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U.S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

November 23, 1976

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MEMORANDUM FOR RUSS ROURKE
SPECIAL ASSISTANT TO THE PRESIDENT

FROM: JAMES H. HOGUE *JH*
EXECUTIVE ASSISTANT TO THE SECRETARY

As we discussed, I am attaching a preliminary draft of our current issues papers for the transition. We are updating this compilation and will have a clean copy to give our transition counterparts during our first meeting which is now scheduled for Tuesday, November 30.

Attachment

1980

EMPLOYMENT AND TRAINING ADMINISTRATION

LIST OF ISSUES

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	<u>REGULATORY ISSUES</u>
2	Publication of Apprenticeship Regulations (29 CFR 28 and 29)
	<u>LEGAL ISSUES</u>
3	Unilateral Apprenticeship Programs in Jointly Sponsored Program Areas

I. Issue

Important youth initiatives within existing legislative authority have been planned but deferred.

II. Background

The continued unacceptably high rates of unemployment among youth, particularly within the inner cities, has been well documented. The Comprehensive Employment and Training Act (CETA) programs provide substantial resources to youth programs including \$595 million for one million summer jobs, nearly \$200 million for the Job Corps and 60 percent of the CETA title I positions. Considerable attention has also been paid to additional initiatives for youth that are outlined in the Employment and Training Administration (ETA) interim strategic planning paper on youth initiatives that is scheduled to be completed by December 1, 1976.

III. Status

Several special initiatives that have been planned but not consummated can be acted on quickly. The first deals with the utilization of up to \$140 million of Fiscal Year 1977 CETA titles I and III discretionary funds plus Work Incentive Program (WIN) funds to mount a youth hiring program with the National Alliance of Businessmen (NAB) to train and employ 100,000 disadvantaged youth in the largest companies in the United States. The prepared plan has received general acceptance from NAB but will require Presidential impetus to gain the commitments from business leaders in the largest corporations. This program can be mounted immediately.

Another initiative deals with the internal organization of ETA and its ability to provide a special focus on youth programs. Presently, a wide range of organizations have different responsibilities for dealing with youth programs. However, within the Office of Comprehensive Employment Development, which houses most of the employment and training programs, the Office of Job Corps has the responsibility for serving youth 16-21. An organizational change has been prepared to expand the scope of the Job Corps office to deal with a series of youth programs including the summer youth program and the NAB youth initiative noted above to result in a program in excess of \$1 billion for youth. This organization will also serve as a foundation for additional youth initiatives that may be planned either administratively or legislatively. The establishment of a new office can be done at minimal cost.

IV. Critical Dates

Both initiatives noted above do not have absolute resolution dates but represent opportunities for quick and inexpensive steps requiring no expansion of previously planned outlays to produce positive results for the youth unemployment problem.

I. Statement of Issue

The issue is the supplemental funding of nationally recognized Community-Based Organizations.

II. Background

Prior to the advent of CETA, the Department of Labor provided direct financial support for large-scale employment and training programs to three nationally recognized Community-Based Organizations (National Urban League, SER (Jobs for Progress), and Opportunities Industrialization Centers). The Federal funds were used by the national organizations to fund subcontracts with the local affiliates of these organizations with which to operate training and employment related programs for disadvantaged individuals.

With the advent of CETA, the national programs were decategorized and it became necessary for local affiliates to seek funding through the State and local CETA prime sponsors. The headquarters organizations continue to receive national funding at a much reduced level to provide local affiliates with technical assistance in dealing with CETA prime sponsors.

The national organizations are concerned that the local funding base will, over the years, deteriorate and result in greatly reduced services for their client groups. There is an indication that SER (Jobs for Progress) is at this time experiencing difficulty in securing local funding.

These organizations would like the Department of Labor to augment the funding of the nationally Community-Based Organization whenever local funding falls short of a preestablished level. The Department has never agreed to such a commitment, primarily because a guarantee of supplemental funding from the national office would create a situation where CETA prime sponsors might well cut the local affiliates from their own budgets knowing that the Department of Labor would be obliged to step in and fully restore the projects. This would create an unsupportable demand on the limited resources available under CETA title IIIA and would foreclose use of these resources for other purposes. It would also act in direct opposition to the intent and purpose of CETA and the concept of local determination of employment and training priorities.

III. Status of Work on the Issue

Not applicable.

IV. Critical Dates

It can be expected that one or more of the Community-Based Organizations may wish to discuss this matter with the Secretary to obtain a commitment from the Department to "hold harmless" all funding for these national organizations and in fact to increase their present funding level using discretionary funds from title IIIA of CETA.

PROGRAM ISSUE: NATIONAL ALLIANCE OF BUSINESSMEN

I. Statement of Issue

A decision will be needed relative to the renewal of the National Alliance of Businessmen's Presidential mandate.

II. Background

The National Alliance of Businessmen (NAB) is a non-profit organization formed by a group of business leaders in 1968 at the request of the late President Lyndon Johnson. The basic purpose of the organization has been and continues to be the promotion of business community participation in federally sponsored efforts to assist disadvantaged persons obtain gainful employment. The current president of NAB is V. J. Skutt, who is chief executive officer of the Mutual of Omaha Insurance Company. Staffed mainly by executives on loan from industry, NAB maintains offices in more than 100 cities. Department of Labor support for their administrative structure runs about \$13 million annually, funded from title IIIA of the Comprehensive Employment and Training Act (CETA). Since 1968, NAB has received periodic mandates from the President. Their current mandate, issued by President Ford in 1975, calls for them to focus on the employment needs of welfare recipients, ex-offenders, and Vietnam-era veterans. In Fiscal Year 1976, NAB helped the following numbers of persons obtain employment in the private sector: 224,000 disadvantaged adults; 3,000 disabled veterans; 122,000 other veterans; and 11,000 ex-offenders. Also, in the summer of 1975, NAB assisted 222,000 disadvantaged young persons obtain summer jobs.

III. Status of Work on the Issue

Not applicable.

IV. Critical Dates

It can be assumed that NAB will, within the first 6 months of 1977, approach the President for a renewal of their mandate.

PROGRAM ISSUE: SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM

I. Statement of Issue

The issue is the amount of the Administration's Fiscal Year 1978 budget request for the Senior Community Service Employment Program.

II. Background

The Senior Community Service Employment Program (SCSEP), authorized by title IX of the Older Americans Act, provides subsidized part-time employment for elderly low-income persons in community service work. The Fiscal Year 1977 appropriation of \$90.6 million, which is to be spent during the 12-month period of July 1977 - June 1978, will support 22,600 subsidized jobs. The Fiscal Year 1978 budget request now being prepared asks for \$113 million to be available for spending over the succeeding 15-month period of July 1978 - September 1979. This amount would serve only to maintain the SCSEP at the 22,600 job slot level. The Congress, however, has shown a clear tendency to expand the program from year to year. In addition, pressure for an expanded program can be expected from the National Council of Senior Citizens, the National Farmers Union, the National Council on the Aging, and the National Retired Teachers Association-American Association of Retired Persons. The authorization for appropriation in Fiscal Year 1978 is \$200 million, considerably higher than the request now being developed.

III. Status of Work on the Issue

Not applicable.

IV. Critical Dates

The critical dates would depend on the new Administration's timetable for developing a revised Fiscal Year 1978 budget request.

MINNESOTA WORK EQUITY DEMONSTRATION PROJECT

I. Issue

Shall the Department fully fund this demonstration effort to provide employment opportunities for all employable recipients of major income transfer programs having work requirements as a condition of continued eligibility for benefits.

II. Background

This issue is highly significant for the following reasons:

a. There are approximately 10 million individuals annually subjected to DOL administered work requirements in the UI, WIN and Food Stamp programs. The mounting costs of publicly supporting this population has contributed to a growing concern that work requirements are not being effectively administered. Public support for income transfer programs can be expected to diminish unless action is taken to assure that a maximum effort is being made to require employable recipients to contribute to their self-support, through employment.

b. Present work requirements vary substantially in terms of philosophy, purpose and stringency. The differences raise questions of equity and create complex administrative and operational problems.

c. The demonstration is a modest but significant incremental step toward conceptually and operationally rationalizing the three major income maintenance systems.

Minnesota submitted a proposal in August 1976 for a full scale demonstration of the ETA developed Work Equity approach. After extensive discussions at the Executive Staff level, Mr. Kolberg agreed to fund a planning grant. HEW staff have been consulted.

III. Status of Work

The planning grant runs from November 15, 1976, through March 31, 1977. Specifications for a research design RFP have been developed. It is expected that a contractor will be selected in early January. A Federal project management unit has been established.

IV. Critical Dates

(a) March 31, 1977 - The date at which a fully developed proposal will be submitted. Decision needed whether or not to fully fund the demonstration project, shortly after this date.

I. Statement of Problem

Appointments must be made to the Federal Advisory Council on the Employment Service, a statutory advisory group reporting to the Secretary of Labor that is currently being reactivated.

II. Background

The function of the Federal Advisory Council on the Employment Service is to advise the Secretary on policy matters with regard to the Federal-State system of employment service programs. The Council meets a continuing need to prepare advisory opinions on contemplated legislation, program policy, and operational implementation.

The Council was established in 1933 by the Wagner-Peyser Act for the purpose of formulating policies and discussing problems relating to the broad area of employment security. Its emphasis, however, was heavily on unemployment insurance problems. After a separate advisory council was established by the Social Security Amendments of 1970 to deal exclusively with unemployment insurance, the Council ceased operating altogether. In 1974, a charter was filed as the first step in reactivating the Council.

III. Status of Work on Issue

The U.S. Employment Service is drafting an implementation plan which discusses the proposed format of the reactivated Council, the criteria that should be used for membership selection, and a suggested roster of candidates.

Presently under consideration is a Council of approximately 16 members consisting of five employer representatives, five employee representatives, and six public representatives. Candidates should be individuals who function as policymakers or influence leaders and who possess a broad national perspective on the employment service system or knowledge of State and local operations. In addition, Council membership should be balanced with respect to such considerations as geography and minority representation.

IV. Critical Dates

Council members should be selected as soon as possible in order that the Department is in compliance with the Wagner-Peyser Act.

I. Statement of Issue

Immediate action is needed to name members of the National Study Commission on Unemployment Compensation.

II. Background

The 94th Congress passed a major unemployment insurance bill. One of the key provisions was the establishment of an executive/legislative Study Commission on Unemployment Compensation. This Commission will study the unemployment insurance program, including the program's basic objectives, and make recommendations on future direction of the program. While the UI program has been in existence for some 40 years, a thorough review of the program has not occurred. Attention will be given to the role of unemployment insurance as an income maintenance program and its relationship with other income payments such as retirement and welfare; role of unemployment insurance as an economic sector and its relationship with the rest of the economy; coverage issues; methods of financing the program; and, the ways to guarantee the efficient operation of the program including the Federal-State relationship.

The Commission will be composed of 13 members: 7 appointed by the President and 3 each by the Speaker of the House and the President Pro Tem of the Senate. Broad based interests must be represented by the appointments. The President appoints the Chairman, and consultation is required between the President and the Congress.

III. Status of Work on the Issue

No action to date on appointments. No staff hired. A preliminary listing of possible Commission members and executive directors has been prepared and conveyed to the Assistant Secretary for Employment and Training. Similarly, a program memorandum and possible Study Commission budget (\$8 million) was prepared and recently forwarded to OMB.

IV. Critical Dates

Action should be taken in December 1976 to determine executive branch recommendations on Study Commission members and the Commission's staff director so that appointments can be made in early January. A report to the President and Congress is required by January 1979 with an interim report by March 31, 1978.

Policy Issue

I. Statement of Issue

Recent increases in the unemployment rate and lack of employment growth in the past 6 months indicate that further counter-recessionary measures, including appropriate manpower policy initiatives, may be required to regain economic momentum.

II. Background

The economic sluggishness has been evident in a number of signals, the more critical of which are: 1) An increase in real GNP of only 4 percent (annual rate) in the third quarter; 2) a shortfall in federal spending below the level estimated early in the year; and 3) a decline in the composite index of leading business indicators for two consecutive months. On the manpower side, these developments have been reflected in a virtual standstill in employment, with virtually no new job growth since July and a rise in the unemployment rate from 7.3 percent in May to 7.9 percent in October. Jobless rates for virtually all worker groups have risen significantly since this period. The outlook for fourth quarter 1976 indicates that the economy will continue to perform in a lackluster manner with the possibility of further increases in unemployment.

III. Status of Work

In the event economic growth fails to resume sufficiently in the next 3-4 months, ETA is considering the development of additional manpower measures to help stimulate job creating by 1) requesting an expansion of the Public Service Employment (PSE) programs under CETA Titles II and VI to the maximum allowed under the 1977 Congressional Budget Resolution--from the 310,000 current level to 500,000 jobs; and 2) seeking legislative authority for a temporary employment subsidy program in the private sector to accelerate the hiring of youth and family breadwinners. No public hearings have been held or scheduled at this date. Legislative enactment would be required for an employment subsidy program.

IV. Critical Dates

Development of implementing strategy and level of resources will depend on the course of the economy over the next several months. If the economic situation fails to improve, ETA should be prepared to seek PSE maximum funding authority and to have proposed legislation in hand early in 1977.

Policy Issue

I. Statement of Issue

ETA has the responsibility for providing effective employment and/or training alternatives to income maintenance recipients.

II. Background

The ETA presently administers work registration requirements for three groups of income maintenance recipients: AFDC recipients; UI claimants and Food Stamp applicants through the public employment service system. Each of these groups has been defined as employable by legislation or administrative definition and each set of definitions varies. Substantial resources are being expended on this activity with questionable results. A determination needs to be made as to whether these resources are being used to best advantage, whether uniformity in work test definitions should be sought and where the administrative responsibility for the work requirement should be lodged.

III. Status of Work

Policy papers have been prepared outlining the problem and proposing variations in the approach to applying work requirements. A demonstration of the concept of "work equity", i.e., labor market exposure coupled with access to public service jobs is being developed for testing in the State of Minnesota. Other States have indicated an interest in similar demonstrations. A proposal was introduced in Congress last session to revise the definition of Food Stamp applicants to bring it into conformity with the WIN definition.

IV. Critical Dates

Decisions related to changes in the basic role and definition of the Employment Service are contingent on the decision of the appropriate administrative home for work registration activities.

The new Administration's call for welfare reform carries with it implications for administering work requirements in an equitable and efficient way.

There is a strong possibility that legislation (on Food Stamp definitions) will be reintroduced in the next session of Congress.

Policy Issue

I. Statement of Issue

After two years of experience under the Comprehensive Employment and Training Act (CETA) a number of problems and issues involving changes in the system have arisen and will require attention and decisions over the next six months.

II. Background

CETA is a relatively new piece of legislation which established a decentralized and decategorized manpower system to replace a variety of categorical programs under Federal direction. The major change was to shift decision making to some 440 State and local units of government under a system of grants with funds allocated on a formula basis. Although the system is still in its formative stage, experience to date indicates several changes and modifications are necessary to: (a) assure that local programs are addressed to priority needs; (b) clarify and delineate the roles of the three levels of government, Federal, State and local within the system; (c) eliminate potential areas of overlap and duplication with closely related programs; (d) provide a more effective system for joint sponsor planning on a labor market basis.

III. Status of Work

To refine and further develop the decentralized system under CETA, the ETA is considering a number of changes and modifications to the administration of the system. These involve: (1) identifying specific target groups or problems of national concern to which local attention would be directed; (2) involving State governments more extensively in administration of the system and in providing support to local sponsors; (3) closer integration of Federal programs such as Job Corps, WIN, and the Employment Service with local manpower programs; (4) providing a system of joint planning between sponsors in the same labor market area. All of these issues can be addressed to some extent through administrative action under existing legislation. Over the long term, several of the changes should be extended and reinforced by incorporation in the statute.

IV. Critical Dates

Strategies for improving CETA and the necessary implementing steps are now in development. Decisions will most likely be required in early 1977.

ISSUE --OMB Circular A-46-J and CETA Allocations

I. Statement of Issue

The process of generating sub-national force/unemployment (LFI) data under A-46-J inhibits timely allocation of funds to prime sponsors and program agents under Titles I, II and VI.

II. Background

ETA must distribute Title VI funds to CETA program operators prior March 1, 1977 to assure continuance of Public Service Employment (PSE) programs. This distribution must be a formula allocation using the latest and the best monthly LFI data available; and it must, under A-46, use the BLS-published statistics. For Title I, ETA must early in the calendar year, advise prime sponsors of their fundings based on annual average LFI.

With respect to PSE funding, it is not likely that the BLS and the State Employment Security Agencies (SESAs), who originate the data, will have completed the benchmark adjustments for 1976 by late December 1976 or early January 1977, when the allocation computations must be made for the March 1 funding. Accordingly, allocations will have to be made on the basis of adjusted 1975 data and unadjusted 1976 data, with resulting great confusion over the levels and the rates of unemployment when the 1976 adjusted data are disseminated.

The Title I allocation data, while required in the Spring of 1977, is likely also to create problems in those States which have Current Population Survey not only Statewide benchmarks but also a benchmark for a major metropolitan area (e.g., Wisconsin and Milwaukee). In such instances the metropolitan area has constituted an unusually large proportion of the State's unemployment, leaving an unreasonably small pool of unemployed out-State. The consequent effect on funding individual out-State jurisdictions is apparent--sharp criticism from affecting interests.

III. Status of Work on Issue

ETA has made funds available to BLS/Census to increase the CPS household survey so that control totals are available for each State, thereby eliminating past questions of equity. But the "turn around" time which involved Census, BLS and SESAs benchmark revisions is so protracted as to prevent meeting the January 1977 need for data. BLS and Census should be working toward improvement of timeliness and elimination of anomalous Statewide/metropolitan area situations.

IV. Critical Dates

This issue requires resolution as soon as possible in order that CETA allocations can be made in March 1977, as required for adequate planning purposes.

I. Statement of Issue: Financing State Employment Security Agencies (SESA's).

II. Background: At the present time (FY '77), \$1.5 billion provides financing for Employment Service and Unemployment Insurance Service functions in SESA's. ES receives \$.6 billion and UI \$.9 billion. At issue, particularly with respect to the Employment Service is both the manner in which the ES budget is justified to Congress and the techniques used to distribute appropriated amounts to the States.

A State staffing level of 30,000 positions for ES will have been in effect for two years at the end of the current year. The administration's position has actually been 27,300 positions for both years, while Congressional actions have raised the level to 30,000. There is no compelling rationale for either 27,300 or 30,000. What is required is the development of a budgeting process that includes reference to both a desirable level of output services to be provided to the country and suitable techniques for estimating the cost.

With regard to the manner in which resources are distributed to State agencies, a question has arisen as to whether or not it is appropriate to provide resources based solely on a State's past performance or whether it might not be better if States were financed on the basis of need where they would be free to implement programs that may not be directly supportive of the placement effort. The right of States to employ ES funds as they see fit versus the Federal perspective of emphasis on placements is the essence of the issue. A strong relationship to the question of budget justification is evident, for if there are to be budgets justified to Congress on the basis of a national ability to produce a certain ES product, then the direction of the creation of that product must come from Washington.

The UI service has an excellent budgeting tool in its Cost Model. The issue is in the establishment of a firm commitment to use it as constructed and to refrain from the making of arbitrary productivity assessments against staff requirements computed through it.

- III. Status of Work on the Issue: Formal work directed specifically at this issue is not presently underway. ES efforts to develop a model which will assist in predicting the ease or difficulty of operating in each State will be of particular importance in any effort to improve ES budget justification.
- IV. Critical Dates: Short term decisions will have to be made on the FY 1978 funding levels for ES and UI. Longer range examination of the methods employed by the Department to justify its Grants-to-States budget requests should also be initiated as soon as possible.

I. Statement of Issue: Continuation of the Employment Security Automation Plan (ESAP).

II. Background: The Employment and Training Administration has been developing a Job Service Matching System (JSMS) for several years. The system, along with a controlled vocabulary for describing jobs and job applicants, has been developed and implemented in selected sites. The plan calls for implementing real time job service matching systems in the largest SMSAs, with Batch Systems or job banks implemented in the remaining SMSAs or Statewide. Unemployment Insurance benefit systems have been tested in four States and it has been projected that UI systems can be installed Statewide in most States on a cost effective basis. The project has been approved for implementation by the Secretary and is one of DOL's high priority management objectives for FY 1977. The project is a major revision in Employment Security operations and a major cost item.

Each SESA's plan must include a provision for the recovery of all UI one-time costs within three years of an agreed-upon system start date. Although initial evaluations of experimental and pilot project data have indicated favorable results, many States have expressed concern that the assumptions on which cost recovery is based are only weakly supported by the tests.

Additional study on cost recovery should be initiated in order to produce a definitive statement to both insure that State's will not be harmed and to support final justification for the Fiscal Year 1978 budget.

III. Status of Work on the Issue: Sixteen State proposals for implementing JSMS or UI systems were approved and funded in FY 1976. Additional funds have been appropriated in FY 1977. Plans call for funding 20 additional States in FY 1977.

IV. Critical Dates: FY 1978 budget.

I. Statement of Issue

The implications of the Brock Bill (annual reporting of wage data to SSA and IRS) on unemployment insurance program operations.

II. Background

The passage of Public Law 94-202 requires employers to report workers wages on an annual basis instead of quarterly to the IRS and SSA. Although this does not have a direct impact on the quarterly reporting of wage data to the State employment security agencies for UI purposes it will most likely result in State legislatures being pressured to change their laws covering reporting of wage data from quarterly to annually.

The enactment of such State legislation would:

- a. require a change in the base period from which earnings are used to determine claimant monetary eligibility. Many individuals who are eligible under the present base period requirements would become ineligible.
- b. require a change in the reporting of wage data to a request reporting basis. This would increase agency administrative costs as well as many large employers. In addition, the present benefit payment control cross-match system which is one of the most effective and efficient in all income maintenance programs would be eliminated.

III. Status of Work on the Issue

The Department of Labor, prior to the passage of P.L. 94-202, had discussed with OMB and Congressional representatives the need to specifically address the potential UI problems anticipated with the enactment of the proposed legislation.

Since the Department was unable to get these issues addressed before the law was passed, it is now necessary that the Department of Labor take a firm position on this issue.

State agencies will be looking to their Federal partner for direction and support with respect to either continuing with detailed quarterly reporting of wages

to assure proper and efficient administration of the program at the least cost or conversely changing from request reporting to detailed quarterly reporting.

IV. Critical Dates

This administration position must be developed and published early during Calendar Year 1977 due to the expected pressures on State legislatures during the Calendar Year 1977 sessions.

I. Statement of Issue

Pressure for deferral or forgiveness of State loans from the Federal Unemployment Account (Loan Fund).

II. Background

Fund solvency is a critical ingredient for maintaining the Federal/ State unemployment insurance program in its present form. To date, 21 States which have depleted these funds have borrowed more than \$3.2 billion from the Federal Unemployment Account (Loan Fund) in order to continue to pay unemployment insurance benefits. By the end of April 1977, additional States will seek advances. Federal law requires the borrowing States to repay their loans by increasing their FUTA taxes. Recognition has been given to the severity of the current situation and temporary legislation now provides for the deferment of the requirement to pay back the loans for 3 years (until 1979). However, there is persistent pressure by ICESA and some States for further deferment or to forgive the loans.

III. Status of Work on the Issue

Some States have taken necessary action to repay their loans as the law currently requires. The Administration's position is that no further deferments should be allowed and current law requirements for repayment must be followed. DOL has made this position clear to the States and is encouraging them to take appropriate action to increase their tax receipts by revising their tax structure.

IV. Critical Dates

Early in 1977, the Department of Labor and the Congress will be under increased pressure from some States to grant further deferments or forgiveness of the loans. Early in 1977, State legislatures will meet and increase the taxable wage base to \$6,000.00 to comply with the Federal law. At that time, DOL should encourage States with outstanding loans to provide additional measures at the State level to pay off their debts without seeking further deferments.

I. Statement of Purpose

The Comprehensive Employment and Training Act (CETA) expires at the end of FY 1977 and accordingly must be reauthorized and perhaps amended.

II. Background

CETA was enacted in December 1973. Since enactment there have been two pieces of legislation amending CETA (the Emergency Jobs and Unemployment Assistance Act of 1974 and the Emergency Jobs Programs Extension Act of 1976), but there has been no basic revision in the core CETA titles. ETA recommends a number of major revisions to be presented to Congress early in the first session of the 95th Congress. Enactment of CETA depended upon acceptance of its concepts and major provisions by the elected executives of State and local government and organized labor, as will its extension and any amendments.

III. Status of Work on the Issue

The House Subcommittee on Manpower, et. al. began oversight hearings on CETA on August 26, 1976, with hearings to continue through December 4. Departmental spokesmen have testified. While agreeing that CETA should be extended, witnesses have not reached consensus on substantive amendments.

ETA recommended changes include, but are not limited to:

- (1) clarification of the respective roles of the Employment Service and CETA prime sponsors to improve management efficiency and reduce the potential overlap in intergovernmental delivery systems of employment and training services;
- (2) sharply identify the target groups that Titles I and II of CETA are designed to serve as being the hard-core unemployed (with a provision allowing the Secretary to waive eligibility requirements);
- (3) a clear legislative statement of the objectives of CETA as being to enhance post enrollment earnings capacity of participants;
- (4) an overhaul of Job Corps (Title IV) to revise out of date restrictions and cost limitations and to link Job Corps with a new Comprehensive Services to Youth title with local/State participation in the Job Corps program;
- (5) a new comprehensive title to provide to economically disadvantaged unemployed youth services clearly of a developmental nature enhancing post-enrollment earnings capacity;
- (6) a strengthened role for States including coordination, planning, evaluation and review of local CETA sponsor's program plans;
- (7) a restructuring of the Title VI program as a standby countercyclical p.s.e. program, with

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national and area on and off triggers; and (7) ultimate subsuming of the Work Incentive Program (WIN)--Title IV C of the Social Security Act--under the CETA umbrella with adequately increased resources to serve the WIN clientele.

IV Critical Dates

Under the provisions of the Congressional Budget Act, legislation authorizing new funds for FY 1978 must be reported by committee by not later than May 15, 1977.

I. Statement of Issue

Future funding levels of title VI PSE programs under CETA.

II. Background

Title VI of CETA, passed in December 1974, has been funded as follows: \$2.5 billion - January 1975 to June 1976, \$1.2 billion - June 1976 to January 1977, and \$300 million - November 1976 to March 1977.

By and large, the program has continued approximately 260,000 jobs throughout this period. Participants have been employed in regular public service jobs and prior to entering the program were unemployed for 30 days (in special cases, 15 days). The original authorization for title VI expired in June 1976.

Recently the Congress extended title VI through FY 1977 and provided for a new targeted emphasis to be placed on long term unemployed persons and on special projects outside normal public service areas. However, the supplemental appropriation which provided funds for the continuation of title VI did not address the full funding issue. It merely provided funds to extend the current 260,000 jobs through March 30, 1977. ETA requested authority to utilize the formula provided in the law and continue the general 260,000 jobs funding level through September 30 of FY 1977. However, the decision was made to not use the formula but fund the sponsors on an as needed basis only through March 30.

As a result, the following decisions must be made: First, we must determine what level of funds to request for the period March through September 30, 1977: either funding which would have the effect of continuing 260,000 jobs through FY 1977 or funding which would in fact increase jobs above the 260,000 level for the balance of the fiscal year, and thus increase the number of longer term unemployed in the program as well as increase the number of participants in projects. Second, since the current extension of title VI goes through September 30, 1977, the Administration must prepare a position within the next 6 months on what type of PSE program to propose for FY 1978 and what levels of appropriations will be requested.

III. Status of Work on the Issue

No hearings are currently scheduled but undoubtedly will be in late January or early February. It should be noted that both the House and Senate Budget Committees have provided additional budget authority for approximately 190,000 additional jobs.

IV. Critical Dates

An Administration position would have to be provided in early February on funding from March 30 through FY 1977, with final decisions on such funding to be made no later than March 30 and with pressure on the Administration and Congress to act sooner. Legislative positions on the extension for title VI in FY 1978 should be made by May 15 at the latest.

Legislative Issue

I. Statement of Issue

High unemployment persists among youth, particularly minority groups and high school dropouts.

II. Background

Much concern has been focused recently on the extremely high youth unemployment rates; teenage rates in general have been about twice total unemployment rates; rates for black teenagers, particularly in the central cities, have been at least twice again as high. This problem has worsened over the past twenty years for most subgroups. Although high unemployment rates for most youths are a transitory phenomenon, for some out-of school youths, particularly nonwhite high school dropouts, they indicate persistent labor market difficulties.

While dropouts are estimated to comprise about one-third of all youths with structural employment problems, and have the highest incidence of such problems, they are relatively underrepresented in DOL programs other than Job Corps, particularly CETA Titles I and II. In these programs, heavy emphasis is put on programs directed at in-school youths. In addition, the favored strategy has been work experience which, according to previous evaluation studies, has produced little if any long-term improvement in employability.

III. Status of Work

The needs of youth are being assessed in some depth in policy papers currently in preparation. The appropriate programmatic responses are also being evaluated for possible new legislative proposals and/or programmatic redirection. In the near term, special program initiatives have been developed to mount a youth hiring program with the National Alliance of Businessmen (NAB) and to reorganize ETA's youth activity.

IV. Critical Dates

New legislation is proposed to take the form of a new CETA title to be forwarded early in calendar 1977.

I. Statement of Issue

Several key experimental, pilot, and demonstration projects related to basic employment and training strategies (e.g.; work equity, value of services rendered by the Employment Service, etc.) are currently held in abeyance due to a lack of authority for the Secretary to waive compliance with certain prescriptive legislative mandates.

II. Background

A number of key demonstration and experimental projects which ETA wishes to implement require permissive legislative action to provide discretionary authority to the Secretary to waive existing legislative provisions. For example, an experimental program to test the efficiency of services rendered by the Employment Service would require establishing a control group of applicants which, in accordance with the experimental design, would by intent receive no "services" from the ES. Sections 3 and 8 of the Wagner-Peyser Act (and recent Court decisions) mandate equal access to services for all applicants, effectively precluding the control group experimental design. Similarly, provisions of the Federal Unemployment Tax Act (Chapter 23 of the Internal Revenue Code) and of titles III and IX of the Social Security Act limit the use of funds collected under the FUTA to the payment of benefits to claimants. These provisions preclude the use of FUTA for support payments to individuals in training programs, special supported work activities, and similar substitutes for unemployment compensation payments (simple income support) which have been proposed for experimental or pilot projects.

III. Status of Work on the Issues

The Interim Strategic Plan of ETA will include recommendations for experimental, pilot, and demonstration efforts of this nature. Project proposals for the evaluation of the effectiveness of services rendered by the Employment Service are under review and research designs for a number of efforts keyed to the use of FUTA funds are being developed.

No specific congressional hearings on this subject have been undertaken.

Legislative proposals are being developed to (1) amend the Wagner-Peyser Act to give the Secretary authority to waive compliance with sections 3 and 8 of the Act to allow experimental, pilot, and demonstration projects which would assist in promoting the objectives of the Act, and (2) to amend the Social Security Act to give waiver of compliance authority for sections 303(a)(5), 903(c)(1), and 1201 of the Social Security Act and section 3304(a)(4) of The Internal Revenue Code (Federal Unemployment Tax Act) to allow similar

projects that would further the purposes of titles III, IX, and XII of the Social Security Act. These provisions would be structured along the design of section 1115 of the Social Security Act (attached).

IV. Critical Dates

Because of the urgent need to implement specific experimental projects, in a timely manner, action on this issue should be sought within the first 6 months of CY 1977.

Demonstration Projects

Sec. 1115. In the case of any experimental, pilot, or demonstration project which, in the judgment of the Secretary, is likely to assist in promoting the objectives of title I, VI, X, XIV, XVI, XIX, or XX, or part A of title IV, in a State or States—

(a) the Secretary may waive compliance with any of the requirements of section 2, 402, 602, 1002, 1402, 1602, 1902, 2002, 2003, or 2004, as the case may be, to the extent and for the period he finds necessary to enable such State or States to carry out such project, and

(b) costs of such project which would not otherwise be included as expenditures under section 3, 403, 603, 1003, 1403, 1603, 1903, or 2002, as the case may be, and which are not included as part of the costs of projects under section 1110, shall, to the extent and for the period prescribed by the Secretary, be regarded as expenditures under the State plan or plans approved under such title, or for administration of such State plan or plans, or expenditures with respect to which payment shall be made under section 2002, as may be appropriate.

In addition, not to exceed \$4,000,000 of the aggregate amount appropriated for payments to States under such titles for any fiscal year beginning after June 30, 1967, shall be available, under such terms and conditions as the Secretary may establish, for payments to States to cover so much of the cost of such project as is not covered by payments under such titles and is not included as part of the cost of projects for purposes of section 1110.

Proposed WIN Legislation

I. Issue

The request for legislative authority to require WIN registrants to seek employment as a condition of continuing eligibility for AFDC was submitted to Congress in March 1976 but did not pass and should be resubmitted jointly by DOL and HEW.

II. Background

The Department of Labor and Health, Education and Welfare, which jointly administer the WIN program, have developed a number of proposed changes to the WIN legislation in the Social Security Act. The most significant change is a provision that mandatory WIN registrants may be required to actively seek work as well as accept employment offered to them. Other changes are intended to improve program operations and clarify the two Department's legal authority. They include identical work registration requirements for all mandatory AFDC recipients; elimination of the 60 day counseling provision for persons determined to have refused to participate in the program; elimination of the certification procedure, legislative priorities for participation and Labor Market Advisory Councils; and the exempting AFDC recipients working full-time from work registration requirements.

A WIN legislative package which included elimination of WIN work and training components as well as the job search provision, was submitted to Congress in March, 1976 but never introduced. This proposal, which has been generally approved by HEW should stand a better chance of passage, since training would continue to be provided through WIN where appropriate.

III. Status of Work

Proposed legislative amendments have been submitted for approval to the Secretary of HEW by the Administrator of Social and Rehabilitation Services. If agreed to by both Departments, they would be sent to OMB for approval before submission to the upcoming Congress.

IV. Critical Dates

A decision on this issue must be made within the next 6 months to determine whether it will be included in the Department's 1977 legislative program.

THE STATUS OF WORK REQUIREMENT REFORM IN FOOD STAMP LEGISLATION

I. Issue

In view of the fact that Food Stamp Program legislation failed to pass during Fiscal Year 1976, we anticipate a renewed effort towards such legislation during the next session of Congress.

II. Background

On April 8, 1976 the Senate passed Food Stamp Reform Bill (S.3136). It provided that the Secretary of Labor would be responsible for the overall implementation of the work test and job search requirement and would be authorized to present and defend the jointly developed USDA/DOL food stamp budget before OMB and the Congress. The overall thrust of the bill was to bring the food stamp work requirement into closer conformance with that of the AFDC program.

The House Agriculture Committee voted on August 10, 1976 to report out the Food Stamp Reform Bill which included the work requirement language of the present Food Stamp Act. Unlike the Senate version, the bill did not contain the job search requirement or the provision for making the work requirement more analogous with that of the AFDC program. The Committee also voted to include an amendment which would make strikers and some students ineligible for food stamps. The bill was referred to the House Rules Committee on September 10, 1976 but was never brought to the floor of the House. Both the House and Senate Agriculture Committees have indicated, however, that they will re-introduce legislation after Congress re-convenes.

III. Status of Work

As lengthy and exhaustive hearings were held by the Agriculture Committees of both Houses during the previous session, it is anticipated that only perfunctory hearings, if at all, will be scheduled for the next Congressional session.

IV. Critical Dates

As the Food Stamp Program is included under Farm Program appropriations, May 15 is the deadline for food stamp legislation to be reported out of committee for inclusion in appropriations for the upcoming fiscal year.

I. Statement of Issue

Should the Department again sponsor legislation to modify the responsibilities of the DOL with respect to immigration?

II. Background

Under the Immigration and Nationality Act, the DOL has a limited responsibility for protecting the American work force against certain adverse effects of immigrants entering this country for employment. However, the law and implementing labor certification procedures require DOL certifications for only a very small percentage of all immigrants admitted each year. Most such immigrants are admitted on the basis of family relationships.

During FY 1975, there were 386,194 immigrant aliens legally admitted into the United States. In that year, DOL issued 22,157 labor certifications approving immigrants for permanent jobs. Normally, about 10 percent of all the immigrants who enter are subject to labor certification. The other 90 percent are relatives of U.S. citizens or residents, and refugees, all of whom are free to work. It is estimated that most immigrants enter the labor market shortly after arrival.

DOL submitted legislative recommendations in 1975 to revise Section 212(a)(14) of the immigration law. These recommendations would in effect permit workers to enter the U.S. for permanent jobs essentially on a first-come, first-served basis, without a labor certification, unless the Secretary of Labor acted to stop such immigration on the basis of a probable adverse effect. This provision would be applicable only to that part of the total immigration quota (about 10 percent of the 380,000 total) authorized to enter the U.S. for employment. This bill was never reported out for action by the appropriate House or Senate committees. (Currently, workers must be individually certified, at heavy workload).

III. Status of Work on Issue

At present, the 1977 DOL legislative program includes similar legislative recommendations. This proposed legislation reflects over 10 years of experience in implementing the present law and various research studies on the effects of immigrants on the U.S. labor force. An option paper, prior to a secretarial decision to proceed with this legislation, was prepared in 1975. House and Senate testimony on the legislation was also prepared.

IV. Critical Dates

A decision on this issue must be made within the next 6 months to determine whether it will be included in the Department's 1977 legislative program.

I. Statement of Issue

Termination of Federal Supplemental Benefit Payments during high levels of unemployment.

II. Background

Public Law 93-572 (The Emergency Unemployment Compensation Act of 1974) created a program to extend unemployment compensation from 39 to either 52 or 65 weeks during periods of high unemployment. At the present time the program is scheduled to end March 31, 1977.

The triggering mechanism provided for in the present law is a two-tiered trigger which determines whether a State may pay an additional 13 or 26 weeks. Twenty-four States are currently paying some type of FSB benefits (i.e., 13 or 26 additional weeks). Normal seasonal patterns could cause this number to significantly increase during the next 6 months. In addition, any increase in the level of unemployment through cyclical factors would cause a further increase in the number of States and the number of claimants in each State.

Termination of the program on the designated date (March 31, 1977) may be an increasingly important issue if the current trend in unemployment continues. Congress did address itself to the problem while considering P.L. 94-566 (H.R. 10210) but any further extension of FSB was voted down.

III. Status of Work on the Issue

Not applicable.

IV. Critical Dates

Any action to avoid a break in supplemental benefits would have to take place prior to March 31, 1977 for all claimants.

NATIONAL AND STATE EXTENDED BENEFIT INDICATORS UNDER P.L. 91-373 a/
 AMENDED BY P.L. 93-303 AND 93-572
 as of October 30, 1976

National Indicator Insured Unemployment Rate for Most Recent Available 3 Months:
 (Seasonally Adjusted)

August 5.60%	September 5.90%	October 5.67%
P.L. 91-373 Extended Benefit Indicators b/		
	13-Week IUR	Percent of Prior 2 Years
Alabama	4.76	108
Alaska	6.59	127
Arizona	4.57	89
Arkansas	4.67	102
California c/	(5.80)	(105)
Colorado	2.61	114
Connecticut	6.65	112
Delaware	4.76	132
Dist. of Columbia	3.40	101
Florida	4.57	102
Georgia	3.75	96
Hawaii	5.91	127
Idaho	3.71	109
Illinois c/	(5.96)	(143)
Indiana	2.28	76
Iowa	2.56	115
Kansas	2.78	118
Kentucky	4.08	97
Louisiana c/	(3.26)	(100)
Maine	5.77	107
Maryland	3.78	95
Massachusetts	5.39	77
Michigan d/	(6.22)	(83)
Minnesota	3.10	107
Mississippi	3.35	103
Missouri	4.06	99
Montana	4.19	109
Nebraska	2.00	77
Nevada	5.67	102
New Hampshire	2.72	70
New Jersey	7.18	98
New Mexico	4.35	97
New York	6.24	104
North Carolina	3.81	112
North Dakota	1.75	127
Ohio	2.87	90
Oklahoma	3.53	106
Oregon	5.00	93
Pennsylvania	6.00	113
Puerto Rico	19.97	116
Rhode Island	6.68	89
South Carolina	3.99	91
South Dakota	1.79	131
Tennessee	4.26	102
Texas	1.84	103
Utah	3.19	100
Vermont	5.36	90
Virginia	2.04	103
Washington	7.32	98
West Virginia	3.91	103
Wisconsin	2.94	93
Wyoming	1.34	130

a/ Refer to UIPL Nos. 1103 and 1156.

b/ All States currently paying extended benefits under P.L. 91-373. National 4.5% trigger began for unemployment for week beginning February 23, 1975.

c/ Trigger indicator as of October 23, 1976.

d/ Trigger indicator as of October 16, 1976.

STATES BY EB-FSB TRIGGER RATES AND FSB STATUS--WEEK ENDING OCTOBER 30, 1976

Below 5.0%	5.0% to 5.99%	6.0% and Over
<u>No FSB Being Paid</u>		
Colorado	2.61	California <u>1/</u>
District of Columbia	3.40	Hawaii
Florida	4.57	Illinois <u>1/</u> <u>2/</u>
Georgia	3.75	Maine
Idaho	3.71	Massachusetts
Indiana	2.28	Nevada
Kansas	2.78	Oregon
Kentucky	4.08	Vermont
Louisiana <u>1/</u>	3.26	Alaska
Maryland	3.78	Connecticut
Minnesota	3.10	Michigan <u>3/</u>
Mississippi	3.35	New Jersey
Missouri	4.06	New York
Nebraska	2.00	Pennsylvania
New Hampshire	2.72	Puerto Rico
New Mexico	4.35	Rhode Island
North Carolina	3.81	Washington
Ohio	2.87	
Oklahoma	3.53	
South Carolina	3.99	
South Dakota	1.79	
Tennessee	4.26	
Texas	1.84	
Utah	3.19	
Virginia	2.04	
West Virginia	3.91	
Wisconsin	2.94	
Wyoming	1.34	
<u>In Additional Eligibility</u>		
<u>Period Starting:</u>		
Alabama (10/31/76)	4.76	
Arizona (10/17/76)	4.57	
Arkansas (10/10/76)	4.67	
Delaware (8/22/76)	4.76	
Iowa (9/5/76)	2.56	
North Dakota (10/3/76)	1.76	
<u>In 5.0% Period Until:</u>		

-
- 1/ Trigger indicator as of October 23, 1976.
2/ Illinois Rate Changed From 6.01% October 16, 1976 to 5.96% October 23, 1976.
3/ Trigger Indicator as of October 16, 1976.

U.S. DEPARTMENT OF LABOR, ETA, UIS
Office of Research, Legislation and
Program Policies
November 15, 1976

REGULATORY ISSUES

I. Statement of Issue

Title 29 CFR 28 and Title 29 CFR 29 require final publication.

II. Background

Title 29 CFR 28 is a proposed regulation that establishes labor standards for trainee programs on Federal and federally assisted construction. The use of these trainees is permitted on construction work under Davis-Bacon regulations if trainee programs are approved by the Department's Bureau of Apprenticeship and Training. The Federal Committee on Apprenticeship has endorsed the regulation with some amendments.

Title 29 CFR 29 is a proposed regulation that establishes procedures and criteria for the registration of apprenticeship programs. Apprenticeship, as defined in the National Apprenticeship Act, has been in existence for forty (40) years, but there have been no published regulations with the exception of Title 29 CFR Part 30 which relates to equal opportunity in apprenticeship. The proposed regulation is a codification of procedures and criteria which have been practiced over the past 40 years. It has been published twice in the Federal Register, and there have been no significant comments or objections to the proposed regulation since the last publication.

III. Status of Work on the Issue

All work performed and decision on final publication rests with the Secretary and the Solicitor.

IV. Critical Dates.

Title 29 CFR 29 should be published prior to December 1976.

Title 29 CFR 28 is somewhat controversial and may require further consideration before action is taken.

LEGAL ISSUE

I. Statement of Issue

The legality of establishing unilateral programs in the same area where jointly sponsored programs exist.

II. Background

Some states do not permit unilateral programs where joint programs in the same trade and area exist. This is being challenged by unilateral programs in the courts.

A unilateral program is one established by an employer or group of employers where there is no collective bargaining agreement. Jointly sponsored programs are established under a collective bargaining agreement and both the employer, or employers, and the employees have an equal voice in the operation of the program.

BAT has approved unilateral programs, and they are being challenged by jointly sponsored programs and are facing an injunction which would prevent the establishment of unilateral programs.

III. Status of Work on the Issue

Discussions have been held with both types of sponsors, but no real resolution of the problem has been forthcoming.

IV. Critical Dates

This issue should be resolved early in 1977.

INTERNATIONAL

INTERNATIONAL ISSUES

FIRST SIX MONTHS

International Labour Organisation*	Program Issue
Trade Adjustment Assistance	Program Issue
East-West Trade	Policy Issue
Trade Negotiations and Organized Labor	Policy Issue

*Submitted by the Special Assistant to the Secretary
for ILO Affairs

(Issues are listed in approximate order of importance and
urgency.)

ILO ISSUE

I. Statement of the Issue:

What must the Secretary do in connection with the U.S. declaration of intent to withdraw from the International Labor Organization (ILO)?

II. Background:

On November 5, 1975 the United States sent the ILO a letter of intent to withdraw after the constitutionally required two-year waiting period. The letter said that the ILO was being misused for irrelevant political purposes that interfere with its real purpose of promoting the welfare of the world's workers. It cited the following specific longstanding adverse trends: (1) the erosion of tripartite, autonomous, representation of workers, employers and governments, (2) a concern for human rights in some countries but not in others, (3) disregard of established ILO machinery for due process, and (4) increasing politicization. The United States promised to work with the Secretariat and like-minded member states to try to correct these trends but that, failing this, it would be forced to withdraw. The letter promised the closest consultation with the Congress.

This action had the full concurrence of the AFL-CIO and the Chamber of Commerce, which represent workers and employers in the ILO.

This would be the first time the United States has withdrawn from an agency of the United Nations: the United States has somewhat similar troubles with UNESCO. The United States has been a member of the ILO since 1934.

III. Status of Work on the Issue:

Concurrently with the letter, the President established a Cabinet-Level Committee to consider whether conditions could be corrected so that we can remain in the organization. The Committee is chaired by the Secretary of Labor with members from the Departments of State and Commerce, and the National Security Council. Collaborating at each meeting are George Meany and Lane Kirkland of the AFL-CIO and Charles Smith, the U.S. Employer representative. The Committee has met four times.

The Secretary's Special Assistant for ILO Affairs (Daniel Horowitz) serves as Counselor to the Cabinet-Level Committee and as the U.S. Representative to the Governing Body of the ILO. The Department has been consulting closely with the selected members of Congress and Congressional staff.

The ILO staff in ILAB has been increased from five to eleven to provide more effective U.S. participation in the ILO.

In 1976 Ambassador to Yugoslavia Laurence Silberman, former Under Secretary of Labor, visited selected industrialized countries to explain the U.S. position and seek support. Horowitz made a similar swing through Asia in October, 1976, and has regularly consulted further with European states. Horowitz is scheduled to make a swing through Africa during January and, subject to reconfirmation of plans by the new Cabinet-Level Committee, will visit Latin America in the Spring of 1977.

IV. Critical Dates:

In the sixty days after January 20, 1977 the Secretary should:

1. Hold initial discussions of the ILO issue with Mr. Meany and Mr. Kirkland.
2. Decide how he wishes to organize and carry on Congressional consultations on this matter.
3. Convene his first Cabinet-Level Committee meeting immediately before or after the February-March meeting of the ILO Governing Body.

The Cabinet-Level Committee should begin framing its recommendations to the President after the annual Conference in June, 1977 for the ultimate decision on whether the United States withdraws, which must be made no later than November 5, 1977.

Implementation of Trade Adjustment Assistance Program

I. Statement of the Issue:

What should be done to achieve the Congressional intent to provide speedy and effective benefits to workers adversely affected by foreign trade?

II. Background:

The Trade Act of 1974 provides for an expanded and streamlined program of adjustment assistance in order to provide better benefits more quickly to workers who lose their jobs because of increased imports. Presently, the administration of this program is divided between ILAB, which certifies petitions, and ETA, which administers the benefits delivery system.

There is an increasing number of cases not being certified within the 60-day statutory time limit because of rising workloads and inadequate staffing in ILAB. The elapsed time between certification and first payment of cash benefits is also increasing and now approaches 80 days. Not only is the delivery of benefits slow, but also certain benefits are not generally available to workers. For example, job relocation allowances have been extended to only 65 persons, and fewer than 1,200 persons have been referred to training.

III. Status of Work on Issue:

An ILAB request for additional staffing is pending before the Under Secretary.

ASPER is presently conducting an evaluation of the benefits delivery system.

IV. Critical Dates:

ILAB's staffing problems should be resolved as early as possible in order to avoid further backlogs in the program.

EAST-WEST TRADE

Issues

What should be the position of the Administration and the DOL on East-West trade issues and in particular on Title IV of the Trade Act (Jackson-Vanik Amendment) which links trade to Soviet emigration.

Background

Historically organized labor has opposed expansion of U.S. trade with non-market (Soviet bloc) economies. They fear not only increased imports but also transfer of technology to Communist countries.

They supported, and to some extent were responsible for passage of the Jackson-Vanik amendment to the Trade Act of 1974 which makes extension of both most-favored nation (MFN) tariff treatment and export credits to Communist countries conditional on changes in emigration policy. The AFL-CIO has testified against continuing the waiver extending MFN treatment to Romania.

The Ford Administration has pledged to seek legislation which would ease restrictions on East-West trade and export credits.

Examination of recent East-West trade issues indicate that there are significant economic as well as political implications to expanding East-West trade. DOL has criticized certain proposed loans to Communist countries by the Export-Import Bank in terms of the financial risk involved at the rates offered, and on grounds of possible injury to U.S. firms and workers.

Status of Issues

The Department of Labor continues to analyze specific East-West trade issues on a case-by-case basis (e.g., an Eximbank loan to Poland). We have not addressed the overall issue of what should be our policy regarding trade with Communist countries.

Critical Dates

Congress will hold public hearings on overall East-West relations in March 1977. East-West trade will undoubtedly also be reviewed and the issue of revised legislation may surface in the Spring of 1977.

November 18, 1976

TRADE NEGOTIATIONS AND ORGANIZED LABOR

Issue

How should the DOL participate in the MTN negotiations with particular reference to the views of organized labor?

Background

The Trade Act of 1974 set the stage for the Multilateral Trade Negotiations (MTN) now in progress in Geneva with a 1977 target date for completion. The objective of the MTN is to reduce tariff and non-tariff barriers to international trade. The Trade Act provides for advice to the negotiators and reports to Congress from the private sector, including organized labor, on all aspects of the negotiations. The DOL and the Special Trade Representative have established a Labor Policy Advisory Committee and six Labor Sector Advisory Committees on which some 60 unions are represented. In addition to similar industry and agriculture committees there is also a President's Advisory Committee on Trade Negotiations representing all sectors of the economy and including five senior union presidents.

The AFL-CIO opposed the Trade Act and generally opposes the thrust of the negotiations. In the main, they support increased U.S. import restrictions and restrictions on U.S. foreign investment. They contend that U.S. trade policies have caused the loss of jobs, their advice is not supported by top officials of the Labor Department and is not being considered seriously by the negotiators. If organized labor's opposition to the negotiations persists, it may undermine prospects for approval of those aspects of the results which must be submitted to the Congress.

Status

During 1977 the negotiations will cover issues such as the depth of tariff cuts, exceptions to tariff cuts, treatment of subsidies, international fair labor standards, special benefits to developing countries, international safeguard (escape clause) procedures, etc. The Advisory Committees will be meeting frequently during the year.

Critical Dates

The next meeting of the Labor Policy Advisory Committee is scheduled for February 2, 1977. On February 9, the Department will be host to the President's Advisory Committee for Trade Negotiations. The Secretary should be present. He may be asked how he proposes to reconcile the objectives of the MTN with the opposition by organized labor.

November 18, 1976