

**PRESIDENT'S FISCAL YEAR 2005 BUDGET FOR THE  
U.S. DEPARTMENT OF LABOR**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON WAYS AND MEANS**  
**U.S. HOUSE OF REPRESENTATIVES**  
ONE HUNDRED EIGHTH CONGRESS  
SECOND SESSION

—————  
MARCH 4, 2004  
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**Serial No. 108-41**

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Printed for the use of the Committee on Ways and Means



U.S. GOVERNMENT PRINTING OFFICE

99-663

WASHINGTON : 2005

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# CONTENTS

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Advisory of February 26, 2004, announcing the hearing .....	Page 2
WITNESS	
U.S. Department of Labor, Hon. Elaine L. Chao, Secretary .....	7
SUBMISSION FOR THE RECORD	
Economic Policy Institute, Ross Eisenbrey, statement .....	53



**PRESIDENT'S FISCAL YEAR 2005 BUDGET FOR  
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**THURSDAY, MARCH 4, 2004**

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 10:13 a.m., in room 1100, Longworth House Office Building, Hon. Bill Thomas (Chairman of the Committee) presiding.

[The advisory announcing the hearing follows:]

# ADVISORY

## FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE  
February 26, 2004  
FC-15

CONTACT: (202) 225-1721

### **Thomas Announces Hearing on President's Fiscal Year 2005 Budget for the U.S. Department of Labor**

Congressman Bill Thomas (R-CA), Chairman of the Committee on Ways and Means, today announced that the Committee will hold a hearing on the President's fiscal year 2005 budget for the U.S. Department of Labor. **The hearing will take place on Thursday, March 4, 2004, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from the Honorable Elaine Chao, Secretary, U.S. Department of Labor (DoL). However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

#### **BACKGROUND:**

On January 20, 2004, President George W. Bush delivered his State of the Union address, in which he discussed several legislative initiatives. The President provided further details of these proposals on February 2, 2004, in his fiscal year 2005 budget as submitted to the Congress. The budget for DoL included initiatives to improve the integrity of the Nation's unemployment compensation program, create personal reemployment accounts to help laid-off workers return to work, and improve opportunities for worker retraining.

In announcing the hearing, Chairman Thomas stated, "The President's budget included proposals to strengthen the economy and increase the number and quality of jobs for our workers. That includes several important proposals under the U.S. Department of Labor that fall within the jurisdiction of the Committee. I look forward to Secretary Chao's discussion of the President's proposals to strengthen the economy and help workers get new or better jobs."

#### **FOCUS OF THE HEARING:**

The focus of the hearing will be on DoL proposals in the President's fiscal year 2005 budget within the Committee's jurisdiction.

#### **DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:**

**Please Note:** Any person or organization wishing to submit written comments for the record must send it electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225-2610, by close of business Thursday, March 18, 2004. In the immediate future, the Committee website will allow for electronic submissions to be included in the printed record. Before submitting your comments, check to see if this function is available. **Finally**, due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-packaged deliveries to all House Office Buildings.

**FORMATTING REQUIREMENTS:**

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225-2610, in Word Perfect or MS Word format and MUST NOT exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All statements must include a list of all clients, persons, or organizations on whose behalf the witness appears. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

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Chairman THOMAS. Secretary Chao, welcome before the Committee again. I believe the last time you were with us was in March. Any written testimony you have will be made part of the record, and you can address us as you see fit in the time available. We have new microphones, so there is a little button you have to push. Thank goodness you do not have to speak directly into it. So, we have moved into the latter part of the 20th century.

[The opening statement of Chairman Thomas follows:]

**Opening Statement of The Honorable Bill Thomas, Chairman, and a Representative in Congress from the State of California**

Today we welcome Secretary Elaine Chao of the U.S. Department of Labor to discuss the Administration's fiscal year 2005 budget proposals to help more Americans find new and better jobs.

Since Secretary Chao appeared before us last March, our economy has turned a corner. Tax cuts allowed taxpayers to keep more of their own hard-earned money and resulted in impressive economic growth. Signs of our strengthened economy include: a surge in productivity; record-high levels of homeownership; increased manufacturing activity; low inflation and interest rates; reduced unemployment; and new job creation.

When workers lost their jobs as a result of recession and the terrorist attacks on September 11th, Congress responded with needed help. In addition to regular unemployment benefits, 8 million unemployed workers received \$24 billion in extended benefits and States were given \$8 billion to provide additional assistance. Congress also improved and expanded the Trade Adjustment Assistance program, which provides generous cash, retraining, and health care benefits to dislocated workers.

America has the best trained, most diverse, hardest-working, and most innovative workforce in the world. But despite recent economic gains, many workers remain uncertain about the future and their jobs. That uncertainty is not surprising in a time of war, ongoing terror alerts and increasing global competition. The challenge is to develop new ways to help workers emerge stronger than before. That means tax policy that promotes more innovation and investment here at home; trade policy

that continues our engagement with the world; and education and training that helps American workers stay ahead of the curve in a worldwide economy.

We also need to keep in perspective that reacting to rhetoric won't create jobs. Isolationism won't work. Putting bureaucrats in charge of whom American companies can hire is not the answer. Those policies would be a step backward.

Our objective is to produce more and better jobs right here in the U.S., and we look forward to learning more about the Administration's proposals to accomplish this goal. Before hearing from the Secretary, I would like to first recognize the gentleman from New York, Mr. Rangel, for any comments he would like to make.

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Mr. CARDIN. Mr. Chairman, would it be possible to make a quick observation. I think the opening statements that have been made so far were related to the views and estimates.

Chairman THOMAS. I would tell the gentleman that the Chairman's statement was a relatively general one, but if the gentleman wants to, the Chair is prepared to make additional statements as well if we want to do that. If you were to be the respondent for the minority, the Chair is more than willing to recognize the gentleman from Maryland for any remarks he may wish to make prior to the Secretary's presentation.

Mr. CARDIN. Thank you. At this point?

Chairman THOMAS. At this point.

Mr. CARDIN. Thank you. I didn't know whether Mr. Rangel wanted to let me speak first. Therefore I yield to Mr. Rangel for his comments.

Mr. RANGEL. Thank you. Madam Secretary, I am going to yield to the Ranking Member of the Committee of jurisdiction, but I do hope in your remarks that you will be able to clarify the positions that have been taken by the Economic Report of the President as related to the job projections, the intent of the Administration to change the descriptions of manufacturing jobs, for McDonald's workers, the offshore outsourcing incentives for jobs, which Greg Mankiw indicated that it was good for the economy, and your position on unemployment compensation (UC) for the roughly 100,000 people who become ineligible each week for assistance.

I yield at this time to Mr. Cardin.

Mr. CARDIN. Thank you, Mr. Rangel. Madam Secretary, Secretary Chao, it is a pleasure to have you before the Committee, and we certainly look forward to your testimony. There are certainly a number of questions that many of us have related to President Bush's policies on job creation and on helping the unemployed workers.

The first question I would like you to answer as you make your presentation is whether President Bush supports extending unemployment benefits for workers who have lost their jobs through no fault of their own. Last year, Congress allowed the extended benefit program to expire, and the President, quite frankly, said nothing in that regard. As a result, three-quarters of a million workers have been denied extended unemployment benefits in just the last 2 months.

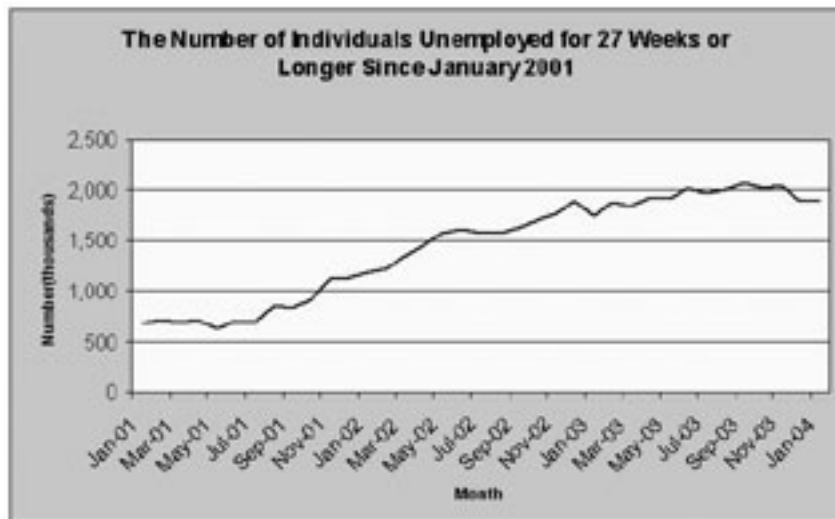
Some of my colleagues on the other side of the aisle have said that these workers do not deserve any additional assistance because unemployment has been higher in the past. That overlooks the fact that the extended benefits program has terminated in the



past only after the economy has recovered all the jobs lost in that recession. In fact, in early 1990, the program did not stop until nearly 3 million new jobs had been created. Today, we have 2.4 million fewer jobs than when the recession started in March 2001. This means, of course, that the unemployed have limited job prospects, a fact revealed by the data.

The number of long-term unemployed Americans, meaning those jobless for 6 months or longer, remains nearly three times higher than in prior recessions. As the chart shows, nearly 2 million now fall into this category.

[The chart follows:]



Furthermore, the exhaustion rates for regular UC which stops after 6 months have stayed at record levels. More than 4 out of every 10 unemployment recipients run out of benefits without finding work. These are the people who need extended benefits. Over the last month, a majority in both the House and the Senate have voted to extend unemployment benefits. Yet we have seen no action because of the silence in the White House.

We have not heard whether President Bush will support or not support the extension of unemployment benefits, and I hope during the course of this hearing you can clarify the Administration's position. Thank you very much, Mr. Chairman.

[The opening statement of Mr. Cardin follows:]

**Opening Statement of The Honorable Benjamin L. Cardin, a Representative in Congress from the State of Maryland**

I would like to thank Secretary Chao for joining us today. There are certainly a number of questions that many of us have related to President Bush's policies on job creation and on helping unemployed workers.

The first question I would like to hear answered is whether President Bush supports extending unemployment benefits for workers who have lost their jobs through no fault of their own. Last year, Congress allowed the extended benefits program to expire, and the President said nothing.

As a result, three-quarters of a million workers have been denied extended unemployment benefits in just the last two months.

Some of my colleagues on the other side of the aisle have said these workers do not deserve any additional assistance because unemployment has been higher in the past. But that overlooks the fact that extended benefit programs have been terminated in the past only after the economy had recovered all of the jobs lost in the recession. In fact, in the early 1990s, the program did not stop until nearly 3 million *new* jobs had been created. Today, we have 2.4 million *fewer* jobs than when the recession started in March of 2001.

This means, of course, that the unemployed have limited job prospects—a fact revealed by the data. The number of long-term unemployed Americans, meaning those jobless for six months or longer, remains nearly three times higher than prior to the recession (nearly two million now fall into this category).

Furthermore, exhaustion rates for regular unemployment compensation, which stops after six months, also have stayed at record levels. More than four out of every ten unemployment insurance recipients run out of benefits without finding work. These are the people who need extended benefits.

Over the last month, majorities in both the House and the Senate have voted to extend unemployment benefits (the Senate amendment did not pass because it required 60 votes).

And yet, we still have not heard whether President Bush supports extending unemployment benefits for jobless workers. I hope that silence will end today. Thank you.

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Chairman THOMAS. I thank the gentleman, and the Chair would recognize the Chairman of the Subcommittee on Human Resources, Mr. HERGER, for a brief statement as well.

Mr. HERGER. Thank you, Mr. Chairman. Today, we welcome Elaine Chao of the U.S. Department of Labor to discuss the Administration's fiscal year 2005 budget proposals to help more Americans find new and better jobs.

Tax cuts allowed taxpayers to keep more of their own hard-earned money and resulted in an impressive economic growth. Signs of our strengthened economy include a surge in productivity, record-high levels of homeownership, increased manufacturing activity, low inflation and interest rates, reduced unemployment, and new job creation.

When workers lost their jobs as a result of the recession and the terrorist attacks of September 11th, Congress responded with needed help. In addition to regular unemployment benefits, 8 million unemployed workers received \$24 billion in extended benefits, and States were given \$8 billion to provide additional assistance. Congress also improved and expanded the Trade Adjustment Assistance (TAA) program which provides generous cash, retraining, and health care benefits to dislocated workers.

Americans have the best trained, most diverse, hardest working, and most innovative workforce in the world, but despite recent economic gains, many workers remain uncertain about the future and their jobs. That uncertainty is not surprising in a time of war, ongoing terror alerts, and increasing global competition.

The challenge is to develop new ways to help workers emerge stronger than before. That means tax policy that promotes more innovation and investment here at home, trade policy that continues our engagement with the world, and education and training that helps American workers stay ahead of the curve in a worldwide economy.

We also need to keep in perspective that reacting to rhetoric won't create jobs. Isolationism won't work. Putting bureaucrats in charge of whom American companies can hire is not the answer.

Those policies would be a step backward. Our objective is to produce more and better jobs right here in the United States, and we look forward to learning more about the Administration's proposals to accomplish this goal.

I yield back the rest of my time, Mr. Chairman.

Chairman THOMAS. I thank the gentleman. Now, Madam Secretary, if you would provide us with your understanding.

**STATEMENT OF THE HONORABLE ELAINE L. CHAO,  
SECRETARY, U.S. DEPARTMENT OF LABOR**

Ms. CHAO. Good morning, Chairman Thomas and distinguished Members of the Committee. Thank you for this opportunity to testify before this esteemed Committee. I am pleased to have the opportunity to discuss the President's fiscal year 2005 budget proposal, which includes improvements to the Federal-State Unemployment Insurance (UI) program and the President's proposal for the Personal Reemployment Accounts. I am also looking forward to sharing with you the progress that we have made in implementing the Trade Act of 2002 (P.L. 107-210).

Recent indicators indicate that the economy is turning the corner and jobs are being created. The unemployment rate dropped to 5.6 percent in January, even as more people entered the job market. Approximately 112,000 new jobs, as noted by one survey, were created in January, the largest monthly increase since December 2000, and 366,000 jobs have been added over the past 5 months. There is another survey which indicates a tenfold difference between the surveys (at one point) in the amount of jobs being created, but, nevertheless, both surveys indicate an increased trend toward more job creation.

As the President has said many times before, we will not be satisfied until every American who wants a job can find one. We believe that job training is critical to help workers find new jobs and prepare themselves for the opportunities in the 21st century workforce.

There are growth opportunities in certain sectors, and there are also sectors that are desperately seeking workers, and there again, training and retraining is absolutely critical in facing that gap.

That is why the President has also added \$500 million in new moneys on top of the \$15 billion that American taxpayers already paid for a publicly funded workforce development system. This new initiative, Jobs for the 21st Century Growth Sectors, has about \$250 million going to community colleges, who have proven themselves so nimble and adroit in meeting the employment challenges of the 21st century.

The overall budget for training has, in fact, increased \$104 million over last year's enacted, and the Department will continue to play a critical role in accomplishing the President's agenda of ensuring that America's workers get the training that they need to succeed and build better futures for themselves and their families.

The UI reform is something that I want to talk about as well. As you know, the UI program is an important element of our Nation's social safety net. The UI is also the portal through which workers can access a wide array of training and employment services. The Department has examined ways to reform the UI pro-

gram so that it better serves workers. While the Administration remains committed to UI taxes and administrative reform, we have heard from the States that now is not the time for comprehensive reform, and, therefore, we will defer legislation on reforming the UI system until the States' budget outlook improves.

One of the key elements of our current proposal is closing a loophole in many State UI laws that permits some employers to pay less than their fair share of State UI taxes. I want to thank Chairman Herger and Ranking Member Cardin for introducing legislation to close this loophole. We estimate that enactment of this proposal would result in UI tax payments of over \$200 million annually from employers who are not now playing by the rules.

We have also requested \$50 million in discretionary funding for Personal Reemployment Accounts. This will provide up to \$3,000 to selected UI claimants who are having the most difficulty finding work, and this year we propose to launch the Personal Reemployment Accounts as a pilot to demonstrate the added value of these accounts before replicating them nationwide.

We also want to talk about the tax offsets against Federal income tax refunds for UI overpayment. When UI claimants receive benefits to which they are not entitled under State law, an overpayment is established after notice and opportunity for appeal. Although States utilize many methods to collect overpayments, many overpayments remain outstanding. For this reason, we want to give the States another tool to help them recover overpayments and strengthen their trust funds.

Let me say a few words also about the TAA program. Since passage of the Trade Act in 2002, the Department has actually made great strides in implementing this program. As of last month, the Department has reduced the average processing time for certifying trade petitions from 103 days to just 26 days. We have also eliminated the petition backlog, and this summer we will implement an improved TAA petition process that applies more rigorous and standardized procedures that ensure that the Department will continue to process petitions within the 40 days required by the law.

The Trade Act also authorized an alternative TAA program for older workers for whom the retraining benefits offered under the regular TAA program might not be appropriate. The Department implemented the program on August 6th of last year, and we have certified 349 worker groups.

In partnership with the U.S. Department of Health and Human Services and the U.S. Department of the Treasury, the Department of Labor has also successfully implemented the Health Coverage Tax Credit authorized by the Trade Act.

Finally, in order to encourage States to better align the resources available with the number of workers requiring training, we have adopted a new formula method for allocating funds to States for trade training. This important reform provides States with an advance estimate of the amount of moneys they are to receive in the next fiscal year. This is the first step in helping the States manage their training resources more effectively so that they can help as many workers as possible.

So, today I have shared with you a number of important initiatives that will help make programs operate more efficiently and ef-

fectively for the benefit of workers and employers. I look forward to working with this Committee as we move forward. Thank you.  
[The prepared statement of Ms. Chao follows:]

**Statement of The Honorable Elaine L. Chao, Secretary, U.S. Department of Labor**

Good morning. Chairman Thomas and distinguished Members of the Committee, I thank you for inviting me to testify. I am extremely pleased to have the opportunity to discuss the President's Fiscal Year (FY) 2005 budget proposal, which includes improvements to the Federal-State Unemployment Insurance (UI) program and the President's proposal for Personal Reemployment Accounts. Our proposed reforms would strengthen the financial integrity and fortify the solvency of the UI program. Personal Reemployment Accounts will give UI claimants unprecedented choice in accessing the services they need to get back to work as quickly as possible.

I also look forward to sharing with you the progress we have made to date on implementation of the Trade Adjustment Assistance Reform Act of 2002.

**The President's Economic Message**

Recently released job figures indicate that the economy has turned the corner and the nation's job market is getting stronger. The unemployment rate dropped to 5.6 percent in January, even as more people entered the job market, and is down from its recent peak of 6.3 percent in June 2003. Approximately 112,000 new jobs were created in January—the largest monthly increase since December 2000—and 366,000 jobs have been added over the last five months.

Despite the improvement we have seen, this Administration will not be satisfied until every American who wants a job can find one. To sustain and expand the economic recovery, the President has outlined a six-point plan for jobs and growth, which will create even more opportunities for America's workers by making health care costs more affordable and predictable, opening new markets for American products and streamlining program regulations and reporting requirements.

The 21st century workplace demands a competitive and responsive workforce, and in FY 2005, the Department of Labor stands ready to deliver. With ongoing employment and training programs and new initiatives, the Department will continue to play a critical role in accomplishing the President's domestic agenda.

**The President's FY 2005 Budget Request**

Before addressing Unemployment Insurance and Trade Adjustment Assistance programmatic issues, I would like to comment briefly on the President's FY 2005 budget request for these two programs. The total FY 2005 budget for the Department of Labor is \$57.3 billion. The budget reflects a \$2.9 billion, or 6 percent, projected decrease in mandatory spending due mostly to an improved economic forecast, and therefore, an anticipated reduction in unemployment-related benefits.

The budget request includes \$2.7 billion in discretionary funding for grants to States for UI administration, a \$24 million increase from the funding level enacted for FY 2004. These funds will finance the States' efforts in processing 22.3 million initial UI claims and collecting State payroll taxes from 7.2 million employers.

The FY 2005 budget request includes \$1.1 billion for the Trade Adjustment Assistance (TAA) and Alternative Trade Adjustment Assistance (ATAA) programs. This funding request will allow the Department of Labor to provide States funds for training, income support, and job search and relocation allowances to an estimated 60,000 dislocated workers impacted by international trade. In addition, we have implemented a number of key management reforms that will allow us to more effectively operate the program so workers can get the assistance they need.

**UI Reform Background**

As you know, the Unemployment Insurance program is an important element of our Nation's economic response during economic downturns by providing temporary, partial wage replacement for workers who have been laid off and are seeking reemployment. In addition, UI is the front door for these workers to a wide array of training and employment services available through the workforce investment system.

For several years we have been examining ways to reform the UI program so that it reflects the 21st century economy and workforce. In response to concerns of the system's major stakeholders—worker advocates, businesses, and State officials—we developed a comprehensive reform proposal that I discussed with you last year. While the Administration remains committed to UI tax and administrative reform, we have heard from the States that now is not the time for comprehensive reform.

For this reason, we will defer legislation on reforming the UI system until the States' budget outlook improves.

In the meantime, we propose several smaller, but critical UI reforms in the FY 2005 budget. The Administration's three-pronged proposal will strengthen the financial integrity of the UI program by curtailing unscrupulous employer tax avoidance; improving prevention and quick detection of benefit overpayments; and collecting past overpayments by offsets from Federal income tax returns. I will also discuss initiatives to help unemployed claimants get back to work faster.

### **SUTA Dumping**

One of the key elements of our current proposal is closing a loophole in many State UI laws that permits some employers to pay less than their fair share of State unemployment taxes.

Most unemployment benefits are financed by employer-paid State unemployment taxes. In order for employers to receive full credit against Federal unemployment taxes, Federal law requires that each employer's tax rate be related to its "experience with respect to unemployment." This is usually measured by the UI benefits paid to its former workers. In general, when a worker collects UI benefits, the former employer's account within the State's unemployment fund is charged. The more charges to the account, the higher the tax rate, up to a maximum set by State law. If the employer has a stable workforce with few layoffs, the charges and tax rate are low. Employers with higher turnover generally pay higher taxes. This tax determination system is known as "experience rating." A new employer who does not yet have sufficient experience to qualify for a rate based on experience is assigned a "new employer" tax rate.

Experience rating has been an important part of the Federal-State UI system since its enactment in 1935. It helps ensure an equitable distribution of costs among employers based on an employer's experience with UI. It also encourages employers to stabilize their workforce and provides an incentive for an employer to provide relevant information to State agencies when employees quit or are fired for cause.

However, over the past several years, some employers have found ways to manipulate their experience rating so that they pay lower State UI taxes than they should based on their UI benefit experience. For example, some employers create a new "shell" company that establishes a lower UI tax rate, and then transfer some or all of their payroll to the new company. This abusive practice is commonly called "SUTA dumping" ("SUTA" refers to State unemployment tax acts). It can deprive States of the revenues they need to provide workers the unemployment benefits to which they are entitled under State law and shifts some benefit costs to other employers. We believe that those most affected by cost shifting are smaller employers who have neither the expertise nor the resources to set up such schemes and employers with low UI costs who have no need to participate in these schemes.

As a result of these concerns, last September I transmitted the Administration's proposal to Congress that would close this loophole, and a bill including the proposal was introduced by Chairman Herger and Ranking Member Cardin in the House of Representatives as H.R. 3463. We estimate that enactment of this proposal would result in UI tax payments of over \$200 million per year from employers who would otherwise engage in SUTA dumping.

Because of the Administration's strong commitment to eliminating fraud and abuse, our proposal to curtail SUTA dumping is included in the FY 2005 budget. We will continue to work with Committee staff to refine the proposal.

### **National Directory of New Hires Database**

Detection and prevention of improper UI payments is a high priority for this Administration. In the UI program, we are working closely with States to measure the extent of improper benefit payments, and set ambitious goals to reduce them. To further assist States in their efforts to prevent and quickly detect UI benefit overpayments, we propose allowing States to match benefits with data in the National Directory of New Hires. This directory is a database, created for the Department of Health and Human Services, that is used in connection with child support enforcement. Employers are required to swiftly provide information on all new hires for inclusion in the database. Many States are already using their State Directories of New Hires for quick detection of individuals who have gone back to work. However, they do not have access to new hires reported to other States. Our UI reform proposal would remedy this problem by giving all States access to the National Directory of New Hires. This access would be an additional, important tool for helping States quickly detect fraud and would result in savings to State unemployment trust funds.

I transmitted this proposal with the proposal to curtail SUTA dumping last September. We appreciate the Committee's support for this provision, which is included in the House reauthorization bill for the Temporary Assistance for Needy Families (TANF) program, as well as in H.R. 3463. The estimated outlay savings resulting from enactment of this proposal is \$372 million over the next ten fiscal years.

#### **Tax Offset for UI Overpayments**

When UI claimants receive benefits to which they were not entitled under State law, an overpayment is established after notice and opportunity for appeal. States utilize many methods to collect overpayments including use of collection agencies and offsets of State tax refunds, State lottery winnings, and future UI benefits. However, many overpayments remain outstanding. This is a major concern because erroneous benefit payments drain States' unemployment trust funds of the resources needed to provide benefits to eligible workers. As a result, States may have to borrow from the Federal Government to pay benefits to eligible workers, or increase their unemployment taxes to make up the difference.

For this reason, we want to give the States another tool to help them recover overpayments and strengthen their trust funds. The Treasury currently operates an offset program that matches delinquent debts owed to various government agencies against Federal income tax refunds and deducts these debts from the refunds paid to these individuals. The Administration proposes allowing the States to use this offset program, called the Treasury Offset Program (TOP), to recover UI overpayments that they cannot collect using their normal procedures. If States are unable to collect overpayments, they can send a request to the Treasury to match them against any Federal income tax refunds due. Upon establishing a match, the Treasury would deduct the overpayment and any fees from the refund sent to the taxpayer and would transfer the overpayments collected to the States' accounts in the Unemployment Trust Fund. The Departments of Labor and Treasury would jointly oversee the effort. Additionally, the Labor Department would coordinate State offset requests and communication with the Treasury Department.

Enactment of this proposal is estimated to result in recovery of approximately \$3 billion in UI overpayments over the next ten fiscal years.

#### **Eligibility Reviews**

The Administration is taking concrete steps to fortify the UI system, recognizing that it is critical to workers' security as a safety net during economic downturns. The FY 2005 budget request includes \$20 million in discretionary funding for a new program to allow staff in One-Stop Career Centers to conduct 50 percent more face-to-face UI eligibility reviews. More UI eligibility reviews will reduce the number of erroneous payments and reduce the duration of unemployment, resulting in annual UI savings of up to \$400 million. More importantly, claimants will get connected to training and reemployment assistance through the public workforce investment system much more quickly.

#### **Personal Reemployment Accounts**

The Department's FY 2005 budget includes \$50 million in discretionary funding for Personal Reemployment Accounts, which would provide up to \$3,000 to selected unemployment insurance claimants who are most likely to exhaust their benefits. This incentive-based program would provide individuals more control over their return-to-work efforts. The resources provided to each individual could be used for the training and services that best benefit him/her. This year, we propose to launch the Personal Reemployment Accounts project as a pilot that would allow the workforce investment system to demonstrate the value of the accounts before replicating it nationwide. Our proposal also provides the flexibility to test varied designs and identify which models work best.

When I testified before you last year, I mentioned that although the Personal Reemployment Accounts are closely tied to the UI program, they do not supplant or replace UI benefits. They are an additional means of assisting with the reemployment of UI claimants. In that sense, they complement both the existing UI and One-Stop Career Center systems. Receipt of account funds would not adversely affect an individual's UI eligibility nor make a UI exhaustee ineligible for public assistance. The accounts also make use of UI "profiling," a Social Security Act requirement that this Committee originated in 1993. Under this requirement, States identify those workers who are at greatest risk of exhausting their UI benefits and most in need of reemployment assistance and connect them with reemployment services available through the workforce investment system. Personal Reemployment Accounts would ensure that a wide range of reemployment services is available to the UI beneficiaries who are identified through this system.

### **Implementation of the Trade Adjustment Assistance Reform Act of 2002**

Since passage of the Trade Adjustment Assistance (TAA) Reform Act of 2002, the Department has made great strides in implementing significant programmatic and management reforms and additions to the TAA program. As one example, as of last month, the Department is processing trade petitions within the required time limit, having reduced the average processing time from 103 days to just 26 days. Correspondingly, we have eliminated the petition backlog, which for years often numbered in the hundreds. This means that workers are being certified expeditiously, which allows them timely access to training and other reemployment services, ultimately returning them to the workforce more quickly. This summer we will implement a reengineered TAA petition process in order to apply more rigorous and standardized investigative procedures to the group eligibility process and to ensure we continue to process petitions within the 40 days required by law.

The TAA Reform Act also authorized an Alternative TAA program for older workers for whom the retraining benefits offered under the regular TAA program might not be appropriate. Enrolled workers who obtain new employment at annual wages of less than \$50,000 within 26 weeks of their layoff receive a wage supplement of 50% of the difference between their old and new wages, up to \$10,000, payable over the two-year eligibility period. The Department implemented the ATAA program on August 6, 2003, as authorized under the TAA Reform Act. By the end of 2003, we had certified 349 worker groups; by mid-January, 113 workers had applied for the program and 42 of them were employed and had received at least one payment.

In partnership with the Departments of Treasury and Health and Human Services, the Department of Labor has successfully implemented the Health Coverage Tax Credit (HCTC) authorized by the TAA Reform Act. All States have established a system to forward the names of HCTC-eligible TAA and ATAA recipients to the HCTC program office at the Internal Revenue Service, which has responsibility for administering the advance payment option. The HCTC allows eligible individuals to receive a refundable tax credit for 65% of their health coverage premium to help them continue their coverage while participating in the TAA or ATAA program.

Finally, in order to encourage States to balance the resources available with the number of workers requiring training, we have adopted a new formula method for allocating funds to States for trade training. This important reform provides States with an advance estimate of the amount of funds they are to receive in the next fiscal year. The new formula distributes only 75% of available funds, which is \$220 million annually, reserving \$55 million to provide funding to those States that experience large, unexpected layoffs. This year, a hold-harmless provision ensured that each State received at least 85% of the amount it would have received last fiscal year had the formula been in place at that time. The use of new planning estimates is the initial step in helping States better manage their training resources within the limits authorized by the TAA program. In addition, improved assessment practices will help ensure that workers who need training receive it and that workers who have immediate employment potential are provided reemployment services so they can quickly transition to a new job.

### **Evaluation Strategy**

An important component of President Bush's Management Agenda is budget and performance integration. As part of this effort, the Department is embarking on a series of rigorous evaluations designed to determine the effectiveness of our programs. This year we are beginning a long-term evaluation of the TAA program.

The overall objective of the TAA evaluation is to provide a quantitatively-based assessment of (1) whether the service intervention received by TAA participants had an impact on their reemployment outcomes as compared to individuals not receiving TAA services; and (2) explaining the findings using a qualitative analysis that also evaluates implementation of the reformed TAA program.

### **Restructuring of the Black Lung Disability Trust Fund**

Recently, the Department also has submitted to this Committee a legislative proposal to restructure and eventually retire the Black Lung Disability Trust Fund debt, to ensure the continued availability of funding to provide benefits to the victims of Black Lung disease. Absent legislative action, the Trust Fund's debt is estimated to exceed \$9 billion in FY 2005.

The current system for financing the Trust Fund is broken. Despite steadily declining benefit obligations and tax revenues that significantly exceed the cost of the benefit payments, the Trust Fund debt continues to increase in a vicious cycle that is out of control. Since FY 2000, interest on the debt has exceeded total tax revenue. Without this urgently needed legislation, the Trust Fund will never be solvent, the



debt will continue to grow, and the Trust Fund will have to continue borrowing in ever increasing amounts.

The restructuring plan will provide for the repayment of the debt of the Black Lung Disability Trust Fund and ensure the continued stability of the Trust Fund for future beneficiaries. Specifically, the plan will restructure the Trust Fund debt by replacing the traditional 30-year borrowings, with an average coupon of 8.0 percent, with zero-coupon Treasury bonds with an effective rate of 5.5 percent. This will enable the Trust Fund to take advantage of current lower interest rates; more closely match the program's operating surplus with debt payments; and remove the risk of higher interest rates in the future. The Plan also provides a one-time appropriation of \$3.3 billion to the Trust Fund to cover the loss to the Treasury as a result of converting the existing debt to lower interest rate zero-coupon bonds, and extends current coal excise tax rates, which are set to decrease in 2014, to insure that the Trust Fund revenues are sufficient to cover benefit payments and return the Trust Fund to solvency. Once the debt has been repaid, coal excise tax rates will be substantially reduced.

#### **Conclusion**

Today I have shared with you a number of bold and important ideas to make programs operate more efficiently and effectively for the benefit of workers and employers. I am proud of the efforts undertaken at the Department to implement new laws and improve the management of existing programs. I look forward to working with this Committee as we move forward. This concludes my remarks. I will be glad to respond to any questions you may have. Thank you.

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Mr. HERGER. [Presiding.] Thank you, Secretary Chao. With the rapid changes going on in the workforce in the global economy, job training is a key to making sure our workers stay ahead of the curve and can succeed in the world economy. Secretary Chao, could you discuss how the Department of Labor currently supports job training and ways you want to improve on them in this budget?

Ms. CHAO. We are a very compassionate people. The American taxpayer funds approximately \$15 billion in a public workforce development system, and this is a wonderful network of one-stop centers that are dispersed throughout the country. We have about 1,900 of them throughout the country. They are very welcoming places in which counselors are present, in which computers are available for those that may not have access to computers. Workers who have lost their jobs or people who may want to change their jobs have an opportunity to go to these One-Stop Career Centers and find assistance with finding new jobs, finding new training, accessing UI benefits, having one-on-one skills assessment and assistance if they so wish.

We also administer the TAA program, which offers up to 104 weeks of UI benefits, 104 weeks of training, with supportive services, including child care expenses and transportation and relocation expenses as permitted.

The Department also helps administer the 65 percent health care insurance subsidy for dislocated workers, and for workers who are over the age of 50, if they find a job that pays less, the Department will subsidize 50 percent of the wage differential between their old job and their new job.

We focus very much on helping people train for new job opportunities, and we also want to make sure that workers know about some of the opportunities in the high-growth sectors of the economy as well.

Mr. HERGER. Thank you, Secretary Chao. Now I recognize the Ranking Member, the gentleman from New York, Mr. Rangel, to inquire.

Mr. RANGEL. Thank you, Madam Secretary, for sharing your views with us. The Economic Report of the President was delivered to the Congress last month, and the Administration claimed 320,000 jobs will be created per month in 2004. The press reports that the President does not support this projection. Could you share with us what the Administration position is in terms of jobs to be created?

Ms. CHAO. Well, the report that you are referring to is done by the Council of Economic Advisers (CEA). There are many reports done by many agencies and departments.

Mr. RANGEL. I am only talking, Madam Secretary, about this report.

Ms. CHAO. Well, yes, I am pleased to answer that question for you as well.

Mr. RANGEL. What does the President think about this report?

Ms. CHAO. Well, may I answer, please? I am not finished yet. The CEA report is a report that is produced by the Council of Economic Advisers. As I mentioned, there are many other reports that have been issued in relation to the economy as well as to the job situation.

Mr. RANGEL. I am concerned about the President's thinking about this specific report, because I wasn't—

Ms. CHAO. I am not finished yet.

Mr. RANGEL. Talking about all those other reports. You see, I have a limited amount—

Ms. CHAO. Well, the President has—

Mr. RANGEL. Of time, Madam Secretary.

Ms. CHAO. The President has been asked about this, and the President has said that that is a CEA report. It is our hope, of course, that job creation will occur at a faster rate than what it has been.

Mr. RANGEL. What is the President's position on this specific report projection? Is he going to sign this report and send it to the Congress?

Ms. CHAO. He doesn't sign this report. The CEA signs that report, and—

Mr. RANGEL. What does he think about the projection of the Economic Report of the President of the United States, whose name is George Bush?

Ms. CHAO. As I mentioned, this is a report prepared by the CEA.

Mr. RANGEL. Thank you so much, Madam Secretary.

Ms. CHAO. You are welcome.

Mr. RANGEL. If you don't want to answer, it is all right.

Ms. CHAO. I wish I could have the opportunity to do so.

Mr. RANGEL. Okay. Thank you so much. The President's chief economist, George Mankiw, said that having American jobs go to countries with cheaper labor, which we call outsourcing or offshore, is a plus for the economy in the long run. Do you or the President agree with this chief economist, the President's chief economist?

Ms. CHAO. Outsourcing is an issue that we are all very concerned about.

Mr. RANGEL. Do you agree with this statement made by Mankiw? I am interested. You are interested. The President is interested. The corporations are interested. I have a limited amount of time. I just want to know do you agree with the statement that it is a plus for our economy in the long run.

Ms. CHAO. I think it is—when you talk about outsourcing, you have to also talk about insourcing.

Mr. RANGEL. Okay, thank you.

Ms. CHAO. You have to talk about—

Mr. RANGEL. No, no, no. Now, that is good. We can talk about sideways-sourcing, outsourcing, insourcing.

Ms. CHAO. No, I think it is very—

Mr. RANGEL. You don't want to answer this one. Okay.

Ms. CHAO. Misinforming just to talk about outsourcing.

Mr. RANGEL. Let me ask you this: this economic report suggests that maybe we can adjust the unemployment figures as it relates to manufacturing loss of jobs. It asks, "When a fast-food restaurant sells a hamburger, for example, is it providing a service or is it providing inputs to manufacture a product?" Have you given any thought to that observation that maybe McDonald's should be considered as a manufacturer rather than as a producer of service?

Ms. CHAO. It is not as if one person is making these decisions. Part of—

Mr. RANGEL. I see. Thank you.

Ms. CHAO. Part of what we are—

Mr. RANGEL. You are terrific this morning. I can see why it took so long for us to get you here.

Ms. CHAO. Mr. Rangel, I really would appreciate the opportunity to answer some of the questions you—

Mr. RANGEL. I wish you would answer some of our questions.

Ms. CHAO. I would be more than delighted to, if given the time.

Mr. RANGEL. Well—

Ms. CHAO. The issue about McDonald's and how it is classified points to a larger issue facing our 21st century workforce and, that is, the old classifications no longer apply.

Mr. RANGEL. I understand.

Ms. CHAO. So, all of us as a society must look at how—

Mr. RANGEL. I have got a yellow light now, and I just want one more question, and that is, we have lost a lot of jobs that are not considered manufacturing jobs but service jobs due to globalization and outsourcing. The TAA merely deals with manufacturing jobs. Do you think that people who have lost their employment that may have different types of service jobs should be covered by the TAA?

Ms. CHAO. Well, we administer the TAA as it passed by Congress.

Mr. RANGEL. You are terrific, Madam Secretary. I am telling you, if we ever get the majority and don't want to answer any questions, you have got a job.

Ms. CHAO. That is not—

Mr. RANGEL. You are fantastic. Honestly, you are good. You are very good. Thank you.

Ms. CHAO. I would—

Mr. RANGEL. Thank you very much.

Ms. CHAO. Again, given the courtesy of the time to reply, I would be more than glad to.

Mr. HERGER. I would like to remind the Members that our witnesses are here at our invitation. I think it would be helpful if we did allow the witness an opportunity to answer the questions that are being asked. On my time, Secretary Chao, would you care to answer some of the questions that were asked of you here by our Ranking Member?

Mr. RANGEL. I would like to join with the Chair in that request.

Mr. HERGER. Since you were not allowed the time to answer during the gentleman's time, I would like to allow you an opportunity to answer.

Ms. CHAO. We are all concerned about the economy, obviously.

Mr. HERGER. On the Chairman's time.

Ms. CHAO. We are also concerned about job creation. The President—you obviously disagree—has enacted a number of programs which have helped to ameliorate the adverse effects of the economy that we inherited when we took over.

Now, job creation is certainly not occurring as fast as we would like, but the issue is of training and retraining. On the issue of outsourcing, we are all concerned about that as well, but when we talk about outsourcing, we need to talk about the 6.5 million jobs that might be lost if we isolate ourselves, as others have mentioned, from the world. When we talk about aspects of our economy that are benefiting from cheaper, less expensive, specialization of services, we are very concerned about all of that.

Currently, we have about 2.7 million jobs that are unfilled, and there are high-growth opportunities. So, our challenge is to help workers get the training that they need to be able to transition from one area to another.

The workforce is changing dramatically, and the workplace is changing dramatically. So, the old paradigms about how jobs are classified and how they are to be, I guess, classified is something that we all have to take a look at.

Mr. HERGER. I thank the Secretary. Now we will move on. The gentlelady from Connecticut, Mrs. Johnson, to inquire.

Mrs. JOHNSON. Welcome, Secretary Chao. It is a pleasure to have you. You are doing some very important work in improving the quality of our job training programs so that people actually will be able to have resources available to learn the skills they need to move into the new areas. It is also true that there are a lot of jobs of insourcing jobs that are developing as well as outsourcing. As concerned as I am about the outsourcing now of administrative jobs, having been part of going through the agony of that process in manufacturing, and having been part of policies that help insource manufacturing jobs in America, policies like helping the machine tool industry make the transition so we maintain manufacturing jobs, part of forcing Toyota who in the early days only assembled cars here but didn't buy parts here, forcing them to buy parts here, I know that the Administration, more in another Department than your Department, over in the U.S. Department of Commerce, is really aggressively looking at a lot of policies, more aggressively than at any other time under any Administration

since the Reagan Administration under Secretary Baldrige, is really looking at how do we insource American manufacturing jobs and prevent the continued outsourcing.

In the area of administrative reform, what are you doing to enable companies to reduce the cost of their workforce here? I know that part of this reclassification issue you told me one time was because that is an area where there is the largest amount of litigation that imposes tremendous cost on companies. So, would you talk a little bit about how your Department is looking at reducing the regulatory burden and making our companies more competitive so that they can develop jobs in America as opposed to outsourcing?

Now, maybe that is too much off your central topic here, but you are doing a lot of very progressive things to help our companies be effective, efficient, and compete and create the jobs in America as opposed to outsourcing. While we can't pass a law—and, to my knowledge, no Democrat colleague of mine has introduced legislation to prohibit American companies from hiring people in other countries, just a blanket prohibition—well, maybe you have, Pete—certainly if we did that, that would cut off markets to us at a rate that would spin our heads. We are doing a lot of things to encourage our companies to insource jobs, and if you would like to comment on any of those things, I would be happy to have you do so.

Ms. CHAO. Thank you. As mentioned, the stock market peaked in March 2000, and manufacturing went into the doldrums in August 2000. At the beginning of 2001, the economy was already in a recession, although it was not reported at the time.

The President's first tax cut helped to put more money in the pockets of working Americans, and our economy was just coming out of that recession when the devastating attacks of September 11th occurred. The attacks of September 11th cost this economy approximately 1.5 million jobs. If it were not for the two subsequent tax reduction programs which the President put forward, our economy would be in worse shape than what it is now, and the recession would have lasted longer and been deeper.

The President has now a six-point economic program in which he wants to address job creation through regulatory reform, in which he wants to decrease the regulatory burdens on businesses, especially small businesses which create two out of every three new jobs. The President's six-point program also talks about energy independence and how the energy program passed over 388,000 new jobs in construction alone that the Teamsters would have gotten—this is their figure, would have been created. We are also talking about litigation reform and access to quality, affordable health care, and we are also talking about making permanent the tax reduction program so that more Americans would have more money in their pockets that they can use for more purchases for their households and for their families.

Mrs. JOHNSON. Thank you.

Mr. HERGER. I thank the gentlelady. The gentleman from Michigan, Mr. Levin, to inquire.

Mr. LEVIN. Welcome.

Ms. CHAO. Thank you.

Mr. LEVIN. First, let me talk to you about the matter raised by Mr. Cardin. Your testimony does not touch the extended benefit issue. What is the position of the Administration?

Ms. CHAO. In the past—

Mr. LEVIN. I mean now. Really, Mr. Rangel pressed you for a specific answer on some issues, and I do not mean to interrupt you, but, really, I do mean to interrupt you.

Ms. CHAO. That is okay.

Mr. LEVIN. In this sense: I asked you a question. The program has expired. We have tried to extend it. Are you, is the Administration in favor of it or not, in favor of extending it?

Ms. CHAO. Well, the President has worked with the Congress to extend UI three times already in the past 18 months.

Mr. LEVIN. I know, but now.

Ms. CHAO. Let me just give some background if I could—

Mr. LEVIN. Why do you need to give us background when I ask you the question whether you want to extend the program now or not?

Ms. CHAO. I think it is—if indeed we are going to—if indeed you called me before this Committee for a discussion, I think it is very important for us to discuss some of these issues—

Mr. LEVIN. Okay, but—

Ms. CHAO. Rather than—

Mr. LEVIN. Then say yes—

Ms. CHAO. Go ahead and ask for a one-sentence sound bite.

Mr. LEVIN. No, I am not asking you for one sentence.

Ms. CHAO. I am not good at the sound bites, by the way, and I apologize for that.

Mr. LEVIN. Say yes or no—

Ms. CHAO. That is the Administration's—

Mr. LEVIN. Then explain—

Ms. CHAO. Position.

Mr. LEVIN. Then explain your position. Are you in favor—

Ms. CHAO. Let me just say temporary extended benefits were available during January in 11 of the past 32 years from 1973 to 2004. The average total unemployment rate for these months was 7.1 percent, significantly higher than today. Today's unemployment rate of 5.6 percent is lower than the unemployment rate—

Mr. LEVIN. Okay, so—

Ms. CHAO. Of the 1970s, 1980s—

Mr. LEVIN. Okay, we know that.

Ms. CHAO. And the 1990s.

Mr. LEVIN. You are reading it—

Ms. CHAO. Again, the—

Mr. LEVIN. Are you in favor of—look, there is a vote in the Senate, 58, I think, Senators voted in favor of extending; here in the House we brought it up, and a majority voted—it wasn't a direct vote on that program, but it was clear what our message was. Can you say, are you, is the Administration in favor of renewing that program, yes or no?

Ms. CHAO. I think the Administration is willing to work with Congress.

Mr. LEVIN. No, no. That is what was said a few months ago when another representative was here. Do you favor it? Yes or no. Does the Administration—

Ms. CHAO. I am saying the Administration is willing to work with Congress—

Mr. LEVIN. No, no, no. Are you—

Ms. CHAO. Let me also say there is also \$4 billion in Reed Act (P.L. 107-147) distribution moneys in the States. If each State finds and States unemployment rates are different—

Mr. LEVIN. You know—

Ms. CHAO. The States want to increase UI benefits in their individual States, they have the resources to do so. There are \$4 billion—

Mr. LEVIN. Except the Reed Act money—

Ms. CHAO. Four billion dollars there.

Mr. LEVIN. You know the Reed Act money cannot be used—

Ms. CHAO. That is not true, sir.

Mr. LEVIN. But—

Ms. CHAO. With all due respect, it can be used.

Mr. LEVIN. Let me finish. Except for those who have exhausted their extended benefits. Now—

Ms. CHAO. Not true. It can be used for—

Mr. LEVIN. All right. So—

Ms. CHAO. Extending UI benefits.

Mr. LEVIN. So, your answer is you do not favor renewal of this program.

Ms. CHAO. I have said, number one, the Administration is willing to work with Congress—

Mr. LEVIN. Okay. Are you—

Ms. CHAO. Number two, the States have their own options as well.

Mr. LEVIN. Okay. Are you willing—

Ms. CHAO. They have \$4 billion in Reed Act fund distribution—

Mr. LEVIN. Madam Secretary, are you willing to advocate, the Administration, that this Congress renew this program? Are you willing to advocate it? Yes or no.

Ms. CHAO. What I provide in terms of advice to my fellow colleagues is something that remains with them.

Mr. LEVIN. All right. I just want you to know how I think inexcusable, when we have had the largest number of people in history exhausting their benefits, that you duck this issue and essentially say you will work with us. I thought the President said he was a leader. If he is a leader, he should lead on this issue. Now, let me—

Ms. CHAO. As I mentioned—

Mr. LEVIN. Okay. Enough said. When you are ready to answer this—

Ms. CHAO. I am more than willing to answer.

Mr. LEVIN. Yes or no, come back here.

Ms. CHAO. Sir, with all due respect, I think it is important to talk about these issues.

Mr. LEVIN. I am all in favor of talking about them, but we need more than talk. We need walk. We need an answer from the Administration—

Ms. CHAO. The President has worked with this Congress to extend UI three times.

Mr. LEVIN. You are—

Ms. CHAO. Extension of UI has occurred in the past when the average unemployment rate is 7.1 percent—

Mr. LEVIN. I know, but we have had a higher—

Ms. CHAO. The unemployment rate now is—

Mr. LEVIN. Percentage—Madam Secretary, let me finish.

Ms. CHAO. It is 5.6 percent.

Mr. LEVIN. We have had a higher number of exhaustees than in the history of the program, and you sit here and will not—

Mr. HERGER. The gentleman's time has expired.

Mr. LEVIN. Say yes or no.

Ms. CHAO. I beg to—that is not the right number, but, nevertheless, we are all concerned about them.

Mr. HERGER. The gentleman's time has expired. The gentleman from Illinois, Mr. Crane, to inquire.

Mr. CRANE. Madam Secretary, we are honored to have the privilege of your presence here today and know that you hold a unique spot in history as being the first Asian American woman who has ever held a Cabinet position in any President's Administration in this Nation's history. We pay tribute to you, and I also want you to know that most of us agree with the President's assessment that you are an individual with strong executive talent, compassion, and commitment to helping people build better lives, and we look forward to working with you in that effort.

Ms. CHAO. Thank you.

Mr. CRANE. Something that I would like to raise with you today is we are all encouraged that payroll survey data indicate about 300,000 new jobs were created since last summer. However, the household survey has shown stronger growth in the number of workers over a longer period of time. According to that survey, nearly 3 million more Americans report they are working today compared to January 2002. The current number of people who say they are working under this household survey is a record high of almost 139 million.

Can you discuss some of the differences between these two surveys and what types of new jobs, such as self-employment, contract work, even the thousands of people who trade goods by eBay full-time, might not be captured, at least not right away, in the payroll survey data?

Ms. CHAO. Well, first of all, thank you for asking that question. Let me also say that the Bureau of Labor Statistics is independent within the Department of Labor. They are fine professionals, but you do note a difference between two employment surveys. One is larger than the other, and so that could—we note that difference. It is interesting to note last November, for example, the payroll survey showed an increase of 50,000 new jobs, yet the household survey showed a difference of a magnitude of 10. The household survey showed a job creation rate of about 500,000 new jobs.



The payroll employment is business based, and if you are a small business person, you are a single proprietor, you have your own business, that is not captured in the payroll employment survey. If you call up, as we do, the household, these individuals will answer the phone and will say that they have a job.

Regardless of the difference in magnitude between these two surveys, it is very clear that both are trending in the right direction, meaning that more job creation is occurring.

Another interesting phenomenon is that our economy is so big—it is \$11 trillion; we have a workforce of 146 million people—that these two surveys may lag in recording what is truly happening in a dynamic and vibrant workforce and economy. So, what we are finding is that we have to revise these numbers every month, and what happens is that most of the time these numbers get revised upward in terms of employment. Of course, revisions do not receive as much news as the initial release of the numbers.

So, we are finding that the revisions have had to occur, and the revisions are actually of great magnitude. They are not 3 or 4 percent difference, but they are quite a lot of differences. So, the two surveys, again, I think bode well for our economy. They are both trending upward, even though they may differ by a magnitude of about 10.

Mr. CRANE. Thank you, Madam Secretary, and you are doing a great job. I yield back the balance of my time.

Mr. HERGER. Thank you. The gentleman from Maryland, Mr. Cardin, to inquire.

Mr. CARDIN. Thank you, Mr. Chairman. Madam Secretary, I find your justifications difficult to accept here, and let me, if I might—it was Chairman Greenspan of the Federal Reserve System that said that the payroll survey was assuredly more accurate, but now you are sort of giving credibility to a different survey just because it serves your purpose. I think we need to have a common line in order to analyze the information that is out there.

I also find disappointing your testimony today in regards to the 2001 tax cut. I was in Congress when we passed that tax cut, and it was clearly aimed at the fact that we had a large projected surplus. If we were using the fact that we were going into a recession, then the projected surpluses would not have been as high as the Administration presented to Congress as justification for that tax cut.

So, let me get to the most recent numbers that we have, and that is, in the second half of 2003 the Administration said that we would create 1.9 million jobs, and you feel 1.8 million short. Now, I don't remember anything extraordinary happening in the second half of 2003, but do you have a justification as to why we fell so short in the second half of 2003?

Ms. CHAO. Let me go back to your question about the two surveys.

Mr. CARDIN. I didn't ask a question about the two surveys, and I really—

Ms. CHAO. Let me make a comment anyway, then. There are two surveys that the Bureau of Labor Statistics—

Mr. CARDIN. I am not interested in that. I am sorry, but I really do want to stay on the subject, and that is, do you have an explanation why you fell 1.8 million short in the second half of 2003?

Ms. CHAO. There are two surveys, and both are produced by the Bureau of Labor Statistics, and we have an obligation to report both surveys.

On the issue of job creation, we agree with you, job creation is not as strong. We have had the recession. We have had the attacks of September 11th, which have—

Mr. CARDIN. No, this is the second half of 2003. The recession—

Ms. CHAO. If I may be allowed—

Mr. CARDIN. Both of those issues predate those projections. These projections were made for the second half of 2003—

Ms. CHAO. May I have—

Mr. CARDIN. Well after the recession—

Ms. CHAO. A minute to answer the question?

Mr. CARDIN. Well after the—but you are—I think I am a rather patient person. If you don't want to answer the question, please say so. If you want to answer it, I will be glad to—

Ms. CHAO. I am seldom given an opportunity to do so.

Mr. CARDIN. Please.

Ms. CHAO. In 2002 and 2003, we have had the corporate scandals. We have also had obviously some uncertainty with the economy. Our productivity growth has been very, very high. That productivity growth cannot continue unabated. It is going to translate into more jobs.

Mr. CARDIN. Do you know what the numbers will be? In January, according to your testimony, you fell—the CEA are the President's economic advisers. If he wants to discount their information, fine. They projected over 300,000 jobs for January. Under your numbers, we are at 115,000, 117,000 jobs. Tomorrow or the next day we are going to get the numbers for February. Will we hit 300,000 new jobs in February? Do you know that answer?

Ms. CHAO. I do not.

Mr. CARDIN. Well, we will see whether we make that projection or not.

Let me move on to the UC issues, because one thing is clear. We have a negative job growth during this Administration. You are going to join the Hoover Administration, the last Administration that had a negative job growth during the 4-year term of this Administration, and that is not a proud record.

On the UC, Mr. Levin asked a direct question. I am not going to ask it again because I appreciate the fact that you don't want to answer it and that you are under either instructions or your personal view is that you don't want to answer that question. Let me just challenge your assumptions that the States have adequate money under the Reed Act. Many of our largest States have exhausted their Reed Act funds and don't have the dollars. California, for example, is actually asking to borrow money in order to pay their regular benefits. We have a U.S. General Accounting Office report that shows that as many as 30 States would have to raise their taxes on employers if they used their Reed Act funds.

Is the Administration suggesting that a better alternative than using the trust funds that are here that we have accumulated exactly for this purpose, the Federal unemployment trust accounts, rather than using that, we would prefer the States to raise taxes on employers in order to provide additional benefits? Is that what you are suggesting?

Ms. CHAO. First of all, to compare this Administration's record to the Hoover Administration is ridiculous. The Hoover Administration had a workforce of 31 million. Our workforce now numbers 146 million. The unemployment rate during the Hoover Administration or during the great recession—

Mr. CARDIN. I am just, Madam Secretary—

Ms. CHAO. Was 25 percent. Our unemployment rate is 5.6 percent—

Mr. CARDIN. Quote me accurately, Madam Secretary—

Mr. HERGER. Order—

Mr. CARDIN. Mr. Chairman, I have the time. Mr. Chairman, I have the time.

Mr. HERGER. The Members—

Mr. CARDIN. Mr. Chairman, I have the time.

Mr. CAMP. Regular order.

Mr. CARDIN. Regular order is that I have the time, not the witness.

Mr. CAMP. Let the witness answer.

Mr. CARDIN. I will, but she misquoted me, and I have the right to take the time.

Mr. HERGER. Order. I want to remind the Members again that we owe the courtesy to the witness to allow her an opportunity to answer the question. During this hearing, we have repeatedly heard Members interrupting when the Secretary is attempting to answer the questions. I want to once again request of the Members to allow our witness to answer. They may not like the answers, but we do owe our witness that courtesy.

Mr. CARDIN. Mr. Chairman? Mr. Chairman, the regular order of this Committee is that the Member controls 5 minutes in debate to ask questions to the witnesses. I asked a question to this witness, and she started to characterize my question differently than I asked it. I didn't ask the question about the Hoover Administration versus the Bush Administration. What I said is that both will go down in record as having negative job growth. If she wants to counter that argument that the Bush Administration does not have a negative job growth, I am willing to listen to that answer. I didn't ask the question. She then characterized my question differently.

I control the time, Mr. Chairman. I have the right to reclaim my time.

Mr. HERGER. The gentleman from Michigan, Mr. Camp, will inquire.

Mr. CAMP. I thank the Chairman. Madam Secretary, thank you for being here today, and I just want to mention that there are these two surveys—one a payroll survey and one a household survey—in terms of jobs. The household survey, for example, has a number of jobs that have been created. Can you tell the Committee how many jobs were created under that survey?

Ms. CHAO. It is approximately 1.3 million over the last 5 months.

Mr. CAMP. All right. I also want to point out that States have in some cases operated State-specific extended unemployment benefit programs and do have the ability to do so again if they should decide. Is that correct?

Ms. CHAO. Yes. Vermont, Connecticut, District of Columbia, Georgia, Alabama, Maryland, Minnesota, Oklahoma, and Oregon.

Mr. CAMP. All right. Also, thank you for—also the question I have is since mid-2003, the national unemployment rate has fallen from 6.3 to 5.6 percent. What was the unemployment rate the last time extended unemployment benefits were stopped in the mid-1990s?

Ms. CHAO. I don't have that.

Mr. CAMP. I believe that it was about 6.4 percent.

Ms. CHAO. You are exactly right—6.6 percent, actually.

Mr. CAMP. All right. Since mid-2003, the U.S. national unemployment rate has fallen from 6.3 to 5.6 percent, and last month, as you testified, more than 100,000 jobs have been created. The growth in the second half of 2003 was more than twice as fast as the first half of the year. My question is this—and I want to thank you for personally being involved on the issue of a particular manufacturer leaving my district, Electrolux, which announced it will be transferring jobs to Mexico and South Carolina from Greenville, Michigan, and I appreciate the assistance you have given.

My question is really on two areas. One is the rapid response team that will come in. They have given us a very long lead time. They say they may leave at the end of 2005 and possibly not until 2006, and I realize the Governor triggers the rapid response team coming into the State. I wondered if there would be any opportunity that we could, given that we have this long lead time, have something come in earlier so that these employees can play for the future in advance of getting the closing notice and the Governor issuing this request to the Department of Labor. I realize there is a unique combination of State and Federal here with the Department of Labor.

Ms. CHAO. We would be more than glad to do that, and, in fact, we have done that in the past.

Mr. CAMP. Thank you. I understand there are also some emergency grant proposals that are discretionary that may be available to communities, and I understand the Governor actually triggers the application for those as well. I would just ask the ability to work with you, continue to work with you and your staff on this particular issue to find a way that, if we meet the criteria for that program, that we would be able to work with your office and try to establish that.

Ms. CHAO. I will be more than pleased to.

Mr. CAMP. Last, I want to thank you for the President's budget on the TAA. In fact, if these jobs go to Mexico, there is an increase in that category so that employees who may need the extended job training would have that available. I know that is in the President's budget, and I appreciate that very much. I also appreciate your commitment to worker retraining.

As we went through this very difficult process trying to keep this company in Michigan, we found that when we compared our nine trading partners, there were many issues that resulted in companies deciding to go other places. The major issue and the major cost differential between us and our trading partners is, frankly, taxes, closely followed by certainly wages and benefits, especially when you compare it to Mexico and China, which is difficult, but other issues like regulation and energy costs. So, I certainly would appreciate all of the help that your Department can give to the people in Michigan on this particular issue. Thank you.

Ms. CHAO. We look forward to working with all Members of the Committee. Thank you.

Mr. CAMP. Thank you.

Chairman THOMAS. [Presiding.] I thank the gentleman. Does the gentleman from Washington wish to inquire? The gentleman from Massachusetts?

Mr. NEAL. Thank you, Mr. Chairman. I do wish to inquire. Madam Secretary, I have been doing a random survey of the Administration. Do you think that Tyco is an American company or do you think that it is a Bermuda company? I really don't think we need more than a yes or no to that question.

Ms. CHAO. Why do you ask? I don't—

Mr. NEAL. Well, they employ thousands of people in America, and I would think that you and the staff would have substantial opportunity to conclude where the company is based.

Ms. CHAO. It depends on where it is incorporated.

Mr. NEAL. So, you believe that it is a Bermuda-based company?

Ms. CHAO. I want to know why the question is—

Mr. NEAL. Mr. Chairman, would you ask the witness to answer the question?

Ms. CHAO. I don't understand the purpose of the question.

Chairman THOMAS. Would the gentleman repeat the question?

Ms. CHAO. What is the point—

Mr. NEAL. I asked the Secretary, very politely, in fact, whether or not she believed that Tyco was an American company or a Bermuda company.

Ms. CHAO. I believe it is incorporated in Bermuda.

Mr. NEAL. Do you believe that it is an American company or a Bermuda company?

Ms. CHAO. It is incorporated in Bermuda, if I am correct.

Chairman THOMAS. Would the gentleman yield?

Mr. NEAL. Yes, I would, Mr. Chairman.

Chairman THOMAS. The way you ask the question, the answer was absolutely correct. It is incorporated in Bermuda.

Mr. NEAL. Mr. Chairman—

Chairman THOMAS. The interesting thing about U.S. law is that the physical presence of the company—

Mr. NEAL. Mr. Chairman?

Chairman THOMAS. The workers, the plants, and the management are in the United States.

Mr. NEAL. Mr. Chairman, could I redirect my time to the witness?

Chairman THOMAS. You certainly can.

Mr. NEAL. Would you care to venture a guess, Madam Secretary, as to whether or not it is a Bermuda company or an American company?

Ms. CHAO. Tyco is just one example, and there are other companies—

Mr. NEAL. There sure are. There sure are.

Ms. CHAO. Like Heinz.

Mr. NEAL. That is fine. I am entirely consistent on this.

Ms. CHAO. Of the 79 companies, 22 are in the United States, 57 are overseas.

Mr. NEAL. So, what is the answer? Do you think that it is an American company or a Bermuda company?

Ms. CHAO. I am not a lawyer. It is incorporated—

Mr. NEAL. Oh, Madam Secretary, let me go to the next question. That is a terrible answer, and you know what? The members of the staff there—

Ms. CHAO. I don't understand the purpose of the question.

Mr. NEAL. The members of the staff there, Madam Secretary, they should be doing their job. That is a terrible answer. I think everybody would agree with that on this Committee. "I am not a lawyer," to answer that question.

Ms. CHAO. It is—

Mr. NEAL. Madam Secretary, let me ask you one more question on another topic.

Ms. CHAO. Of course.

Mr. NEAL. Under the overtime rules that you have proposed, is it your position, based upon those rules, that there are some firefighters, nurses, and police that could be exempted from the rules as proposed?

Ms. CHAO. The final rule is not out yet, so we don't have a final, but that is not the case.

Mr. NEAL. You believe that they will not be included? They will be able to still garner overtime?

Ms. CHAO. This rule does not impact them because this is a white-collar regulation.

Mr. NEAL. Okay. So, there are in some fire service operations white-collar employees. Do you believe that they will be, again, exempt from the rule based on overtime requirements?

Ms. CHAO. What is the question?

Mr. NEAL. Well, there are members of some fire service operations where technically some employees—

Ms. CHAO. No, firefighters, first responders, police, nurses, union members covered by collective bargaining agreements are not covered.

Mr. NEAL. Thank you, Madam Secretary. Thank you, Mr. Chairman.

Chairman THOMAS. Does the gentlewoman from Washington wish to inquire?

Ms. DUNN. Thank you very much, Mr. Chairman, and I want to thank the Secretary for being with us today, and a special thanks too for coming to Washington State a few weeks ago. I think it is important for folks to see that we do have a high unemployment rate in Washington State. The last monthly number was 7.3 percent, and it is something that concerns us all. We appreciate very

much your help in so many ways. For example, a couple of years ago you secured for us a \$15 million national emergency grant. We have just received the final \$5 million out of that grant, and we have used this for very important support for those who are looking for jobs, and I want to thank you.

As you know, Washington State was more severely impacted by 9/11 than most States. We lost over 20,000 aerospace workers in the State of Washington, out of the 35,000 to 40,000 Boeing folks who were let off, and a lot of it had to do with the industry decline because of 9/11 and because of airlines not flying as much, and therefore not ordering additional aircraft.

What I would like to hear, Madam Secretary, is your thoughts on how the Department's 2005 fiscal year budget is going to help States like my State, Washington State, as we address the economic problems that we are involved in?

Ms. CHAO. Our budget as proposed and submitted to the Congress, we are at about \$104 million on top of existing dollars for increased training and retraining. We also have proposed \$50 million for what are called Personal Reemployment Accounts that will really empower workers to decide what courses they want to access themselves and what training they need. We have also added \$500 million, as I mentioned, for the President's new initiative on a 21st century workforce, \$250 million of that goes to community colleges, who have proven so nimble at responding to the needs of the marketplace in terms of skills. We also have a \$15 billion publicly funded workforce development system in which people who need jobs, need training, need advice, can access it. Of course, on top of that we have UI benefits. We have income support programs as well, and we also administer the TAA program, which helps people with income support, training, transportation, relocation, and expenses of health insurance, as well as wage insurance.

Ms. DUNN. I think that is a pretty good story to tell, and we appreciate all the work you are doing, specifically for folks like the ones in Washington State, who want to have jobs, but because of the state of the economy in an area that is recovering more slowly are not able to find those.

You mentioned a couple of things that are near and dear to my heart, the community colleges. I think that the work that is going on out of that \$500 million proposal, of which 20 percent will go to community colleges because of their ability to adapt and to include people who need retraining is very important.

I'm also particularly interested in TAA. I remember a couple of years ago in my Joint Economic Committee hearing, Alan Greenspan talk about TAA maybe going to be eventually a large part of the answer to some of the things that we call outsourcing now, but job loss and manufacturing in other ways, and through TAA many of the unemployment benefits, the job training, being extended to workers who have been adversely affected as a result of trade and foreign competition.

In the last several years the Department of Labor has certified thousands of workers in my area of the country to be eligible for TAA. I have heard recently talk among some folks who are interested in expanding TAA eligibility to other sectors like the software sector and the Information Technology (IT) sector, and I am won-

dering if you have a position on this suggestion, if this is something that would be of interest to the Administration, and if it is something that we could work toward, if there is an official Administration position or just generally what your thoughts are on including IT and high-tech workers in TAA assistance programs?

Ms. CHAO. Currently TAA does not envision service workers, and when we administer the program we administer it as Congress had intended. Obviously, if Congress has additional thoughts on this, we will be more than glad to work with all of you and consider what some of your thoughts are. We would have to take a look at the eligibility requirements and perhaps some of the resource allocation issues as well.

Chairman THOMAS. Thank the gentlewoman. Does the gentleman from Washington wish to inquire?

Mr. MCDERMOTT. I want to thank you, Madam Secretary, for taking that cheerleading trip out to the Northwest, and I have a couple questions about it. In light of the fact that this report that has just come out on the 26th of February called "Job Openings and Labor Turnover" from December, you have lost jobs in the economy every single month since June. When you got out to Washington State and Oregon, I would like to know what did the unemployed workers say to you about the lack of an extension of the benefits? Did they say that was fine with them, that they were hopeful, or what did they say to you when you met with them?

Ms. CHAO. We talked about job opportunities and where there are sectors of the economy in which hiring is going on, and we also talked about sectors of the economy which are desperately seeking workers.

Mr. MCDERMOTT. So, where did you tell the people in the State of Washington to move to? Where did you tell them to go get a job?

Ms. CHAO. In Washington State there is a tremendous need for health care workers, for biotechnology workers or—

Mr. MCDERMOTT. So, if you were a computer programmer, you should now go work in a hospital? Is that what you told them?

Ms. CHAO. We don't tell them anything. It is their choice, and we have—

Mr. MCDERMOTT. That leads us to the second question, this whole business about whether you believe in training or not. The 2003 budget, if you take that and go to the 2005 budget, this Administration has cut training funds by \$750 million, so anybody who says there is more money in for training is simply playing with the numbers because if you adjust it for inflation, that is what you have done.

You evaded Mr. Rangel, and you essentially filibustered Ms. Dunn, but I am going to ask you again. Does the Administration believe that service jobs should be covered under the TAA? You have the economist for the country saying that outsourcing is a good thing. Now, that means people are going to be left without jobs in this country, and I want to know if the Administration thinks they ought to be eligible for their TAA?

Ms. CHAO. I believe I answered the question, but I will—we administer the law as passed by Congress.

Mr. MCDERMOTT. Can it be a yes or a no?

Ms. CHAO. We administer laws as passed by Congress.



Mr. MCDERMOTT. You have no interest in what we do.

Ms. CHAO. Oh, of course, of course.

Mr. MCDERMOTT. You just sit down there and wait for us to make a decision? The President of the United States is so passive—

Ms. CHAO. It requires an act of Congress.

Mr. MCDERMOTT. Wait a minute. You are presenting the President of the United States as being a passive man who sits down at 1600—

Ms. CHAO. That is your—

Mr. MCDERMOTT. Pennsylvania and says, "I wonder what the Congress is going to do for us today." He has no interest in whether or not we give that?

Ms. CHAO. That is certainly not true.

Mr. MCDERMOTT. Nothing that he has told you, I can tell. I will tell you why it is important. Because the Boeing Company has decided to outsource all of their computer programming. I have a personal interest. I have a brother who is 60 years old and is going to be out of work with no health care benefits and 60 years old and no training money. He is not alone. I am not pleading the case of my brother. I am saying there are thousands of individuals in this country when your economist says that outsourcing is a good thing, and then you come through and talk about jobs in the Northwest, and you don't talk to any unemployed workers about why you don't extend the benefits. My brother won't even be eligible for extended benefits because this Administration doesn't care about him or all of his confreres at the Boeing Company who are getting laid off. For anybody to say you put more training money in but you will not give it to the people that you in fact know you are making unemployed, is in my view misleading this Committee and trying to mislead the public. You can go on all those trips you want and go all over the country and wave the flag, but the workers know that it is a sham.

When you won't sit up here and say that the President cares about them and wants the Congress to act on a bill putting service workers in to either a Republican or a Democrat, says to me the President doesn't care. All he wants to do is extend the tax benefits permanently. That is his plan, and his plan has led to a reduction in jobs every month since June.

I yield back the balance of my time.

Chairman THOMAS. Thank the gentleman. The Chair would be happy to provide any Member who wishes to consult family members about the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) (P.L. 99-272) programs or other programs which make health care available to those who, through no fault of their own, are unemployed.

The gentleman from Pennsylvania wish to inquire?

Mr. ENGLISH. I do indeed, Mr. Chairman. Secretary Chao, I would also like to pursue a couple of these lines of questioning, but first I would like to apologize for the fact that, in a way very atypical for this Committee, you haven't been given an opportunity to fully offer your reply, whether Members of the Committee may agree with them or not, on a couple of these points, so I hope I can give you an adequate opportunity to express the views of the Ad-

ministration if you choose to. I believe that there is a concern in some parts of the country, a very legitimate one, for the continuing levels of unemployment, and I think there is the potential for dealing with it through a rifle shot rather than a blunderbuss approach, a much more targeted approach.

I have introduced the Neighbors in Need Act (H.R. 3295), which among other things would provide extended benefits in those communities which continue to have high unemployment, assistance for those who have already exhausted their eligibility on a limited basis, phase in some long-term solvency reforms for the UC system, and also an issue that the Chairman knows is dear to my heart, provides a moratorium on the taxation of unemployment benefits, a concept which has attracted very little support from some of those in this institution that choose to view all tax cuts as tax cuts for the rich.

I believe there is an opportunity here to maybe target those communities where there is continuing high unemployment and try to strengthen the safety net for them. You have also laid out an agenda I believe of reforms for the UC system. Would you care to comment, first of all, on those reforms, and second of all, if the Congress were to move forward a much more targeted approach to extending unemployment benefits or fixing the extended benefits trigger, something that Congress has never really had the will to do in the off years, how the Administration might react to that?

Ms. CHAO. We have talked about UI reform on previous occasions. I think the overall major UI reform, tax and administrative reform program, because of discussions with the State, and until the States' budget improve, we are going to hold that in abeyance. Nevertheless, we are still very concerned about State Unemployment Tax Avoidance dumping and the tax offset for UI overpayments, and we want to work with the States on ensuring that the UI system remains robust.

Mr. ENGLISH. As a former State staffer for our Labor and Industry Committee, I agree with you that State fiscal conditions right now would make it very difficult to immediately phase in some of the changes you have contemplated in the past for the UC system. Nevertheless, I would like to see some of these ideas, many of which have been out there since the UC Advisory Commission was in existence, explored adequately. Also, under TAA, the issue of the scope of this program has been raised. One of the things that has troubled me over the years is that we target different classifications of TAA benefits to different workers based on the criteria of why their job is occurring based on trade and potential competition with even different jurisdictions. There is a different TAA program for the North American Free Trade Agreement (NAFTA) than there is for a TAA that is the result of competition from, say, Europe or even China.

I wonder if you can suggest how you think this system in the long term might be better rationalized?

Ms. CHAO. We are working with the States on better management of the TAA program. It is an entitlement program, but it has a particular kind of standing within the budget. So, we want to make sure that the resources are available to workers who truly need them, and we want to make sure also that there are some

guidelines to the States and how best to utilize that fund because right now there are practically no guidelines at all. So, we are working with the States on that.

Mr. ENGLISH. Finally, as the light changes, I would like to thank you. I understand the Department of Labor is today announcing a new tranche of funding for Pennsylvania, which has had great difficulty with its TAA program, but thanks to the work of your administration and your Department, and frankly, you personally, a lot of the problems that were facing Pennsylvania workers are now being addressed I think in a way that gives them great confidence that those programs are going to be there when they need them.

So, I want to thank you, and yield back the balance of my time.  
Ms. CHAO. Thank you.

Chairman THOMAS. Thank the gentleman. The gentleman from California, Mr. Becerra, wish to inquire?

Mr. BECERRA. Thank you, Mr. Chairman. Madam Secretary, thank you for being here with us. Perhaps we could start off by first agreeing that you and the thousands of people that are employed by your Department are working on every one of the important issues that we have discussed that are important to the American workers, and that we can agree right off the bat that the President and his Administration are interested in working with Congress on these issues. I do not think there is a need to go any further than that. I think everyone agrees that we are all trying to work here, hopefully together.

I believe in the early part of your testimony you said something to the effect that—and I tried to write it down—“The President said we will not be satisfied until every American who wants a job can find a job.” More or less correct?

Ms. CHAO. Yes.

Mr. BECERRA. My understanding is the official number of unemployed Americans stands at about 8.3 million men and women, and my understanding is that that also does not include nearly 5 million American men and women who are no longer counted by those official estimates, principally because their efforts to find a job were frustrated or they hit a dead end. So, then we have about, what, some 13 million Americans who are not employed. If you add to those 13 million Americans the, what, 4.5 million or so Americans who are under-employed, working part time, who are having to subsist on part-time wages throughout the year, you have some 17.5 million Americans who are either fully unemployed, seeking work, or working part time and hoping to get full-time jobs for the most part.

My question then will be—and I will try to be specific so I can see if I can get an answer from you on this—you just said that you and the President will not be satisfied until every American who wants a job can find a job. Would you tell the American workers, would it be your statement that you could tell the American workers that the President and his Secretary of Labor define full employment as every American who wants to work, working?

Ms. CHAO. Our employment under—

Mr. BECERRA. Madam Secretary, we are going to start going to—

Ms. CHAO. If I may just answer the question, please.

Mr. BECERRA. I know we don't want to try to interrupt you, Madam Secretary—

Ms. CHAO. Unemployment is usually defined as 6 percent—

Mr. BECERRA. Madam Secretary, the reason we are trying to be so specific is because we have a precious 5 minutes to try to get answers to any number of questions. I would like to ask you about your trade policy, where you believe we should be on trade policy. I would love to ask you about the whole issue of manufacturing job credits to try to keep—but I will not have time, and I am going to have time to perhaps ask you one, if I'm lucky, two questions. So, I want to try to be specific.

Ms. CHAO. Yes.

Mr. BECERRA. My question to you was—you mentioned, and you said this was the President's statement, not just yours—that we will not be satisfied until every American who wants a job can find a job. My question to you is, which I know that workers in my district will ask me, does that mean that the President believes that full employment means every American working, your definition of full employment? If it is not, that is fine, and we can move on. If it is, great, and I will move on to my next question. I just want to know, is your definition of full employment that every American who wants to work will have a job?

Ms. CHAO. Mr. Chairman, how much time do I have to answer this question?

Chairman THOMAS. I tell the gentlewoman that she has—the Secretary, that she has an opportunity to respond directly to his question, and his question is of course a hypothetical, and that the Secretary could respond that it is the goal of everyone to have every individual employed.

Mr. BECERRA. Mr. Chairman, before I run out of my time—

Chairman THOMAS. This is not coming out of the gentleman's time.

Mr. BECERRA. Thank you.

Chairman THOMAS. It was an inquiry by the Secretary of the Chair. The Secretary could respond by talking about legislative history of what full employment was under legislation that became law called Humphrey-Hawkins Act (P.L. 95-523). It was determined to be 6 percent. However, everyone believes that the world has changed, and that what was full employment at one time may not be full employment now. So, as a goal, every individual who wants a job should be able to get one.

Mr. BECERRA. Mr. Chairman, if I could just be—

Chairman THOMAS. I am responding on my time. As a practice matter, given the millions of jobs in this country and the fact that every day thousands if not tens of thousands of people lose their job, and thousands if not tens of thousands of people gain a job, the question of should everyone have a job would have to be determined at the exact moment that all of those people who lose a job are exactly offset by all those people who find a job, which obviously makes it very difficult for the Secretary to respond.

So, the Secretary has an opportunity to respond in the manner that she believes is responsive to the question. That is the Chair's response to the Secretary's inquiry.

Now, responding to the gentleman from California—

Mr. RANGEL. Parliamentary inquiry, Mr. Chairman.

Chairman THOMAS. The gentleman from New York will state his parliamentary inquiry.

Mr. RANGEL. My parliamentary inquiry directs itself to the discretion of the Chair. Since I aspire to become a Chairman I want to be as liberal as I can be, but we had some discussions as to the time allotted to the minority and the majority. So, when the Secretary asks you how much time that she has, and you give a speech on Thomas on unemployment, and say that this is being given on your time, how do you allocate the Chairman's time as opposed to the Ranking Member's time?

Chairman THOMAS. I have only been on this Committee since 1983, but in my years on the Committee, for which there has been no change since the Republicans became the majority, nor since I became a Chairman, is that the Chair's time is determined by the Chair.

[Laughter.]

Mr. RANGEL. I would assume that would mean that the Ranking Member's time is—

Chairman THOMAS. The gentleman from New York is recognized.

Mr. RANGEL. My question was, is the Ranking Member's time also determined by the Chair? This is a parliamentary inquiry, because if the Chair recalls—and I apologize to the Secretary, but this was something that we had discussed in the past—there was a time that some of the Members of the minority thought that the Chair could respond to every question that the minority may have, and we wanted to know whether you thought that was in your discretion to just give your little remarks on everything? You were kind enough to really be considerate enough to know that you wanted to have some balance, and I thanked you privately, and now I thank you publicly. It wasn't that I wanted to be recognized to tell the Secretary how much time she had because that was something I thought could be determined by the clock. As a matter of fact, I withdraw my question since you recognized me, and any time you feel like you want to give an essay on subject matters and answers to questions that weren't asked, I would raise it on the question of a parliamentary inquiry. Since you yield to me, Ms. Chao, you have as much time to respond as the Chair gives to you.

Mr. BECERRA. Mr. Chairman, I want to raise a parliamentary—

Chairman THOMAS. If the gentleman will suspend, the Chair appreciates the gentleman from New York's comments, but he has no ability to yield time. Time goes through the Chair. The Chair will respond briefly as an illustration to Members, especially the Member from California, which was verging on badgering in asking a question which can be answered in multiple ways.

Mr. BECERRA. Would the Chairman yield?

Chairman THOMAS. If the Secretary chooses to respond in one way, that is the Secretary's choice. The attempt to force an answer from someone when the answer is a complicated one, does not add to the history of testimony on what is a very important question,

and that is, the attempt to make sure that every American who wants a job—

Mr. BECERRA. Will Mr. Chairman yield?

Chairman THOMAS. Gets a job. The gentleman from California is recognized for the remainder of his time.

Mr. BECERRA. Mr. Chairman, would you yield on your comments with regard—

Chairman THOMAS. I am recognizing the gentleman from California for the remainder of his time.

Mr. BECERRA. A parliamentary inquiry before I use the remainder of my time, a parliamentary inquiry?

Chairman THOMAS. The gentleman is recognized for a parliamentary inquiry.

Mr. BECERRA. The Chairman has said that it is his belief that he is employing time yielded to himself by the Chair of the Committee, and I would like to know under what portions of the rules of the House or this Committee that he is authorized—

Chairman THOMAS. Tell the gentleman the Chairman is responsible for the decorum of the Committee, and the Chair can use whatever means available to the Chairman to ensure decorum, and what the Chair did was illustrate that when questions are asked repeatedly, badgering a witness for a particular answer that the questioner wants and is not satisfied because the questionee does not give the answer that is sought for, that is badgering, and it lends a negative feeling to the decorum of the Committee. That is the power under which the Chair made the ruling.

Mr. BECERRA. Mr. Chairman—

Chairman THOMAS. The gentleman from California is recognized for the remainder of his time.

Mr. BECERRA. Mr. Chairman, I have not finished my parliamentary inquiry.

Mr. RANGEL. We better alert the Capitol Police.

Chairman THOMAS. That was the response to the gentleman's parliamentary inquiry.

Mr. BECERRA. Mr. Chairman, parliamentary inquiry?

Chairman THOMAS. You have another one?

Mr. BECERRA. Further parliamentary inquiry, Mr. Chairman?

Chairman THOMAS. Yes. The gentleman is recognized for his parliamentary inquiry.

Mr. BECERRA. Does that mean, Mr. Chairman, that you are not going to give us a reference within the rules of the House for the ruling that the Chairman has made?

Chairman THOMAS. I will tell the gentleman the general decorum of the House is the broad ruling under Jefferson's rules. If you want chapter and verse, the Chair is more than willing to provide you, but in any parliamentary body, regardless of the parliamentary rules, including this one using Jefferson's manual, general decorum is always available to the Chairman to maintain order.

Mr. BECERRA. Mr. Chairman, very well. I will just ask that if you can, in writing, no longer to continue the hearing, because the Secretary obviously has limited time, that if you could provide in writing—

Chairman THOMAS. Is the gentleman still under the parliamentary inquiry?

Mr. BECERRA. Correct, I am, Mr. Chairman.

Chairman THOMAS. The gentleman is recognized for his time. Does he wish to use it?

Mr. BECERRA. Yes, I do, Mr. Chairman, but I have not finished the parliamentary—

Chairman THOMAS. The gentleman is recognized—

Mr. BECERRA. Further parliamentary inquiry, Mr. Chairman.

Chairman THOMAS. The gentleman is recognized for the use of his time.

Mr. BECERRA. Mr. Chairman, further parliamentary inquiry.

Chairman THOMAS. The Chair is not recognizing the gentleman for the parliamentary, and—

Mr. BECERRA. Mr. Chairman, point of privilege.

Chairman THOMAS. The Chair has that privilege.

Mr. BECERRA. Mr. Chairman, point of personal privilege.

Chairman THOMAS. What is the gentleman's point of personal privilege?

Mr. BECERRA. The Chair characterized this Member of the House as having badgered a witness.

Chairman THOMAS. No, that is incorrect. If you will look at the record it did not say your question was badgering. The record will reflect a different statement.

Mr. BECERRA. What was that statement, Mr. Chairman, because I want to make sure that it is very clear that the Chairman is not saying that I have badgered the witness.

Chairman THOMAS. I believe the word "bordering" was in part of the description.

Mr. BECERRA. Mr. Chairman, could you then provide me the information? What did I do that bordered on badgering the witness? I would like to know so I do not do it again.

Chairman THOMAS. The gentleman has every right to do whatever he wishes to do.

Mr. BECERRA. Mr. Chairman, you have characterized my conduct—

Chairman THOMAS. The Chair indicated that the gentleman asked the witness a question—

Mr. BECERRA. Should I—

Chairman THOMAS. A question—see, you are just doing to me what you were doing to her. The question that you asked was one that could be answered in a number of different ways, but the gentleman wouldn't allow the witness to provide an answer which was her answer. The gentleman from California was attempting to drive her in a divergent discussion to provide the answer the gentleman from California wanted.

Mr. BECERRA. I will close my parliamentary—

Chairman THOMAS. It doesn't work that way.

Mr. BECERRA. Mr. Chairman, then I will close my parliamentary inquiry, awaiting the written response on the provisions in the rules of the House and of this Committee that permit the Chairman to engage in additional dialogue beyond the regular—

Chairman THOMAS. It is called general decorum. Does the gentleman want to be recognized for his time? The Chair is ready to recognize another Member of the Committee.

Mr. BECERRA. Yes, I do, Mr. Chairman.

Chairman THOMAS. The gentleman is recognized for the remainder of his time.

Mr. BECERRA. I appreciate that, Mr. Chairman. Let me ask the question one more time, Madam Secretary, but I don't expect you to answer it because I am running out of time, and I think I know that your answer would go beyond what I have asked.

For the record, so it is clear, this was my question. Given that you and the President have said that, quote, "We will not be satisfied until every American who wants a job can find a job." My question, which the Chairman characterized as bordering on badgering, was simply this. Would you tell the American workers that the President and his Secretary of Labor define full employment as every American who wants to work, working? I was paraphrasing what you had said. That, according to the Chairman, is bordering on badgering. I did not mean to badger you. I was just trying to get an answer to a question that I think a lot of American workers are trying to get. I don't expect you to answer at this stage.

Let me continue with a second question I wanted to ask you. In the last 3 years we have lost close to 3 million jobs in America. We have seen the Nation's debt increase by more than \$3 trillion. Last year on Labor Day the President met with workers and promised to appoint a manufacturing czar to deal with the loss of manufacturing jobs, which total some \$2.8 million in the last 3 years of the President's term in office. Six months after that statement on Labor Day of last year, there is still no manufacturing czar. Administration officials have said they are working on it, but while Rome burns, and the economy has hemorrhaged an additional 250,000 American manufacturing jobs since that Labor Day statement by the President and his promise to bring on a manufacturing czar, we still have not gotten there. Do you know who will be the manufacturing czar that the President promised 6 months ago?

Ms. CHAO. Am I allowed to answer? The manufacturing czar is an assistant secretary position in the Commerce Department, so there is a lengthy confirmation process that goes along with that too.

Mr. BECERRA. Madam, but the question was do you know who that manufacturing czar, the name of the person?

Ms. CHAO. It is not within the Department of Labor.

Mr. BECERRA. Do you know the name of the person?

Ms. CHAO. I would not usually know about the appointments of any other departments.

Chairman THOMAS. The gentleman's time has expired.

Mr. BECERRA. I thank you, Madam Secretary.

Chairman THOMAS. The Chair would like the gentleman from California to submit written evidence that Rome is burning.

Mr. BECERRA. Mr. Chairman, I think there is ample evidence, and I would be more than willing to do so.

Chairman THOMAS. The gentleman from Texas, Mr. Brady?

Mr. BRADY. Thank you, Madam Secretary. Jobs are a concern for all of us, and I think both you and the Administration are absolutely right in saying that full employment is making sure every person who wants to work has a job, and not just a job, but a good job, which I think your goal is exactly right on mark.



We know America has the most productive workers in the world. My question is does America have the most productive business climate in the world? It seems to me that between a very high tax rate that makes companies uncompetitive when they compete around the world, because of lawsuit abuse that drives prices up and keeps companies from competing, because of high-energy costs because we are not willing to take responsibility, and we are not given the opportunity to take responsibility for our energy needs, and then regulation, much of I think well-intended, but very restrictive when it is applied one size fits all, it seems to me that America, in a world where you aren't granted jobs, you compete for them, it is tough, and you have to fight for every American job, it seems to me that we may not have the most productive business climate in the world in order to create, obtain and keep American jobs.

Can you give us your thoughts on that.

Ms. CHAO. I think the Congressman makes an excellent point that governments don't really create jobs, it is the private sector, and the role of the government is to ensure the proper environment through which job creation can occur.

The President's six-point program does speak to the issue of the high taxation that faces our workers and employers, the high energy cost, the fact that we are not energy independent due to regulations that many businesses face that are too onerous. We want to protect workers, of course, but there are some overly onerous regulations, and then the whole issue about frivolous lawsuits needs to be addressed as well.

The tax cuts have helped a great deal in terms of job creation in the last 2 years, and so we hope that these tax cuts will be made permanent so that the continued growth of the economy can occur and job creation can further accelerate.

Mr. BRADY. Thank you. I also appreciate I think the difference in the household survey the Department of Labor does. The economy really is changing. Using the payroll survey, which is sort of the old-fashioned way you look at big business and make an extrapolation from that, rather than go deeper into it and find all of those entrepreneurs in my district, all of those one- and two-person shops I think is important. If I read the household survey right, just so I understand it, there are 3 million more Americans working this year than last; is that what the Labor—

Ms. CHAO. That is correct.

Mr. BRADY. So, we are at, to put it in perspective in history, my understanding is this appears to be the highest number of Americans who have ever worked ever?

Ms. CHAO. We have the largest number of Americans ever working because we have a workforce of 146 million people, where 70 years ago, the workforce was only 31 million people, and the wages are getting better, also.

Mr. BRADY. The goal for us is even that is not good enough for us. We want to retrain workers for health care, for the 77 million baby boomers who will soon become seniors and are going to need every kind of health care service there is in biotechnology and all of the types of new technology that is coming along. Our goal is to

not just be satisfied with the most Americans working, but to make sure every person that wants a good job, finds one; is that correct?

Ms. CHAO. The President has said on many occasions that we care about this issue, we care about those who are out of work, and one worker out of work is one worker too many. We need a million nurses in the next 7 years, we need health care technicians, pharmacists. We need skilled trades people, construction workers.

Mr. BRADY. I think you are exactly right. In the end, we don't need to be building walls, we need to be building skills. That is how we are going to put America back to work. Thank you, Madam Secretary.

Ms. CHAO. Thank you.

Chairman THOMAS. The gentlewoman from—I don't know the order, but I have down here that the gentlewoman from Ohio, Ms. Tubbs Jones, is next and then the gentleman from North Dakota would. Does the gentlewoman wish to inquire?

Ms. TUBBS JONES. Yes, Mr. Chairman. Thank you.

Chairman THOMAS. Thank you.

Ms. TUBBS JONES. Good morning, Secretary Chao. How are you?

Ms. CHAO. Fine. Thank you.

Ms. TUBBS JONES. Good. Good. Glad to have you here. Let us talk about the TAA program for a moment and the budget.

Non-agricultural employment in Ohio declined by 244,000 jobs between November 1999 and November 2003. Out of that number, 191,000 manufacturing jobs were lost in Ohio. Total non-agricultural employment in Cleveland declined by 72,000 jobs between November 1999 and November 2003, and out of that number 44,000 manufacturing jobs were lost in Cleveland.

A substantial portion of these job losses have been linked to foreign trade. Since 1995, the TAA and the NAFTA TAA program data identifies that 46,000 of the jobs that were lost in Ohio were directly due to international trade in NAFTA. In Cuyahoga County, over 5,000 jobs were identified.

As you know, the TAA program exists to provide relief to misplaced workers in Ohio and nationwide. As your Administration or the President's Administration intends to sign the Central American Free Trade Agreement and continues to negotiate Free Trade Area of the Americas, including Central America, South America, and the Caribbean, except Cuba, the role of the TAA program will become more important.

Does the estimated budget for the TAA assistance program, which is \$770 million for 2004, and \$1 billion for 2005, take into account the additional burden the program will bear as a result of these comprehensive trade agreements you seek to enter into?

Ms. CHAO. The TAA income support is on the mandatory side of the budget, so it will respond on an entitlement basis to whatever needs there are. So, yes, the money will be there, number one.

Number two—

Ms. TUBBS JONES. So, no matter how many jobs are lost and can be linked, there will be dollars available to assist the workers. So, if we end up with 88,000 jobs lost in Cuyahoga County, 88,000 of my folks in Cuyahoga County will receive assistance through TAA. That is what you are telling me.

Ms. CHAO. It is an entitlement program.

Ms. TUBBS JONES. Also, in these days of thousands of jobs in Ohio being lost, what is the Department of Labor doing to keep workers in Ohio, and nationally, fully informed of the TAA program?

Ms. CHAO. That is our job. We have One-Stop Centers located throughout Ohio, we have a full staff at the Employment and Training Administration, and our job is to do outreach to make sure that all workers who need the assistance of the Department of Labor—

Ms. TUBBS JONES. What do you do? I know you have these One-Stop Centers, and I know that you say this is your job, but what do you do?

Ms. CHAO. They are in every community. We hold seminars, forums. We go out to clusters where displaced workers are. When we first hear that a factory—

Ms. TUBBS JONES. Could you, in fact, have someone from your staff provide me with the information for the programs that you provided in the last 3 years in the 11th Congressional District—

Ms. CHAO. We will be happy to provide you—

Ms. TUBBS JONES. And notice me of all of the programs that you intend to provide when you give notice?

Ms. CHAO. Of course.

[The information follows:]

**ETA Discretionary Grants Past Three Years**  
**Ohio—11th Congressional District**  
As of March 31, 2004

	<b>Name of Grantee</b>	<b>Type of Grant</b>	<b>Award Amount</b>	<b>Term (Extension Requests may be pending)</b>
1	Youth Opportunities Unlimited 2000 East Ninth Street— Suite 820 Cleveland, OH 44115	School to Work Urban Rural Opportunity Grant	\$2,700,000	9/1997–9/2003
2	City of Cleveland Youth Opportunity Grant	WIA Youth Opportunity (Competitive Awards)	\$28,000,000	7/2000–6/2005
3	Cuyahoga County Workforce Investment Board Dislocated Workers Skills Shortage	WIA Dislocated Workers National Reserve—DEMOS	\$1,165,000	5/2001–8/2003
4	Wire-Net <sup>2</sup> Detroit Avenue— Suite #3 Cleveland, OH 44102	WIA P&D Earmark Westside Industrial Retention and Expansion Network	\$765,000	12/2001–12/2002
5	Wire-Net <sup>1</sup> Detroit Avenue— Suite #3 Cleveland, OH 44102	WIA P&D Earmark Advancing Manufacturing Sector Training Initiatives in NE Ohio	\$500,000	2/2003–1/2004
6	Cleveland State University 2121 Euclid Avenue Cleveland, OH 44115	WIA P&D Earmark The Nuts and Bolts of Governance: Research and Executive Training for Prospective Members of the State Legislature	\$100,000	10/2003–10/2005
7	Wire-Net <sup>2</sup> Detroit Avenue— Suite #3 Cleveland, OH 44102	WIA P&D Earmark Westside Industrial Retention and Expansion Network Enhancing Cross-Sectoral Training in the Manufacturing Cluster	\$500,000	Pending 2004
8	Ohio Department of Job and Family Services <sup>3</sup>	WIA Formula Grant to State for Adult, Dislocated Worker and Youth Employment and Training Programs  State Allocation to Local WIA Area 2 (Cuyahoga County outside of the City of Cleveland)  State Allocation to Local WIA Area 3 (City of Cleveland)	\$4,398,355 \$2,814,382 \$2,853,502  \$15,804,507 \$15,870,041  \$15,902,808	7/2001–6/2002 7/2002–6/2003 7/2003–6/2004  7/2001–6/2002 7/2002–6/2003  7/2003–6/2004

## Notes:

<sup>1</sup> Grant activities in 10th, 11th, 14th, and 17th Congressional Districts.<sup>2</sup> Grant activities in 10th and 11th Congressional Districts.<sup>3</sup> 11th Congressional District includes all or part of Local WIA Area 2 (Cuyahoga County outside of the City of Cleveland) and Local WIA Area 3 (City of Cleveland).

Ms. TUBBS JONES. How do you provide notice? Do you give it to individual workers, to their homes? How is that done?

Ms. CHAO. As soon as we hear that a factory might be closing, we send a Rapid Response Team that goes out and tells dislocated workers—potentially dislocated workers—what their benefits are, how to keep up their health insurance, what other job opportunities there are in the surrounding area, and so we meet with them on an individual basis.

Ms. TUBBS JONES. My last question. This is the Economic Report of the President that you were discussing with my colleague earlier; is that correct?

Ms. CHAO. I believe so, yes.

Ms. TUBBS JONES. You believe so. Do you want me to bring it over so you can look at it closely? Can I approach the witness, Mr. Chairman? Excuse me?

Ms. CHAO. I do not have my glasses on.

Ms. TUBBS JONES. Now, I did not interrupt you. Do not holler at me, okay? This is the book, is it not?

Ms. CHAO. I do not have my glasses on. Yes.

Ms. TUBBS JONES. In the front of the book it has, “To the Congress of the United States,” signed by George W. Bush, the President, right? So, this is his report to the Congress, and it in fact provides that job growth for 2004 of over 300,000 jobs per month or 3.5 million jobs for the year, this is the forecast, in this President’s forecast report, is it not?

Ms. CHAO. That is the CEA’s report, yes.

Ms. TUBBS JONES. That is the President’s report. It is either yes or no, Ms. Chao. Do not make it complicated. See, I do not think it is cute that—

Ms. CHAO. I am not trying to be cute.

Ms. TUBBS JONES. I do not think that it is cute that you do not respond to questions.

Chairman THOMAS. The gentlewoman’s time has expired.

Ms. CHAO. I just want some courtesy extended to me as a witness. That is the Council on Economic Advisers, that is the report—

Ms. TUBBS JONES. Of the President. It is published, his name is signed in it.

Ms. CHAO. Ma’am, if you want to—

Chairman THOMAS. The gentlewoman’s time has expired.

Ms. TUBBS JONES. Mr. Chairman, I appreciate that my time has expired, and I hope that you appreciate, and all of you appreciate that when it comes to answering the questions of the Republicans, she is very clear and answers; when it comes to responding to the Democrats—and I was very easy. I was not cross-examining her. I merely asked her about the report, and every other Democratic Member could not get an answer.

So, Ms. Chao, I thank you very much for your testimony, and, Mr. Chairman, I thank you for the opportunity to finish what I had to say.

Chairman THOMAS. I thank the gentlewoman. Just so the record understands the gentlewoman's question, what is the book that you are referring to? What is the title?

Ms. TUBBS JONES. The record is clear. It is called, "The Economic Report of the President." May I submit it?

Chairman THOMAS. The Chair would ask the gentlewoman, who is the President?

Ms. TUBBS JONES. Well, you know what—

Chairman THOMAS. It is a simple question.

Ms. TUBBS JONES. I think you answered every other question for the witness. Answer it, Mr. Chairman. It is George Bush.

Chairman THOMAS. Oh, okay.

Ms. TUBBS JONES. I wish it were not, but it is.

[Laughter.]

Chairman THOMAS. Well, then, we got that question answered. The Chair is trying to be helpful in getting answers—

Ms. TUBBS JONES. Mr. Chairman, give me a break.

Chairman THOMAS. The Members ask. Does the gentleman from Florida wish to inquire?

Mr. SHAW. Yes, Mr. Chairman, and I would like to compliment the Secretary, at least on that side of the dais, of maintaining the dignity of this Committee. I regret the amount of badgering that you have put up with, and I might say in a very graceful manner.

Ms. CHAO. Thank you.

Mr. SHAW. It is very difficult to answer questions when somebody is yelling at you and interrupting you, and before you can even get five and six words out, jumping in.

I have not seen this Committee operate like that before. Obviously, this was rehearsed before this Committee meeting, and I think that is quite regrettable, in that we are the Committee on Ways and Means.

I do have a question for you. To help you reduce erroneous payments in the UC system, the budget provides \$20 million for more face-to-face reviews of unemployed benefits eligibility. You are expecting this action, I understand, to save up to \$400 million. If you could tell us more about this proposal and why you expect it to result in such savings to the unemployment system.

I compliment you in trying to get people to get back to work, to get interviewed, to help them out if you can and also to make a determination whether or not they are putting forth the effort to find employment, I would appreciate your answering the question.

Ms. CHAO. Well, first of all, we all support making sure that those who need assistance are indeed getting them. So, we want to make sure that our programs are effective and that the people who need the money, who need the resources going through a very vulnerable period in their lifetime are indeed getting it. We also want to ensure the integrity of the program as well and make sure that there are not abuses or mismanagement because that hurts everyone who would otherwise be able to participate or benefit from these programs.

So, currently, we have claims that are filed on the Internet and by the phone to supplement the usual face-to-face. That has become the more standard way of doing business. There is research showing that if there are more frequent reviews, and so we want to

make sure, once again, that the integrity of the program remains intact so that the maximum resources are available to workers who really need them.

Mr. SHAW. I thank you, and I compliment you for this program. Mr. Chairman, I yield back.

Chairman THOMAS. I thank the gentleman. Does the gentleman from Kentucky wish to inquire?

Mr. LEWIS OF KENTUCKY. Yes, Mr. Chairman. Thank you. Madam Secretary, welcome, and we are certainly, as Kentuckians, very proud that you are our Secretary of Labor.

Ms. CHAO. Thank you.

Mr. LEWIS OF KENTUCKY. I think it has kind of been a tough morning. The reason that you have been able to answer the Republican questions is because we have allowed you to answer. We have not interrupted you because we are interested in an answer.

Ms. CHAO. Thank you.

Mr. LEWIS OF KENTUCKY. It is amazing to me, we have 94.4 percent of the workforce employed today, and it seems like my colleagues across the aisle are not excited about that and that unemployment has dropped from 6.3 percent down to 5.6 percent, and we are moving on. So, the President's tax package that he has sent before us has created opportunities in our society in job growth. So, we ought to be celebrating that, and of course we want to continue to make sure that everyone that can work can get a job, and we are trying to accomplish that to the best of our ability.

We have been talking a lot about insourcing and outsourcing. The United States comprises only 6 percent of the land and 5 percent of the population on the Earth. Despite this, the United States insources nearly as many jobs as its businesses outsource to every other country in the world—one country against the world—and we are bringing a lot of good employers into this country.

Kentucky is a good example of that, with Toyota and all of the component parts, automobile industry plants that have come to Kentucky. We just recently we are having a Canadian company come into Bowling Green, Kentucky, with I think 1,100 jobs, but there is a unique place in Kentucky, and it should not be unique because it is a small place—Campbellsville—and I think you are aware of what happened in Campbellsville.

From 1997 to 1998, Campbellsville lost Fruit of the Loom, something like 3,200 people in a community, I think Campbellsville, the population is like 10,000. Unemployment skyrocketed to 30 percent in that period of time. Fast-forwarding to 2003, Campbellsville now has one of the highest employment rates of any of the counties in Kentucky. They have 3,700 new jobs. They have 13 new employers and major expansions by more than half a dozen existing industries. It is an example of how the trade assistance has helped there through Campbellsville University, a community of leaders that went out to change that situation, and as you see, changed it very dramatically in a very short period of time.

I do not think that this should be unusual across the country because Campbellsville is kind of in a land-locked situation. Their infrastructure, their transportation coming in and going out of Campbellsville is not the best in the world. We are working on that. They have done a tremendous job of proving that insourcing is

great for Kentucky and great for the economy of the United States. Yes, we lose jobs, but we gain jobs. That is the world economy we live in, and we have to participate. So, please, can you make comments to that?

Ms. CHAO. The Department of Labor has all sorts of assistance programs, and so we want to make sure that those who do lose their jobs are helped during a very vulnerable period in their lifetime, and we have programs that will help them get on their feet, that offer UI, that offer other income support and also training, and we want to get them back in the workforce as quickly as they can because it is better for them, and it is better for their families.

Mr. LEWIS OF KENTUCKY. Absolutely. We look to Congress, we look to the President, but communities and States also have a responsibility to deal with some of these job losses, and Kentucky and Campbellsville is a great example of how it works, how it is supposed to work, I think.

Ms. CHAO. It is a good example.

Mr. LEWIS OF KENTUCKY. Yes. Thank you, Madam Secretary.

Chairman THOMAS. I thank the gentleman. Does the gentleman from North Dakota wish to inquire?

Mr. POMEROY. Yes, I do, Mr. Chairman. Thank you. I would begin by saying I am a bit surprised to hear the happy talk on the other side of the aisle regarding jobs in this country. The last statistic I saw was that we are actually down 2.2 million jobs since the beginning of this Administration. Quite frankly, I do not find those numbers anything to crow about.

The first question I would have of the Secretary would involve the pension-reserving legislation working its way through Congress. The House has passed a bill. The Senate has passed a bill. It goes into conference committee. My first question to you, Madam Secretary, what importance do you place, as State or local, on Congress enacting this legislation?

Ms. CHAO. We place great importance in protecting workers.

Mr. POMEROY. I am asking you, Madam Secretary, if you think it is important we pass this bill or not. I guess you will have to confer before you can answer that question. I will wait here. I appreciate my time not tolling, Madam Secretary, while the advice continues in terms of whether the Secretary supports this bill or not.

Ms. CHAO. I think the answer is, yes.

Mr. POMEROY. Madam Secretary, the versions are different between the House and the Senate.

Ms. CHAO. Yes.

Mr. POMEROY. Does the Department of Labor have a preferred approach?

Ms. CHAO. It is the House.

Mr. POMEROY. You prefer the House approach. Does the Department of Labor—

Ms. CHAO. I believe we have a SAP out on this.

Mr. POMEROY. Does the Department of Labor oppose taking remedial action for multiple employer plans?

Ms. CHAO. We would prefer, again, that pension plans be funded on a regular basis so that—



Mr. POMEROY. Madam Secretary, that is non-responsive. At issue, if I might give just a little background, perhaps, the House plan addresses single-employer plans, while the Senate has single- and multiple-employer plans. My question to you, as you express a preference for the House approach, is whether you, as Department of Labor, oppose a remedial step to address the funding issues of multiple-employer plans.

Ms. CHAO. We want to work with the Congress on that. Let me get you something for the record.

[The information follows:]

On April 10, 2004, President Bush signed into law H.R. 3108, the Pension Funding Equity Act of 2004. This law allows employers who sponsor multiemployer pension plans meeting certain criteria to defer making a portion of the payments otherwise required.

Mr. POMEROY. I must say that this is a very important policy issue—

Ms. CHAO. Yes, it is.

Mr. POMEROY. I am rather surprised that you are not prepared to answer that question. I have another question. Do you happen to have Tammy McCutcheon with you, the head of the Wage and Hour Division?

Ms. CHAO. No, she is not here.

Mr. POMEROY. I am sorry that she is not. Perhaps you can answer these questions on her behalf.

Ms. CHAO. Sure.

Mr. POMEROY. This involves the guidance sent out to employers relative to the new overtime regulations. I will tell you that the people in North Dakota, many of them working long, long hours at fairly modest-paying jobs are deeply concerned that the new overtime regulations under development, under your leadership, will reduce their overtime.

I noted, with some alarm, an Associated Press story, dated January 6, 2004, in which a Department of Labor advisory, sent out by Wage and Hour Division Administrator, Tammy McCutcheon, sets out several advisory points that appear to be advising employers in terms of how to avoid paying overtime. Specifically, I would cite to you a paragraph quoted from the report as quoted by the Associated Press.

“Most employers affected by the proposed rule would be expected to choose the most cost-effective compensation adjustment method,” the Department said.”

Now, that looks to me like you are advising employers on how to beat their employees out of overtime. I wish the administrator who had written this was here, but can you speak to what she was trying to advise employers with this advisory?

Ms. CHAO. Let me make it very clear. Any employer trying to evade the overtime rules will feel the full wrath of the U.S. Government. We will brook no evasion of the law.

Mr. POMEROY. Well, I am very delighted to hear that, but it seems to me that you are changing the law and so that the law is more lenient as regards overtime. In fact, going on to quote from this Associated Press story, it indicates that there are a number of

ways for employers to, essentially, under the new regulations, not pay overtime, pursuing, in other words, in your Department's words, Madam Secretary, the most cost-effective compensation adjustment method.

It appears to me that you have allowed employers to avoid paying overtime by changing the overtime rules. I understand you enforce the rules, but you have changed the rules for the benefit of employers at the expense of their employees who are putting in way more than 40 hours a week, and this is not a record you should be proud of.

I yield back my time.

Ms. CHAO. Sir, I take great exception at your tone. I do not need to be lectured about a tremendous disinformation campaign that is waged by people who deliberately—deliberately—taking action that could potentially hurt workers. That AP reporter, I have said, is an irresponsible reporter. That story is false. This issue was on the docket. It was a tremendous manipulation and falsification of what was written in the regulations. It was required by the regulations. The regulations appeared in March 2003, and all of a sudden this story appears in December of—

Mr. POMEROY. It is your own advisory, Madam Secretary—

Ms. CHAO. It is false. That story is false.

Mr. POMEROY. The most cost-effective compensation adjustment method—

Ms. CHAO. I take exception to that.

Chairman THOMAS. The gentleman's time—

Mr. POMEROY. That is language of the Department of Labor.

Ms. CHAO. That story is—let me make very clear the story—sir, don't take that tone with me.

Chairman THOMAS. The gentleman's time has expired.

Ms. CHAO. Mr. Chairman, I would like—

Chairman THOMAS. The gentleman from Illinois.

Mr. WELLER. Thank you, Mr. Chairman. Madam Secretary, it is good to see you.

Ms. CHAO. Thank you.

Mr. WELLER. It is a pleasure to work with you, and I appreciate your time before our Committee today.

We have had a lot of talk about the economy today, and as one of those who worked with President Bush, and Chairman Thomas, and our Committee leadership, as well as the leadership in the House and Senate, to put together a jobs and economic growth package, as I know you stated earlier, I am one of those who is pleased to see that the President's jobs and economic plan is working. Over 300,000 Americans have been able to obtain new jobs since that package was signed into law by the President last summer.

Of course, the bonus depreciation, I would highlight, is a major factor in that, encouraging the purchasing of manufacturing assets. Last quarter of 2003, there was a record level of capital assets purchased by business, and the bonus depreciation was a contributing or deciding factor in a vast majority of those decisions to purchase those assets. So, that is working.

Of course, when you encourage someone to purchase a company car or a telephone system or a computer or a machine tool, there

is a worker somewhere in America who is producing that, whose jobs are strengthened as a result of that.

I would also note that the national unemployment rate has dropped. Last June, it was 6.3 percent when the President's economic plan was signed into law. It has now been cut down to 5.6 percent as of January this past year. There is more to do, but we are making progress, and I am committed to working with you.

I would also note, because I have heard some rhetoric from some of my friends on the other side of the aisle regarding temporary extended unemployment benefits, and would note that back in the 1990s, when the Democrats were in a position to make a decision regarding the extension of unemployment benefits, they decided to end unemployment benefits at an unemployment rate of 6.4 percent, an actually higher level of unemployment than we experienced last June. So, the rhetoric changes depending on which shoe is on whose feet.

Also, I want to commend the leadership of the Administration particularly on the issue of trade. I represent a district that is heavily dependent on exports. I am pleased to see that exports are up almost 20 percent over the last couple of years under the President's efforts to expand trade opportunities for American manufacturers, as well as American workers, and I enjoyed the comments of one of my colleagues of the gentleman from Washington who is not here, but he commented about his brother's experience with unemployment.

Well, I have a brother who is unemployed. His company or the plant where he worked was shut down as a result of litigation, which shut down the manufacturer where he worked, and he was unemployed for almost a year as a result of lawsuit abuse and greedy trial lawyers who were attempting to pursue this company. So, they chose just instead to shut down the plant, costing hundreds of workers their jobs, including my brother, but it was exports that gave my brother the opportunity to go back to work because another manufacturer, after 12 months, was able to obtain an export contract, and that gave my brother to go back to work. So, trade has made a difference for my own family in ensuring that we experience employment for everyone, and I believe that is a continued positive step forward.

Madam Secretary, we have worked together on the Integrated Systems Technology (IST) Advance Manufacturing programs, a program where you have shown tremendous leadership, and I appreciate your commitment over the last couple of years to develop a program to give dislocated workers an opportunity to gain skills for the 21st century, give them the opportunity to obtain skills, to operate, maintain and troubleshoot the most advanced high-tech manufacturing equipment, such as the robots in the workplace. We have a shortage of these kind of workers, so it is giving workers the opportunity.

I know in the State of Illinois, we have had four community colleges enrolled in this program. Kankakee Community College, in my district, will start a program later this year participating in the IST program. As a result, I just want to report to you, Madam Secretary, that 112 Illinois employers have hired already 129 graduates of this program, 227 people have completed the program in

its first year. So, with your leadership, we have been able to help workers make a transition with new skills.

My question for you is how do you view, what is the next step when it comes to this type of program, the IST? Is it on track? Do you feel the program is successful? What more do we need to do?

Ms. CHAO. Well, the President has put \$500 million devoted to helping workers find jobs in the 21st century economy. As I mentioned \$250 million of that goes to community colleges, but there are high-growth sectors which offer good-paying jobs, with good career paths, going into the future, and so we want to continue to emphasize those because we do want workers to find good jobs with higher paying skills and with higher wages.

Mr. WELLER. Thank you, Madam Secretary. I see my time has expired.

Ms. CHAO. Thank you.

Chairman THOMAS. Does the gentleman from Florida wish to inquire?

Mr. FOLEY. Thank you very much, Mr. Chairman, and, Madam Secretary, for your appearance today. Some of my colleagues today who have been asking questions could have been character actors during the Depression. They seem to want to talk about all of the gloom and doom that surrounds us, and they do not look for the bright lights that are before us, the opportunity that we see now with jobs growing, the economy getting stronger.

We have to remember and go back to the year 1999, the presidency of Bill Clinton, the economic unraveling, if you will, of so many of the companies that have built their books based on shoddy numbers, loose with facts. People were jumping into the stock market at record numbers, taking advantage or hopefully taking advantage of what they thought were "get rich quick" schemes, sponsored by people who have now fortunately been arrested, some were on trial, some were going to jail.

When the chief executive officer of this Nation lies to a grand jury, then everyone else in corporate America decided on that day that it is all right for the number one man America. We can all lie. We can fudge the books. We can go ahead and do things to the shareholders without any regard for truth, justice or law.

When this President inherited this economy, we had the stock market reeling, we had people who were pessimistic about an investment opportunity, people who saw their Individual Retirement Accounts and 401(k)s and others drop precipitously before, I might add, the election of this President.

He got in office to stabilize this economy, and then, lo and behold, in 2001, September 11th hits this Nation and takes the wind out of the economy and the wind out of the sails of entrepreneurs and investors, and our hearts still ache for those who lost their lives in New York, in Washington, and Pennsylvania.

Ms. CHAO. Yes.

Mr. FOLEY. The President embarked on a tax-cut opportunity to enhance the economy, and let me tell you today what is in the New York Post.

"Chief Executives Planning to Hire Outnumber Those Who Foresee Cuts. Chief executives of the Nation's largest companies said they are fully and finally ready to begin hiring again."

[The information follows:]

**Chief Executives Planning to Hire Outnumber Those Who Foresee Cuts**  
By DAVID LEONHARDT

Chief executives of the Nation's largest companies say they are finally ready to begin hiring again.

For the first time in at least a year and a half, more executives plan to increase employment in the United States over the next 6 months than plan to cut jobs, according to a survey released yesterday by the Business Roundtable, a lobbying group. Thirty-three percent of the executives said they would add jobs, up from just 12 percent in October, while 22 percent said they would reduce the number of employees.

"C.E.O.'s believe that the U.S. economy is on course for continued steady improvement," said Henry A. McKinnell, chairman of the Business Roundtable and chief executive of Pfizer, the drug company.

A separate survey of midlevel managers in the service sector and a Federal Reserve report on regional economic conditions, both released yesterday, suggested that employment had continued to grow slowly in recent weeks.

Dr. McKinnell said that he still did not expect job growth this year to reach the levels of past recoveries, largely because companies have become more efficient and can produce more goods with fewer hands. Asked whether he expected the economy to add 200,000 to 300,000 jobs a month, as it did through parts of the 1980's and 1990's, Dr. McKinnell said, "We're not quite that bullish at this point."

He added: "But we're headed in that direction."

The survey of purchasing managers at service companies suggested that economic growth remained healthy but that companies were still not adding large numbers of workers. The Institute of Supply Management's index of economic activity in the service sector fell to 60.8 in February, from 65.7 in January. The employment index for the sector dropped slightly, to 52.7 from 53.4.

A reading above 50 suggests growth.

"February was a month of growth, but just not the same pace as we had seen in the month of January," said Drew T. Matus, an economist at Lehman Brothers. "This is still a strong number."

The Fed, in its regular review of regional economies, known as the beige book, said that employment grew slowly in January and February and that salaries "increased slightly." The economy continued to grow across the country and appeared to be accelerating in the West, the Southwest and New York State, according to the report.

The Fed also said that retail prices were stable or rising slowly, while prices for industrial items like iron ore increased more rapidly. Most investors expect that inflation will remain low in the coming months and that the Fed will wait until the summer to raise its benchmark short-term interest rate.

The new signs of the economy's continued growth helped lift the dollar to a three-month high against the euro. The Standard & Poor's 500-stock index rose slightly, closing at 1,151.03, up 1.93 points.

The economic growth, however, has done relatively little to improve the labor market. From July of last year to January, even as the economy was growing at a healthy pace, it added just 57,000 jobs a month, far too few to keep up with population growth.

Economists expect the Labor Department to report tomorrow that around 125,000 to 150,000 jobs were created in February, which would be the biggest gain since late 2000.

The outsourcing of American jobs to lower-wage countries has become a hot topic in the presidential campaign and the media, but most economists say that the productivity gains are the main cause of the weak job growth.

Dr. McKinnell echoed that argument yesterday, calling outsourcing "a fact of life" and noting that the pharmaceutical industry has actually brought a large number of research jobs into the United States from other countries in recent years. His concern, he said, was that American elementary and high schools were not strong enough to produce workers for high-skill, high-wage jobs.

"Some of these jobs are going abroad for cost reasons," he said. "Others are going for capability reasons."

In the Business Roundtable survey, 88 percent of the executives said they expected their sales to increase in the next six months, down from 93 percent in December. Only 1 percent—or one executive—expected a drop.

Of the group's 150 members, 122 completed the survey, the group said. The survey was first conducted in late 2002 and until this month the number of executives

planning job cuts had always outnumbered those expecting to increase their payrolls.

Over the next six months, 43 percent of the executives plan to increase their spending on new plants, equipment and software, and 50 percent said their investment would not change.

The executives expect the economy to grow 3.7 percent this year; Wall Street forecasters are more optimistic, predicting about 4.5 percent growth on average. Since the economy began to slow in 2000, executives have generally been less optimistic, and more prescient, than professional economists.

#### **Manufacturing Grew in Most Areas**

A roundup of regional economic conditions in recent months for the Federal Reserve's 12 districts, according to the beige book report issued by the Fed yesterday.

Minneapolis—"Firm" economic growth was led by increases in residential real estate, consumer spending and manufacturing.

San Francisco (Includes Alaska and Hawaii)—Economic growth continued to expand with improvements in manufacturing and a fast pace in housing construction.

Chicago—The region's economy "picked up somewhat," with increases in manufacturing.

St. Louis—Economic activity expanded slowly. Manufacturing and service sectors reported improvement. Retail and auto sales declined.

Kansas City, Mo.—Retail sales and manufacturing improved. Housing and energy sectors "maintained a brisk pace." Labor markets remained sluggish.

Dallas—Manufacturing and retail sales increased. Energy prices rose, causing a rise in other prices.

Cleveland—The region's economy improved slowly. Industrial production increased from a year earlier, with a surge in demand for steel.

Boston—Manufacturers reported stabilized or increased revenues. Commercial real estate has weakened in Boston.

New York—Economic activity was "increasingly robust" with strong retail sales and improved labor markets.

Philadelphia—Manufacturers reported gains in business and expect improvements. Retail and auto sales increased from a year earlier.

Richmond, Va.—The region's economy showed signs of growth. Manufacturing grew. Farming was slowed by severe winter weather.

Atlanta—Commercial real estate improved, housing remained strong and retail sales met economic forecasts.

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Jobs are created after there is some optimism. A year ago, the Dow Jones Industrial was 7,250. Today, we stand at 10,595. The Nasdaq is over 2,000—well over 2,000.

The fundamentals are in place for job opportunities and growth, and we finally start seeing the economy starting to click, and it is proclaimed here on the papers of the New York Times about jobs hiring. Manufacturing orders will start increasing. Representative Jerry Weller and others who have sponsored tax reductions for deployment of capital in industries thank you for looking into the union issues so that they comply with the laws of this Nation. There are hundreds of thousands of good, hardworking union members that should expect to see their pensions solvent, but nobody wants to talk about that because that is absolutely sacrosanct. You cannot talk about union pensions.

They want to make charges against corporate America. Let us look at all of the books of all of these unions, and of chief executives, and of corporations to make sure the hardworking people that worked 40 years in the steel industry have a pension to rely on. That is what you have done, and I am proud of you for it.

Let me stop about One-Stop Service Centers because I have been in several these last couple of weeks. They work. Minority populations largely are in those centers finding jobs, being trained,

being taught to do resumes. The joy in their eyes and faces, as I entered those rooms, looking at a Republican Member of Congress that I am certain they never voted for, saying thank you to the Department of Labor for bringing this job opportunity. Multilingual telling me that this is the first time they have had hope in their life. These are real examples.

Now, they can sit here and pontificate about this gloom and doom, but I see firsthand in my district, in one of the poorest parts of my 16th Congressional District, I have the richest in Jupiter Island, the poorest in Glades County, these people appreciate the work you are doing at the Department of Labor.

Now, again, if this country is going to heal itself and build itself up, we better stop this ranting and raving and start focusing on making this country safer for the worker, more prosperous for the investor, and the President has laid the template down.

Now, I did miss the exchange about off-shore corporations. Did I hear the name Heinz mentioned earlier or was I mistaken? I just want to make sure, as we talk about companies going overseas, we talk about all of them. What we need to do to help those companies is not worry and simply accuse them of being anti-American, we have got to fix the Tax Code so they feel competitive to stay in this country.

There is a reason Daimler-Chrysler is first, Daimler being the first name there business the Europeans have a better advantage taxwise than we in America. Job loss, we can work on that if my colleagues would join in some of the dialogue. We do not have every perfect answer as Republicans, but we are at the table trying to solve these critical problems because every Member of this Committee, including the President, cares about the unemployed worker. Fortunately, for Florida, led by Republican Governor Jeb Bush, our unemployment is the lowest in the Nation because he has been working for entrepreneurial capital, looking to develop better means of infrastructure.

So, I just—I know I didn't ask you a question, and you are probably thankful—

[Laughter.]

My point is, having listened to some of the diatribe today, you deserve better, you have worked hard, you have investigated things most people would never have attempted to take on because of the political ramifications, but you, after all, were looking for that auto-worker who has worked 30 years on an assembly line, you were looking for that janitor that may have been members of a union, and all they want to do is when they go to their mailbox, the check promised by those union leaders would, in fact, be delivered because the solvency of the accounts were made possible due to your leadership.

I guess I yield, Mr. Chairman, as much as I don't want to.

Chairman THOMAS. I thank the gentleman for his comments. The Chair feels compelled, based upon the question from the gentleman from California, to make sure that the record is complete, rather than having an answer provided outside the record when the gentleman from California, Mr. Becerra wished the Chair to cite chapter and verse in writing.

Under the Manual of Rules that the Committee on Ways and Means during the 108th Congress adopted January 29, 2003, the first rule under Part 1 of the Committee is that, "Except as provided in Subdivision B, the rules of the House or the rules of its committees and subcommittees so far as is applicable."

Under the Jefferson Manual Rules of the House, Rule I, Clause 2, states, "The Speaker shall preserve order and decorum." Under the footnotes and the history of the House of Representatives, recognition is within the discretion of the Chair. That is reflected in the Committee on Ways and Means rules under Rule 14, "Questioning of Witnesses." The rule states, "Committee Members may question witnesses only when recognized by the Chairman for that purpose."

Additional parts of the history of Rule I, Clause 2, state, "A Member's comportment may constitute a breach of decorum, even though the content of that Member's speech is not, in itself, unparliamentary." Under this standard, the Chair may deny further recognition to a Member engaged in unparliamentary debate who ignores repeated admonitions by the Chair to proceed in order.

The written testimony of the Committee will be the written response to the gentleman from California.

The Chair wishes to thank the Secretary for her willingness to come before the Committee and to respond. All of us believe that every American who wants a job should have a job, and we are going to do everything within our power to make sure that that situation occurs. Although it has never occurred in human history, we are going to strive to do it under the current Bush Administration and certainly in the second Bush Administration. The hearing stands adjourned.

Ms. CHAO. Thank you very much.

[Whereupon, at 12:18 p.m., the hearing was adjourned.]

[Questions submitted from Representative Camp to Ms. Chao, and her responses follow:]

**Question:** In my district, we know that Electrolux will be closing its doors next year and 2,700 people will be out of work. I don't have to tell you that in Greenville, Michigan where this company is located this action is going to be devastating for the workers, the local community and its economy.

But we also know that in many places communities have pulled together in the face of change and pulled through stronger than before. These are highly skilled and motivated workers, and they would be excellent hires for a new company moving into this area, or for another company already there that is expanding. But that takes understanding what skills will be needed in the future, and retraining these workers to ensure they have what it takes to compete. I would much rather measure our compassion for these hardworking people by how successful we are in helping them find new jobs, rather than how much in unemployment benefits we can promise.

**What can the Department of Labor do to help these workers and this community now, before they are laid off, to find new and hopefully better jobs?**

Answer: Pending the response from the U.S. Department of Labor.

**Question:** Secretary Chao, Michigan, as you know, has a very significant manufacturing presence. One out of every five manufacturing jobs have left the State since 2000. As the old saying goes, an ounce of prevention is worth a pound of cure, and I think we need to start putting this philosophy into action. I would like to take this moment to talk about what can be done *before* we need to provide benefits for displaced workers.



**Are there warning signs that we can identify to become more proactive? How can we in Congress help this 'ounce of prevention is worth a pound of cure' mentality become a road map?**

Answer: Pending the response from the U.S. Department of Labor.

**Question: Madame Secretary, I appreciate your responses to these tough and complex issues. I would like to continue this conversation and meet with you and your staff about what more can be done to help not only these workers but every community dealing with the growing pains of an evolving economy.**

Answer: Pending the response from the U.S. Department of Labor.

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[Submission for the record follows:]

**Statement of Ross Eisenbrey, Economic Policy Institute**

In the face of high unemployment, near-record long-term unemployment, and increasing job losses due to imports and the off-shoring of U.S. jobs, the President's FY 2005 budget request for unemployment insurance, job training, and trade adjustment assistance is plainly inadequate. Despite the growing need for services and income support, the President and Secretary Chao are asking for less and plan to do less for the victims of globalization and failed economic policies.

The merchandise trade deficit—largely because of increasing imports of manufactured goods—reached an all-time record high of \$549 billion in 2003 and continues to worsen. Payroll jobs in January 2004 were 2.3 million below the level in March 2001, the worst downturn in jobs since the data series started in 1939. The tepid economic recovery has left 8.3 million American workers currently unemployed. Many of these individuals are the victims of trade and dislocation who will never get their old jobs back. In fact, more than 1.9 million workers were unemployed for more than six months in 2003. These “long-term unemployed” now make up 22% of the total unemployed, the highest rate of long-term unemployment since 1983. Gross domestic product growth and a rising stock market are not translating into job creation.

Despite these clear signs that the plight of dislocated and trade-impacted workers is getting worse, the President plans to reduce spending on unemployment insurance by \$4 billion, cut spending for the retraining of dislocated workers, and proposes substantial cuts in trade adjustment assistance. Congress should reject this callous treatment of those who are most clearly being failed by the Administration's policies.

**Trade Adjustment Assistance (TAA)**

The TAA program benefits only those workers who lose their jobs because of increasing imports of goods due to U.S. trade agreements with other nations. A petition must be filed with the Department of Labor (DOL), and DOL investigates to determine whether to certify (i.e., approve) the petition and provide benefits to dislocated workers. DOL routinely denies petitions from service and other non-manufacturing industries, even though those jobs have also been lost as a result of international competition. (A February 2004 survey of CEOs conducted by the Business Council found that 54% of the firms had shifted domestic employment abroad in the last year.)

Although the program's design limits its beneficiaries, there are also problems with DOL's administration of TAA. The U.S. Court of International Trade recently reprimanded DOL for “flaws and dysfunctions” in its administration of TAA and noted that DOL's “dereliction of duty” is depriving workers of the aid they need. Most dislocated manufacturing employees get no help from TAA. For example, the U.S. lost more than 500,000 manufacturing jobs in 2003, but only 195,738 workers were certified under the TAA program in FY 2003. While DOL has yet to publish how many certified individuals were actually served under TAA in program year 2003, DOL's program year 2002 numbers (for June 30, 2002 to June 30, 2003) show only 68,568 individuals received services under TAA.

TAA's income support includes 52 weeks at the rate of regular State UI compensation, with the possibility of an additional 26 weeks of income support in the form of basic Trade Readjustment Allowances (TRA) when the worker is enrolled in TAA training or has recently completed TAA training. In addition to income support, some workers receive basic reemployment services, job search allowances, and

training services. Training services, however, are capped at a maximum of \$259 million a year. TAA also provides limited health insurance coverage assistance—a tax credit of up to 65% of the monthly health insurance premium (COBRA) paid by eligible participants. This tax credit has not been sufficient to ensure health care coverage for unemployed workers, because the COBRA premiums, even with the tax credit, are financially out of reach for most unemployed workers. Nationwide, only about 5% of eligible employees have been able to use the tax credit, which should be increased to 90%.

The FY 2005 budget proposes to maintain the same level of funding for TAA training, \$259 million, which is a \$4 million cut in real terms from FY 2004. This cut comes at a time when training money is crucial, the number of TAA beneficiaries is on the rise, and there are not enough training funds to meet the demand. For example, last fall several States ran out of TAA training money before the end of the fiscal year. The FY 2005 budget proposes a total of \$48 million in wage insurance benefits (a \$38 million increase), which pays workers a temporary supplemental income when they take a new job that pays a lower salary than the job they lost. However, the FY 2005 budget proposes a 29% decrease in funding authority for TAA benefits, from \$1.06 billion in FY 2004 to \$750 million in FY 2005. In the past, actual TAA program outlays have been far below TAA budget authority: TAA outlays were less than 60% of the authorized levels in FY 2003 and 2004. For example, in FY 2004 the TAA program had a total budget authority of \$1.338 billion, but outlays only totaled \$770 million. Because of inadequate outreach by the DOL, the full TAA benefit allocation has not reached workers who need the assistance. Instead of improving DOL's outreach and program administration, the President's budget proposes significant cuts to the TAA benefits program. DOL must do a better job of getting TAA benefits into the hands of the workers who need it and should not just restore funding for TAA benefits to the FY 2004 level but increase it.

#### **Dislocated Worker Program**

The dislocated worker program provides skills training and job placement services to workers who have been laid off. Unfortunately, this program has not kept up with the demand for its services. According to recently released program year 2002 figures (for June 30, 2002 to June 30, 2003), only 71,871 individuals received training services (e.g., skills training and retraining, on-the-job training, job readiness training, adult education and literacy) under the dislocated worker program, and 68,181 received only core and intensive services (i.e., assessment, job search, informational services, assessments, some training).

The FY 2005 budget cuts \$79 million in dislocated worker formula grants to States, a 7% decline from FY 2004 levels. These are not the first cuts the Administration has made—the dislocated worker program grant funding to States will have been cut 11% from over \$1.2 billion in FY 2002 to less than \$1.1 billion the FY 2005 proposal. The dislocated worker national reserve program funding has increased 3% from FY 2004 levels, but has been cut by 8% since FY 2002. As a result, the average dislocated worker program expenditure per worker has declined more than \$100 per unemployed worker between FY 2001 (\$274/worker) and the FY 2005 budget proposal (\$167/worker). These cuts come at a time when long-term unemployment is at the highest level in 20 years. Funding for an effective dislocated worker program should be increased, not decreased, when so many Americans are out of work. The dislocated worker program should make these workers whole, by identifying new careers for them, providing the training they need to enter a new field, and helping them secure a new job.

#### **Unemployment Insurance**

Job seekers whose employers have paid FUTA taxes on their behalf may receive unemployment compensation, which typically replaces up to 50% of a worker's salary for up to 26 weeks. In March 2002, Congress enacted the Temporary Extended Unemployment Compensation (TEUC) program to guarantee workers an additional 13 weeks of benefits after their State benefits expired. That program was extended twice, but expired in December 2003. Since then, workers who run out of regular State UI benefits are no longer eligible for the additional 13 weeks of benefits. There is still a vital need for TEUC, given the 1.9 million unemployed who have been out of work for more than six months. With only one job for every three unemployed workers, it is extremely difficult for these workers to find a new job, a fact reflected in the falling index of consumer confidence. Approximately 760,000 workers have exhausted their State UI benefits since December 22, 2003 without receiving any Federal benefit—this is an all-time record. The House passed a measure to extend TEUC in early February, and a recent Senate measure was supported by a bipartisan majority. It is time for the Administration to show real compassion and

leadership by supporting a six month extension of TEUC benefits, making it retroactive to December 2003.

#### **The Administration's Legislative Priorities**

Many of the Bush Administration's legislative priorities are poorly chosen. Some examples include:

- **Block granting existing programs.** The FY 2005 Budget seeks to consolidate four existing employment training programs (WIA adult program, WIA dislocated worker program, Employment Service State grants, and reemployment service State grants) into a single, large block grant. The Senate previously rejected such a measure. Eliminating a program targeted at the needs of dislocated workers reduces even further the likelihood that their needs will be met.
- **Employment services.** The Budget cuts \$56 million (12%) in State Employment Service grants, from \$787 million in FY 2004 to \$696 million in FY 2005. The budget zeroes out all funding for Employment Service reemployment grants that were funded at \$35 million in FY 2004. Given the large number of unemployed workers and the inadequate number of jobs being created, this is not the time to cut Employment Services.
- **New programs in FY 2005.** The President's budget also includes funding for two entirely new programs—Community Based Job Training Grants and a pilot demonstration for Personal Re-Employment Accounts (PRA)—which make up its “Jobs for the 21st Century” plan. The job training component consists of a community college grant program based on partnerships with industries. This program is so poorly funded (\$250 million) it is insufficient to compensate for cuts to community college training programs in other parts of the FY 2005 education budget. The PRA initiative is a pilot project funded at \$50 million that would provide \$3,000 to individuals likely to exhaust their UI benefits so as to help them purchase employment services (e.g., training), child care, and transportation. Under the PRA initiative, workers would actually qualify for *less* funding than they would under WIA or TAA, and acceptance of a PRA disqualifies them from WIA intensive or training services for one year or more. There is, moreover, little empirical evidence that such cash incentives help the long-term unemployed find work. In fact, **reemployment bonuses have been particularly ineffective when given to displaced workers and others who are structurally unemployed. Finally, PRAs are not a viable alternative to extending unemployment insurance for the long-term unemployed and should not be used as such.**

#### **Conclusion**

The President's budget grossly underfunds the essential Federal programs that provide a safety net for workers dislocated by trade, structural changes in the economy and off-shoring. Congress must act to protect the future of these workers and their families.

