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191

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 3.30.89
IN ACCORDANCE WITH UNIFORM RULE 23

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

FURTHER

L&C
FIN

DATE TURNED INTO OFFICE 4-5-89

2/24/89

Mr. President:

C&RA Committee considered SB 191

employment contributions and to the establishment of employment and training programs; efd

and recommended:

- replace with CS C&RA same title
- attached amendment(s) and new title
- _____ letter of intent adopted
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

FISCAL NOTE(S) attached zero
 appropriation no FN attached

C&RA AND LABOR
 fiscal impact
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures]

True Issue - No Rec

[Handwritten signature]

Chairman signature and recommendation

Committee backup attached

**C&RA COMMITTEE
TUESDAY
MARCH 23, 1989**

**SB 191: AN ACT RELATING TO EMPLOYMENT CONTRIBUTIONS AND TO THE
ESTABLISHMENT OF STATE TRAINING AND EMPLOYMENT PROGRAMS
AND PROVIDING FOR AN EFFECTIVE DATE.**

SPONSOR: RULES/GOV

FISCAL:

FY 90 LABOR: \$1,780K OPERATING W/ SAME REVENUE

FY 90 C&RA: \$1725K INTERAGENCY RECEIPTS

THE NEXT BILL BEFORE THE COMMITTEE IS ONE THAT WAS HELD OVER AT THE REQUEST OF SENATOR SZYMANSKI. HE HAS WORKED IN SUB-COMMITTEE AND A COMMITTEE SUBSTITUTE HAS BEEN DISPENSED TO THE MEMBERS.

THE COMMITTEE SUBSTITUTE PLACES THIS PROGRAM IN TEMPORARY LAW RATHER THAN IN PERMANENT STATUTE. IT CHANGES THE ORDER OF THE TITLE OF THE PROGRAM SO THAT THE ACRONYM "STEP" PROGRAM CAN BE USED. IT REMOVED A PORTION OF WHAT IS NOW SECTION 7 OF THE BILL THAT ALLOWED THE DEPARTMENT TO AWARD GRANTS TO "OTHER QUALIFIED TRAINING ENTITIES TO PROVIDE SERVICES LISTED IN AS 23.21.050. " IT ALSO ADDS A SENTENCE TO SECTION 7 THAT REQUIRES THE DEPARTMENT OF LABOR TO PROVIDE TO THE COUNCIL A PRIORITY LIST OF CRITERIA FOR ELIGIBILITY TO MAXIMIZE SERVICES TO THOSE MOST IN NEED OF TRAINING. OTHER CHANGES WERE MOSTLY CLEAN -UP LANGUAGE. THERE ARE FISCAL NOTES IN YOUR PACKET FOR THE COMMITTEE SUBSTITUTE AND SENATOR SZYMANSKI CAN EXPLAIN THE CHANGES FURTHER TO THE COMMITTEE.

PLAS

EILEEN PLATE

**C&RA COMMITTEE
TUESDAY
MARCH 21, 1989**

**SB 191: AN ACT RELATING TO EMPLOYMENT CONTRIBUTIONS AND TO THE
ESTABLISHMENT OF STATE TRAINING AND EMPLOYMENT PROGRAMS
AND PROVIDING FOR AN EFFECTIVE DATE.**

SPONSOR: RULES/GOV

FISCAL:

FY 90 LABOR: \$1,780K OPERATING W/ SAME REVENUE

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**THE NEXT BILL BEFORE THE COMMITTEE IS ONE THAT WAS HELD OVER
LAST WEEK AT THE REQUEST OF SENATOR SZYMANSKI. A COMMITTEE
SUBSTITUTE HAS BEEN DISPENSED TO THE MEMBERS AND SENATOR
SZYMANSKI CAN EXPLAIN THE CHANGES TO THE COMMITTEE.**

PLAS

EILEEN PLATE

go0549sH
 Cramer
 3/22/89

[Handwritten signature]

Original sponsor: Rules/Governor

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 19 ()
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 SIXTEENTH LEGISLATURE - FIRST SESSION
 5 A BILL

6 For an Act entitled: "An Act relating to employment contributions and to
 7 the establishment of state training and employment
 8 programs; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. FINDINGS. The legislature finds that

11 (1) an inadequate number of jobs exist in this state to meet the
 12 needs of those seeking employment;

13 (2) many Alaskans are having difficulty finding jobs, especially
 14 in trying to meet the changing technology needs in this state;

15 (3) employer and employee contributions paid into the unemploy-
 16 ment insurance system are used for payment of compensation to unemployed
 17 workers and allocation of a small portion of employment contributions paid
 18 by employees would provide money to develop a state training and employment
 19 program to meet the training needs of Alaskans;

20 (4) a state training and employment program would
 21 (A) help prevent future claims against unemployment bene-
 22 fits;

23 (B) foster new jobs by encouraging businesses to locate in
 24 the state due to availability of a skilled labor force and by minimiz-
 25 ing employers' unemployment costs; and

26 (C) increase training opportunities to those workers se-
 27 verely affected by the fluctuations in the state economy or techno-
 28 logical changes in the workplace in the state;

29 (5) it would be beneficial to the state for state training and

1 employment programs funded by this Act to supplement, but not to displace,
2 programs funded by money available to a training entity for public or
3 private training, and not to replace, parallel, compete with, or duplicate
4 existing federally approved, jointly administered apprenticeship and train-
5 ing programs.

6 * Sec. 2. STATE TRAINING AND EMPLOYMENT PROGRAM. There is created a
7 two-year pilot project program to finance and award grants to employment
8 assistance and training entities. Employment assistance and training
9 entities shall give appropriate state agencies full access to accounting
10 records concerning grants received to assure compliance with program stan-
11 dards.

12 * Sec. 3. EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM ACCOUNT. The
13 employment assistance and training program account is established in the
14 general fund. The commissioner of administration shall separately account
15 for money collected under sec. 4 of this Act that the department deposits
16 in the general fund. The annual estimated balance in the account may be
17 appropriated by the legislature to the department to implement this Act.
18 The legislature may appropriate the lapsing balance of the account to the
19 unemployment compensation fund established in AS 23.20.130.

20 * Sec. 4. SPECIAL EMPLOYEE UNEMPLOYMENT CREDIT AND CONTRIBUTIONS FOR
21 PROGRAM. (a) In the manner provided in AS 23.20, the department shall
22 collect from each employee an amount equal to one-tenth of one percent of
23 the wages, as set out in AS 23.20.175, on which the employee is required to
24 make contributions under AS 23.20.290(d). This subsection applies to
25 amounts due and collected from July 1, 1989, through June 30, 1991, on
26 wages for employment performed from July 1, 1989, through June 30, 1991.
27 The department shall remit to the Department of Revenue, in accordance with
28 AS 37.10.050, money collected under this subsection.

29 (b) Notwithstanding AS 23.20.290(d), the department shall credit each
CSSB 191()

1 employee with an amount equal to the amount collected from the employee
2 under (a) of this section against unemployment contributions owed by the
3 employee under AS 23.20.

4 (c) The department shall assess and collect, under AS 23.20.185 -
5 23.20.275, interest and penalties for delinquent reports and payments due
6 under this section. Interest and penalties collected shall be handled in
7 accordance with AS 23.20.130(d).

8 * Sec. 5. PEOPLE TO BE SERVED. Within the limits of its grant, an
9 employment assistance and training entity receiving a grant under sec. 8 of
10 this Act shall provide services set out in sec. 6 of this Act to state
11 residents who, immediately before beginning training or receiving benefits
12 under a grant financed by this program,

13 (1) are unemployed and

14 (A) are receiving unemployment insurance benefits; or

15 (B) have exhausted the right to unemployment insurance
16 benefits within the past three years;

17 (2) are employed, but liable to be displaced within the next six
18 months because of

19 (A) reductions in overall employment within a business;

20 (B) elimination of the worker's current job; or

21 (C) a change in conditions of employment requiring that, to
22 remain employed, the employee must learn substantially different
23 skills which the employee does not now possess; or

24 (3) have worked in a position covered by AS 23.20 at any time
25 during the last three years, and are not currently eligible for unemploy-
26 ment insurance benefits because

27 (A) their employment has been seasonal, temporary, part-
28 time, or marginal;

29 (B) their qualifying wages are insufficient because of

1 limited job opportunity; or

2 (C) they are employed but, because they are underemployed,
3 they are in need of employment assistance and training to obtain full
4 employment.

5 * Sec. 6. SERVICES FOR ELIGIBLE PEOPLE. Subject to the limits of its
6 grant, an entity receiving a grant under sec. 8 of this Act shall provide
7 one or more program elements. The program elements include

- 8 (1) industry-specific training;
9 (2) on-the-job training;
10 (3) institutional or classroom job-linked training;
11 (4) support services, including allowances;
12 (5) relocation assistance; or
13 (6) provisions of necessary tools, work-related clothing, safety
14 gear, or other necessities to obtain or retain employment.

15 * Sec. 7. DUTIES OF THE DEPARTMENT. (a) The department may award a
16 grant to the State Job Training Coordinating Council to

- 17 (1) administer a state training and employment program; and
18 (2) award pilot project grants to qualified entities.

19 (b) If a grant is awarded to the State Job Training Coordinating
20 Council, the department shall annually provide to the council a priority
21 list of targeted projects or services, based on unemployment statistics,
22 unemployment insurance claims, occupational and industrial projections,
23 availability of other training and employment programs, and other relevant
24 data. The department shall also provide annually to the council a priority
25 list of criteria for eligibility to maximize services to those people most
26 in need of training under this Act. In developing the priority list for
27 targeted projects and services, the department shall solicit comments from
28 the Department of Community and Regional Affairs, Department of Education,
29 Department of Commerce and Economic Development, University of Alaska,

1 organized labor, the council, and the administrative entities of the sub-
2 state service delivery areas established for the council.

3 (c) The department may adopt regulations necessary to implement this
4 chapter.

5 * Sec. 8. DUTIES OF STATE JOB TRAINING COORDINATING COUNCIL. (a) In
6 implementing this program under a grant received under sec. 7 of this Act,
7 and subject to the limit of its grant, the council shall award a pilot
8 project grant for a period of up to two years, in accordance with the
9 priority list established by the department under sec. 7(b) of this Act, to
10 an employment assistance and training entity if the entity meets program
11 requirements and can demonstrate that

12 (1) its accounting systems include controls adequate to check
13 the accuracy and reliability of accounting data, promote operating effi-
14 ciency, and assure compliance with program requirements and generally
15 accepted accounting principles; and

16 (2) its activities do not replace or compete in any way with a
17 federally approved jointly administered apprenticeship program or any other
18 existing training programs.

19 (b) The council may not award a pilot project grant if the grant
20 would displace money available through existing public or private training
21 programs.

22 (c) The Department of Community and Regional Affairs shall provide
23 administrative support to the council to administer the program. To pro-
24 vide administration of the program, the council may use the administrative
25 entities of the substate service delivery areas established for the coun-
26 cil.

27 (d) The council shall annually provide the department with financial
28 and performance reporting on the activities of the program and recommenda-
29 tions concerning continuation of funding.

1 * Sec. 9. DEFINITIONS. In this Act,

2 (1) "council" means the State Job Training Coordinating Council
3 established in the Department of Community and Regional Affairs under
4 29 U.S.C. 1532 and Administrative Order Number 74 of the governor;

5 (2) "department" means the Department of Labor;

6 (3) "program" means the state training and employment program
7 established under this Act; and

8 (4) "substate service delivery areas" means those areas desig-
9 nated by the governor under 29 U.S.C. 1532.

10 * Sec. 10. SHORT TITLE. This Act may be cited as the Alaska Employment
11 Assistance and Training Program Act.

12 * Sec. 11. This Act is repealed.

13 * Sec. 12. Sections 1 -10 of this Act take effect July 1, 1989.

14 * Sec. 13. Section 11 of this Act takes effect July 1, 1991.

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Original sponsor: Rules/Governor

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 191 ()
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to employment contributions and to
7 the establishment of state training and employment
8 programs; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. FINDINGS. The legislature finds that

11 (1) an inadequate number of jobs exist in this state to meet the
12 needs of those seeking employment;

13 (2) many Alaskans are having difficulty finding jobs, especially
14 in trying to meet the changing technology needs in this state;

15 (3) employer and employee contributions paid into the unemploy-
16 ment insurance system are used for payment of compensation to unemployed
17 workers and allocation of a small portion of employment contributions paid
18 by employees would provide money to develop a state training and employment
19 program to meet the training needs of Alaskans;

20 (4) a state training and employment program would

21 (A) help prevent future claims against unemployment bene-
22 fits;

23 (B) foster new jobs by encouraging businesses to locate in
24 the state due to availability of a skilled labor force and by minimiz-
25 ing employers' unemployment costs; and

26 (C) increase training opportunities to those workers se-
27 verely affected by the fluctuations in the state economy or techno-
28 logical changes in the workplace in the state;

29 (5) it would be beneficial to the state for state training and

1 employment programs funded by this Act to supplement, but not to displace,
2 programs funded by money available to a training entity for public or
3 private training, and not to replace, parallel, compete with, or duplicate
4 existing federally approved, jointly administered apprenticeship and train-
5 ing programs.

6 * Sec. 2. ^[EMPLOYMENT ASSISTANCE & TRAINING] STATE TRAINING AND EMPLOYMENT PROGRAM. There is created a
7 two-year pilot project program to finance and award grants to employment
8 assistance and training entities. Employment assistance and training
9 entities shall ^[RECORDS] give appropriate state agencies full access to accounting
10 records concerning grants received to assure compliance with program stan-
11 dards.

12 * Sec. 3. EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM ACCOUNT. The
13 employment assistance and training program account is established in the
14 general fund. The commissioner of administration shall separately account
15 for money collected under ^[AS 23.21.030] sec. 4 of this Act that the department deposits
16 in the general fund. The annual estimated balance in the account may be
17 appropriated by the legislature to the department to implement this Act. ^[CHAPTER]
18 The legislature may appropriate the lapsing balance of the account to the
19 unemployment compensation fund established in AS 23.20.130.

20 * Sec. 4. SPECIAL EMPLOYEE UNEMPLOYMENT CREDIT AND CONTRIBUTIONS FOR
21 PROGRAM. (a) In the manner provided in AS 23.20, the department shall
22 collect from each employee ^[AN] an amount equal to one-tenth of one percent of
23 the ^[RATE OF CONTRIBUTION] wages, as set out in AS 23.20.175, on which the employee is required to
24 make contributions under AS 23.20.290(d). This subsection applies to
25 amounts due and collected from July 1, 1989, through June 30, 1991, on
26 wages for employment performed from July 1, 1989, through June 30, 1991.
27 The department shall remit to the Department of Revenue, in accordance with
28 AS 37.10.050, money collected under this subsection.

29 (b) Notwithstanding AS 23.20.290(d), the department shall credit each ^[AN]

1 [UNEMPLOYMENT CONTRIBUTIONS UNDER AS 23.20.290] PAYABLE BY
employee with an amount equal to the amount collected from the employee
2 THAT EMPLOYEE UNDER THAT SUBSECTION] OF THE RATE OF CONTRIBUTIONS
3 under (a) of this section against unemployment contributions owed by the
employee under AS 23.20.

4 (c) The department shall assess and collect, under AS 23.20.185 -
5 23.20.275, interest and penalties for delinquent reports and payments due
6 under this section. Interest and penalties collected shall be handled in
7 accordance with AS 23.20.130(d).

8 * Sec. 5. PEOPLE TO BE SERVED. Within the limits of its grant, an
9 employment assistance and training entity receiving a grant under sec. 8 of
10 this Act shall provide services set out in sec. 6 of this Act to state
11 residents who, immediately before beginning training or receiving benefits
12 under a grant financed by this program,

- 13 (1) are unemployed and
14 (A) are receiving unemployment insurance benefits; or
15 (B) have exhausted the right to unemployment insurance
16 benefits within the past three years;

17 (2) are employed, but liable to be displaced within the next six
18 months because of

- 19 (A) reductions in overall employment within a business;
20 (B) elimination of the worker's current job; or
21 (C) a change in conditions of employment requiring that, to
22 remain employed, the employee must learn substantially different
23 skills which the employee does not now possess; or

24 (3) have worked in a position covered by AS 23.20 at any time
25 during the last three years, and are not currently eligible for unemploy-
26 ment insurance benefits because

- 27 (A) their employment has been seasonal, temporary, part-
28 time, or marginal;
29 (B) their qualifying wages are insufficient because of

1 limited job opportunity; or

2 (C) ^[UNDEREMPLOYED] they are employed but, because they are underemployed,
3 they are in need of employment assistance and training to obtain full
4 employment.

5 * Sec. 6. SERVICES FOR ELIGIBLE PEOPLE. Subject to the limits of its
6 grant, an entity receiving a grant under sec. 8 of this Act shall provide
7 one or more program elements. The program elements include

- 8 (1) industry-specific training;
- 9 (2) on-the-job training;
- 10 (3) institutional or classroom job-linked training;
- 11 (4) support services, including allowances;
- 12 (5) relocation assistance; or
- 13 (6) provisions of necessary tools, work-related clothing, safety
14 gear, or other necessities to obtain or retain employment.

15 * Sec. 7. DUTIES OF THE DEPARTMENT. (a) The department may award a
16 grant to the State Job Training Coordinating Council to

- 17 (1) administer a state training and employment program; and ^[AN EMPLOYMENT ASSISTANCE PROGRAM] [TO]
- 18 (2) award pilot project grants to qualified entities. ^{[TO] QUALIFIED TAKE EMPLOYERS TO PROVIDE SERVICES UNDER IS AS 23.21.050}

19 (b) If a grant is awarded to the State Job Training Coordinating
20 Council, the department shall annually provide to the council a priority
21 list of targeted projects or services, based on unemployment statistics,
22 unemployment insurance claims, occupational and industrial projections,
23 availability of other training and employment programs, and other relevant
24 data. The department shall also provide annually to the council a priority
25 list of criteria for eligibility to maximize services to those people most
26 in need of training under this Act. In developing the priority list for
27 targeted projects and services, the department shall solicit comments from
28 the Department of Community and Regional Affairs, Department of Education,
29 Department of Commerce and Economic Development, University of Alaska,

1 organized labor, the council, and the administrative entities of the sub-
2 state service delivery areas established for the council.

3 (c) The department may adopt regulations necessary to implement this
4 chapter.

5 * Sec. 8. DUTIES OF STATE JOB TRAINING COORDINATING COUNCIL. (a) In
6 implementing this program under a grant received under sec. 7 of this Act, ^[s. 23.21.040(1)]
7 and subject to the limit of its grant, the council shall award a pilot
8 project grant for a period of up to two years, in accordance with the
9 priority list established by the department under sec. 7(b) of this Act, to ^[s. 23.21.040(6)]
10 an employment assistance and training entity if the entity meets program
11 requirements and can demonstrate that

12 (1) its accounting systems include controls adequate to check
13 the accuracy and reliability of accounting data, promote operating effi-
14 ciency, and assure compliance with program requirements and generally
15 accepted accounting principles; and

16 (2) its activities do not replace or compete in any way with a
17 federally approved jointly administered apprenticeship program or any other
18 existing training programs.

19 (b) ^{PROHIBITION TO THE UNITED STATES} The council may not award a pilot project grant if the grant
20 would displace money available through existing public or private training
21 programs.

22 (c) The Department of Community and Regional Affairs shall provide
23 administrative support to the council to administer the program. To pro-
24 vide administration of the program, the council may use the administrative
25 entities of the substate service delivery areas established for the coun-
26 cil.

27 (d) The council shall annually provide the department with financial
28 and performance reporting on the activities of the program and recommenda-
29 tions concerning continuation of funding.

1 * Sec. 9. DEFINITIONS. In this Act,

2 (1) "council" means the State Job Training Coordinating Council
3 established in the Department of Community and Regional Affairs under
4 29 U.S.C. 1532 and Administrative Order Number 74 of the governor;

5 (2) "department" means the Department of Labor;

6 (3) "program" means the state training and employment program
7 established under this Act; and

8 (4) "substate service delivery areas" means those areas desig-
9 nated by the governor under 29 U.S.C. 1532.

10 * Sec. 10. SHORT TITLE. This Act may be cited as the Alaska Employment
11 Assistance and Training Program Act.

12 * Sec. 11. This Act is repealed.

13 * Sec. 12. Sections 1 -10 of this Act take effect July 1, 1989.

14 * Sec. 13. Section 11 of this Act takes effect July 1, 1991.

15 *LAST PART REPEALED BY HOUSE THE SAME*

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

SENATE BILL NO. 191

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to employment contributions and to
the establishment of employment and training pro-
grams; and providing for an effective date."

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8

9

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10

* Section 1. FINDINGS. The legislature finds that

11

(1) an inadequate number of jobs exist in this state to meet the
needs of those seeking employment;

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13

(2) many Alaskans are having difficulty finding jobs, especially in
trying to meet the changing technology needs in this state;

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(3) employer and employee contributions paid into the unemployment
insurance system are used for payment of compensation to unemployed work-
ers, and that allocation of a small portion of employment contributions
paid by employees would provide money to develop a state training program
to meet the training needs of Alaskans;

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(4) a state employment training program would

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(A) help prevent future claims against unemployment benefits;

22

(B) foster new jobs by encouraging businesses to locate in
Alaska due to availability of a skilled labor force and by minimizing
employers' unemployment costs; and

23

24

25

(C) increase training opportunities to those workers severely
affected by the fluctuations in the Alaskan economy or technological
changes in the workplace in the state;

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(5) it would be beneficial to the state for employment training

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programs funded by this Act to supplement, but not to displace, money

1 available to a training entity for public or private training, and not to
2 replace, parallel, compete with, or duplicate existing federally approved,
3 jointly administered apprenticeship and training programs.

4 * Sec. 2. AS 23 is amended by adding a new chapter to read:

5 CHAPTER 21. EMPLOYMENT ASSISTANCE AND TRAINING.

6 Sec. 23.21.010. EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM.

7 There is created a two-year pilot project program, designed by the
8 state, to finance and award grants to employment assistance and train-
9 ing entities. Employment assistance and training entities shall
10 accord appropriate state agencies full access to accounting records
11 concerning grants received, to assure compliance with program stan-
12 dards.

13 Sec. 23.21.020. EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM
14 ACCOUNT. The employment assistance and training program account is
15 established in the general fund. The commissioner of administration
16 shall separately account for money collected under AS 23.21.030 that
17 the department deposits in the general fund. The annual estimated
18 balance in the account may be appropriated by the legislature to the
19 department to implement this chapter. The legislature may appropriate
20 the lapsing balance of the account to the unemployment compensation
21 fund established in AS 23.20.130.

22 Sec. 23.21.030. SPECIAL EMPLOYEE UNEMPLOYMENT CREDIT AND CONTRI-
23 BUTIONS FOR PROGRAM. (a) In the manner provided in AS 23.20, the
24 department shall collect from an employee, who is contributing under
25 AS 23.20.290(d), one-tenth of one percent of the rate of contribution
26 payable by the employee under that subsection. Notwithstanding
27 AS 23.20.290(d), for the purposes of this chapter, beginning July 1,
28 1989 and continuing through June 30, 1991, for unemployment contri-
29 butions due for and collected during that period under AS 23.20, the

1 department shall credit an employee, who is contributing under
2 AS 23.20.290(d), with payment of one-tenth of one percent of the rate
3 of contribution payable by that employee under that subsection. The
4 department shall remit to the Department of Revenue, in accordance
5 with AS 37.10.050, money collected under this subsection.

6 (b) The department shall assess and collect, under AS 23.20.185
7 -- 23.20.275, interest and penalties for delinquent reports and pay-
8 ments due under this section. Interest and penalties collected shall
9 be handled in accordance with AS 23.20.130(d).

10 Sec. 23.21.040. PEOPLE TO BE SERVED. Within the limits of its
11 grant, an employment assistance and training entity receiving a grant
12 under AS 23.21.070 shall provide services set out in AS 23.21.050 to
13 Alaska residents who, immediately before beginning training or receiv-
14 ing benefits under a grant financed by this program,

15 (1) are unemployed, and

16 (A) receiving unemployment insurance benefits, or

17 (B) exhausted unemployment insurance benefits during

18 the past three years;

19 (2) are employed, but who might be displaced within the next
20 six months due to

21 (A) reductions in overall employment within a busi-

22 ness;

23 (B) elimination of the worker's current job; or

24 (C) a change in conditions of employment necessitating

25 a substantial revision in skills to remain employed; or

26 (3) have worked in covered employment during the last three
27 years, and are not currently eligible for unemployment insurance
28 benefits due to

29 (A) seasonal, temporary, part-time, or marginal

1 employment;

2 (B) lack of qualifying wages because of limited job
3 opportunity; or

4 (C) underemployment, but are in need of employment and
5 training assistance to obtain full-time employment.

6 Sec. 23.21.050. SERVICES FOR ELIGIBLE PEOPLE. Subject to the
7 limits of its grant, an entity receiving a grant under AS 23.21.070
8 shall provide one or more program elements, including

- 9 (1) industry-specific training;
10 (2) on-the-job training;
11 (3) institutional or classroom job-linked training;
12 (4) support services, including allowances;
13 (5) relocation assistance; or
14 (6) provisions of necessary tools, work-related clothing,
15 safety gear, or other necessities to obtain or retain employment.

16 Sec. 23.21.060. DUTIES OF THE DEPARTMENT. (a) The department
17 may award a grant to

18 (1) the State Job Training Coordinating Council to adminis-
19 ter an employment assistance and training program and to award pilot
20 project grants to qualified entities; or

21 (2) other qualified training entities to provide services
22 listed in AS 23.21.050.

23 (b) If a grant is awarded to the State Job Training Coordinating
24 Council, the department shall annually provide to the council a pri-
25 ority list of targeted projects or services, based on unemployment
26 statistics, unemployment insurance claims, occupational and industrial
27 projections, availability of other training and employment programs,
28 and other relevant data. In developing the priority list for targeted
29 projects and services, the department shall solicit comments from the

1 Department of Community and Regional Affairs, Department of Education,
2 Department of Commerce and Economic Development, University of Alaska,
3 organized labor, the council, and the administrative entities of the
4 substate service delivery areas established for the council.

5 (c) The department may adopt regulations necessary to implement
6 this chapter.

7 Sec. 23.21.070. DUTIES OF STATE JOB TRAINING COORDINATING COUN-
8 CIL. (a) In implementing this program under a grant received under
9 AS 23.21.060(a)(1), and subject to the limit of its grant, the State
10 Job Training Coordinating Council shall award a pilot project grant
11 for a period of up to two years, in accordance with the priority list
12 established by the department under AS 23.21.060(b), to an employment
13 assistance and training entity if the entity meets program require-
14 ments and can demonstrate that

15 (1) its accounting systems include controls adequate to
16 check the accuracy and reliability of accounting data, promote operat-
17 ing efficiency, and assure compliance with program requirements and
18 generally accepted accounting principles; and

19 (2) its activities do not replace or compete in any way
20 with a federally approved jointly administered apprenticeship program
21 or any other existing training programs.

22 (b) Subject to the limits of its grant, the council may not
23 award a pilot project grant if the grant would displace money avail-
24 able through existing public or private training programs.

25 (c) The Department of Community and Regional Affairs shall pro-
26 vide administrative support to the council to administer the program.
27 To provide administration of the program, the council may use the
28 administrative entities of the substate service delivery areas estab-
29 lished for the council.

1 (d) The council shall annually provide the department with
2 financial and performance reporting on the activities of the program
3 and recommendations concerning continuation of funding.

4 Sec. 23.21.080. DEFINITIONS. In this chapter,

5 (1) "council" means the State Job Training Coordinating Council
6 established in the Department of Community and Regional Affairs under
7 29 U.S.C. 1532 and Administrative Order Number 74 of the governor;

8 (2) "department" means the Department of Labor;

9 (3) "program" means the employment assistance and training
10 program established under this chapter; and

11 (4) "substate service delivery areas" means those areas desig-
12 nated by the governor under 29 U.S.C. 1532.

13 Sec. 23.21.090. SHORT TITLE. This chapter may be cited as the
14 Alaska Employment Assistance and Training Program Act.

15 * Sec. 3. AS 23.21.010, 23.21.020, 23.21.030, 23.21.040, 23.21.050,
16 23.21.060, 23.21.070, 23.21.080, and 23.21.090 are repealed.

17 * Sec. 4. Sections 1 and 2 of this Act take effect July 1, 1989.

18 * Sec. 5. Section 3 of this Act takes effect July 1, 1991.

Introduced: 2/24/89
Referred: Community and Regional
Affairs, Labor and Commerce
and Finance

go00549s

TERRY CRAMER
COMMUNITY AND
BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR
REGIONAL AFFAIRS

1 IN THE SENATE

(Comm. Rec. Sub-4-1-89)
2 SENATE BILL NO. 191 (C+R A)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to employment contributions and to
7 the establishment of employment and training pro-
8 grams; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. FINDINGS. The legislature finds that

11 (1) an inadequate number of jobs exist in this state to meet the
12 needs of those seeking employment;

13 (2) many Alaskans are having difficulty finding jobs, especially in
14 trying to meet the changing technology needs in this state;

15 (3) employer and employee contributions paid into the unemployment
16 insurance system are used for payment of compensation to unemployed work-
17 ers, and that allocation of a small portion of employment contributions
18 paid by employees would provide money to develop a state training program
19 to meet the training needs of Alaskans;

20 (4) a state employment training program would

21 (A) help prevent future claims against unemployment benefits;

22 (B) foster new jobs by encouraging businesses to locate in
23 Alaska due to availability of a skilled labor force and by minimizing
24 employers' unemployment costs; and

25 (C) increase training opportunities to those workers severely
26 affected by the fluctuations in the Alaskan economy or technological
27 changes in the workplace in the state;

28 (5) it would be beneficial to the state for employment training
29 programs funded by this Act to supplement, but not to displace, money

1 available to a training entity for public or private training, and not to
2 replace, parallel, compete with, or duplicate existing federally approved,
3 jointly administered apprenticeship and training programs.

4 * Sec. 2. AS 23 is amended by adding a new chapter to read:

5 CHAPTER 21. ^{STATE TRAINING EMPLOYMENT PROGRAM} ~~EMPLOYMENT ASSISTANCE AND TRAINING-~~

6 Sec. 23.21.010. ^{STATE TRAINING EMPLOYMENT PROGRAM} ~~EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM.~~

7 There is created a two-year pilot project program, designed by the
8 state, to finance and award grants to employment assistance and train-
9 ing entities. Employment assistance and training entities shall
10 accord appropriate state agencies full access to accounting records
11 concerning grants received, to assure compliance with program stan-
12 dards.

13 Sec. 23.21.020. ^{STATE TRAINING EMPLOYMENT} ~~EMPLOYMENT ASSISTANCE AND TRAINING PROGRAM~~
14 ACCOUNT. ^{STATE TRAINING EMPLOYMENT} ~~The employment assistance and training~~ program account is
15 established in the general fund. The commissioner of administration
16 shall separately account for money collected under AS 23.21.030 that
17 the department deposits in the general fund. The annual estimated
18 balance in the account may be appropriated by the legislature to the
19 department to implement this chapter. The legislature may appropriate
20 the lapsing balance of the account to the unemployment compensation
21 fund established in AS 23.20.130.

22 Sec. 23.21.030. SPECIAL EMPLOYEE UNEMPLOYMENT CREDIT AND CONTRI-
23 BUTIONS FOR PROGRAM. (a) In the manner provided in AS 23.20, the
24 department shall collect from an employee, who is contributing under
25 AS 23.20.290(d), one-tenth of one percent of the rate of contribution
26 payable by the employee under that subsection. Notwithstanding
27 AS 23.20.290(d), for the purposes of this chapter, beginning July 1,
28 1989 and continuing through June 30, 1991, for unemployment contri-
29 butions due for and collected during that period under AS 23.20, the

1 department shall credit an employee, who is contributing under
2 AS 23.20.290(d), with payment of one-tenth of one percent of the rate
3 of contribution payable by that employee under that subsection. The
4 department shall remit to the Department of Revenue, in accordance
5 with AS 37.10.050, money collected under this subsection.

6 (b) The department shall assess and collect, under AS 23.20.185
7 -- 23.20.275, interest and penalties for delinquent reports and pay-
8 ments due under this section. Interest and penalties collected shall
9 be handled in accordance with AS 23.20.130(d).

10 Sec. 23.21.040. PEOPLE TO BE SERVED. Within the limits of its
11 grant, an employment assistance and training entity receiving a grant
12 under AS 23.21.070 shall provide services set out in AS 23.21.050 to
13 Alaska residents who, immediately before beginning training or receiv-
14 ing benefits under a grant financed by this program,

15 (1) are unemployed, and

16 (A) receiving unemployment insurance benefits, or

17 (B) exhausted unemployment insurance benefits during

18 the past three years;

19 (2) are employed, but who might be displaced within the next
20 six months due to

21 (A) reductions in overall employment within a busi-
22 ness;

23 (B) elimination of the worker's current job; or

24 (C) a change in conditions of employment necessitating
25 a substantial revision in skills to remain employed; or

26 (3) have worked in covered employment during the last three
27 years, and are not currently eligible for unemployment insurance
28 benefits due to

29 (A) seasonal, temporary, part-time, or marginal

1 employment;

2 (B) lack of qualifying wages because of limited job
3 opportunity; or

4 (C) underemployment, but are in need of employment and
5 training assistance to obtain full-time employment.

6 Sec. 23.21.050. SERVICES FOR ELIGIBLE PEOPLE. Subject to the
7 limits of its grant, an entity receiving a grant under AS 23.21.070
8 shall provide one or more program elements, including

- 9 (1) industry-specific training;
10 (2) on-the-job training;
11 (3) institutional or classroom job-linked training;
12 (4) support services, including allowances;
13 (5) relocation assistance; or
14 (6) provisions of necessary tools, work-related clothing,
15 safety gear, or other necessities to obtain or retain employment.

16 Sec. 23.21.060. DUTIES OF THE DEPARTMENT. (a) The department
17 may award a grant to

18 (1) the State Job Training Coordinating Council to adminis-
19 ter an employment assistance and training program and to award pilot
20 project grants to qualified entities; or

21 (2) other qualified training entities to provide services
22 listed in AS 23.21.050.

23 (b) If a grant is awarded to the State Job Training Coordinating
24 Council, the department shall annually provide to the council a pri-
25 ority list of targeted projects or services, based on unemployment
26 statistics, unemployment insurance claims, occupational and industrial
27 projections, availability of other training and employment programs,
28 and other relevant data. In developing the priority list for targeted
29 projects and services, the department shall solicit comments from the

ADDITIONALLY THE DEPARTMENT MAY ANNUALLY
PROVIDE TO THE COUNCIL A PRIORITY LIST OF CRITERIA
FOR ELIGIBILITY TO MAXIMIZE SERVICES TO THOSE PEOPLE MOST

IN NEED OF TRAINING UNDER THIS CHAPTER

1 Department of Community and Regional Affairs, Department of Education,
2 Department of Commerce and Economic Development, University of Alaska,
3 organized labor, the council, and the administrative entities of the
4 substate service delivery areas established for the council.

5 (c) The department may adopt regulations necessary to implement
6 this chapter.

7 Sec. 23.21.070. DUTIES OF STATE JOB TRAINING COORDINATING COUN-
8 CIL. (a) In implementing this program under a grant received under
9 AS 23.21.060(a)(1), and subject to the limit of its grant, the State
10 Job Training Coordinating Council shall award a pilot project grant
11 for a period of up to two years, in accordance with the priority list
12 established by the department under AS 23.21.060(b), to an employment
13 assistance and training entity if the entity meets program require-
14 ments and can demonstrate that

15 (1) its accounting systems include controls adequate to
16 check the accuracy and reliability of accounting data, promote operat-
17 ing efficiency, and assure compliance with program requirements and
18 generally accepted accounting principles; and

19 (2) its activities do not replace or compete in any way
20 with a federally approved jointly administered apprenticeship program
21 or any other existing training programs.

22 (b) Subject to the limits of its grant, the council may not
23 award a pilot project grant if the grant would displace money avail-
24 able through existing public or private training programs.

25 (c) The Department of Community and Regional Affairs shall pro-
26 vide administrative support to the council to administer the program.
27 To provide administration of the program, the council may use the
28 administrative entities of the substate service delivery areas estab-
29 lished for the council.

1 (d) The council shall annually provide the department with
2 financial and performance reporting on the activities of the program
3 and recommendations concerning continuation of funding.

4 Sec. 23.21.080. DEFINITIONS. In this chapter,

5 (1) "council" means the State Job Training Coordinating Council
6 established in the Department of Community and Regional Affairs under
7 29 U.S.C. 1532 and Administrative Order Number 74 of the governor;

8 (2) "department" means the Department of Labor;

9 (3) "program" means the ^{state TRAINING Employment}
~~employment assistance and training~~
10 program established under this chapter; and

11 (4) "substate service delivery areas" means those areas desig-
12 nated by the governor under 29 U.S.C. 1532.

13 Sec. 23.21.090. SHORT TITLE. This chapter may be cited as the
14 ^{STATE TRAINING Employment}
~~Alaska Employment Assistance and Training~~ Program Act.

15 * Sec. 3. AS 23.21.010, 23.21.020, 23.21.030, 23.21.040, 23.21.050,
16 23.21.060, 23.21.070, 23.21.080, and 23.21.090 are repealed.

17 * Sec. 4. Sections 1 and 2 of this Act take effect July 1, 1989.

18 * Sec. 5. Section 3 of this Act takes effect July 1, 1991.



State of Alaska

Department of Community and Regional Affairs

David G. Hoffman, Commissioner

P.O. Box B

Juneau, Alaska 99811

(907) 465-4700

MEDIA RELEASE

Rural Development Division
Release Date: 3-3-89; For Immediate Release

Contact: Bill Mailer
Phone: (907) 563-1955

Subject: Governor's Bill Would Create New Employment Assistance and Job Training Opportunities

Alaskans who are having difficulty finding jobs will get some additional help from the state if a bill introduced by Governor Steve Cowper is approved by the Legislature. Senate Bill 191 proposes the creation of a new state program designed to work alongside existing federal programs which provide employment assistance and job training. The Governor first proposed the job training initiative in a speech last month at a private industry conference in Anchorage. "We would take a small percentage of the dollars that employees pay into the State Unemployment Insurance System, about \$2.5 million a year, and we're going to take some of this money and create a job training program with it. We think it's wise to do that; we think it's a good use of that money." Cowper said. The program would operate initially for two years on a pilot-program basis.

Because the new job training program would be state-funded, it could be customized to better reflect the actual needs of Alaskan workers and the special conditions of Alaska's economy and work place. Many Alaskans who are not eligible to participate in the existing federal programs would be eligible to participate in the more flexible state program proposed in the bill.

- more -

The new program would not require the use of any new general funds. Instead the program would be funded by using a small fraction of the unemployment taxes which employees pay into the state's unemployment insurance fund. If the concept works as planned, the increase in job training will help more Alaskans find jobs and reduce the number of people on the unemployment roles. The reduction in unemployment payments is expected to more than offset the cost of the job training programs and would result in a net gain for the state's unemployment insurance fund.

The new state-funded job training program would be administered by the State Job Training Coordinating Council which oversees the existing federally-funded job training programs. The Council will award grants to one or more entities which provide employment assistance and job training services. To avoid duplication of services, the bill permits the Council to award the new state-funded grants only to those service providers which would not replace or compete in any way with existing job training programs.

As specified in the bill, the services provided by the new state job training program can include industry-specific training, on-the-job-training, job-related classroom training, relocation assistance, living allowance while in training, and the provision of necessary tools and other necessities required to obtain or retain employment. Each year, based on studies of unemployment conditions and industrial projections, the state program will focus its funding on training projects and services which most directly address actual Alaskan job training and employment service needs.

- end -



STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION : CSSB 191 (C&RA)
PUBLISH DATE : _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act relating to employment
contributions...and training programs"
Sponsor: Rules Committee
Requestor: Senate Community & Regional
Affairs

Agency Affected: Labor
BRU: Employment Security
Components: _____
Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		55.0	9.6			
TRAVEL						
CONTRACTUAL		1,725.0	2,580.4			
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	1,780.0	2,590.0	0.0	0.0	0.0
CAPITAL						
REVENUE	0.0	1,780.0	2,590.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

GENERAL FUND		1,780.0	2,590.0			
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	1,780.0	2,590.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Judy Knight, Deputy Director Phone: 465-2700
Division: Employment Security Division Date: 3/21/89
Approved by Commissioner: Jim Sampson Date: 3/21/89
Agency: Department of Labor

Distribution (by preparer) :
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Fiscal Note Analysis
for

"An Act relating to employment contributions...and training..."

This bill provides for the establishment of a state training and employment program that will be funded by a contribution of one-tenth of one percent of covered worker wages collected by the Department of Labor. This will be done at no cost to the worker by giving a credit of this amount from the employee contribution currently provided for in AS 23.20.290. The revenue will be deposited in the general fund in the state training and employment program account.

Revenue calculations for FY 90 and FY 91 are as follows:

	<u>FY 90 Revenues</u>	<u>FY 91 Revenues</u>
Estimated taxable wages	\$2,559,000.0	\$2,727,000.0
Less one quarter for effective date of July 1, 1989	(683,000.0)	
Multiply difference by one-tenth of 1% to arrive at estimated revenues	\$1,876.0	\$2,727.0
Adjust for 95% collection rate	<u>(92.0)</u>	<u>(137.0)</u>
<u>Estimated total revenues available</u>	\$1,780.0	\$2,590.0

Except for the \$55.0 needed by the department to cover administrative costs, the revenues deposited to the state training and employment program account would be transferred to the Department of Community & Regional Affairs for disbursement.

During the first year the department's automated accounting system would have to be modified to allow the separate accounting of these revenues. This would be needed due to the federal requirement that funds such as these not be mixed with U.I. trust fund monies. We estimate the one time cost of this conversion to be \$45.4 of analyst/programmer time for the Unemployment Insurance program.

Also, costs of \$9.6 would be required in staff time during both years to separately account for and transfer this money.

Assumptions:

1. Effective date of July 1, 1989.
2. Pilot program would last for two years.

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Employment Training & Assistance
 Program _____
 Sponsor: Rules Committee
 Requestor: Governor

Agency Affected: Community & Regional Affairs
 BRU: Job Training Partnership Act
 Components: Governor's Training, Training and Energy Field Office

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		92.0	136.8			
TRAVEL		11.7	13.5			
CONTRACTUAL		18.0	26.2			
SUPPLIES		2.0	.6			
EQUIPMENT		3.5	0			
LAND & STRUCTURES		0	0			
GRANTS, CLAIMS		1597.8	2403.3			
MISCELLANEOUS		0	0			
TOTAL OPERATING	0	1725.0	2580.4	N/A	N/A	N/A
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0					
FEDERAL FUNDS						
OTHER		1725.0*	2580.4*			
TOTAL	0	1725.0	2580.4	N/A	N/A	N/A

POSITIONS:

FULL-TIME	0	2	2	N/A	N/A	N/A
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

*Interagency receipts from the Department of Labor. This Fiscal Note authorizes receipt and expenditure of these funds.
 (See attached Fiscal Note Analysis).

Prepared by: *Maer Glin*
 Division: Rural Development Division

Phone: 465-4890
 Date: 3-21-89

Approved by Commissioner: *David P. Bellman*
 Agency: Community & Regional Affairs

Date: 3-21-89

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

State of Alaska 1989 - 16th Legislature
First Session
Fiscal Note Analysis

Title: Alaskan Employment
Training Assistance Program

Page 2 of 5

Assumptions Funds will be passed through the Department of Community and Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. The intent of this bill would also provide for a proportionate pass through of grant funds to the established Service Delivery Areas (the administrative/granting entities established under the Job Training Partnership Act.) One of the three established SDA's within the State, the Statewide SDA, is also organized and functional within the Rural Development Division, Department of Community and Regional Affairs. This analysis therefore reflects both of these functions within this Department. The expenditures indicated on page I for personal services, travel, contractual, supplies and equipment reflect a 2.5% level of administrative support for the statewide office and a 12.5% level of administrative support for the Service Delivery Area.

Federal JTPA funds are dedicated to the administration of JTPA programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

Program Summary At the State office (JTPO) level, the requested administrative funds will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring, both on-sight and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service providing agencies. General program administration including generation of required fiscal and participant reports will be provided.

At the Service Delivery Area level 85% of funds will be directly granted to eligible training projects. The minimal administrative support requested is necessary to initiate program implementation which would include the planning and design work, outreach and promotion, the solicitation process, grant negotiation and writing, grant monitoring, technical assistance and oversight, participant outreach and recruitment, financial accountability, staff training, and program assessment and evaluation. Program services and administration will be integrated into the existing SDA administrative structure, which utilizes five field offices, a small central support office and support for a Private Industry Council.

Positions Two new positions (a 7 months equivalent within the Governors Training Component and one within the Training and Energy Field Office component, JTPA BRU) are requested (See attached Request for New Position Form). Within the Training and Energy Field Office component some additional support (calculated on a conservative pro-rata basis) in personal services for established personnel is also requested by 1991. This would cover approximately 20% of the SDA manager, 20% of one Clerk Typist and 10% of a Community Development Specialist in each of the field offices. (This rate is significantly less than the current charging used against the Federal JTPA program)

Other Expenditures Modification of the existing JTPA Participant Management Information System will be needed to track and account for program participants. Estimated one-time cost is \$4,500. Travel for the JTPO office is estimated at \$1,700, while the Statewide SDA will require an estimated \$10,000 in consideration of the cost of rural travel. Other contractual costs will include fiscal support costs, program marketing and promotion, data base maintenance under the equipment maintenance agreement, phone, copier, printing, and basic supplies.

For a program of this scope, there are great advantages and financial savings realized by administering it through this established Delivery System.

Position Title Grants Administrator		No. of Positions 1	Range/Step 17A	Barg. Unit GGU
Time Status Full Time	Staff Months 12	Location Anchorage		Election District
Type of Expenditure		Amount		
1	2	3		
Salary	34.7			
Benefits	10.5			
Premium Pay	0			
Other	0			
Total Personal Services		45.2		
Travel		1.7		
Contractual		11.0		
Commodities		1.5		
Equipment		3.5		
Other		0		
Total Cost		62.7		
Funding Source for Total Cost				
Federal Receipts	1002	19.6		
G. F. Match	1003			
General Fund	1004			
I-A Receipts	1006	43.1		
CIP Receipts	1061			
Other				

Justification Funds will be passed through the Department of Community & Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. Federal JTPA funds are dedicated to the administration of the JTPA programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

At the present time staff in the central JTPA administrative office are occupied with administrating the Job Training Partnership Act. The addition of new administrative responsibilities require the addition of an additional position to do the work. A Grants Administrator position is needed at range 17 step A. Approximately 7 months of this person's time will be charged to this new program.

This position will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring both on-site and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service providing agencies. General program administration including generation

of required fiscal, participant, and performance reports will be provided.

**Request For
New Position**

Agency Community & Regional Affairs
 BRU Job Training Partnership Act
 Component Governors Training

Page 4 of 5
 Revised Date

FY 90

Position Title Grants Administrator		No. of Positions 1	Range/Step 17A	Barg. Unit GGU
Time Status Full Time	Staff Months 12	Location Juneau		Election District
Type of Expenditure		Amount		
1	2	3		
Salary	34.7			
Benefits	10.5			
Premium Pay	0			
Other	0			
Total Personal Services		45.2		
Travel		5.0		
Contractual		2.5		
Commodities		.5		
Equipment		0		
Other				
Total Cost		53.2		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
I-A Receipts	1006	53.2		
CIP Receipts	1061			
Other				

Justification As the intent of this program is to pass on funds for employment and training grants to existing administrative entities, the Alaska Statewide SDA as organized within Community & Regional Affairs would be one such entity. The SDA is established in the Training/Energy Field Office component within the JTPA BRU.

As with the State office, the federal JTPA funds cannot be used to support State activity within the SDA. While the Statewide SDA will utilize its Field Office network to implement this program, an additional Central Office position is necessary to oversee the development of the grant solicitation, internal procedures for accounting, MIS, Monitoring, reporting, subgrant management and evaluation of this program. These new administrative responsibilities will require the addition of a Grants Administrator position, range 17 step A to the central administrative office in Juneau.

**Request For
New Position**

Agency Community & Regional Affairs
 BRU Job Training
 Component Training/Energy Field Office

FY 90

Page 5 of 5
 Revised Date



Alaska State Legislature

Senator Mike Szymanski

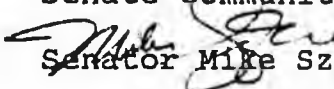
While in Session:
P.O. Box V
State Capitol, Room 11
Juneau, Alaska 99811
(907) 465-4978/4979
FAX (907) 465-2652

During Interim:
3111 C Street, Suite 510
Anchorage, Alaska 99503
(907) 561-7617

165 E. Parks Highway
Legislative Information Office
Wasilla, Alaska 99687
(907) 376-MIKE

MEMORANDUM

TO: Senator Al Adams
Chair
Senate Community and Regional Affairs Committee

FROM:  Senator Mike Szymanski

DATE: March 21, 1989

SUBJECT: Proposed CS for SB191. an Act relating to employment contributions and to the establishment of employment and training programs

The purpose of this memo is to outline the proposed changes to this Bill.

1) The renaming of the program from "State Employment and Training Program" to "State Training and Employment Program (STEP)" is a cosmetic change which allows for a acronym which sounds positive in nature.

2) The duties of the Department of Labor were restricted to awarding a grant to the State Job Training Coordinating Council. This was accomplished by changing page 4, line 19-22 by eliminating the wording: "(2) other qualified training entities to provide services listed in AS 23.21.050."

Note: This change was done to ensure all grants would go through the Community and Regional Affairs Department SJTCC, thus, eliminating the potential of both Department of Labor and Department of Community and Regional Affairs from being in a position of authorizing and operating Employment and Training Programs. The current Federal funded programs are under CR&A and as such it would not serve the State's interest to now fragment the efforts by having the employment and training programs split between departments.

It would be noted Section 23.21.060(b), page 4, lines 23-29 allows the Department of Labor significant control over the types of programs to be operated by this SJTCC and also that there is significant labor representation on the SJTCC to ensure their concerns are addressed.

Senate District E

Senator Al Adams
March 21, 1989

3) A new provision was added to the bill which would allow the Department to establish eligibility criteria for programs operated under this act.

It was felt this act should include such authorization to eliminate court challenges in the future by those who maybe restricted entrance into programs.

Alaska State Legislature

Al Adams
District L

WHILE IN SESSION
P.O. Box V
State Capitol
Juneau, Alaska 99801
(907) 465-3707

OUT OF SESSION
P.O. Box 333
Kotzebue, Alaska 99752
(907) 442-3245

311 C Street
Anchorage, Alaska 99503
(907) 561-7622



Official Business

MEMORANEUM

To: Senator Drue Pearce
Senate C&RA Committee

From: Senator Al Adams *AOA*
Chairman
Senate C&RA Committee

Date: March 15, 1989

Subj: Fiscal Notes SB 191

I understand that at the 3/14/89 Senate Community & Regional Affairs Committee meeting there was considerable discussion regarding the fiscal notes presented by the Department of Labor (DOL) and the Department of Community & Regional Affairs (DCRA). Specifically, you were concerned that the fiscal notes appear to "double count" funds appropriated from the Employment Assistance and Training Program Account of the general fund.

I have reviewed these fiscal notes and, aside from some question as to the necessity of approving all the administrative costs shown, believe they are in order.

The apparent "double counting" arises from the transfer by Reimbursable Services Agreement (RSA) of the grant funds and grant administrative/oversight funds from the Department of Labor to the Department of Community & Regional Affairs. These "other" funds should more correctly be identified as interagency receipts on the DCRA fiscal note.

The general fund request occurs only once and will be shown only once on the master fiscal note list compiled by the Division of

Legislative Finance. The interagency receipts will be included under the column marked "all funds" on the master list and will have no impact whatsoever on the general fund. I have attached a copy of the 3/15/89 fiscal note master list for your review. Since only fiscal notes approved by either the House or Senate Finance Committees appear on this list, SB 191 is not yet included. The master list is reviewed by the Chairs of the Senate and House Finance Committees regularly and is subject to revision by the budget conference committee prior to inclusion in the General Appropriations Act under the "new legislation" section.

Assuming SB 191 passes the Legislature and the existing fiscal notes are approved by the conference committee, the end result will be a \$1,780,000 general fund appropriation to the Department of Labor and an appropriation of \$1,725,000 in interagency receipts to the Department of Community and Regional Affairs.

While this process appears cumbersome, it does conform to the provisions of the bill. Under SB 191, appropriations from the Employment Assistance and Training Program Account of the general fund may be appropriated to the Department of Labor to implement the provisions of the chapter. Likewise, the transfer of funds to DCRA conforms with the purposes of Sec. 23.21.070 which specifies the duties of the State Job Training Coordinating Council and provides for DCRA administrative support of the program. Joint management of the program between DOL and DCRA is an integral part of the bill.

Given the language of the bill, I believe that failure to appropriate interagency receipts to DCRA would require the departments to enter into an unbudgeted RSA to implement the program. This is contrary to sound fiscal and budgetary practices.

In the event I am unable to attend the Tuesday, March 21 Senate Community & Regional Affairs Committee hearing, I urge you to support both fiscal notes as introduced. I also suggest, however, that as a member of the Senate Finance Committee, you take a close at the administrative costs included in both fiscal notes.

If you have any additional questions, please let me know.

cc: Mr. Jim Plasman, DCRA
Ms. Eileen Plate, DOL

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SB 191
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act relating to employment
contributions...and training programs"
Sponsor: Rules Committee
Requestor: Senate Community & Regional
Affairs

Agency Affected: Labor
BRU: Employment Security
Components: _____
Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		55.0	9.6			
TRAVEL						
CONTRACTUAL		1,725.0	2,580.4			
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	1,780.0	2,590.0	0.0	0.0	0.0
CAPITAL						
REVENUE	0.0	1,780.0	2,590.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

GENERAL FUND		1,780.0	2,590.0			
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	1,780.0	2,590.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Judy Knight, Deputy Director
Division: Employment Security Division

Phone: 465-2700
Date: 2/24/89

Approved by Commissioner: Jim Sampson
Agency: Department of Labor

Date: 2/24/89

Distribution (by preparer) :
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Fiscal Note Analysis
for

"An Act relating to employment contributions...and training..."

This bill provides for the establishment of an employment assistance and training program that will be funded by a contribution of one-tenth of one percent of covered worker wages collected by the Department of Labor. This will be done at no cost to the worker by giving a credit of this amount from the employee contribution currently provided for in AS 23.20.290. The revenue will be deposited in the general fund in the employment assistance and training program account.

Revenue calculations for FY 90 and FY 91 are as follows (in 000's):

	<u>FY 90 Revenues</u>	<u>FY 91 Revenues</u>
Estimated taxable wages	\$2,559,000.0	\$2,727,000.0
Less one quarter for effective date of July 1, 1989	(683,000.0)	
Multiply difference by one-tenth of 1% to arrive at estimated revenues	\$1,876.0	\$2,727.0
Adjust for 95% collection rate	<u>(92.0)</u>	<u>(137.0)</u>
<u>Estimated total revenues available</u>	\$1,780.0	\$2,590.0

Except for the \$55.0 needed by the department to cover administrative costs, the revenues deposited to the employment assistance and training program account would be transferred to the Department of Community & Regional Affairs for disbursal.

During the first year the department's automated accounting system would have to be modified to allow the separate accounting of these revenues. This would be needed due to the federal requirement that funds such as these not be mixed with U.I. trust fund monies. We estimate the one time cost of this conversion to be \$45.4 of analyst/programmer time for the Unemployment Insurance program.

Also, costs of \$9.6 would be required in staff time during both years to separately account for and transfer this money.

Assumptions:

1. Effective date of July 1, 1989.
2. Pilot program would last for two years.

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Employment Training & Assistance Program
 Sponsor: Rules Committee
 Requestor: Governor

Agency Affected: Community & Regional Affairs
 BRU: Job Training Partnership Act

Components: Governor's Training, Training and Energy Field Office

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		92.0	136.8			
TRAVEL		11.7	13.5			
CONTRACTUAL		18.0	26.2			
SUPPLIES		2.0	.6			
EQUIPMENT		3.5	0			
LAND & STRUCTURES		0	0			
GRANTS, CLAIMS		1597.8	2403.3			
MISCELLANEOUS		0	0			
TOTAL OPERATING	0	1725.0	2580.4	N/A	N/A	N/A

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0					
FEDERAL FUNDS						
OTHER		1725.0	2580.4			
TOTAL	0	1725.0	2580.4	N/A	N/A	N/A

POSITIONS:

FULL-TIME	0	2	2	N/A	N/A	N/A
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

(see attached)

Prepared by: *Wanda K. Miller*
 Division: Rural Development Division

Phone: 465-4890
 Date: 2/03/89

Approved by Commissioner: *Wayne C. Riffe*
 Agency: Community & Regional Affairs

Date: 2-23-89

Distribution (by preparer):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

State of Alaska 1989 - 16th Legislature
First Session
Fiscal Note Analysis

Title: Alaskan Employment
Training Assistance Program

Page 2 of 5

Assumptions Funds will be passed through the Department of Community and Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. The intent of this bill would also provide for a proportionate pass through of grant funds to the established Service Delivery Areas (the administrative/granting entities established under the Job Training Partnership Act.) One of the three established SDA's within the State, the Statewide SDA, is also organized and functional within the Rural Development Division, Department of Community and Regional Affairs. This analysis therefore reflects both of these functions within this Department.

Presently there are no State general funds available in the JTPA BRU. Federal JTPA funds are dedicated to the administration of JTPA Programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

Program Summary At the State office (JTPO) level, the requested administrative funds will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring, both on-sight and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service providing agencies. General program administration including generation of required fiscal and participant reports will be provided.

At the Service Delivery Area level approximately 87.5% of funds will be directly granted to eligible training projects. The minimal administrative support requested is necessary to initiate program implementation which would include the planning and design work, outreach and promotion, the solicitation process, grant negotiation and writing, grant monitoring, technical assistance and oversight, participant outreach and recruitment, financial accountability, staff training, and program assessment and evaluation. Program services and administration will be integrated into the existing SDA administrative structure, which utilizes five field offices, a small central support office and support for a Private Industry Council.

Positions Two new positions (a 7 months equivalent within the Governors Training Component and one within the Training and Energy Field Office component, JTPA BRU) are requested (See attached Request for New Position Form). Within the Training and Energy Field Office component some additional support (calculated on a conservative pro-rata basis) in personal services for established personnel is also requested by 1991. This would cover approximately 20% of the SDA manager, 20% of one Clerk Typist and 10% of a Community Development Specialist in each of the field offices. (This rate is significantly less than the current charging used against the Federal JTPA program)

Other Expenditures Modification of the existing JTPA Participant Management Information System will be needed to track and account for program participants. Estimated one-time cost is \$4,500. Travel for the JTPO office is estimated at \$1,700, while the Statewide SDA will require an estimated \$10,000 in consideration of the cost of rural travel. Other contractual costs will include fiscal support costs, program marketing and promotion, data base maintenance under the equipment maintenance agreement, phone, copier, printing, and basic supplies.

For a program of this scope, there are great advantages and financial savings realized by administering it through this established Delivery System.

Position Title Grants Administrator		No. of Positions 1	Range/Step 17A	Barg. Unit GGU
Time Status Full Time	Staff Months 12	Location Anchorage		Election District
Type of Expenditure		Amount		
1	2	3		
Salary	34.7			
Benefits	10.5			
Premium Pay	0			
Other	0			
Total Personal Services	45.2			
Travel	1.7			
Contractual	11.0			
Commodities	1.5			
Equipment	3.5			
Other	0			
Total Cost	62.7			
Funding Source for Total Cost				
Federal Receipts	1002	19.6		
G. F. Match	1003			
General Fund	1004			
I-A Receipts	1006	43.1		
CIP Receipts	1061			
Other				

Justification Funds will be passed through the Department of Community & Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. Federal JTPA funds are dedicated to the administration of the JTPA programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

At the present time staff in the central JTPA administrative office are occupied with administering the Job Training Partnership Act. The addition of new administrative responsibilities require the addition of an additional position to do the work. A Grants Administrator position is needed at range 17 step A. Approximately 7 months of this person's time will be charged to this new program.

This position will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring both on-site and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service providing agencies. General program administration including generation

of required fiscal, participant, and performance reports will be provided.

**Request For
New Position**

Agency Community & Regional Affairs.
BRU Job Training Partnership Act
Component Governors Training

Page 4 of 5
Revised Date

FY 90

Position Title <u>Grants Administrator</u>		No. of Positions <u>1</u>	Range/Step <u>17A</u>	Barg. Unit <u>GGU</u>
Time Status <u>Full Time</u>	Staff Months <u>12</u>	Location <u>Juneau</u>		Election District
Type of Expenditure		Amount		
<u>1</u>	<u>2</u>	<u>3</u>		
Salary	<u>34.7</u>			
Benefits	<u>10.5</u>			
Premium Pay	<u>0</u>			
Other	<u>0</u>			
Total Personal Services		<u>45.2</u>		
Travel		<u>5.0</u>		
Contractual		<u>2.5</u>		
Commodities		<u>.5</u>		
Equipment		<u>0</u>		
Other				
Total Cost		<u>53.2</u>		
Funding Source for Total Cost				
Federal Receipts	<u>1002</u>			
G. F. Match	<u>1003</u>			
General Fund	<u>1004</u>			
I-A Receipts	<u>1006</u>	<u>53.2</u>		
CIP Receipts	<u>1061</u>			
Other				

Justification As the intent of this program is to pass on funds for employment and training grants to existing administrative entities, the Alaska Statewide SDA as organized within Community & Regional Affairs would be one such entity. The SDA is established in the Training/Energy Field Office component within the JTPA BRU.

As with the State office, the federal JTPA funds cannot be used to support State activity within the SDA. While the Statewide SDA will utilize its Field Office network to implement this program, an additional Central Office position is necessary to oversee the development of the grant solicitation, internal procedures for accounting, MIS, Monitoring, reporting, subgrant management and evaluation of this program. These new administrative responsibilities will require the addition of a Grants Administrator position, range 17 step A to the central administrative office in Juneau.

**Request For
New Position**

Agency Community & Regional Affairs
 BRU Job Training
 Component Training/Energy Field Office

FY 90

Page 5 of 5
 Revised Date

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 24, 1989

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

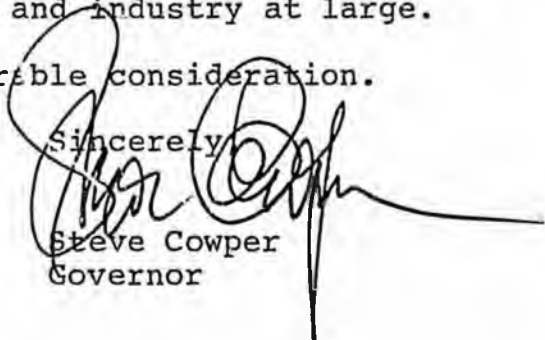
Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to create a two-year pilot project program to increase training opportunities for Alaskans severely affected by fluctuations in the Alaskan economy or by technological changes in the work place. The bill would allow the Alaska Department of Labor to award a grant to the existing State Job Training Coordinating Council to administer the program and to provide grants to qualified employment assistance and training entities, according to priorities established by the department after solicitation of comments from key organizations with experience in the training needs of the state. The department would also be authorized to award grants directly to the training entities.

The bill was designed to prevent this new state training program from competing with existing programs, and to meet current unmet training needs in the state. Additionally, the bill is designed so that the program will be funded by legislative appropriation of a small portion of the employee contribution under the current statute, earmarked for this purpose, rather than by general fund money, yet without violating the dedicated-fund prohibition in art. IX, sec. 7, of the Alaska Constitution. I view the bill as a strong step forward in allowing the state to design employee training programs to meet the needs of the employees, employers, unions, and industry at large.

I urge your prompt and favorable consideration.

Sincerely,


Steve Cowper
Governor

Senate Bill No. 191

Proposal

Senate Bill No. 191 establishes a two-year pilot program to increase training opportunities for Alaskans whose livelihood is affected by changes in Alaska's economy or by technological changes in the workplace.

Under the bill, training programs would be funded by a small portion (0.1 percent) of employee contributions which are currently required under Alaska's unemployment insurance law. This would provide \$1,780.0 in FY 90 and \$2,590.0 in FY 91. The training programs would be closely tied to unemployment in order that the training would result in reducing unemployment insurance outlays that would otherwise occur.

Description of Problem

Much of the unemployment Alaska is experiencing is "structural unemployment," which is being caused by basic and real changes to its economy. This causes mismatches between available workers' skills and employers' skill needs. When this occurs, workers face a different situation than they face by traditional unemployment.

A majority of the funds used for training in Alaska are from the federal Job Training Partnership Act, Carl D. Perkins monies, or other designated federal funds with specific qualifying provisions. The Federal Government places certain restrictions on the use of these funds, which makes a segment of the state's unemployed or minimally employed workers ineligible to participate in these programs. The use of non-federal monies to fund state

job training programs is required to provide more flexibility in structuring programs in the best interest of Alaska's employers and residents.

Inasmuch as State General Fund monies are scarce, the Department feels that other financing methods needed to be explored; and Senate Bill No. 191 offers another way to fund state job training programs. The funding mechanism proposed will permit training programs to be matched to Alaska's employment needs, not constrained by inappropriate federal restrictions and guidelines.

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Employment Training & Assistance Program
 Sponsor: Rules Committee
 Requestor: Governor

Agency Affected: Community & Regional Affairs
 BRU: Job Training Partnership Act

Components: Governor's Training, Training and Energy Field Office

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		92.0	136.8			
TRAVEL		11.7	33.5			
CONTRACTUAL		18.0	26.2			
SUPPLIES		2.0	.6			
EQUIPMENT		3.5	0			
LAND & STRUCTURES		0	0			
GRANTS, CLAIMS		1597.8	2403.3			
MISCELLANEOUS		0	0			
TOTAL OPERATING	0	1725.0	2580.4	N/A	N/A	N/A
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0					
FEDERAL FUNDS						
OTHER		1725.0	2580.4			
TOTAL	0	1725.0	2580.4	N/A	N/A	N/A

POSITIONS:

FULL-TIME	0	2	2	N/A	N/A	N/A
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

(see attached)

Prepared by: *Alan Olson* Phone: 465-4890
 Division: Rural Development Division Date: 2/03/89
 Approved by Commissioner: *Walter C. Kelly* Date: 2-23-89
 Agency: Community & Regional Affairs

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

State of Alaska 1989 - 16th Legislature
First Session
Fiscal Note Analysis

Title: Alaskan Employment
Training Assistance Program

Page 2 of 5

Assumptions Funds will be passed through the Department of Community and Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. The intent of this bill would also provide for a proportionate pass through of grant funds to the established Service Delivery Areas (the administrative/granting entities established under the Job Training Partnership Act.) One of the three established SDA's within the State, the Statewide SDA, is also organized and functional within the Rural Development Division, Department of Community and Regional Affairs. This analysis therefore reflects both of these functions within this Department.

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Positions Two new positions (a 7 months equivalent within the Governors Training Component and one within the Training and Energy Field Office component, JTPA BRU) are requested (See attached Request for New Position Form). Within the Training and Energy Field Office component some additional support (calculated on a conservative pro-rata basis) in personal services for established personnel is also requested by 1991. This would cover approximately 20% of the SDA manager, 20% of one Clerk Typist and 10% of a Community Development Specialist in each of the field offices. (This rate is significantly less than the current charging used against the Federal JTPA program)

Other Expenditures Modification of the existing JTPA Participant Management Information System will be needed to track and account for program participants. Estimated one-time cost is \$4,500. Travel for the JTPO office is estimated at \$1,700, while the Statewide SDA will require an estimated \$10,000 in consideration of the cost of rural travel. Other contractual costs will include fiscal support costs, program marketing and promotion, data base maintenance under the equipment maintenance agreement, phone, copier, printing, and basic supplies.

For a program of this scope, there are great advantages and financial savings realized by administering it through this established Delivery System.

Position Title Grants Administrator		No. of Positions 1	Range/Step 17A	Barg. Unit GCU
Time Status Full Time	Staff Months 12	Location Anchorage		Election District
Type of Expenditure		Amount		
1	2	3		
Salary	34.7			
Benefits	10.5			
Premium Pay	0			
Other	0			
Total Personal Services		45.2		
Travel		1.7		
Contractual		11.0		
Commodities		1.5		
Equipment		3.5		
Other		0		
Total Cost		62.7		
Funding Source for Total Cost				
Federal Receipts	1002	19.6		
G. F. Match	1003			
General Fund	1004			
I-A Receipts	1006	43.1		
CIP Receipts	1061			
Other				

Justification Funds will be passed through the Department of Community & Regional Affairs with oversight provided by the Alaska State Job Training Coordinating Council. Federal JTPA funds are dedicated to the administration of the JTPA programs and cannot be used for the administration of State funded job training programs. Certain prudent and minimal administrative effort must be made to assure that the funds are expended appropriately by the service agencies.

At the present time staff in the central JTPA administrative office are occupied with administering the Job Training Partnership Act. The addition of new administrative responsibilities require the addition of an additional position to do the work. A Grants Administrator position is needed at range 17 step A. Approximately 7 months of this person's time will be charged to this new program.

This position will be used to provide contract and grant administration necessary to assure the funds are expended appropriately. Oversight and monitoring both on-site and at desk will be provided. Participants will be tracked and accounted for through modification to the JTPA Participant Management Information System. Technical assistance will be provided to service providing agencies. General program administration including generation

of required fiscal, participant, and performance reports will be provided.

**Request For
New Position**

Agency Community & Regional Affairs.
 BRU Job Training Partnership Act
 Component Governors Training

FY 90

Page 4 of 5
 Revised Date



"A Partnership Putting Alaskans to Work"

P.O. Box BC, Juneau, Alaska 99811

Phone: (907) 465-4890

March 7, 1989

State of Alaska
Senate
Community and Regional Affairs Committee

RE: Senate Bill 191

Honorable Senators:

On February 15, 1989 the Alaska Statewide Private Industry Council met in Anchorage. Representatives from the Department of Labor discussed with the Council proposed legislation to create a two-year pilot employment and training program, funded through contributions and credits to the unemployment insurance trust fund. As a result of this discussion, the Council has endorsed the legislation, now introduced as Senate Bill 191.

The Council provides policy guidance and oversight for federally funded Job Training Partnership Act (JTPA) programs throughout rural Alaska. We are pleased to see efforts by the state to supplement these federal dollars. We believe that the programs created by SB 191 would be compatible with our existing JTPA programs, consistent with JTPA intent and goals adopted by the Council, and could be effectively and efficiently administered through the current delivery system.

We appreciate this opportunity to express support for SB 191 and urge your favorable consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Pennelope Goforth".

J. Pennelope Goforth
Chair



North & Northwest Mayor's Conference

P.O. Box 68
Unalakleet, Alaska 99884



President: Albert Washington (907) 923-3771
Secretary: Robert Foote (907) 624-3655

RESOLUTION NO. 89 - 10

Second Session of the Ninth Annual
NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE
Unalakleet, Alaska
February 9 & 10, 1989

A RESOLUTION OF THE NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE REGARDING SUPPORTING GOVERNOR COWPER'S PROPOSAL TO ESTABLISH A PROGRAM TO HELP TRAIN UNEMPLOYED AND UNDEREMPLOYED ALASKANS FOR RE-ENTRY INTO THE LABOR FORCE.

WHEREAS, the North and Northwest Alaska Mayors' Conference is an organization established to promote the social and economic well being of its member communities and the people of the region; and

WHEREAS, the percentage of unemployed and underemployed Alaskans in the Northwest region is 80% to 90%; and

WHEREAS, these unemployed and underemployed Alaskans often could re-enter the labor force if they had access to training that addresses regionally viable economic development projects; and

WHEREAS, Governor Cowper's proposed Alaskan Employment Training Assistance Program would help train eligible unemployed and underemployed Alaskans for re-entry into the labor force; and

WHEREAS, this program would have no impact upon the State's general fund as it would be funded through the Unemployment Insurance Trust Fund; and

WHEREAS, the Program would ultimately reduce the demands on the Unemployed Trust Fund by training and placing individuals currently drawing unemployment insurance benefits, among other services and benefits; and

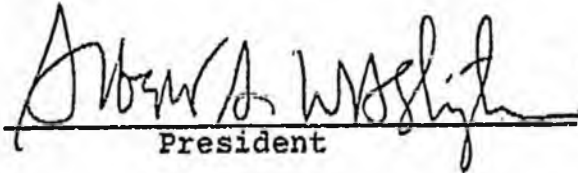
WHEREAS, the services to be provided would include those types currently offered under the Job Training Partnership Act (JTPA) programs and would be provided through the existing JTPA service delivery system administered by the Department of Community and Regional Affairs; and

WHEREAS, this delivery system is centered within the regional communities, thereby ensuring local access, local control and involvement of locally viable economic development projects.

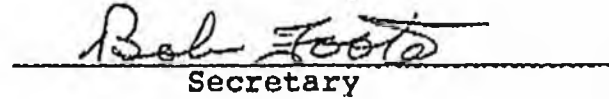
RESOLUTION NO. 89-10
Page 2

NOW THEREFORE BE IT RESOLVED BY THE NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE TO: support Governor Cowper's proposal to establish the Alaska Employment Training Assistance Program.

Passed and approved by the SECOND SESSION OF THE NINTH ANNUAL NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE THE 10th DAY OF FEBRUARY, 1989.



President



Secretary

INTRODUCED BY: Wales

VOTE: YES Unanimous

SECONDED BY: Shunqnak

NO _____

DIRECTED TO: Governor's Office

Alaska State Legislature

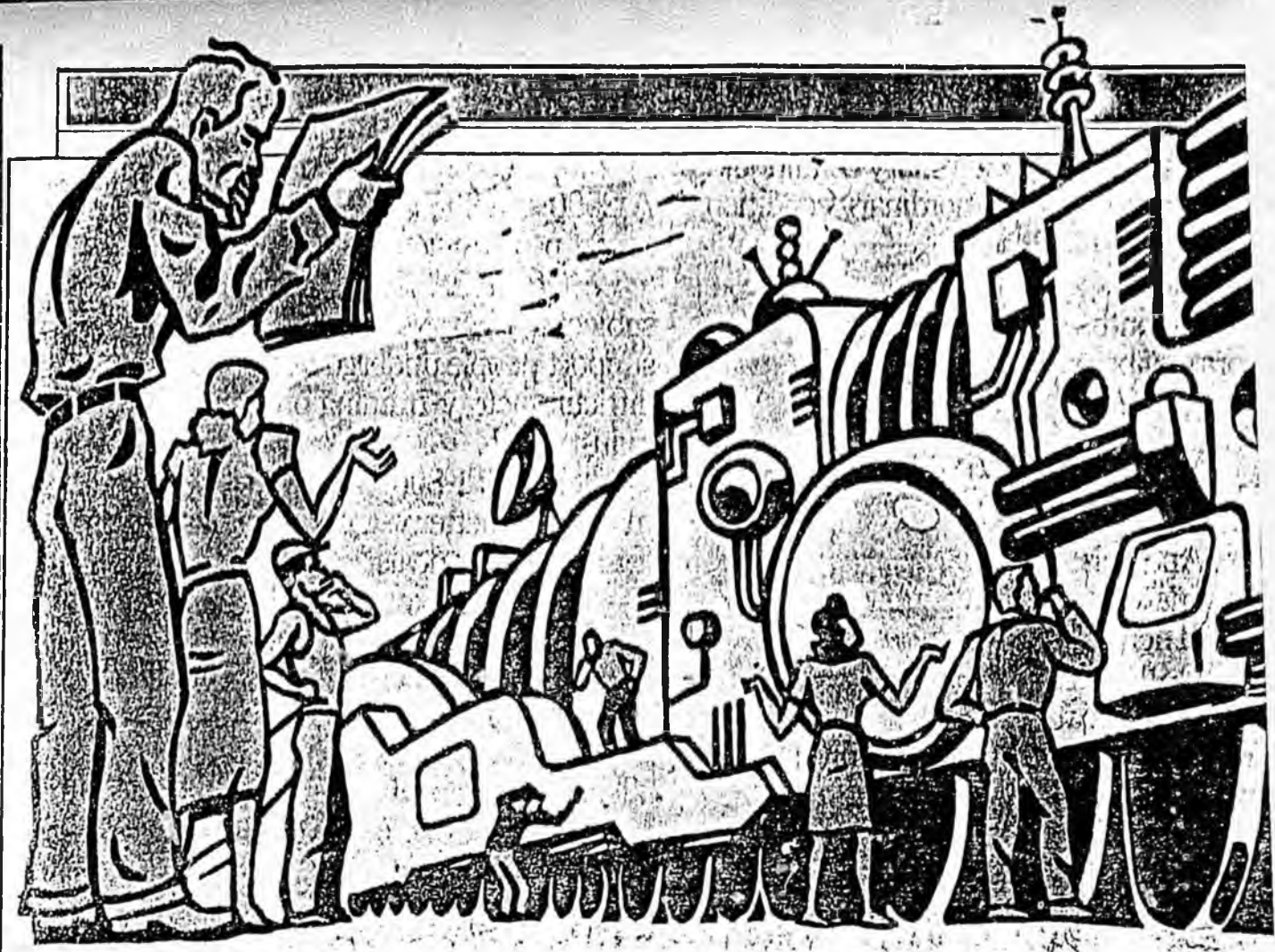
Alaska's 20 member Alaska State Job Training Coordinating Council was appointed by Governor Steve Cowper to advise him on Alaska's operation of the Job Training Partnership Act. Since the Act requires the Alaska SJTCC membership to reasonably represent the population of the entire state, Governor Cowper selected members from Kotzebue, north of the Arctic Circle, to Ketchikan, the southernmost major city, a distance of about 1,400 miles.

The Alaska SJTCC does not operate JTPA programs or provide services directly. Its purpose is to plan, coordinate, and monitor the provisions of employment and training programs and services throughout Alaska, as well as to report to the Governor and the public on JTPA activities. All of the Council's plans and decisions are subject to approval by the Governor. The Council uses personnel of the Division of Rural Development, Department of Community and Regional Affairs, as its own staff in carrying out its duties.

At an August, 1988 meeting, the Council went on record as supporting legislation establishing a state-funded job training program.

The Alaska SJTCC is greatly interested in coordinating employment and training programs to reduce or eliminate duplication of effort. To this end, they are promoting a statewide employment and training policy.

The Alaska SJTCC membership, as defined by the Act, must represent four separate constituencies. These include thirty percent of the membership from business and industry, and at least thirty percent from organized labor, thirty percent from community-based organizations, and ten percent from the general public. As the law prescribes, Governor Cowper appointed a private sector chair of the Alaska SJTCC: Sarah Scanlan, Vice President, NANA Development Company, from Anchorage.



NEEDED: HUMAN

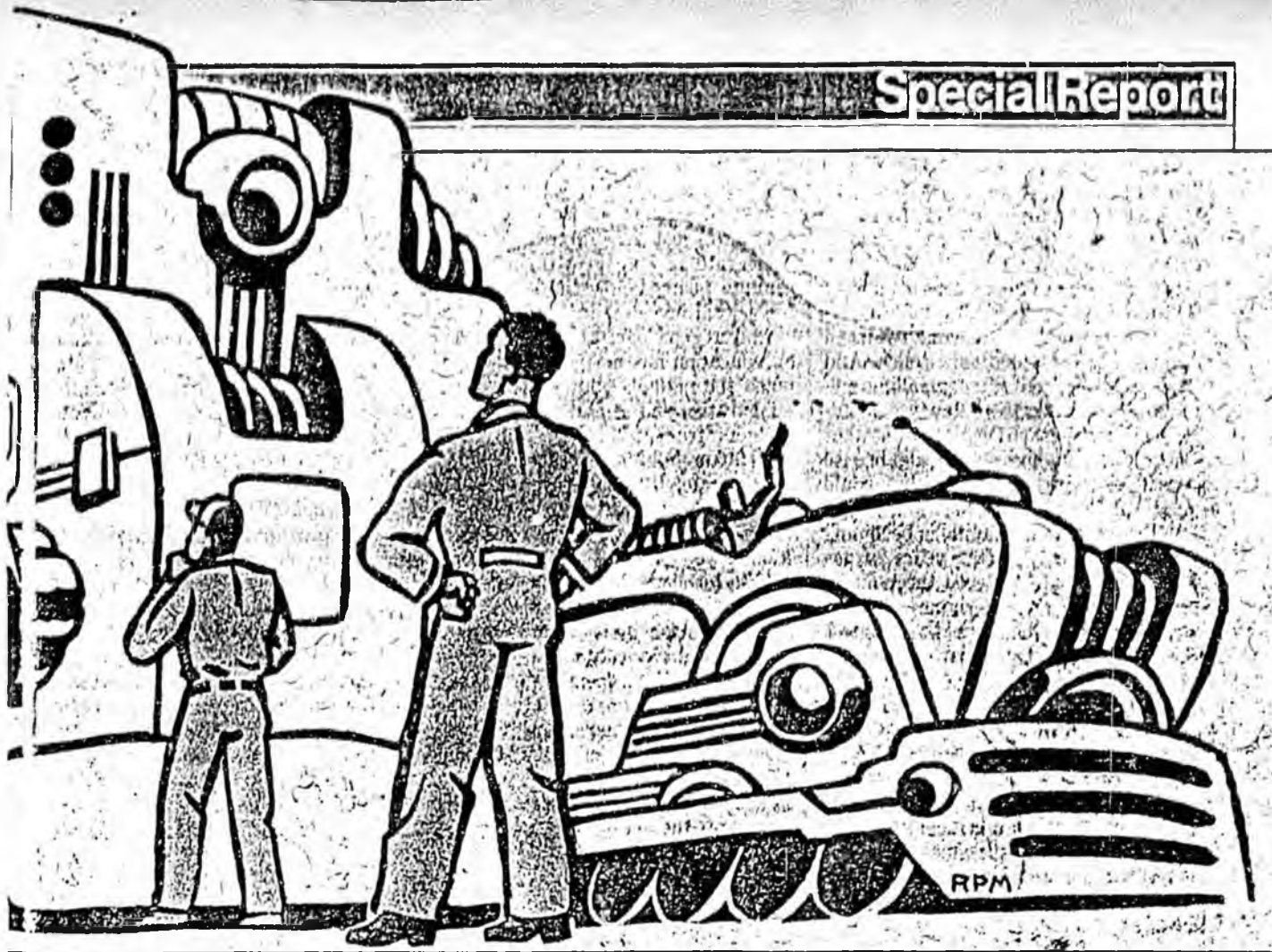
Who will do America's work as the demand for skilled labor outstrips a dwindling supply? The U.S. has lost much ground to competitors, and investing in people looks like the way to retake it. After years of neglect, the problem of human capital has become a crisis



Take a trip back to what may be our future. It is the 1851 industrial exhibition at the Crystal Palace in London. Britain is the dominant world power. The U.S. is No. 2 in industry and catching up fast.

Made-in-America reapers, muskets, and tools are the marvels of the show. British businessmen are amazed at what they see. Products are assembled from completely interchangeable parts. Here is true mass production for the first time. So impressed are they that they name it "the American system of manufacture."

Worried delegations of British industrialists set sail to investigate. Their findings? American manu-



CAPITAL

Manufacturing prowess is in large part due to a highly educated work force. The Yankees have an astonishingly high literacy rate of 90% among the free population. In the industrial heartland of New England, 95% of adults read and write. In contrast, only two-thirds of the people in Britain are literate. **UNDSIDED.** Now zip ahead a century or so to the 1980s. The U.S. is the dominant world power, and Japan that is No. 2 and closing fast. American consumers marvel at the quality of Japanese products flooding their markets. They make pilgrimages to Tokyo. Their findings? Manufacturing superiority being forfeited to the Japanese. And yes, once again, behind the success in manufacturing prowess lies a better-educated work force. In 1988, Japan's functional literacy rate is better than 95%. In America it's down to about 80%. Illiteracy is but a symptom of the larger problem

afflicting the U.S. economy. The \$150 billion yearly trade deficit and a foreign debt of half a trillion dollars reflect the inability of a large percentage of the American work force to compete effectively in an integrated world economy. "Much of the success of Japan stems from the fact that its blue-collar workers can interpret advanced mathematics, read complex engineering blueprints, and perform sophisticated tasks on the factory floor far better than blue collars in the U.S.," says Merry I. White, professor of comparative sociology at Boston University and author of *The Japanese Educational Challenge*.

America, in short, has been scrimping on human capital. After trying to solve its serious competitiveness problems by pouring hundreds of billions of dollars into capital equipment, the country is discovering that it has been blindsided when it

Special Report

comes to workers. Corporate restructuring and a sharply cheapened dollar may have arrested the economic decline, but investing in people is turning out to be the only way to reverse it.

Society's failure to invest is already haunting the business community. Chemical Bank in New York must interview 40 applicants to find one who can be successfully trained as a teller. And IBM Corp. discovered after installing millions of dollars worth of fancy computers in its Burlington (Vt.) factories that it had to teach high-school algebra to thousands of workers before they could run them.

Building up human capital is becoming a national priority. After years of neglect, it has finally entered the political arena, at least on the rhetorical level. Just listen to the messages being broadcast by both Presidential candidates. Who will be the "Education President?" Who will do the most to train workers or provide child care to working mothers?

Those messages are long overdue. More than two centuries ago, Adam Smith pointed to the improvement in the skills of workers as a critical source of economic progress and a means of raising living standards. Wrote Smith in *The Wealth of Nations*: "A man educated at the expense of much labor and time to any one of those employments which require extraordinary dexterity and skill may be compared to one of those expensive machines."

'ABSOLUTELY CRUCIAL.' The evidence is overwhelming that people, not machines, are the driving force behind economic growth. In the period from 1948 to 1982, the nation's gross national product increased at an annual rate of 3.2%. Edward Dennis, an expert in growth economics, finds that one-third of that gain was caused by the increase in the education level of the U.S. work force and about half the growth was the result of technological innovation and increased know-how, which also depend on education. But just 15% of the total increase was the result of more capital equipment.

While Washington has been hell-bent on throwing incentives at business to increase spending on plant and equipment, outlays for human capital in the past 15 years have lagged behind. In the period from 1959 to 1971, total spending per student in public and private elementary and high schools grew at a brisk 4.7% a year, after adjusting for inflation. That was more than a full percentage point above the robust 3.3% rate of increase in the GNP and

even a smidgen higher than what business spent on plant and equipment. But from 1971 to 1985 things changed drastically. Dollars for education increased at a rate of just 2.7% in real terms, the same rate as GNP growth but 1.5 percentage points below the spending rate for capital investment.

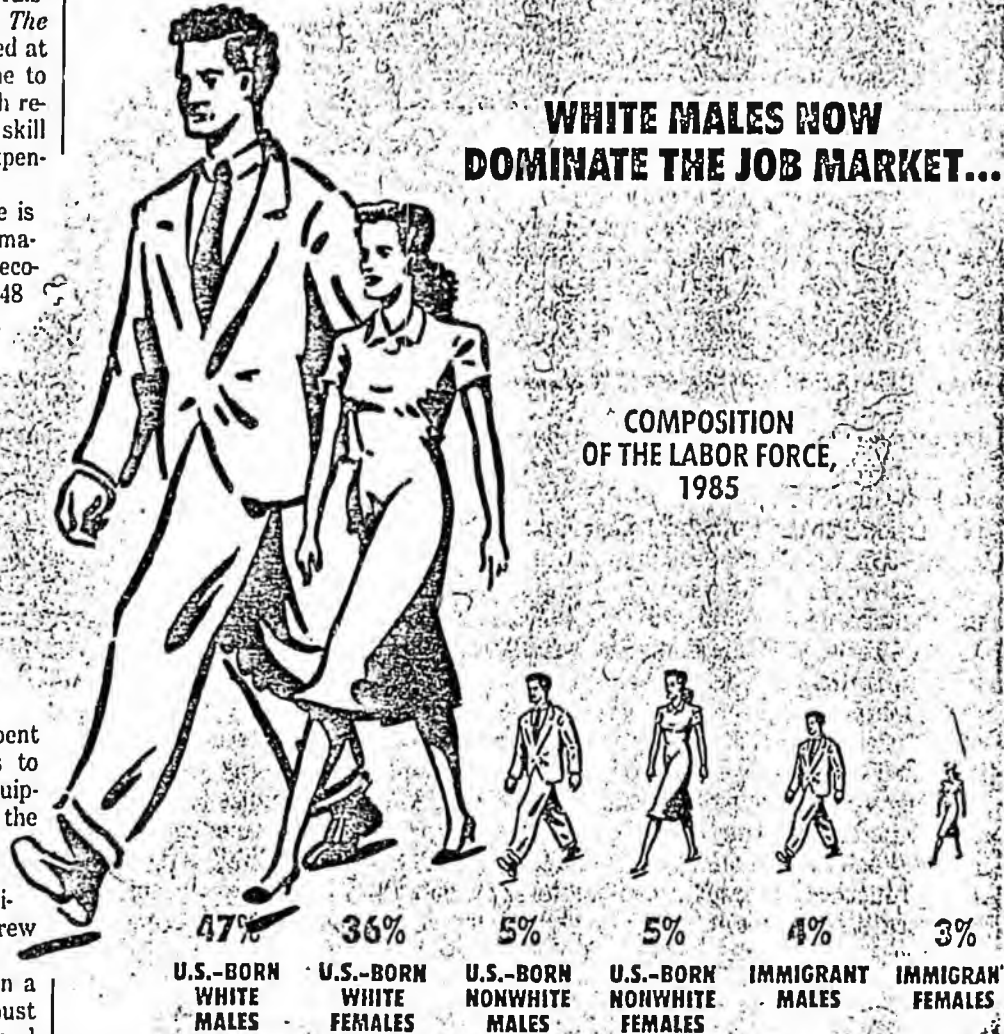
And a good part of the money spent on education has not gone to those who teach the nation's young. Excluding administrative and capital cost from school budgets, from 1959 to 1971 teachers' salaries after inflation increased at a 2.8% annual rate. But then, even as international competition started to heat up, teachers' salaries nose-dived, falling by 1.25% a year until 1985. They've bounced back a bit since, but in real terms, salaries are barely above their 1971 level. Small wonder that top-notch college graduates are not attracted to teaching.

True, the U.S. spends plenty on education: \$185 billion a year on primary and secondary schools alone. When colleges and universities are added in, the figure soars to \$310 billion—more than is spent on defense. American universities are the best in the

world, but elementary and high schools are another story. The U.S. gets a lot less for its education buck than do Japan and Europe. U.S. students attend class 180 days a year. French and German kids go 220 days, and Japanese children spend 240 days in school a year. American high school students score below both their foreign counterparts in international math and science tests. They test two to three years behind the Japanese, neatly matching the difference in time spent in school from kindergarten through high school. Worse, half of the kids in inner-city public high schools drop out. "The issue is not money, it's competent use of money," says Pat Choate, director of TRW Inc.'s Office of Policy Analysis. "Janitors in New York City schools make more than teachers. Education systems are patronage systems: Community boards give out jobs."

SECOND FIDDLE. Educating America's future work force reaches beyond the classroom. A fourth of all children born in the U.S. will be on welfare sometime in their lives. A quarter of all American

WHITE MALES NOW DOMINATE THE JOB MARKET...



SPECIAL REPORT

Society's failure to invest in the work force already haunts business *Page 100*

LABOR

The gap between jobs and the skills of applicants is alarmingly wide *Page 104*

DEMOGRAPHICS

Employers must look to women, minorities, and the elderly *Page 112*

UNDERCLASS

In the face of prosperity, a growing underclass of the unemployed *Page 122*

EDUCATION

Everyone agrees that the system needs fixing. The question is how *Page 129*

BUSINESS AND THE SCHOOLS

Companies are taking a more active role in educational reform *Page 134*

CONCLUSION

What we must do to upgrade our No. 1 asset—the American worker *Page 140*

children are born out of wedlock, and 42% of them will live in a single-parent family before they reach their eighteenth birthdays. As a result, education often plays second fiddle to the more pressing needs of survival.

The once-pervasive family role in education appears to be seriously eroding. With both parents in most families now working, the question of who's reading to the three-year-old and checking up on Junior's geometry homework is becoming a national concern. In Japan the mother plays such a strong role in teaching her children that she is known as "education mama." Here, the "education mama" is vanishing—and "education pas" aren't taking up the slack.

One big exception is in the Asian-American community. "This year, 22% of MIT's freshman class is Asian-American," says Lester C. Thurow, dean of the Sloan School of Management at Massachusetts Institute of Technology. "The big reason for Asian-American success in public schools is family; family means some parent telling you that education is important."

At a time when jobs require higher levels of math, science, and literacy than

ever before, the economy is becoming increasingly dependent on the groups that often receive the poorest education. Between now and the year 2000, more than half of all new workers hired will be minorities, nearly three times the current figure. Blacks and Hispanics have the highest school dropout rates in the coun-

try and lag significantly behind the national average on test scores.

But there is hope. The needs of the American workplace and the needs of the disadvantaged may be merging for the first time in recent history. The drive to raise productivity and increase international competitiveness is transforming the debate over social equity into a discussion about economic growth.

BENIGN NEGLECT. The Reagan years were an understandable reaction to the free-flowing social spending that earmarked the 1960s and 1970s. The national focus shifted to restructuring industry, deregulating the economy, and personal advancement. In the 1980s, programs for the bottom half of society got the deepest cuts. It wasn't all "welfare," either. The Labor Dept.'s manpower training programs were hit hard as well.

Those cuts in training could not have been timed worse. "The split between the top half and bottom half in society has been widening for the past decade, no matter how you cut the data," says Harvard University's Richard B. Freeman. "The educated, the skilled, and people in certain industries and jobs have done well. The rest have not." This inequality can only worsen if the human-

capital deficit is not solved. The internationalization of the economy in

the 1980s pitted the U.S. labor force against workers around the world. The results? "Trade has killed the earnings prospects for less educated people," says Freeman. "They must compete with lower-wage people overseas. As long as we trade with Korea, the less educated will have a problem."

That competition has proved devastating. From 1959 to 1986, earnings for young men who quit high school fell by 26%, adjusted for inflation. Even high-school grads saw their earnings drop by 9%, while those of college graduates rose by 6%.

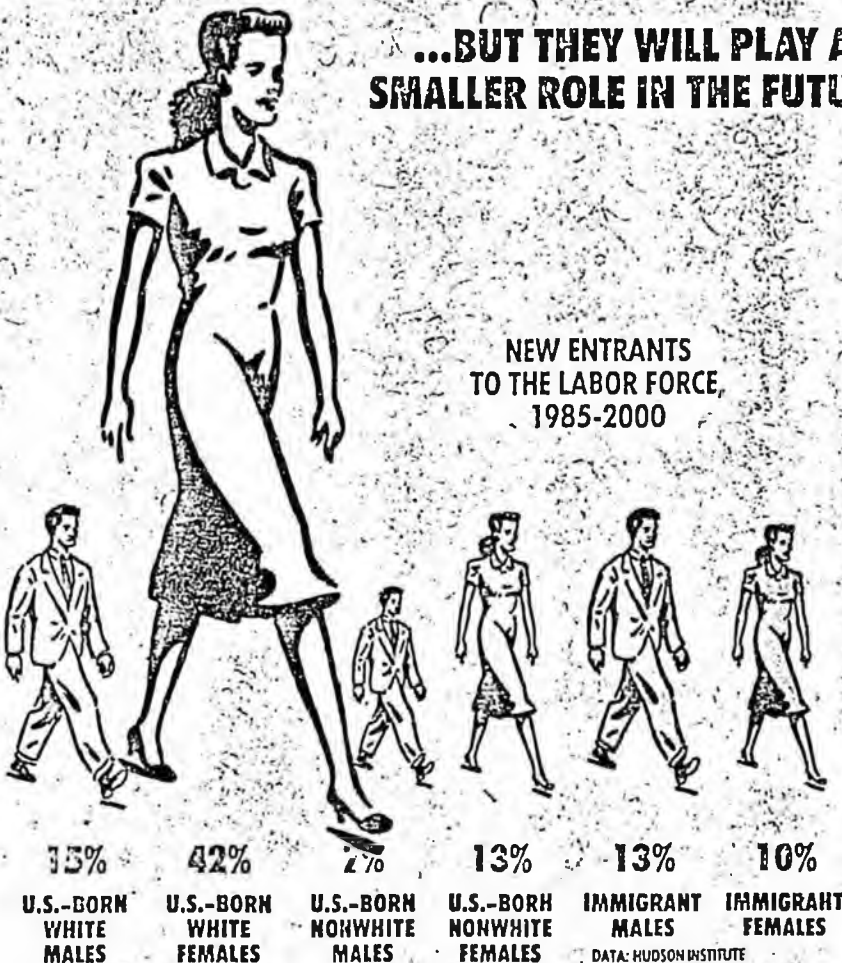
In the final analysis, wage gains and losses mirror what is happening to worker productivity. The huge decline in the wages of America's unskilled labor force shows that it is no longer competitive in the international economy. The productivity of the unskilled is plummeting, while worker productivity abroad is soaring. This could signal major losses in the battle for world markets. The U.S. may now be entering an era when neglect of the bottom half of society begins to threaten the welfare of the entire nation.

In the following articles the editors of BUSINESS WEEK lay out the dimensions of the human-capital crisis—and what the country must do about it.

By Bruce Nussbaum in New York

...BUT THEY WILL PLAY A SMALLER ROLE IN THE FUTURE

NEW ENTRANTS TO THE LABOR FORCE, 1985-2000



WHERE THE JOBS ARE IS WHERE THE SKILLS AREN'T

As work becomes more knowledge-intensive, employers are fishing in a shrinking labor pool



In a dynamic economy there is always a gap between job demands and worker skills. Through most of its history, the U.S. has managed to keep that gap small. But not anymore. The nation is facing a monumental mismatch between jobs and the ability of Americans to do them.

Unless the U.S. invests more to close this human capital deficit, the economy will be shunted onto a lower growth track. The drive to improve technology and productivity could founder on a shortage of competent workers. There will be a social price, too: Lower-skilled minorities will find it harder than ever to land good jobs. The earnings differential that already is growing between the top and bottom halves of the work force could get even larger. The nation could become further polarized between skilled and unskilled workers.

NEW YARDSTICK. Three forces are combining to produce the leap in the skills the economy will require. First, technology is upgrading the work required in most jobs. The modern workplace needs people with high reading and math capabilities, so millions of jobs go unfilled while the army of the unskilled remains unemployed.

Second, job growth will be fast mainly in high-skill occupations. Most of these jobs will be in the service sector. This kind of work now requires knowledge that wasn't necessary 20 years ago.

Finally, the way in which work now is being organized requires a completely new set of skills. As companies shift from the old models of assembly-line production to Japanese-style work teams, employees will have to sharpen their abilities to communicate.

A detailed look at how new workers will match up against new jobs between now and the year 2000 tells the story (chart). The Labor Dept. has devised a method for measuring, on a scale of one to six, the levels of reading, writ-

ing, and vocabulary needed to perform a wide range of jobs. The Hudson Institute, an economic think tank, has matched the new jobs that the economy will create against these scales. Here is what they found:

More than three-quarters of the nation's new workers will have limited verbal and writing skills (Levels 1 and 2). But they will be competing for only 40% of the new jobs. Most new jobs will require workers who have solid reading and writing skills, but fewer than one in four new employees will be able to function at the needed levels. Retail sales, for example, will be among the occupations providing the most new jobs. To fill those jobs, most retail employees will have to function at Level Three. They will have to write up orders, compute price lists, and read merchandise catalogs. Sound simple? Nevertheless, Hudson estimates that just 22% of the new employees will be

able to function at Level Three or better.

For jobs in nursing or management, the educational ante is higher. Most of these jobs, which often require more than a high-school education, need skills at Level Four or above: an ability to read journals and manuals, write reports, and understand complex terminology. Just 5% of the new employees will be able to do that.

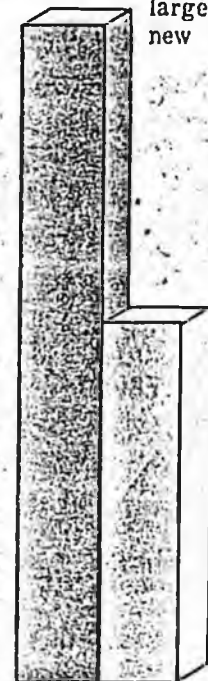
DAUNTING TASK. As many as 50 million workers may have to be trained or retrained in the next 12 years—21 million new entrants and 30 million current workers. The most daunting task ahead is to educate and train the young work force entrants. The decline in the number of 21- to 25-year-olds means that employers now must dig deeper into the barrel of the poorly educated. And a larger proportion of new workers will be



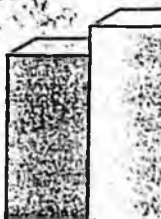
THE LOOMING MISMATCH BETWEEN WORKERS AND JOBS



LEVEL 1
Has limited reading vocabulary of 2,500 words. Reading rate of 95 to 125 words per minute. Ability to write simple sentences



LEVEL 2
Has reading vocabulary of 5,000 to 6,000 words. Reading rate of 190 to 215 words per minute. Ability to write compound sentences



LEVEL 3
Can read safety rules and equipment instructions, and write simple reports

ILLUSTRATIONS BY RAY VELLUW

minorities and immigrants, who tend to have less education and fewer skills than other employees.

Minorities are the neediest of these new workers. But as employers become increasingly dependent on them, minorities are lagging behind in reading and writing skills. And those already working tend to be stuck in occupations that are disappearing, while few have jobs in growing industries (table, page 108).

As the economy continues to expand, big companies are looking harder for new workers. But many minorities with low skills still aren't being hired. Last year, Nynex Corp.'s New York Telephone Co. had to test some 60,000 applicants—many of whom were minorities—to hire 3,000 people. "There are lots of people who still want jobs, but they're dropouts who aren't qualified," says Howard Harman, New York Telephone's director of employment.

People who already are working will need massive retraining to keep pace with changing job requirements. They are the 30 million who will need more math and science to operate computers and robots on the assembly lines or better reading and writing skills to keep up in the office.

True, many companies are using technology to replace workers—but those employees who stay on the job generally must improve their skills. For instance, New York Telephone has used new technology to help shrink its work force,



which now numbers about 50,000, compared with 106,000 in the early 1970s. Nonetheless, the company has been forced to increase its in-house training rapidly to upgrade the skills of its remaining workers. NYT has four technology-learning centers where employees are taught to operate the handheld computers that telephone repairers use to keep track of orders. One five-day course retrains skilled splicing technicians who install overhead telephone cable. "Before, they handled 100-pound wire that was 6 inches in diameter," says Ray Bucaria, New York Telephone's director of train-

ing. "Now they must learn to use fiber optics, which means splicing very delicate fibers—like a brain surgeon, almost."

A growing number of companies go so far as to train the employees of their suppliers.

In the early 1980s, Xerox Corp. found that its product quality was much poorer than that of its rivals. Management decided suppliers were a big part of the problem. Xerox reduced its 3,000-odd suppliers to about 350 and raised tolerance standards for parts it buys from them.

Xerox then began a program to train its suppliers in Japanese-style quality control. Typically, a company employee trains the supplier's management, and the supplier then trains its own work force in the new methods. Xerox initially will train about 100 of its 350 suppliers, at an estimated cost of \$1.5 million. "Training suppliers has become a permanent part of the way we do business," declares Robert Fletcher, who manages material quality assurance at Xerox. Motorola Inc. goes further: It even trains its suppliers' suppliers' work forces.

General Motors Corp. had to retrain workers when it opened a new truck plant a year and a half ago in Fort Wayne, Ind. The plant does have some spiffy new technology. But more important, it has a new team-production

TIME TO REWIRE

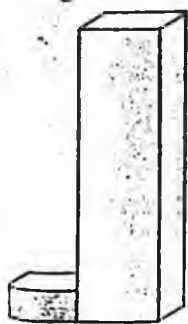
As New York Telephone switches to fiber optics, it's rushing to retrain workers—proof that the skills gap affects longtime employees as well as recruits

ACTUAL SKILL LEVELS OF NEW WORKERS

Percent of 21- to 25-year-olds entering the labor market from 1985 to 2000

SKILL LEVELS NEEDED FOR NEW JOBS

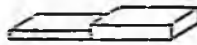
Percent of new jobs created from 1985 to 2000



LEVEL 4
Can read journals and manuals, and write business letters and reports



LEVEL 5
Can read scientific/technical journals and financial reports, and write journal articles and speeches



LEVEL 6
Has some skills as Level 5, but more advanced



DATA: HUDSON INSTITUTE, LABOR DEPT.



system. Both workers and management had to go through intensive training in group dynamics and problem-solving to increase manufacturing productivity.

"Our people never heard of this until a few years ago," says Don Davis, the union head of a GM/UAW joint training program in Detroit. In all, Fort Wayne's 3,000 employees took 1.9 million hours of training, including time to learn the new technology. That's more than 633 hours per worker.

Companies are now spending some \$30 billion a year on worker training. A lot of that money is going to upgrade the skills of office workers. Take Mary Ann Moscillo. After her father died, she dropped out of school at 16 to work as a clerk in the mail room at Blue Cross/Blue Shield of Massachusetts. She wasn't able to advance on the job for almost a decade. Then she enrolled in a remedial education program run and paid for by Blue Cross, and she learned reading, math, and history. Armed with a new high school diploma, Moscillo has had three promotions. Now, she compares claims made by hospitals with payments Blue Cross makes to them, finding and explaining variances between the two.

BABY BUST. The churning economy is generating millions of displaced workers. They account for more than one-half of the people already at work who will need retraining by 2000. Throughout the 1980s, some 2.3 million workers have been displaced each year, according to the Bureau of Labor Statistics. Roughly 1 million long-term workers—those on the job three years or more—have been displaced annually. Approximately 30% of these lack basic skills—reading, writing, and arithmetic. Consequently, a third never found new jobs at all. Others found work but at substantially lower pay.

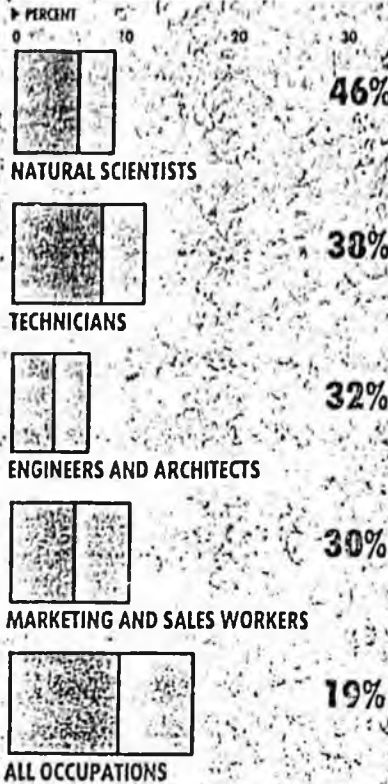
Elite workers, as well, could be in short supply. Because of demographic trends, the U. S. is facing a long-term shortage of scientists and engineers. The number of both has climbed steadily in the past two decades, but only because the baby boom brought many young people into the labor force. The percentage of students who choose these fields has actually remained constant: In the past 30 years, the

MINORITIES ARE STUCK IN THE WRONG JOBS

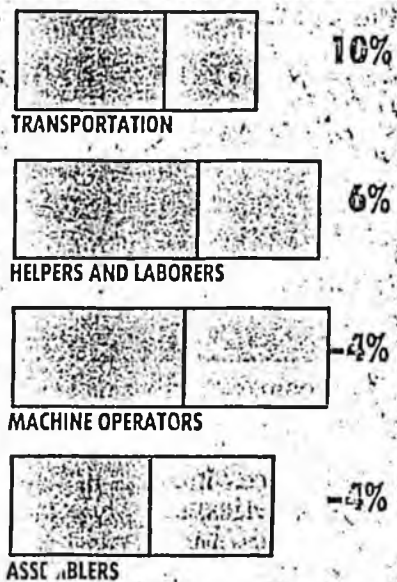
Percent of jobs held in 1986 by:
 Blacks Hispanics

Percent change in demand for jobs 1986 to 2000

TOO FEW IN FAST-GROWING JOBS...



...TOO MANY IN SLOW-GROWING JOBS



DATA: BUREAU OF LABOR STATISTICS

proportion of 22-year-olds acquiring bachelors' degrees in science and engineering has remained within narrow band of 3.7% to 4.3%, according to the National Science Foundation (NSF).

If this trend continues, the baby bust could cause growing shortage. If just 4% of students continue to choose science or engineering, the NSF warns, there could be a cumulative shortfall of more than 400,000 science and engineering BAs through the year 2000. Half of all engineering students at the graduate and post-graduate levels already are foreigners. And this country is facing a shortage of 27,000 PhDs by the end of the century.

Economists are quick to point out that in these relatively high paying fields, shortages are likely to push up salaries and attract more people. But there's little evidence that previous shortages enticed more students to scientific fields.

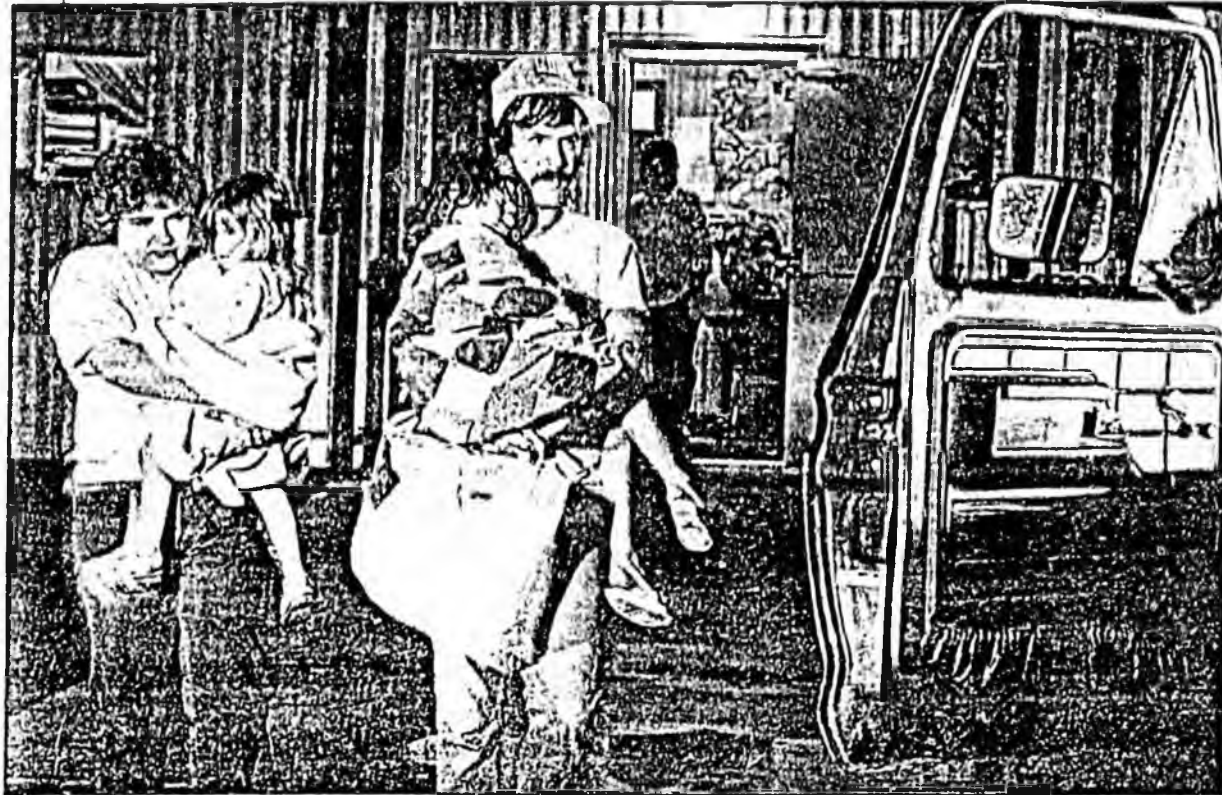
GROWING GAP. In addition, market mechanisms may not work quickly enough to remedy shortfalls of PhDs, who require an additional six to eight years of schooling. "Usually the decision to enter science is made in high school," says John H. Moore, deputy director of the NSF. "We need to do something today to get teens thinking seriously about careers in these fields—or we'll be in trouble."

The skills gap poses a threat to American society that goes beyond simply the economy. Currently, labor shortages in New England and elsewhere are driving up wages for jobs in fast-food eateries. If new workers don't become better qualified, this situation may change drastically as shortages move up the skills ladder. Many new job-seekers could wind up competing for a dwindling number of low-skilled jobs, while higher-skilled jobs go begging for want of qualified workers.

That would drive down wages for low-skilled workers, who can least afford it, and raise wages for skilled employees, who are already better paid. The social consequences of this are clear. Warns Irwin S. Kirsch, a researcher at Educational Testing Service in Princeton, N. J.: "If we don't boost the skills of the bottom ranks of the work force, we'll have an even more divided society than we do now."

By Aaron Bernstein in New York and bureau reports

CHARTS BY RAY VELLA/VIEW



MODERN FAMILY
 Karen and Melvin Petersen, who both work the swing shift at Echo Bay Mines Ltd.'s operation in Round Mountain, Nev., drop off toddlers Laura and Lori at the 24-hour, company-run day care center before going to work. If Karen stayed home, "we'd struggle along from paycheck to paycheck. It would be rough," she says. Two incomes let them save money for the girls' education

FOR AMERICAN BUSINESS, A NEW WORLD OF WORKERS

Employers must look to the nonmale, nonwhite, and nonyoung—and competition will be vicious



Once upon a simpler time not so long ago, "work force" meant white men in ties or blue collars. The image was never quite exact. One generation back, as the nation settled into postwar prosperity, 30% of all women worked outside the home—even if *Leave It to Beaver* reflected the cultural ideal of family life. "Negro,"

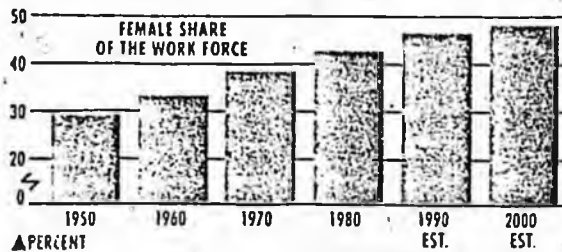
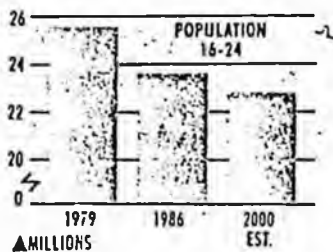
"Oriental," and "Spanish-American" workers always have helped to do America's work. But with a plentiful labor supply, few employers had to reach beyond the male Caucasian in his prime except for the least-wanted jobs. Indeed, by the late 1960s, as employers awarded self-winding watches to 65-year-olds, the first fresh-faced baby boomers were on their way to Personnel.

The last of that numerous cohort is now straggling into the world of pay-

checks and withholding taxes. The boss is losing that confident glow. The decline in birth rates after 1960 has slashed the numbers of young people available to fill jobs right up to the year 2010 and maybe beyond.

The years of picky hiring are over. Vicious competition for all sorts of workers—entry-level, skilled, seasoned—has begun. Employers must look to the nonmale, the nonwhite, the nonyoung. There may be a push for non-citizens as well:

AS THE POOL OF YOUNG WORKERS SHRINKS, WOMEN WILL FILL THE GAP, AND MORE WORKING



DATA: BUREAU OF THE CENSUS, LABOR DEPT.

- ▶ 73% of all working women are of childbearing age
- ▶ 60% of all school-age kids have mothers in the work force, up from 39% in 1970
- ▶ Women with children under 6 are the fastest growing segment of the work force

PHOTOGRAPH BY JAMIE TANAKA, CHARTS BY PAT JERINA

Over the next 10 years, predicts the Hudson Institute, an economic think tank, only 15% of work force entrants will be native-born white males.

Building a new, more diverse work force and making it tick will be one of Corporate America's biggest challenges in the decade ahead.

MOTHER, DAUGHTER, WORKER, WIFE

In the past 15 years, as women ventured into the workplace in growing numbers, it has been widely expected that employers would take major steps to accommodate their special needs. So far, though, employers have been able to hire 52% of all women without doing much very differently. That's partly because in a world of stagnant real earnings, women and their families have needed the money more than companies needed the women. Feminism, higher education levels, and rising expectations pushed women into the work force, too.

But as employers fish in a shrinking pool for new workers and try to retain experienced ones, women will be in a position to make demands. Companies will be forced to make it easier for workers to balance work and family.

Three-quarters of working women are in their childbearing years; more than half of all mothers work. Those with children younger than 6 make up the fastest-growing segment of the work force. For many such women, as well as for their spouses, balancing work life with parenting at a distance presents logistical challenges worthy of an air traffic controller.

It isn't only children. As the U. S. population becomes older—and by 2000, 51% will be between 35 and 54—more people must take responsibility for their parents. Americans are living longer, thanks to better nutrition and medical breakthroughs, but those beyond the age of 75 are often ill or infirm. Services are expensive, so care usually falls to family members—many of whom work.

About 40% of workers over age 40 already provide care to parents, according to Anthony Gajda of Mercer-Meisinger-Hansen, an employee-benefits firm. About 12% of women who care for aging parents must quit their jobs to do so.

A growing body of research links employees' concerns for the care of children or elderly relatives with productivity losses from increased absences, tardiness, and stress on the job—and such time-wasters as excessive use of the phone. This holds for men in dual-career marriages as well as for single fathers and single sons. But it's particularly true for women. At Touche Ross & Co., Susan Schiffer Stautberg figures the average working woman spends 17

minutes each day on such tasks. She estimated that such policies don't cost much even though temporary workers may have to fill in or other staff may have to work overtime. Legislation requiring employers to provide unpaid family leave to care for sick relatives or new babies is on Congress' agenda.

Child care, especially, is politically hot. A \$2.5 billion bill sponsored by Senator Christopher J. Dodd (D-Conn.) and Representative Dale E. Kildee (D-Mich.) would set quality standards for child care, provide payment vouchers to families, and provide states with funds to add new facilities. Michael Dukakis backs the bill's concept without endorsing the dollar amount. George Bush wants a \$1,000-per-child tax credit for

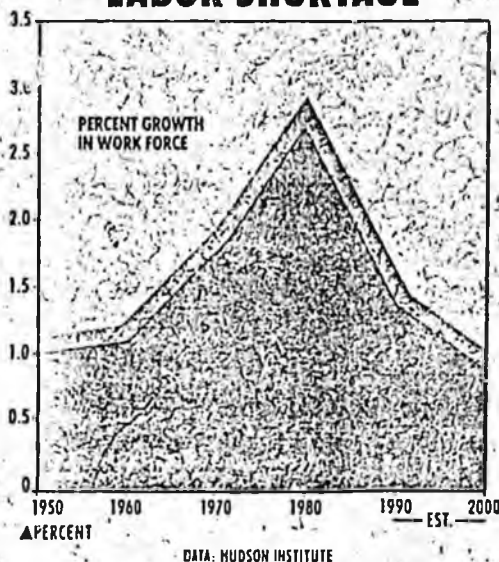
poor families where at least one parent works, to be used for child care or to help mothers stay home. 'CARE-GIVERS.' There is widespread agreement that the federal government has some role to play, beyond the current \$3.9 billion dependent-care tax credit, the \$660 million spent on day care, and \$1.5 billion for the Head Start early childhood program for disadvantaged kids. States, expanding their programs, are crying for more funding. California subsidizes day care for low-income toddlers. Texas school districts provide prekindergarten for 4-year-olds from poor families. Massachusetts is trying to increase the supply of child care with loans to build centers and grants to expand referral programs, train "care-givers," and pay them more.

The problem, however, is falling increasingly into the corporate lap. Boston University researchers Bradley K. Googins and Dianne S.

Burden recently surveyed 1,500 workers in big corporations. Some 43% said employers and government should share responsibility for helping balance work and family life; 41% said companies should take the lead.

About 60% do offer some degree of work-schedule flexibility. But less than 5% of U. S. companies—a grand total of 3,300—help with child care. Most of those either allow employ-

THE COMING LABOR SHORTAGE



years raising kids and 19 years caring for aging relatives. Her grim joke: "Middle age is the 15 minutes in between."

The productivity issues are greater than a workday lost when the babysitter walks out or Grandma breaks her hip. Family leaves, allowing parents time off to care for a new baby or deal with a family crisis, help retain women workers and boost morale and loyalty among others as well. A 1986 report by the General Accounting Office indi-

MOTHERS WILL INCREASE THE DEMAND FOR CHILD CARE

▶ With divorce and out-of-wedlock births running high, the typical child born in America today will spend some time in a single-parent home. Such households, usually headed by women, are more likely to be poor. Children in poor families are at risk for school and social failure

▶ Only 5% of U.S. companies help their employees with child care. Only about 300 have helped start day-care facilities

▶ In 1982, a quarter of all mothers not in the work force said they would work if adequate child care were available



CHART BY RAY VELLA/PHD

ees to save tax dollars by setting aside pretax income for day care in flexible benefit plans, or they provide information and referral advice. Only 250 or 300 companies have helped start child-care centers.

It's likely that more women would enter the job market if they could find good child care. In the 1982 census, 26% of all nonworking mothers with preschoolers said they would look for work if "reasonably priced child care were available." An additional 13% said they would work more hours. If half the women claiming they are so constrained went to work in the 1990s, the labor force would gain 850,000 workers, notes Columbia University economist David E. Bloom.

A BENEFIT. Indeed, some companies are looking at child care as a recruiting device, especially in clerical, food service, and hospital jobs, which depend on women workers. But the impetus is growing elsewhere. Faced with a local labor shortage, Echo Bay Mines Ltd. at Round Mountain, Nev., has enticed parents to hire on for swing shifts by keeping open its on-site day care center 24 hours a day, seven days a week.

Eastman Kodak Co. helps its American employees look for child care. In addition, the company is experimenting with job-sharing. Two Rochester (N. Y.) mothers with young children split the title "professional recruiter"; their 24-hour stints overlap on Wednesdays. Kodak allows up to 17 weeks of unpaid leave to care for a spouse, parent, sick child, or new baby, including adopted or foster children. "We have a lot of money invested in training. This is protecting our investment," declares Mary J. Har-

rington, Kodak's corporate employee relations director.

Corporate efforts to help workers cope with elderly parents are still primitive. Most women must find ad hoc solutions. A quarter of those responsible for aged parents take extended leaves or cut down their work hours. The challenge is to keep them on the job as much as possible by providing social supports for the parents. As the pressures of labor shortage build, companies will also have to see to it that employees don't

exceed those of whites. Immigration, mainly from Latin America and Asia, has accounted for a fifth of America's population growth in the 1980s. Compared with the native-born, immigrants are younger and their families are larger. The youth cohort of the work force is shrinking, but more of its members will be black, Hispanic, or Asian.

These changes may have dire consequences for the U.S. work force. A disproportionate number of these youths are growing up in families that are poor



DROPPING IN

After Bostonian Sandra Brown, single parent of three, told her welfare caseworker she was "job-ready," she enrolled in a program at Roxbury Community College where she's studying word-processing and finishing high school. Her employer is helping with the tuition bills

or headed by single parents. In minority communities, many of today's adults lack the skills to find decent employment. Their kids face worse prospects at a time of dramatic technological change. A disturbing new term, underclass, describes some who are from such disorganized backgrounds that—without intervention or a social miracle—they may never be employable (page 122).

Many young people—especially minorities—are caught in a vicious cycle. About a quarter of all kids are

born out of wedlock to parents who "are poorly educated, frequently young, and unskilled," says George Washington University's Sar Levitan. In the U.S., about 44% of all marriages fail. Female-headed households are more than four times more likely to be poor than are two-parent families. A startling one in four members of the Class of 2000, now entering first grade, is living in poverty.

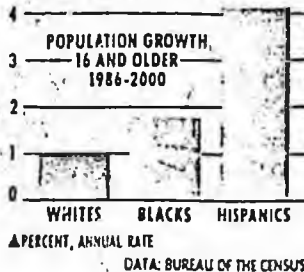
Part of the problem is child support. Fewer than half of fathers not living with their kids pay anything toward their keep. In 1985 more than half of all

YOUNG, TROUBLED, AND IN DEMAND

It has been a long time since America's population profile bore much resemblance to the party that landed at Plymouth Rock. Now this nation of ethnicity and social flux is changing anew. It is becoming less white and more Spanish-speaking. Birth rates among blacks

Part of the problem is child support. Fewer than half of fathers not living with their kids pay anything toward their keep. In 1985 more than half of all

MINORITIES: FAST GROWTH AND TOO MANY DROPOUTS

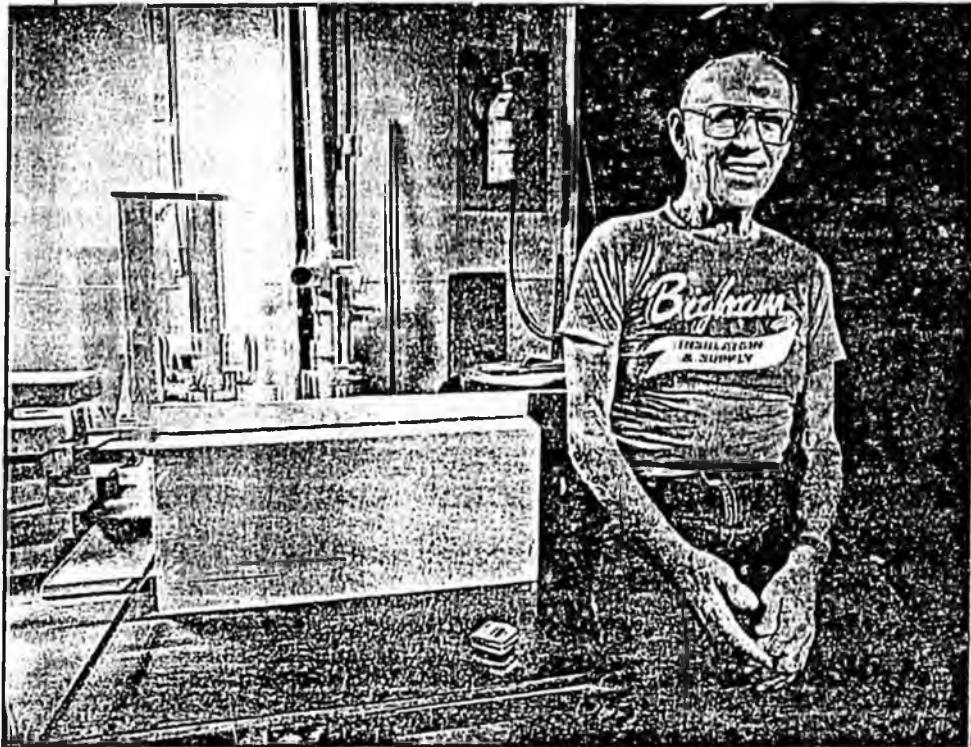


▶ Among white 18- to 21-year olds, 13.6% have dropped out of high school. Among blacks the rate is 17.5%, among Hispanics 29.3%

▶ The high school dropout rates in major cities, where minorities are concentrated, range from 35% in New York to as high as 50% in Washington



PHOTOGRAPH BY SETH RESNICK; CHART BY PAT JERUSA



RETIRED? RETOOL
Leon Levitt, 81, retired from his sales job a decade ago, but six months later he went back to work as a trainee machinist. "Work adds life to your years—and it actually adds years onto your life," he says. As the work force ages, more and more résumés may resemble that of Levitt, who just cut back his workweek to 49 hours from 55

gible children are served by Head Start, due to inadequate funding. The challenge is clear. If minority skills are not upgraded, they will deteriorate further. Companies will be forced to substitute capital for the unskilled labor. Technology, after all, has many faces. Given skilled workers, it can upgrade a job task and add value. Or, to cope with work-force shortcomings, it can be used to "de-skill." The classic example is McDonald's Corp. Dependent on young workers with poor skills, the hamburger chain has replaced words on the keys of its cash registers with pictures. That may work for McDonald's. But for society to take that path implies low wages and a declining standard of living.

mothers with child-support orders received less than the full amount due. The average annual payment was \$2,315. Another aspect of the poverty problem is women's pay. Women's earnings average \$16,232, 70% of men's. Many mothers work part-time for far less pay.

Harvard sociologist David Ellwood predicts that more than two-thirds of children who grow up in a single-parent household will spend at least some of their childhood in poverty. They are three times more likely than others to drop out of school, and they are more deficient in skills. Black and Hispanic children, while a minority of the poor, are nearly three times more likely to be poor than whites. A National Assessment of Educational Progress found that only 60% of white young adults could locate information in a news article or an almanac. The number was 25% for blacks and 40% for Hispanics.

Labor shortages in the future could present an unprecedented opportunity to improve the lot of the poor. "The new workers—although they are from

groups disadvantaged by discrimination, lack of education, and language barriers—will be in very great demand," says Labor Secretary Ann D. McLaughlin. Already employers are having to reach further and further along the labor queue. Where necessary, they are patching up the ragtag skills they find there, sometimes at huge expense (page 134).

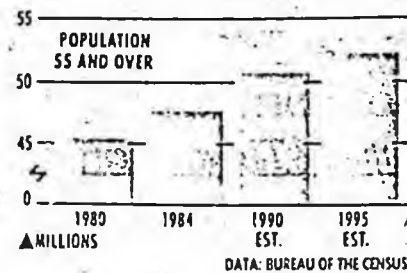
Social thinkers say early intervention, with such proven child-development programs as Head Start—or even earlier with nutrition programs and parenting classes—is the real ticket to building a competent work force over time. Half of all teenage mothers eventually escape poverty through education, with measurable improvements in their kids' achievement and prospects, notes economist Andrew Sum of Northeastern University. "If minorities are to succeed, we have got to start educating children much younger and working through their parents," says Gloria G. Rodriguez, director of a support and training program for poor Hispanic families in San Antonio. Despite its track record, only 18% of eli-

BRINGING THE RETIRED BACK FROM RETIREMENT

In our time, the shrinking of the American manufacturing sector has written off a generation of middle-aged blue-collar workers caught between the foundry and the computer. And even as the economy faces labor shortages at all levels, the most striking employment trend in recent years has been a shift to early retirement. Only about 15% of men over age 65 are in the work force today, down from 25% in 1970. Only 68% of those age 55 to 64 still work, compared with 83% two decades ago.

Such trends were perhaps understandable as baby boomers crowded into the workplace and companies downsized. Today, though, it is waste on a vast

OLDER PEOPLE ARE AN UNTAPPED RESOURCE



▶ In 1950, for every retiree, there were 17 Americans at work. By 1992, it will be 1 retiree for every 3 workers.
 ▶ In 1984, only 68.4% of all men aged 55 to 64 worked. If retirement trends continue, that will drop to 62.6% by 1995



PHOTOGRAPH BY GERALD DAVIS; CHART BY PAT JERINA

Special Report

scale. A typical American who has reached the age of 65 can expect to live an additional 17 years. By 2003 the U.S. National Center for Health Statistics predicts life expectancies at birth will be 84 years for women and 10 years less for men. Today the 58-year-old who takes early retirement is essentially middle-aged, and retirement may last half as long as his or her work life did.

The good health, skills, and work histories of the "young old" can help the nation out of its demographic fix. "Peo-

years. Smart companies are finding ways to retrain and employ them. In Florida, where 18% of its population is over 65, the future is now—fast-food chains recruit workers in retirement villages. Last year, Kelly Services Inc. in Troy, Mich., put out a call for workers over 55. Now they're 8% of the "temp" rolls. In Boston, one BayBanks Inc. unit has hired 45 retirees as clericals, tellers, and clerks since last November.

Keeping older workers in the job market won't be easy. Says Census Bureau

can Labor Force, Briggs argues that minority youths could soon be competing with immigrants—legal and illegal—for entry-level jobs. Rand Corp. researchers say there's no evidence of this yet. But they warn that U.S.-born Latinos must improve their skills to qualify for the high-tech jobs of the future or compete with new immigrants for low-paid jobs.

Today's immigrants, on average, are less skilled than the native-born. Most lack a high-school education. Only 20% are admitted because their skills are in



NEW CITIZENS

Opening America's "Golden Door" has helped with past labor shortages, but swelling waves of immigration might serve to stall efforts to integrate blacks, Hispanics, and women into the economy more effectively

great demand. But the criteria could change toward more preference for skills. This year, U.S. hospitals, to allay shortages, will hire 20,000 foreign nurses on five-year visas.

The idea of hospitals staffed by skilled foreign professionals and low-paid native-born janitors doesn't sit well with some like Pat Choate, TRW Inc.'s futurist. "Ultimately we have to have an

ple should work longer and be productive longer. We should get away from the rigidities that go along with age 65," argues Alan Pifer, chairman of the Southport Institute for Policy Analysis.

Pifer, who directed the Carnegie Corporation's Project on Aging, advocates continual education and retraining throughout one's working life. The emphasis should be on that restless age around 50 when the kids are gone and "you've gone about as high as you're going to go in the hierarchy. It would be nice if a lot of people could be 'repotted,'" he suggests. As a vision for the nation, that projects a huge agenda: re-ordering what is now an ad hoc and haphazard retraining process. It also requires new benefits systems, such as portable pensions, to erase disincentives for middle-aged workers to move on.

Many over-60s, furthermore, don't want to be put out to pasture for 20

forecaster Cynthia M. Taueber: "They can afford to retire and will." The elderly have escaped Reagan-era spending cuts. Social Security, medicare, and medicaid spending on nursing homes have eliminated most poverty among the old. Still, retirement can be boring. If business makes work attractive, the oldsters may come back in droves.

THE U.S. COULD LOWER THE DRAWBRIDGE AGAIN

Faced with labor shortages in earlier times, America has opened its borders. Immigration is still a policy option—the wild card in the labor-market outlook.

For Cornell University economist Vernon M. Briggs, unleashing even more immigration will stall efforts to integrate women, blacks, and other minorities into the economy. In a recent book, *Immigration Policy and the Ameri-*

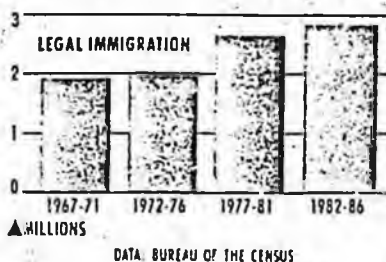
economy that works—and do everything with our own people," he says. Yet, he adds, the U.S. should "use its incomparable advantages" to attract the world's talent. Foreigners here to study engineering, say, could be required to stay and work.

Unlike immigration policy, population trends hold few surprises. "We have a lot of control over how demography hits us. It's more of a glacier than a thunderbolt," reflects Jack A. Meyer, president of New Directions for Policy, a Washington think tank. "If we sit back, we're in for some problems." The danger is that the U.S. will fail to address its demographic challenges in time.

By Elizabeth Ehrlich in New York, with Susan B. Garland in Washington, and bureau reports

PHOTOGRAPH BY WOLFPICTURE GROUP; CHART BY PAUL GRANGE/BW

WILL IMMIGRANTS FILL THE JOB GAP?

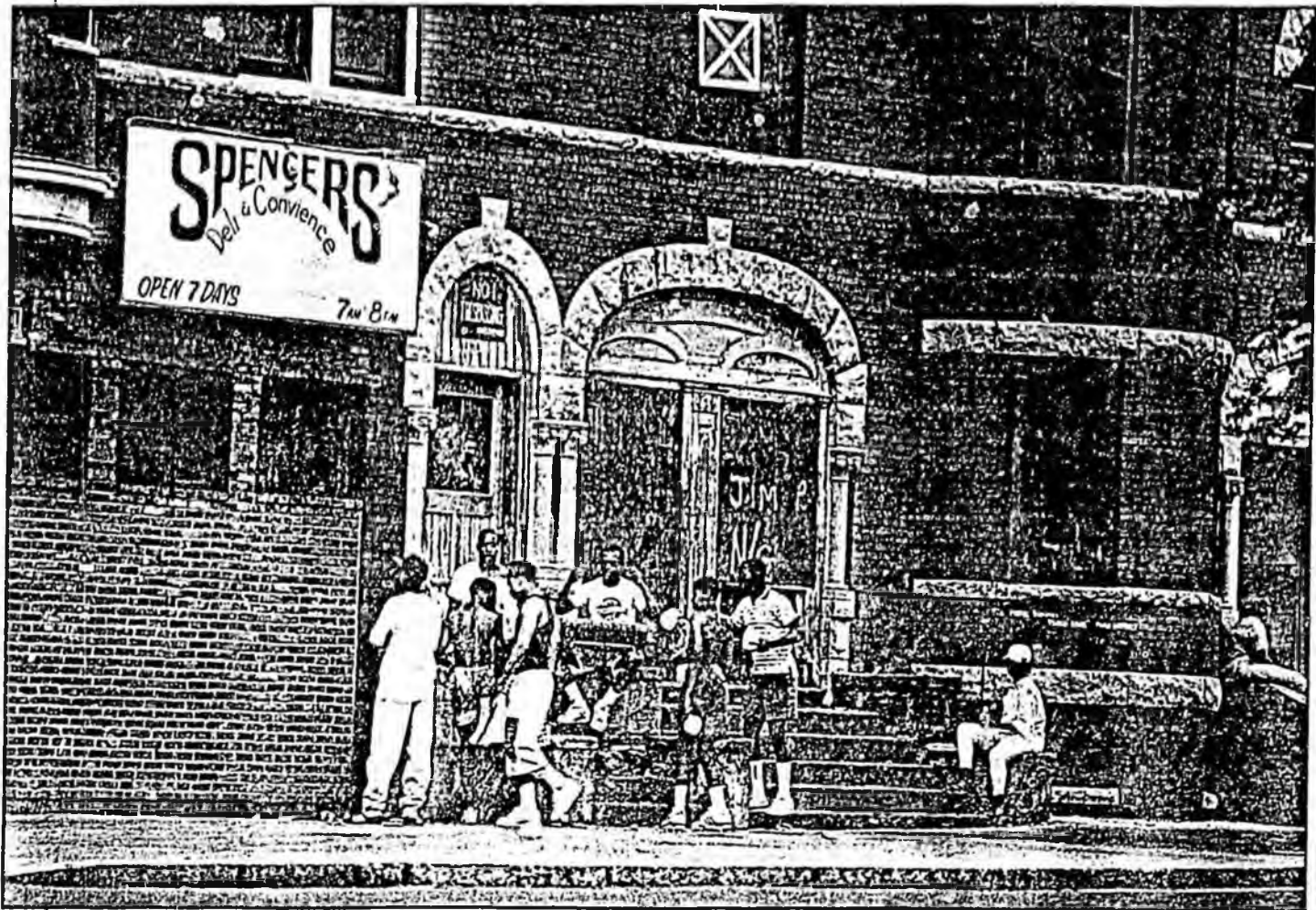


► Only 20% of legal immigrants are admitted for job skills. Family ties or refugee status are the usual criteria

► Over half a million legal immigrants arrive each year—more than at any time since the 1920s.

► Some 2 to 4 million illegal immigrants live in the U.S.





WHY THE UNDERCLASS CAN'T GET OUT FROM UNDER

In an era of prosperity, legions of welfare mothers and inner-city youths face dead-end lives



Terence Maclin often dreams of escaping Milwaukee's tough North Side. "I plan to build my own business," says the 18-year-old leader of a youth gang known as Two-Four. "Then I can have people working for me."

Maclin's fantasy of the straight life is likely to remain just that. A high school dropout who's been in and out of juvenile institutions since he was 9, Maclin can't read at a sixth-grade level. He's enrolled in a high school equivalency program but chronically cuts classes. And Maclin recently quit the latest in a

series of temporary jobs after a dispute over pay.

In the past, unskilled and poorly educated black youths such as Maclin had a shot at a decent-paying job. But now, many of the breweries that made Milwaukee famous are shuttered. The city's employment boom has been concentrated largely in jobs that require skills far higher than Maclin's. "The odds are very strong that Terence will never make it," says Charles Meyer, a program director at the Westside Center, where Maclin sometimes hangs out.

Young people such as Maclin can be found in decaying inner cities all over America. They represent a chilling phenomenon: a growing black underclass

isolated from the nation's economic and social mainstream. This legion of chronically unemployed males and welfare mothers, concentrated in crime-ridden, desperately poor, inner-city neighborhoods, numbers at least 1.5 million.

That figure continues to mount despite a six-year economic expansion. "The rising tide of prosperity left those without a high school diploma untouched," says John D. Kasarda, an economist and chairman of the University of North Carolina's Sociology Dept. "They were not even on the boat."

Although the underclass is relatively small in size, it reverberates across geographic, class, and racial lines. Drug-related crimes and gang wars are shak-

ing the complacency of middle-class communities. As labor markets tighten, business has begun to worry about the growing pool of disaffected youths ill-equipped to take on new jobs. And the cost of coping with society's failures are staggering. The nation spends \$20 billion annually on prisons. Caring for low-birthweight babies born to mothers on welfare who are high school dropouts costs another \$188 million per year.

HANGING OUT: Minority youths in urban ghettos such as Dorchester, Mass., (left) often eschew work even where it's available. For some, fast-food jobs paying as much as \$7 an hour don't compare with the enticements of life on the street



Even when jobs are available, few are perceived as true opportunities because pay is low and prospects for promotion are virtually nil. "Places give you a hassle, say they are not hiring and come back in a few months," complains Corey Newsome, a former member of Maclin's gang. In some tight labor markets, fast-food restaurants pay nearly twice the minimum wage, but local youth unemployment rates remain high.

The growth of the underclass is the result of many complex forces—from racism to the frustration and apathy that persistent poverty can provoke. "It's very difficult to point to any one thing in an environment where so many things are 'ostile,'" says David T. Ellwood, professor of public policy at Harvard University. "But everyone agrees that all these negative things start to feed on each other, making it more difficult to latch on to any simple solution."

KNOWLEDGE-INTENSIVE. Among the most potent factors is the two-tiered economy. The economy's general weakness during the 1970s and early 1980s "hit people at the bottom of the barrel the hardest," says Brookings Institution economist Robert D. Reischauer. Starting in the 1970s, white women, baby boomers, and immigrants flooding the job market have made it even more improbable that less-educated blacks at the end of the hiring queue will be chosen for jobs.

Meanwhile, in the past two decades, manufacturing industries virtually vanished from the cities. Some closed down, skewed by international competition. Others moved to convenient, sprawling, suburban tracts. Just 25 years ago, half of Milwaukee's jobs were of the high-paying blue-collar type. Today less than 30% are. In other cities, the falloff is even more dramatic.

Many of the newer jobs are "knowledge-intensive" white-collar posts, which require

at least some college education. As a result, employment of the poorly educated has fallen sharply. That is particularly true of adult black males who live in cities. Only half of these men work, even part-time, as compared with 80% in 1979, according to Kasarda.

University of Chicago sociologist William Julius Wilson, author of *The Truly Disadvantaged*, argues that antidiscrimination legislation and affirmative-action programs may have inadvertently compounded the problems. Middle-class blacks, who could take advantage of new job and housing opportunities in the 1960s and after, fled the ghettos, leaving local schools to the poor and removing important role models—adults who work at steady jobs. Those left behind no longer hear about work opportunities. Even the habit of waking up to a ringing alarm clock is alien. "Youngsters are growing up in a community where people's lives aren't organized around work," Wilson says.

"Fast-food places aren't paying enough, not for what they want you to do," says Newsome. The lucrative alternatives—drug dealing, pimping, and theft—have no shortage of recruits, though.

The allure of criminal activity is often attributed to the disintegration of the black family. In 1960, 20% of black families with children were headed by women. Today, half are.

WELFARE TRAP? Contrary to popular perception, the birth rate for unmarried black women actually has declined since 1960. But the marriage rate among black women has dropped even more sharply—as has the birth rate to married women—so single women still bear more of the community's babies. For Wilson, the explanation is the shortage of "marriageable" black men. "The increasing inability of many black men to support a family is the driving force behind the rise of female-headed households," he says.

Some social scientists, though, believe that cultural factors have become at least as important as economic ones.

"If you've got full employment, you are still going to have an underclass," argues social scientist Charles Murray. "We do not know how to change the attitudes of even adolescents who have grown up in the underclass." Murray's 1984 book, *Losing Ground*, faulted federal welfare policy for discouraging marriage and work while rewarding out-of-wedlock childbearing and unemployment.

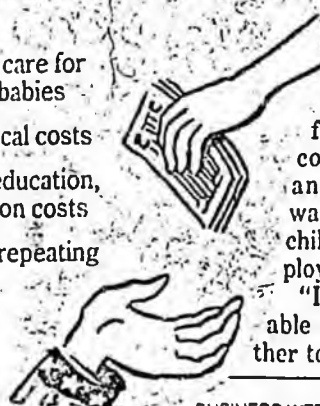
"It's now more acceptable than ever for a father to ignore his responsi-



HOW SOCIAL INVESTMENT IN CHILDREN PAYS OFF

\$1 INVESTED IN...	...SAVES
Prenatal care for poor women	\$3.38 in hospital care for low birthweight babies
Childhood immunization	\$10 in later medical costs
Preschool education	\$4.75 in special education, welfare, and prison costs
Remedial education	\$6 in the cost of repeating a grade

DATA: HOUSE SELECT COMMITTEE ON CHILDREN, YOUTH, AND FAMILIES



Special Report

bilities," adds Stuart Butler, director of domestic policy studies at the conservative Heritage Foundation. "The assumption is that the government will take care of the problem."

Certainly, most welfare programs do little to encourage work. When recipients who want to work weigh the low-paying jobs for which they're qualified against the loss of welfare benefits, medical benefits, and the additional burden of child care, many figure they're better off staying home. "The system goes around and chooses you," says Bonita Williams, a 24-year-old mother of six who lives at the Milwaukee Fam-

Dr. James P. Comer, professor of child psychiatry at the Yale Child Study Center, says children of uneducated parents are less likely to develop the early language skills and excitement for learning that will prepare them for school. Fully 60% of daughters of single women who are on welfare for 10 years or more will find themselves on welfare for at least a year during adulthood. Urban Institute economist Isabel G. Sawhill worries that underclass communities will be "breeding grounds for another generation of poor people with little hope of becoming part of the mainstream."

most disadvantaged kids. Their point is that intervening at an early age may well improve a child's lifelong prospects (chart, page 123) and save money on other social programs, such as welfare, down the line.

Some experts believe that expanding programs such as Medicaid and Head Start is only a first step. Harvard lecturer Lisbeth B. Schorr says that social service agencies have to do a better job of coordinating the services they deliver to poor families, who often suffer from a spectrum of problems. An agency that provides preschool education to a child without addressing a parent's depression or the child's nearsightedness won't help much. "The programs that work best are comprehensive and intensive," she says.

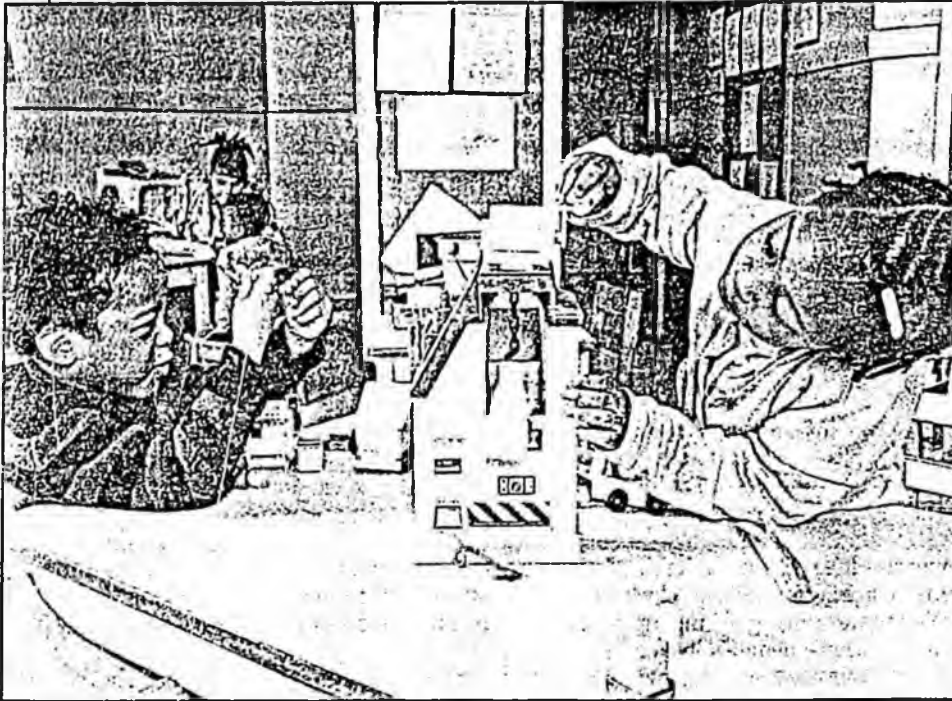
INTIMIDATED. Encouraging the employment of young adults is another necessity. In Boston, a successful business-backed program is teaching 150 poor adults such workplace skills as résumé-writing, interviewing procedures, and telephone etiquette. James B. Marshall Jr., who is in charge of the program, says many youths are intimidated by the prospect of leaving isolated ghettos such as Roxbury to work in a downtown glass tower. Other programs that provide intensive remedial education, job training, and child care have helped long-term welfare mothers enter the labor force.

North Carolina's Kasarda believes that suburban employers must reach out as well through job information networks and provide transportation pools. Marshall says that employers, who are often reluctant to hire inner-city youths, "have to understand that their personnel in the next 10 years is going to be different from what they're used to."

This realization is the product of demographic trends that in some areas are already producing labor shortages among young, entry-level workers. However, federal policymakers, worried about yawning budget deficits, seem unlikely to launch a major new effort to address the problems. There is little political gain to be had from aiding the powerless underclass, and indeed, the Presidential candidates have not taken up their cause.

Yet, argues Princeton sociologist Richard Nathan, "if there was ever a time to work at these issues, it's now, when there's a declining labor force." If America lets this opportunity pass, it will do so at its own social and economic peril.

By Susan B. Garland in Washington, with Lois Therrien in Milwaukee and Keith H. Hammonds in Boston



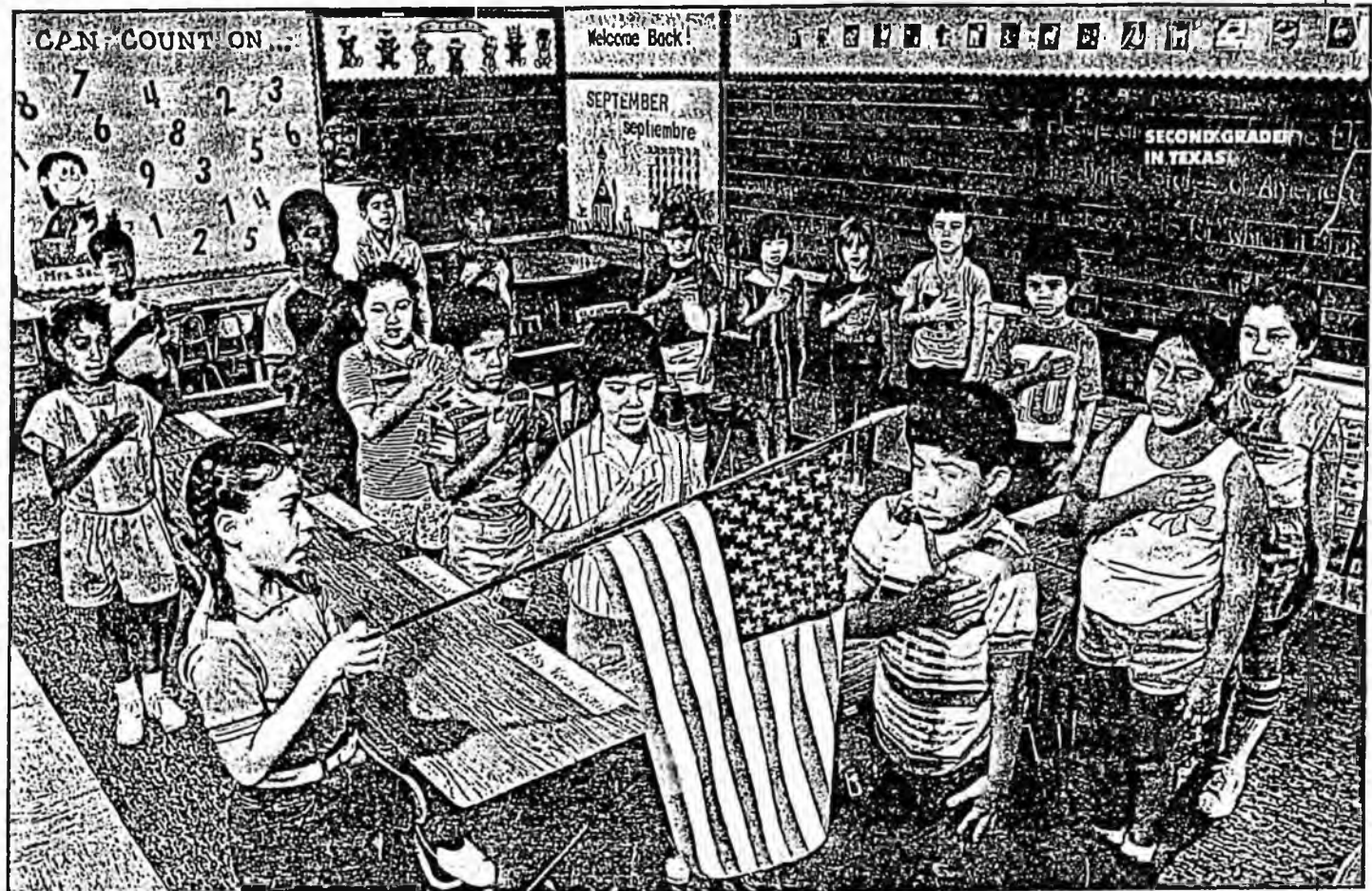
SAVE THE CHILD: Improved services for children, such as day care for disadvantaged kids in New York's East Harlem, may be the surest way to break the cycle of poverty

ily Crisis Center. Child care and job training are a focus of the new \$3 billion welfare reform bill pending in Congress.

Whatever the causes of the underclass phenomenon, there is no question that the consequences for black children have been disastrous. Three-quarters of them spend at least some time in poverty, compared with one-fourth of white children. One-third of black kids are poor for seven years or more. And those growing up poor are more likely to become parents themselves at an early age. In turn, their babies are at risk from low birth-weight, which tends to increase the chances of brain damage and learning disabilities.

To break the chain, some black leaders are calling on the black middle class for assistance. Others are saying that poor blacks themselves must accept greater responsibility—and that their community offers positive models, too. "There are kids who are not on drugs and teenagers who are not getting pregnant," says Robert L. Woodson, president of the Washington-based National Center for Neighborhood Enterprise, which encourages tenant management of public housing projects as well as other community self-help programs. "We need to learn from people who are successful."

Improving the schools that poor children attend is critical as well (page 129). So is reaching the child before school. Last year the Committee for Economic Development, a corporate-funded research group, recommended \$11 billion in additional spending on prenatal care and nutrition for pregnant women and preschool education for the nation's



AMERICA'S SCHOOLS STILL AREN'T MAKING THE GRADE

A quarter of high school grads are only marginally literate—and reformers disagree on what to fix



military might by bolstering high school science. At its most fundamental, democracy aspires to produce literate, responsible citizens. But social and economic change has continually reshaped what school is expected to do—from training homemakers to fostering integration.

A new call for school reform is ringing across the land. This one is different: The nation's economic problems are being placed at the

Americans have always asked a lot of their schools: Civilize the frontier with the three Rs, assimilate immigrants, secure U. S.

schoolhouse door. Economic growth, competitiveness, and living standards depend heavily on making investments in human capital. That means attending to the state of America's schools.

It is a worrisome state. Although top-

ranked U. S. students compare well with their peers in industrialized nations, the rest do worse. One million young people drop out of high school every year. Rates approach 50% in some inner cities. Of the 2.4 million who graduate, as many as 25% cannot read or write at the eighth-grade, or "functionally literate," level, according to some estimates. Most 17-year-olds in school cannot summarize a newspaper article, write a good letter requesting a job, solve real-life math problems, or follow a bus schedule.

What's needed is a do-or-die battle to turn the schools around. But the front lines are weary—and fresh recruits

Some 35% of the nation's 11th graders write at or below this level:

DATA EDUCATIONAL TESTING SERVICE

*I have been experience
at cleaning house I've
also work at a pool
be for I love keeping
things neat. I'm very
social I'll get to know
people really fast I*

Special Report

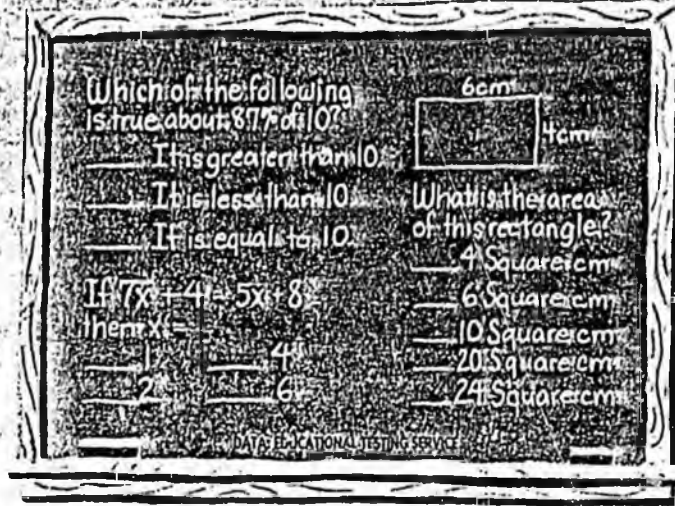
are scarce. Between retirement and normal attrition, America could need to replace 1 million teachers—half the current force—before the end of the century. But only 8% of today's 1.6 million college freshmen say they're interested in teaching, and half of those will typically change their minds. Worse, half of all new hires leave teaching within seven years. And with shortages of educated workers looming throughout the economy, schools will be competing with other sectors for quality candidates.

'LEMONS.' The demand for school reform has been percolating since the mid-1970s, when declining results on standardized tests raised concerns about basic skills. It exploded in 1983, after the National Commission on Excellence in Education released *A Nation at Risk*. Warning of a "rising tide of mediocrity" in public schools, it called for rigorous academic standards and a standardized, traditional high school curriculum of history, Western literature, foreign languages, science, and math.

Critics still blast the report as elitist or oversimplified. But few deny that our schools need fixing. "If a company was turning out 90% lemons, we would rethink the whole production process," says Albert Shanker, president of the American Federation of Teachers (AFT). "This is not a question of a few recalls. The system is producing lemons."

Most Americans want to do something about

Almost half (48.9%) of the nation's 17-year-olds could not correctly answer math questions of this type:



vidual learning styles or to respond to students' social problems. They stress the importance of expectation and high standards, holding up such examples as William Lloyd Garrison School, where South Bronx kids from low-income families test at or above grade levels in reading. "You don't change the principles of medicine when patients have poorer health or a poorer state of nutrition," insists outgoing Education Secretary William J. Bennett. When Bennett urges school overhaul, he means a shift of power from the educational Establishment—teachers' unions, administrators, and colleges of education—to parents, citizens, and state legislatures.

it. In a 1987 Harris Poll, 90% of those surveyed endorsed the principle that "for the U. S. to become competitive, we must pay more for quality education" and get "tangible results."

The tricky question: how to get those results. Educators are sharply divided. Some endorse the call for strengthening the traditional curriculum. AFT's Shanker would give teachers a freer hand to restructure the classroom environment. Others say schools must take on new family-like roles to nurture the growing numbers of poor or troubled kids in the system.

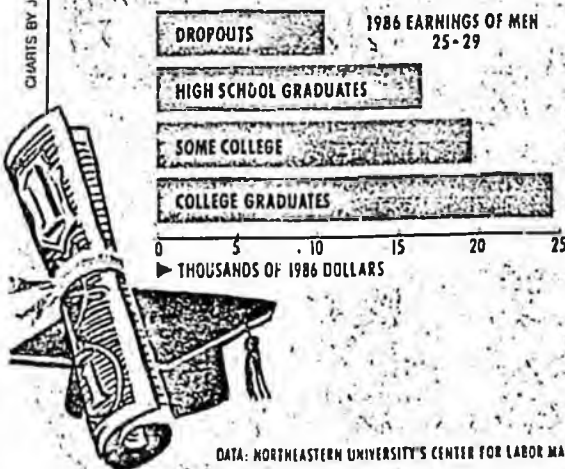
redictably, conservatives deride the idea that schools should depart from traditional teaching formulas to suit indi-

Traditionalists point to Japan, where students seem to perform as well as or better at all levels than U. S. kids. Japanese mothers are highly involved in their children's schooling, teachers are respected and well-paid, the school year is longer, and more homework is given. "The Japanese system," says Bennett, "is pretty close to a system of education that is universal and of quality."

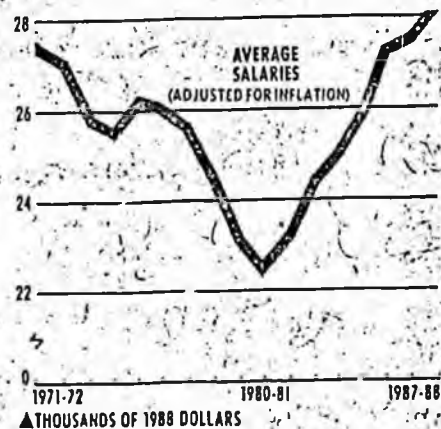
MASS PRODUCTION. Those for whom tradition is not a panacea say American schools must change with the times. They argue that the public school system was organized along factory lines in the 1920s by a society enchanted by mass production. Classrooms were standardized, and decisions about teaching methods and content

CHARTS BY JOHJ DANANER

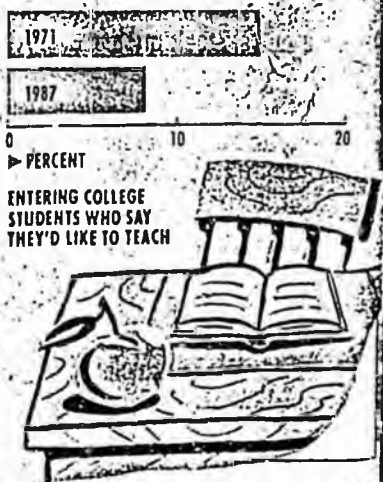
THE PAYOFF OF EDUCATION IS HUGE ...



... BUT TEACHERS' SALARIES HAVE GONE NOWHERE ...



... AND FEW WANT A TEACHING CAREER



DATA: NORTHEASTERN UNIVERSITY'S CENTER FOR LABOR MARKET STUDIES, AMERICAN FEDERATION OF TEACHERS, AMERICAN FRESHMAN REPORT

were passed from state offices to superintendents to principals and finally to the chalk-wielding line workers: teachers. After a 50-minute class, the bell rang and pupils moved on. "If the student is viewed as an inanimate object moving on an assembly line, this makes perfect sense," Shanker says.

'THOROUGHLY DISCREDITED.' Successful companies, as Xerox Corp. Chairman David T. Kearns notes in *Winning the Brain Race*, "have discarded the archaic, outmoded, and thoroughly discredited practices that are still in place in most of our large school districts: top-down, com-

mand-control management—a system designed to stifle creativity and independent judgment."

To education reformers, it is significant that the Japanese themselves are beginning to worry that their nation's learning style, heavily based on rote and memorization, doesn't promote creative thinking and flexible skills. "In Japan they do harder and longer what we do, and get better results," argues Adam Urbanski, president of the Rochester (N. Y.) Teachers Assn. "The purpose of reform is to do it differently—to challenge the fundamental structure."

Indeed, concerns about basic skills already have produced some improvements along traditional lines. Educational Testing Service (ETS), a testing-and-research organization based in Princeton, N. J., reports that test scores in math, reading, computer literacy, and science have gone up since the mid-1970s. Most of that came from minority kids, who increased from 16% to 23% of all schoolchildren. But "the bad news is that we haven't budged in improving higher-order skills, critical-thinking skills," says Archie E. LaPointe, head of ETS's National Assess-

BUSINESS IS BECOMING A SUBSTITUTE TEACHER



New York's Chemical Bank has an alarming problem: It has to interview 40 high school graduates to find one who makes it through the bank's training program for new tellers. The Chemical reaction? The bank has adopted two schools and is helping form a high school debating league. Chemical Chairman Walter V. Shipley believes parental involvement is the ideal: "Unfortunately you don't always have that commitment from parents, so business must try to find more ways to fill the gap."

STEVE SMITH

Passion for school reform is gripping Corporate America. It is marshaling resources, energy, and influence to improve education. Hundreds of partnerships are blooming between school and business. They run the gamut: gifts of equipment, paid work-study programs, teacher training, and literacy volunteers. But there are questions about the effectiveness and reach of these programs. The biggest unknown is whether business will have the patience to stay the course.

Many join-a-school partnerships have been forged. In 1981, New York industrialist Eugene Lang addressed a sixth-grade class at his Harlem alma mater and

offered college scholarships to all pupils who stayed in school. He paid for remedial and counseling staff and became involved with the kids. Of the 54 original pupils who remained in New York, 50 finished high school, and 34 are in college.

The recipe has been followed by corporations as well. More than 1,000 businesses have adopted the city's public schools. The sponsors provide volunteers and donate funds and equipment. At Tenth Street Elementary School in Angeles, 125 Arco Oil & Gas Co. employees—from secretaries to top brass—out in the classrooms, tutoring immigrant and minority students in English, geography, and computer sciences.

Pacific Northwest Bell Telephone Co. Seattle adopted a local school. But modest involvement mushroomed in thanks to Gary A. Frizzell, PNB's national relations manager, who happened to be coping off-hours with an ailing 14-year-old son. He tried to reach the

SOWING SEEDS
'Adopt-a-school' programs are sprouting up. At Los Angeles' Tenth Street Elementary School, an Arco professional leads a nature class

with heart-to-heart talks and a series of letters—which evolved into *Choices*, an outreach program encouraging kids to stay in school. Volunteers from 65 participating companies have dressed more than 300,000 eighth and ninth graders in states. "Business is the user of educational

product—students, and it ought to reexamine itself," says Frizzell, now heading an education foundation for PNB's parent, IBM West in Denver.

Businesses are focusing on teachers well. Two years ago, IBM Vice-Chairman Lewis M. Branscomb headed a Carnegie Forum task force that recommended higher pay, more autonomy, and national competence testing for teachers. Honey Inc. sponsors a summer Teacher Academy, where Minneapolis high school math and science teachers team up with



ment of Educational Progress (NAEP).

It's higher order skills that a sophisticated economy increasingly needs. "Over the long term, basic skills only give you the right to compete against the Third World for Third World wages," notes Marc S. Tucker, chairman of the National Center on Education & the Economy in Rochester, N.Y. To achieve more advanced goals, "I'd like to see a lot less of kids sitting quietly in rows and a lot more deeply engaged in projects in which they are heavily invested, which require them to learn a lot."

Tucker maintains that most kids don't learn well by listening to a lecture or reading the text. He and others advocate

peer tutoring, team learning, simulation games, and other nontraditional approaches, particularly for disadvantaged children for whom formal classrooms are threatening ground.

So passionate is the debate that reform is threatened with paralysis by analysis. No single educational philosophy can be expected to win the day in a country as heterogeneous as the U.S. What might work in a high-income suburban school district could create havoc in an inner-city ghetto. And there are no quick fixes. "Imagine a business... with 50 totally autonomous divisions and 16,000 subsidiaries, each with its own board of directors and labor agree-

ments," says retired Procter & Gamble Chairman Owen B. Butler. "No effort to change that culture can be expected to succeed in five years."

TEACHER TROUBLE. Whether it's traditionalism or radical reform, better schools require more and better teachers. And here there is trouble. Morale among teachers, who are poorly paid and garner little esteem, is at low ebb. For years the numbers of college students entering teaching has been in decline, and those who do choose teaching often come from the bottom quartile of their college class. The shortage is acute for teachers of math and science and for the minority teachers desperately need-

researchers to develop class projects using state-of-the-art computers and equipment.

Minnesota companies have a tradition of social investing. Honeywell has provided equipment, volunteers, and technical advice to schools for 20 years. Last year it gave \$7.8 million, about 2% of its U.S. pretax profits, to philanthropy. Of that, \$2.9 million went to education.

Not all educators welcome corporate largesse. Some worry there will be strings attached. "We've been in the business of education for 126 years," says Robert Astrup, president of the Minnesota Education Assn., which represents 80% of the state's teachers. "We would like businesses to be advocates—not leaders." Joan Canella, director of the Bank Street School for Children in New York, sees it another way: "The best thing business can do for schools is make it possible to combine work and family, allowing working parents to get involved with the schools."

HARD KNOCKS. Dade County, Fla., hosts one such experiment. To ease overcrowding and reduce working parents' stress, the school system set up minischools in workplaces. Last fall, American Bankers Insurance Group Inc. opened the first "satellite learning center" to serve employees. It built a \$350,000 schoolhouse for 50 kindergarteners and first graders. The county provides teachers and books.

In Chicago, local companies, including Borg-Warner, Sears, Johnson Publishing, and McDonald's, opened their own school. Privately funded, tuition-free, the Corporate/Community School of Chicago is to be a laboratory-in-action addressing the problems of inner-city schools. Its enrollment, now at 150, will grow to 300 children, from nursery school to eighth grade.

Perhaps the most obvious role of business is to help bridge the

gap between high school and what comes after. That is, not pushing old-style vocational education but bringing some notion of work life and promise of opportunity to kids floundering on the margins. That was the plan behind the Boston Compact, a 1983 agreement between the Private Industry Council (PIC) and the school system

JOB TRAINING

Boston's intern program is giving many poor youths their first jobs.

Eddie Santos (right) is an apprentice maintenance engineer

to offer summer and permanent jobs in exchange for improving the schools.

Last year, 669 Boston companies created summer jobs for 3,000 students, at an average hourly wage of \$5.39. Napoleon "Eddie" Santos, 17 and a senior at Dorchester High School, got his first real job that way. This summer he was one of four full-time in-

terns apprenticing in maintenance engineering at Beacon Co. Under a separate program, companies hired 1,000 high school graduates, 72% of them black or Hispanic, into permanent jobs. PIC also offers jobs and counseling to dropouts, and guidance to ninth graders.

UNFAIR BURDEN. Rebuilding a school system proved tougher. Reading and math scores rose modestly. Attendance went up. But Boston's dropout rate is stuck at 46%. "The business community has done its job. I think everyone's disappointed on the school side," declares Edward E. Phillips, chairman of insurer The New England. To do more, he says, "would be a pretty unfair burden on businesses. We pay hefty taxes to support the system already."

But some corporate leaders insist an even broader burden must be borne. Harold W. McGraw Jr., chairman emeritus of McGraw-Hill Inc., which publishes BUSINESS WEEK, heads the Business Council for Effective Literacy, aimed at millions of U.S. adults who lack functional reading skills. Owen B. Butler, retired chairman of Procter & Gamble Co. focuses on the very young: "The best way for business to invest in educating the disadvantaged is to reach them early. By age 5, they're already so deprived they can't benefit from schooling," he says. Butler lauds such efforts as Success by Six. In that program, Minneapolis employers, civic groups, and schools spent \$647,000 this year on early childhood health and education through the local United Way.

A departure from corporate practice? Not for Butler. "It took us years to develop Tartar-Control Crest, years to make a profit on our investment. So we understood the economics of early childhood programs." For him, the long view on education is just good business.

By Elizabeth Ehrlich in New York, with bureau reports



ed in poor communities as role models. Increasing pay can help recruit and retain teachers. But so far efforts in that direction have raised average starting salaries only to the \$18,000 range—hardly enough to entice talented students away from other professional tracks. A few school districts, though, now pay their best or most experienced teachers several times that amount.

To attract more teachers, New Jersey is experimenting with alternatives to the standard-certification route so that college graduates in fields other than education can come aboard. Using audiovisual aids, computers, satellite teaching, team-teaching, and even switching to staggered semesters can cut down the number of teachers required as well.

Moving teachers who have been promoted into management jobs back into classrooms could be one solution to the labor shortage. School systems are notoriously bureaucratic. According to the AFT, from 1975 to 1986 school districts hired one curriculum adviser, program director, or other desk worker for every new classroom teacher. "Before we ask for additional funds, we must reorder our priorities," says Mary Hatwood Futrell, president of the National Education Association (NEA).

How to shrink staff and administrative functions isn't the only thing schools can learn from business. Incentive pay can also help. In Rochester, N. Y., last year, the teachers' union sat down with administrators to bargain for school-based decision-making and pay hikes of more than 40%. The new contract also established a career ladder with a top rung of so-called lead teachers who can earn up to \$70,000 per year in the contract's third year. Top pay requires them to accept assignments in the system's toughest schools, now often in the hands of novice teachers. "They'll be the Clint Eastwoods of teaching," says union head Urbanski.

Reaching disadvantaged kids in tough neighborhoods also may require expanding the traditional role of schools—the

only stable institutions in some kids' lives. A handful of inner-city schools are trying on-site day care for teenage mothers, after-school hours to increase learning time, and intensive anti-dropout counseling. Arkansas, New York City, California, and Minnesota have started prekindergartens for four-year-olds. "Pedagogic reforms are wasted unless you do something about social-capital

ing to do society's work, the schools must respond."

One way to make the schools more responsive to the needs of the students is to force them to compete for students. Some 20 years ago economist Milton Friedman, a Nobel prizewinner, proposed issuing vouchers to families for the amount it costs to educate their kids. Parents would select among the schools, "paying" with the vouchers, so schools would have to upgrade or lose funding.

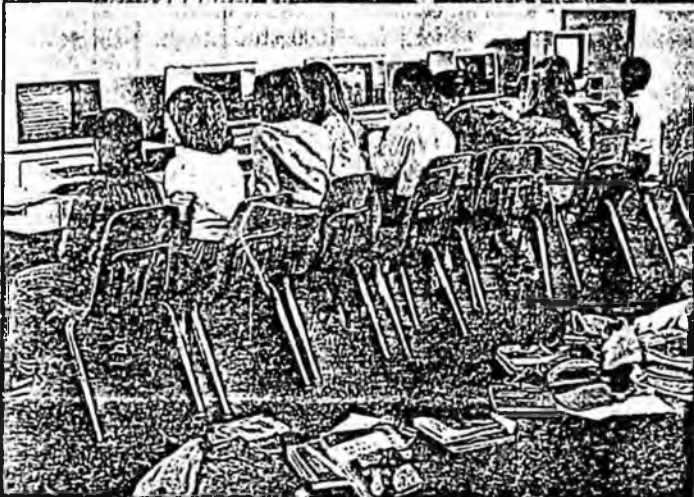
Although no school system has yet issued a Friedman voucher, there is growing support for the idea of parental choice to foster competition, accountability, and parental involvement. The National Governors' Assn. believes that choice within the public schools "can promote equity." Poor kids, claims Heritage Foundation analyst Jeanne Allen, would benefit most, since wealthier families already choose schools by moving to communities with good ones.

In the past, though, choice has sometimes been used to thwart integration. In some places, so-called magnet schools—the best schools in the district—skim off the community's best students, leaving other schools worse off. "You don't improve schools by running away from schools," bristles NEA President Futrell. Minnesota's teachers are suing their state over its new Choose-a-School plan, which lets kids enroll in any public school.

Other experiments are on the way. Boston University is taking on the reorganization of the troubled Chelsea (Mass.) school system. New Jersey has begun a hostile takeover of Jersey City schools, whose performance was close to meltdown. But much of the system still is plagued with inertia and institutional rigidity. If there is to be meaningful reform, adversaries in the education community will have to cede cherished turf and cooperate.

The alternative—bumbling along from crisis to crisis while presiding over decline—is simply not acceptable. Schools are the crucible where children do or don't become productive members of the community. For children growing into citizens—and for a society that wants to prosper—education is just too important to entrust to the status quo.

By Elizabeth Ehrlich in New York



A RAGING DEBATE

Traditionalists stress the importance of a strong curriculum and high standards. Others want reforms such as peer tutoring and team learning

building," says Primerica CEO and social activist William S. Woodside.

Northeastern University economist Andrew Sum argues that an extended school year, which the Japanese have shown benefits middle-class pupils, can do even more for poor kids who, left to home and peer influences, tend to lose ground in summer. California is moving to year-round schools to increase learning time—and to handle a shortage of classroom space.

SCHOOL VOUCHERS. Sar Levitan of George Washington University believes schools must assume even more roles to fill the gap left by working mothers. "I'm not a moralist, I'm only an economist," Levitan says. "If women are go-

PHOTOGRAPHS BY (TOP-BOTTOM) HORAN/PICTURE GROUP, HARRIS/THE STOCK MARKET

IT'S TIME TO PUT OUR MONEY WHERE OUR FUTURE IS

Investments in education and training will yield sure-fire returns we can't afford to ignore



In the U.S., when you turn 18 or become a citizen, you may register to vote. The process varies from state to state, depending on the requirements of the local board of elections. But one thing is true across the nation: You do not need to be able to read or write. The Voting Rights Act of 1965 and its amendments abolished literacy tests, among other discriminatory local requirements, that had long disenfranchised millions of black and disadvantaged citizens.

Yet today the person who can vote but cannot read and write remains disenfranchised in another, more fundamental, sense. The right to earn a decent wage and make a productive contribution to society can't easily be exercised by the illiterate, the poorly educated, and the unskilled. Disenfranchised, too, is the unemployed steelworker unable to find the job to fit his unneeded skills. Then there's the single mother unable to find affordable day care for her toddler so that she can go to work.

The cold, hard, economic facts make a compelling case for action. The direct costs are clear: Incomes are lost, and unemployment and welfare benefits are paid out. But the overall loss to the economy is bigger still. America's most productive resource, its people, is not being fully utilized.

TIME BOMB. The bean-counters in Washington and state capitals around the country will say there is no money available to invest in educating and training tomorrow's work force. And some economists, such as University of Chicago professor and BUSINESS WEEK columnist Gary S. Becker, whose pioneering work measured the rate of return to investments in human capital, would prefer that market forces eliminate the mismatch between jobs and skills. But labor markets take time to work, and time is of the essence. Already the nation has suffered the consequences in the international marketplace; in the future, fiercer competition, changing demographics, and new tech-

nologies will demand that skills keep improving. Ignorance costs far more than knowledge.

In a \$4 trillion economy with a \$1 trillion federal budget there is surely room for some shifts in spending: away from plant and equipment and toward workers; away from the aged and toward the very young; and even away from guns and toward people. Whoever wins the Presidential election on Nov. 8 should spearhead a new national commitment to America's future by investing in its people. Whatever it takes—new money or a reallocation of resources—the commit-

ment should come through loud and clear. The federal government, state and local governments, business, labor, and the electorate will all have to do their part. What should be done? Here are some suggestions:

■ **Instill the habits of learning and working in kids at an early age.** "Early intervention" by means of preschool programs has shown proven results. Numerous studies demonstrate that the younger the child, the greater the long-run payoff of an investment in that child. Often mothers become in-



volved in these programs as well, and they help to nurture and sustain a learning ethic in their kids.

For every dollar invested in preschool programs such as the government's 23-year-old Head Start program or the Perry Preschool program in Ypsilanti, Mich., more than four times that amount is saved in public assistance, special education, and other costs. Children enrolled in such programs are much more likely to graduate from high school and be employed than children not enrolled in the programs. Some experts urge even earlier intervention, saying help should begin in the womb. Each dollar spent on prenatal care saves \$3.38 in the cost of care for low birth-weight babies.

At the moment the government spends about \$2.4 billion a year on the care and education of preschoolers. Compare that with a tab of \$8.7 billion for one year's spending on space research and technology. Or \$38 billion for a single year's worth of military research, development, and testing. Or compare it, even, with spending on the elderly. Since 1980, social programs that benefit children have suffered budget cuts in real terms, while programs benefiting the el-

derly have grown faster than inflation. Prenatal and preschool programs could reach most eligible participants with annual funding of anywhere from \$2 billion to \$10 billion, experts estimate. Increases of such magnitude, observes Isabel V. Sawhill, senior fellow at the Urban Institute in Washington, "won't exactly kill us."

☐ **Pay teachers more, and perhaps transform the whole teaching process.** First there was reform, now there's restructuring. The process has begun, but more has to be done to enable the nation's schools to prepare students for life and work. This could involve "team" instruction, with highly qualified "lead" teachers, and new ways to teach thinking skills as well as the basics.

While the impetus and financing for these changes must come at the state and local level, the federal government can play an important role as a catalyst for change. The Education Dept. has a mixed record on this score. Its report, *A Nation at Risk*, shook up public school administrators and launched a reform process, but outgoing Education Secretary William J. Bennett has been impatient with results. And the Education

Dept. could do more to promote demonstration projects and fund education research—efforts that would help educators improve the schools.

■ **Adopt major new incentives to train and retrain workers.** In a competitive and rapidly changing economy, old skills become outdated and new skills are needed. "Most of us, after the age of 25, change occupations three times and jobs six times," observes Pat Choate, director of TRW Inc.'s Office of Policy Analysis. How to prepare people for those changes? Spread the cost of training through new initiatives. An investment tax credit to businesses for money spent on improving worker skills is one idea. Or a tax credit could be granted to individuals for investments in training and education they make on their own. Another incentive to both employers and workers would be a tax-free individual training account, akin to the individual retirement account, which could be jointly contributed to by workers and businesses. For years, any tax break granted industry has been skewed way in favor of physical investment. These proposals would reverse that bias.

■ **Tailor the workplace to the new labor force.** To retain female workers who have many years' experience, and to enable those workers to be more productive, companies should extend child-care benefits to a far greater extent than they have to date. To keep older workers productive, employers should offer new duties and more flexible hours. And granting workers portable benefits could make them more mobile, and thus more responsive to the fast-changing labor demands of employers.

Too frequently, managers have looked at workers as a cost rather than a resource. And every extra dollar spent on workers was viewed as that much more of a burden, whereas it could be, if wisely spent, a means to empower workers to do better. Hundreds of companies now recognize this to be true with respect to training. Investments in training yield tangible rewards, and accordingly business spends approximately \$30 billion a year on training. The rewards of changing the workplace are also large. But a massive cultural adjustment may be necessary to realize them.

There's no doubt that government is in a belt-tightening mood, and business is eager to keep costs under control. But without strong leadership and new spending priorities, America's most precious resource will be neglected. In the words of a familiar advertisement: A mind is a terrible thing to waste.

By Karen Pennar in New York

For information on reprints of this Special Report, call Business Week Reprints at 609 426-5494, or write Business Week Reprints, P.O. Box 457, Hightstown, N.J. 08520.



	<u>Statutory Action on JTPA</u>	<u>Enabling Legislation</u>	<u>State General Revenue Program/Year Enacted</u>	<u>Relevant Agency</u>
Alabama	X		Alabama Industrial Training Institute '76	Postsecondary Commission
Alaska			None	
Arizona			Arizona Industry Training Services '82	Division of Voc Ed
Arkansas			N/A	
California	X	X	Calif. Employment Training Panel '82	Employment Dev. Dept/ Appoint. Trustees
Colorado			Colorado First Customized Training	Div. of Commerce & Post- secondary Div. of Occupa- tional Ed.
Connecticut	X		N/A	
Delaware			Economic Dev. Training Board '84	Delaware Development Office
Dist. Col.				
Florida	X		Industry Services Training Program '86	Department of Ed.
Georgia			Quick Start Program '66	St. Board of Post secondary Voc. Ed.
Hawaii	X		None	
Idaho			N/A	
Illinois	X	X	Prairie State 2000 Authority '83	Independent State Authority
Indiana	X		Basic Industry Retraining '83	Dept. of Commerce
Iowa	X	X	Iowa Indus. New Jobs Training Program '83	Iowa Dev. Commission/ Public Instruction
Kansas			Expanding Industries Training Program '81	Econ. Dev/Div. of Post- secondary Ed.
Kentucky			Blue Grass State Skills Corp. '84	State Corp. attached to Dept. of Ed.
Louisiana	X		Industrial Training Program '75	Office of Comm & Industry
Maine	X	X	AdHoc Contingency Fund '86	Governor's Office
Maryland	X	X	Industrial Training Program '68	Dept of Economic & Community Dev.
Massachusetts			Bay State Skills Corp '81	Exec. Office of Manpower Affairs
Michigan	X		Business & Industrial Training Act '82	Dept. of Labor
Minnesota	X	X	N/A	
Mississippi	X		Industrial Start Up Training Program '83	Bureau of Voc-Tech Ed
Missouri			Missouri Job Development Fund '86	Dept of Econ Dev.
Montana			N/A	
Nebraska	X	X	Nebraska Job Training Act '84	Dept. of Labor
Nevada			Quick Star Job Training Program '85	Commission on Econ Dev
N. Hampshire	X		None	
New Jersey			Emergency Employment Dev Act '74	Dept. of Labor & Industry
New Mexico			Development Training Act	Dept. of Commerce/Ed
New York	X		"Retraining & Upgrading"	Bureau of Econ Dev in Dept. of Ed.
N. Carolina	X		Job Training Partnership Act '85	Director of Budget
N. Dakota			Specialized Training Program '81	State Board for Voc Ed
Ohio			Industrial Training Program '81	Dept. of Econ & Community Dev.
Oklahoma			Training for Industry '85	Dept. of Voc & Tech. Ed.
Oregon	X		N/A	
Pennsylvania			N/A	
Rhode Island			None	
S. Carolina	X		N/A	
S. Dakota			None	
Tennessee			N/A	
Texas	X	X	N/A	
Utah			N/A	
Vermont			N/A	
Virginia			N/A	
Washington			N/A	
W. Virginia			N/A	
Wisconsin	X		N/A	
Wyoming			None	



ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION

March 15, 1989

Honorable Al Adams
Chairman
Community and Regional Affairs Committee
Alaska State Senate
P. O. Box V
Juneau, AK 99811

Dear Senator Adams:

This letter is to express AEDC's support for Senate bill 191, which would provide additional training monies to backstop existing programs and provide added training flexibility for economic development applications.

While there are currently several training programs offered or administered by the State of Alaska, there are many gaps and inadequacies when all programs are viewed as a whole. For example, the federal JTPA program addresses only the on-the-job training needs of those with extremely low incomes. Most displaced Alaska workers do not qualify.

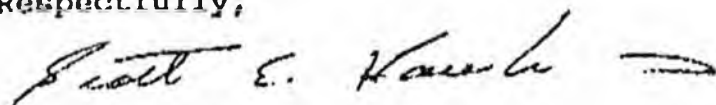
Further, existing programs are inadequate for economic development purposes. There is an urgent need for additional funds that can be used to design training incentives for use in attracting new industries or expanding existing basic industry. This was brought to our attention very forcefully in our negotiations and conversations with Federal Express. Alaska is viewed by investors as having a workforce of limited size and depth, which acts as an impediment to the new industry investments that will be needed to offset the statewide economic impact of the gradual decline of the Prudhoe Bay oilfield in the 1990s.

550 West 7th Avenue
Suite 1130
Anchorage, AK 99501
Telephone (907) 258-3700
FAX (907) 258-6646

Honorable Al Adams
March 15, 1989
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As a final note, we have been impressed by the Cowper Administration's progress in coordinating the State's several existing training agencies. In this context, it appears that SB 191 would be a good use of training resources. It would also be a good first step toward bringing Alaska's training programs up to the level currently offered by many other U.S. states.

Respectfully,



Scott E. Hawkins
President

pc: Honorable Steve Cowper
Governor of Alaska

Honorable David Hoffman
Commissioner
Department of Community and Regional Affairs

Honorable Larry Mercurieff
Commissioner
Department of Commerce and Economic Development

213kr



INTERNATIONAL BROTHERHOOD OF PAINTERS AND ALLIED TRADES

A.F.L.-C.I.O.

LOCAL UNION #1555

P.O. Box 1426

Fairbanks, Alaska 99707

(907) 467-4444

MIKE ANDREWS
Business Representative
Financial Secretary

Members of the Senate
Community & Regional Affairs Committee
Alaska Legislature
Juneau, Alaska

March 8, 1989

Dear Chairman Adams and Committee Members,

The International Brotherhood of Painters & Allied Trades Local Union #1555 has reviewed Senate Bill #191, "An act relating to employment contributions and to the establishment of employment and training programs" and we wish to go on record as an organization that supports this legislation.

You have an opportunity to help unemployed Alaskans through this legislation by providing something more than welfare. This bill would assist them in training programs and offer new avenues upon which to start or build careers.

As well, SB #191 allows the state to implement a sound employment and training policy controlled by the state while creating a necessary conduit for enhanced cooperation between state agencies to provide services through private and public vendors. This shall diversify the economy in several ways and place monetary and personal value back into Alaska's most viable, flexible and productive resource, its citizens and future workers.

We urge you to pass this bill as written and look forward to helping you gain full Senate and House approval.

Sincerely,

George R. Cheap
President
IBPAT L.U. #1555
Fairbanks, Alaska