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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 20, 1997

REMARKS BY THE PRESIDENT
TO THE UNITED AUTO WORKERS SPRING CONFERENCE

The Washington Hilton

6:50 P.M. EDT

THE PRESIDENT: Thank you. (Applause.)

Q We love you, man.

THE PRESIDENT: Thank you. I love you, too. And I appreciate you.

President Yokich, Secretary Treasurer Wyse, to the officers and the ladies and gentlemen of the United Auto Workers: I came here more than anything else to say two things -- number one, thank you very much for helping me and the Vice President become the first Democratic ticket to be reelected in 60 years. Thank you very much. Thank you. (Applause.) The second thing I came here to say is that if we do the right things, we can build that bridge to the 21st century together.

You know, we've had a lot of monumental fights in Washington in the last four years. That's not all bad and it was to be expected. You have lived through in the last few years the biggest economic change to occur in the United States and in the world since the global Depression of the 1920s and the 1930s. And this one, thank goodness, has not let to global depression, but you know how much things are changing.

And when I became President there were a lot of assumptions here in Washington that had come to dominate our country's thinking and politics, during the years when the presidents of the other party dominated the White House. People believed that you could talk about the deficit, but you didn't really have to do anything about it; that if there was anything done to help labor it was, by definition, bad for business. People believed that government was always the enemy. And they believed that the only kind of tax cuts that were any good were ones that cut taxes on the very wealthiest Americans because they would somehow benefit everyone else by trickling down.

I came here believing we could balance the budget in a way that as fair to all Americans, get interest rates down and help grow the economy, which would help people who have capital and invested, but it would also help to lower car payments and home mortgages and college loan payments and make this country strong in the world again. I came here believing that the only long-term way to strengthen the American economy was to build the middle class, and that meant we had to be pro-worker and pro-business and we could do both. (Applause.)

I came here believing that in a country that now has only about four percent of the world's population, if we want to continue to enjoy about 20 percent of the world's wealth we're going to have to get some other people to buy our goods, but we could only have free trade if it was also fair trade. And we have 200 separate

trade agreements to show for our efforts in that in the last four years. All of these things you helped to make possible.

And if you think about the debates going on in Washington today -- if you think about the fights we had in '95 and '96, which the American people were heard loud and clear on -- they said, we don't believe the government is always the enemy. They said, we do think we have a responsibility to protect education and the environment and the integrity of our health care programs. They said, you can balance the budget without hurting ordinary Americans or trampling on the poor.

And I think that message is out there. I agree with President Yokich; you came about 10,000 votes short of having our party win the House of Representatives again because they outspent us 4, 5 or 6 to 1 the last 10 days. But we did a pretty good job. And, by the way, I'm proud of the fact that you invested in our campaigns and helped us and fought for us and stood up for us and stood with us. (Applause.)

You hear all this talking today, people forgot what was at stake there. In 1993 when we passed that economic plan our opponents said it was the end of civilization as we know it. Remember all the things they said? Unemployment will go up, the deficit will go up, the world's just going to go to pieces in America because of the President's economic plan.

Well, in four years this country produced over 11.5 million new jobs for the first time in any presidential term. They were wrong and you were right. (Applause.) You were right -- 107,000 of them were in the auto industry. Unemployment now is down to 5.2 percent, a nine-year low. (Applause.) In 1995, average wages started to rise again for the first time in 20 years. And last year over half of the new jobs were in higher-wage categories, in dramatic contrast to most of the new jobs we got in the years before we took office. We are moving in the right direction. You have supported the right policies. You should be proud of it and you should make sure the American people know it. (Applause.)

In 1992, the year before I took office, Japan produced 28 percent more autos than American workers. By 1994, America had passed Japan for the first time since 1979 -- and you're still ahead of them. And I'm proud of you. (Applause.) In 1995, we finally got an auto agreement. And I'm proud to report that last year, in the first full year of that agreement, American auto sales went up by 34 percent in Japan, European sales went up by 10 percent; overall car sales only went up by three percent. If you give people the chance to buy American, even in Japan, they will buy American because you're putting out the finest cars in the world today. (Applause.)

Auto parts sales went up 20 percent last year. They're now double what they were in 1992 in Japan. We have a long way to go and we made that clear yesterday and we intend to keep working. But it makes the point I want to make: If we can open these markets to American products, the American people paid the price and you paid the price in the tough and difficult years of the 1980s and the early 1990s to dramatically increase quality and productivity. And you deserve the chance to sell your products anywhere in the world, and if you can you're going to do very well. (Applause.)

Over 4 million more Americans own their own home. More than 10 million Americans have refinanced their homes with lower interest rates. The welfare rolls in four years dropped a record 2.8 million. We moved more people from welfare to work in the last four years than went on welfare in the first 25 years of the program. Don't tell me we can't reform the welfare system; we can -- we can move people from welfare to work if we do it right. (Applause.)

And that is just the beginning. We have got to do more. And as I said, I never believed that being pro-growth, pro-private sector and pro-business meant being anything other than pro-worker, pro-union and pro-family. (Applause.) I believe they are consistent and I believe that the record proves that when we work together and when we're fair to everybody we produce more, people feel better and they're more productive. And I think it's time that everybody understood that we don't want to be a hard-work, low-wage economy; we want to be a hard-work, smart-work, high-wage economy in which we all work together. (Applause.)

That's why I worked with you to defeat attempts to repeal the prevailing wage laws, to bring back company unions, to weaken work place health and safety laws. That's why I fought for a tax cut that used to be supported also by members of the other party -- the earned income tax credit. Since 1993, we've ratcheted up now so that the average family of four with an income of $30,000 or less and two kids in the home has $1,000 lower tax bill than they did four years ago. Now they can go out and buy cars again. I think that's the right sort of tax cut in America, to reward working people, and I think we're stronger because of it. (Applause.)

And I thank you for your support for the minimum wage increase. No person who works 40 hours a week in a country that preaches that people who are welfare ought to go to work should live in poverty when they're working full-time and trying to support their children. And we don't have to tolerate it. (Applause.)

On July 1st, the historic legislation you helped to enact to make sure workers don't lose their health insurance if they lose their jobs takes effect. We've made pensions more affordable and we've cracked down on pension fraud and abuse. Today, the fund that guarantees 42 million private sector pensions has saved the pensions of 8.5 million Americans that were in danger when I took office and now has a surplus for the first time in its over 20 year history. We are moving to make work rewarded in this country and get the kind of security and support it deserves. (Applause.)

As Steve said, since I took office I have vetoed every piece of anti-worker legislation that has landed on my desk. And I will continue to do just that. (Applause.) Thank you.

Now, I want to ask you for help on some other things, as well. First of all, I want you to help me get Alexis Herman confirmed as Secretary of Labor. (Applause.) Now, listen to this: she was voted out of the committee unanimously. Every Republican in the committee voted for her. She gets to the floor, we're assured she's going to be brought to a vote, and all of the sudden they decide that maybe they can get me to change some of the executive actions I have taken to try to prevent anti-union activities when it comes to government contracts by saying, we just won't give you a Secretary of Labor. We'll show you we don't agree with what you're doing. You got elected, you have the power to do it, the people voted for you. We voted your nominee out of committee unanimously. Some of her strongest support came from Republicans who knew her well and knew that she was a good and able woman and tried to be fair to business as well as labor. They knew she had a history in the Labor Department, a history of experience and they said, okay, she's qualified; we all voted for her in committee, you won the election, you have the power to do this. But if you do it we might not ever give you a Secretary of Labor.

Now, I don't think that's a very good way to run a railroad. You know, I don't refuse to work with them because they won the election. I know they wouldn't have voted for me, and that goes two ways. (Applause.) The American people made this decision. They put us both in the boat and they told us to row, and we've got

to figure out how to get the oars going in the same direction. That's what we've got to do. (Applause.)

And we're working hard to do that. We're working hard on this Chemical Weapons treaty to try to reduce the danger of chemical warfare to our soldiers. Every chairman of the Joint Chiefs of Staff in our major military organizations have endorsed this -- every chairman of the Joint Chiefs of Staff since President Carter's administration. And we're going to have to do it together. We'll never get a balanced budget unless we do it together.

Now, this is something we have to do together. And I'd like to say to them and to say to you, if they think I'm wrong about something I've done we ought to sit down and talk about it. But we've got a qualified person and Labor has been out a Secretary too long -- let's have a Secretary of Labor and confirm Alexis Herman. And I ask for your help to do it. (Applause.)

Twelve million people have taken advantage of the Family and Medical Leave law since I signed it in 1993 -- the first bill I signed. Many people who have good jobs have family and medical leave through their contracts. But a lot of people don't. And we've proved now that if you help people succeed at home, so they're not worried sick at work about their children or their parents, you let them take a little time off for that, actually workplace performance goes up. We haven't lost jobs or lost small businesses since the Family and Medical Leave law came into effect. In fact, we've had a record number of new businesses started in every single year I've been President.

That's why I want to expand the Family and Medical Leave law, to give people a little time off every year to go to regular doctor's appointments with their children and with their parents if they're sick, or to go to regular parent-teachers conferences at the school. We've got to have the parents if we're going to improve the quality of education and I think it will be a good thing to do. (Applause.)

I also would like to say to you that we have more work to do on this budget. Now, in the last four years -- when I came here people laughed at me when I said we could reduce the deficit and increase our investment in education, in medical research, in technology, in fighting crime and in our future. Well, now we've got four years of declining welfare rolls, four years of declining crime rates. Every expert in America now admits we were right when they fought us in trying to put 100,000 more police on the street. We know we can do this.

But we also see that people are saying, well, maybe this recovery can't go on, maybe interest rates are going up, maybe if they don't, inflation will come back. You've seen all this. We need to go on and balance this budget to keep this recovery going. That will remove any question about inflation coming back in the economy and will keep interest rates down. It will make cars more affordable here and abroad. It will keep UAW members working, it will keep America strong. But we have got to do it in a way that protects the integrity of the things we fought two long years for in 1995 and 1996 -- for education, for the environment, for the integrity of these health programs. We have got to do that.

This balanced budget of mine does exactly that. It provides tax cuts for education and health care, to help raise a child and buy and sell a home. It protects Medicare and Medicaid, but adds a lot of years to the Medicare trust fund. It is something that I'm very proud of in terms of what it does for medical research and for protecting the environment. And it is also very, very good for education. If you look at the future, we know that we have got to improve the performance of our schools if we want all of our

children to have good jobs with growing incomes. We know that. (Applause.) We know that most of this has to be done at the local level with support from the states, but we know the national level and we in the national government have a responsibility as well.

My budget makes an unprecedented commitment of $51 billion to make sure that by the year 2000 every 8-year-old will be able to read on his or her own, every 12-year-old can log on to the Internet, every 18-year-old can go on to college, and every adult can continue to learn for a lifetime and get the skills necessary to get good jobs. (Applause.)

I've laid out a 10-point plan for education, I just want to mention three to you. Number one, we have got to quit hiding behind the idea that we have local control of our schools and using that for an excuse not to have national standards in education. All of our competitors have national standards in education. (Applause.) And I am not talking about federal government standards, I'm talking about national standards. But I have challenged all the states to meet them and to give all of our children a test in reading at the 4th grade level and a test in math at the 8th grade level by 1999. And I hope you will support me in that wherever you come from in every state in America. It is the right and moral thing to do for our country. (Applause.)

We ought to open the doors of college to everybody who's prepared to work for it. I want to give a $1,500 tax credit, modeled on the HOPE Scholarship in Georgia, America's HOPE Scholarship. That's about what it costs at any community college in the country. I want to give it for two years to open the doors of college for at least two more years to make them just as universal as a high school diploma is today by the year 2000. And we can do that. (Applause.) I think we ought to give people a $10,000 tax deduction for the cost of any college tuition after high school, any higher education. It will help a lot of people in this room, I would imagine. (Applause.)

And because we can never forget the people who don't make enough money to take tax deductions, I've also proposed the biggest increase in the Pell Grant scholarships for needy students in 20 years, so we can all have the chance to go on. The average age of people in college is going up steadily every year. It will continue to go up. You probably all know friends of yours in their 30s, in their 40s, maybe in their 50s, who had to go back and get retrained. And we ought to have a system that makes it possible for every American who wants to work, who's willing to work, who needs an education to get it for a lifetime. It is simple and it is good for the American economy. We ought to do it. (Applause.)

The last thing I want to say about that is, I've been trying for four years through Democratic and Republican Congresses to get the Congress to adopt my G.I. Bill for America's Workers. And I know there have been a lot of questions about it. Essentially, what I want to do is take 70 separate training programs, put them in a grant and just give a chit, give a skills grant to people who are unemployed or underemployed, and say, you take it to the place nearest you which will be most likely to get you a job. Almost every American is within driving distance of a community college. This would include union-sponsored training programs, anything else, just whatever is necessary and whatever is most handy to get a job -- the G.I. Bill for America's Workers.

I think we've wasted a lot of money on intermediaries and government employees. We've got all this money here, give it to the people who are unemployed and you can go after them, everybody else can who wants to train them. But I believe a G.I. bill for people. I think most people have enough sense to figure out on their own in their own communities what would be most likely to put them

back in the work force at a higher wage. And I hope you'll help me pass the G.I. Bill for America's Workers. (Applause.)

And just because we got beat on our attempt to say that everybody in America who works for a living and all their children ought to have access to health care, I hope you won't quit trying to expand health care access to the American people who need it. (Applause.) Thank you.

I have proposed new legislation to crack down on Medicare fraud. I've appointed a new commission on health care quality to make sure that the lower costs of today's managed plans doesn't dilute the quality of them. We've moved to help fight breast cancer by making women 40 and over eligible for mammograms who are covered by federal programs, which I think is important. (Applause.)

In my balanced budget plan we are moving to try to stop the sort of drive-by mastectomies, where women with breast cancer are basically operated on and put out of the hospital in a matter of a few hours. We are moving to cover respite care for Alzheimer's victims, because there are so many families who care for a family member with Alzheimer's. And having lost an aunt and an uncle to Alzheimer's, I know it's a seven day a week, 24 hour a day job. We can actually save a lot of money over the long run if we help give those families a little help for respite care if they're willing to take care of those folks in their homes. It's so much less expensive and if families want to do it we ought to help cut them a little slack, I think. (Applause.)

We also want to give people access to health insurance when they temporarily are between jobs or lose their jobs. We want to make it easier for them, affordable for them to keep their health insurance. Nearly half of the children who lose their insurance do so because their parents lose or change a job. And my budget would provide coverage for up to half of the 10 million children today who do not have health insurance. I think it's very important to do more to try to cover children and to cover people who are between jobs. (Applause.)

Well, these are just a few of the things that I could be talking to you about tonight. They are big things. This will affect the way people live for generations to come. And while you're here, I want to ask you to think about that. We've had a lot of fun tonight. We've cheered and we're glad we won the election -- sorry we lost a few Congress seats. We're proud of the fights we fought and we're awfully glad America is in better shape than it was four years ago. (Applause.) But what I want you to think about it is what kind of America have you worked all your life for. What do you want this country to look like in 20 years, 25 years, when your children are your age, when your grandchildren are your age. I think about it every day. Every day.

When I look at these kids out in this audience I know if we do the right things they will have more chances to live out their dreams than any generation of Americans. That's the first thing I want. (Applause.) The second thing I want is for America to be the world's leading force for peace and freedom and prosperity a generation from now, just like it is today, because I know the whole world will be better off if that is the case. And the third thing I want, that I see as I look at all of you from your different backgrounds, is I want us to be one America. (Applause.)

We're going to become more and more diverse racially, ethnically, religiously. If we can keep the Democratic culture the values of America, if we can overcome our own prejudices and fears, if we can learn to respect each other's differences and enjoy our own difference, but be bound together by what unites us, then in a world that is every day consumed by the problems of the Middle East or

Africa or Northern Ireland or Bosnia, America will surely be the light of the world. (Applause.) And the labor movement has always stood for the proposition that anybody that was willing to work hard for a living ought to be given a fair chance to make it in the United States of America. Always. (Applause.)

I love being with you. I'm very grateful. I'm glad you reelected me. I'm having a good time, limp and all. (Laughter.) But, remember, you can't stop thinking about what you want it to be like in a generation, because the world is changing in profound and fast ways. And we have to do a good job now and a good job for all these children who are here. I think we're going to do it, together. Thank you. God bless you.

END 7:19 P.M. EDT

URGENT ALERT! URGENT ALERT! URGENT ALERT!

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

Memorandum

To: Interested Women's Organizations

From: Nancy Zirkin, Director of Government Relations

Date: April 24, 1997

Subject: Alexis Herman Nomination

Alexis Herman's confirmation as Secretary of Labor is being held hostage over a labor issue[1] unrelated to her and which leaders of the Senate have known about for months. This last-minute delay follows an extraordinarily long process which resulted in unanimous approval of Ms. Herman's nomination by the Senate Labor and Human Resources Committee and a promise by Senator Lott to bring the committee's recommendation to the floor in April. The time has come to end the egregious delaying actions of a few Senators, and to allow the Senate to vote to confirm Ms. Herman as Secretary of Labor.

We must not allow this obstruction to continue. **It is imperative that groups support Ms. Herman's nomination by contacting the following Senators immediately**: Senators on the Labor and Human Resources Committee: James Jeffords (Chairman, R-VT), Dan Coats (R-IN), Judd Gregg (R-NH), Bill Frist (R-TN), Mike DeWine (R-OH), Michael Enzi (R-WT), Tim Hutchison (R-AR) Susan Collins (R-ME), John Warner (R-VA), and Mitch McConnell (R-KY); and Senators Trent Lott (R-MS), Don Nickles (R-OK), and Rick Santorum (R-PA). The attached list will provide you with addresses and phone numbers. Please contact me at 202/785-7720 should you have any questions.

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1 A number of worker rights initiatives were announced by the administration in February. Reforms in federal procurement rules would, for the first time, explicitly include employment practices in the review of a company's fitness for federal contracts and prohibit use of tax payer financing for employer attempts to prevent their workers from organizing into unions. Another initiative would encourage--not mandate-- project labor agreements, where appropriate, in federal construction projects. The Republican governors in New York and New Jersey have recently entered into such arrangements for large state construction projects.

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The Honorable Judd Gregg
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COMMITTEES:
WAYS AND MEANS
VICE CHAIRPERSON, BUSINESS AND LABOR
INDUSTRIAL DEVELOPMENT
AND ECONOMIC GROWTH
LOCAL LEGISLATION NO. 3

MEMORANDUM

TO: The Honorable Bill Clinton, President

FROM: Representative Yvonne Kennedy

DATE: March 14, 1997

RE: RESOLUTION URGING CONFIRMATION OF ALEXIS M. HERMAN

As sponsor of House Joint Resolution 175, I am delighted to transmit to you herewith your personal copy of the Resolution, as passed by the House of Representatives and the Senate of the Alabama Legislature. As you will note, in summary, the enclosed Resolution urges your confirmation of the highly qualified Alexis M. Herman, a native of Mobile, Alabama, as United States Secretary of Labor.

May I thank you for your nomination and unwavering support of Alexis M. Herman as United States Secretary of Labor.

Best Wishes!

Yvonne Kennedy

pc: Alexis M. Herman

Enclosure (1)

Mr. President
I'm so sorry about your
accident. YK

State of Alabama

House of Representatives

MONTGOMERY, ALABAMA

Resolution

HJR 175

By Representatives Kennedy, Hall (L), Holmes, Knight (J), Graham, Boyd, Box, Buskey, Clark (W), Mitchell, Thomas (J), McClammy, Melton, Hilliard, Sprati, Houston, Rogers (J), Minnifield, Perdue, Johnson (E), Newton (D), Maull, Hayden, Bandy, Jackson, Black (L), Baker, Morrison, Lindsey and Burke

URGING CONFIRMATION OF ALEXIS HERMAN AS UNITED STATES SECRETARY OF LABOR

WHEREAS, President Clinton has nominated the highly qualified Mobile native Alexis Herman as United States Secretary of Labor; and

WHEREAS, following her graduation from Xavier University in 1969, Ms. Herman began her distinguished career with Catholic Social Services, where she tutored and trained unskilled young men from a Mobile housing project, and working with the AFL-CIO, helped them secure employment at Ingalls Shipyard in nearby Pascagoula, Mississippi; and

WHEREAS, her successes within Catholic Social Services led, in 1972, to her appointment to operate the Atlanta office of the Black Women's Employment Program, supported by grants from the U.S. Labor Department and the Ford Foundation, under the auspices of the Southern Regional Council, where she developed expertise in identifying and recruiting talented Black women for employment in management positions for major corporations such as Coca-Cola and Delta Airlines; and

WHEREAS, her career in the field of labor relations, particularly in the area of employment opportunities for minority women, took a major step forward in 1977, when President Carter's U.S. Secretary of Labor, Ray Marshall, tapped the then 29-year old for the position of Director of the Women's Bureau of the Labor Department, where she concentrated on issues such as bringing displaced homemakers into the workforce, providing job placement for disadvantaged minorities, and co-chairing a Presidential Task Force on Promoting Business Ownership By Women; and

WHEREAS, as president of her consulting firm, A.M. Herman and Associates, she pioneered as a minority business woman in obtaining as her clients several Fortune 500 companies, such as Proctor and Gamble; and

WHEREAS, following her service as Deputy Chair and Chief of Staff of the Democratic National Convention under DNC Chair Ron Brown, Ms. Herman served in the highly responsible position as Director of the Office of Public Liaison during President Clinton's first term of office; now therefore

BE IT RESOLVED BY THE LEGISLATURE OF ALABAMA, BOTH HOUSES THEREOF CONCURRING, That we hereby urge the United States Senate to confirm the nomination of Alexis Herman as U.S. Secretary of Labor.

RESOLVED FURTHER, That a copy of this resolution be forwarded to the President of the United States, U.S. Senators Richard Shelby and Jeff Sessions, the House Members of the Alabama Congressional Delegation, the U.S. Senate Committee on Labor and Human Resources, and the U.S. Senate for their consideration and action.

IN WITNESS WHEREOF, I have hereunto set my hand and have caused the GREAT SEAL of the State of Alabama to be affixed by the Secretary of State at the Capitol in the City of Montgomery on this the 12th day of March, 1997.

GOVERNOR

Jim Bennett

Secretary of State

MEMORANDUM FOR ERSKINE BOWLES

February 20, 1997

MEETING WITH ALEXIS HERMAN SUPPORTERS

DATE:	February 21, 1997
LOCATION:	The Indian Treaty Room
TIME:	9:30 a.m. - 10:30 a.m.
FROM:	Todd Stern

I. PURPOSE

To provide an update on the status of the nomination of Alexis Herman as Secretary of Labor and to reassure supportive national organizations of the President's commitment to this nomination and personal support for Alexis.

II. BACKGROUND

Seventy-five to eighty representatives of African American groups, women's groups, business and labor are planning to attend. As the result of the many press leaks against Alexis, and the unfortunate recent stories in the *New York Times* (2/19) and *USA Today* -- which quoted a Jeffords spokesman saying that Jeffords has had no pressure for a hearing from the White House or Senator Kennedy (2/20) -- there is a lot of concern about the nomination and the seriousness of our effort to get her confirmed. The object of this meeting is to demonstrate top-level White House engagement, to assure people that there is and has been from the start a full-tilt effort to get this done, and to listen to people's concerns. The purpose is *not* to tell these groups what to do or not to do. That decision is up to them.

III. PARTICIPANTS

Erskine Bowles
John Podesta
Alexis Herman
Todd Stern
Tracey Thornton
Mark Childress, Aide to Senator Kennedy
See attached list of supporters

IV. PRESS PLAN

Closed press.

V. SEQUENCE OF EVENTS

Welcome and Introduction	Todd Stern
Brief Remarks	Alexis Herman
Brief Remarks	Erskine Bowles
Congressional Update	Tracey Thornton, Mark Childress
Response to Charges	Todd Stern
Brief Remarks	John Podesta
Q&A	Todd Stern and others as appropriate

VI. REMARKS

See attached talking points.

Talking Points for Meeting with Groups Supporting Alexis Herman

- **Thank you.** Thank you all for coming on short notice. We greatly appreciate your support for this nomination. This is a matter of great importance to the President and he asked me to come here this morning to convey that message to you. It is also a matter of great importance to me personally.

- **A wonderful nominee.** I know you don't need me to restate the obvious, but let me just restate my own belief that Alexis is an outstanding nominee and will make a wonderful Secretary of Labor.

  This is a special person who grew up poor in the segregated South and made something of herself through talent, energy and a commitment to an issue that is still at the top of our agenda today -- helping people to help themselves through employment and training.

  She has great experience, great ability, and a rare gift for bringing people together and working with folks on all sides of an issue.

  The President said in his comments yesterday that he wasn't sure whether there was ever someone nominated for this position who enjoyed such wide support from both labor and business, and that is a true testament to her talent.

- **White House commitment and effort.** Now let me tell you all so there can be no doubt: this President and this White House are completely committed to this nomination and we are going to see it through and we are going to prevail.

  From the start, we have had an intensive effort going and that will continue. I know the things that we are doing here are not always visible from the outside, but make no mistake, this is a full-tilt effort.

  -- We have been working hard to beat back the steady stream of charges that have been paraded in the press.

  -- We have been working on the Hill, where Alexis has had a very good series of meetings with all Republicans on the Committee.

  -- We have been working to get positive pieces in the press -- an effort which has not born as much fruit yet as we'd like, but which is continuing in an intensive manner.

  -- We have been working with her on substantive issues of labor policy in preparation for her hearing.

  -- And let me also say that Senator Kennedy and his staff have been working at full throttle on this too.

- **President's personal engagement.** The President has been personally engaged on this, monitoring it closely and talking to key Senators. (E.g., Lott and Kennedy.) *Yesterday, he spoke publicly and forcefully, calling on Senator Jeffords to give Alexis the hearing she deserves.*

- **Erskine personal engagement.** I should tell you that I also spoke with Senator Jeffords yesterday, and urged him in no uncertain terms to get on with it. I told him that I understand that he has questions he wants resolved, but that that's what a hearing is for, but that there is no excuse for further delay.

  I have also been making a number of other calls to key persons, in consultation with Alexis.

- I do believe that a hearing date will be set in the near future. And I am completely confident that when Alexis has her day before the Senate, she will shine and will be confirmed overwhelmingly.

- Again, thank you for coming. Let's stay together, work together, and get this done.

LIST OF ATTENDEES

Wilma Roscoe
NAFEO

Wade Henderson
Leadership Conference on Civil Rights

Dorothy Height
National Council of Negro Women

Ralph Johnson
Alpha Phi Alpha Fraternity

Jena Roscoe
A. Philip Randolph Institue

Jim Wilson
Blacks in Government

Will Duncan
Coalition of Black Trade Unionists

Gloria Adams
Black Womens Agenda

Mary Ivey
National Organization of Minority Political Women

John Crump
National Bar Association

Samuel Carradine
National Association of Minority Contractors

Wilhelmina Goff
Delta Sigma Theta Sorority

Robert McAlpine
National Urban League

Camilla McGhee
Executive Leadership Council

Deborah Price
Conference of Minority Transportation Officials

Eleanor Holmes-Norton

Joseph Lee
Congressional Black Caucus

C. Delores Tucker
Bethune-Dubois Fund

Alexandria Jackson
YWCA

Elaine Jones
NAACP - Legal Defense Fund

Eleanor Smeal
Feminist Majority Foundation

Anita Perez Ferguson
Coalition for Women's Appointments

Marcia Greenberger
National Women's Law Center

Cynthia J. Grady
Business and Professional Women/USA

Jane Tobler
Business and Professional Women/USA

Millicent Gorham
Black Nurses Association

Cora Masters-Barry

Judith Lichtman
Women's Legal Defense Fund

Becky Cain
League of Women Voters

Terri Dickerson
American Women in Radio and Television

Sammie Moshenberg
National Council of Jewish Women

Jill Miller Godoff
Women Work

Lina Frescas Dobbs
Wider Opportunities for Women

Julianne Malveaux
National Association of Negro Business and Professional Women's Clubs

Susan Bianchi Sands
National Committee on Pay Equity

Myra Lenard
Polish American Congress

Fred Rotondaro
National Italian American Foundation

Jim Zogby
Arab American Institute

Bob Blancato
Italian American Democratic Leadership Council

Michael Farren
Xerox

Michael McShane
TRW

Robert Diamond
Whitton & Diamond

Jonathan Sallet
MCI

John Satagaj
Small Business Legislative Council

Bill Sweeney
EDS

Anne Wexler
The Wexler Group

Carol Wilner
AT&T

Father Robert Brooks
The Episcopal Church

James Dunn
Baptist Joint Committee

Sister Catherine Pinkerton
Catholic NETWORK

Kathy Thorton
Catholic NETWORK

Mary Cooper
National Council of Churches

Enid Doggett
The Kamper Group

Donna Brazile
Office of Delegate Eleanor Holmes Norton

Emilie Heller
US General Accounting Office

Eamon Kelly
Tulane University

William Lynch
MacAndrews and Forbes Holdings Inc.

Mark Steitz
TSD Inc.

Eula Tate
UAW

Arthur Teele
Metro Dade, Miami, FL

Sabrina Warren
Chapman Co.

Robert Wright
Dimensions International

Eula Tate
UAW

Jane Danowitz
NEA

Edwin Jayne
AFSCME

Karen Tramontano
SEIU

William Hamilton
Teamsters

Timothy Nichols
AFL-CIO

Excerpts from Letters of Support Sent to the Senate Labor and Human Resources Committee on Behalf of Secretary of Labor Designate Alexis M. Herman

Labor and Business

American Federation of Labor and Congress of Industrial Organizations
John Sweeney, President

"Alexis Herman is a wonderful choice for Secretary of Labor, and we look forward to working closely with her to put worker interests at the top of the nation's agenda. Over the years she has had an excellent relationship with many union leaders in addition to myself. I know she is committed to putting together a strong team to work for good jobs, justice and dignity for America's working families."

MCI Communications Corporation
Bert Roberts, Jr., Chairman

"During her tenure as Assistant to the President and Director of the Office of Public Liaison, Alexis served a critical role in enabling open dialogue between the President and the private sector on issues of national policy. The contact that I and my business associates had with Alexis demonstrated to us that she worked intensely both to ensure better understanding by the business community of the President's policies but also to permit the views of business to reach the White House as it considered how best to meet national challenges. That is, in my judgment, a test of leadership: How to conduct an inclusive process that listens to varied opinion and works to build consensus while advancing the President's key goals."

National Education Association
Bob Chase, President

"From her work as a Job Training and Placement Coordinator with Catholic Social Services, to her leadership as Assistant to the President, Ms. Herman has shown her capacity to build coalitions and forge strong partnerships among varied interests, including the labor, business, and education communities. We believe this vision and commitment to consensus-building is essential if we are to adequately prepare both new and seasoned workers for the challenges of the 21st century."

Eastman Kodak Company
George Fisher, Chairman & CEO

"I believe that Ms. Herman is a fair-minded advocate, uniquely qualified to effectively represent the labor constituency. At the same time, I know that she also has the broader perspective on labor matters to understand and assist business' need for an educated, highly skilled and appropriately compensated workforce. Her background and experience will enable her to support policies that will be favorable to workers who want to help American businesses compete successfully at home and abroad."

Service Employees International Union
Andrew Stern, International President

"[But] it is not Ms. Herman's unswerving advocacy of employment rights for all workers alone that qualifies her for this crucial nomination. It is her ability, proven over a lifetime, to face the most difficult challenges and to translate abstract theories into working programs for real people. Ms. Herman is a coalition-builder. She has proven herself able to work with organized labor, business, government, and workers from every background to produce unique solutions for the most difficult problems. SEIU believes that America stands today at a crossroads crucial to the future of our economy and our nation. We believe that Ms. Herman is the person for these times."

Small Business Legislative Council
John Satagaj, President

"Based on her exceptional performance, we have every confidence that Alexis will bring that competence and fairness to the Department of Labor. I think you will find many others in the business community who share this view of Alexis' performance in the Public Liaison office."

Procter & Gamble
R.L. Wehling, Senior Vice President

"Over a period of several years beginning in the mid-1980's, A.M. Herman & Associates provided overall consulting services focusing on the areas of diversity, employee development and retention, and leadership development. Their work was very well received, and key elements of it continue to be an important part of our Company's operation. Ms. Herman commanded the respect of upper management and all levels of our management employees in the Product Development, Manufacturing and Engineering Divisions."

American Federation of State, County and Municipal Employees, AFL-CIO
Gerald McEntee, International President

"No one knows better than myself the importance of collaboration and cooperation among workers and their employers as we all wrestle with the challenges of the ever-changing workplace. I believe that Ms. Herman's extraordinary and successful experience in building public awareness and support for the critical public policy issues facing this nation will serve her well as she crafts solutions and charts new directions for our workplaces, bringing together both employees and employers."

Xerox
Paul Allaire, Chairman & CEO

"...She [Ms. Herman] has made certain that all opinions are heard and policy decisions are guided by both fact and wisdom. Alexis' responsiveness and results are that much more remarkable given the many competing constituencies demanding her time and attention. Her ability to find common ground and honestly communicate opposing views and opinions will serve her well as the new Secretary of Labor."

Allied Signal
Larry Bossidy, Chairman & CEO

"...I have had the opportunity to work with Ms. Herman on several occasions during her previous service as Director of Public Liaison for the White House. I am convinced that she would bring to the position an informed grasp of labor policy issues, a skill in making the processes of government work, and a mind that is open to reasonable argument from all sides."

Personal Letters of Support

Patricia Caraher, OP
The Sinsinawa Dominicans, Southern Province

"I have known Ms. Alexis Herman since 1962 when she was a student of mine in high school. We have been friends ever since. During her high school days, it was eminently clear that Alexis was an exceptional leader among her peers. Then, I was in awe of her sense of the whole community, her ability to positively touch the lives of so many people, and her ability to make a difference by energizing a group..."

Rosemary Winder Strange, A.C.S.W., Executive Director
Catholic Charities

"Most notable was Ms. Herman's work with tenants at the Roger Williams Public Housing Project. She negotiated between tenants and the housing authority in efforts to assist the residents to take more responsibility for their grounds, buildings and equipment. When she learned that the Laborers' International Union at Ingall's Shipbuilding, Inc. in Pascagoula, Mississippi was opening up training opportunities for minority youth, she got her clients over there, even though Pascagoula is more than forty miles away. She worked out a transportation plan for the young trainees, none of whom had access to cars. When the youth began earning money at a level which neither they nor their families were accustomed, Ms. Herman initiated sessions on money management for them and their families. At the end of the year there were more youth from Mobile in the Pascagoula training program then were from the office established for that purpose in Pascagoula. The Union was so impressed with Ms. Herman's work and accomplishments, that when they opened an office in Atlanta to assist minority women to enter the trades, they pursued her to direct the project."

Ray Marshall
Former Secretary of Labor, Carter Administration

"I followed Ms. Herman's work very carefully and was sufficiently impressed with her managerial skills, intelligence, ability to work with a variety of groups and, above all, her ability to succeed even under adverse conditions, that I selected her to direct the Women's Bureau when I became Secretary of Labor in 1977...Ms. Herman is one of those rare people who has excelled in every position she has had. The words that best describe her are that she gets things done. She is especially good in translating plans and ideas into working programs. She is a tough-minded manager who expects much from those who work with her, but she is able to create harmonious relations between individuals and groups that have not always worked together. She also has strong learning as well as interpersonal skills and is an excellent communicator. She has the highest personal integrity and has been a long-time advocate of both strong families and the need for good employment opportunities for workers, especially those from disadvantaged backgrounds. I have no doubt at all that she will be a superb Secretary of Labor and therefore recommend her very strongly and without reservation."

Aurelia Stanley
Placement, Black Women's Employment Program

"...I recall that Ms. Herman advised me of the wisdom of "getting my foot in the door" first and foremost. From there, she said the rest would be up to me. I took her advice - partly because of the impression she made on me. She was a model of the kind of person I knew would make an impact in this world - one who was competent, confident, and committed. After taking the position at General Motors, my effort to move into the labor relations area which had never employed a female, let alone an African-American female, met with some resistance. Frustrated and disappointed, I sought advice from Ms. Herman and with her guidance and support was successful in becoming that facility's first woman in labor relations. I credit Ms. Herman as being a key factor in my rise to my current position as the top human resources professional in the largest, most respected voluntary health organization in the world, The American Cancer Society, Inc...Her career successes prove that she is a visionary, and a demonstrated leader who will provide the same in her term as Secretary of Labor."

Beverly Lyle
Minority Women Employment Program, Houston, TX (1973)

"I currently work for NationsBank as a Senior Vice President. My status in Corporate America is a direct result of Alexis Herman and the influence she had on my earlier career life...I clearly owe all that I am today to Alexis' leadership and guidance. I was taught how to manage people, finances and circumstances. I left the organization recognizing that I had skills that were transferable and marketable. I fit the profile of the over 10,000 women we placed."

National Organizations

Black Leadership Forum
Yvonne Scruggs, Executive Director

"Alexis M. Herman's qualifications for the position of Secretary of the U.S. Department of Labor are impeccable and peerless. No other potential candidates, and few other prominent executives, offer the rich credentials and tenured experience, with workers' issues, opportunities and needs, which she offers."

Business and Professional Women / USA
Dianne Studer, Cindy Winckler, Anna Vacca, Candace Butler, Former National Presidents

"As the leading advocate for working women, BPW/USA is keenly interested in ensuring that the nation's labor secretary is of the highest caliber. We believe the appropriate candidate must be articulate, forward-thinking, a skilled negotiator, and an effective administrator. We know from personal experience that Alexis Herman possesses all of these qualities in abundance."

American Hospital Association
Richard Davidson, President

"Part of what makes Alexis special is her unique background which includes a variety of professional experiences at both the community level, and in Washington, that would enable her to make a very valuable contribution in the areas of employment and training, and working to create productive working environments. As Director of the White House Office of Public Liaison we can tell you from firsthand experience that she has demonstrated an ability to work cooperatively with various constituency groups, and has been very effective in developing effective coalitions among organizations that typically do not share the same positions."

Leadership Conference on Civil Rights
Wade Henderson, Executive Director

"Ms. Herman also possesses an important capacity to forge cooperative approaches to solving important problems, which should serve her well as the Secretary of Labor. She is a coalition builder. In her work with Catholic Social Services, Ms. Herman helped break down barriers to employment for women and people of color by learning the needs of companies and seeking input from a variety of sources before deciding on a particular course of action, but she can also be decisive when necessary. She appreciates the importance of consensus, but she is not afraid to lead."

Center for Policy Alternatives
Linda Tarr-Whelan, President/CEO

"As our country prepares for the 21st Century, Alexis brings the skills, experience and relationships needed to be a very effective Secretary of Labor. She has shown her ability to bring

together the private, non-profit and public sectors to achieve the goals of opportunity for all working people, workforce development and economic growth. I strongly urge her confirmation."

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THE WHITE HOUSE

WASHINGTON

May 1, 1997

OFFICIAL SWEARING-IN CEREMONY
FOR
SECRETARY DESIGNATE OF LABOR ALEXIS HERMAN

DATE:	**May 1, 1997**
LOCATION:	**Oval Office**
TIME:	**1:30 p.m. - 1:45 pm**
FROM:	**Kitty Higgins**
	Bibb Hubbard

I. Purpose

For you to witness the swearing-in of Secretary Designate Alexis Herman as Secretary of Labor.

II. Background

On December 20, you announced the nomination of Alexis Herman to replace Robert Reich as Secretary of Labor. On April 10, the Senate Labor Committee voted unanimously to recommend her nomination to the full Senate, which voted on April 30, 1997, to confirm her as the 23rd Secretary of Labor.

III. Participants

YOU
The Vice President
Alexis Herman

Family Members:
Bernard Broadus - Alexis' cousin
Monie Broadus - Bernard's wife (Monie - mohn -nee)
Angelica Broadus - Bernard and Monie's daughter
Robert Broadus - Bernard and Monie's son
Robin Iwuoha - Alexis' cousin (Iwuoha - eee - woh - ha)
Chioma Iwuoha - Robin's daughter (Chimoa - chi - oh - mah)
Lydia Iwuoha - Robin's daughter
Lori Hendricks - Alexis' cousin
Lillian Butler - Alexis' aunt
Father William Norvell (Bill)

Dr. Dorothy Height - mentor

Attendees:
Ruby Moy
Holly Carver
Ben Johnson
Flo McAfee
Kitty Higgins
Todd Stern
Jerry Klepner
Craig Gardenswartz
Susanna Valdez
Joe Lockhart
Sally Paxton
Mark Childress
Michael Berman
John Podesta
Senator Kennedy
Senator Jeffords
Jennifer Klein
Sonny Callahn - tentative

IV. Press Plan

Closed to press

V. Sequence of Events

- The Vice President will administer the Oath of Office to Secretary Designate Herman.
  (Bernard or Angelica will hold the Bible for Ms. Herman)

- White House photo is taken.

VI. Remarks

None

THE WHITE HOUSE
WASHINGTON

May 1, 1997

Mr. President:

Should you wish to make a few remarks.

Todd Stern

Alexis Herman Swearing In -- Talking Points

- I am pleased to be able to welcome into my Cabinet someone I have known and trusted and worked with for many years now. Congratulations, Alexis.

- I want to thank Alexis for being strong and intelligent, steadfast and gracious through a lengthy and sometimes difficult process. I want to thank all of you who helped her and supported her throughout this process. **And I want to thank the Chairman and Ranking Member of the Senate Labor Committee -- Senators Jeffords and Kennedy -- who conducted a very thorough review of this nomination and did so with dignity and fairness.**

- This is a happy and richly deserved day. It took a long time coming, but sometimes good things really do come to those who wait.

- And the best thing is that the working families of this nation will now have a wonderful Secretary of Labor to fight for and defend their interests.

  Alexis will make a great Secretary. She has a excellent experience for this job -- from the days she devoted herself to helping minorities and women break into the workplace to her tenure as the youngest-ever head of the Women's Bureau in the Carter Administration. And she has a rare gift for bringing people together, whether business or labor, rich or poor, black or white.

- Alexis, I look forward to continuing our work together. Congratulations.

CQ's WASHINGTON ALERT 03/07/97

SENATE LABOR AND HUMAN RESOURCES COMMITTEE HEARING
Topic: The nomination of Robert Reich to be secretary of labor
Time: 10:30 a.m.; Dirksen Building, Room 430; January 7, 1993
Congressional Hearings
Executive Department/Agency
(REUTER TRANSCRIPTS 01/07/93; 3303 Lines)
Item Key: 77

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SENATE LABOR AND HUMAN RESOURCES COMMITTEE HEARING
Topic: The nomination of Robert Reich to be secretary of labor
Time: 10:30 a.m.
Location: Dirksen Building, Room 430
January 7, 1993

The editor of the report is Steve Ginsburg. Tim Ahmann, Eric Beech, Melissa Bland, Will Dunham, Peter Ramjug and Paul Schomer assisted in editing this report.

This transcript is provided by News Transcripts, Inc.

Sen. Edward Kennedy (D-Mass.): We will come to order, please, and I would request our photographer friends to cooperate with us at this extremely important hearing that we are having this morning.

First of all, we want to welcome our new addition to this committee, a good friend to I think all of us in the Senate: Senator Harris Wofford of Pennsylvania. We are delighted with his appointment to this committee. As an educator and a former president of a university, he is someone that brings very special skills to many of the matters that we will be talking about this morning as the leader in Pennsylvania under Bob Casey for labor and industry, particularly in training programs, moving people from welfare to jobs; and also for his work in the areas of development of our community service programs. I think if the country has moved closer towards our dealing in a serious ways on our health care issues, Senator Wofford has been indispensable in helping us move in that direction. So we want, all of us, to join in welcoming Harris Wofford who, I am sure, will make a very important contribution to the committee. We thank you for being here.

This morning, for the benefit of the committee, I thought I would just outline the procedures. We have a number of hearings which are taking place at the present time, confirmation hearings which other members of this committee are involved in. So with the agreement of the ranking minority member, the way that we

will proceed is, after a very brief introduction of the nominee, we will go directly to the presenter of the nominee, my friend and colleague, Senator Kerry.

Then we will invite the nominee to introduce the members of his family who are here, to make a presentation, and then we will have 10-minute rounds. And we will invite our colleagues, if they have opening statements, to utilize that time to make their presentation and to ask the questions within that period of time. We will continue to rotate as long as is necessary to permit the members to inquire of the nominee of his positions on various issues, and also invite them to submit what questions they might have of the nominee to be responded to in written form.

We want to take whatever time is necessary to meet our responsibilities and obligations. We are also mindful that the President-elect is also having an important conference on economic policy issues, and Mr. Reich is a member of that particular council. So with that understanding, we will move ahead in terms of the way of our proceeding.

First of all, I would like to express a very warm welcome to Mr. Reich to our committee. He is no stranger to this committee and to the enormous challenges that we are facing in our country. I can remember a number of occasions when I have had, both in terms of professionally as members of this committee as well as privately listening to his speeches and had conversations with him on matters involving working men and women.

One of the most moving presentations that I have heard of any citizen was in 1991 speaking at a small union hall in Boston, MA, where he talked about the impact of the recession on working families in that State. He made a presentation that not only was eloquent in terms of its intellectual content, but demonstrated a sense of compassion and commitment to working men and women which was extremely moving. He brings those very special qualities to this position.

I think all of us are very mindful that President-elect Clinton relied heavily upon his insights and his views about working men and women during the course of the campaign. One of the statements that the President-elect made about putting people first had resonance across, I know, my State of Massachusetts as well as across the country. And over the course of his distinguished career, Mr. Reich has put people first.

I think he is a man of change. He understands the importance of economic policy in ensuring what it will mean in terms of jobs, good jobs, well-paying jobs, safe jobs, jobs that are going to make available training programs for people of this country and really move us in a dynamic way into the modern competitive world.

So with those brief words, we want to welcome you, Mr. Reich, and we would ask you at this time if you would be good enough to introduce a very special and lovely person who is one of our very distinguished academicians as well in Massachusetts in the law. And I would ask you if you would present her, and then I would call on my friend and colleague, Senator Kerry.

Mr. Reich: Thank you, Mr. Chairman. I am privileged to introduce my wife, Clare Dalton, a professor at Northeastern Law School, who is as committed as I am to these issues. She has distinguished herself in her career. Her special interest lies in dealing with the problems of families and battered women, child abuse, family abuse. Clare has started a clinic recently in Massachusetts you may know of, Senator, a legal clinic dealing with precisely those issues, in addition to her regular work.

Our boys, Adam and Sam, unfortunately are not here today. They are back in Cambridge, I hope at school rather than watching this proceeding. But I wish they could be here as well. They will probably see a tape. Laughter.

Thank you.

Sen. Kennedy: Thank you very much. Senator Kerry?

Senator John Kerry (D-Mass.): Mr. Chairman, thank you very much. It is a great privilege for me to be able to be here this morning to introduce my friend, Bob Reich, and I appreciate the committee's indulgence in allowing me to do so.

I am also privileged to be able to present to you the President-elect's choice for Secretary of Labor, a man who truly meets, I think, Mr. Clinton's desire for a Cabinet that accurately reflects America. You could not, after all, find a more average former Rhodes scholar teaching today at Harvard Law School. You could not find a more appropriate starting place for a man to learn compassion or to appreciate the aspirations of working people than Bob Reich found on his first real job in the workplace when he worked under the kindly guidance of Robert Bork.

You could not find a more typical American appearing regularly on PBS and radio, with the possible exception of Senator Simpson's friend, Nina Totenberg. And I think, ladies and gentlemen, that you could not find a home town more reputed across America to represent America or to be the heartland than Cambridge, MA. So I would say that in every respect Bob Reich brings the diversity that President Clinton promised.

Bob Reich, I would say to the members of this committee--and I say this with deference to all other choices, but I think he is certainly one of the most inspired choices that President Clinton has made for his Cabinet. Why? Because, Mr. Chairman, as all of us know, the work force and the marketplace have undergone extraordinary changes over the course of the last years. And I think it is fair to say that what is most important to this committee and to the concerns of this committee and the Department which Bob has been chosen to lead and, most important, to the working men and women of America in 1993 is that we have leadership that understands the extraordinary forces that have been unleashed across the globe.

Bob Reich is known throughout this country, and even in other countries, as somebody who does understand those forces. He has helped to define those forces. There is probably no one, or at

least certainly very few people in this country who understand those forces better and who have been more passionate advocates for how they will affect the American working man and woman.

There is no one, I think, who has proven over the course of the last 20 years or more that he has a greater personal concern for working people and for their plight today, for the diminishment of the purchasing power, how to respond to the fear and anxiety that most American workers feel about their future.

I believe that Bob Reich's nomination also reflects that the new administration is coming to office committed to follow up on the promises made during the course of the campaign, on promises for real economic change. I think it is proof positive that President Clinton will live up to the statements of Candidate Clinton when he talks about a party that is offering change, as well as a Nation that needs change, and that he will find leaders who know how to propose that change.

I believe that Bob Reich will bring to the Department of Labor a new strategy for investing in our work force and, most importantly, in all of our people.

As we all know, Bob is an old friend of Bill Clinton's. He is one of the President-elect's closest advisers. Therefore, his selection necessarily and importantly elevates the Department in importance, and I believe assures the working families of America that they will have the year of the President.

As you know, Mr. Chairman, and as many who have followed his writings know, Bob's focus since at least the 1970's has been his concern for the issues affecting working people. In the late 1970's, he initiated the debate in this country over the problem of the decreasing rates of U.S. productivity growth. In the early 1980's, it was he who argued that a shift was occurring from high-volume standardized production on which assembly lines could turn out identical goods to the flexible systems of production in which, in his words, "smaller batches or more specialized, higher-value product goods that are precision engineered, that are custom tailored to serve individual markets, or that embody rapidly changing technologies." And, Mr. Chairman, you well know that we in Massachusetts know about these workplaces of the future; and like people all across the Nation, we want to create more of them since it is these workplaces that offer workers the greatest opportunity of higher wages and the greatest opportunity for growth in the marketplace.

Sen. Kerry (continues): We also understand why Bob Reich says that as a result of this change in the nature of production, America's future now depends on the skill of our work force. So I believe that those things that he brought to America as ideas challenging the norm are now truisms, accepted as the reality of the emerging global economy. Therefore, I think that we are fortunate to have somebody assuming responsibility not in the traditional sense for the Department of Labor as we have known it, but perhaps more creatively for all of the concerns of the American work force and for the changes that it is undergoing.

As I think everyone knows, Bob's ideas formed the foundation of Bill Clinton's economic approach in the campaign, and the whole concept of putting people first is something that really came from his initiative, from his creativity, and from his leadership.

I think, therefore, Mr. Chairman, that the country is lucky to have somebody of his quality and of his energy coming to this particular job at a time when the American worker is looking more than ever for leadership. And I am delighted to commend him for rapid confirmation to my colleagues in the Senate.

Sen. Kennedy: Thank you very much, John. We would invite you to stay with us, or if you have other appointments, we understand that.

Sen. Kerry. Thank you, Mr. Chairman.

Sen. Kennedy. Bob Reich, we would be glad to hear from you.

Mr. Reich. Thank you, Mr. Chairman.

First I want to thank Senator Kerry for his warm introduction. We have been friends and neighbors for years, and I am a great admirer of him and his commitment to these issues, the issues of the work force. I look forward to working with him in many respects.

My congratulations also to Senator Kassebaum who has just become ranking minority member of this committee. I look forward to working with you, if confirmed.

I can't proceed without acknowledging another friend. Senator Edward Kennedy has based his distinguished career upon a commitment to these very issues: health care, the American worker. My senior Senator from Massachusetts is a man who not only brings an intellectual commitment to these issues, but also an emotional one. This guy cares. And, Mr. Chairman, it is a great privilege to be here.

I want to thank each and every member of this committee for the courtesies you have all extended to me, not the least of which is your willingness to schedule this hearing at an early date. If confirmed, it is going to be a privilege to work with every one of you.

Mr. Chairman, members of the committee, I am deeply honored to have been asked by President-elect Clinton to serve as America's 22nd Secretary of Labor. I have known the President-elect for many years, and I know of his deep commitment to the issues on which this committee has taken a leadership role in the years: the education, the training, the working conditions, the living standards of average Americans, of Americans on the front line of our work force.

These issues, I don't have to tell you, lie at the very, very heart of our economy and society. In the emerging global system of production, I think it is fair to say that the American work

force is coming to be the American economy. That is the way you begin to define the American economy in terms of the skills and capacities of the people that are here, Americans living here.

Now, I know that this committee is concerned about employment levels, and unemployment, which are distressingly high even at this level of a so-called recovery. The official unemployment figures mask an ever larger problem having to do with people who are too discouraged to look for work or who are working part-time who would rather be working full-time.

If confirmed, I will work as a member of the President's National Economic Council to help design macroeconomic policies which put Americans back to work as quickly as possible.

But behind the business cycle, behind the capacities of fiscal and monetary policy, lies another deeper problem that doesn't receive all that much attention in the press very often, but it is felt by Americans, and that has to do with the quality of the jobs they have. Americans, many of them, are going to get jobs back at the end of this recession. But the question is: What kind of jobs? Are they going to get jobs that are as good as the jobs they had before? Many of them aren't. They are going to get working conditions not quite as good.

This is particularly true of Americans without four-year college degrees. This is a long-term trend that is concerning to all of us. If confirmed as Secretary of Labor, I am determined to help reverse this trend.

The American economy is putting an ever greater premium on education and skills. You can see it. The knowledge content of most goods and services is increasing, and so that the gap between the skilled and the unskilled, the four-year college education and the non-college-educated is growing. That gap is growing very, very quickly.

Unskilled and untrained Americans are losing out. If not competing with low-wage workers abroad, they increasingly are competing with new technologies here at home which are rapidly replacing routine work of all kinds.

Mr. Chairman and members of the committee, if you confirm me, I will ensure that the Department of Labor is the Department of the American work force. The overarching goal is not only more jobs for our citizens, but higher-wage jobs, jobs that foster higher living standards, and also organizations, organizations of work which create opportunities for people. Training is not enough. You have got to make sure that there are really jobs there at the end of the training.

The specific goals which I set for the Department and will set for the Department reflect these broad objectives: First, provide a path to good jobs for the 75 percent of our young people who do not complete four years of college and whose real wages have been declining.

The second goal is to help workers who have been permanently displaced, who have permanently lost their jobs, to get new ones that pay at least as well. As you all know, we have a tremendous problem with displaced workers. This last recession was notable because much of the unemployment came not because of cyclical unemployment, those jobs we used to have that will be coming back. Remember, when we had unemployment, it was a business

cycle phenomenon. What we find now, because of a whole variety of structural reasons--technology, international trade, military cutbacks--many of those jobs are never coming back. The displaced worker is becoming a key issue, a key problem for our society in all respects. Third, publicly supported job training alone will not create good jobs. The third goal is to foster business organizations which create career ladders toward high-wage jobs, even for those without university degrees. Otherwise, that wage and benefit gap is going to continue to widen.

The fourth and final goal is to foster the creation of good jobs which are good not only because they pay well, but because they also provide a good work environment. High-performance work organizations, corporations in this society that are doing well, that are on the vanguard of the corporate frontier, they are family-friendly to all their employees, responsive to the growing needs of single parents and two-income families, while offering parental leave, child care, elder care. They do not discriminate on the basis of race or gender or disability. They provide all their employees with safe and healthy work environments, and they ensure that all their employees have adequate incomes when they retire.

America's leading businesses need no coaxing. They understand the importance of their human resources. They regard their workers as their primary assets. But I worry that many American businesses don't yet see the light. They are not at this place yet.

If the American work force as a whole is to enjoy a higher standard of living in the future, if America is to be competitive in the world economy, Government must stand ready to encourage the private sector as a whole to treat their work force as their most precious asset.

How do you encourage the private sector? I am not yet sure precisely the best combination of carrots and sticks and education and outreach. Business must be ready to collaborate, to become a true partner. Labor has to join the partnership. Human resource professionals, technical schools, vocational schools, community colleges are also going to have to be in the mix. We need them.

The States--as Senator Wofford knows, the States are doing some extraordinarily important things in the area of training and development. Senator, you were right there on the front line of workplace development in your State. I want to work with the States.

And we are going to also, if I am confirmed, work with other departments. This isn't just a Department of Labor matter. It also is Department of Education, Department of Defense, Department of Commerce. I have had preliminary discussions with other designees, Cabinet designees, and we have already established a good working relationship and ongoing collaboration on these issues.

I also, of course, if I am confirmed, look forward to working with all of you, with your colleagues in the Senate and also with members of the House on these issues.

Mr. Chairman, members of the committee, both my parents worked.

They worked hard. They worked six days a week. They owned a small business. They had two little clothing shops. They were basically all the workers and all the managers, the two of them. My Dad, I remember, on Sundays he would come home, and he would spend part of his Sundays working on the books, the accounts receivable, the inventories. It wasn't an easy way to make a living. They did it. They were the workers. They were the managers. And over the dining room table in the evening, I saw worker-management relationships at their best--and occasionally at their worst.

But through that experience growing up, I can tell you I developed a keen appreciation of the needs and the plight of small business. I am particularly sensitive to that. I remember Dad complaining about government paperwork. But I will tell you something: When a flood flooded out one of his two little shops in a big hurricane and we were almost finished, he came to the Government, got a loan, a low-interest loan. It put him back on his feet, and we were, as a family, back running. The business was saved.

If I am confirmed as Secretary of Labor, I will dedicate myself to the well-being of all Americans who work, who want to work, who must work. It will be truly the Department of the American Work Force, a center of America's strategy for economic growth. Thank you.

Sen. Kennedy: Thank you very much, Mr. Reich.

I will recognize Senator Thurmond, who is the ranking member of the Armed Services Committee--they are holding a hearing with Mr. Aspin now--for very brief comments.

Senator Thurmond: Thank you very much, Mr. Chairman. I will just take a minute-and-a-half.

Mr. Chairman, it is a pleasure to be here this morning, and I want to join the chairman and the members of the Committee on Labor and Human Resources in extending a warm welcome to Secretary nominee Robert Reich. Mr. Reich has a long and distinguished career in Government and education. He has earned degrees from Dartmouth College, Oxford University, and Yale Law School. He was also a Rhodes scholar. He is currently a lecturer on public service at the John F. Kennedy School of Government.

Mr. Chairman, the Secretary of Labor has the responsibility to organize the Department of Labor so that it will revitalize and strengthen our work force. The Secretary must create an atmosphere that will promote the creation of more permanent jobs. He must assist dislocated workers and promote competition.

As a nation, we must promote and harness the productivity of the American worker. We must assure small and large businesses that we will be careful to implement to regulations which foster job growth and productivity. And I think that is very important.

Mr. Reich, it is a pleasure to have you here today.

Thank you, Mr. Chairman. At this time I must leave to attend the nomination proceedings in the Senate Armed Services Committee.

I appreciate your courtesy.

Sen. Kennedy: Thank you very much.

I will ask the staff to watch the time and limit us to 10-minute rounds.

I think by your eloquent statement, particularly in the concluding remarks of our presentation, you really want to make this department the Department that is going to be the spokesman for working men and women. It is something that working men and women around this country are going to welcome. There are many of us who have felt that even over the period of recent years that Department still has been more interested in the business interests that were going to look after the working men and women rather than putting the interest of working men and women right at the forefront of the country's agenda.

In this round, I just have two areas that I would like to cover, and then I will come back to others.

This morning we heard again that the size of the deficit projected over the next four to five years is $1 trillion more than was anticipated. There is a debate taking place in terms of what kind of stimulus package is going to be presented, with the idea that the stimulus package would be a job-creating package.

We know that there are meetings later today which you will be a part of and that the President is going to be making a judgment and decision. But as we look at, one, the size of the deficit, and, two, the other countervailing view that investing the country, at the present time perhaps, over a longer period of time may be a key factor and force in terms of dealing with the deficit in terms of providing growth over the period of the next few years.

Given the recent information, even without the new unemployment figures which we anticipate tomorrow, could you let us know what your own thinking is on the dichotomy between investing now to ensure further job growth versus the size of the deficit and the forces that will say we can't deal with that stimulus package at the present time, or any stimulus package?

Mr. Reich: Well, Senator, I can say that President-elect Clinton emphasized during the campaign, and still emphasizes very, very strongly, two goals that are not necessarily incompatible, and they have to do with the future well-being of our country and our citizens, our children. Number one is to invest in our future, publicly and privately, induce private investment but also to make sure that we have adequate public investment in education and training and infrastructure. But the other goal is to get that deficit under control.

The President-elect and his economic advisers have been meeting on this. I feel constrained. I am not at liberty to talk precisely about where he is on this. Obviously he is the chief economic policy maker in this coming administration. He has made that very clear.

Sen. Kennedy: I understand, and we are not asking really what advice you are giving, but just in terms of your own thinking about what investment strategy means in terms of job creation and how we ought to generally look at it, even with the newer figures in terms of the deficit.

Mr. Reich: I don't think the newer figures change the goal overall, Senator, and that goal, again, is both deficit reduction, but it is also investment in the future.

I looked back over the past Federal budgets. In fact, I did a calculation recently, and I checked the calculation against a calculation that the Office of Management and Budget did and discovered that only about 9 percent of the Federal budget went to anything that any of us might consider to be investments; that is, expenditures which truly build the future productive capacities of the country, whether they be education or training or research, development, infrastructure. Only 9 percent of the Federal budget is now going to investment.

We have got to increase that. Other countries are investing far more than we are.

Sen. Kennedy: So your belief is that even with the size of the deficits we can have an investment strategy which, in the long term, is not only going to produce jobs but also see a reduction in the deficit over a longer period of time?

Mr. Reich: Yes, Senator. My firm belief is that that investment strategy produces jobs. It produces better jobs. Again, I emphasized in my opening statement that what we need is not only more jobs, but we need jobs that are better jobs, particularly for our front-line workers, our non-university-degree workers who are now on a downward escalator; and that these investments also pay off. We know they pay off in the long term in terms of economic growth.

Sen. Kennedy: Well, this is the second question which you referenced in your opening remarks. That is, what is necessary to make sure that our front-line workers are going to be well trained, that they are going to be able to work in a safe working condition, that they are going to be able to continue to acquire the kinds of skills which are going to be necessary in terms of the international competitiveness as well as the competitiveness that we are facing here in our own country? And can you elaborate on what ideas you do have that you hope will be able to be achieved or accomplished to try and move us in a more serious way towards increasing the number of jobs? That, I think, is what every family is looking at in terms of these hearings.

You know in our own region of the country, New England, we have 6 percent unemployment, and we lost 30 percent of our jobs in that particular region of the country. Those families are really

looking to you today and wonder what sense of hope they should have, perhaps not tomorrow or the next day, but very soon that there will be a job and that that job will offer an opportunity for progress for themselves and their families and that there will be decent pay with a sense of hope of greater opportunity for their families and that they will be able to acquire the skills to keep up with the competitive cycle that is taking place in terms of the international economy.

Can you briefly let us know what you think, besides the macroeconomic kind of issues, might be done in terms of creating those jobs?

Mr. Reich: Mr. Chairman, this committee has taken the lead on much of the thinking on this. I look forward to working with you. The draft that I saw of the High Skills, High Wages draft, which you and other members of the committee have come up with before, strikes me as an excellent starting place for pushing forward with these issues.

Again, it is a complex of issues having to do with not only training, dislocation, but also ensuring that when people are trained there are really jobs out there.

We talk a lot about training, but there is nothing worse than being trained and then not having a job at the end of your training. So the work force and the business community have got to be allies in the future of our work force and the future of our training commitments.

But, again, I look forward to working with you and other members of the committee on these issues.

Sen. Kennedy: My time will expire. I think that this is probably a good point of departure, and that is the real kind of working partnership between the public and private. I think of our principal competitors in other parts of the world, which in many respects are much more ideological than we have been, have understood that. The American Choice program which Mrs. Clinton was a part of--and testified here very eloquently, I might add--talks about the fact that the major political parties in these other countries have put aside those domestic programs that result in creating the kind of increased numbers of jobs that are well-paid, safe, and offer training programs. And that has been done with the support of the business community in those countries, certainly in the Far East. And I think that is something that I heard the President-elect talk about a good deal in the campaign, and we are certainly looking forward to trying to find new ways and avenues to be able to achieve that cooperation.

Senator Kassebaum?

Sen. Nancy Kassebaum (R-Kan.): Thank you, Mr. Chairman, and congratulations, Mr. Reich. You are known to be a very thoughtful and prolific and provocative writer as well on a wide

range of subjects, and I am looking forward to a very constructive and I think productive discussion over the months to come.

I also know, Mr. Chairman, you are probably missing your old sparring partner here as the ranking member of the committee. Senator Hatch has served with great distinction as both chairman and ranking member of this committee, and just so you will think he hasn't given up, he is, of course, now the ranking member of the Judiciary Committee and will still be a member of this committee.

The next Secretary of Labor will be facing, I think, two significant changes. You have spoken about some of these in your opening comments. But first and foremost, I believe the Department of Labor itself, with the laws and regulations it enforces and the programs and agencies it oversees, has a big responsibility for looking inward as well as outward. And just as the private sector has had to streamline its operations, a fact that you have written about extensively, so, too, must the Department of Labor restructure itself to meet the demanding needs of our changing work force.

Our economy, not to mention the American taxpayer, can no longer afford administrative waste, outdated regulations, and duplicative programs if our Government is to play a meaningful role in enhancing our Nation's competitiveness.

I think job training is a prime example. Last year we spent over $18 billion on about 125 different employment and training programs. And as President-elect Clinton said in a speech, "We have to cut through this incredible maze of Federal programs to take a look at how much money we are wasting."

It is always easier to create new programs and draft new regulations and laws than it is to take the time to look back and see whether what we have done actually works.

I think this could be one of the most important responsibilities perhaps that we have, all of us today. And we in Congress can attest certainly to this fact, that sorting through old regulations and programs to make improvements is not glamorous work. Good government can be boring. But I think, Mr. Reich, I would say that this is, to use an old, worn-out phrase, a window of opportunity.

You understand all that is involved very well, and I really hope that you might seize the moment and bite the bullet because I think it is a great opportunity. Certainly you would have the full cooperation of those of us here who would like to help you with this task. And it might be a great book after you leave office. Laughter.

It attracts little media attention on the whole, but it will be essential, I think, if the Department of Labor is to remain relevant as we enter the next century.

The second challenge--and this is one, again, you have spoken to, I see--for the new Secretary is perhaps more critical and immediate, but I think cannot be accomplished with the first as well. That is the creation of new and meaningful jobs for those willing and able to work.

The recent recession has been unusual--and you have spoken to that--in that most of the rise in unemployment represents

people who lost their jobs permanently, unlike the temporary layoffs in the past. These structural changes demand that every decision made by the next Secretary of Labor, and us as well, I think, be viewed first in terms of the impact on job growth. Too often we ignore the fact that well-meaning legislation, be it mandated leaves, increasing the minimum wage, or raising the payroll taxes for job training, may well influence the decision of a company to hire new workers. And if we continue to add to the cost of labor, business will simply move jobs abroad.

We might all wish that would not be the case, and we might even try to find ways that that might not happen. But it is a trend that I think you have also well documented and that we all understand.

All the job training that money can buy will be useless if there are no jobs for the workers to fill. Job creation was one of the central promises of the fall campaign, and it is one I am sure you have spoken to eloquently. And there is no need to urge you, if you are confirmed, to keep that focus firmly on this promise.

I would like to start by asking a question regarding a case that was recently decided by the National Labor Relations Board, the Electramation case. Just to explain a bit, in that case, by declaring the action committee, which is a committee of the employer and employees, involved in the case to be prohibited, employer-dominated labor organizations under the National Labor Relations Act, the opinion in that case has called into question the legality of hundreds, if not thousands, of such employee-involvement groups and programs designed to foster employee participation in cooperation with management.

I have long believed that it is very important to try and get greater cooperation between labor and management. And this is not management's fault or labor's fault. It seems to me that many times the line is drawn in the sand, and both sides are afraid to cross that line.

But I think this is a very important decision on the part of the National Labor Relations Board. The Kansas City Star said, "The ruling could undo one of corporate America's most cherished reforms by forcing thousands of companies to disband similar labor-management teams set up in the last decade to improve productivity and competitiveness."

Do you approve of quality teams and other such means of achieving greater employee involvement in the workplace? And if so, what will you do to encourage more companies to adopt this approach? And how can we prevent the Board's decision from inhibiting these practices?

Mr. Reich: Senator, first of all, I want to take a very careful look at that decision. I have been advised that it is really a rather narrow holding in a particularly egregious instance of management trying to avoid unionization, or at least dominating a particular worker organization. But if it has a chilling effect upon cooperation and collaboration between management and labor, then something must be done. And I will be the first to suggest with you and others here on this committee that we might want to seek legislation to overturn that.

Sen. Kassebaum: It is, of course, based on the National Labor Relations Act of 1935. It was a narrow interpretation, and perhaps there is a way, through some other cases brought--and there is a case pending, actually, before the Board--a broader interpretation could be reached. But if not, would you envision going back and revisiting the National Labor Relations Act of 1935? Do we need to review that in the light of changing circumstances?

Mr. Reich: Well, again, Senator, if it turns out that this case does have a chilling effect, does have a negative effect on management-labor cooperation, if it turns out that subsequent decisions really do broadly chill labor-management relations, then it seems to me appropriate to seek a legislative solution here.

Again, I want to investigate very carefully. I want to see if there are any other options open to me as Secretary of Labor. But as a last resort, I do not--I share your concern. I don't want to chill labor-management relations and collaboration that is absolutely for the work force of the future.

Sen. Kassebaum: Thank you. My time is up, and I will save my other questions.

Sen. Kennedy: Senator Pell.

Sen. Claiborne Pell (D-R.I.): Thank you, Mr. Chairman. I, too, would like to welcome Senator Kassebaum as ranking minority member. I served with her on the Education Subcommittee and look forward to continuing to do so.

Sen. Kennedy: Would the Senator yield? The only reason that we didn't do it formally is because, as I understand, under the protocol of the Senate we are supposed to ratify these kinds of conditions before the formal kinds of presentations. But I don't want that--

Sen. Kassebaum: You think I might not really be here? Laughter.

Sen. Kennedy: We won't let Orrin back. Laughter.

Seriously, I should have, and I want to join in welcoming Senator Kassebaum as the ranking member.

Senator Pell: I apologize for jumping the gun.

We are very lucky, I think, in having Mr. Reich as Secretary of Labor. He really is the first hands-on Secretary of Labor in

quite a while. I am trying to think of another Secretary of Labor who had the breadth and depth of knowledge that he does in the field and the access to the President. And I really don't think any Secretary of Labor since Frances Perkins filled that role, and I congratulate you on your appointment and look forward to working with you.

As you said in your statement, the real strength of our Nation is the people, the education of people and the character of our people. But it is the people that are the real strength, and that is where you will have your principal focus.

The tough decisions that you face are going to involve family leave, retiree health benefits, underfunded pensions, job training, defense conversion, minimum wage, unemployment insurance, and worker safety. In short, you have the responsibility with the President of reshaping the American work force.

In these past years, in just about every election season, the issues have been either about peace and jobs or jobs and peace, depending on which part had the priority, whether it was domestic or foreign affairs. This time we have a pretty open agenda, particularly when it comes to jobs, and that, again, will fall on you.

We in Rhode Island have suffered, just as has Massachusetts, just as has Connecticut, from the depression in our part of the country. I call it depression, not a recession. We have had mass layoffs in a small State like mine, 2,000 workers from Electric Boat, and we really suffered a great deal.

In that regard, for many years I have been amongst those who have been advocating more attention to be paid to conversion or, if that is considered a dirty word, diversification. But until now, there has been little examining that and moving on it. Now I think there is legislation on the books. In the Defense Department, we have an amendment in there, and otherwise, and we would be very interested in your views of how we can truly implement conversion or diversification.

Mr. Reich: Senator, my understanding is that in the fiscal year 1993 budget money was authorized for defense conversion which has not yet been spent by the Bush administration. Defense conversion is obviously a complicated issue. Part of it has to do with helping companies themselves which have been defense contractors begin to diversify. Part of it has to do with helping workers, when those companies cannot diversify, get the jobs they need. Part of it has to do with the communities themselves, helping those communities expand their industrial base.

I have talked at some length with Defense Secretary-designee Aspin about these issues. In fact, he and I started these discussions long before long before either he or I knew about our fates. And we will continue to talk about the problems and also take action with regard to these problems.

The question that is going to arise, it seems to me, and that is going to be before the committee--and I look forward to working with all of you on it--is that as you face defense conversion problems and as we all deal with a contracting defense base and

as we also deal with the international economy--for example, the North American Free Trade Act--we have a variety of adjustment problems, a variety of displaced-worker problems.

As Senator Kassebaum pointed out, there are 125 programs already in place for displaced workers. There has to be some way--and, again, I look for guidance to all of you on this, but there has to be some way to integrate these programs to make sure that we create a kind of one-stop shopping, regardless of why the workers are displaced. I hope that is possible. You all know much better than I whether it is.

Sen. Pell: To be specific, I am thinking here of Electric Boat, which manufactures these huge submarines with a particular skill and ability. It is very hard for them to convert to manufacturing railroad cars and other things, although we encourage them to do so. But as you point out, what is needed are job opportunities for those men who have been working in industries that have not converted.

In this regard, I am curious if you know whether or not it is correct to say that our reduction in defense expenditures as we contract down, the Cold War hopefully diminished, that as we contract down that the amount of our reduction is far less than that of many of our colleagues in fellow industrial nations. Would that be correct?

Mr. Reich: Yes. Senator, we have not yet embarked upon the kind of defense reductions which in a post-Cold War era one would expect we are capable of undertaking. Again, one of the problems which I believe is keeping us from doing the kind of defense reductions we need is precisely the problem to which you alluded; that is, the problems of the potentially displaced workers, the communities which have come to depend upon a military industrial base, to use President Eisenhower's term.

This issue of conversion, whatever you call it, transformation from a military power to a first-rate civilian commercial power, using our resources and redirecting our resources, has to be near the top, if not at the top of our agenda.

Sen. Pell: When it comes to creating jobs, has any thought been given to what I recall in the New Deal days where we had the CCC and the WPA, which not only found jobs for people but did useful thing, some of which we are benefiting from now, 30, 40 years later?

Mr. Reich: Senator, there have been a variety of proposals--and, again, at this point I feel that I am at liberty of saying only this: With regard to the kinds of proposals that are widespread employment proposals--that is, which would create jobs, new jobs that are public sector jobs--my research so far indicates that that is a very, very expensive undertaking.

Now, granted, it is better for people to have jobs than no jobs.

But to the extent that we can possibly funnel that money into the conversion and the training of people to jobs in the private sector, that is always going to be preferable.

Senator Pell. Thank you.

Senator Kassebaum mentioned the importance of the relationship between labor and management. In this regard, I wonder if you have thought of the success and co-determination in some of our trading partners, which has really completely eliminated strikes and industrial friction to anywhere near the extent we have it. If they can do it successfully, if Germany does it successfully, for example, why can't we do it? Why is it always laughed out of court?

Mr. Reich. Senator, the German system of co-determination has worked for them. As you pointed out, it has worked pretty well. I am not sure that that precise--

Senator Pell. I think we ought to explain what co-determination means. That means labor and management both serving on the board of directors.

Mr. Reich. Labor and management both serving on boards of directors. You recall after the help that Congress gave to the Chrysler Corporation, the head of the UAW, Doug Fraser, was put on the Chrysler board, and my understanding is that was a very helpful and positive step. But it is not at all clear that co-determination would fit easily into the American structure.

I do believe in most of the research I have seen and most of the reality and most of the people I have talked with, both in the labor movement and also chief executive officers, attest that workers need a voice, and when workers have a voice, regardless of the particular form of the voice, when workers have a voice to express their concerns about health and safety, also their ideas about products and possibilities in the market, those companies work better, those companies are more profitable, they are higher performing, and we need to think very creatively and, again, work with the business community in seeing how workers can achieve a greater degree of voice.

Senator Pell. What, in your view, was the success of Fraser's appointment to the board that he was appointed to by the UAW? Why did that not carry on? He was just one voice of labor on the board of managers, and, yet, both labor and management were frightened of the idea of sitting down together for the positive way, rather than in kind of conflict with each other.

Mr. Reich. I don't know in that instance why that ended or to what extent it may continue on in other ways. I do know that if you examine other very, very well run companies --and here take, for

example, unionized companies, Allegheny-Ludlum, Xerox, 3M, or even look at the Chrysler LH, the new Chrysler company, or the GM Saturn-- we have all kinds of examples in which labor and management are working collaboratively. They are putting down their usual war-like techniques, they are casting aside the usual management and labor conflict, and they are coming together around teams of workers and management that actually get the job done, and they are more productive. Their profits are higher. It seems to me that that needs to be a goal. That degree of flexibility, that degree of trust, that degree of job security, well, workers and management can do it. We have a track record. We know that they can do it.

Senator Pell. Thank you. My time is expired. I will return to this, to see if we can't promote this working together into the idea of joint membership on boards of directors.
Thank you.

The Chairman. Senator Durenberger?

Senator Durenberger. Mr. Chairman, may I have your permission to welcome Senator Wofford to this committee?

The Chairman. Surely.

Senator Durenberger. I know he is more--
The Chairman. I know Senator Wofford would like that.

Senator Durenberger. I know he is more prepared for this job certainly than I am, and it is a compliment to the work that we do and it is a compliment to you, Mr. Chairman, and indirectly, I guess, to all the rest of us that chose to come on this committee, and I appreciate them.
Secondly, I have a statement in which I say I support the nomination of Robert Reich to serve as Secretary of Labor. I want to vote for him. I was among the people that was sort of surprised that this was a position that he sought, and I welcome the opportunity to visit with him. I had that opportunity and, frankly, I am sort of excited, even though I should not say that, maybe, from this side of the aisle about a prospect of his being Secretary. I have a statement that elaborates on that in less elaborative terms.
I heard what you said about the quality of jobs, and that is important, and I heard what you said about unskilled workers and I heard what you said about displaced workers, and these questions are critical, and the family friendly workplace, and I have just a couple questions that relate to that, because all of that is very important.
The State that Paul and I represent does not have the large

dropoffs in employment, but we have got serious changes. Just recently, we have lost a lot of people who worked at IBM, a lot of people who worked for Northwest Airlines, two of our more high-tech, if you will, high-skilled industries are without work.

As is typical of some of these economies in our country, the mega-mall went up about the same time, so statistically you can't look at our community and say we have got a problem, because we are losing a lot over here, but we have now got this huge under-one-roof shopping center to which people from all over the world are attracted. To what, watch former IBM employees sell shoes or Snoopy's entertainment center, or whatever?

But it sort of struck me as a way to try to posit a question to you, that you sense this is part of the problem in America, too. It is not like going without a job. It is going without what you need as a person, as a member of a family in a job.

Mr. Reich. Senator, I don't want to underestimate or understate the pain of joblessness in this past recession, in particular. It hits everybody, my extended family, it has hit my best friend since grade school who has been out of work for more than a year, and we talk very often about his particular plight.

But I did want to emphasize and underscore something that you have just said. Having a job is not enough any longer. Of course, 75 percent of our work force does not have a 4-year university degree, and even for some white collar workers. You referred to layoffs at IBM. They are seeing their real wages decline over time, so that we as a society, if we are going to have a high standard of living, if we are going to be competitive in the world economy, we have got to worry not just about the number of jobs, but the quality of jobs, absolutely.

Senator Durenberger. Let me ask you this related question, state a general question and then maybe a more specific. What does the change--this almost sounds like the thesis of a book, but what does the change in the nature of the economy, both as already occurred and predictably will occur, the change in the nature of the economy, how does that change the job description of the Secretary of Labor? How does that change the agenda for this committee and, more specifically, what former concerns should be of a lower priority, and what present concerns should be of a much higher priority?

Mr. Reich. Well, at this stage, Senator, I don't think that I am prepared to say what concerns you may have that should be of lower priority. As I look at the work of this committee over the years, it all seems to me to be terribly important and of very high priority, and I will come back perhaps at some later time and tell you what you should not worry about or at least what my suggestions are.

But with regard to high-priority items, undoubtedly, issues of school-to-work transition for the non-college educated, those

who do not get 4-year college degrees is very high on the agenda, has got to be high on the agenda. Our community college system is excellent. Our technical college system is excellent, but maybe we have to think about certifications and standards, so that employers now what they are getting, so that we do create, as in many other industrialized countries, a whole layer of technical workers who don't necessarily have university degrees.

Also, the displaced worker we have been talking about this morning, people who are perhaps in their 30's, 40's, 50's, who find themselves without jobs. They have some skills already, maybe they are high skilled, but they need to retrain. Life-long learning has got to be a theme.

We created an unemployment insurance system designed around the business cycle, to tide people over periods of unemployment, when it was simply a matter of being laid off and getting your job back at the end of the period. But that is no longer the case. I think it bears fundamental reexamination, how we deal with this problem of the permanently dislocated worker. Again, we need to work with business to create organizations that be their work force.

Senator Durenberger. Will you be supporting the efforts at outcomes-based education, both in the traditional and in the non-traditional sense, get to work to find ways to measure the outcomes of the educational establishment in this country?

Mr. Reich. Absolutely, Senator. Outcomes--and this refers back to a question that Senator Kassebaum raised before--we do need, and President-Elect Clinton has said this repeatedly, we need to reinvent government and look at outcomes, look at consumers, look at the people who are actually the recipients of these government programs, not get too bogged down in the inputs, the processes, and I intend to do that at the Department of Labor.

Senator Durenberger. The cost of health care may end employment as we know it in America. What is, briefly, the role that you see for the Secretary of Labor in helping head off that impending crisis.

Mr. Reich. The Labor Department deals with issues of health care in a variety of ways. The pension areas, for example, ERISA governs health benefits, and there has been a great deal of both litigation and discussion about the preemption of State health benefit legislation with regard to ERISA. But obviously, should the President-Elect choose to work with Congress in developing a major health care initiative, that is going to have a major impact upon the American worker, I think a positive impact. American workers are insecure, many of them because the only health insurance they have goes with their job; if they lose their job, they lose their health insurance.

Senator Durenberger. Thank you, Mr. Chairman.

The Chairman. Thank you very much.
Senator Metzenbaum?

Senator Metzenbaum. Mr. Reich, as you well know, as I previously indicated, I could not be more pleased about your appointment to head up this department. You and I go back a long way as friends, not only a friend of mine, but you and your wife are friends of my daughter, my son-in-law, and my son-in-law teaches with you at the Harvard School, Kennedy School.

I think the signal that is sent out across the country is that the President-Elect saw fit to put you in this position is just a wonderful signal and makes all of us who are concerned about the Department of Labor and workers in this country is very reassuring.

Everybody would agree that you are a thoughtful and provocative thinker, that you have new ideas. I looked at your list of books you have written and articles that you have written, and it is unbelievable, the quantity, as well as the quality, but you are a person who looks at a problem and comes up with answers, and I think you will be like a breath of fresh air in the Department of Labor, after 12 years where it has been a rather indolent kind of agency going along for the ride, but really not doing very much, as soon of us have seen it, and failing to meet the challenge.

The Labor Department has actually been criticized for its weak enforcement of our labor laws by the department's own Inspector General, as well as an internal department task force.

For example, the department's pension program generally audits 1,500 employee benefit plans a year, out of a universe of over 5.5 million plans. By comparison, the IRS runs a similar program which audits over 10,000 plans a year. During the Carter administration, over 15,000 plans were audited each year, as compared to 1,500 at the present time.

Lax enforcement is a reality throughout the Department of Labor. In OSHA, fair labor standards, child labor, wage and hour enforcement, employers are often lax in complying with the law, because they felt and knew that the Labor Department was unlikely to go after them. Even with the department's limited resources, the department could do a better job.

Have you given this subject any thought? Do you have any ideas as to how you might bring about better enforcement effort, knowing full well that there isn't going to be a tremendous increase in the amount of dollars available to the department, and you are probably going to have to work pretty much within the constraints from the present budgetary allocation?

Mr. Reich. Senator, I can promise you that, if confirmed, I am going to it that the laws are indeed enforced. I haven't been over there. I haven't had a chance to review the Inspector General's reports or examine why and to what extent there may have been a lack of enforcement.

I do want to say this, however: I have been enormously impressed with the professionals that I have come across in the department. There is enormous talent there. People there are very, very willing to do their work and to do it with a great deal of commitment. I an looking forward to working with them.

Senator Metzenbaum. I don't question the fact that there are people in that department who want to work or who would be enthused about energetic and direct leadership. Given the likelihood the department will not have sufficient staff to pursue every violation of our labor laws, do you think that there could be innovative ways to protect workers' rights such as charging fees for department services and using the proceeds for department enforcement efforts or establishing worker safety committees to enable workers to improve the workplace?

Mr. Reich. Senator, I am sure there is room for a great deal of innovation. I know that there is OSHA reform legislation which has been considered by this committee. One of the pieces of this legislation that intrigues me the most concerns those worker committees which are in charge of kind of preventive maintenance. I don't think any group is better able to spot potential hazards in the workplace than the workers who are there themselves. Just like no group is better able to spot new possibilities for efficiencies and quality improvements than the workers who are right there on the front line. I am looking forward to exploring those issues with this committee and exploring all of those possibilities.

Senator Metzenbaum. Mr. Reich, one of the most controversial issues we are going to have to deal with has to do with NAFTA, the free trade agreement. Frankly, coming from the State of Ohio, which has already been negatively impacted by the loss of jobs to the maquiladora area, I recently traveled to Mexico to visit U.S. owned manufacturing plants along the border and to talk to the Mexican workers.

Those factories are pouring environment-damaging toxic waste into the soil, water and air, with practically no regard to the harm to the citizens of both countries. The workers are paid subsistence wages and live in unspeakable squalor, even though they have so-called good jobs in major manufacturing plans. I expected to see poor conditions, but I am frank to tell you, I was shocked by what I saw outside the plants. Inside the plants, pretty good working conditions. I didn't find anything objectionable. What I saw looked good to me. Outside, unbelievable.

What concerns me is what happens under NAFTA to the additional number of jobs that will be moved to Mexico from States such as mine? Now, I do not care how productive the American worker can be, but for that worker to try to compete with the $2 or $2.50 an hour worker in Mexico, it is just an impossibility. Mexican workers are not bad workers. I saw what they were doing on the

machines. They were doing a good job and, as far as I could tell, the plants were nice looking plants. The people there were pulling down the levers and doing whatever had to be done.

I am not sure what the answer is to this problem, but I know that the workers of my State and many other States are very much concerned that the problem that presently exists with respect to skilled workers in this country will be exacerbated, and companies that stay behind and do not move are going to be demanding that standards here be lowered, so that they can compete against the jobs that have been moved to Mexico. Workers here will be called upon to provide give-backs, to give up some of their rights and their benefits.

How can we protect American workers under these circumstances, and what thoughts do you have on the whole subject of NAFTA?

Mr. Reich. As the Senator knows, President-Elect Clinton has gone on record during the campaign, he has repeatedly said that he supports NAFTA in principle.

Senator Metzenbaum. I know that.

Mr. Reich. He has also, though, conditioned his support upon there being adequate safeguards with regard to dislocated workers in the United States, working standards, environmental standards. I can't tell you precisely what his thinking is on the matter. I think that we and he and all of you up here are going to be working on that issue. There are a variety of possibilities.

But it seems to me that the general principle is absolutely correct: NAFTA is a movement in the right direction, but only and only to the extent that we have a strategy in this country for dealing with the very problems that you are talking about.

Senator Metzenbaum. A change to a different subject: You have been critical of businesses for demanding tax breaks from local communities, and I have also been critical, because it is a matter of the race to the bottom, as one community after another would provide tax breaks.

You pointed out correctly, I think, that these tax breaks are killing our public schools, which depend on local tax revenues to educate our young people and ensure that they become productive workers. I have asked the General Accounting Office to undertake a study of the extent to which schools are being harmed by the tax breaks that corporations are demanding before they move from one community to the other. The GAO really doesn't have the resources to go into every community and quantify the loss and effect.

My question to you is, do you consider this problem of the loss of tax revenues for a school system in the country a priority issue, and would you be willing to direct a serious effort by the Labor Department to get the facts and find out if business demand for tax relief is saddling us with uneducated, unproductive

workers?

Mr. Reich. Senator, the problem to which you allude, that different jurisdictions, different States, different cities are competing for businesses and offering tax breaks is a very real problem.

Not too long ago, I was asked to come down and preside and help in a regional pact that New York City, Connecticut and New Jersey were going to create to stop bidding against each other. I think New York City was providing something on the order of $600 million a year of tax abatements for companies, in order to prevent them from moving to Connecticut or New Jersey, and New Jersey and Connecticut were offering about $300 million to prevent them from leaving or to get them to go to New Jersey and Connecticut. That was a step in the right direction.

I have subsequently learned that that compact broke down and now they are back bidding against each other. This is happening all over the Nation. I don't know exactly what the right solution is, quite honestly. I don't know, it seems to me impractical at this stage to suggest Federal preemption. I don't see that the Federal Government can preempt and stop States from doing it. I think a lot of the problem may not be with corporations per se. It may be simply governors and mayors who feel that they have to do this in order to attract business.

Hopefully, we will get to a stage in our economic development in which smokestack chasing, simply chasing other businesses is not the primary means toward economic development.

Senator Metzenbaum. Mr. Reich, as you know, the striker replacement issue was a hot issue before the Congress in the past. I intend to reintroduce the Workplace Fairness Act, which would ban the hiring of permanent striker replacements.

The President-Elect spoke to this issue during the campaign. Remember when he went out to the Caterpillar plant. My question is can we look to the Labor Department for support and cooperation in an effort to pass such legislation through this Congress?

Mr. Reich. Yes, President-Elect Clinton has indicated his support for that striker replacement legislation.

Senator Metzenbaum. My time has expired, Mr. Chairman.

The Chairman. Senator Dodd?

Senator Dodd. Thank you very much, Mr. Chairman.

Let me congratulate you, Mr. Reich, on your nomination, and I look forward to supporting the confirmation process. I commend the President-Elect for choosing you. I enjoyed our

conversation yesterday, in which we had an opportunity to discuss a lot of these questions, but for the purposes of the record here to go back over a few of them, if I might.

Let me also welcome my colleague, Senator Kassebaum, with whom I had the pleasure of serving on two other committees, as well. We spend time and I look forward to working with her, and Senator Wofford, as well, a colleague and friend for many years.

I would like to start out, if I may, just briefly, on the Family and Medical Leave Act, which won't come as any great surprise to you or anyone else of my interest in it, having spent now some seven years in trying to get that legislation adopted. We were able to do it here, but, unfortunately, the President vetoed the legislation and, despite our overriding of that veto in the Senate, we failed in the House of Representatives.

I know the President-Elect has spoken eloquently and firmly about his support for that legislation, but it might be helpful for us here this morning, if you might just take a minute or so and talk about that particular concept and idea, glass ceilings, child care, the so-called flexible work schedules and so forth, in the context of the broader issues. I think sometimes people see these issues as sort of isolated questions that are sort of nice things to do, but don't really understand them in the context of what we need to accomplish in this economy, if we are going to achieve the desired goals stated by the President-Elect and you this morning earlier, in terms of increasing productivity and reducing unemployment. How do these issues relate to that larger question beyond their particular attractiveness as individual issues?

Mr. Reich. Senator, I mentioned this morning that the high-performance work organizations, those companies in America that are doing the best, that are industrial leaders, they already provide their workers with family and medical leave. They provide a good working environment, a safe, healthy working environment. They bring their workers in to participate. They have a great degree of worker involvement. They promise and they fulfill their pension obligations, not just to workers at the top, but all their workers, and they benefit from all of these provisions.

The challenge for us, it seems to me, is to make sure that other American companies understand that, in the long term, these are all in their interest, as well. Capital markets tend to be relatively shortsighted, very often.

With regard specifically to the family and medical leave, the trend is unmistakable. We see it in all industrialized nations. Two wage earners now are the norm, or you have single parents who are becoming in many families the norm, they need family and medical need, they need a flexible workplace. Those companies that are providing it to them are having their pick of some of the best employees that are now available.

President-Elect Clinton is fully supportive, strongly supportive of the Family and Medical Leave Act, and looks forward to signing it. It is an appropriate, positive, important step and it is timely.

Senator Dodd. I appreciate that very much, and our hope is here to move on it quickly. The Chairman has been tremendously supportive, as have others. We have strong support with in the Senate for the legislation and look forward to being able to achieve that at an early date.

Let me move quickly to another subject you have touched upon, and that is the whole question of the disparity, the growing disparity between the levels of education within the work force.

I have heard it said--and you can correct me, if I am wrong on this--that by the end of this decade, less than 1 percent of all jobs in this country will be able to people who have less than a high school diploma, and that 21 or 22 percent of the jobs will be available to people who have just a high school diploma. I do not know if those numbers are correct or not, I have been told those are fairly accurate, that roughly some 75 percent of employment requires some educational experience beyond the traditional high school diploma.

To often, it seems to me, we have thought about job training in the context of crisis, you receive the pink slip and immediately everyone scurries around trying to figure out how to provide job training. In fact, there are reported incidents where pink slips are being given out early, in order to allow people to have the additional time, which is, of course, a frustrating experience, having received your notice of unemployment and then to sort of enter a job training program is not exactly the best environment, an essential one, but not necessarily the kind of environment one wants to enter that sort of experience in.

I wonder if you might share with us some ideas on how we can get beyond this sort of crisis idea of job training, responding to the shutdown plant, the defense worker who loses his job because we no longer feel it is necessary to build certain equipment, so that it becomes part of a seamless garment, in a sense, of improving the quality of productivity and employment in this country.

Mr. Reich. Senator, we in this country have pioneered a universal system of education, kindergarten through 12th grade. We take it for granted that that is something that everybody does, everybody goes through, or at least should. We obviously have a big dropout problem in this country, but at least it is available.

What we need to do in this country, it seems to me--and this is not necessarily only or even primarily a Federal responsibility, we need to work with the States, with private not-for-profit institutions and with companies, as well--we need to think of lifetime learning, a system that begins with graduation or possibly even for a kid that maybe can't graduate from high school, but continues all the way through his or her lifetime, providing training periodically, providing upgrading.

American companies are now spending $30 billion a year training

their workers. That is a very impressive sum. The problem is that $20 billion of that $30 billion goes to workers who already have university degrees, not to those who need it most. So we have to figure out how to concentrate those resources, both public and private, on the workers who need that continuous training and upgrading.

In the worst of all worlds, workers are going to be displaced. This committee has taken the lead on providing workers with adequate warning of job loss and providing them, therefore, with at least some lead time to get training and to prepare themselves, and we have to, again, as I have said repeatedly this morning, worry about those permanently dislocated workers.

Senator Dodd. Lastly, Senator Metzenbaum has raised the issue of OSHA. We went through the tragic experience in Connecticut a number of years ago of losing I think the second largest construction site accident resulting in significant deaths, 28 deaths, at L'Ambience Plaza in Bridgeport, CT. As a result of that, Senator Weicker, now Governor Weicker, became interested, as well as Congressman Shays, myself, and others, in construction safety.

I mention this to you. I won't ask you today specifically to comment on the bill as such. I wouldn't necessarily expect you to be familiar with the details of it. But I would ask you to take a look at what available measures exist within the Department to deal with some of these issues that might save us having to go through a legislative process in order to deal with improving the construction safety. In fact, I might suggest there are a number of areas where the Department--in fact, I think you will find here--had an opportunity to step up and do more in these areas, but because that did not occur, an awful lot of legislation was initiated to try and achieve the same results.

You might find in looking over some of these ideas that we have had legislatively that the power exists within the Department to deal with a lot of these problems. But I ask you, if you would, to take a look at that.

Mr. Reich. Certainly.

Senator Dodd. Mr. Chairman, I will yield the remainder of my time.

The Chairman. Thank you.

Since Senator Dodd mentioned this issue and has introduced legislation, how current this is, just this morning in Hudson, MA, 22 people were reported injured in a construction accident where a floor apparently collapsed on a new computer chip plant being built there. The victims of the accident were taken to several area hospitals. Two were hurt critically. Obviously we are mindful of the suffering of those individuals and the

families. These questions go on, and they happen every day. We really haven't done what we should in terms of the protection of the work site. So we hope we will have your views on these issues at an appropriate time.

Senator Coats?

Senator Coats. Thank you, Mr. Chairman. I apologize to you that I wasn't here to hear your opening statement and the line of questions. Senator Kennedy and I were both tied up in the Armed Services Committee hearing with Chairman Aspin. Senator Kennedy's seniority allowed him to get over here quicker than mine did. I was down the line a little bit.

I just have a couple of questions for you. It is my understanding Senator Kassebaum earlier asked some questions about the number of current employment training programs that currently exist, most of which are run out of the Department of Labor.

The specific question I have is your evaluation of the Job Training Partnership Act, its effectiveness, what changes might need to be made. We recently not only reauthorized, but made some changes to that program. If you have had an opportunity to study that and look at it and compare some of the former programs, the CETA program, and give us your thoughts on that, I would appreciate it.

Mr. Reich. Senator, I am aware that there has been very recently an evaluation done. In fact, the reports of the evaluation are either just coming out or they will be available very shortly. So I am afraid I cannot at this point give you a very informed answer about that.

Senator Coats. Well, when you do have that opportunity, I am sure we will have the chance with this committee to get your views on that.

Secondly, I wanted to bring to your attention, because this will be something that will affect your Department and I think be a more immediate question given the current drawdown in the Department of Defense. In response to an authorization, something that was authorized and appropriated last year, a Defense Conversion Commission was created. They have some pretty good people on that commission, and they have just finished their work. I am not even sure this is public yet, but they just have issued a report called "Adjusting to the Drawdown." It is the report of the Defense Conversion Commission. It is dated December 31st.

It comes up with some very interesting conclusions, I think, and some surprising conclusions and makes recommendations as to how we ought to go forward with this. It will have a direct impact on the Department of Labor, and I would commend it to you to look at as you are evaluating your recommendations and policies relative to that transition and that conversion that is going to take place with both people separated from the military and workers in defense plants that no longer have employment there.

Mr. Reich. I look forward to reading it.

Senator Coats. My third and last question is relative to your book, "The Work of Nations," which has probably already been referred to here. I have enjoyed reading through it. While I haven't read it all, I have read substantial portions of it. I am not exactly sure--maybe the President-elect isn't even exactly sure yet--of just how the whole economic team is going to function and work and so forth. But I was interested in some of your proposed recommendations and solutions to the challenge which you outline in Chapter 20 called "The Problem Restated." I figured if I read that I could skip the first 19 since you were restating it in Chapter 20. Laughter.

As I understand it, the problem restated is summed up in one sentence here: "Hence, the challenge, to improve the living standards of the majority of Americans now occupying the two latter categories who are losing ground in the global economy." And you define three categories of workers for the future.

Now, first, you do admit that the problem--you say the problem is far from insoluble, and you do say that there is a range of potential solutions. The first response which you suggest is to make the income tax much more progressive and closing what you call some gaping tax loopholes. And in doing so, you reference Woodrow Wilson's proposal to Congress to enact a steeply progressive tax code with a top rate for individuals of 83 percent.

Is this the kind of proposal you are going to be advocating to the Clinton economic team relative to how to deal with this basic challenge that we face?

Mr. Reich. No.

Senator Coats. I am happy to hear that.

Mr. Reich. Senator, in context, I do feel that it is important and President-elect Clinton feels that it is important that all Americans, both at the top of the income ladder and also in the middle and at the bottom, all roll up their sleeves and pitch in to get on with the investment strategy that has to be undertaken, both public investment and private investment.

Putting people first, the President-elect's set of economic proposals does recommend and he is committed to an increase in the marginal tax rate of people whose adjusted gross incomes, families whose adjusted gross incomes are $200,000 up to 36 percent. And let me also recommend or at least restate something that I have stated very often in the past. Bill Clinton is his own economic chief. He asks for a lot of advice from an awful lot of people, but he makes the economic decisions.

Senator Coats. Well, I think we learned some of that during the campaign, and 36 sounds good after 79 or 83. It is a tried and tested political technique to offer a high number and have everybody says, "Wow, it is only going to be 36 percent."

On Chapter 22, my last question here, titled "Uses of Vestigial Thought," you indicate that taxes on the wealthy must be lowered, public spending must be cut, and government budget deficits must be reduced. These propositions, so much in vogue in the last decade of the century that they were nearly qualified as articles of faith among the policy makers of the United States and elsewhere, are basically vestigial thoughts.

Now, some of that seems counter to what President-elect Clinton has indicated. We talked about taxes on the wealthy, but the fact that reduction of public spending and particularly government budget deficits, addressing the government budget deficits, I wonder if we could just set the taxes aside and even the public spending aside and just address the question of deficits.

Why is that a vestigial thought when the President-elect has basically said that is one of his top priorities?

Mr. Reich. President-elect Clinton is committed, Senator, to reducing the budget deficit in context. The purpose of that particular thought was to make what I consider to be still a very, very valid point, and that is that there are different kinds of deficits depending upon what you were using the money for. Borrowing itself is no great sin. Companies borrow all the time. But borrowing for investing, for building up your future productivity, is very often appropriate. Borrowing simply to consume is what gets you in trouble.

The objective, it seems to me--and, again, I can't speak for the President-elect. He speaks for himself. He's the economic policy maker. But the objective broadly, it seems to me, is to move from too much public and private consumption to a greater degree of public and private investment. That is what will get out country back on the right economic track.

Senator Coats. Where would you classify entitlement spending? Would that be investment or consumption?

Mr. Reich. Well, again, that is an issue that I want to leave for the President-elect. At this very moment he and some of his advisers are working developing the package which members here will have an opportunity to examine and be involved with. So I don't want to spill the beans. I don't want to get out ahead of him.

But let me just say that, in my view--and, again, it is my view--some entitlement spending, so-called entitlement spending, would fall into the category of consumption. It doesn't have anything to do with future investment. But some entitlement spending may have a lot to do with building the future productivity of the Nation.

By my lights, the criterion ought to be, with regard to separating consumption and investment, what is it that is merely enhancing the well-being of people here today? And what is it that is building the future productivity of the Nation?

Senator Coats. Well, I am not an economist and never pretended to be, but it seems to me, just on the face of it, that we have some incompatible goals here--a pledge by the President-elect to halve the budget deficit, an indication that there needs to be substantially more investment in infrastructure and in hard assets. I can't see how you can accomplish that without a very substantial reduction in entitlement spending.

Mr. Reich. Well, Senator, the President-elect is going to be--is struggling with that issue. He has some ideas. I and many others have been advising him, and shortly he will present his draft, some of his ideas. He will be collaborating with Congress, working toward the end of both increasing public investments and also reducing the budget deficit.

Senator Coats. We will look forward to that presentation. Thank you, Mr. Chairman.

The Chairman. As you know, 85 percent of the increase in entitlement spending is on health care, and that is only a quarter of the budget. You could cap it today, and all you are doing is shifting the budget into the private sector, which would be less of an increasing dampener in terms of expansion, in terms of creation of jobs. So I think we all understand these issues are complex and really are going to take the best judgment, at least in terms of recommendations of the administration.

Senator Simon?

Senator Simon. First, I just want to join in welcoming Senator Wofford to the committee, who is going to be making a constructive contribution here, and at the time it becomes official, we will officially welcome you and Senator Kassebaum. But we are pleased to have you here anyway.

I am pleased to have you as the Secretary of Labor-designate. I jotted down some adjectives as you were testifying: energetic, practical, compassionate. You said of the chairman that one of his great assets is that he cares, and you are right. But it is also an asset of Bob Reich. And I want a Secretary of Labor who cares, and I think we have one.

Then finally, creative. When you say the Department of Labor will become a center of America's strategy for economic growth, I don't think there is any question that the Department of Labor is going to become that. And I welcome that.

I would mention for the record also that in 1991 Fortune Magazine

listed 25 Americans who had contributed to making America competitive, and one of those 25 was Robert Reich. And I think having Robert Reich as Secretary of Labor is a great step forward.

Now, my colleague, Senator Dodd, mentioned OSHA reform, and in that connection, let me mention there is in Illinois the National Safety Workplace Institute, founded by a young man named Joseph Kenny, whose brother was killed in a construction accident. And they do some excellent work. If you are not familiar with them, I think it would be worth taking a look at their work.

Part of what is in the OSHA reform bill can be handled through regulation. For example, I have an amendment that is part of that that says when there is a hearing on a workplace accident resulting in an injury or fatality, when the victim is either dead or unable to testify, is in a coma, that the family should be able to testify at the hearing. You can do that. We don't need to pass a law. But if we have to pass a law, I am for doing it.

It seems to me there are some very practical things that can be done so you don't end up with OSHA deciding there has been a wrongful death and a factory, a corporation, is assessed a $2,400 fine. You know, that affronts everyone and doesn't do what should be done.

Second, Senator Pell mentioned the WPA concept, which I have discussed with you briefly, also. I recognize that to move in this area massively would be expensive. But we are faced with a situation where, after each recession, we accommodate to a little higher level of unemployment. I am old enough to remember when one President of the United States was being attacked because we had reached a 4 percent unemployment rate. How we would love a 4 percent unemployment rate today. And I think after this recession you are going to see the same thing, more and more people falling through the cracks. I would hope that we could at least have a demonstration project so that we see if it really does pay to pay people for being productive rather than non-productive. People who are welfare aren't there, with rare exceptions, because they want to be there. They don't see any hope. They don't see any choice.

I am just wondering if you could elaborate on your response to Senator Pell whether a demonstration project--obviously our society is different today. For example, the old WPA was largely male-oriented. That is going to have to shift. But a demonstration project along the line of WPA, whether that--and I might add Senator Wofford has worked with me on this--whether that doesn't make sense. Any reaction?

Mr. Reich. Well, certainly, Senator, a demonstration project along these lines sounds very reasonable to me. I can't commit at this point to anything, and don't want to, but I certainly promise you to look into it.

Senator Simon. All right. That is a good diplomatic answer that won't get you into any trouble. We will try and get more out of

you a little later on. Laughter.

Let me shift to another area. Sixteen percent of our work force, working men and women, belong to organized labor. But if you take out the governmental sector, it is 11.8 percent. No other country, no other industrial country, with the exception of South Korea, has that kind of a low rate.

My question is: Number one, do you think this is healthy? Number two, if it is not healthy, what can we do about it?

Mr. Reich. Number one, I don't think it is healthy, Senator. I think that workers need a voice. And as I have emphasized in this hearing repeatedly, that is linked to productivity. Where workers are involved in participating, where they have a voice, you find companies that are much more productive and more profitable. It is not just productivity. It is also profitability, better jobs.

As you stated, in the private sector organized labor is down to 11.8 percent, and it is going down. With regard to young people entering the work force, it is much lower than that. And I think part of the reason is due to the 1980's, to some obstructions and some difficulties that labor had organizing itself, given the unfriendly environment, regulatory environment. And I will do everything I can to make that environment more friendly.

Of course, the Secretary of Labor doesn't have direct control over that environment. That is the National Labor Relations Board. But there is an indirect relationship there.

But also part of the problem, it seems to me, part of the trend is due to technological changes, to long-term changes in international trade, and therein it strikes me, it seems to me, that organized labor also has to be very creative about the future.

Where is that labor movement going? What can be done to make organized labor and the labor movement more relevant to the flexible organization of the future?

I mentioned before the Saturn plant, the Chrysler LH, some of the new experiments happening in Boeing. There is a great long list of labor-management collaboration, with the unions, that seems to be working extraordinarily well. And I would hope that management and labor both could be focused on those successes.

Senator Simon. I agree with your response, and the 11.8 percent, in fact, discourages productivity in our country. It is not healthy for either labor or management. But I think we have to take a look at concrete ways of encouraging a better climate there.

You are from the Massachusetts area. I held hearings not too long ago on Job Corps, some of these programs to help young people. And Jackie Gelb, the executive director of YouthBuild Boston--I don't know if you are familiar with that program at all. Anyway, she testified YouthBuild Boston is forced to turn away ten young people for every one that it accepts into the program for lack of room, and that is with virtually no publicity.

Then we had a young man testify. His last name was James. I think it was John James, a young African American who had dropped out of school, whose life just got turned around through this YouthBuild Chicago. And I asked him how many people were in the gang he belonged to, and he said about 20 to 25. And I then said, Let's just say of the 20 who are in the gang, if a program like this were available, how many do you think would come in out of the 20? And the young man replied, "I would say at least 15." At least 15.

I mention this because we have--there are a lot of things we don't have to invent. We have some really good things, but we need to fund them. And one of the things that you will have to do, I hope will do--and I would like you to comment on it. You are going to run into problem, real candidly, with my friends Leon Panetta and Alice Rivlin in the Office of Management and Budget. And I have seen two different kinds of Cabinet people: those who just roll over and accept whatever OMB gives them, and those who get in there and say, you know, this program is really important, we need more funding. And sometimes they have to go--I remember Ted Bell doing this when he was Secretary of Education. Sometimes they have to go to the President and say, you know, this really ought to be a priority. This is part of the investment we talked about in the campaign. I have received the signal my time is up, but I will give you a softball question, but I want a hardball response in the years to come. The softball question is: Are you going to fight for these kinds of programs that really are so important for the future of this country?

Mr. Reich. Well, Senator, let me give you a softball response. The answer obviously is yes. But I want to say one further thing, and that is the President-elect Clinton put together a group of people, has tried to put together a group of people who are not going to simply play tough with each other but going to be a team. The Secretary of Labor is going to be a member of the National Economic Council, sitting there at the table. That symbolizes, I think, the President-elect's concern for these issues.

The President-elect wants to invest in the public, wants to invest in people. So I don't think you need to worry. I certainly don't worry about commitment there. There is commitment there. There will be investment. And I will be right there at the table making sure that there is.

Senator Simon. If I may follow through, I should know this but I don't. Is the head of OMB part of the National Economic Council?

Mr. Reich. Yes.

Senator Simon. Okay. Thank you. Thank you, Mr. Chairman.

The Chairman. Senator Harkin?

Senator Harkin. Thank you, Mr. Chairman.

Again, I want to join my colleagues in congratulating you, Mr. Reich, on your selection to be our next Secretary of Labor. You have been one of our country's leading voices for increased investments in human capital and identifying the pivotal role those investments play in our long-term economic growth.

You understand that a well-trained and well-educated work force are essential to making our industries productive, our goods competitive, and our economy healthy. There is a debate going on right now, I know, within the Clinton economic team and I think around the country as to whether one is a deficit hawk or an investment hawk. Please put me in the investment hawk category.

It is sort of like looking at the doughnut. You either see the hole or you see the doughnut. I think those that concentrate too much on the deficit are saying how terrible things are right now without looking at the potential that we have as a country, the tremendous resources that we have and the talent that we have, and thinking what a little bit of investment today will do five or ten years from now.

So I am greatly heartened by your response to the questions of my friend and colleague from Indiana, that we have to make those investments not for consumptive purposes now, but to invest to determine what our productivity is going to be five and ten years down the road. So I am greatly heartened by that.

Under your leadership, I think that the United States is going to be the place where the skilled labor will be, and that is where the jobs will go. And you understand also that we must not only invest in our workers, but respect our work force. That requires strengthening the rights of collective bargaining, and I am heartened by what I just heard in your response to Senator Simon's questions, improving conditions in the workplace and creating high-skilled and high-wage jobs.

So I am thrilled to see you here, and I will be thrilled to work with you, at a minimum, over the next four years, and hopefully beyond that.

I have about three or four very short questions. Will there be a stimulus package, do you believe, that President Clinton will provide to the Congress shortly after his inauguration? And if so, what role will human resource investment play in that investment stimulus package?

Mr. Reich. Senator, as to whether there will be a stimulus package and, if there is, how large it is, that decision has not yet been made, and when it is made, that is the President-elect's decision, obviously. But with regard to the second part of your question, undoubtedly human resource investments are going to play a major part in the long-term plan regardless of whether and to what extent there is a stimulus package.

President-elect Clinton will be presenting to the Congress, will be working with Congress to develop a long-term plan that is intended to increase public investments, but also to reduce the budget deficit--quite apart from the stimulus. The stimulus may or may not occur. Again, if there is a stimulus, it may be large,

it may be small. That is a separate issue from the long-term, five-year and on, agenda in order to invest in our work force, invest in our infrastructure, and also push that budget deficit, get that under control.

Senator Harkin. I appreciate that. One part of investing in our human resources is to ensure, as Governor Clinton has said many times in his campaign and since, that we can't afford to waste one person in this country. As you may know, I chair the Disability Policy Subcommittee of this full committee. Two-thirds of all Americans with disabilities, about 12.5 million people between the ages of 16 and 64 are not working at all. About 60 percent of those not working receive either insurance payments or some kind of government benefits.

Again, this doesn't have to be. Most people with disabilities are not only able and capable, but want to work. They need a little bit of support and some training.

The Labor Department has an integral role to play in meeting the job training and employment needs of people with disabilities. As Secretary of Labor, you are going to be responsible for a variety of job training programs and for enforcing the affirmative action requirements for government contractors under Section 503 of the Rehabilitation Act of 1973.

I just want to assure you that as the chairman of this Disability Policy Subcommittee, I will work with you to ensure that the Labor Department's ongoing programs and its new job training initiative provide for the employment needs of people with disabilities, and that they are not left out in terms of job training provisions.

Again, that is more of a sermon than it is a question, but I hope you would share with me again the need to ensure that job training programs, workforce retraining, skills training, all bring into account people with disabilities, that they are not left out in this workforce training.

Mr. Reich. Yes, Senator, absolutely. I have perhaps a special sensitivity to people with disabilities. I this summer went through a painful operation replacing my hips because of a congenital disability, and that gives me just a little bit of a sense of what many people in the workplace, many Americans who are not in the workplace are going through today.

Senator Harkin. Thank you. I appreciate that.

My Subcommittee on Labor, Health, and Human Services on labor appropriations has found serious weaknesses in enforcement of the minimum wage and overtime provisions in the Fair Labor Standards Act. In fact, in hearings before my subcommittee last year, the inspector general of the Labor Department recommended several ways that the Wage and Hour Division could improve the effectiveness of its program by increasing its ability to detect and deter violators of the Fair Labor Standards Act.

Senator Harkin (continues). Can you assure me that your Labor Department will immediately look at the advice of the Inspector General, his suggestions, and to do what you can to detect and deter violators of the Fair Labor Standards Act?

Mr. Reich. Yes, Senator, I can assure you that, if confirmed, I am going to be looking at how we can beef up that inspection and the discovery of violators of the Fair Labor Standards Act.

Again, I want to underscore my sense that at the Department of Labor there are enormous numbers of very talented, very committed people. I just want to make sure their commitments and their talents are fully utilized and mobilized and directed toward these important missions.

Senator Harkin. One sort of final thing, and that has to do with worker training, again. From my Subcommittee on Appropriations, I see all of this: Health and Human Services, Education and Labor all have separate work training programs, and sometimes a person who is out of work and seeking some type of job training gets bounced from one to the other.

Again, I don't have a solution other than to hope that you will work closely with the new secretaries of those other departments to form some type of inter-agency task force to provide for some type of one-stop shopping, so that a person who is out of work doesn't get bounced from Health and Human Services to Education to Labor, and then they start the circle all over again, and after about two or three weeks of that, they are so disheartened, they don't even go back again.

So it has been a problem that we have seen repeatedly, and I just would look forward to working with you to try to provide for some type of one-stop shopping.

Mr. Reich. Senator, I look forward to working with all of you on that issue. As I get into looking in detail at these Federal programs, I am struck not only by how many there are, but how many there are that are targeted to particular populations, and I would very much look forward to your advice as to how and to what extent we can create a comprehensive one-stop shopping system for worker training and dislocated workers.

Senator Harkin. I would be glad to work with you on that.

Lastly, and I don't expect an answer, but perhaps I would like to just submit this to you in writing for your further consideration: You have in the past talked a lot, obviously, about high-tech jobs and the need to think about what the American work force, an educated American work force can contribute to the world economy.

Right now, the Federal Communications Commission is in the process of selecting a standards for the broadcast transmission of high-definition television. The FCC plans to select a

standard based primarily on the recommendation of an advisory committee, which, in turn, has developed and plans to rely on certain criteria to make its recommendation. I have looked at that criteria, and the criteria failed to include consideration of the impact of the selection on job creation and maintenance in the United States of America.

Again, I would hope that perhaps you would take a look at this, as soon as you assume your position as Secretary of Labor with others in the government, to take a look at this and to see if perhaps we shouldn't also have as part of the consideration criteria, the selection of the standard, as to what it would mean in terms of job creation and maintenance in the United States. This seems to be left out of the equation.

Again, I would follow up with this perhaps with more of an elaboration. I see my time has run out, but perhaps I could send you a letter on this, and I would like to have your consideration and respond to that perhaps in writing.

Mr. Reich. I certainly would.

Senator Harkin. Thank you very much.

The Chairman. Senator Mikulski?

Senator Mikulski. Thank you, Senator Kennedy.

Dr. Reich, I look forward to supporting your candidacy for the Secretary of Labor-work force position, and I do it with eagerness and I do it with enthusiasm.

I recall with just a great deal of fondness the retreats that we have been on in which we have gone over these issues and read many of your works, and I think you are the right person for this job at this time.

Senator Pell referred to another Secretary of Labor, Fran Perkins, who was the first, and I view that this time is as much of a defining moment as when Fran Perkins took over this job, and many of the issues are parallel. The difference is the American economy.

When Fran Perkins became the first head of the Department of Labor, we had new immigrants coming into a work force, many of whom could not speak English. Many women were coming into the work force, and it was then Rosie Schneiderman who was one of the great union leaders who was an advocate of creating the Department of Labor, because of the Triangle Shirtwaist fire, in which women were killed, because of the lack of occupational safety.

So we could go through all of those issues, but that is what Fran Perkins found, and they sound remarkably similar today. The difference was the American economy was expanding and expanding in a robust way and, therefore, the needs of the workers were treated in almost a cavalier way.

In this defining moment, employers, both public and private,

large and small, talk about the need for work force readiness and the need for workers also to have a work ethic. But what is often left out in their conversations is workplace readiness, the workplace readiness for the new dynamics of the work force.

We now have many people coming in who cannot speak English. Ford Motor Company, in Senator Simon's hometown of Chicago, tells us that there are 42 different languages that are spoken on the factory floor.

We have also the fact that women are in the work force and they will be here to stay, and then the lack of policies along that area, as well as worker safety.

Could you share with the committee really what your overall plan would be for workplace readiness? As we get the workers ready for the jobs, I truly believe the work force must equally be committed to change, as we are for the training of the workers themselves.

Mr. Reich. Senator, I couldn't agree with you more. Again, training workers, trying to do it through mandates, through particular grants is fine, but we also need to have a work force that is ready and a workplace that is ready to take those workers.

It is interesting to me that the high-performance work organizations of America, those companies that are doing the best are doing the best jobs with regard to all of the issues we have been talking about this morning.

The question that I have in my head--and I don't have any easy answer, I don't have an automatic answer for you, I think it is going to be a multi-pronged strategy--is how to get the rest of American business to understand that profits and productivity rest in treating their workers as their most precious asset, understanding that a corporation is not a collection of financial resources, it is a collection of human resources. Many companies do that. The best companies do that.

But again, I am going to be working on a strategy with all of you, hopefully with the States and with private corporations and chief executive officers, to try to develop a broader understanding and a broader consensus with regard to that issue.

Senator Mikulski. I know a large part of that conscious raising will be done by the President himself and certainly by our very able Vice President.

When we talk about, though, the attitudes towards workers and the mechanisms needed in place to welcome them, there are very specific things. Our colleague Senator Dodd talked about family leave, the whole issue of day care and child care. Senator Durenberger and I and others met with business in terms of actual language training in the workplace, the whole idea of literacy, tech prep, those things that did help.

But one of the things that is also overlooked is the issue of bigotry and how bigotry is worked out. We act like there is bigotry in American society, but then we don't look at the

segments where bigotry is acted out.

Probably the most crucial place where negative stereotypes are acted out is in the workplace, and those stereotypes usually are always based on race, gender or another type of physical condition, as you and Senator Harkin just discussed. I would hope that that also would be one of the issues we looked at, not only in terms of access to employment, but the very nature of the environment of the employment. Of course, an area that I would be particularly interested in is in the area of sexual harassment, whether that occur in any institution within our society, whether it is that workplace, this workplace or any workplace.

So we know that we are not looking for a laundry list, but I think this is a tremendous opportunity, and I think Fran Perkins and her memory, and this would go well, and we hope that you would note that.

I don't know if you want to comment on that.

Mr. Reich. Well, just to underscore many of the points that you made, Senator, discrimination against women in non-traditional occupations is particularly of concern to me. Discrimination against women, minorities and disabled is obviously of concern to us all, and the best companies are not doing it. We have to root that out. We have to deal with that issue.

Senator Mikulski. Thank you very much.

Thank you, Senator Kennedy.

The Chairman. Thank you very much.

Senator Wellstone?

Senator Wellstone. Thank you, Mr. Chairman.

First of all, it is getting late, so I am going to be relatively brief and move right along. I, too, am really pleased to serve on this committee with the ranking minority member, Senator Kassebaum, who I think, even when we are not in agreement, has a wonderfully supportive style of leadership, and I really look forward to working with her, and I welcome Senator Wofford.

It is the pits, isn't it, Harris, to be at the end of this process?

Laughter.

I have asked the Chairman to think about some standard of fairness, and so far we just haven't gotten anywhere, but maybe now we will have two.

Did you want to respond, Mr. Chairman? I knew he was going to respond.

The Chairman. When I was a junior member of the Judiciary Committee, Sam Ervin asked the Attorney General two and a half days of questions, even before I got a chance to question him, so consider yourself very lucky.

Laughter.

Senator Wellstone. I consider myself very lucky.

Laughter. Let me, first of all, say that I think to talk about the memory of Frances Perkins is right on the mark. When I hard Professor Reich, that sounds good to me right. Secretary of Labor sounds even better, and I am just very, very honored to support you for this position.

But when I heard you talk about how honored you were, it just felt right to me, and I believe you will be the kind of Secretary of Labor who will do well for the American work force and people in this country. There is just absolutely no question in my mind.

The second point I want to make is, having read most of the books you have written, assigned a good many, and many of the articles that you have written, as well--I am just trying to butter up to you, you know. And having heard you speak about paper entrepreneurship and not all debt is created equal and the importance of strategic investment in the economy, and then being in an audience and hearing you say, Professor Reich, "I used to be six-six, until I started worrying about the economy," I knew then you were my choice to be Secretary of Labor.

Laughter.

On a more serious note, since lots of questions have been asked, I am going to highlight my concerns and I am going to put questions to you in writing, if that is all right. Mr. Chairman, I also have a statement that I would like to have included in the record.

The Chairman. It will be included in the record.

Senator Wellstone. I would like to emphasize the question or questions that were raised by Senator Metzenbaum about the North American Free Trade Agreement. I would also like to emphasize the question I understand Senator Simon asked about labor law reform, that is to say some kind of balance of power between labor and management, which I think is so key to a really productive working relationship, and there is a whole set of questions I would like to submit to you in writing on that.

I don't know that Senator Durenberger mentioned this, but we both come from a State that is doing an awful lot in health care, and I think everybody on this committee is committed universal health care coverage, but the ERISA problem and exemption and whether or not States can move forward with their own models or have the flexibility is something I look forwards to working with you on.

Finally, I think Senator Kennedy's opening question, if you will, was right on the mark, because when I heard you emphasize, Professor Reich, that it is important that we not educate and

train people for jobs that do not exist, and when I heard an emphasis on creating jobs in our economy that people can count on, that is to say jobs with decent wages and decent fringe benefits, it occurs to me, yes, there is a budget deficit, but there also is an investment deficit, and I dearly hope, dearly hope we won't put that in parentheses, we won't put that in brackets, because I think it is so key to what we need to do for our economy and really for the people in this country.

This all leads me to just two quick questions. One, how do you see yourself work--I am on the Small Business Community and I really love serving on that committee, and we read about how small businesses create many of the jobs in the economy, and we also I think emphasize the importance of home-grown economies, that you have local entrepreneurship, the people who are the business people live in those communities, they work in those communities--how do you see yourself working with the small business community around this goal of an economy that generates jobs that people can count on?

Mr. Reich. I want to work, Senator, very, very closely with the small business community. I emphasized in my opening remarks my particular sensitivities, going back to my own roots with regard to small business. The small business community very often has felt, and I think appropriately felt, that government was imposing some burdens on them that perhaps were unfair or disproportional. I want to work with them. I want to have a very, very close working relationship with small business. That is very high on my agenda.

Senator Wellstone. The second point I guess I would like to ask, this question I believe was raised by Senator Pell, but just to take it a bit further: Where do you see the Department of Labor and yourself fitting in, or what kind of role do you see yourself playing in relation to this monumental challenge before us, which is that we don't just sort of spit people out of the economy as we see further reductions in the Department of Defense Budget? I mean where do you see the department fitting into this?

Mr. Reich. I see ideally a very close working relationship, perhaps a task force itself between the Department of Labor and the Department of Defense, perhaps the Department of Education and also Commerce. There have been a number of discussions, I know, here on this committee and other committees in the Senate and also in the House on putting together such a unit. That seems to me to make enormous sense, so you have the institutional capacity across departmental lines to deal with these problems, which really in fact do cross departmental lines, so that you have the capacity to deal, for example, on the one hand, with defense cutbacks, but worry simultaneously about the training and the jobs that people are going to get at the other side.

Senator Wellstone. One set of concerns that I did not highlight, I just want to be on the record on this, Senator Metzenbaum, I believe, talked about the record of the decade of the eighties, if you will, in relation to occupational health and safety, which I think all too often people who are environmentalists forget that is part of the environment, and I don't think it is a record that we should be proud of. I would like to emphasize that I think we have some important legislation on the books, some proposed legislation on the books that I hope we will get your support for that would really lead to a healthier and safer workplace, which I think is just a basic human rights question.

My last question for you, or maybe it isn't even a question. I am just thinking out loud, and I think you already have read some of the articles that deal with this, and I would just like to tap into a little bit of your thinking. The school-to-work readiness transition that you talk about and the over 50 percent of the population, women and men that don't go on to higher ed, my only concern about that is the extent to which it might evolve into the worst kind of tracking. Have you given any thought to that in some of your writings, some of your speaking, some of your thinking about it?

Mr. Reich. I certainly have given thought to that danger, Senator. If we create school-to-work programs, whether they be apprentice-like programs or other career possibilities for people who are not going on to 4-year colleges and universities, and we create enough alternative paths, it seems to me that we avoid the stigmatization to which you are referring.

I am very familiar, for example, in Boston, we have a number of programs--Pro Tech, Mr. Chairman, you may be aware of that--in which you take young people out of high school, and the business community is very actively involved. There are jobs waiting for those people. They get paid for part-time work while they are undertaking some training in a junior college or a vocational or a technical institution. Given the fact that there are jobs waiting for them, there is certainly no stigma, because those companies and those institutions that are creating the jobs are, in fact, supporting partly the job creation and the training that goes along with it.

That is a kind of a program. I am not saying that is the necessary only model, but that is the kind of a program that I think we need to encourage around the country.

Senator Wellstone. Mr. Chairman, I don't think I want to take any more time. I have a set of questions I would also like to submit to Professor Reich dealing with community service and the ways in which you might be thinking about that, as Secretary of Labor.

I just would conclude my questioning not with a question, but another comment, which is one of the books that Professor Reich wrote was "The Power of Public Ideas." I really believe that Robert Reich epitomizes or personifies the power of public ideas. I just can't wait to vote for confirmation.

Thank you.

The Chairman. Very good.
Senator Wofford? Harris, we are glad to have you here.

Senator Wofford. Thank you, Mr. Chairman.
I do consider myself lucky, except to be sitting after my eloquent professor populist from Minnesota.
Thank you, Mr. Chairman and colleagues, for your warm welcome. When I consider the creative work, the legislation that has come out of this committee in years past, I feel proud to be on this committee. I suppose I should say I feel humble to be on this committee, but, as Golda Meier said, I am not great enough to be humble.
I am very happy to be on this committee. There is supposed to be no place like home, and for me, knowing what you have done in the past and what we may do in the future, this committee feels like that. In any case, it is the place I most wanted to be, except perhaps in Bob Reich's Harvard classroom.

Senator Wofford (continues). Though I am very delighted that the President-Elect has drawn this man of ideas into the field of action again, and I feel lucky to be here to try to help him as he turns his words, his good words into flesh. I can't think of a Secretary of Labor who would be better than the choice by President-Elect Clinton.
I want to inform this committee that the people of Pennsylvania claim Bob Reich as one of their own, because he was born in Scranton. He is a native Scrantonian, and our Commonwealth claims him.
I also have one other thing in common with him, that I was viewed as a surprise appointment when Governor Casey enlisted me to be the Secretary of Labor and Industry. And, Bob, those four and a half years were the most interesting and rewarding years of my life to that date, and I think the next four years for you on this far larger stage are going to be the same.
I also got some first-hand insights, a head of steam on things that ought to be changed in the U.S. Department of Labor, having been on the receiving end of that U.S. Department of Labor. I will ask a few of those questions today.
One has to do with labor-management cooperation. When you were in Pennsylvania last at our governor's seminar, you talked some then of emphasizing it, and we told you some of the things Pennsylvania was doing to earn a reputation as a State pioneering in labor-management cooperation and participation, in the public as well as the private sector, and I think I told you about how much help we had been getting from the Federal Department of Labor's Bureau of Labor Management Relations and Cooperative Programs.
But then in the years after that, more and more, that helped disappeared, as that bureau seem to have been abandoned by the leadership of the department. I would be very interested in whether you have done any thinking yet on whether to revitalize

that bureau and how you think the department and you can give very high priority and leadership to earning a reputation, making a reality of labor-management cooperation in private and public sectors in this country.

Mr. Reich. First of all, Senator, let me just reiterate how absolutely pleased I am to be working with you, to have the opportunity to work with you. You have been on the front lines, you have been Secretary of Labor at the State level, l you know what the receiving end is like, and I am going to be sitting at your feet learning everything I possibly can about that Federal-State relationship, because that is where the action is.

People down there at the receiving end, they have got to know that the Federal Government and the States are working together. The States are doing some extraordinary things. You did some extraordinary things.

The Bureau of Labor Management Relations and Cooperative Programs, I have looked into it a little bit. It seemed to me that it was doing a very good job and a very useful job.

The question in my mind--and again, I am reluctant to commit before I am actually there on site and I can see what is needed to be done--the question in my mind is whether you want a separate bureau that looks at these very, very vitally important issues, or whether you want everybody across the entire agency--in pensions, in employment and training, in occupational safety and health, in fair labor standards--all of the entire staff to be sensitized and working around and with and through the questions and issues of labor-management relations and cooperation, and I am going to try to see the best organizational form for accomplishing that.

Senator Wofford. Certainly, safety and pensions are areas of great concern in labor-management cooperation. That leads me to my second question. Not only is there increasing insecurity about pensions and the funding thereof and waivers for the funding and the like, but the health care benefits beyond pensions are now in tremendous jeopardy, because of a recent case and because of the accounting standards changed by the Federal Accounting Standards Board which require that companies show on their financial statements the future costs of health and other non-pension benefits, and some companies are making a one-time charge and some are amortizing it, but others are using this as the opportunity to terminate their health care benefit plans for retirees, and this is adding further reason for health care reform, for a comprehensive universal health insurance system.

I hope you are going to be in the front line of helping to shape that, but have you given any thought to what could be done, even in the interim before we enact that, to stop this process of taking health care benefits and rights away from people to whom they were promised?

Mr. Reich. Senator, I have given a little bit of thought to it. Much of it is in litigation now. There is a great deal of foment about contract, whether and to what extent companies actually did promise to maintain these health benefits.

I am concerned, as well, as you alluded to, about the Pilot Life decision, which suggests that ERISA, the Federal Pension Act, preempts all of the States' acts with regard to health benefits. That sale of preemption strikes me as simply too broad. Again, I am reluctant to commit myself too much at this point, because I want to know more, but that is definitely an area that we need to explore carefully.

Senator Wofford. Well, I hope you put the cartoon up in your office that I saw recently of the personnel officer hiring somebody and saying, "Now with all of these health care benefits, you realize that no salary goes with this job."

Laughter.

Lastly, a Frances Perkins' question: I think if Frances Perkins were here, she might say that one of the first things Franklin Roosevelt called her into his office to ask her to do was to organize what became the Civilian Conservation Corps. I believe in his first week in office, he said there are 500,000 unemployed young men on the streets, dropped out of school, I want those boys in the woods, and 10 days later she had a plan and a message went to Congress, and by the end of his first month in office, in its first 30 years, Congress enacted a one and a half page law establishing the Civilian Conservation Corps. He set a quarter of a million boys in the woods by the end of summer as his goal, and by the end of July, four months later, 300,000 young men were in 1,300 camps, some of them run by then Col. George C. Marshall.

I know you are aware of things that have been done in the State and local level in Boston and elsewhere, and Pennsylvania, in Maryland, for youth service corps, little versions, different varieties of CCC programs, some of them that bring the college-bound and the non-college-bound together in a way that breaks those stigmas and produces real integration in the city program in Boston.

I think if Frances Perkins were here and looking at the state of youth, particularly in our cities in this country, but all youth, I would say, and looked at the $1.5 billion or more than $1 billion mandated youth programs under the Job Training Partnership Act and other programs, I think she would say isn't there a real idea here waiting to be turned into flesh, turned into action.

This is another area where I hope you will be in the front-line of helping to shape the President-Elect's national service program, and will look to the bill that this committee played such a leading role, and the Chairman did and Senator Mikulski, in administering the National and Community Service Act of 1990. It has produced the base on which I think you could take a quantum leap in asking and giving the opportunity to all young people to engage in community service in effective ways.

Have you given new thought to this? I know when we last saw you in Pennsylvania, we told how the economic development partnership

there had recommended that more than half of the youth programs of the Job Training Partnership Act, a billion and some dollars, should be in youth corps form, and they have been very slow to the private industry councils in Pennsylvania and in this country have been relatively slow in moving in that direction. Do you have any thoughts of how you might give leadership in this area?

Mr. Reich. Senator, national service is an idea whose time, in my opinion, has come. I spent last week, most of the better part of a couple of days, with the City Year people, going through a program that is absolutely marvelous in all the ways you said--bringing young people together of different socioeconomic groups for a year of preparation, paying them along the way, giving them a $5,000 award at the end, and having an extraordinary effect on troubled youth and poor youth, and again, crossing socioeconomic barriers.

Senator Wofford. And college-bound youth.

Mr. Reich. That's right; college and non-college.

So it seems to me that that model and other models--not exclusively that model; I know in Washington, DC there is a different variation, and I have observed variations in other cities--but that model of getting different youth together from different socioeconomic backgrounds and providing them with a goal and an avenue to get out of their current plight and get on the way toward a better education and better training is precisely the kind of thing we want to do.

We want to integrate that with apprenticeship-like programs. The next step is to ask when they finish that program, what next?

Senator Wofford. Our corporate leaders and labor leaders in Pennsylvania concluded that the same qualities you want in the work force of the future, the entering work force, of teamwork, initiative, responsibility, are qualities you learn in well-organized corps of this kind.

Thank you very much.

The Chairman. Senator Kassebaum?

Senator Kassebaum. Thank you, Mr. Chairman.

I have just two brief further questions. One is on job training, going back to that. Press reports have indicated that perhaps you are reconsidering how strong your support would be for a 1.5 percent payroll tax at this time that would be a mandate to pay for retraining workers. Could you verify that, or what are your thoughts at this time on mandating a payroll tax?

Mr. Reich. Senator, there is absolutely no backtracking on this. President-elect Clinton repeatedly stated through the campaign and still believes, and I believe also, that companies should dedicate at least 1.5 percent of their payrolls to training their workers. This is not a tremendous, onerous obligation. Most companies do this already. This is far less than other countries would expect. It is a goal, and I intend to do everything necessary to achieve the goal.

Senator Kassebaum. Second, before initiating any new job training programs, would you consider conducting a comprehensive survey of the programs already in place and try to evaluate those in the light of duplication of programs and administrative costs?

Mr. Reich. One of the goals I have, Senator, with regard to these training programs is to try to integrate them. As I said before, what I see--and again, this is a very preliminary view--but what I see is a vast array, 125 different programs targeted to specific eligibility criteria, specific benefits. It strikes me at first glance that there must be some way of integrating them and providing a comprehensive approach. But I am very much looking toward the guidance of this committee and other members in terms of how to do that.

Let me return, though, to the first part of your question--do you wait before you provide any new initiatives or suggest any new initiatives? Well, what worries me about waiting is that the problem of the dislocated worker and the problem of the school-to-work transition is so large that I would hate to use simply a review as a delay for doing what has to be done. Both have to be done, and I intend to do both.

Senator Kassebaum. I was encouraged when we were visiting earlier before the hearing started about your knowing the Secretary-designate for the Department of Education, Governor Reilly. And of course, education and labor do have to work closely together. In the past there have been some turf problems, as there tend to be here in Washington, but I think the greater the coordination between departments, the better, and that will be useful.

My second questions regards the family and medical leave legislation. There is no doubt that that is going to pass and that it will be signed into law. I have raised some questions about imposing this type of mandate on the business community, even though I certainly believe that in the work force of the future, an employer needs to look at the flexibility necessary to meet family and medical problems and should provide that leave.

But I think that I would raise the question, should employers at least be compensated for the fixed costs of carrying employee benefits while the employee is not working. If we believe this is important enough to mandate, then should we not be willing to

also pay for that? And I know that tax credits have been suggested before, but unlike past proposals which suggested credits instead of mandating leave, I would wonder about extending credit to provide for the health plans and the pension plans for an employer who then would carry those during a time of leave.

Mr. Reich. Senator, all I can say is--and I want to reiterate this--that President-elect Clinton is fully supportive of the Family and Medical Leave Act and intends to sign it. You raise a broader set of questions having to do with using carrots and sticks with regard to the workplace of the future--

Senator Kassebaum. Yes. That's why I liked your comment regarding something else on carrots and sticks.

Mr. Reich. --and undoubtedly as we move to that high-performance workplace, the workplace that is exemplified by the best companies already in this country, the question in my mind is what combination, ultimately, of carrots and sticks and persuasion we want to use. I want to work with the business community, but the business community is going to have to collaborate as well. Labor is going to have to collaborate. We have got to all roll up our sleeves and do it together.

Senator Kassebaum. Well, I agree. I guess I am just asking if this is important enough that we mandate it from here, is it then not important enough to pay for.

Mr. Reich. I think it is time--

Senator Kassebaum. Who pays for it? Do we, or do the employers?

Mr. Reich. If you look around the country at the best-managed companies, Senator, they are already doing it; they are paying for it. If you look at other countries as well, those employers are paying for it. This is not in my view, my humble view, an unreasonable requirement.

Senator Kassebaum. You are right about that; the large companies are. It is the smaller and the middle-sized companies that I worry about. And I think, frankly, if we are going to do this--we have excluded, of course, 50 employees or less, who many times are the very ones one needs to reach--I am simply saying if we are going to mandate it, let's also be willing to pay for the credits that could carry on down to employers who would be covering far fewer employees than that as well.

I will be suggesting that at a later time when we get into that on the floor.

And just a further addition, because I think it has been interesting to hear about Mrs. Perkins and the American

economy. But you know today, I think what we are missing, too, is not only how the American economy has changed, but we are also very much a part of a global economy, and that is a factor that influences so much of what we do today in our desire to be competitive.

I certainly look forward to working with you, Mr. Reich. I think you will bring a great deal of challenging thoughts and provide some real stimulus to discussions which will be important for us in shaping a labor force for the next decade and into the next century.

Mr. Reich. Thank you, Senator, and if confirmed, I very much look forward to working with you as well.

Senator Kassebaum. I doubt there are any doubts about confirmation.

The Chairman. Thankfully.

Just very briefly, in listening to some of the questions that were asked of Mr. Reich, the fact of the matter is every new entry into the job market is going to change either their jobs or career eight times over the course of their career.

When you were a sheet metal worker at Quincy Shipyard 180 years ago, you were a shipfitter, your son was, and your grandson was, or granddaughter--rarely, your daughter or granddaughter--but that was the fact. Now, we've got a changing world.

It is interesting to hear some of our friends ask how are we going to do all of these things. Parental leave--European countries have it. They have longer vacations. They have greater benefit packages in terms of the range of social benefits. They have employer-employee committees. Many of the studies indicate they have fewer industrial accidents. They pay more in terms of hourly wages, and they have double the industrial output that we have here in the United States. I mean, something is happening over there.

And I think one of the things, as you have pointed out, which is not the only answer but is an important factor, is the continuing training. I welcomed your very clear response on that issue.

We asked Bill Brock, a Republican from Tennessee--we served with him--chairman of the Republican National Committee--we asked him, "Do you favor that?" "No, Senator." "Why not?" "Because it ought to be double that." And the great majority of the Republicans on that America's First agreed with him.

Hopefully, we are going to be able to, in this new partnership with business and public, try and find ways of really looking at many of these issues, hopefully anew, and seeing where we can make progress, because I think if we get locked so much into both the rhetoric and the positions of the past--and certainly, I'd include myself--then we really aren't going to do the kinds of things that President-elect Clinton wants to do.

Just a final, brief question and another comment. We haven't talked about minimum wage here today. One of the most important

parts of our whole social compact is the development of the minimum wage, that any American who wanted to work 40 hours a week could get a job, could provide for his or her family, and live in some respect and dignity in this country.

It hasn't really become a partisan issue. Dwight Eisenhower fought for an increase--he was unable to get it--in the 1960's, but he nonetheless supported it. President Nixon supported it. Harry Truman supported it. Democrats and Republicans supported it. The only time we didn't get it was in the 1980's. That was the time we didn't get it. We settled for what many thought was a completely inappropriate kind of compromise, to get it up to $4.25 in 1990-1991.

We heard during that time, during the debate on the floor of the Senate, how this was going to add to inflation and how it was going to add to unemployment. I have yet to see one statement, one speech, one study that would indicate that that very small increase up to $4.25 has resulted in any job loss or been a factor in any inflator--although if we go for any kind of increase in the minimum wage, they'll find all kinds of other studies about it--at a time when we are seeing corporate CEO salaries in the same industries which are being most affected, in the restaurant industries, in industry after industry, going up 400 or 500 times. And they say, "We can't afford it. We just can't afford it."

The record is just replete with examples that were put into the record of the United States Senate. This isn't only a question of decency and fairness, but it has also turned into an issue which primarily affects women in our society. Close to 70 percent of those who are receiving the minimum wage are women, trying to provide for themselves and for their families, and they are living in poverty. And what is happening is that other taxpayers are basically subsidizing those companies and corporations that aren't paying the minimum wage. At least we basically agreed, Republicans and Democrats, through the Thirties, Forties, Fifties, Sixties and Seventies, on that issue.

I am not asking you whether the first piece of legislation the President is going to send to the Congress is going to be an increase in the minimum wage, but as an economist and also as a person who obviously has a strong commitment in terms of social justice, I would ask for your comments.

Mr. Reich. Let me just say, Senator, that to underscore your point, my colleagues, particularly Larry Katz, an assistant professor of economics at Harvard, have done a number of studies showing that that increase in the minimum wage up to $4.25 in fact did not decrease employment; it had relatively no effect on employment opportunities.

The minimum wage has dropped in real terms, as you know. President-elect Clinton during the campaign talked repeatedly about the importance of a combination of increasing the minimum wage and increasing and extending the Earned Income Tax Credit. And what we need to do, and I think we are all in agreement on this--and again, this is both the jurisdiction of this

committee and the Department of Labor, and it also extends beyond--what we need to do, it seems to me, is to make work pay. One of the great tragedies is that we have a growing number of people working full-time, as you said, working under the poverty line.

The Chairman. Well, I couldn't agree with you more on the arrangement, to increase the minimum wage benefits for those with small families and the Earned Income Credit with larger. So the key, obviously, is some blending in terms of the policy issue. I was interested in the basic concept and philosophy.

Are there others? Senator Pell?

Senator Pell. I'd like to follow up on this question of codetermination, meaning the presence on boards of directors of labor. You have mentioned several times in the course of this hearing the importance of labor and management working together at the workplace. Why is it that your imagination would not bring up not just at the workplace, but at the board of directors as well? What is the inhibition that holds us back? Shouldn't we march down this road and make a positive effort or demarche on the part of the new administration?

Mr. Reich. Senator, I don't quite know what the inhibition is. As I consult with companies and look at particularly many of the technology companies, you see that your workers, even workers who are not very highly skilled, have bonuses, they have a great deal of input into the company, companies are listening to them. I don't know why there is as much inhibition in some companies as there is in bringing workers into the decisionmaking process, considering the fact that those front line workers have the information; they know about that production process better than anybody. They know where the markets are. They know about that technology. That is where your source of information is.

So I don't have an easy answer for you. Maybe you have a theory.

Senator Pell. I don't, but do you see us moving in that direction? Do you find yourself intellectually sympathetic to that approach?

Mr. Reich. I see the best-run companies in America working in a way that utilizes their employees and brings them into the process.

Senator Dodd was telling me about one of your companies, Allegheny-Ludlum. I think you referred, Senator, to the fact that it was a unionized company, but you didn't even know where management ended and the unionized workers began; they were working together. They understood that they weren't each other's enemy; the enemy was the competitors.

It is that kind of quality that we have to try to spread and bring

to the rest of American industry.

Senator Pell. I hope we can pursue this over the coming years, and I intend to.

Also, we have a network of labor attaches around the world. Shouldn't they be instructed to see what methods of apprentice training and community colleges are in the countries to which they are accredited by you--or, by the State Department, but they are working for you--and make better use of these labor attaches?

Mr. Reich. That's an excellent idea, Senator.

Senator Pell. Good. Thank you.

The Chairman. Senator Metzenbaum?

Senator Metzenbaum. Mr. Reich, one of the smallest items on your agenda, but one that has truly upset me much--12 years ago, when Ronald Reagan took office, he came in and, in a preemptive strike, fired all the PATCO employees permanently and said they could never return to their jobs. If those employees had committed murder at that time, or some other heinous crime, they would be free, they would be walking the streets of America, and they would be able to hold any job they wanted. Those employees have never been permitted to go back to their jobs. I don't know if many of them are still qualified and still able to do the job.

Can we have your assurance that you will at least take a look at this problem and see whether there isn't some element of fairness to permitting the PATCO employees to go back to work for the Federal Aviation Administration?

Mr. Reich. Senator, I'd like to review that.

Senator Metzenbaum. I would appreciate hearing from you. It is a minor item, not a major one, unless you happen to be one of the PATCO employees who were fired.

Last month, NBC in a major piece of work reported that the Wall-Mart chain, which has had a long-running, "Made in the U.S.A." marketing campaign, actually purchases much of its inventory from foreign suppliers. According to NBC, American workers have lost their jobs because Wall-Mart has contracted to use cheap overseas labor. In Bangladesh, for example, children as young as 9 or 10, according to that report, worked for less than 10 cents an hour for as long as 20 hours a day to make clothing for Wall-Mart.

I am certain that Wall-Mart is not the only U.S. employer benefitting from foreign child labor. We know, for example,

that many U.S. firms are exploiting under-age workers in Mexico's maquiladora zone.

What will you be doing as Secretary of Labor to address this problem? Should we require manufacturers or retailers to certify that their products were not made with child labor? What other steps might be taken to protect those children who are being forced to work in this manner in other countries?

Mr. Reich. Senator, I will be working with the United States Trade Representative on this and other issues related to appropriate working conditions abroad and the extent to which the United States must set some appropriate limits to foreign working conditions.

Senator Metzenbaum. Do you think there might be some value in requiring retailers to certify that their products are not made with child labor in foreign countries?

Mr. Reich. Well, I certainly want to look into it, Senator. Again, I don't feel qualified at this point to commit one way or another, but I want to definitely look into that issue.

Senator Metzenbaum. One of the committee's top priorities in the 103rd Congress will be OSHA reform. Although we have made some progress in reducing injury rates since OSHA was enacted 23 years ago, the rates remain appallingly high, with 10,000 workers dying each year just from safety-relatedO accidents and tens of thousands more dying of occupational illnesses.

The legislation which Senator Kennedy and I introduced last year would streamline OSHA's standard-setting process and improve the agency's enforcement authority. The bill would also increase the role of employers and workers by requiring safety and health programs and joint employer-employee safety and health committees.

Do you have any present views about the state of worker safety and health in this country, and would you be willing to work with us to reform and revamp the act at the same time, bringing about a greater sense of efficiency and effectiveness in the Department with respect to the law as it presently is?

Mr. Reich. Undoubtedly, Senator, I am eager to work with this committee in improving the performance of OSHA. You mentioned the number of worker accidents and injuries. It is cruel to put it in dollar and cents terms, but from what I have been able to gather, we are talking about more than $80 billion a year in deaths and injuries, and that doesn't even count the potential diseases, the toxic effects.

There has to be some way to deal with this issue efficiently, and I think that the bill that you and the chairman have been working on is certainly a step in the right direction, and I look forward

to working with you on it.

Senator Metzenbaum. Good. Since 1980, our pension system has begun to stagnate. The percentage of employers covered by pension plans has remained under 50 percent and is not increasing. In addition, employers are reducing their pension contributions and putting more of the burden on workers to save for their own retirement. The number of pension plans requiring employer contributions has increased 400 percent since 1984.

Given the strain on our Social Security system, frankly, workers need private retirement savings. Do you see the Department playing a major role with respect to encouraging companies to provide pension benefits to their workers?

Mr. Reich. Senator, as I said before, just to return to a major theme that I return to, the best companies in America, the most profitable, high-productivity, high-performance companies, are making sure that all their workers have adequate retirement savings. The trend that I have noted and I am concerned about is exactly the trend you have mentioned. Many employers are now moving to 401(k) plans, tax benefits for those workers who can afford to put away their own savings, but not necessarily benefits for workers who cannot afford it. That may exacerbate the same gap in wages and benefits we have seen in many other respects.

So that I am very, very eager to work with you and other members to try to come up with some solutions for that problem.

Senator Metzenbaum. On that score, during the Reagan-Bush years, the Labor Department was a nothing with respect to setting pension policy, and the Treasury Department made all of the rules and all of the decisions. As you know, you will become head of the PBGC. Do you see yourself taking a leading role in setting national pension policy as the Secretary of Labor?

Mr. Reich. Well, certainly I will be working very, very closely with, if confirmed, Secretary-designate Bentsen on these issues. One of the first things I want to do is get the facts about the Pension Benefit Guaranty Corporation. I have heard a lot of different reports about the extent to which there is a deficit there and the extent to which that deficit is going to grow if pension plans are underfunded. We need to get the facts before we make any decisions, and I want to make sure right away that we get the appropriate facts.

Senator Metzenbaum. Over the past several years, the inspector general for the Department of Labor has been extremely critical of the Department's weak enforcement program. Frankly, I have been a strong supporter of the inspector general and his efforts

to draw attention to the Department's flaws. The Department generally has been reluctant to work with its own inspector general or to heed his admonitions.

My closing comment is that I would be hopeful if you would support a strong role for the Department's inspector general, and I would hope that you would see fit to work with him or her as the case may be, rather than just fighting off any effort to cooperate or any effort to modify the Department's programs of method of conducting itself. I think the inspector general of the Department of Labor has been doing a good job but has been frustrated.

Mr. Reich. I expect and I certainly hope for a good working relationship.

Senator Metzenbaum. And in conclusion, we hope for a good working relationship with you, and I am sure that it will be. We look forward to your being confirmed and being on the job. I think the American worker will benefit from it.

Mr. Reich. Thank you, Senator.

The Chairman. Senator Dodd?

Senator Dodd. Just very briefly, Mr. Chairman--and I am pleased that my colleague the ranking minority member, Senator Kassebaum, is still here, because I wanted to respond just very, very briefly on the family and medical leave question, which is a question we have debated at some length.

Just to state very briefly, I for one would not have even bothered introducing a bill seven years ago, or reintroducing one over the last several years, or even talk about it this time, if in fact what the Senator from Kansas has suggested were occurring. According to the most recent data, which is worth noting, only 37 percent of female employees have maternity leave with firms that employee 100 or more people, and in late 1991, a Bureau of Labor Standards study showed that in firms with fewer than 100 workers, only 14 percent of women have maternity leave; only 25 percent of employers provide adoption leave, and less than 4 or 5 percent cover fathers in leave, and only 36 percent of Fortune 500 companies allow for sick leave for children.

So the fact of the matter is that despite all of the publicity and attention to this issue over seven years, you might have thought that the business community, were it really interested in trying to do something about this issue, that those numbers might have improved.

Lastly, on the cost, the SBA two years ago under the Bush administration, in a study of cost--and I will just quote the conclusion of the study that was done--said, "The net cost to

employers of placing workers on unpaid leave is always substantially smaller than the cost of terminating the employee. Therefore, while there will be costs to firms mandating leave by the Federal Government, these costs will be relatively small as compared to the cost of terminating the worker who desires the leave."

Again, the Congressional Budget Office estimated that if you exclude whatever benefits accrue to the company by not having to rehire someone, it is two cents per covered worker per day. In fact, IT&T claimed that they saved $15 million on an annual basis as a result of their leave policy, and yet the insurance company cited a $2 million savings to them.

So the assumption that there is only a cost associated with maintaining health care plans is just not borne out by any data, including studies done by the previous administration, as a comparative cost, if you will, of firing someone and hiring someone new, or hiring even a temporary employee to fill the employment.

I apologize for taking the time during your confirmation hearing, but I wanted the record to reflect that if I could.

And lastly, just to commend the President-elect on your choice, Bob, for this job. We've got some exciting times ahead.

I would just end on this note, and I regret I didn't bring it up earlier, and it has been referred to a bit, I think, by other colleagues--but the whole notion, which is a legitimate concern, and I think it is important that we on this side of the aisle take note of it, and that is to the extent possible to reduce paperwork and the cost of complying with various Federal regulations is something we have got to be sensitive to.

I have certainly asked people in my community when they have raised that issue to give me examples of where they feel there is either redundancy in the system or unnecessary information being sought. I would be more than happy to transmit that information to appropriate authorities in your Department or others, if you are confirmed, to try to reduce it. But I do think it is an important question, and they raise it with us all the time, maybe too often, in the past and have been a little smug about it. So I think we have got to be more sensitive to it. It serves everyone's interests to see that those costs are kept down.

Again, congratulations on your nomination. I look forward to supporting you.

Mr. Reich. Thank you.

Senator Dodd. Thank you, Mr. Chairman.

The Chairman. Senator Simon?

Senator Simon. Just three things, very quickly.

First, two of my colleagues indicated you have to be either an

investment hawk or a deficit hawk. I am both, and I hope you are both.

Senator Dodd. You are a condor.

Senator Simon. The reality is you aren't going to get the kind of investment in this country that we ought to get unless we deal with the deficit. And on the other hand, unless we put more of our dollars into the investment side, we are not going to deal with the deficit the way we should. We have to deal with both of these things. You are nodding but that doesn't show up in the record. Do you agree or disagree with that statement?

Mr. Reich. Senator, I fully agree with that proposition. But more importantly--far more importantly--the new President-elect agrees with that proposition.

Senator Simon. Second, you used the term "quality" jobs several times and "better" jobs, particularly in your opening statement. The reality is that we have seen a fairly sharp decline in manufacturing jobs. Service sector jobs pay about 64 percent as much as manufacturing jobs. This may be getting away from your base in the Department of Labor, but obviously it has a great deal to do with this. How do we encourage the development of the manufacturing sector in our economy?

Mr. Reich. Senator, the strategy for improving American manufacturing I think has to be part of a package of efforts through research and development, technology extension. President-elect Clinton has developed a whole series of proposals with regard to small business and technology extension.

But let me say something else. The distinction between manufacturing and services is beginning to break down as more and more manufacturing becomes oriented toward engineering and marketing, and as more and more services have within them pieces of production. The way that we have in the past classified these two types of work may be less and less relevant to the jobs of the future.

My concern is not so much that we are losing the old factory jobs--that is indeed a concern--but that even where we have the old factory jobs, they are paying less and less, or they are being automated, or we are seeing higher and higher productivity in manufacturing, but with fewer and fewer people. Well, that's not a great gain.

Senator Simon. Talking about classifying--and your point is absolutely valid--one of the areas where I think there should be a review is how we classify unemployment. To say that someone who

is working one hour a week is not unemployed is ridiculous. To just eliminate the discouraged worker from the unemployment category does not make sense. And the danger politically, of course, is if you make realistic assumptions on unemployment, then for a new administration, the figures suddenly become higher. But at some point, some administration has to get hold of this thing so we can give people realistic evaluations of unemployment in this nation. I don't know if you have any feelings on that.

Mr. Reich. Well, I agree entirely with you, Senator, on that. One of the great assets of the Department of Labor is the Bureau of Labor Statistics. It has continued to be one of the government's chief sources of information, Congress' chief sources of information, about what is actually happening out there. And my intent is to work very, very closely with the professional staff and see if the measures we have are appropriate.

Senator Simon. Let me be more specific. Do you think that the measure we now make of unemployment is a realistic measure?

Mr. Reich. No, because it does not include workers who are too discouraged to look for work and also workers who are working part-time who would much rather be working full-time--precisely the points that you were making. And as I tried to suggest, we need a more comprehensive measure of where the labor force actually is, not only with regard to working, but also with regard to the quality of those jobs.

Senator Simon. One final question. You mentioned you had a friend in grade school who has been out of work for a year. As I was reading my holiday cards this year, one of the things that hit me was the number of people who said, "Elaine has been out of work for a year," or "Jim has been out of work for three months." You are speaking not only to the members of this committee, but I see a C-SPAN camera here; there are going to be people out there listening to you who are out of work. Just in kind of a generic way, what kind of advice would you give to someone who has been out of work more than five weeks? What should he or she do?

Mr. Reich. Well, there are several steps--and again, this is very presumptuous of me to do this because I have not directly experienced the pain that many of these people are experiencing, nor have I been in the Department of Labor to actually see what the options really are. But since you asked the question, and because there is an awful lot of pain out there, it seems to me that one of the great enemies of obtaining a future job is resignation, just the sense of hopelessness.

The economy is just beginning to turn around, based upon

projections that I think are realistic. If we get to the point where we really are in a recovery, there are going to be a lot of jobs. The problem may not be so much the jobs, but the quality of the jobs that come back, as I emphasized before.

There are programs out there. The Federal Government is spending almost $16 billion a year on training programs. Community colleges are a great resource in our country. If you have some spare time, and if you cannot get a job right way, those community colleges are just a gold mine of opportunities for getting training and getting a certification at the end of that training.

So I would urge people not to give up, to keep on trying, and to get as much training and education in the meantime as they possibly can.

The Chairman. Thank you. Again, I think the President has made an excellent choice.

Thank you, Mr. Chairman.

Senator Dodd presiding. This is a unique opportunity for me, Bob, now that I am acting chairman here--if there is anything you'd like to do. Laughter.

Senator Wofford?

Senator Wofford. Acting chairman, I have learned that the last shall not be first, but I do believe that the first should be, as they have been here, last, and I don't want to do anything to keep our Secretary-to-be from being at the table where these issues are being argued--in Little Rock, or wherever you are going for that session. I would like to help you get there by withholding my other questions now.

Senator Dodd. Senator Kassebaum, any further questions?

Senator Kassebaum. Nothing further, Mr. Chairman.

Senator Dodd. Senator Simon?

Senator Simon. No questions.

Senator Dodd. Again, Bob, we thank you immensely for your testimony. There will be some questions submitted to you, and we would urge you to get back as quickly as you could to us on those. We look forward to moving expeditiously.

This committee will stand in recess.

Whereupon, at 1:32 p.m., the committee was adjourned.

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There are no more items to read.