

UNITED STATES EMPLOYABILITY ACTION PLAN

At the February 21-22 Employability Conference in London, the G-8 Finance and Labor ministers adopted seven principles to generate new job opportunities and tackle unemployment and exclusion. This action plan spells out the ways that the United States Government is addressing each of these principles.

PRINCIPLE 1: SOUND MACROECONOMIC POLICIES CONDUCTIVE TO SUSTAINED NON-INFLATIONARY GROWTH AND EMPLOYMENT

In order to strengthen the economy and promote non-inflationary economic and employment growth, the United States Government has adopted a three-part economic strategy: cutting the deficit to help reduce interest rates and spur business investment; increased public investments in education, health care, science and technology so that America is prepared to meet the challenges of the 21st century; and opening markets abroad so that American workers have a fair chance to compete and win across the globe. This three-part economic strategy has contributed significantly to America's strong economy, and therefore, this Administration will maintain these policies.

- The linchpin of the Administration's economic strategy has been producing credible budget plans that could achieve substantial deficit reduction, yet provide for critical investments to help every worker benefit from a growing economy.
- As a result, the United States Government's budget deficit has fallen from \$290 billion in 1992 to less than \$10 billion this year, although economic growth through half of the current fiscal year has been stronger than expected and is likely to lead to a surplus, which would be the first in 30 years. Additional surpluses are expected for each year throughout the forecast horizon. To ensure that fiscal discipline is maintained, President Clinton has proposed reserving all future budget surpluses until Social Security is reformed.
- This Administration's deficit reduction program has helped lead to lower interest rates and a dramatic expansion in private investment, which allowed the economy to grow in the face of slower growth in public spending. Today, long term interests rates are significantly lower than they were five years ago, which has contributed to an investment boom. Since 1993, productive business investment has increased 11.4 percent per year, on average, and has grown at double-digit rates for five years in a row for the first time on record. This has helped strengthen the American economy: in 1997, the United States' real GDP grew at 3.8 percent (year over year), the core inflation rate was 2.4 percent (year over year) and the unemployment rate dropped to 4.9 percent.
- An important and continuing part of the deficit reduction effort has been the Administration's Reinventing Government initiative. Since 1993, the National Performance Review (NPR) has made a series of recommendations that, when implemented, would reduce government spending by approximately \$177.4 billion. To date, about \$112 billion has been saved through legislative or administrative action.

- **Investing in people** is carried out by encouraging opportunity and individual responsibility, assisting in the formation of human capital through education and training, and promoting public health and safety. (see Principles 4-7).
- The **promotion of freer and more competitive markets** at home has involved domestic initiatives directed at enhancing competition and antitrust enforcement, as well as addressing market failures in areas such as health care and environmental protection.
- Internationally, the Administration has worked hard to **open markets abroad** by encouraging fairer and freer trade. Between 1993 and 1997, the United States concluded over 240 trade agreements with other countries, including the comprehensive NAFTA and Uruguay Round agreements, all of which are important to the United States' competitive future. The Administration remains committed to obtaining fast-track authority, which would contribute to the United States' continuing promotion of more open global markets.
- The Administration is also committed to promoting **international application of core labor standards** through bilateral relations and participation in multilateral organizations. These help to ensure that all segments of society have the opportunity to share in the prosperity made possible by global integration and technological innovation.

PRINCIPLE 2: STRUCTURAL REFORMS IN LABOR, CAPITAL AND PRODUCT MARKETS TO FACILITATE EMPLOYMENT GROWTH,...TACKLING BARRIERS THAT ARISE FROM INAPPROPRIATE TAXATION OR REGULATORY FRAMEWORKS,...AND PROMOTING ADAPTABLE...WORKING TIME ARRANGEMENTS AND WORK ORGANIZATION

The United States economy, including its labor, capital and product markets, is generally market-driven and there are relatively few structural areas needing major reform. However, government initiatives already underway continue to reduce any remaining unnecessary structural impediments to employment growth.

- At President Clinton's and Vice President Gore's direction, government regulators are relying more on common sense than rigid rules, and they are beginning to write regulations in plain English that anyone can understand. Beginning in 1993, the President and Vice President mandated a program to **reform and make more efficient the regulatory process**. Under this program, significant advances have been made toward a regulatory system that protects and improves Americans' health, safety, environment, and well-being and improves the performance of the economy without imposing unacceptable or unreasonable costs on society; regulatory policies that recognize that the private sector and private markets are the best engine for economic growth; regulatory approaches that respect the role of State, local, and tribal governments; and regulations that are effective, consistent, sensible, and understandable.

- The Administration is committed to continue to **improve and modernize the U.S. financial system**, and to promote the integrity and efficiency of U.S. financial markets. The Administration is a strong proponent of financial modernization that would remove some technologically outdated *restrictions remaining on the U.S. financial system* and allow access to the widest possible array of financial products at the lowest possible cost. The Administration intends to work toward legislation to eliminate the barriers to full affiliations among banks, insurance companies, securities and other providers of financial services, and to permit banking organizations -- including bank operating subsidiaries and bank holding companies -- to provide a full range of financial products and services, subject to a uniform set of safety and soundness protections.
- The 1993 **Family and Medical Leave Act (FMLA)** entitles eligible employees to take up to 12 weeks of unpaid, job-protected leave in a 12-month period for specified family and medical reasons, such as the birth and care of the newborn child of the employee; the placement with the employee of a son or daughter for adoption or foster care; to care for an immediate family member (spouse, child, or parent) with a serious health condition; or to take medical leave when the employee is unable to work because of a serious health condition. It currently covers an estimated 67 million employees. Evidence shows that nine out of ten employers find the law "very" or "somewhat" easy to administer and compliance entails either little or no costs for essentially all businesses. The Administration is working to expand the benefits of this law to another 10 million workers. Moreover, President Clinton believes that FMLA-eligible workers should be allowed to take up to 24 hours of additional leave each year to meet specified family obligations, including routine medical appointments and parent-teacher conferences.
- To continue to **promote a flexible work environment**, the Administration has proposed offering American workers more choice and flexibility in finding ways both to earn the wages they need to support their families and still find the time they need to be with them. The Administration's proposal contains *provisions to ensure that as additional flexibility is provided, workers are protected.*
- The Administration will provide tax incentives and increased spending to support a **Child Care Initiative** that will make it easier for workers to balance work and family by expanding access to the quality of services provided by day care providers.

PRINCIPLE 3: FOSTERING ENTREPRENEURSHIP AND CREATING AN ECONOMIC CLIMATE FAVORABLE TO SMALL AND MEDIUM SIZED ENTERPRISES, INCLUDING THROUGH BETTER ACCESS TO VENTURE CAPITAL

The United States Government intends to maintain policies which contribute to the strong, positive macroeconomic fundamentals and the continuing good outlook for the United States economy. Fully developed capital markets, and the open U.S. climate for investors are the most important ways in which a strong climate for investing and entrepreneurship are fostered. There are a number

of ongoing U.S. Government initiatives which further encourage entrepreneurship.

- The **Community Reinvestment Act** is designed to promote fair and efficient delivery of credit and other financial services, and to bring residents of distressed communities into the economic mainstream. In the past five years alone, the private sector has made \$355 billion in financial commitments to low-income communities.
- The **Community Development Financial Institutions (CDFI) Fund** is a source for grants, loans, equity investments, and technical assistance to community development financial institutions. CDFI also advances micro-enterprise development through its Presidential Awards, and through coordinating federal agencies' micro-enterprise programs. The Fund also operates a program to encourage development lending and investment by mainstream financial institutions.
- The United States Government is committed to helping **small and medium sized enterprises** grow since they are vital to a strong economy. The Small Business Administration (SBA) currently has a portfolio guaranteeing over \$29 billion in loans to 200,000 small businesses that otherwise would not have had such access to capital. SBA guaranteed over 52,700 loans totaling \$10 billion to America's small businesses in 1996.
- The Administration is committed to **reducing the burden of government regulation** (see Principle 2) and ensuring that the benefits of new regulations justify their cost. Since many government regulations apply to industries in which technological change is rapidly altering *the nature of market competition*, a key precept is that the regulatory process must be dynamic, and under continual review so as to minimize its burden on businesses.

PRINCIPLE 4: ENHANCING EMPLOYMENT, EDUCATION OR TRAINING OPPORTUNITIES FOR YOUNG PEOPLE AND ADULTS WITH THE AIM OF PREVENTING THEIR BECOMING LONG-TERM UNEMPLOYED AND MEASURES FOR GROUPS SUCH AS LONE PARENTS AND DISABLED PEOPLE

The United States Government seeks to complement efforts of state and local governments and the private sector in responding to new labor market needs. We are committed to creating an environment where those new to the labor force or those wishing to improve their potential are provided the assistance and tools needed to achieve success in today's job market. New U.S. policies seek to smooth the transition from school to work.

- The Administration will increase **Job Corps** to nearly 70,000 participants in 118 centers. Job Corps provides a full-time, year-round residential program that offers a comprehensive array of training, education and supportive services, including occupational exploration; world of work and social skills training; and competency-based vocational and basic education.

- The new **Out-of-School Youth Opportunities Act** provides grants to assist high-poverty areas, including "Empowerment Zones" and "Enterprise Communities," in the provision of comprehensive services aimed at raising employment rates of out-of-school youth aged 16-24.
- The **School to Work Opportunities Act** encourages educational and career opportunities for all students by creating a framework for business and educational partnerships at the state and local levels. This initiative provides venture capital grants for state and local partnerships to develop and implement systems that help young people make the transition from school to careers.
- The Administration will increase Adult Training Grants that provide formula grants to states and communities under the **Job Training and Partnership Act (JTPA)** for employment and training assistance to economically disadvantaged adults.
- The Administration will increase spending and coverage of programs targeted on dislocated workers. The **Dislocated Worker Program** under JTPA Title III provides retraining and adjustment assistance for workers whose job loss appears permanent. It is complemented by the **Trade Adjustment Assistance and North American Free Trade Transitional Adjustment Assistance** programs, focused on trade-related displacements.
- The **Older Americans Act** authorizes a wide array of service programs through a nationwide network of 57 State agencies on aging and 660 Area Agencies on Aging. Funds for supportive, nutrition and home care services are distributed to States. The **Senior Community Service Employment Program** subsidizes part-time community service jobs for unemployed, low-income persons aged 55 and over.
- The Administration will establish a national **Task Force on the Employment of Adults with Disabilities** to develop a national policy to bring adults with disabilities into gainful employment. The Task Force will study, report findings and make policy recommendations on the barriers to employment faced by disabled individuals.
- The Administration's **Ticket to Independence Program** proposes to allow disabled beneficiaries to choose their own public or private vocational rehabilitation providers. Participating providers would be paid a percentage of disability benefits saved as a result of beneficiaries returning to work for a specified period of time.

PRINCIPLE 5(A): REFORMING TAX/BENEFIT SYSTEMS TO FOSTER GROWTH AND EMPLOYMENT AND TO ENABLE AND ENCOURAGE THOSE PEOPLE WHO ARE UNEMPLOYED... TO... FIND SUITABLE EMPLOYMENT, WHILE PROTECTING VULNERABLE GROUPS.

The United States Government is committed to policies that make work pay and that are family-friendly. The Administration has, in particular, adopted a range of programs to improve the

economic and social well-being of children, putting in place a system that guarantees that children's basic needs are met, and to provide financial support to needy families in a way that promotes work and personal responsibility.

- The Administration has significantly expanded the **Earned Income Tax Credit (EITC)**, a refundable tax credit designed primarily for low-income working families with children. The EITC's two chief goals are to help ensure that work pays and that a minimum-wage, full-time worker should not live in poverty (using a subsistence-based definition of poverty). In 1996, the EITC was responsible for removing more than 4 million people from poverty -- over 2 million more people than the EITC lifted out of poverty in 1993. Research has also shown that: (1) tax policy changes -- chiefly, the EITC expansion -- explain more than half of the decline in the child poverty rate since 1993; and (2) EITC expansions have been associated with increases in the employment rate of single mothers with children.
- The Administration and the Congress raised the **minimum wage** in October 1996 and a second time in September 1997, providing a pay raise to 10 million low-wage American workers. Because of the expanded EITC and the higher minimum wage, a full-time minimum wage worker can have an annual income more than \$3,000 higher today than in 1993. Thus a single parent working full-time at the minimum wage, with two kids, can rise above the poverty level. The President has proposed another moderate increase in the minimum wage in order to sustain the gains already made, and to help ensure that, as costs continue to rise, parents who work full-time can bring up their children out of poverty.
- The Administration has put in place **Empowerment Zone tax incentives** to encourage revitalization of economically distressed areas and the hiring of isolated inner city and rural poor.
- A **Brownfields tax incentive** has also been put into place to encourage the cleanup and redevelopment of environmentally distressed areas.

PRINCIPLE 5 (B): THE SUCCESSFUL TRANSITION FROM WELFARE-TO-WORK WILL REQUIRE A SUSTAINED COMMITMENT TO ACTIVE LABOR MARKET POLICIES, INCLUDING TRAINING AND VOCATIONAL GUIDANCE, AND TO ADDRESSING THE UNDERLYING REASONS FOR EXCLUSION FROM THE LABOR MARKET.

In 1996, the United States Government dramatically reformed its welfare system into one that promotes work and responsibility. In order to make welfare reform succeed, this Administration has undertaken a comprehensive approach to increasing the employment opportunities of welfare recipients, working with our state, local and private sector partners. In 1997, President Clinton set the goal of moving two million Americans off of welfare by the year 2000. Earlier this year, the President announced that we had already met that goal, two years ahead of schedule. This strategy includes:

- **Tax Credits for Employers.** Two employer tax incentive programs are intended to improve job opportunities for entry-level workers and to ease the transition from welfare to work. These encourage employers to hire individuals from certain targeted economically disadvantaged groups, and those with physical or mental disabilities.

 - The **Work Opportunity Tax Credit** equals a percentage of qualified wages paid to members of certain targeted groups during the first year of employment, up to \$6,000 (25 percent for employment of between 125-399 hours; 40 percent for employment above 400 hours).
 - The **Welfare-to-Work Credit** enables employers to claim a tax credit on the first \$20,000 of eligible wages paid to certain long-term family assistance recipients (35 percent of the first \$10,000 of eligible wages in the first year of employment and 50 percent of the first \$10,000 of eligible wages in the second year of employment).

- **Mobilizing the Business Community, and Civic, Religious and Non-Profit Groups.** At President Clinton's urging, the Welfare-to-Work Partnership was launched in May 1997 to lead the national business effort to hire people from the welfare rolls. Founded with 105 participating businesses, the Partnership now has over 3,000 members. The Partnership provides technical assistance and support to businesses around the country. Furthermore, the Vice President created the Welfare to Work Coalition to Sustain Success, a coalition of civic groups committed to helping former welfare recipients stay in the workforce and succeed. Tailoring services to meet welfare recipients' needs and the organizations' strengths, Coalition members provide mentoring and other support.

- **Federal Government's Hiring Initiative.** While this Administration has cut the Federal workforce to its smallest level in thirty years, it also believes that the Federal government, as the nation's largest employer, must lead by example. The Federal government has committed to directly hire at least 10,000 welfare recipients in the next four years. Already, the federal government has hired nearly 3,700 welfare recipients.

- **Targeted Welfare-to-Work Funding.** Last year, the United States Government provided \$3 billion for the creation of a Welfare-to-Work grant program. This program will help states and local communities move hard-to-employ, long-term welfare recipients into lasting, unsubsidized jobs. The government will oversee use of these funds for job creation, job placement and job retention efforts, including wage subsidies to private employers and other critical post-employment support services. Most will be allocated to local Private Industry Councils, who are business-led boards with significant experience in helping the disadvantaged secure employment.

- **Welfare-to-Work Housing Vouchers:** The Administration has proposed to allocate \$283 million for 50,000 new housing vouchers for welfare recipients who need housing assistance to get or keep a job by moving closer to a new job opportunity, to reduce a long commute, or to secure more stable housing to minimize emergencies that keep prevent daily, punctual arrival at work. These vouchers, awarded competitively to communities, will help welfare recipients successfully transition to keeping a job.

- **Welfare to Work Transportation:** One of the biggest barriers facing people who move from welfare to work -- in cities and in rural areas -- is finding transportation to get to jobs, training programs and child care centers. Few welfare recipients own cars. Existing mass transit does not provide adequate links to many suburban jobs at all, or within a reasonable commute time. In addition, many entry level jobs require evening or weekend hours that are poorly served by existing transit routes. To help those on welfare get to their jobs, this Administration has proposed a \$100 million a year welfare to work transportation plan. This competitive grant program would assist states and localities in developing flexible transportation alternatives, such as van services.

**PRINCIPLE 6: ENABLING AND ENCOURAGING PEOPLE TO LEARN
THROUGHOUT THEIR WORKING LIVES -- LIFELONG LEARNING -- TO DEVELOP
THEIR KNOWLEDGE AND SKILLS TO IMPROVE THEIR EMPLOYABILITY.**

This year, the United States Government provided the largest increase in educational investments in a generation, including the biggest increase in aid for students wanting to attend college in half a century. Through expanded grants for low-income persons, cheaper and easier-to-obtain student loans for all persons, and a variety of tax incentives for low- and middle-income families, the United States Government has made it financially possible for every American to obtain post-secondary education throughout their working lives. With these resources, Americans can truly learn throughout their lifetime, whether it is the education and training they need to prepare for a first job or for later career changes.

- The Administration increased the maximum Pell Grant for low-income college students to \$3,000 -- the largest increase in two decades. Approximately 3.7 million low-income college students will receive this year's increase, and an additional 220,000 low-and moderate-income families that were not previously eligible will receive Pell Grants. Since 1993, the maximum Pell Grant has increased by 30 percent, rising from \$2,300 to \$3,000.
- The Administration has put in place a series of tax incentives to help Americans go to college. These incentives include a tax credit to help make the 13th and 14th grades as universal as a high school diploma is today. Students will receive a HOPE Scholarship tax credit of 100% on the first \$1,000 of tuition and fees and 50% on the second \$1,000. The incentives also include a 20% Lifetime Learning tax credit, which will be applied to the first \$5,000 of qualified education expenses through 2002, and to the first \$10,000 thereafter.
- **Incentives for Savings for Higher Education.** In addition, Americans will be allowed to withdraw funds from Individual Retirement Accounts (IRAs) -- without penalty -- to pay their own higher education expenses or those of a child, grandchild, or spouse. In addition, families may open Education IRAs for any child under 18. For each child, they may add \$500 per year, and the earnings will accumulate tax-free.

- The 1997 Balanced Budget Agreement allows taxpayers -- including a parent -- to **deduct student loan interest payment from their taxes** (up to \$1,000 in 1998, rising to \$2,500 in 2001 and beyond) in the first five years of repaying a student loan.
- President Clinton and the Congress in 1993 provided **cheaper and easier student loans** -- cut student fees and interest rates for all borrowers, expanded the availability of flexible repayment options, and improved service through the Direct Loan Program.
- On their own initiative, workers may access **vocational training** through a system of post-secondary occupational training programs in community colleges that varies by state and locality and is usually heavily subsidized by the state and local area; and
- **Reforming the Job Training System.** The Administration is also seeking to reform the job-training system. The current bipartisan Congressional proposals to do this build on President Clinton's 1995 proposal for a G.I. Bill for America's workers. The President believes job training reform must meet four basic principles: (1) empower individuals; (2) streamline services; (3) enhance accountability; and (4) increase flexibility.

PRINCIPLE 7: PROMOTING EQUAL OPPORTUNITIES AND COMBATING DISCRIMINATION FOR ALL WORKERS.

The United States Government is committed to ensuring that all workers have the opportunity to *find and hold secure jobs with good wages* and to improve their skills free from discrimination.

- The President and the Vice President are working to provide the **largest single increase in the enforcement of our civil rights laws** in nearly two decades. The Administration will place greater emphasis on preventing discrimination through increased compliance assistance efforts and will continue enforcing against those who do discriminate in employment, education, housing, health care, and in access for those with disabilities. The Administration's balanced budget contains \$602 million for civil rights enforcement agencies and offices -- an increase of \$86 million, or more than 16 percent, over last year's funding.
- President Clinton and Vice President Gore's **Equal Pay Initiative** includes strongly supporting legislation to strengthen the laws that prohibit wage discrimination against women, and Administrative actions aimed at reducing wage discrimination in the private sector and the Federal government.
- The Administration will establish a **Presidential Commission on Workers and Economic Change in the New Economy**. Our goal is to ensure that all workers share the benefits of free and open trade. To this end, the Commission will assess and report on strategies for upgrading the skills of existing and future workers.