

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 27, 1991Hearing Room 343 8:00 A.M.State Capitol Salem, OR

Tapes 70- 71

Unemployment Insurance Taxes for Job Training (LC 2114)

MEMBERS PRESENT: REP. RAY BAUM REP. JERRY BARNES REP. MARGARET CARTER REP. CEDRIC HAYDEN REP. VERA KATZ REP. BOB PICKARD

MEMBERS EXCUSED:REP. DAVE MC TEAGUE

STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER TAMIRA MILLER, POLICY ANALYST JERI CHASE, OFFICE MANAGER HOLLY BROWN, COMMITTEE ASSISTANT

WITNESSES:JAMES BRATT, ASSISTANT DIRECTOR, CALIFORNIA EMPLOYMENT TRAINING PANEL

NOTE: These minutes contain materials which paraphrases and/or summarizes statements made during this meeting. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE 70, SIDE A

000 CHAIR BAUM convenes the meeting at 8:08 a.m.

005 TAMI MILLER: Submits Draft of LC 2114 (EXHIBIT A).

017 JAMES BRATT: Submits "Employment Training Panel: Annual Report" (EXHIBIT B). The Employment Training Panel is a cooperative business labor program that helps business and labor develop training that strengthens the state economy. It helps workers learn skills they need to stay employed and support themselves and their families. We do have problems dealing with the chronic unemployed. We work on a fixed fee performance contract. We can train no individual for more than 18 months and a minimum of 100 hours of training. There are four basic requirements in the contract. First, job specific training. Secondly, we require placement in a job utilizing the skills. The third item is retention for 90 days after training as a benchmark for final payments. The last requirement is accountability requiring contractors to identify and quantify the successive training and its impact on the economy. We advance money to non profits and governmental entities of 15% maximum or two months operating expense. We are required to hold 25% of any contract until the completion of the contract. If these four things are not done then all of the money is due back to the state. The panel can contract with employers or groups of employers, training agencies, private industry councils and grant recipients. Our statutes require

that when a union represented employee will be trained that, that union must participate with the project and must so state by a letter to the panel. First priority is the new hire, an individual who is eligible to receive unemployment insurance benefits or has exhausted benefits within the last 24 months. Small business is our second priority, a retraining priority. The third is jobs threatened by increased competition from outside of the state, retraining of an existing employee. Our fourth priority is all others. In '83 we were training about 80% new hire and 20% retraining. By '86, due to the economic transition that took place, we were retraining 80% and only 20% was used for new hire. There are 7 appointed members of the panel, 3 governor's appointees, 4 legislative appointees and two assistant directors who are appointed at the Governor's pleasure. The panel is a separate state body. Funding comes from a 1/10th of 1% tax on employers who are subject to the unemployment insurance taxes in the state of California. That equates to \$7 an employee per year. In terms of revenue we are earning from \$60 to \$78 million per year. Our administration program is capped at 15 % of the tax collected and is currently running at about 11%. We do interact with the service delivery areas and the private industry councils. We work with our community colleges putting together consortiums of small businesses to provide training to their communities of small businesses. The panel was not placed within a department because it is considered economic development and to a degree social development.

336 REP. BARNES: How do you coordinate your organization with JTPA and the SDA's to minimize the duplication of effort?

340 BRATT: Our laws are so different that the people that we can help is almost in a strata that is separate from JTPA. We meet monthly with the managers of the other services to discuss who we are helping.

363 MILLER: The requirement that makes it difficult to do too much duplication is that they are required to serve folk who are eligible for unemployment.

370 BRATT: The overlap of our program primarily falls under dislocated workers.

387 REP. BARNES: Do the people you train have to make some type of commitment?

396 BRATT: No. Our program is driven primarily by the need of the employer. The employer may choose the trainees. Our system tracks every trainee that has been enrolled in our program and we find that most people stay with the job they are trained for.

TAPE 71, SIDE A

019 REP. CARTER: How do you determine the need of those that come to you?

025 BRATT: The program currently deals with the need of the employer more than it is for the trainee. We do outreach but we do not go to actually touch individual employees and refer them directly to programs.

055 REP. CARTER: Is your language permissive enough that an employer may go to a PIC to select a group of employees?

058 BRATT: Yes, and frequently we have linked up with employers in the SDA's and take advantage of what those programs have that we don't and

then come into one of our programs.

065 REP. CARTER: Is our language permissive enough to allow us to do the same type of thing?

069 BRATT: Your language is currently evolving. There is more you can do.

090 REP. CARTER: How do you suggest we bring a small group into a program of this nature to secure the kind of training that we need to try to get these people working.

109 BRATT: We use the JTPA to connect with the hard core unemployed. Another way we work with these people is through the legislature which as delineated an amount of money for demonstration projects which allows us to modify the eligibility of people.

147 REP. HAYDEN: How do you correlate with rehab training programs?

150 BRATT: We have not because this is the sole jurisdiction of Workers Compensation. We retrain for potentially displaced workers.

159 REP. HAYDEN: Do you work with the rural small businesses of say 5 people?

171 BRATT: We have a high percentage of consortium type training for small business.

190 REP. PICKARD: You stated you have been tightening up in the last 7 years. What was the stimulus for tightening up?

195 BRATT: Stimulus came from the chamber, the tax payer associations, the constituency and the legislature. The key area of concern was retraining and we now have a fairly tight certification process.

267 REP. KATZ: How would you start dealing with a training program and then if there are any gaps would you then use the unemployment tax to fill the gaps?

281 BRATT: You are limited in what you can do with the unemployment insurance funds. This program was put together because JTPA dealt with the hard core unemployed.

311 REP. KATZ: JTPA would permit the use of funds for displacement.

314 BRATT: The concern is that those funds are limited. Two of the legislatures are concerned that they not have a social catch all program they want to transition existing workers.

379 REP. KATZ: If we can't get this type of legislation through, we ought to look at what available dollars are there to begin to deal with the kind of training programs we want to put together.

382 REP. BARNES: I wouldn't mind looking at JTPA. A lot of areas in our state do not have community colleges. They have to use other community based organizations for training.

400 REP. CARTER: We could be putting the dollars that we are using on administrative expense right now into a community college and use more dollars for training.

420 REP. KATZ: We ought to be looking at what resources are currently being spent and could be redirected.

TAPE 70, SIDE B

013 REP. BARNES: Lets say displaced workers want to pool their money and start their own business, but they need to be trained, would your panel train them?

029 BRATT: No, statute says you must be an employer.

055 REP. BARNES: There are often no jobs to train for, so we need to tie job training and job creation together.

106 REP. CARTER: You are suggesting an interactive panel which drives policy and questions the day to day operations of success.

114 BRATT: Yes.

134 CHAIR BAUM: Suppose a business has its own training program and doesn't need to use your resources. They are subject to the tax, do they receive any compensation?

160 BRATT: In California if you are a positive rated employer you pay the tax. You tax and you allow a credit for those people doing the training. The goal is just to get the people trained.

196 MILLER: Who are your panel members, and how do they perceive the program?

203 BRATT: We have four labor members and three members appointed by the Governor. We do have a lot of input from the tax payers association and the chamber of commerce

230 REP. KATZ: How did Governor Deukmejian respond?

239 BRATT: The government has been very supportive.

260 CHAIR BAUM: Recesses the meeting at 9:26 am.

274 VICE-CHAIR CARTER Reconvenes the meeting at 9:46

284 MILLER: Present "Employment Training Panel: Update" (EXHIBIT C) and The Employment Training Panel Newsletter (EXHIBIT D).

300 VICE-CHAIR CARTER: During non seasonal times we need to train people into transitional jobs.

314 BRATT: In California we have the ability to farm year round, so we cross train to work with different field work, frozen food work or maintenance work.

334 MILLER: What is the perception of equity among the businesses that participate in this program, do businesses feel discriminated against if they aren't involved in this program.

350 BRATT: There has been some concern. We try to look to jobs within industry rather than the business itself.

383 MILLER: Our program is designed to reduce unemployment insurance, have you seen a reduction in the cost of insurance benefits?

397 BRATT: Yes, we found a 50% reduction in unemployment costs. Also there was an increase in wages.

TAPE 71, SIDE B

020 MILLER: Could you talk about your wage requirements?

026 BRATT: We have a minimum wage requirement within our own statute. \$6,59 for a new hire and \$9,80 for a retrainee. This is geographically variable.

105 MILLER: In the newsletter (EXHIBIT D), there is a list of the average wage for new hires and retrainees.

165 CHAIR BAUM adjourns the meeting at 10:08 am.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Draft LC 2114, submitted by Tami Miller, pgs. 6.

EXHIBIT B - "Employment Training Panel," submitted by James Bratt, pgs. 81.

EXHIBIT C - "Employment Training Panel Update," submitted by Tami Miller, pgs. 10.

EXHIBIT D - Employment Training Panel newsletter, submitted by Tami Miller, pgs. 6.