge or special assessment may be imposed.

Interest income from state reserve funds can be used to help unemployed workers find new jobs or help finance state employment service agencies. Reserve funds are generated by the partial redirection of employer UI taxes into specially administered state accounts.

The Illinois Prairie State 2000 Fund is an independently funded unemployment training program, which was established in 1983 with private donations.

One argument against the diversion of UI funds for training is that the original intent of the program was to provide workers in times of economic downturn with a temporary cushion until they were able to find another job. The diversion of UI tax moneys for training and retraining also has economic implications. One implication is that the more training and retraining money that is made available, the more likely it is that unemployed workers will avail themselves of that training. If this occurs, more UI recipients will be enrolled in training programs and the duration of their benefits could be lengthened. Any diversion from the state's reserve fund balance reduces the amount available for benefits. Under certain circumstances, such diversion might result in a freeze or reduction by a state in benefit payments, thus penalizing all UI recipients.

Ms. Holt suggested the Legislature might consider the following steps:

1. Determine the populations who are currently underserved or unserved by the state's training programs.

2. Evaluate the best mechanism to integrate programs, particularly job search and unemployment training programs, that are currently fairly autonomous in the state.

3. Examine the role of community colleges to identify options for expanding their roles in integrating workforce training programs.

4. If training gaps and nontraining assistance services are identified and additional services are needed, design programs that are industry-driven (Germany, California, Delaware), have well articulated performance measures (California), have clearly defined objectives (retention, rapid re-employment, retraining for structural unemployment), are flexible and responsive to changing industry needs (Delaware), target services to employers who would be least likely to provide them without subsidies (Illinois), and exact some commitment on the part of industry in terms of matching funds (Delaware, Texas), higher wages for employees (Texas), and placement of trainees (California).

5. Review all existing employment assistance programs to identify any possible disincentives to accomplishing an intended goal. If the state objective is to promote employee retention through worksharing, Kansas companies with negative UI reserve balances may not participate.

6. If the decision is to encourage entrepreneurship, realize that business training and counseling would be necessary to reduce the risk of start-up failures. In addition, self-

employment programs do not appear to affect the vast proportion of UI recipients and the success of these programs seems to be correlated with education and prior experience in technical or professional occupations.

The Committee recessed for lunch.

Afternoon Session

Robert Stacks, Director, Division of Employment Security, Kansas Department of Human Resources, testified regarding initiatives in the area of reemployment/retraining of unemployed dislocated workers and the development of funding options outside but associated with the UI Trust Fund (see Attachment 2).

Mr. Stacks stated the most recent version of the U.S. Department of Labor's Workforce legislation includes a comprehensive worker adjustment service, a one-stop career center system, and a national labor market information system. The final draft of this legislative initiative is currently being reworked and will be introduced in early 1994 for Congressional approval. Under current legislation it will be proposed that states will have the option of adopting three new approaches for providing benefits to unemployed workers.

The first option, self-employment, will require flexibility in the UI system to use benefit payments as allowances which support certain claimants in starting their own small businesses.

The second option, reemployment bonuses, would allow certain unemployed workers the option of reemployment bonuses, or incentive payments over and above regular benefit amounts, but only if they find new work within a specified number of weeks.

The third option would be short-time compensation or, as it is called in Kansas, Workshare, which allows employers to reduce hours of employment for a large group of workers rather than laying a smaller number of workers off. Workers on short time compensation receive unemployment compensation for the reduced hours. Currently, Kansas is one of 17 states that operate short time compensation programs and have done so for the past three years with great success.

In regard to funding, Mr. Stacks informed the Committee that in a number of states the option of choice in terms of generating revenue for many employment/unemployment programs is that of the surtax. This method of funding is usually designed to raise a specific amount of money in either a one-time assessment or over a short period of time with a specific sunset date. The length, method, and amount of a surtax is usually driven by the perceived needs of the training programs. The stand alone surtax is not a particularly palatable method to fund programs. A more acceptable method of raising funds through the unemployment insurance tax structure is a surtax with corresponding reduction in the employment tax rate. A certain surtax amount is predetermined based on needs and then a corresponding reduction in the amount the employer is required to pay is legislated thus offsetting the initial surcharge. The end result is that the employer pays no more than he or she had previously paid. There is also an option of diverting state unemployment tax payments to a separate account within the State Treasury rather than directly into the Federal Unemployment Insurance Trust Fund. Although the money diverted into the fund cannot be used for any purposes other than paying unemployment benefits, the interest earned on that amount can be used. This method of fund development will continue to be closely monitored by the federal government and will be discouraged as a method of training fund development.

Mr. Stacks concluded by stating that if the Department of Labor's legislation is successful, it may be possible to avoid the pursuit of an employer based funding source for the purposes of retraining the unemployed Kansan and the federal initiatives in this area will be comprehensive as well as specific enough to address the current dilemma of vanishing employment in our state's economy.

Suggestions by Committee members included collaborating with the Joint Committee on Economic Development and Education Committee to devise a strategy which would address the questions that have been posed by legislative staff and the Director of the Division of Employment Security.

The Committee adjourned to attend a meeting of the Kansas Inc. Task Force on Workforce Training and Education at Stormont-Vail Regional Medical Center Board Room. Dr. Charles Warren, President, Kansas Inc. stated the purpose of workforce training and education is a coordinated life-long seamless system of learning and workforce training guides the development of a relevant marketable contemporary workplace, skills, and competency. It was announced a planning action grant for $250,000 for school to work transition will be applied for before the end of this month.

November 10, 1993
Morning Session

A memorandum from Scott Hessell, Senior Policy Analyst, Kansas Inc. concerning Federal Labor Force Training and Education Legislation was distributed to the Committee (see <u>Attachment 3</u>).

The National Conference of State Legislatures, Commerce, Labor and Regulation's official policy regarding employment security reform and employment security system administrative funding was distributed to the Committee (see <u>Attachment 4</u>).

Advisory Council Update

Robert Stacks, Director, Division of Employment Security, Kansas Department of Human Resources, reported the Employment Security Advisory Council (ESAC) met on November 1, 1993, to review the 14 issues in Senator Salisbury's letter of September 17, and to make recommendations to the Commerce Committee (see <u>Attachment 5</u>). There are 12 members on the ESAC from business, labor, and the private sector. He explained the Committee discussed the first four issues and could not come to a consensus. A subcommittee composed of Dr. Charles Krider, Wayne Maichel, and Terry Leatherman was appointed to study the first issue. The subcommittee did not meet before the November 1 meeting. ESAC discussed the first four issues and could not come to a consensus. ESAC has scheduled a luncheon meeting for November 17 to again consider the 14 issues.

Terry Leatherman, Kansas Chamber of Commerce and Industry, was asked to present his views on the first four issues. He replied the first issue deals with temporary employment. He suggested there may be some way to have the section of the law that deals with disqualification address the question. In regard to the taxable wage base, he would like staff to explain what the concept is behind the wage base. ESAC needs further direction in regard to the third issue concerning the wisdom of liberal construction in the implementation of the Employment Security Law, and enacting statutory language to overturn case law in this area. The fourth issue deals with misconduct. Mr. Leatherman asked what is over-the-line misconduct and what is involuntary unemployment? In regard to question nine, he stated he would have to have more information on the other opportunities available.

Wayne Maichel, AFL-CIO, informed the Committee he has served on ESAC since 1980. He assured the Committee all 14 issues will be addressed by ESAC. The Council is looking into the issue involving temporary work assignments and disqualification for benefits and noncharge provisions. In regard to the taxable wage base the Council has asked the department for some criteria for establishing a taxable wage base. Regarding question three, he stated if the Employment Security Law does not say, it will be liberally construed in favor of the plaintiff. In regard to the misconduct definition, the Council has been asked to supply more information for the Council to make a recommendation. He stated the Council has been opposed to using Employment Security Trust Fund dollars for anything other than paying for benefits.

Mr. Maichel said AFL-CIO is a strong supporter of the school-to-work job training program, however, job training programs should be funded differently, not with trust fund dollars.

Update on Prior Committee Inquiries

William H. Layes, Chief, Labor Market Information Services, Kansas Department of Human Resources, responded to the requests for information the Committee had made at the September meeting (see Attachment 6). In regard to the number of clearances and denial cases of substitute teachers, there were 751 educational issue nonmonetary determinations, of which 423 were cleared for payment and 328 were denied. Table 10 and Table 11 reflect the annual number of appeals by issue and decision by appealing party. Board of Review decisions are in Table 10, and Referee decisions are in Table 11. Ninety percent of the time the Board of Review affirms the Referee's decision. Forty percent of employers do not respond to notices of misconduct and voluntary quits.

A Committee member asked of the employers that did not respond how many jobs were high paying jobs and how many were low paying jobs in both misconduct and voluntary quits? Mr. Layes replied the information would be provided.

Mr. Layes, in reply to the number of appeals and the number of referees, stated the number of appeals have remained about the same for the last ten years. There were 27 appeals professional staff in August, 1987 and 26 in September, 1993. There were 947 requests for payments of benefits for spousal transfer, of which 772 were cleared for payment and 175 were denied. Table 14 lists the states which disqualify claimants for spousal transfer issue and requirements to requalify. The Legislature changed the 1993 maximum tax rate of 4.23 percent to approximately 3.83 percent effective January, 1994. This does not apply to about 4,000 employers who have a negative balance. They will have up to 4 percent added on.

Additional Committee Recommendations

Committee members requested more information concerning the different levels of training, the number of unserved and underserved, and what basic skills are needed by businesses.

The following information was requested for the Commerce Committee meetings in January: how many people are unserved or underserved in the area of training; analysis of state occupational information; case law concerning liberal construction; and recommendations from the Employment Security Advisory Council.

The Chairman announced the Commerce Committee will make every effort to meet with the Senate Education Committee during the legislative session. Other issues of interest to the Commerce Committee during the 1994 Legislative Session are: implementation report on the Workers Compensation legislation enacted; a report from Workers Compensation Council; the issue of incentives for growth in the service industry and the definition of service; a subcommittee to study privatization issues; community development corporations and the progress Bank IV has made in developing that funding source in Sedgwick County; review of Kansas Inc. Task Force reports; and any other recommendations of the Joint Committee on Economic Development.

Further suggestions for consideration during the upcoming legislative session were a report from the Blue Highway Committee; joint meeting with the Senate Tax Committee; and review make-over of welfare system.

The minutes of the September 13-14 meeting were approved.

The meeting was adjourned.

Prepared by Mary Jane Holt
Edited by Jerry Ann Donaldson

Approved by Committee on:

January 28, 1994
(Date)

GUEST LIST

COMMITTEE: SENATE COMMERCE COMMITTEE DATE: 11-10-93

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Susan McBride	Topeka	Observer
Terry Leatherman	Topeka	KCCI
Vicki Simmerson	Topeka	Manpower
Mark Barcellina	Topeka	KDOCH
Wayne Maichel	"	Ks AFL-CIO
Paul Bicknell	"	KSDHR
Linda Tierce	"	KDHR
Bill Layes	"	"
Bob Stacks	"	"
Patrick Brazil	Kansas City	ETA/DOL, Reg VII
Sam Orozco	Topeka	KDHR
Brent Doane	Topeka	KAAUTS

GUEST LIST

COMMITTEE: SENATE COMMERCE COMMITTEE DATE: 11-9-93

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Jimmie McBride	Topeka	Observer
Terry Leatherman	Topeka	KCCI
Marc Barcellina	Topeka	KDCCH
Paul Bicknell	Topeka	KDHR
Bill Layes	Topeka	KDHR
Linda Tierce	401 Topeka	KDHR
Sam [illegible]	401 Topeka	KDHR

MEMORANDUM

Kansas Legislative Research Department

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November 8, 1993

To: Senate Commerce Committee

From: Lynne Holt, Principal Analyst

Re: Unemployment Compensation and Work Force Training

This memorandum analyzes the linkages of unemployment compensation to employee retention and re-employment incentives and workforce retraining and training programs. Both the causes of unemployment and the desired outcomes of governmental policies intended to decelerate the rate of unemployment or reduce the incidence of structural unemployment will be explored. Both training and nontraining programs may be part of a government's strategy (national or subnational) toward the attainment of either policy objective. However, prior to a determination of the appropriate strategies and the best means of financing them, a decision should be made as to what one wants to accomplish. For example, a well-conceived worksharing program might decelerate the unemployment rate by encouraging job retention. A properly designed self-employment program could encourage rapid re-employment, thereby decelerating the rate of unemployment. Moreover, a well targeted training program and appropriately directed job referral and relocation assistance effort might reduce the incidence of structural unemployment. However, untargeted training and nontraining programs may contribute very little toward the realization of either policy objective. A decision on appropriate financing should follow a determination of the most desirable strategies for realizing intended outcomes.

This memorandum is divided into five parts:

Part I examines the historical purpose of unemployment insurance in the U.S. and Kansas.

Part II explores the treatment of unemployment coverage, workforce training and retraining efforts, and nontraining assistance in other countries and the U.S. This part also outlines the major differences between, and similarities with, other countries and the U.S. with respect to government policies that affect unemployment.

Part III addresses state nontraining programs (often patterned after European models) to encourage more rapid re-employment.

Part IV addresses state programs that directly link unemployment policies to workforce training and examines briefly funding options for such training.

Part V outlines several options based to some extent on other countries' or other states' experiences that might be considered further in Kansas.

9/9/93
9/10/93
Senate Commerce
Attachment 1

PART I

HISTORICAL PURPOSE

The federal unemployment compensation law was part of the Social Security Act of 1935. Historically, the unemployment compensation system had its origins in the Great Depression. It was initially designed to provide benefits to workers to reduce the economic costs associated with labor market fluctuations. Workers directly benefited, industry indirectly benefited because a pool of trained workers was maintained, and social unrest was dampened.

The purpose of the law was explicitly articulated in two court cases. In *Rivard v. Bijou Furniture Co.*, 1942, it was noted that "the policy of Congress in enacting this chapter was the safeguarding of economic security and the masses of the people who were dependent on the continuance of regular, gainful employment for their livelihood." In *California Department of Human Resources Development v. Java*, Cal. 1971, the purpose ascribed to the law was to provide a substitute for wages lost during periods of unemployment not the fault of the employee, to give a prompt if only partial replacement of wages to unemployed individuals, to enable workers "to tide themselves over until they get back to their old work or find other employment, without having to resort to relief." In addition, the court's decision construed the intent of this law to have a stabilizing influence upon industry.

The Kansas Employment Security Law was enacted in 1937. Its purpose reflects the original purpose ascribed to the 1935 federal law with an emphasis on promoting employment stability and on protecting workers and their families from the most adverse social effects of unemployment during an economic downturn.[1]

When the federal and state unemployment compensation laws were enacted in the 1930s, the rate of structural change in the economy apparently proceeded at a considerably slower rate than in recent years. Structural unemployment may be attributed to several factors, such as permanent shifts in consumer demand and thus labor demand; technological changes; and the effects of foreign

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[1]See K.S.A.44-702 for a declaration of state policy:

> . . . Economic insecurity, due to unemployment, is a serious menace to health, morals, and welfare of the people of this state. Involuntary unemployment is therefore a subject of general interest and concern which requires appropriate action by the Legislature to prevent its spread and to lighten its burden which now so often falls with crushing force upon the unemployed worker and his family. The achievement of social security requires protection against this greatest hazard of our economic life. This can be provided by encouraging employers to provide more stable employment and by the systematic accumulation of funds during periods of employment to provide periods of unemployment, thus maintaining purchasing power and limiting the serious social consequences of poor-relief assistance.

competition on domestic production. The implication for structurally unemployed workers is that they often lack the skills to find employment with comparable remuneration to the positions they lost. This deficiency would require formal retraining which, in turn, might disqualify them from receipt of unemployment insurance (UI) benefits.[2]

Although business restructuring may account for some of our country's current sluggish growth, there is no consensus about the extent to which this explanation is accurate. Another plausible explanation for the slow economic recovery is sluggish demand. Indeed, one recent article concludes that the current recovery may be explained by the unusual sluggishness of both employment growth and output growth, as well as by the unusually large portion of output growth that is attributable to increased productivity.[3] The manufacturing sector in the U.S. is employing 270,000 fewer people than it did a year ago and the service sector is expanding. In the past year, 60 percent of the jobs added were in health care, restaurants and bars, and temporary positions.[4] This structural shift in the kind of jobs available implies lower salaries, fewer benefits, and the societal fostering of different skills.[5]

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[2] See discussion of the implications of structural unemployment in W. Lee Hansen and James F. Byers, "Unemployment Compensation and Retraining: Can a Closer Link be Forged?" in eds. Hansen and Byers, *Unemployment Insurance* (Madison: University of Wisconsin Press, 1990), pages 268-269. The degree of structural unemployment in the U.S. and other countries is admittedly open to debate. See Footnote No. 3.

[3] George A. Kahn, "Sluggish Job Growth: Is Rising Productivity or an Anemic Recovery to Blame?" *The Federal Bank of Kansas City Economic Review*, Third Quarter 1993, pages 5-25. Mr. Kahn notes that in an average recovery, employment accounted for 53 percent of output growth and productivity accounted for 47 percent. By contrast, in the current recovery, employment accounted for only 6 percent of output growth and productivity for 94 percent.

[4] David Wessel, "Is it Jobless Growth or Just Slow Growth?" *The Wall Street Journal*, November 1, 1993, page A1.

[5] The debate regarding explanations for sluggish growth occurs with respect to other countries as well as the U.S. For example, the main thesis of an article by Pierre Fortin on unemployment in Canada is that there is a shortfall of aggregate demand; the problem is not structural. See Pierre Fortin, "Unemployment in Canada," *Unemployment: International Perspectives*, eds. Morley Gunderson, Noah M. Metzer, and Sylvia Ostrey (Toronto: University of Toronto Press, 1987), pages 74-83.

PART II

TREATMENT OF UNEMPLOYMENT IN OTHER COUNTRIES

European countries, Japan, and Canada vary in their respective treatment of unemployment. However, perhaps one of the most noticeable distinctions between all these countries, particularly the European countries, and the U.S. is the recognition by government and industry that global competition requires the innovation and diffusion of information and advanced manufacturing technology, and the recognition that the application of such technology requires ongoing labor force training to adopt change. Workforce training is thus integrated into these countries' technology development and export policies. A brief overview of the training and UI coverage policies of France, Germany, Canada, Japan, and the U.S. is provided below. In addition, the Short-Term Compensation (STC) program in Germany and the Chomeurs Createurs (CC) program in France are described, since these programs have become models for programs in certain states. (See Part III for a discussion of state nontraining programs.)

I. France

A. Unemployment Coverage. France relies on the payroll tax to fund UI. Reduced UI benefits are available indefinitely, on a means-tested basis, to individuals who have exhausted their UI benefits. Table I illustrates the division of employer and employee contributions to UI benefits in France and five other countries. In France, employers contribute 64 percent, and employees, 36 percent. The two main UI benefit programs included in the coverage are basic benefits to unemployed persons, including persons 60 years or older who do not qualify for old-age pensions and end-of-entitlement allowances. To be eligible for UI in a given year, a person must work at least one-fourth of the year. UI benefits are related to wages earned, although there is a flat-rate component included in the benefit formula. Benefits may last up to two-thirds of a year but may be extended for a duration based on a combination of an individual's age and length of work service.[6]

B. Training. In France, a National Employment Fund provides up to 70 percent of the expenses in retraining workers in any firm that is restructuring as a result of automation. The Agency for Development of Information Technology assists postsecondary institutions in training engineers and technicians to help meet the labor shortage for high-tech applications. The Agency for the Development of Automation advises and subsidizes enterprises proposing to introduce technologies.

The French training system is based on a public-private partnership with both a legislative and contractual foundation for operation. The federal government finances continuous training activities under regional and local agreements which meet the needs of target groups for employment assistance and provide for specified skills training. Employers must contribute 1.1 percent of payroll to finance such efforts.

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[6]Most of this information comes from testimony by James R. Storey, Congressional Research Service, U.S. Library of Congress, to the Subcommittee on Human Resources of the Committee on Ways and Means House of Representatives, 102nd Congress, 2d Session, on H.R. 4727, April 9 and 30, 1992, pages 277-288.

The National Employment Agency has created courses designed to upgrade skills of job seekers who do not have the necessary job qualifications. Agreements signed with employers are designed to prevent layoffs and to provide financing of training programs to upgrade worker skills as needed to accommodate changes in work demand and technology. The intent of such retraining is to retain employees in a firm or meet the employment needs of another firm. In addition, a legislated worker study leave program facilitates adult education, and a combination vocational training and work program provides federal subsidies to employers of underprivileged young adults between 17 and 26 years of age.[7]

C. Other Unemployment Assistance. The national government also provides "solidarity payments" to: unemployed youth who have completed academic or vocational training and meet other qualifications; long-term unemployed with previous insurable employment; persons 55 and older taking early retirement under solidarity contracts in which jobs are created for younger people; and unemployed persons setting up their own businesses.[8]

To assist unemployed persons in setting up their own businesses, the program Chomeurs Createurs (CC) was established in 1979. This program permits transfer payment diversion for small business development. Eligible program participants include: persons covered by UI and involuntarily laid off or under notice of layoff; persons who have exhausted their UI benefits; and persons entering the work force. Participants receive a lump-sum payment to start their businesses two months after application. The amount of payment is based on the length of unemployment (the benefit is larger, the shorter the period of unemployment) and the type of benefit the recipient previously received. In addition to the lump-sum payment, participants in the CC program receive Social Security coverage (including health, maternity, disability, and old age insurance, but not unemployment insurance) and do not have to pay social insurance taxes during the first six months of business operations.

An analysis of the CC program undertaken in 1982-1983 and of a similar British program called Enterprise Allowance Scheme undertaken during the period 1982-1986 disclosed that the two programs had succeeded in turning less than 1 percent of transfer payment recipients into entrepreneurs and an even smaller proportion of these recipients into successful ones. Reasons cited include: the small amount invested by program participants in their respective businesses; the very small size of such firms; and the nature of the firms (predominantly dependent on local consumers and local income). The conclusion drawn from the analysis was that this type of program did not seem generally appropriate for the severely disadvantaged, the long-term unemployed, or young job seekers with little prior work experience. These are all categories of individuals whose previous experience and training may make them poorly prepared for entrepreneurial ventures. However, according to the authors of the article who conducted the analysis, it is precisely the individuals in

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[7]Steven Deutsch, "Flexible Labor Markets and Labor Training -- An American and International Analysis," in *Labor in a Global Economy: Perspectives from the U.S. and Canada*, eds. Steven Hecker and Margaret Hallock (Eugene: University of Oregon Books, 1991), pages 128-129.

[8]Beatrice Reubens, "Unemployment Insurance in Western Europe: Responses to High Unemployment, 1973-1983," in *Unemployment Insurance*, eds. Hansen and Byers, pages 178-179.

those three groups who are most in need of employment assistance, but who are least likely to benefit from the CC program.[9]

II. Germany

A. Unemployment Coverage. As in France, UI in Germany is financed through payroll taxes. In Germany, half of the tax is paid by the employer and half by the employee. (See Table I.) Extended UI benefits based on age and job tenure for certain hard-to-place workers, and reduced benefits (on a means-tested basis) to those who have exhausted UI benefits are available in Germany, as they are in France. Germany requires work for at least 40 percent of a three-year period as a condition for eligibility for UI benefits. The UI benefit formula provides for the state to replace 63 percent of wages (more for workers with dependents), but on an after-tax basis. UI benefits for full-time workers last up to a full year. As in France, the UI system is coordinated with national pension system and workers receiving pensions are excluded from receiving UI benefits.[10]

The spiraling unemployment insurance costs in Germany (associated in part with reunification) have caused great concern. The German government recently proposed legislation to reduce the percentage of a recipient's net pay that would be subject to unemployment compensation. Just since 1990, payroll levies for the insurance have increased from 4.3 percent to 6.5 percent. Despite that increase, the insurance fund will still require a government bailout to cover one-quarter of its $67 billion budget.[11]

B. Training. At the cornerstone of the work force training system in Germany is the dual system of apprenticeship, which is characterized by a partnership of business associations, unions, and government. Businesses pay directly for apprentices' stipends and finance the system through their compulsory memberships in the Chamber of Trade and Craft or the Chamber of Industry and Commerce. Individual German states fund vocational schools, which adhere to federal guidelines and curricula developed jointly with industry.[12]

Further vocational training may be offered by companies, associations, and schools. Vocational retraining, which generally takes place in inter-company centers, is offered if there are no longer opportunities on the job market in a particular trained occupation. Additional vocational

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[9]Marc Bendick, Jr. and Mary Lou Egan, "Transfer Payment Diversion for Small Business Development: British and French Experience," *Industrial and Labor Relations Review*, Vol. 40, No. 4 (July, 1987), pages 528-542. All information on the Chomeurs Createurs program was extracted from this article.

[10]See testimony of James R. Storey, pages 287-284.

[11]Daniel Benjamin, "Giant Under Stress: With Unemployment Climbing in Germany, So Are Social Tensions," *The Wall Street Journal*, November 4, 1993, pages A1, A11. Also see Ferdinand Protzman, "Germany Moves to Make First Cut in Social Programs," *The New York Times*, August 12, 1993, page 3.

[12]For a more extensive discussion of this training system, see Lynne Holt and Dave Kerr, "Workforce Training Systems In Germany and Denmark," (forthcoming) *Kansas Business Review*, Vol. 17, No. 1, Fall, 1993.

training and retraining is generally funded directly by companies but receives some support from the Federal Institute of Employment. Public support is available for pre-vocational training for disadvantaged young people after leaving school and, in the form of individual grants, for trainees in need.[13]

The strength of the German system is the strong identification the German worker has with a chosen trade or occupation and the acquisition, through the dual system, of highly specialized skills that produce high quality work. The weakness is the difficulty of moving easily to another occupation or redefining a position when changing technology or changes in consumer tastes require that adaptation.[14]

C. Other Unemployment Assistance. In Germany, Short-Term Compensation (STC) is provided as an alternative to layoffs by reducing working hours but retaining jobs during cyclical downturns. (As of January 1993, 17 states in the U.S., including Kansas, also offer a variation of STC but the rate of utilization is not yet as pervasive (see reasons in Part III).) STC is invoked through the assent of works councils or individual workers where no council exists. The Bundesanstalt fuer Arbeit (BAA), the federal agency that administers unemployment insurance and active labor market programs, must approve STC plans in accordance with certain specified requirements. Total hours at a plant must be reduced by at least 10 percent and at least one-third of the workers must have their hours reduced by 10 percent or more. Typically, plans are proposed for six months but may be extended to 12 months and, in exceptional circumstances, to as many as 24 months.

While the plan is in effect, employers add the STC payments to the paycheck for the hours worked and are later reimbursed by BAA. STC payments have the same wage replacement rate as regular UI program payments, except that the replacement rate in the part of Germany that is the former German Democratic Republic is considerably higher. Contributions must still be made for health insurance payroll taxes and retirement payroll taxes. STC in Germany is considered flexible for three reasons: (1) reductions in hours do not have to be uniform across an affected unit; (2) the payment is administered by the employer and not an unemployment office; and (3) the receipt of STC does not reduce a worker's subsequent entitlement for regular UI benefits.[15]

III. Canada

A. Unemployment Coverage. Canada uses the payroll tax to fund UI. Employers generally contribute 58 percent and employees 42 percent to the tax. (See Table I.) To be eligible for UI benefits, a person is required to work for 40 percent of a one-year base period, but eligibility criteria are relaxed in regions with high unemployment. Canada is divided into 60 labor market regions. The average UI benefit duration is two-thirds of a year, as in France, but the duration may be almost a year for full-time employees in regions with unemployment exceeding 10 percent. The

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[13]The Federal Minister for Education and Science, *Vocational Training in the Dual System in the Federal Republic of Germany*, May, 1992.

[14]Ray Marshall and Marc Tucker, *Working for a Living: Education and the Wealth of Nations*, (New York: BasicBooks, 1992), page 206.

[15]Wayne Vroman, "Short Time Compensation in the U.S., Germany, and Belgium," Urban Institute, June, 1992 (unpublished manuscript).

minimum benefit duration is 17 weeks. UI benefits also are available for families for maternity leave, adoption, and sickness, as well as for seasonal and year-round coverage for fishermen. As in France and Germany, UI funds may be used directly for training (see below).[16]

B. Training. The Canadian government provides funding for the Canadian Labour Congress for worker education programs. In 1983-1984, 2.3 percent of the labor force (in contrast to 1.0 percent in Germany and Sweden) participated in job training funded by the government. A program of strategies for retraining, known as the Canadian Jobs Strategy, was initiated in 1985, with a commitment of substantial federal government funds. The program has six major components: (1) skill investment, which targets experienced workers who need to update their skills in order to retain jobs; (2) job entry, which targets youth, displaced homemakers, and new job entrants; (3) job development, which targets long-term unemployed workers through classroom and on-the-job training; and (4) skill shortages, which targets workers toward high-demand skills that may be in short supply. The other two components are: (5) the Community Futures program, which assists nonmetropolitan, primarily single-industry communities affected by plant closings and mass layoffs; and (6) the Innovations program, which funds pilot projects and demonstration projects.[17]

The skill investment component of the Canadian Jobs Strategy provides workers with several options. On-the-job retraining assistance may be provided to employees in small businesses facing rapid technological changes or even closure. Retraining is funded through wage subsidies to employers. In addition, the following options are provided: relocation and travel assistance (also incorporated into a New Jersey demonstration project; see Part III); worksharing (see description of the German STC program above and in U.S. -- see Part III); and a training trust fund to finance workers' future training needs.

IV. Japan

A. Unemployment Coverage. In Japan, a company has to meet four tests to justify a mass dismissal of workers: (1) the layoffs must be absolutely necessary; (2) the company must have made an effort to avoid job losses; (3) the company must have consulted with the union; and (4) the selection of those to dismiss must not have been made in a discriminatory manner.[18] In contrast to U.S. employers, Japanese employers have more freedom to reassign workers within a firm. Whereas in the U.S. the burden of workforce adjustment historically has fallen primarily on production workers, in Japan differences in unemployment risk between production and nonproduction workers are relatively small. Both production and nonproduction workers enjoy strong

[16] Testimony of James R. Storey, pages 277-288. Also Roger Roberge, "Unemployment Insurance in Canada," *Canadian Social Trends*, Spring, 1983, page 14.

[17] Most of the information on the Canadian training system was extracted from Duane E. Leigh, "Canadian Training Programs," *Does Training Work for Displaced Workers?* (Michigan: W. E. Upjohn Institute, 1990), pages 71-90. Also see Steven Deutsch, pages 132-134.

[18] Andrew Pollack, "Jobless in Japan: A Special Kind of Anguish," *The New York Times*, May 21, 1993, page 1.

employment security compared to that of production workers in the U.S.[19] These differences explain in large part why the unemployment rate is only 2.3 percent in Japan, although this percentage does not reflect seasonal manufacturing workers who cannot find employment or the increasing number of madogiwazoku ("window tribe") -- unneeded white collar workers who basically do nothing for their paycheck.[20] A projection from the U.S. Bureau of Labor Statistics, which includes part-time and discouraged workers, sets actual unemployment at 7.2 percent in Japan.[21]

In contrast to the U.S., European countries, and Canada, Japan augments its payroll tax with general government funds to finance UI benefits. Employers and employees contribute 37.5 percent each and the government provides the remaining 25 percent. (See Table I.) UI eligibility is triggered by a requirement that one work for at least half a year. Like Germany and France, Japan coordinates coverage with a national pension system. Japan's wage replacement rate varies in accordance with income -- up to 80 percent at low wage levels. However, the formula used to compute benefits excludes overtime pay and bonuses, which account for one-third of cash compensation in Japan. UI benefits generally last up to a year in Japan, but can be extended based on a combination of age and length of service. Wage supplements and subsidy payments to firms may be used to retain underemployed workers in their regular jobs and, as is the case with the other three countries discussed above, UI funds may be used directly for retraining.[22]

B. Training. Continuous training is an integral part of Japan's industrial strategy. Such training is intended to either improve the versatility and mobility of workers or to support the activities of quality circles or total quality control systems. A governmentally operated vocational training system, stimulated by the 1969 Vocational Training Law, encourages employers to provide training to their work force. Such training includes: general training; skills training; and training to facilitate updating and upgrading of skills and assistance to workers who need to change jobs. Most training in firms occurs off the job.[23]

In a comparison to training provided by U.S. firms, it was noted that:

> Japanese firms provide longer training and orientation to new employees, allocate more time for formal training of experienced employees and, perhaps most importantly, make greater use of job rotation to broaden and deepen skills. Among large Japanese firms with more than 1,000 employees, 99 percent have a training manager. Even among

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[19]Katherine G. Abraham and Susan N. Houseman, "Job Security and Work Force Adjustment: How Different are U.S. and Japanese Practices?" in *Employment Security and Labor-Market Behavior: Interdisciplinary Approaches and International Evidence*, ed. Christopher Buechtemann (Ithaca, N.Y.: ILR Press, 1993), page 198. One might contend that nonproduction workers no longer enjoy employment security in the U.S. given the recent spate of layoffs at many large corporations.

[20]Marc Levison *et al.*, "Can Anyone Spare A Job?" *Newsweek*, June 14, 1993, page 46.

[21]Leonore Schiff, "Comparing Unemployment," *Fortune*, May 31, 1993, page 30.

[22]Testimony of James R. Storey, pages 277-288.

[23] Steven Deutsch, pages 134-135.

small firms with 20 to 99 employees, 69 percent have a training manager, a fraction well above comparable American figures.[24]

The comparison to the German vocational training system is also illuminating. Whereas the German system of vocational education aims at producing people with very high technical qualifications for their working life, the Japanese system is mainly interested in producing highly educated people who can learn anything quickly and well. In the Japanese system, public schools are responsible for producing graduates with a high level of general proficiency and employers, for their part, provide workers with the additional technical and work skills they will need. There are, however, two weaknesses with the system. First, the firms employ only approximately one-third of Japanese workers, leaving the remainder to rely on a weak backup system of state-run vocational schools for their additional training. Second, there is, in contrast to Germany, a lack of any formal national system for recognizing vocational qualifications.[25]

V. United States

With the exception of Japan, the unemployment rate in the U.S. is the lowest of the five countries addressed.[26] Although there may be a tendency for the U.S. to unreflectively emulate other countries, particularly Japan and Germany, in government efforts to reduce unemployment, a few observations may be useful. Despite all the positive attributes associated with the European "safety net," it might be argued that the high level of unemployment in Western Europe relative to that of the U.S. results from too many restrictions on the free operation of market forces, as well as from a conservative fiscal policy and limited export markets.[27] European labor is 50 percent more costly than its major competitors, largely because of social benefits. In 1992, the average German

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[24]Paul Osterman, "New Lessons for State Training," *State Government*, Vol. 3, Summer, 1992, pages 7-8.

[25]Ray Marshall and Marc Tucker, pages 206-7.

[26]Unemployment rates in the second quarter of 1993 were: 7.0 percent -- U.S.; 2.4 percent -- Japan; 11.4 percent -- Canada; 11.0 percent -- France; 5.8 percent -- Germany. See *Monthly Labor Review*, September, 1993, Volume 116, Number 9, 100. The unemployment rate in Germany appears to have increased significantly since the second quarter of 1993, given recent accounts of a 7.4 percent unemployment rate in the western part of the country and a 15.2 percent unemployment rate in the eastern part. See Daniel Benjamin, page A1.

[27]Michael Ellman, "Eurosclerosis?" *Unemployment: International Perspectives*, eds. Morley Gunderson, Noah M. Meltz, and Sylvia Ostry, (Toronto: University of Toronto Press, 1987), page 58. Ellman notes that the major achievements of the welfare state are: "the abolition of financial insecurity of a purely market economy; the provision of basic needs for the entire population; a reduction in poverty and inequality; and more humanization of work." At least some unemployment, according to Ellman, is caused by excessive real wages, energy shocks, too large a public sector, the welfare state, employment protection legislation, and a hostile environment for entrepreneurs. Ellman's view is that, to a considerable extent, however, this is only a partial explanation of the relatively high level of unemployment in Europe. Effective demand has been reduced (and unemployment has increased) "precisely from leaving things to market forces."

manufacturing worker, the highest paid in Europe, received $26.89 an hour in wages and benefits (of that total, benefits averaged $12.47 an hour). By contrast, only $4.44 of the U.S. worker's average hourly compensation of $15.89 accounted for benefits. The Organization for Economic Cooperation and Development (OECD) estimated that in 1992, average European Community (EC) unit labor costs increased 4.1 percent, in contrast to 1.4 percent in the U.S. and 2.4 percent in Japan. Social Security outlays accounted for 25 percent of the Gross Domestic Product in the European Community, compared with 15 percent in the U.S. and 11 percent in Japan. There are undoubtedly other areas in which the U.S. has been less competitive than the other developed countries (health costs come immediately to mind) in curbing unemployment, but U.S policies seem to have favored employment growth more than have EC policies.[28]

A. Unemployment Coverage. Like the other countries' coverage policies addressed above, the U.S. relies on payroll taxes to fund unemployment benefits. There are a few major differences between the UI system in the U.S. and that of the four countries discussed above. The U.S. system is the only one that: operates under rules established by subnational governments (although states are required to adhere to certain federal standards); rates the unemployment experience of employers in setting tax rates; uses insured unemployment as a measure by which extended benefits are triggered; has relied on temporary benefit extensions to provide additional benefits during recessions; disqualifies job quitters for the duration of their unemployment; and provides dislocated worker benefits based on import competition.[29]

The U.S. unemployment compensation program is financed almost entirely from taxes on the employer (although two states -- Alaska and New Jersey -- also tax employees for this purpose and two other states -- Pennsylvania and West Virginia -- trigger employee contributions under certain circumstances). Generally, a recipient's weekly benefit is one-half of his or her weekly wage; however, state computations may vary in deriving the exact amount. All states provide a maximum on the weekly amount payable to any claimant. All states also provide up to 26 weeks of coverage, with a few states providing more. In most (but not all) states the benefit duration depends on the recipient's base period work and benefits. Unlike the countries discussed above, qualification criteria governing eligibility vary by state, although claimants must demonstrate a reasonably firm attachment to the labor force, based upon a 12-month period of continuous employment in the recent past. State law requires all benefit recipients to be able to work and "available for suitable work." UI benefits may not be denied on those grounds, however, if a recipient is engaged in training approved by a state's oversight agency. The application of this federal provision varies among the states.[30]

B. Training. The Job Training Partnership Act (JTPA) is the nation's primary employment and training program for disadvantaged adults and youths. (There is no national employment or training program for individuals who are not eligible for JTPA, although most states have their own workforce training programs to accommodate other needs, such as business recruitment or assistance to small businesses undergoing rapid technological change.) The JTPA is primarily administered by localities through subcontracts with a variety of providers, such as schools

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[28]This assumes that one does not analyze the quality of employment included in job growth. Most of the recent U.S. job growth has been in low paying service sector jobs and temporary jobs.

[29]Testimony of James R. Storey, pages 277 and 280.

[30]Most of the information on the UI system in the U.S. is taken from *Highlights of State Unemployment Compensation Laws,* January, 1993.

and community colleges. Each locality must have a Private Industrial Council (PIC) that provides policy guidance and oversight of the local JTPA job training activities. A majority of PIC members must represent the private sector. The JTPA law provides for the establishment of state service delivery areas (SDAs), to which most of the funding is allotted and administrative responsibility assigned.

JTPA, as amended in 1992, includes several programs: Title II-A Adult, which provides training and placement services for economically disadvantaged adults; Title II-B Summer Youth, which provides training and work experience programs for youth between 16 and 21 years of age during the three summer months; Title II-C Youth, which, like the adult program, provides training for youth all year; Title III (Economic Dislocation and Worker Adjustment Assistance Act or EDWAA), which provides retraining, relocation, and placement services for workers dislocated due to plant closings or layoffs; and various state set-aside programs to fund state oversight, education coordination, incentive awards to service delivery areas that meet state performance measures, and older worker training and placement. In Kansas, the JTPA program is administered by the Department of Human Resources, and there are five SDAs (Hays, Topeka, Kansas City, Wichita, and Pittsburg).[31]

The JTPA program is directly linked to the UI system insofar as Title III -- EDWAA provisions require state matching funds for the retraining of dislocated workers. The federal law provides for UI benefits to count for up to 50 percent of the match. The implications of this requirement may not be in the best interest of the UI system because, according to authors Hansen and Byers, "more UI funds are distributed to workers who are guaranteed a lengthy stay out of the job market."[32]

C. **Other Employment Assistance.** Job Service is a federally-mandated service authorized through the Wagner-Peyser Act. It provides job placement services to individuals receiving unemployment insurance benefits, as well as other enrolled unemployed individuals. In Kansas, Job Service is administered through 32 local offices, each of which has a defined service area. In Kansas, the Job Service is co-located with the JTPA program in two SDAs (Pittsburg and Hays).

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[31]The description of JTPA is extracted from Scott Hessell and Suzanne Clarke, Kansas Inc., *The Kansas Labor Force Education and Training System: An Analysis of Program and System Coordination*, September, 1993, pages 11-14.

[32]W. Lee Hansen and James F. Byers, page 283.

PART III

STATE NONTRAINING PROGRAMS

State nontraining programs have at least one of two major objectives: (1) to decelerate the rate of unemployment by encouraging worksharing arrangements; and (2) to create conditions for more rapid re-employment. The German Short-Term Compensation program, described in Part II, exemplifies the first objective. Self-employment programs, such as the French Chomeurs Createurs program, described in Part II, exemplify the second objective. Another means of creating conditions for rapid re-employment is to provide bonuses to employees and employers to encourage such behavior, or to strengthen the role of job assistance programs in making placements and in preparing job seekers for suitable positions. The discussion below will address state strategies toward both these objectives and is accordingly divided into three sections: Short-Term Compensation (STC); self-employment; and other reemployment strategies.

I. Short-Term Compensation (STC)

STC is a program which allows employers with reduced work loads to avoid layoffs by reducing all employees' regular hours. Seventeen states currently provide STC programs. The first state to offer the program was California (1978), followed by Arizona and Oregon in 1982. The Kansas program was initiated in 1988. Only one STC program has ever been discontinued -- the Illinois program in 1988. That program had an unusual requirement: STC employers had to prepay into an escrow account and, for obvious reasons, no employers ever participated in the program.[33]

The states currently offering STC programs are governed by a requirement that each plan developed for a worksharing arrangement be agreed to by both the employer and the union, and furthermore approved by the state oversight agency. Unemployment benefits are payable to workers for hours lost. Benefits are payable in the same proportion to a full weekly benefit amount as the hours lost relate to full-time work. In addition, workers under STC plans are not subject to the requirements governing regular availability for work, active job searches, or refusal to work. They are instead required to be available for their normal work weeks.[34]

States vary in the terms governing worksharing plans: the duration of the plan prior to re-approval can range from six months to a year; the maximum number of weeks for benefits may be from 26 weeks (most states) to 52 weeks in New York and Texas; the required reduction of work to trigger plan benefits may range from at least 10 percent (nine states) or 20 percent (eight states, including Kansas) to no more than 40 to 60 percent (the cap in Kansas is 40 percent); the computation used for benefits varies; and the plans in some states are subject to special taxes (four states) or special financing conditions (in Kansas, the STC program is not available to employers with negative UI balances or to delinquent governmental and reimbursing employers).[35] Although most

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[33]Wayne Vroman, "Short Time Compensation in the U.S., Germany and Belgium," pages 7-8.

[34]*Highlight of State Unemployment Compensation Laws*, January, 1993, page 58.

[35]Ibid., pages 58-60.

state laws do not require employers to maintain fringe benefits, survey findings show that most employers choose to do so.[36]

What do we know empirically about STC programs? The largest U.S. study undertaken on these programs was conducted by Mathematica Policy Research as a result of a mandate by Congress as part of the Tax Equity and Fiscal Responsibility Act of 1982. Findings contained in the study included the following: STC participation did seem to reduce the extent to which layoffs were made in 1982-1983; STC benefit payments were more effectively experience-rated[37] than were regular UI benefit payments; STC participation did save on hiring and training costs, but these benefits were, to some extent, offset by higher fringe benefit costs; and administration of STC benefit payments was somewhat more expensive than the administration of regular UI (although it was anticipated that costs would decrease with added experience).[38]

Certain general drawbacks have been cited with respect to STC programs: the potential for subsidizing regular fluctuations in business activity (which some people feel is unnecessary); retarding the adjustment of firms to structural change in the economy; helping inefficient firms to survive; or keeping workers in jobs until their STC benefits run out, thus postponing layoffs but not eliminating them.[39]

Some advantages associated with STC in the U.S. include: fewer unscheduled absences from work; a reduction in stress-related accidents and illnesses; more effective use of preventive health and dental care; worker contentment; direct productivity improvements per hour of work;[40] a cost savings in payroll resulting from those plans in which senior workers share fully in the economic burden of reduced hours; an increased ability of employers to raise the level of production rapidly when demand returns to prerecession levels (the needed workers are already on hand); and the savings on training costs due to less attrition. Moreover, the costs of STC benefits per capita were found to be below those of advanced vocational training and retraining and general job-creation schemes.[41]

Despite those advantages, STC programs in the U.S., in contrast to Germany and Canada, have not been used very extensively. In fact, an analysis of STC claims activity relative to that of regular UI claims in 14 states reveals that only in Arizona in 1982 did such usage exceed 1.0

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[36]Katherine G. Abraham and Susan N. Houseman, *Job Security in America: Lessons from Germany*, page 39.

[37]"Experience-rated" means that tax rates on employers are based, at least in part, on how much unemployment they generate.

[38]There were other findings of the study. See Martin Morand, "Unemployment and Short-Term Compensation" in *Unemployment Insurance*, eds. Hansen and Byers, pages 317-318. In this chapter, Morand analyzes and provides a detailed critique of the research and methodology used in the Mathematica study.

[39]Beatrice Reubens, page 196.

[40]Martin J. Morand, page 344.

[41]Beatrice Reubens, page 195.

percent of all UI claims per state per year.[42] (Table II outlines STC usage in Kansas.) STC programs in the U.S. may be underutilized for a variety of reasons. First, seven states have provisions in their laws that arguably favor, at least for some employers, the use of layoffs over STC.[43] In Kansas, as previously noted, employers with negative account balances are prohibited from using STC; the firms which might most benefit from this option cannot avail themselves of it. Other reasons attributed to low usage include: the costs of maintaining fringe benefits; the potential for companies to incur higher subsequent UI taxes by placing workers in STC programs;[44] on a related point, no tax reduction and thus fewer incentives for employers to participate; and a potential for reduction in workers' entitlements for regular UI benefits should a layoff follow a period in STC benefit status.[45] All these limitations do not exist within the German STC system. Moreover, the German system has the added flexibilities, as we have seen, of allowing employers to make STC payments directly to workers through payroll checks, and to allow worker preferences to enter into hourly reduction plans.

II. Self-Employment

The Washington Self-Employment and Enterprise Development (SEED) project is an effort to test self-employment as an alternative use of unemployment insurance. The intent is to determine the effectiveness of providing self-employment assistance to interested UI claimants to help them start their own small businesses. Benefit recipients are provided business training, business counseling, and lump-sum grants.[46] The project was initiated on September 27, 1987 and is scheduled to end in December, 1993.

This project is a collaborative effort of several entities: Washington State Employment Security Department, Washington State Department of Trade and Economic Development, Business Assistance Center, Washington State Department of Revenue, the Small Business Development Centers at Washington State University, local economic development organizations, community colleges, the U.S. Department of Labor, the Small Business Administration, Abt Associates, Inc., and Battelle Human Affairs Research Centers.

The project will be evaluated in terms of process and implementation, net impact, and cost-benefits. The project design involves a randomly selected group of claimants who received SEED benefits (755) and a control group of claimants who received regular UI benefits (752). Participants in both the SEED program and the control group were selected from a pool of SEED

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[42]See Wayne Vroman, page 15 and Table 2.

[43]Katherine G. Abraham and Susan N. Houseman, *Job Security in America: Lessons from Germany*, pages 39-40.

[44]Ibid.

[45]Wayne Vroman, page 33.

[46]Information came from the Washington State Employment Security Department. Because federal law prohibits lump sum cashouts of UI benefits, all SEED lump sum payments were made using federal grant moneys allocated to test this concept. No state UI trust funds were used for these payments.

applicants. Of the total of 755 persons selected for SEED services, 451 received lump sum payments totaling $1,905,280. In order to receive this payment, SEED participants had to meet five project requirements: (1) complete SEED training (modular classes designed to expose claimants to certain tools needed to run a business); (2) develop a viable business plan; (3) secure the necessary financing identified in the plan; (4) open a separate bank account for the business; and (5) obtain all the requisite licenses, permits, bonds, or registration.

Compared to general UI claimants, SEED applicants were slightly older, had a little higher education level, were entitled to slightly higher UI benefits, and typically already had a technical or professional occupation. Between 7 and 10 percent of the unemployed expressed interest in SEED, and more than 60 percent of those who expressed interest applied to participate. Individuals located in urban areas expressed greater interest than those located in rural areas.

Lump sum payments averaged $4,225. The majority of SEED participants established businesses in the service sector (53 percent), followed by manufacturing (13 percent), and retail (12 percent). A survey of the short-term success rate of SEED participants revealed that two-thirds of new businesses were receiving an income and approximately one-half of that percentage were breaking even. Comparisons between the performance of SEED participants and members of the control group indicated that 40 percent of the control group exhausted UI benefits but only 25 percent of SEED participants did. Moreover, a business created by a SEED participant realized on average approximately $8,000 more in yearly sales than a business created by a control group member. SEED participants with higher prior earnings had slightly better business performances than did those without such earnings.

Preliminary findings on the program suggest that, in contrast to the French CC program, a properly designed self-employment program with certain preconditions may help the long-term unemployed. Indeed, business training and counseling in the Washington program probably mitigated against even greater business failure. However, given that no more than 6 percent of all potential claimants applied for the SEED program and even fewer met the necessary qualifications for eligibility, self-employment programs can only be considered a marginal alternative to the regular UI system. In this respect, the Washington program is comparable to the CC program.

It should be noted that the SEED program has been in existence for too short a time to properly assess its long-term effectiveness. Evaluations of the CC program and the British self-employment program did not assess the displacement effects or how much new firm creation would have occurred without such programs.[47] These are legitimate questions for experimental state programs, as well.

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[47]Beatrice Reubens, page 196.

III. Other Re-Employment Strategies

There are three other nontraining strategies that might be considered with the intent of decelerating the unemployment rate and encouraging more rapid re-employment: cash bonuses to employers or UI claimants (Illinois); job search workshop (Wisconsin); and job search assistance (New Jersey).[48]

A. Illinois. The Illinois Department of Employment Security conducted two experiments designed to test the effectiveness of cash bonuses paid either to employers or to UI claimants in reducing the duration of insured unemployment. These experiments were conducted between July, 1984 and June, 1985 and relied on data from 12,101 claimants (control group and two project groups). These claimants ranged from age 20 to 54 years old.

In the first experiment, called the Hiring Incentive Experiment (HIE), new UI claimants were informed that their next employer would be eligible for a cash bonus of $500. For their part, the claimants would have to have found full-time employment before the end of the 11th week following their initial claim, and they would have to have retained that position for four months. Once the eligibility of these claimants was determined, each was mailed a packet of materials instructing him or her to advise prospective employers of the experiment and the possibility of receiving a bonus. The intent was to provide a marginal employment or training subsidy that might reduce the duration of insured unemployment.

In the second experiment, called the Job Search Incentive Experiment (JSIE), the claimants were informed that they (instead of their employers) would get a $500 bonus if they fulfilled the same conditions as applied to HIE.

Findings on the first experiment (HIE) revealed that the bonus had little impact on the duration of UI benefits with the possible exception of a shorter duration and benefit level to white women. However, the second experiment (JSIE) disclosed a reduction in benefit payments (by $158 per eligible claimant per benefit year) and in the duration of benefits (by 1.15 weeks), compared to the duration of unemployment and benefits paid to individuals in the control group. An analysis of the JSIE project design concluded that not all of the JSIE claimants who were eligible for the $500 bonus cashed in their vouchers. If the project were ongoing, it was assumed that there would be more program participation and cashing of the vouchers, thus reducing the cost-benefit ratio but still making the program cost-effective to the state.[49]

B. Wisconsin. The Wisconsin Job Service conducted an experiment designed to test whether a special one-day, six-hour job search workshop could decrease the insured unemployment and thereby reduce the total amount of UI payments. This experiment, which was conducted from

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[48]The following information is derived from an article analyzing the design and operations of pilot projects in Illinois, Washington, Wisconsin, and New Jersey. See Robert G. Spiegelman and Stephen A. Woodbury, "Controlled Experiments and the Unemployment Insurance System," in *Unemployment Insurance*, eds. Hansen and Byers, pages 355-392. The New Jersey information was supplemented by the Executive Summary of the Final Evaluation Report of the New Jersey Reemployment Demonstration Project, April, 1989, prepared by Mathematic Policy Research and a brief description of that state's Follow-Up Study II furnished by the U.S. Department of Labor.

[49]Robert G. Spiegelman and Stephen A. Woodbury, page 382.

March to August of 1984, was known as the Eligibility Review Process (ERP) pilot project. New UI claimants were assigned to either a control or experiment group (approximately 2,000 in each group). The claimants enrolled in the ERP group were required to attend a one-day job search workshop conducted by the Employment Service staff. The training was, to the greatest extent possible, uniform in the six participating Job Service offices. The results of the experiment revealed that claimants who were in the experimental group received 0.62 fewer weeks of UI benefits than those in the control group. The net savings to the state's UI trust fund was nearly $115,000. An analysis of the project design noted that the scope (six offices) and duration (six months) of the ERP project should be expanded in a subsequent experiment. The question of displacement effects on nonparticipants was also raised.[50]

C. **New Jersey.** The New Jersey UI Reemployment Demonstration Project sought to test the effect of services and incentives on re-employment. This project was initiated by the U.S. Department of Labor in cooperation with the New Jersey Department of Labor. Eligibility for this experiment was limited to new UI claimants who, based on their demographic characteristics, were likely to experience long-term unemployment and to exhaust their benefits. Participants received basic job search assistance, including orientation, a week-long job search workshop, individual assessment, and counseling starting one week after receipt of the first UI benefit payment. The project began operations in July, 1986 and by the end of June, 1987, all participants had been selected and were assigned to one of two experimental groups or to a control group. Services to eligible claimants were continued into the fall of 1987. In the first group the participant was given a choice of training taken in a program approved by a counselor (in the classroom or on-the-job) or assistance in relocating (The last option recalls the skills investment component of the Canadian Jobs Strategy addressed above.) In the second group the participant received a bonus for rapid re-employment (the amount decreased, the longer the duration of unemployment).[51]

An initial evaluation of the project (April, 1989) disclosed that job assistance alone was the most effective treatment service -- a finding confirmed elsewhere. In addition, this evaluation found that the delivery of project services relied on strengthening linkages among the UI, Employment Service, and JTPA systems. Such linkages appeared to have occurred both centrally and, in most cases, at the local offices. A third finding was that the program services offered were most successful in assisting individuals with marketable skills, and that they were less successful for individuals who faced hard-core, structural unemployment problems. The implication set forth was that more intensive services may be needed for such individuals.[52]

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[50]Ibid., pages 383-384.

[51]See the Robert G. Spiegelman and Stephen A. Woodbury article on page 386; they note that the program design of the demonstration project appeared to be flawed in that it could not provide externally valid results.

[52]Final Evaluation Report on the New Jersey Unemployment Insurance Reemployment Demonstration Project, prepared by Mathematica Policy Research, Inc., April, 1989, page xi.

PART IV

STATE TRAINING PROGRAMS

This section raises six policy questions:

1. What is the desired outcome of training and retraining efforts (retention of jobs, rapid re-employment, or reduction of mismatches between existing skills and workplace demands, or a combination of the above)?

2. Who should receive training or retraining -- displaced workers, people needing skill updating, the long-term unemployed, people in highly specialized fields experiencing rapidly changing technologies, frontline workers responsible for directly producing or delivering goods and services, the elderly, displaced homemakers?

3. What entity is responsible for providing the training or retraining?

4. How should training be linked to the UI system, other job-related services, and to social public assistance services?

5. How should training be linked to businesses?

6. How should training be funded?

In an effort to address the first five questions, this section outlines the salient features of California's Employment Training Panel and Delaware's Blue Collar Jobs program.

In addition, this section briefly addresses the sixth question on funding mechanisms, to commence with a brief discussion on funding options. As the funding issue could easily constitute a separate lengthy memorandum, this part of the discussion is only intended to provide the reader with an appreciation of the variety of such options (and not by any means an exhaustive list). Finally, the funding issue raises at least one controversial question: should training and retraining be supported by moneys diverted from UI benefits? The discussion in this section will conclude with several arguments in support of and against such use.

I. California Employment Training Panel[53]

Focus of the Program. In 1982, the California Legislature created the Employment Training Panel (ETP) as a cooperative business-labor program to retrain workers. The program focuses on assistance to workers who are structurally unemployed or who are subject to displacement due to notification of impending layoffs, plant closure, workforce reduction, changes in technology, or significantly increasing levels of international and out-of-state competition. New legislation re-authorizing the ETP program, effective from January 1, 1994 to January 1, 1997, places greater emphasis on training for companies whose employees: face out-of-state competition; have high-skilled, high-wage jobs; and are frontline workers. (See 1993 S.B. 96.)

Eligibility of Trainees. No funds can be earned until and unless training is completed, the trainee is hired in the job for which he or she was trained, and the trainee is then retained in that job for at least 90 days. Eligible ETP trainees must be unemployed and either must have established UI claims or must have exhausted their benefits from California within the previous 24 months. Current employees also may be eligible if they are covered by UI and are in danger of layoffs during the next two years. Training is available to both blue and white collar workers.

Nature of Training Provider. The ETP enters into contracts with the following to provide employment training: an employer or group of employers (subject to the Employment Training Tax, discussed below), a training agency, a private industry council (JTPA), or a grant recipient or administrative entity selected pursuant to JTPA.

Terms of Contract/Type of Training Offered. Contracts may only be made for training in those job-related vocational skills that are necessary for participants to attain a new job or to retain an existing job with definite career potential and long-term job security. The contract period generally does not exceed two years, and all contracts are performance-based (payment is contingent upon job placement). The most frequent types of vocational training approved in contracts are: Total Quality Management, Statistical Process Control, and Manufacturing Resource Planning; management skills; office automation; and customer service. The contracts for vocational skill training may include ancillary training for job-related basic and literacy skills, if approved by the panel. Up to 10 percent of annually available training funds may be reserved for special employment projects, including the development of new industries that contribute to high skilled employment, support to workers affected by military and defense industry cutbacks, and support to individuals in fields where there is a demonstrated deficit of trained employees and clear advancement opportunities.

Panel and Oversight Responsibilities. There is an eight-member panel (seven members prior to enactment of S.B. 96), with backgrounds in business or labor, appointed jointly by the Governor and legislative leadership. The panel must develop a three-year plan, updated annually, which includes, among other items, an identification of regions in the state where training funds would be most beneficial and a priority list of skills that are in short supply, thus causing employers to import labor from elsewhere or not to locate to or expand in California. Other requirements of

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[53] Information on the ETP program was derived from: "Employment Training Panel," State of California, September 8, 1993; "Final Status Report-September 17, 1993;" "Employment Training Panel -- Annual Plan (1992-93);" Peter T. Kilborn, "California Leads Way in Retraining Workers With Dated Skills," *The New York Times*, November 27, 1992; and conversation with Marjorie Miramontes, ETP, October 4, 1993.

the panel include the monitoring of economic and other data required of the plan (projects over a certain amount are always audited, as well), contract approval and funding, evaluation of projects under contract, and submittal of reports to the Legislature.

Coordination with Other Programs. The panel coordinates with the Department of Commerce to use the latter's network of economic development agencies and to market the ETP program to businesses considering location or expansion. The panel coordinates with the Employment Development Department to meet employment and training needs of veterans and to ensure that workers affected by layoffs and plant closures receive necessary training and employment services. ETP staff can access the databases of the state's workshare program to check workers' salaries and wages and verify their eligibility for the ETP program. The panel's programs also must be coordinated with JTPA. Finally, if there is a collective bargaining agreement covering the employees in a firm, unions must be involved in the design of the training program.

Budget for Projects. In **FY 1993**, 233 contracts were approved, $91 million was approved for training, 52,000 persons were targeted for training, including 3,900 newly hired trainees, and 48,100 retrainees. The average cost per trainee was $1,750. Of the total amount of $91 million committed for training, $2.8 million was applied to job-linked literacy training (language and math). Ten percent of the FY 1993 funding was allotted for training in specific apprenticeship skills in new or advanced technology, methods, processes, or equipment not otherwise included in the curriculum of an approved apprenticeship program. Estimated training funds for **FY 1994** total over $95 million.

Strengths and Weaknesses of ETP. Some of the strengths attributed to ETP are its employer-driven quality, union support and involvement, the heavy reliance on private training providers, its performance-based contracts, and favorable wage increases over time, when compared to increases in federal retraining programs. Some of the weaknesses include the lack of financial audits of participating companies to determine their need for subsidized training, the cumbersome procedure by which employers must participate (it can take one to six months and sometimes longer before a project is approved), and an inadequate performance standard for retrained workers (90 days -- the time period that triggers reimbursement to a firm -- is considered too short to effectively gauge productivity).[54]

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[54]See Peter Kilborn article and Rosemary Batt and Paul Osterman, *A National Policy for Workplace Training: Lessons from State and Local Experiments*, (Washington D.C.: Economic Policy Institute, 1993), pages 29-30.

II. Delaware Blue Collar Jobs Act[55]

Procedure for Funding Allocations. The Delaware Blue Collars Jobs Act was passed in 1984 and is funded through a special assessment (discussed below). The allocation of the funding is set forth in statute: 10 percent of the total amount is retained by the Division of Unemployment Insurance for costs associated with the collection of the tax; the remaining 90 percent is apportioned for administration and training. Of that 90 percent, 25 percent goes to the Delaware Development Office for training of employees for industries relocating to or already located in the state, and for upgrading skills of state employees. Only 10 percent of the 25 percent may be used for the Office's administrative costs.

The other 75 percent goes to the Delaware Division of Employment and Training which has a contractual partnership arrangement with the Private Industry Council, Inc. The Division informs the Council of the amount of moneys available and, for its part, the Council, through a committee, determines the allocations for Blue Collar Jobs training projects at the same time as it makes determinations on JTPA training projects. The Division monitors the Blue Collar Jobs projects and JTPA projects for financial compliance and performance. Of the 75 percent, no more than 11 percent may be used by the Delaware Division of Employment and Training and the Delaware Private Industry Council for administration.

Training Focus -- Delaware Division of Employment and Training. This portion of the Blue Collar Jobs program targets services to dislocated workers, school-to-work transition, and other innovative training programs approved by the Council. In **FFY 1993**, there was, in the 75 percent allotted to the Council, $1.4 million for training contracts. Of the $1.4 million, $546,000 was budgeted for school-to-work training. Most of the training is targeted to new skills acquisition for occupations, such as construction worker, LPN, welder, pipefitter, truck driver, machinist, mechanic, clerical worker, and data entry operator. Contractors include schools, technical schools, community colleges, colleges, learning centers, and nonprofits. (School districts in Delaware are autonomous state agencies which apparently facilitates contractual arrangements.) Trainees in this component of the program are generally unemployed and are not eligible for JTPA benefits.

Contracts/Evaluations -- Delaware Division of Employment and Training. All contracts for training services are subject to competitive bids. All contracts require the trainer to provide placement services and other support, such as counseling and case management. Training averages approximately 16 weeks per enrollee. Trainers are also subject to evaluations.

Training Focus -- Delaware Development Office. This component of the Blue Collar Jobs program is targeted to training prospective employees of businesses locating in Delaware,

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[55]Information on the Delaware program was provided by Ron Walsh, Division of Employment and Training, Delaware Department of Labor for the component of the program administered by the Division (telephone conversations, October 4 and November 5, 1993). Information on the program component administered by the Delaware Development Office was provided by Jan Abrams, Director of Workforce Development, Delaware Development Office (telephone conversation, November 5, 1993). Most of the written material on the program is dated; see Brenda Trolin and Sharon O. Randall, "Re-employing Unemployment Funds," *State Legislatures*, August, 1987, page 13, and "Sharpening the Competitive Edge: Case Studies: Partnerships for Training and Retraining in a Changing Economy," prepared by the Clearinghouse of the National Alliance of Business in cooperation with the U.S. Department of Commerce, November 1987, page 19.

retraining employees of businesses already located in the state, and upgrading the skills of state government employees. In **FFY 1993**, the Office received $480,000 and $100,000 was set aside for training of state government employees. (The Office can also carry over uncommitted funds.) The Office enters into contracts with companies to train their own employees or with trainers selected by companies with input from the Office. (Companies wanting training increasingly have become the contractors for that training.)

Contracts/Evaluations -- Delaware Development Office. The contracts are flexible and streamlined and typically last for up to a year. Employee training averages six-eight weeks in duration. The Office assists companies in identifying the appropriate trainers (if contracted to outside trainers) and in coordinating the activities of trainers and companies. There are pre- and post-assessments of trainee skills acquisition and the contractor is required to maintain records on: the profiles of trainees, duration of training, and wages of trainees. This information is used by the Office for follow-up assessments conducted a year after the training has been completed. Program funding per contract may not exceed $100,000 and the company generally provides a cash or in-kind match averaging 50 percent (although the terms for the match are flexible and sometimes match requirements are waived).

Curriculum Development -- Office of Development. In addition to funding training and retraining contracts, the Office uses a portion of its allocation to seed certain postsecondary courses in areas identified as critical by businesses in the state. Examples cited were financing courses (financial institutions were involved in the curriculum development with the Office, a community college and a private college) and courses to train composite technicians. The businesses involved in curriculum design hire many of the program graduates and, once developed, the curriculum is offered on an ongoing basis to upgrade employee skills and maintain a skilled workforce in those fields.

Program Outcomes. For the program component administered by the Division of Employment and Training, FY 1990 data reflect a job placement rate of 72 percent for adults and a 66 percent placement rate for youths. A total of 500 employers hired 796 program graduates (adults and youths, combined). The average FY 1990 cost for training was $2,127 per adult and $2,317 per youth.

For the program component administered by the Delaware Development Office, a study that evaluated the program from 1985-1990 found that individuals who completed Blue Collar Jobs training increased their earnings from pre-training to post-training by an average of $5,200 per year (this amount also included earnings of individuals going from unemployed to employed status). The study also found that participating businesses experienced a lower employee turnover rate than did nonparticipating businesses that offered other, less structured forms of training.[56]

Strengths and Weaknesses of Blue Collar Jobs Program. According to program contact persons, the strength of the program is that it is very flexible and industry driven. The focus can shift fairly easily to respond to business needs. For example, approximately 70 percent of all funds (budgeted and carryover) used for training administered by the Delaware Development Office last year was distributed to businesses located in the state; the focus in the past two years has been predominantly on job retention rather than on job creation. However, in years when the economy

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[56]I did not see the study; this information was only communicated to me orally. Therefore, I am unable to report on the methodology used.

had been more robust, a larger percentage of those training funds were directed to skill acquisition for new jobs created by relocating or expanding firms. Yet another strength cited is the flexibility of the Office to carry over unexpended funds from one year to the next.

Perhaps the greatest weakness, according to program contact persons, is that the level of program funding relies so heavily on the intake of UI taxes. If proceeds from UI taxes decline, as they often do in a recession, the revenues for training likewise decline. Ironically, it is during economic downturns when training is often most needed. However, the flexibility to carry over from one year to the next unexpended funds that accrue when the economy is stronger allows program administrators to offset potential shortfalls during a cyclical downturn.

III. Financing Options

Workforce training programs can be financed in various ways. If linked to the UI system, a surtax in the form of a surcharge or special assessment may be imposed. Four states impose surtaxes for training as a percentage of taxable wages: California, Delaware, Hawaii, and Nevada. A "surtax" means an extra tax, or a tax in addition to the regular, overall unemployment insurance tax. It does not include socialized cost or statewide experience factors (related to the degree of unemployment generated by companies). Although often computed separately and added to employers' basic rates, these factors are integral parts of the regular, overall determination formula. Nor does "surtax" include penalty rates, such as those often assessed delinquent employers.[57]

Surcharge. California's and Delaware's use of the surtax are somewhat different. In California, the ETP programs are funded by the Employment Training Tax, which is essentially a surcharge (added tax).[58] It works as follows. In 1983, the UI tax was raised for all private, for-profit California employers by 0.1 percent and the money was diverted into a retraining fund; then the UI tax payable into the UI trust fund was lowered by 0.1 percent. Trust fund money can only be spent for benefits but the retraining fund is used for ETP programs. The annual maximum amount per employee translates to $7.00 since the 0.1 percent surcharge applies to the first $7,000 of wages for each employee. Over $95 million is estimated to be available for training in FY 1994.

Special Assessment. Delaware's Blue Collar Jobs program operates on the same principal as does California's program, in that it revolves around a diversion of UI funds. Unlike California, Delaware was in debt to the federal government for loans needed to fund its UI program in the early 1980s.[59] A 0.6 percent surcharge was added to the tax paid by employers to repay the federal loan. When the loan was repaid, Delaware reduced the surcharge to 0.5 percent and is using the remaining 0.1 percent for training/retraining purposes. Unlike California's program, Delaware's program treats these diverted funds as an entirely separate tax (thus it is called a special assessment).

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[57]This definition was extracted from *Highlights of State Unemployment Compensation Laws*, January, 1993, page 31.

[58]Information on the California surcharge was extracted from W. Lee Hansen and James F. Byers, pages 283-284 and *Employment Training Panel*, page 4.

[59]Information on Delaware's special assessment was extracted from W. Lee Hansen and James F. Byers, page 284 and a conversation with Ron Walsh, October 4, 1993.

Employers are billed semiannually and the tax is imposed outside the UI process. The Division of Unemployment Insurance collects the money and deposits it in a special administration fund. The annual maximum amount per employee equals \$8.50 since the 0.1 percent assessment applies to the first \$8,500 of wages for each employee. Approximately \$2 million to \$2.4 million is expected to be available in FY 1994.

Perhaps the most recently enacted state training program to be financed with a special assessment is the Smart Jobs Fund Program enacted by the Texas Legislature in 1993. The Smart Jobs Fund will be composed of moneys derived from an assessment of 0.1 percent of wages paid by employers; gifts, grants, and other donations; and legislative appropriations. This program provides matching grants to employers who certify that the starting wages for new jobs in a given project will exceed 66 1/3 percent of state average weekly wages and the wages of existing jobs will increase in accordance with statutory provisions. As the legislative intent reflects:

> the program will give priority to the creation and retention of family wage jobs and focus on employers in industries that promote high-skill, high-wage jobs in high-technology areas and on demand occupations that provide those jobs. At least 60 percent of the money spent under the program shall be used for jobs that assist existing employers.

Two differences between the Delaware and Texas programs are that the latter may be funded from sources other than a special assessment and that in Texas the focus is primarily on technical, high paying, and existing jobs. However, in the Texas program, as in the Delaware program, grants may also be awarded for upgrading skills or for retraining employees whose jobs will be eliminated. Under those circumstances, the wage criteria may be waived.

Interest Collected on State Reserve Funds. Reserve funds are generated by the partial redirection of employer UI taxes into specially administered state accounts. The principal in these state accounts is dedicated to the payment of UI benefits. The interest income from reserve funds can be used to either help unemployed workers find new jobs or help finance state employment service agencies.[60] By creating a reserve fund, a state can gain access to interest earnings that otherwise would be situated in its U.S. Treasury account and dedicated to paying future benefits. Interest earnings from a state account, in contrast, can be used for purposes other than paying UI benefits, such as training activities and administration of jobs services. States may choose the percent of future revenues to divert to the state trust fund as well as the ceiling amount of the state reserve fund. The state reserve trust fund must be completely separate from the UI fund in all aspects.

The first three states to initiate state reserve funds were North Carolina, Idaho, and Indiana. In all three states, 20 percent of employer taxes were diverted from the state's UI account at the U.S. Treasury into a state account. Reserve fund activities are financed by experience rated taxes and not by flat rates (in contrast to surtaxes). The principal in each state's reserve fund is dedicated to the payment of UI benefits. To establish clear accountability for the uses of the interest earnings of the reserve fund, each state created a separate trust fund to which the interest earnings would accrue. Indiana and North Carolina have used the interest income to finance worker training

[60]The information on state reserve funds is extracted from Kelleen Worden and Wayne Vroman, "State Reserve Funds: An Idea for the 1990s," manuscript, Urban Institute, April, 1991.

and skill enhancement programs. Idaho and North Carolina have used the interest to supplement the administrative budgets of their UI and Employment services programs.

Oregon enacted legislation in 1991 (H.B. 2084) to establish a trust fund, which appears to operate somewhat from the other trust funds discussed above in that it diverts money from the principal. For the first biennium (July 1, 1991-June 30, 1993), a one-time diversion from the fund was made to provide supplemental UI benefits to dislocated workers engaged in technical training. For the biennium (July 1, 1993-June 30, 1995), the one-time diversion is dedicated to the state's welfare reform program. The intent is to build up the reserve of the trust fund to $220 million and ultimately use the interest accrued for the administrative costs of the state's Employment Division.[61]

The main advantage of a state reserve fund is the flexibility a state has to divert UI funds to training or administrative activities. This is a particularly attractive proposition for states with total reserves in their respective UI trust fund accounts that are considered more than adequate to fully finance potential draws on those accounts in the event of a recession. There are, however, potential caveats associated with the establishment of such a fund. First, if a state's federal trust fund is already chronically underfunded, the establishment of a state reserve fund could further jeopardize its solvency. Second, the state reserve fund could be viewed as a source of financing all types of projects not necessarily directly related to UI, due to a lack of federal regulatory oversight.[62]

Independently Funded Unemployment Training Programs. One option is to finance training programs for unemployed persons from sources unrelated to the UI system. An example is the Illinois Prairie State 2000 Fund, which was established in 1983 with private donations. Its thrust has been to provide grants and loans for training in small firms experiencing financial difficulty that need to restructure their operations to remain competitive and avert layoffs. Obviously, the scope of the program corresponds to the funding source. The program is much smaller than its counterparts in Delaware and California. Its total budget is approximately $1 million.[63]

IV. Arguments For and Against Diverting UI Funds for Training Purposes

Availability of Training Funds. Based on observations shared by Delaware program administrators, proceeds from a UI surtax are not subject to legislative deliberations in the same manner as are other state-funded programs. (In this respect, UI-related training programs resemble the Kansas SKILL program, which relies on a diversion of withholding taxes from new jobs to retire bonds issued to pay for training programs.) A revenue stream of diverted UI funds will always exist for program activities; however, the revenue amounts correspond to UI tax proceeds which are generally lower when the demand for them is higher.

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[61]Letter from Steve Tegger, Employment Division, Oregon Department of Human Resources to Jane Burbridge, Kansas Department of Human Resources, May 27, 1992, and conversation with Frank Ritchie, Oregon Unemployment Insurance Division.

[62]Advantages and possible areas of concern with the establishment of a state reserve fund are cited in Kelleen Worden's and Wayne Vroman's manuscript. See pages 8-9 and page 17.

[63]Rosemary Batt and Paul Osterman, pages 30-31. Also W. Lee Hansen and James F. Byers, page 284.

Intent of the UI Program. One argument against the diversion of UI funds for training is that the original intent of the program was to provide workers in times of economic downturn with a temporary cushion until they were able to find another job. The intent was to give them some assistance, while they actively searched for a job and not to divert their time and attention from that end goal. Proponents of diverting funds might argue that structural unemployment was not nearly as pervasive in the 1930s, when the UI system was established, as it is today. Therefore, the original intent of the program no longer reflects more recent labor dynamics. Moreover, as was previously discussed, the federal government has already set a precedent by linking the UI system to JTPA Title III-EDWAA for dislocated workers. UI benefits can count for 50 percent of state matches. The precedent exists in other countries as well. European countries finance many of their training and nontraining activities through UI revenues. Of course, this can have an adverse effect on UI benefit levels during a bad recession, as German workers have recently discovered.

Impact on State Trust Fund Accounts. The diversion of UI tax moneys for training and retraining also has many economic implications. One implication is that the more training and retraining money that is made available, the more likely it is that unemployed workers will avail themselves of that training. If this occurs, more UI recipients will be enrolled in training programs and the duration of their benefits could be lengthened. Any diversion from the state's reserve fund balance reduces the amount available for benefits. Under certain circumstances, such diversion might result in a freeze or reduction by a state in benefit payments, thus penalizing all UI recipients. Alternatively, such diversion might result in the restoration of funds to the state's trust fund account by increasing employer taxes. Increased taxes, in turn, could ultimately make employers less competitive.[64] The counter-argument to this position is that many states (including Kansas) have very comfortable balances in their accounts and the use of such moneys to fund a well designed training or retraining program might make the state more economically competitive in the long term.

Who Benefits from Training Programs? Since all employers are theoretically financing training paid through UI, who is benefiting most from such training? One report notes that the bulk of funding for the California ETP program has been applied to employer-based programs in large firms under contract with private consultants to retrain skilled blue- and white-collar workers.[65] This raises two issues. First, small firms often lack the resources to provide training and retraining and would arguably benefit from these services to a greater degree than would larger firms. Second, the extent to which the ETP program subsidizes training that could otherwise be provided is unclear. (Arguably, this observation could be made about the Delaware Blue Collar Jobs program or the Kansas workforce training programs, as well.)

Tax Implications. One argument raised is that the UI tax is experience-based; this attempts (admittedly in an imperfect manner) to relate the employer tax rate to the use of layoffs. The theory, despite those imperfections, is totally ignored when layoffs are no longer related to an employer decision or the availability of other jobs but, instead, to a government policy decision to retrain workers.[66] The counter-argument is that the experience-based component of the formula is flawed to the degree that large companies are not incurring additional costs for layoffs after they have reached a certain level of workforce reduction and are taxed at the maximum rate; therefore,

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[64]W. Lee Hansen and James F. Byers, page 289.

[65]Rosemary Batt and Paul Osterman, page 30.

[66]Ibid., page 296.

they have no particular incentive to retain those workers. A properly designed retraining program could assist in retention and perhaps increase the long-term competitiveness of those companies.

Effectiveness of Training/Retraining. Information is available concerning the placement rates and wages of trainees and both California and Delaware have developed performance-based monitoring systems to collect pertinent data. Information exists on the changes in earnings (pre-training compared with post-training) of individuals who participated and completed training programs in each state. Nonetheless, it is still not completely clear to what extent UI-subsidized retraining will improve the long-term employment and earnings prospects of claimants. It is also not clear if UI-subsidized retraining will improve the earnings stability of training recipients, so that some or all of the costs could eventually be recouped through reduced dependence on the UI system. There are apparently difficulties with designing a research experiment to address those two points: the experiment would have to be conducted over a long period of time and each claimant's employment experience likewise would have to be followed over a long period of time.[67]

Behavior Modification. An argument against UI-subsidized training and retraining is that it could raise expectations of unemployed persons not receiving training benefits that it is their right to receive them. If training is offered, the trainee would be excused from engaging in an active job search. Higher payments and extended duration to those in training would cost more and attract participation by those who might not need training, further raising costs and depleting state reserves.[68] The counter-argument is that job search requirements are currently often abused and, assuming the training program is targeted and industry-driven, the trainee should benefit from the training subsidy more than from other UI benefits.

[67]Spiegelman and Woodbury, pages 375-376.

[68]Hansen and Byers, page 296.

PART V

CONCLUSION AND OPTIONS

This memorandum briefly described training and nontraining programs in several countries and states to illustrate a wide variety of options in terms of objectives, strategies, and financing mechanisms. In Kansas, there are various federal and state workforce training and retraining programs (JTPA, KIT, KIR, and SKILL). There is, however, no coordinated training system which makes it easy for certain groups of the population to "fall through the cracks." For example, as was identified in the recent Kansas Inc. study on the Kansas labor force (September, 1993), there is a gap in services provided to individuals whose income is above poverty but is nonetheless inadequate to pay for training activities that might result in greater self-sufficiency. To varying degrees, European countries, Japan, and Canada have more comprehensive training systems and place greater emphasis on ongoing training. UI-financing mechanisms might be useful in generating sufficient revenues to create such a network of programs. However, the vision for the system should precede the financing mechanism or it will be difficult to determine the appropriate surcharge rate or special assessment rate or specifications for the state reserve fund (if the decision is to divert UI funds) or the necessary legislative appropriation (if the decision is to appropriate funds). Therefore, the Legislature might consider the following steps:

1. Determine the populations who are currently underserved or unserved by the state's training programs.

2. Evaluate the best mechanism to integrate programs, particularly job search and unemployment training programs, that are currently fairly autonomous in this state. For example, findings from a study of the New Jersey pilot projects suggests that job search assistance combined with retraining was quite effective for most unemployed clients. Perhaps the best lesson one can learn from the international models is that workforce training is viewed in the context of a system and not as a set of unrelated programs.

3. Examine the role of community colleges to identify options for expanding their roles in integrating workforce training programs. For example, North Carolina operates federal employment training programs through the community college system, including JTPA, Title III Displaced Worker programs, and Carl Perkins vocational education programs.[69]

4. If training gaps and nontraining assistance services are identified and additional services are needed, design programs that are industry-driven (Germany, California, Delaware), have well articulated performance measures (California), have clearly defined objectives (retention, rapid re-employment, retraining for structural unemployment), are flexible and responsive to changing industry needs (Delaware), target services to employers who would be least likely to provide them without subsidies (Illinois), and exact some commitment on the part of

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[69]Rosemary Batt and Paul Osterman, page 37.

industry in terms of matching funds (Delaware, Texas), higher wages for employees (Texas), and placement of trainees (California).

5. Review all existing employment assistance programs to identify any possible disincentives to accomplishing an intended goal. For example, if the state objective is to promote employee retention through worksharing, Kansas companies with negative UI reserve balances may not participate. However, these companies are probably the companies to which this program should be most directed.[70]

6. If the decision is to encourage entrepreneurship, realize that business training and counseling would be necessary to reduce the risk of start-up failures. In addition, self-employment programs do not appear to affect the vast proportion of UI recipients and the success of these programs seems to be correlated with education and prior experience in technical or professional occupations. (See the descriptions of the French and Washington programs in Parts II and III, respectively.)

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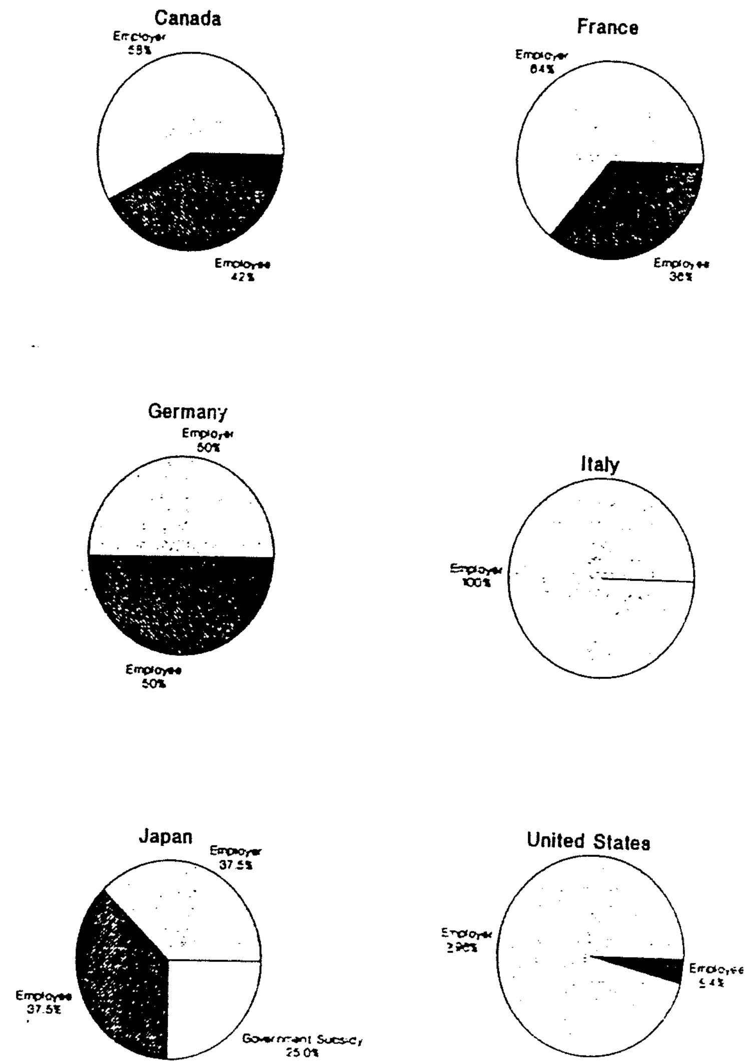
[70]See Katherine G. Abraham and Susan N. Houseman, *Job Security in America: Lessons from Germany*, page 137 for a critique on the U.S. workshare program.

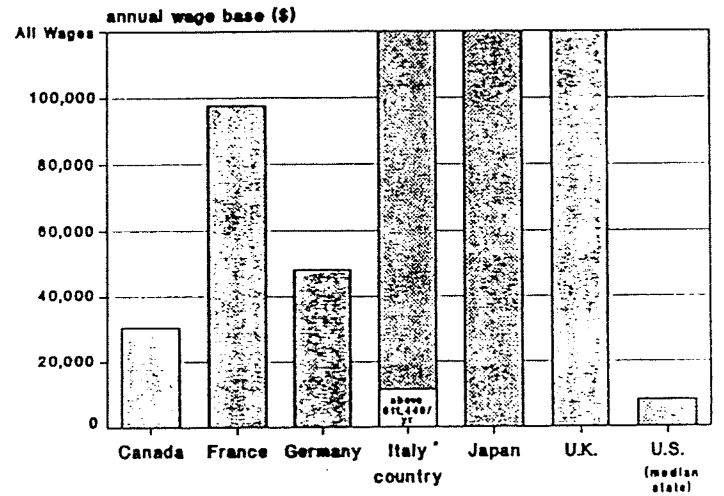
CHART 1. Shares of UI Benefits Paid by Employers, Employees, and Government



[Note: United Kingdom not shown because employee share could not be determined.]

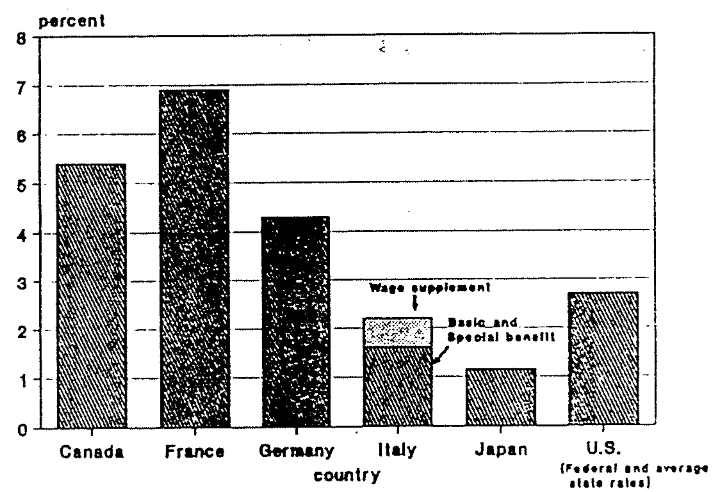
1-31

CHART 2A. Taxable Wage Base for UI



• Italy taxes all wages above an exempt amount.

CHART 2B. Nominal UI Payroll Tax Rates



[Note: Chart does not include the U.K. as their payroll tax funds other social security programs in addition to UI and no specific UI rate could be determined.]

TABLE 1

TABLE 2

Memorandum

Kansas Department of Human Resources

Date: October 21, 1993

To: Bob Stacks, Director
Division of Employment Security

From: William H. Layes, Chief
Labor Market Information Services

Subject: Workshare Program Statistics

As per your request, the following table presents statistics by calendar year for the Workshare program since its inception.

Calendar Year	Number of Plans	Individuals Affected	Amount of Benefits
Total	440	19,755	$4,335,137
1989 a/	43	1,481	184,993
1990	55	4,880	594,259
1991	108	5,785	1,485,970
1992	163	5,063	1,228,521
1993 b/	71	2,546	841,394

a/ Program started April 1, 1989
b/ Through September 30, 1993

It is hoped this data proves useful. If we may be of further assistance, please contact us again.

cc: Linda Tierce

WHL:TDM:mm

SD 110 (Rev. 6-87)

TESTIMONY
SENATE COMMERCE COMMITTEE
NOVEMBER 9, 1993

Madam Chairman, Members of the Committee; my name is Bob Stacks, I am Director of the Unemployment Insurance Division of the Kansas Department of Human Resources. I appear before you today as requested to testify on matters pertaining to the development of funding options outside but associated with the UI Trust Fund as well as initiatives in the area of reemployment/retraining of unemployed/dislocated workers.

Earlier today you heard testimony from Lynne Holt and Dr. Charles Krider on strategic, national and international initiatives with respect to reemployment/retraining programs and the funding mechanisms associated with them. Over the past month I have shared with Ms. Holt whatever information I had at my disposal with regard to retraining and funding initiatives. As a result, I believe we've both become all to familiar with the various approaches to these types of programs. Therefore, to avoid being redundant or repetitious, I will focus my testimony on two specific but related areas.

The first area I will address pertains to an important and relevant federal initiative by the U.S. Department of Labor called the Workforce Investment Strategy. For the most part the UI component of the Workforce Investment Strategy incorporates many of the training aspects covered in the various programs discussed earlier by Ms. Holt and Dr. Krider. The second area of testimony will address the specific funding mechanisms utilized to support training/reemployment initiatives.

U.S. Department of Labor Workforce Investment Strategies

Since the early 1980's the U.S. Department of Labor has been involved in conducting pilot reemployment assistance programs for dislocated workers in a number of states whose economic structures were different but shared the same inherent problem, that of unemployed/dislocated workers. Two such programs took place in Massachusetts and Washington State. The main focus here centered on reemployment initiatives through entrepreneurial endeavors. Other states, such as California, Delaware and North Carolina to name a few, initiated state supported programs but maintained the Department of Labor as a consulting partner. The information gathered from these states and others has been compiled and analyzed over the past several years and has resurfaced as part of the current Workforce Investment Strategy proposed by the Department of Labor.

The most recent version of the U.S. Department of Labor's Workforce legislation includes a comprehensive worker adjustment service, a one-stop career center system and

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a national labor market information system. It will focus on revitalizing the current system of employment and reemployment services for American workers who are in need of information, new jobs, or new skills to take full advantage of what we hope will be emerging opportunities and challenges in today's workplace. The final draft of this legislative initiative is currently being reworked and will be introduced in early 1994 for Congressional approval. Although the Investment Strategy is very broad in nature I would like to address the Unemployment Insurance component of that legislation as it is currently being proposed.

Under current legislation it will be proposed that states will have the option of adopting three new approaches for providing benefits to unemployed workers. These options are aimed at introducing flexibility into the basic program of UI benefit payments, and are designed to assist in leading workers to reemployment.

The first option, self-employment, will require flexibility in the UI system to use benefit payments as allowances which support certain claimants in starting their own small businesses. In essence, current Federal UI Law will be amended to allow these periodic allowance payments to permanently laid off workers who indicate interest in and show potential for starting small businesses (i.e. Massachusetts and Washington State Reemployment Programs). Obviously certain requirements will be established through legislation to assist the permanently laid off worker in the successful establishment of a business while at the same time safeguarding the integrity of the UI Trust Fund. These will include requiring participation in business training and support services and assurances that the worker is engaged in full-time establishment of the business.

The second option, reemployment bonuses, would allow certain unemployed workers the option of reemployment bonuses, or incentive payments over and above regular benefit amounts, but only if they find new work within a specified number of weeks. Demonstration programs have shown that reemployment bonus programs are cost effective and that participating workers found work sooner in comparable occupations and at the same wages than a control group. To insure or guard against improper use of this flexibility option, federal guidelines would require bonus payments to be made only after a period of employment and only to those getting jobs with new employers.

The third option would be short time compensation or as it is called in Kansas - Workshare, which allows employers to reduce hours of employment for a large group of workers rather than laying a smaller number of workers off. Workers on short time compensation receive unemployment compensation for the reduced hours. Currently, Kansas is one of 17 states that operate short time compensation programs and have done so for the past three years with great success. To insure compliance and conformity, Kansas requires that employers submit an approved plan to the Department of Human Resources before being included in the program.

Although the UI component of this Workforce Investment Strategy is not directly involved in the retraining aspect of this strategy, we will be a major partner in the overall effort to enhance reemployment and thus reduce costs to the employer. Many states have agreed that in its current form, the Workforce Investment Strategy is a comprehensive, aggressive effort to meet the needs of employers and the unemployed.

Funding Options for Training/Reemployment

Surtax

In a number of states the option of choice in terms of generating revenue for many employment/unemployment programs is that of the surtax. In most states, extra taxes or surtaxes have become increasingly important. In essence, the "surtax" means an extra tax, or a tax in addition to the regular, overall unemployment insurance tax. It does not include socialized cost or statewide experience factors. States that utilize a surtax for the purpose of training, placement or other employment assistance includes Alabama, California, Delaware, Hawaii, Minnesota, and South Carolina. These states represent only a straight surtax and not necessarily one that's offset by a reduction in employer unemployment tax rate. This method of funding is usually designed to raise a specific amount of money in either a one-time assessment or over a short period of time with a specific sunset date. The length, method and amount of a surtax is usually driven by the perceived needs of the training programs.

Surtaxes under state unemployment insurance laws have also been adopted for things such as federal advances; to cover administrative costs for which federal grants are either not available or inadequate; to finance extended benefits; or to insure trust fund solvency. It should come as no surprise that the stand alone surtax is not a particularly palatable method to fund programs.

Surtax With Corresponding Reduction in Employment Tax Rate

This method of raising funds through the unemployment insurance tax structure has proven to be more easily accepted. In essence, a certain surtax amount is predetermined based on needs and then a corresponding reduction in the amount the employer is required to pay is legislated thus offsetting the initial surcharge. The end result is that the employer pays no more than he or she had previously paid. This allows monies to be generated without a significant or negative impact on the employer. An example of this would be the 10% reduction in Schedule III of the Employer Tax Rate for 1994 that was legislated in Senate Bill 145. That 10% reduction in employer tax rate will result in approximately 18 million dollars in reduced payments for the first year. If a corresponding surcharge of 10% was implemented concurrently with that reduction the employer would realize no net loss and you would have generated 18 million dollars for a separate fund.

States that employed this method will generally opt for a one-time or a short duration in which to establish their targeted funding level.

Trust Fund Diversion to State Account

The last UI tax related option is that of diverting state unemployment tax payments to a separate account within the State Treasury rather than directly into the Federal Unemployment Insurance Trust Fund. Although the money diverted into the fund cannot be used for any purposes other than paying unemployment benefits, the interest earned on that amount can be used. Originally this option received a great deal of attention since it would in essence keep state unemployment taxes within the borders rather than languish in a federal account where the interest serves federal purposes. In the early to mid 80's several states attempted to implement this style of funding for training programs and received little interference from their federal partner. However, in the past four years some states have attempted to divert large sums of employer tax money for the purposes of training, administrative costs and other unemployment related services and as a result have drawn very close scrutiny from the Department of Labor. This method of fund development will continue to be closely monitored by our federal partners and will be discouraged as a method of training fund development.

Although these options have been used by different states at different times they have seldom been easily implemented. I might point out that administrative costs under any of these programs must be addressed and incorporated into the predetermined fund amount.

Conclusion

In concluding my testimony today, I would like to point out that if the Department of Labor is successful in legislating many of the changes that I have discussed today, then it may be possible to avoid the pursuit of an employer based funding source for the purposes of retraining the unemployed Kansan. I believe that federal initiatives in this area will be comprehensive as well as specific enough to address the current dilemma of vanishing employment in our state's economy. Although I am sure there will be some skepticism about the actual impact of federally mandated employment/reemployment programs, there will always be the option of implementing a state initiative to address the same issues. If I have learned anything through the extensive review of state retraining initiatives it is that success has only occurred when a coalition of key partners have worked cooperatively toward the same goal. I would expect this to apply to a federal-state partnership. I would be more than happy to answer any questions the committee might have regarding my testimony.

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November 1, 1993

To: Representative Bob Mead
Senator Pat Ranson

From: Scott Hessell, Senior Policy Analyst Scott

Topic: Federal Labor Force Training and Education Legislation

I would like to update you on some issues concerning federal labor force training and education legislation that were discussed at the National Alliance of Business' (NAB) annual conference in Washington, D.C. on October 24 - 26. NAB had a workshop track that dealt exclusively with new federal initiatives. Speakers included staff from NAB's policy and government liaison division, the U.S. Department of Labor's Employment and Training Administration, and congressional committees. I also met independently with Senator Nancy Kassebaum's Labor Counsel on the Senate Committee on Labor and Human Resources. Senator Kassebaum is that committee's ranking minority member.

The presentations at the conference involved several pieces of legislation relating to labor force training and elementary and secondary education. These include Goal 2000: Educate America Act, Elementary and Secondary Education Act Reauthorization, School-to-Work Opportunities Act, Dislocated Worker Adjustment Assistance, Welfare Reform, and several budget and appropriation issues that include initiatives such as One-Stop Career Centers. I will briefly explain these initiatives and highlight issues that were raised by conference participants and Kassebaum's labor counsel.

School-to-Work Opportunities Act

Legislative Brief. The purpose of this act, which has already been introduced in both the House and Senate, is to

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encourage states to establish school-to-work transition programs for youth. It is intended that each state will receive an implementation grant from the federal government within four years. Grants are awarded to states by the departments of labor and education on a competitive basis. All plans must meet certain core principles. These are:

1. integrate both work-based and school-based learning;

2. provide opportunities for students to complete a "career major" through an articulated program of education that typically includes post-secondary education, a high school diploma, "skill certificate," *or* post-secondary degree or certificate.

3. include core components which are:

   a. work-based: this component *must include* a planned program of job training, paid work experience, workplace mentoring, instruction in general workplace competencies, and broad instruction in a particular industry.

   b. school-based: this component *must include* career exploration and counseling, a career major, a program of academic standards and skill certificate requirements, and student evaluations.

   c. connecting activities: this component *must include* placing students in work-based opportunities, liaison between parties, technical assistance to teachers and mentors, post-program assistance to students, student outcomes evaluation, and linking between these general activities and private sector strategies of upgrading their current workers' skills.

The act includes both "development" and "implementation" grants. Each state that applies will receive a development grant which can be used for a variety of purposes including establishing partnerships with employers and educators, developing and marketing a plan, initiating pilot projects, and developing implementation plans. The implementation grants are competitive and will be awarded by the secretaries of labor and education. The award of these grants will be based largely on the role and degree of involvement of employers at the local level. A majority of funds (65% year one, 75% year two, and 85% thereafter) must be awarded to local partnerships. These funds may be used for a variety of purposes including recruiting employers, designing curricula and standards, and conducting labor analyses. Awards will be made directly to the state as well as to local communities.

The secretaries may award up to $30 million to areas of high poverty in either urban or rural areas. A high poverty area is defined as one in which the poverty rate is at least 30 percent.

Specific Issues and Implications. This act, as a result of its mandatory inclusion of both a work-based and school-based component as well as a "portable" skill certificate is, for all intensive purposes, an apprenticeship program. It is distinct, though, from formal registered apprenticeship programs. The implication is that other school-to-work initiatives that do not include a work-based component such as standard "2+2" programs between high schools and community colleges/AVTSs would be ineligible for these funds. In addition, local programs that may include a non-paid work-based component would also be ineligible.

The issue of paid work-experience was one of significant concern among participants in the conference as well as Senator Kassebaum's staff. Kassebaum's staff indicated that the senator was concerned about the effect of this element on initiating programs in Kansas, particularly in rural areas and communities that have had significant layoffs such as Wichita. Conflicts with existing labor laws covering child labor were also raised by her staff. The challenges to rural areas are partially addressed by the rural/urban poverty setaside but the allocation of only $30 million obviously would be spread very thin considering the need in the country's urban core areas.

I also had an additional impression about the types of programs that would be looked at most favorably. While not stated explicitly, it appears to reduce the importance of a post-secondary component by not making it mandatory. A program may conclude with only a high school diploma which would be nearly universally inadequate for any technical or advanced skill areas. States do have the flexibility of making post-secondary education a mandatory element of their programs.

This legislation, while very short, is also very restrictive as to what qualifies as school-to-work transition. While I would completely agree that a work-based component is vital - as it is stated in our strategy - its requirement at this stage of developing transition programs may be somewhat premature and problematic for many schools and businesses. The inclusion of paid work experience could make it nearly prohibitive for many. While it would be important to encourage continually the development of work-based strategies, this act, in its current form, would not aid other programs. Many communities have adopted "2+2" programs and other "tech prep" initiatives through community colleges and AVTSs. This type of initiative should become nearly universal throughout the state before a requirement of a paid work experience is added.

One-Stop Career Centers

Legislative Brief. Legislation has not yet been offered by the Department of Labor or introduced by either chamber of Congress. Discussions between key senators, representatives, and labor department officials are currently underway concerning the department's initial proposal released August 31. According to this proposal, the purpose of these centers is:

to provide workers, job seekers, students, and employers who are in need of new or different jobs or skills with streamlined access to a comprehensive menu of employment, education, and training information and services.

The department's proposal includes six general requirements. These are:

1. universal access - all individuals must be able to use their services
2. services - these must include basic core services such as UI claims, assessment, eligibility review and determination, program enrollment, job search and referral, and veteran services. Intensive services must be provided for dislocated workers
3. comprehensive - centers must be the sole deliverer of core basic services for DOL-funded programs and services
4. quality driven - centers must ensure high quality services by being customer-based
5. high integrity and accountability - public accountability of funds and services
6. governance - a structure must be created at the state and local levels

The governance structure requires additional explanation. Under the department's proposal, each state would establish a Human Resource Investment Council (HIRC) "to direct the development and implementation of a statewide workforce development strategy." This council, in coordination with local elected officials, will designate labor market areas for the state. These areas will be represented by local Workforce Investment Boards (WIBs). Membership of the WIBs, appointed by local elected officials, would include individuals from business, education, labor, local government, and other interested parties. Each WIB would competitively "charter" local one-stop career center operators. These "chartered" centers could include public and private, for-profit and non-profit entities. None of these provisions excludes utilizing existing Private Industry Councils (PIC) as the basis for the WIBs or career centers.

Specific Issues and Implications. Several differences appear to exist between the administration and Republican leaders. The principal difference is over the number of services. The House Republicans would like to add several other programs including adult education, vocational education, and JOBS (KanWork). They also would like greater flexibility for the WIBs as well as mandating a private sector member as chairman. Generally, it appeared there was unanimity among House Republicans and the administration. Kassebaum's staff primary concern as they begin their initial examination of this proposal is whether more fundamental change in existing programs is needed.

Another issue was with regard to competition. The competitive component of the one-stop career centers is that WIBs would have the authority to select any provider of services as long as they meet certain federal performance and service quality guidelines. Several conference attendees stated that the department should simply utilize the existing JTPA and PIC structure. Both department and congressional staff were fairly adamant about not designating a presumptive service delivery agent. This should be left to the states. The department has slightly altered its first proposal by stating that the career centers can also be consortia rather than simply a single entity. This would allow a community college, a business organization, and possibly an existing PIC to act as the labor market's career center. Kansas' current state structure does not meet either the department's explicit or implicit objectives for this proposal. Significant statewide merging of authorities in Job Service, JTPA, and elements of unemployment insurance would be needed. As well, current SDA boundaries do not represent current labor market areas. With regard to the House Republicans proposal to include adult education, KanWork, and vocational education, the state does not even vaguely resemble this objective except in perhaps a few limited instances.

Other Legislation

Goals 2000: Educate America Act. This act is the administration's education reform legislation. This act codifies the six goals as outlined in *America 2000*. The majority of these funds will be used for grants to states to implement the principles of the six goals. The state initiatives would have to be designed to encourage all students to reach the same high standard regardless if they go to college or not. The act also includes the establishment of an occupational skill standards board which would facilitate the development of a national system of skill standards.

Elementary and Secondary Education Act Reauthorization. This act, as introduced by the administration, would totally rewrite the existing legislation. The administration's proposal builds on the ideas as included in the Educate America Act.

Dislocated Worker Adjustment Assistance. The administration has announced a proposal to provide training and income support for individuals who would be dislocated as a result of the passage of NAFTA. This program would be an amendment to the Trade Adjustment Assistance (TAA) program and run until June 30, 1995 after which a more comprehensive reform of all dislocated worker programs would be implemented.

Welfare Reform. President Clinton established an inter-agency Working Group on Welfare Reform, Family Support and Independence. They will be meeting through the rest of this year to develop a proposal for the next session. It is anticipated that the president will present his proposal in the State of the Union address. This proposal could have some marginal effects on some of these other issues such as One-Stop Career Centers because of KanWork's stated objectives.

In each of the workshops it was stressed by NAB's staff as well as administration and congressional representatives, that states will be given tremendous flexibility in creating their own initiatives. This will be provided through enhanced regulatory and statutory waiver provisions. NAB's vice-president for policy, in responding to a question from the audience, stated quite explicitly that states should not postpone making changes in their current labor force training and retraining programs or structure or in developing new initiatives. The only caveat was to be aware and sensitive to the core principles in the proposed legislation in developing state initiatives. All parties in Washington, D.C. want to provide tremendous state flexibility.

cc: Committee on Work Force Training and Education
Chuck Krider
Lynne Holt

National Conference of State Legislatures

OFFICIAL POLICY

COMMERCE, LABOR, AND REGULATION

EMPLOYMENT SECURITY REFORM

Numerous challenges face the nation as the labor force and opportunities in the workplace change. Among states, differing circumstances reflect changing economic bases, unique demographic trends, and limitations on resources availability. States must have the flexibility and authority to design and implement economic development programs that address state-specific situations. Employment security must figure prominently in these efforts.

Changes in the current system of financing the operational costs of the employment security system are necessary to provide an effective national employment security system that will be able to address the ongoing challenge to remain competitive. Resources appropriated to the employment security system currently are inadequate to fund essential services. Employers who finance this system through the Federal Unemployment Tax Act (FUTA) are putting enough money into the system to provide an adequate service. However, because of the way the collections are split among the Federal Unemployment Tax Act accounts and because the appropriations are below what is available, the funding has been inadequate. The following reforms would significantly improve the system's ability to function:

- Mandate that a significant majority of the dollars attributed to ESAA be appropriated for administration of state employment security programs.
- Require that each state receive, for administration of their Employment Security programs, the higher of 80% of the state employer tax contribution of ESAA or the state's present appropriation and ESAA administration plus a growth factor tied to ESAA contributions and postage costs.
- Require that the cost of administering any extended benefits program come from the EUCA account, rather than be paid by the state.
- Provide greater flexibility to allow better coordination between the various employment and training programs including ES/UI and JTPA.
- Allow up to 25 percent carry over of ES and UI administration funds by the states.
- Allow limited transfers between ES administration and UI administration accounts.
- NCSL should work with interested parties to make needed changes in the employment security system to return adequate appropriations for administration of the system.

Senate Commerce
Nov. 9-10, 1993

444 North Capitol Street, N.W. • Suite 515 • Washington, D.C. 20001 • (202) 624-5400

Attachment 4

National Conference of State Legislatures

OFFICIAL POLICY

COMMERCE, LABOR, AND REGULATION

EMPLOYMENT SECURITY SYSTEM ADMINISTRATIVE FUNDING

Administrative funding for the Employment Security System is out of balance. Inadequate funding places state administrative systems under stress, resulting in deterioration of service on a nationwide basis.

Under the framework of the system outlined in the Social Security Act and the Federal Unemployment Tax Act (FUTA), state revenues finance unemployment benefits while the federal government collects a payroll tax, levied upon employers, which provides funds dedicated solely to the administration of both the federal and the state systems. The amount now being collected is adequate to fund the various state systems, but the amount returned to the states has been shrinking because these funds are included in the federal unified budget and are also under the Gramm-Rudman-Hollings deficit reduction program. Consequently, the balance in these dedicated trust funds is increasing, serving only to mask the overall size of the federal deficit.

As a dedicated trust fund containing adequate resources, the Employment Security Administration Account is more than capable of adequately financing the Employment Security System nationwide and the NCSL, therefore, urges Congress to:

- Release adequate resources to properly finance the Employment Security System nationwide.
- Remove the dedicated FUTA trust fund money from the federal unified budget.
- Amend federal law so that FUTA administrative money will no longer be subject to sequestration under the federal Gramm-Rudman-Hollings Act.

KANSAS SENATE

A L. SALISBURY
SENA . . TWENTIETH DISTRICT
1455 SW LAKESIDE DRIVE
TOPEKA, KANSAS 66604-2556

STATE CAPITOL 120-S
TOPEKA, KANSAS 66612-1504
(913) 296 7374

CHAIRMAN COMMERCE
VICE-CHAIRMAN WAYS AND MEANS
LEGISLATIVE POST AUDIT
MEMBER JOINT COMMITTEE ON ECONOMIC DEVELOPMENT
PUBLIC HEALTH AND WELFARE
NATIONAL CONFERENCE OF STATE LEGISLATURES
CHAIRMAN WORKERS COMPENSATION
VICE CHAIRMAN LABOR
CAPITOL AREA PLAZA AUTHORITY

September 17, 1993

Secretary Joe Dick, Chairman
Kansas Employment Security Advisory Council
401 Southwest Topeka Boulevard
Topeka, Kansas 66603-3182

Dear Secretary Dick:

At the September 13-14 Senate Commerce Committee meeting on unemployment insurance, I was directed as Chairman to request the Employment Security Advisory Council (ESAC) to review several matters and make recommendations to the Committee at the beginning of the 1994 Legislative Session. Further, the Committee invites a representative of the ESAC to present a progress report when the Committee holds its next meeting on November 9-10, 1993.

The items about which the Senate Commerce Committee asks to be advised include:

1. The issue concerning employments involving temporary work assignments and disqualification for benefits and noncharge provisions as outlined in *Manpower, Inc. v. Kansas Employment Security Board of Review*, 11 K.A. 2d382 (1986). The Department of Human Resources, Employment Security Division has suggested language to amend K.S.A. 44-710. A suggestion was made to insert a similar provision into K.S.A. 44-706

2. The taxable wage base, specifically the wisdom of increasing the taxable wage base amount, to what level, or whether the statutory wage base should be determined in accordance with the changes in the statewide average annual wage.

3. The wisdom of liberal construction in the implementation of the Employment Security Law and enacting statutory language to overturn case law in this area.

4. The misconduct definition as contained in K.S.A. 44-706(b). Consider the advisability of removing the intent requirement. At the September hearing there was mention of the Louisiana statute, which may be too broad, but a possible start.

5. Disqualification for misconduct. Should the Kansas requirements of earning three times the individual's weekly benefit amount for reinstatement continue to be so liberal as compared to the national average of requiring eight times the weekly benefit amount.

Senate Commerce
Nov. 9-10, 1993

Attachment 5

6. A proposal to provide for a burden of proof shift for cases appealed to a referee. Should the employee have the initial burden of proving entitlement of benefits at this level prior to the employer being required to establish disqualification. There was discussion of a recent Shawnee County District Court case handed down by Judge Buchele which addressed the burden of proof matter.

7. A community service requirement whereby an individual who, after drawing unemployment benefits for a certain period of time, say four weeks, could be required to perform some sort of community service in order to continue receiving benefits.

8. Should there be a standard to establish chronic absenteeism as a basis for disqualification for benefits.

9. Linking unemployment benefits more closely with retraining strategies. Explore funding possibilities which might include a separate employer tax and a corresponding reduction in employer contributions.

10. The Employment Security system in its entirety, specifically, whether structural or policy changes are needed in order to accommodate the current societal needs as contrasted with the needs that existed when the system was implemented.

11. The matter of allowing random drug testing in the nongovernmental sector to establish misconduct.

12. The ten day notice of appeal provisions on the part of the employer and whether this is sufficient time, particularly for large employers.

13. What provisions could be adopted that would streamline the process for claiming and reviewing employment compensation benefits?

14. The concept of supplemental pay, whereby an individual who might otherwise be discouraged from seeking or accepting lower paid or less skilled employment could accept a lesser job on a full or part time basis and still receive partial unemployment benefits.

Although the above list is not exhaustive, these are some of the concerns voiced by the Senate Commerce Committee. The Committee appreciates your willingness to cooperate in the effort to keep Kansas in the forefront of its ongoing endeavor to create an atmosphere that will attract and keep employers within our borders.

Sincerely,

Alicia L. Salisbury

Alicia L. Salisbury, Chair
Senate Commerce Committee

cc: Senate Commerce Committee

INFORMATION REQUESTS OF DHR STAFF
BY SENATE COMMERCE COMMITTEE
September 14, 1993

Topic	Requested by
1. Request the agency provide the number of clearances and denial cases of substitute teachers where "reasonable assurance" is involved for professionals and nonprofessionals.	Hensley
2. The annual number of appeals by issue and decision by appealing party.	Feliciano
3. Appeals caseload by year for the last 10 years and the number of referees for the last 10 years.	Ranson
4. The number of states which authorize payment of benefits for spousal transfer. Also the frequency of this issue.	Salisbury
5. Request an explanation of table provided by Charles Krider testimony whereby Table 14 displays Kansas average rate payroll at 0.9 and Oklahoma at 0.5.	Ranson

Senate Commerce
Nov. 9-10, 1993

Attachment 6

Memorandum

Kansas Department of Human Resources

Date: October 13, 1993

To: Bob Molander, Director
Division of Staff Services

From: William H. Layes, Chief
Labor Market Information Services

Subject: Educational Issue Nonmonetary Determinations

During state fiscal year 1992, a total of 74,409 nonmonetary determinations were made in Kansas. Of this total, 751, or 1.0 per cent, pertained to educational issues.

Nonmonetary Determinations
SFY 1992

	Total	Cleared	Denied
Total	74,409	35,504	38,905
Educational Issues . .	751	423	328
Per Cent	1.0	1.2	0.8

WHL:TDM:csb

KESD 110 (Rev. 6-87)

Ta 10

Higher Authority Appeal Decisions By Nonmonetary Issue 1/
By Type of Appellant
State Fiscal Year 1993

Nonmonetary Issue	Total	Claimant Appellant	Decision In Favor Of Claimant		Employer Appellant	Decision In Favor Of Employer	
			Number	Per Cent		Number	Per Cent
Total	2,579 a/	1,232	28	2.3 %	1,343	56	4.2 %
Cleared	1,125	351	14	4.0	774	14	1.8
Denied	1,454	881	14	1.6	569	42	7.4
Able & Available	115	89	5	5.6	25	1	4.0
Cleared	8	0	0	0.0	8	0	0.0
Denied	107	89	5	5.6	17	1	5.9
Voluntary Quit	999	646	13	2.0	352	15	4.3
Cleared	189	75	4	5.3	114	3	2.6
Denied	810	571	9	1.6	238	12	5.0
Misconduct	1,358	440	9	2.0	918	38	4.1
Cleared	881	263	9	3.4	618	11	1.8
Denied	477	177	0	0.0	300	27	9.0
Refusal of Suitable Work	62	26	1	3.8	36	2	5.6
Cleared	38	11	1	9.1	27	0	0.0
Denied	24	15	0	0.0	9	2	22.2
All Other	45	31	0	0.0	12	0	0.0
Cleared	9	2	0	0.0	7	0	0.0
Denied	36	29	0	0.0	5	0	0.0

a/ Total number includes four Administrative appeals.

1/ Includes Kansas Regular Program, Unemployment Compensation for Federal Employees and Unemployment Compensation for Ex–Servicemen.

Department of Human Resources
Division of Staff Services
Labor Market Information Services
October 1993

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Table 11
Lower Authority Appeal Decisions By Nonmonetary Issue 1/
By Type of Appellant
State Fiscal Year 1993

Nonmonetary Issue	Total	Claimant Appellant	Decision In Favor Of Claimant: Number	Decision In Favor Of Claimant: Per Cent	Employer Appellant	Decision In Favor Of Employer: Number	Decision In Favor Of Employer: Per Cent
Total	12,869	7,928	3,165	39.9 %	4,941	1,297	26.2 %
Cleared	4,935	4	0	0.0	4,931	1,295	26.3
Denied	7,934	7,924	3,165	39.9	10	2	20.0
Able & Available	1,713	1,659	727	43.8	54	4	7.4
Cleared	53	1	0	0.0	52	4	7.7
Denied	1,660	1,658	727	43.8	2	0	0.0
Voluntary Quit	4,946	3,996	1,318	33.0	950	281	29.6
Cleared	945	0	0	0.0	945	279	29.5
Denied	4,001	3,996	1,318	33.0	5	2	40.0
Misconduct	5,598	1,870	941	50.3	3,728	986	26.4
Cleared	3,731	3	0	0.0	3,728	986	26.4
Denied	1,867	1,867	941	50.4	0	0	0.0
Refusal of Suitable Work	342	170	98	57.6	172	24	14.0
Cleared	171	0	0	0.0	171	24	14.0
Denied	171	170	98	57.6	1	0	0.0
All Other	270	233	81	34.8	37	2	5.4
Cleared	35	0	0	0.0	35	2	5.7
Denied	235	233	81	34.8	2	0	0.0

1/ Includes Kansas Regular Program, Unemployment Compensation for Federal Employees and Unemployment Compensation for Ex–Servicemen.

Department of Human Resources
Division of Staff Services
Labor Market Information Services
October 1993

HIGHER AND LOWER APPEAL DECISIONS
STATE FISCAL YEARS 1984 - 1993

State Fiscal Year	Level: Lower	Level: Higher
1984	13,401	2,163
1985	11,372	1,738
1986	12,971	1,892
1987	13,667	2,135
1988	11,891	2,139
1989	11,483	2,228
1990	11,465	2,025
1991	11,714	1,982
1992	14,372	2,515
1993	12,578	2,528

TABLE 13
APPEALS PROFESSIONAL STAFF
1987 AND 1993

September 1993 Position	Number	August 1987 Position	Number
Total	26	Total	27
Full Time Equivalent			
Attorney II	1	Attorney III	1
Attorney II	10	Attorney II	9
Attorney I	1	Attorney I	0
Appeals Representative	1	Appeals Representative	2
Intermittent			
Law Clerk	1	Law Clerk	1
Attorney II	6	Attorney II	10
Appeals Referee	0	Appeals Referee	1
Vacancies			
Attorney II	5	Attorney II	0
Attorney I	0	Attorney I	3
Appeals Representative	1	Appeals Representative	0

KANSAS DEPARTMENT OF HUMAN RESOURCES
DIVISION OF STAFF SERVICES
LABOR MARKET INFORMATION SERVICES
OCTOBER 1993

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Memorandum

Kansas Department of Human Resources

Date: October 13, 1993

To: Bob Molander, Director
Division of Staff Services

From: William H. Layes, Chief
Labor Market Information Services

Subject: Spousal Transfer Nonmonetary Determinations

During state fiscal year 1992, a total of 74,409 nonmonetary determinations were made in Kansas. Of this total, 947, or 1.3 per cent, pertained to spousal transfer issues.

Nonmonetary Determinations
SFY 1992

	Total	Cleared	Denied
Total	74,409	35,504	38,905
Spousal Transfer . . .	947	772	175
Per Cent	1.3	2.2	0.4

WHL:TDM:csb

TABLE 14
STATES WHICH DISQUALIFY CLAIMANTS FOR SPOUSAL TRANSFER ISSUE AND REQUIREMENTS TO REQUALIFY

State	Had Employment or Earnings For Time or Amount Specified
Idaho	16 X WBA 1/
Maryland	15 X WBA
Wyoming	12 X WBA and 12 weeks
Georgia	10 X WBA
Massachusetts	8 X WBA and wages in each of eight weeks 2/
Mississippi	8 X WBA
Nebraska	7-10 X WBA and 7-10 weeks
Michigan	7 X WBA or 40 X minimum hourly wage X 7, if less
South Dakota	6 X WBA
Texas	6-25 weeks
Virginia	Over 30 days
Ohio	$60 or 1/2 AWW if less 3/
Nevada	4/

NOTE: The states above have special provisions for unemployment because of marital obligations and all provide for disqualification rather than a determination of unavailability. Generally, the disqualification is applicable only if the individual left work voluntarily. No information is compiled for other states.

1/ Not applicable if claimant becomes main support of self and family.
2/ Includes moving with another person
3/ AWW: Average Weekly Wage
4/ Not applicable if sole or major support of family at time of leaving and filing a claim.

SOURCE: Comparison of State Unemployment Insurance Laws, January 3, 1993; Highlights of State Unemployment Compensation Laws, January 1993.

KANSAS DEPARTMENT OF HUMAN RESOURCES
DIVISION OF STAFF SERVICES
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TABLE 19
UNEMPLOYMENT INSURANCE BENEFITS AND NET WORTH
CALENDAR YEAR 1992

State	Average Benefit Per Worker 1/	UI Fund Net Worth 2/	Average Rate 3/ Per $100 Payroll
Colorado	$120	$228	$ .60
Iowa	164	518	.80
Kansas	180	576	.90
Missouri	174	1	.70
Nebraska	72	228	.30
Oklahoma	130	368	.50
National Average	240	259	.80

1/ Average unemployment compensation benefits paid per covered worker per year.

2/ Net worth of state unemployment compensation fund per covered worker. Balance of trust fund minus loans from federal government.

3/ Source: UI Data Summary, 4th Quarter, CY 1992, U.S. Department of Labor, March 1993.

KANSAS DEPARTMENT OF HUMAN RESOURCES
DIVISION OF STAFF SERVICES
LABOR MARKET INFORMATION SERVICES
OCTOBER 1993

AVERAGE WEEKLY BENEFIT AMOUNT
FOURTH QUARTER
CALENDAR YEAR 1992

State	Weekly Benefit Amount
Colorado	$183.59
Iowa	175.52
Kansas	184.17
Missouri	149.23
Nebraska	136.80
Oklahoma	161.47
National Average	175.32

Source: UI Data Summary, 4th quarter CY1992, U. S. Department of Labor, Division of Actuarial Services, Unemployment Insurance Service.

KANSAS DEPARTMENT OF HUMAN RESOURCES
DIVISION OF STAFF SERVICES
LABOR MARKET INFORMATION SERVICES
NOVEMBER 1993

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