

Approved Arthur Douville 4-22-86
Date

MINUTES OF THE House COMMITTEE ON Labor and Industry

The meeting was called to order by Representative Arthur Douville at
Chairperson

9:00 ~~a.m.~~ ^{XXX} p.m. on March 4, 1986 in room 526-S of the Capitol.

All members were present except:

Representative R.D. Miller, excused.

Committee staff present:

All present, Secretary Thelma Canaday taking notes for Beth James.

Conferees appearing before the committee:

Larry Wolgast, Secretary, DHR
A.J. Kotich, DHR
Charneil Hadl, DHR
Rob Hodges, KCCI

Secretary Wolgast gave testimony in support of H.B. 3016 (see attachment #1) and gave a brief explanation of The Philip Morris report and the memorandum showing when funds had been borrowed in the past from the Special Employment Security Fund. (See attachment #2) He then asked to be excused and turned the question period over to his staff members, A.J. Kotich and Charneil Hadl. After a lengthy question and answer period a copy of a proposed amendment was handed out (attachment #3) and more discussion was held.

Rob Hodges was called on to clarify how reimbursement to the security fund would be handled.

After more discussion Rep. Friedeman made a motion to amend H.B. 3016 as discussed and that the bill be passed out favorably as amended. The motion was seconded by Rep. Hensley. Rep. Snowbarger objected to Rep. Friedeman's motion and called for a separation of the motion to amend and the motion to pass out favorably as amended. Rep. Friedeman withdrew his motion.

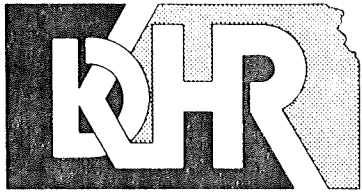
The meeting was adjourned at 10:00 a.m.

HOUSE COMMITTEE ON
LABOR AND INDUSTRY

Guest List

Date 3-4-86

Name	City	Representing
Rob Hodges	Topeka	KCCI
Wayne Mauchel	Topeka	Ks. AFL-CIO
Ralph McGee	"	LL UCCCCC
Harry McWaters	Wichita	" " "
DAN MORGAN	Topeka	AGC of Ks.
John O'Brien	Topeka	M. Gill & Assoc.
John Rathburn	"	KDHR / WC
Don Pritchard	"	KDHR
Charnis Sade	"	"
Bill Morrissey	"	DHR / WC
A.J. Kotich	"	DHR /



OFFICE OF THE SECRETARY
401 S.W. Topeka Avenue, Topeka, Kansas 66603
913-296-7474

John Carlin, Governor

Larry E. Wolgast, Secretary

TESTIMONY ON HOUSE BILL 3016

Mr. Chairman, members of the committee I appear before you today as a proponent for HB 3016.

As you know the Department of Human Resources with the support of the Governor seeks to allow greater flexibility in the utilization of the special employment security fund. Our purpose in this endeavor stems from the fact that fiscal constraints at both the federal and state levels have begun to effect the extent to which our agency has been able to serve the unemployed and dislocated workers in Kansas. Should HB 3016 be signed into law it is the Department's intent with the authorization of the Governor to implement specific one time programs that would effectively expand the state's capability to assist the unemployed in Kansas or at the very least facilitate that process.

I have outlined two such programs which we believe merit consideration. Should HB 3016 be passed it would be our intention to submit them to the Governor for approval and subsequent implementation.

Validity generalization is a concept which involves the testing and assessment of applicants for job openings. The measurement instrument used is the General Aptitude Test Battery (GATB). Development of the GATB began in 1947 and through the advance concept of Validity generalization over 12,000 occupations can now be catagorized and tested - thereby better serving the needs of employers as well as individuals seeking employment opportunities.

Presently, there are approximately 20 states that have implemented Validity Generalization and have found it to be a highly superior means of identifying. (1) the best applicant for any given job and (2) the most appropriate job for any given applicant. Employers who have made hiring decisions based on Validity Generalization referrals are enthusiastic about the increased benefits to their businesses revealed through lower employee turnover rates and higher employee performance.

It is important to note that the Kansas Department of Human Resouces has already received direct inquiries regarding the implementation of Validity Generalization from organizations such as General Motors Corporation, Owsn Corning Fiberglass and the Kansas Chamber of Commerce and Industry (KCCI).

H. L + I

Attachment #1

March 4, 1986

The interest shown by the above mentioned business entities and the proven track record of Validity Generalization in other states gives us reason to believe that it is a project well worth consideration.

WHEAT HARVEST

Although this program is not a new one it ranks as an important one in terms of its annual role in providing jobs and at the same time helping farmers harvest their crop. Due to Federal cutbacks, and scarce state general funds, this program is unlikely to be funded as it had been in previous years with approximately 50% from state general fund and 50% from Wagner-Peyser 7A funds.

The merit of this program is found in the number of placements (4,630) which resulted in the cutting of 659,588 acres of wheat. There is little question as to the worthiness of the Wheat Harvest program in helping farmers harvest their crop. In light of the problem facing our state's farmers, we feel that funds made available by the passage of HB 3016 would more than justify its support. In closing, I want to express my appreciation at having an opportunity to present what I consider the positive aspects of the amendment proposed in HB 3016. I would ask, based on the information provided in today's testimony that this committee consider favorable passage of HB 3016.

KANSAS

JSEC Job Service Employer Committee

Department of Human Resources

March 3, 1986

Larry E. Wolgast, Ed.D.
Secretary of Human Resources
401 Topeka Avenue
Topeka, KS 66603

Dear Larry:

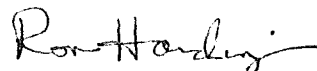
It has come to my attention that House Bill No. 3016 is now under consideration. The provisions will allow for greater flexibility in the utilization of the special employment security fund. As you know, the Kansas Job Service Employer Committee originally proposed that the Department of Human Resources pursue this concept to allow the Secretary of Human Resources with approval of the Governor to utilize this fund to finance activities related to administration of the employment service and unemployment insurance.

It is our feeling that these funds would be beneficial in providing more efficient service to Kansas employers who pay the unemployment insurance taxes. Federal budget cuts have reduced employment service staff resources by 24% since 1981 with further cuts under Gramm-Rudman-Hollings possible.

It is the consensus of opinion among the 650 employers who serve on our committees throughout the State that the Department of Human Resources must be able to utilize all funding sources available to them to ensure that the employment security system operates effectively. If the service now provided deteriorates further, employers would suffer through increased unemployment insurance costs.

Let me assure you that the 650 members of the Kansas Job Service Employer Committee fully support the passage of House Bill No. 3016.

Sincerely,



Ron Harding, Chairman
Kansas JSEC

H. G. Z

Attachment #2
March 4, 1986



PHILIP MORRIS

U.S.A.

P.O. BOX 26603, RICHMOND, VIRGINIA 23261 TELEPHONE (804) 274-2000

November 22, 1983

Mr. Jerry Pickett
North Carolina Employment Security Commission (NCESC)
P. O. Box 27625
Raleigh, NC 27611

Mr. Pickett:

We are grateful to the North Carolina Employment Security Commission (NCESC) for its valuable assistance in our efforts to select the best qualified hourly employees available for our new plant in Cabarrus County. The NCESC's willingness to include Philip Morris in its Validity Generalization (VG) Pilot Project was critical in our agreement to use the General Aptitude Test Battery (GATB) as a selection device for screening our hourly applicants. The selection system which we used included: 1) A review of applications (for factors like related work experience and stable job history), 2) the GATB, 3) a structured interview, and 4) a non-compensated 64 Hour Pre-Employment Training Program. We believe that a major reason for the success of this system has been the effectiveness of the GATB in identifying higher aptitude applicants than would have been possible using more conventional procedures.

The success of the selection procedures, and of the GATB, has been evident based in part on anecdotal evidence. For example, two of the poorest performing applicants/hires thus far were subsequently identified as having unusually low GATB scores. Another example has included several anecdotes indicating very high levels of motivation by the new hire group as a whole.

Considerable objective information has also been amassed which has allowed us to monitor the success of our New Hires. This report includes an analysis of all the "Objective Data" available to date, compared against all groups or standards which were available for comparison. The comparison groups will include other successful operating plants, and industry-wide data (when available). In addition, preliminary data was available from a "Control Group" of "Transfers" from an existing plant (who were not screened using the GATB). A view of the new plant hires (GATB screened) in comparison to these available groups and standards, (based on training results, and rates of disciplinary actions, accidents, quality defects, and production) is presented below.

Training Results

In some cases it has been possible to compare the New Hires, who were screened with the GATB, against another set of employees who are essentially "transfers" (Rehires) from another plant location and were not screened with the GATB. A random sample of the GATB screened individuals (N=16) outperformed a matched

Training Results (Continued)

(by race/sex) group of non-GATB screened individuals (N=16) on all available training performance measures [94-87 (orientation), 984-927 (forktruck), 995-980 (Walkie Rider)]. A second sample of non-GATB screened individuals (N=18) was similarly outperformed by a matched GATB screened group (N=18) on an "orientation" test for a different department (93-81). The samples are small but the results consistently favor the GATB screened hires.

On a competency based training program which must be passed for promotion to high speed operator positions, the new hires who were GATB screened (average GATB score was at 89th percentile) have had a lower overall failure rate (8%) than trainees at two other existing plants (10% and 25%). This is even more impressive since the GATB screened individuals at the new plant have tougher competency based training standards than the locations with higher failure rates. Fortunately, a group of non-GATB screened individuals were "transferred" to the new plant and were also available for comparison. These "transfers" were administered the GATB for diagnostic purposes only, and had average scores in the 43rd percentile. Of the nine non-GATB screened individuals who have participated in this training, three (33%) have already failed out and the training is not yet complete. Thus, at the new plant individuals who were GATB screened have had a failure rate of 8% compared to a 33% failure rate for non-GATB screened trainees subjected to the same training program.

Disciplinary Actions

The number of disciplinary actions for GATB screened individuals has been consistently lower than the levels in other plant locations. This may occur because the GATB inadvertently screens out less motivated applicants (e.g. we had a 10-15% no-show rate for the GATB). Summed over the 9 month period that our new plant has been in operation, we have had 58% fewer disciplinary problems than in existing plants. It should be clear that in addition to the GATB other aspects of the current selection system (e.g. the 64 Hour non-compensated Pre-Employment Training Program) also contributed significantly to the screening out of less motivated applicants.

Safety/Accidents

Available Safety/Accident data clearly indicate that the GATB screened group has outperformed our other locations and significantly outperformed national industry-wide figures. For example, based on "OSHA incident rate," our new plant hires have had a 33% lower rate of accident incidents than the national average for our industry group. On an index of "lost workday severity rate," our new plant hires have a rate that represents an 88% reduction from the national average and an 82% reduction from our comparison existing plant. Finally, on an index which combines incidents and lost workday severity rate, called the overall "safety performance index" (smaller numbers are more desirable), our new plant has a figure which represents a 71% reduction from the national average and a 35% reduction from our existing comparison plant. These figures represent such astronomical differences that they are even hard for us to believe.

Quality

Data was available to compare our major quality index, "rate of critical defects", to management's agreed upon goal for the division, and to the overall rate at existing plants. Thus far, the new plant's critical defect rates have

Quality (Continued)

been consistently better than the goals (in 8 out of the 9 months) and, overall, we have had 25% fewer defects than the division goals. Furthermore, the rate at the new plant has represented a 59% reduction in critical defects compared to existing plants. Since quality defects can often be connected directly to the "troubleshooting" skills of operators, it is likely that higher aptitude levels have directly influenced quality levels at our new plant.

Production

Finally, production rates (measured by "utilization" rate) has been very favorable for the GATB screened new plant hires. Unfortunately, production utilization levels at existing plants were not available at this writing. However due to the lengthy learning curve involved in getting "up to speed" on new machines (44 months), existing plant levels would probably represent an unfair comparison anyway. The only available standard for comparison for production utilizations (percent production compared to the maximum possible production if machines were running perfectly 100% of the time) were the goals which management had set to evaluate itself against. The production utilization goals were based on a similar "startup" situation at another plant location, and take into consideration the "learning curve" for new operators (which assumes maximum utilization after a 44 month period). The actual utilizations recorded thus far have exceeded the utilization goals in all of the first nine months of operation. Actual utilization, expressed as a percent of utilization goal, has ranged from 121% to 160%. These figures also show a consistent level of production which has exceeded production goals by an average of 35%!

Summary

The chart below represents all of the data available to date for use in evaluating the effectiveness of the new plant hires, who were screened using the GATB. The chart shows that out of the 14 comparisons for which data was available the GATB screened new plant employees exceeded the comparison groups in 13 of these. The only comparison on which the new hires were not superior to one of the comparison groups was on the OSHA incident rate (compared to the existing plant), and there is a good explanation for this. The standards for recording incidents at the new plant are more strict and include many non-recordable incidents by OSHA's own standards (e.g. incidents with no lost time) Nonetheless, even on accident incident rate the new hires exceeded the national industry average by 33%. On the remaining comparisons the average "improvement margin was a whopping 41%.

The data which has been presented suggests that GATB screened employees have consistently outperformed non-GATB screened hires on a wide variety of important "bottom line" measures. However, in addition to the GATB there may be other factors which have contributed to the observed differences. One other explanation is that other aspects of the selection system itself (e.g. the application screening, structured interviews, and pre-employment training program) also helped to select better qualified and more motivated applicants. However, since the GATB was used to screen out about as many applicants as all the other hurdles combined, its impact must be viewed as a dominant one in the overall selection process.

The obtained results may also be due, in part, to differences between the new plant and existing plants. One important difference is the management philosophy in the new plant. This philosophy can be best characterized as highly humanistic and participative.

The new plant is also characterized by having differences in job designs (which give more responsibility and variety to production employees) and differences in training design. These differences (in management philosophy, and job/training design) may be important in explaining different levels of performance when other plants are used as the comparison group. However, since the "transfer" comparison group had equal exposure to these factors as the GATB screened group, some differences in performance (i.e., training results and failure rates) must be due primarily to the superior ability and/or motivation of the GATB screened new plant hires.

Measures of Effectiveness	% Improvement = Imp. % Reduction = Red.	Comparison Groups
<u>Training Success</u> Competency Based Training Score #1	5.3% Imp.	°Sample of experienced "transfers" from existing plant
Competency Based Training Score #2	13.0% Imp.	°Sample of experienced "transfers" from existing plant
Operator Competency Evaluation Failure Rate	2-17% Red. 25% Red.	°Other Plants °Sample of experienced "transfers" from existing plant
<u>Discipline</u> Disciplinary Actions	58% Red.	Other Plant
<u>Safety</u> OSHA Incident Rate	33% Red. -11% Red.	°National Industry Average °Other Plant
Lost Workday Severity Rate	88% Red. 82% Red.	°National Industry Average °Other Plant
Safety Performance Index	71% Red. 35% Red.	°National Industry Average °Other Plant
<u>Quality</u> Quality Defect Rate	25% Red. 59% Red.	°Quality Defect Goal Set by Management. °Other Plants
<u>Production</u> Production Utilization Rate	35% Imp.	°Production Rate Goal Set by Management.

Overall, the new hires have more than exceeded expectations, and have created a workforce which can be characterized as faster learning, more disciplined, safer, more quality conscious, and more productive. We would again like to thank the NCEC for their valuable assistance in helping us to select such a high caliber of employees.



Dennis L. Warmke, Ph. D.
Senior Personnel Research Specialist



Bill Van Arnam
Director, Employee Relations, Cabarrus



MEMORANDUM

DATE: February 18, 1986

REPLY BY: _____

TO: Larry E. Wolgast
Secretary of Human ResourcesFROM: Gerald Schneider
Chief of Fiscal Management

SUBJECT: Special Employment Security Fund

From the records we have on hand which go back to 7-1-73, it appears we have borrowed funds on four separate occasions from the Special Employment Security Fund:

	<u>Date</u>	<u>Amount</u>	<u>Purpose</u>
1.	9-21-84	225,000	Funds were borrowed to meet the daily cash flow needs of the Employment Security Admin. Fund. Borrowing was necessary because of delay in receiving obligational authority from U.S. Department of Labor. Special Employment Security Fund was repaid upon receipt of federal funds.
2.	9-16-83	X 38,880	Funds were borrowed to purchase postage for postal meters when the Employment Security Programs were going off the postage indicia. Once federal funds were received by the Department, the Special Employment Security Fund was reimbursed for the funds borrowed. Use of the postage indicia was later restored for use by Employment Security Programs effective February 1, 1984.
3.	3-31-83	X 965,000	The letter of credit transmittal of funds from the U.S. Treasury was delayed. In order to meet the Employment Security Administration Fund's share of the Department payroll, we had to transfer funds from the Special Employment Security Fund. Once the federal funds were received, the Special Employment Security Fund was repaid.

Handwritten notes: A blue arrow points from item 2 to item 3. Next to item 3, there is a handwritten '1003480' and a checkmark.

4. 6-21-74 180,000 Funds were borrowed to meet the Employment Security Division's regular payroll. A notice of obligational authority was delayed in coming to the Department. Once the notice was received, federal funds were ordered with repayment back to the Special Employment Security Fund.

With the last minute action by Congress on appropriation bills or continuing resolutions, it is surprising we have had to borrow as few times as we have from the Special Employment Security Fund. However that does not say we can always rely on our good fortune.

Possible Other Uses of the Fund:

1. If similar actions occur as Gramm-Rudman, which have a significant impact on a program, use of the resources in this fund will allow for a cushioned blow. We would have time to make an indepth assessment of the situation, work with a community if an office is to be closed, and have an orderly scaling down of services to a community.
2. Access to these funds will allow us to react to a natural disaster or unforeseen occurrence which would have a significant effect on our operations. (i.e., State would have to pay for the additional postage costs because of State UI law changes which increase the State's use of the indicia. Tornado strikes one of our local offices causing damage to the Department owned building.)
3. The Employment Security share of the Department's monthly payroll is approximately 1.7 M. Continued access to this fund will allow us to have a source of cash upon which to draw if similar situations occur as in fiscal years 1983 and 1985.

GS:dr

Special Employment Security Fund

Statutory Authority: K.S.A. 44-716a

<u>Receipts into Fund:</u>	<u>Period</u>	<u>Amount</u>
	7-1-79 to 6-30-80	\$127,575.57
	7-1-80 to 6-30-81	133,569.33
	7-1-81 to 6-30-82	163,513.79
	7-1-82 to 6-30-83	156,718.63
	7-1-83 to 6-30-84	208,632.02
	7-1-84 to 6-30-85	249,989.51
	7-1-85 to 12-31-85	143,338.13

Balance of Fund as of 1-31-86 \$1,427,361.43 - 250,000 "27 PLS 376.

Examples of expenses made from the fund:

1) Audit Exceptions:

<u>Audit Period</u>	<u>Amount Paid Back on Exceptions</u>
7-1-57 to 6-30-58	\$3,312.45 *
7-1-58 to 6-30-60	-0-
7-1-60 to 6-30-62	-0-
7-1-62 to 6-30-64	13.30 *
7-1-64 to 6-30-67	-0-
7-1-67 to 6-30-70	-0-
7-1-70 to 6-30-72	70,478.96 *
7-1-72 to 6-30-76	-0-
7-1-76 to 9-30-77	2,736.00 *
10-1-77 to 9-30-81	*76,971.81 *
7-1-81 to 6-30-83	-0-

*Motion for Reconsideration has been filed with Administrative Law Judge. The pay back was to stop the incurring of interest in case we lost our appeal.

- 2) Use as a revolving fund, allowing for the borrowing of funds which were later repaid.
 - a) Have borrowed funds from this account to cover Employment Security payroll when letter of credit from the U.S. Treasury was lost in the mail. However with electronic transfer of funds, we have not encountered this problem.
 - b) Borrowed funds from this account to purchase postage for postal meters when Employment Security Programs were going off the postage indicia.
- 3) Payment of collection fee to the Department of Administration for recovering of contribution underpayments and benefit overpayments collected through the State's Setoff Procedures.

State Fiscal Year 1984 - Obligations Recorded Against
Special Employment Security Fund

1. \$ 22,775 Contract entered into by Department of Administration with private contractor to undertake a project to review and improve the procedures utilized by state agencies in responding to unemployment compensation claims by former state employees.

2. \$ 38,880 Funds borrowed to purchase postage for postal meters when Employment Security Programs were going off the postage indicia. Once federal funds were received by the Agency, the Special Employment Security Fund was reimbursed for the funds borrowed. Use of the postage indicia was later restored for use by Employment Security Programs effective February 1, 1984.

State Fiscal Year 1985 - Obligations Recorded Against
Special Employment Security Fund

1. \$225,000 Funds borrowed to meet daily expenses of UI Program. Borrowing was necessary because of delay in receiving obligational authority from U.S. Department of Labor. Fund was repaid upon receipt of federal funds.

HOUSE BILL No. 3016

By Committee on Labor and Industry

2-19

Proposed Amendments
For Consideration by House Labor and Industry

3-5-86

0017 AN ACT concerning the employment security law; relating to
0018 expenditures from special employment security fund;
0019 amending K.S.A. 1985 Supp. 44-716a and repealing the exist-
0020 ing section.

0021 *Be it enacted by the Legislature of the State of Kansas:*

0022 Section 1. K.S.A. 1985 Supp. 44-716a is hereby amended to
0023 read as follows: 44-716a. (a) There is hereby created in the state
0024 treasury a special fund to be known as the special employment
0025 security fund. All interest collected under the provisions of the
0026 Kansas employment security law shall be paid into this fund. No
0027 such moneys shall be expended or available for expenditure in
0028 any manner which would permit their substitution for {, or a
0029 corresponding reduction in), federal funds which in the absence
0030 of such moneys would be available to finance expenditures for
0031 the administration of the employment security law. Nothing in
0032 this section shall prevent such moneys from being used as a
0033 revolving fund, to cover expenditures {, necessary and proper
0034 under the law), for which federal funds have been duly re-
0035 quested but not yet received, subject to the charging of such
0036 expenditures against such funds when received. Except as oth-
0037 erwise authorized by this section, the moneys in this fund may
0038 be used by the secretary of human resources only for the pay-
0039 ment of costs of administration which are found not to have been
0040 properly and validly chargeable against federal grants {, or other
0041 funds), received for or in the employment security administra-
0042 tion fund. ~~Moneys~~ from this fund may be used to finance
0043 activities as deemed necessary by the secretary of human re-
0044 sources for the efficient operation of activities under or the
0045 administration of the employment security law, except that no

In addition to the other purposes for which expenditures may be made from the special employment security fund as authorized by this section, moneys

(1)

H. L+I

Attachment #3
March 4, 1986

0046 moneys shall be used for such purposes unless the secretary has
0047 determined that no other funds are available or can be properly
0048 used to finance expenditures for such purposes. No expenditures
0049 of this fund shall be made except on written authorization by the
0050 governor and the secretary of human resources.

0051 (b) The director of accounts and reports is hereby directed to
0052 draw warrants upon the state treasurer against the money in the
0053 special employment security fund for the use and purposes as
0054 herein specified upon vouchers, approved by the secretary of
0055 human resources, and accompanied by the written authorization
0056 of the governor and the secretary of human resources. The
0057 moneys in this fund are hereby specifically made available to
0058 replace, within a reasonable time, any moneys received by this
0059 state pursuant to section 302 of the federal social security act, as
0060 amended, which, because of any action or contingency, have
0061 been lost or have been expended for purposes other than, or in
0062 amounts in excess of, those necessary for the proper administra-
0063 tion of the employment security law. The moneys in this fund
0064 shall be continuously available to the secretary of human re-
0065 sources for expenditure in accordance with the provisions of this
0066 section and shall not lapse at any time or be transferred to any
0067 other fund, except as otherwise authorized in subsection (c).

0068 (c) In addition to expenditures authorized by this section, the
0069 director of accounts and reports may transfer funds from the
0070 special employment security fund to the accounting services
0071 recovery fund as provided in K.S.A. 75-3728b and ~~75-6212,~~
0072 ~~75-6210~~ and any amendments to such sections thereto.

0073 Sec. 2. K.S.A. 1985 Supp. 44-716a is hereby repealed.

0074 Sec. 3. This act shall take effect and be in force from and
0075 after its publication in the Kansas register.

and (2) expenditures during any fiscal year for such purposes shall not exceed \$100,000 except upon approval of the state finance council acting on this matter which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed by subsection (c) of K.S.A. 75-3711c and amendments thereto