Approved January 30, 1991
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development.

The meeting was called to order by Senator Dave Kerr at
Chairperson

8:00 a.m. ~~p.m.~~ on January 29, 1991 in room 123-S of the Capitol.

All members were present ~~except~~

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Legislative Research Department
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Lynne Holt, Legislative Research Department

Senator Dave Kerr, Chairman, called the meeting to order. He introduced Senators Petty, Brady and Francisco, the new members of the Committee.

Lynne Holt reviewed the Report of the Joint Committee on Economic Development to the 1991 Legislature (on file in the Research Department). She also provided a copy of a recent article in the Wall Street Journal (Attachment 1) relating to work force training, one of the topics studied by the Joint Committee. Lynne summarized the Committee's activities and recommendations regarding the topics of work force training and Economic Development Initiatives Fund expenditures. Senate Bills 31, 32, 33 and 34; SCR 1601; HB 2023 and HCR 5001 were introduced by the Joint Committee. During questions by committee members, Senator Oleen requested that the State Board of Education be asked to present the Senate Committee with a preliminary report on the 2 + 2 pilot programs currently being assessed.

Committee members were provided with an article from the Legislative Journal: An Economic Development Perspective showing a summary by Kansas, Inc. of economic development funding from 1987 through the 1992 proposals (Attachment 2).

There were no bill requests presented to the Committee.

Senator Oleen moved that the minutes of the January 24, 1991 meeting be approved. Senator McClure seconded the motion, and the motion carried.

The meeting adjourned at 9:00. The next meeting of the Committee will be Wednesday, January 30.

Date 1/29/91

SENATE ECONOMIC DEVELOPMENT
VISITOR SHEET

(Please sign)

Name/Company	Name/Company
Tom Tunnell / Kansas Grain & Feed Assn.	
Terry Denker / Bd. of Ag.	
Scott Hessell - Kansas Inc.	
Lisa Getz / Ks Asso for Sm. Business	
Ken Bahr / Beech Aircraft Corp.	
Mark Tallman, Ks Assc. Schl Boards	
Walt Darling	Kansas Division of Budget
Howard M. [illegible]	K [illegible]
Gloria [illegible]	

Despite Layoffs, Firms Find Some Jobs Hard to Fill

By GILBERT FUCHSBERG
Staff Reporter of THE WALL STREET JOURNAL

Recession troubles mount. Layoffs spread. Unemployment swells.

Yet many companies find themselves in a baffling predicament: They still can't find enough qualified workers.

Even companies that are issuing pink slips have hard-to-fill vacancies. National Semiconductor Corp. fired dozens of product engineers when slashing 2,000 workers from its payroll in recent months. But now it hunts for engineers with different specialties to fill the bulk of 150 new slots. Aetna Life & Casualty Corp. plans to trim 2,600 managers and others this year, but currently is searching for a medical underwriter, a budget analyst and a food-service supervisor.

"Finding people with the skills you want is just as difficult as it's always been," says Philip K. Kocher, Aetna's assistant vice president for corporate staffing. Aetna first evaluates current staff for open positions, but must look outside, too. "The people we need aren't always going to be here," Mr. Kocher says.

Uneven Shortage

To be sure, the labor shortage isn't as severe or as widely felt as it was a year or two ago. Then, in a few regions, competition for people grew so intense that fast-food outlets were forced to raise starting wages to nearly double the minimum wage. Factories bused in production workers from far away. And some companies seeking easier access to employees even moved their operations.

Today such measures are less common. Indeed, some companies are enjoying unprecedented success in filling jobs—in part because of fallout from the recession.

Labor Imbalance in the U.S.

Occupational specialties in heavy and weak demand, from a 1990 labor-market analysis for 193 job categories by Malcolm S. Cohen, University of Michigan Institute of Labor and Industrial Relations.

THERE AREN'T ENOUGH:

• Physical Therapists	• Computer Scientists	• Biological Scientists
• Registered Nurses	• Physicians	• Dentists
• Veterinarians	• Dietitians	• Vocational Counselors
• Electrical Engineers	• Pharmacists	• Legal Assistants
• Computer Systems Analysts	• Chemical Engineers	• College Professors

THERE ARE TOO MANY:

• Telephone Operators	• Typists	• Photographers
• Butchers and Meat Cutters	• Water Transport Workers	• Stenographers
• Rail Transport Workers	• Statistical Clerks	• Metalworkers
• Telephone Installers	• Barbers	• Firefighters
• Machine Operators	• Data Processors	• Plumbers

"There are lots of good people out there whose companies collapsed," says Lauren Sontag, director of training and development for some 200 New York area Chase Manhattan Corp. bank branches. Despite job cuts at Chase totaling more than 5,000 last year, hiring of tellers goes on—and both the quality and number of applicants are rising, Ms. Sontag says.

Still, many companies are having difficulty filling a variety of slots, especially those requiring technical aptitude or highly specialized training. Comprehensive data on shortages don't exist, but electrical and chemical engineers and computer specialists are among those in heavy demand. At the entry level, fast-changing word-processing technology has made it tougher than ever for some employers to find competent secretarial and clerical help. In manufacturing, higher-tech production processes are making even the most rote of assembly-line jobs harder to fill.

Not that job seekers lack interest. One day earlier this month, so many people flooded Xerox Corp.'s Webster, N.Y., facility in pursuit of 300 new copier-assembly jobs that officials "had to go to some Xerox machines to keep up with the demand" for applications, a spokesman says. But even the more than 3,500 prospects now in hand may barely yield enough good candidates. That's because for every 500 applicants, Xerox expects to find just 65 who can pass a battery of aptitude and other tests. Ten years ago, when its copiers were less complex, Xerox could have filled assembly jobs from a pool one-third the size, a company official says.

That troubling shortages persist when record numbers of white-collar professionals are losing their jobs is something of a paradox—and belies some demographic predictions. One widely disseminated study, Workforce 2000, sent shock waves through corporate America several years back with its forecast that white, male, well-educated workers would be in short supply. Yet they're among the very people companies are laying off in record numbers. Meanwhile, the "baby bust"—a shrinkage of the 18-to-25 age group, the biggest source of entry-level workers—has also prompted broad concern. Yet unemployment among baby busters remains relatively high.

'Skills Mismatch'

So the problem isn't that there aren't enough people out there, labor specialists say. Rather, they say, there are growing gaps between job demands and the skills and expectations many workers possess.

Indeed, some experts say the term "labor shortage" may be a misnomer. They suggest "skills mismatch" or "expectations gap" might more accurately describe the quandary many businesses face as they show some workers the door while also struggling to fill new positions.

"We used to presume that people who were well-educated were qualified for all sorts of work," says Anthony P. Carnevale, chief economist with the American Society for Training and Development, a trade group. "That's no longer the case."

Many managers and junior executives are particularly ill-matched to current de-

Please Turn to Page B4, Column 1

While Layoffs Mount, Qualified Employees Can Be Hard to Find

Continued From Page B1

mands, labor specialists and corporate personnel officials say. They say general management skills are becoming less transferable as companies thin management ranks and focus their businesses ever more narrowly.

"If you're a vice president at Chase Manhattan, most of what you know is specific to Chase," Mr. Carnevale says. "It won't help you become a vice president at a hospital."

Many midlevel managers, salespeople and investment bankers who lose their jobs lack the qualifications for more senior or more technical positions. Yet many of these same people are loath to consider lower-level work they could easily obtain because they deem it "beneath them" in responsibility and pay, specialists say.

"What we're seeing is the entitlement principle running rampant," says Dan Lacey, a Cleveland consultant who tracks workplace issues. "Many of the people being cut from the big corporations actually believe they were entitled to and worth what they were getting. Heaven forbid they should go to something that is not prestigious."

Many teens, too, shun work because the jobs available to them are "low-paying and not that attractive," says Ann Bartel, a professor at Columbia Business School. Some specialists, citing soaring turnover rates in the fast-food and retail industries, also say many businesses find young workers unreliable because of "work ethic" problems.

But basic reading, math and analytical skills—or the lack of them—are the biggest concern. After only 2,100 of 57,000 entry-level job seekers, or 4%, passed its rudimentary employment test in 1987, Nynex Corp.'s New York Telephone unit stepped up "outreach" programs to improve the performance of graduates from area schools. Still, passing rates haven't edged above 33%.

Skill issues pose a problem for companies filling senior-level vacancies, too. Working from a data base listing hundreds of people it let go last year, National Semiconductor recently hired back some 16 design and product engineers for one of its facilities. But despite strong credentials, "many of the others don't fit" now because National is shifting the kinds of chips it makes, says Ron Zimmerman, director of corporate staffing.

Companies are trying a variety of strategies to find better-qualified people, from recruiting more aggressively at colleges to awarding cash to employees who recommend good prospects. Many businesses are stepping up in-house training, too. But on top of $30 billion they now spend annually, the American Society for Training and Development says companies must devote $15 billion more to keep workers up-to-date with changing job demands.

To document the extent of staffing problems—and satisfy curiosity in Congress regarding appropriate immigration quotas—the Bureau of Labor Statistics is considering surveying national vacancy and turnover levels by occupation and wage rate. Such data on labor demand could eventually parallel the supply-side picture offered by the government's unemployment figures. But, with a pilot vacancy-survey project just starting, bureau officials say a full-scale effort may be years away.

By that time, experts say, stiffer foreign competition, faster technological change and greater demographic shifts are likely to create even more profound hiring difficulties for companies. "They've got no choice," Mr. Carnevale says. "Standards will rise, so they'll have to get even better people."

Attachment 1
1/29/91
Sen. Eco. Dev.

Keep

Legislative Journal
AN ECONOMIC DEVELOPMENT PERSPECTIVE

Investments in Economic Development Strategy Reduced in Governor's FY92 Budget

On January 22, Governor Joan Finney presented her State of the State address and released her Fiscal Year 1992 budget. Her recommendations include a reduction of economic development investment by approximately 31% and the elimination of the Kansas Technology Enterprise Corporation.

Below are highlights of Governor Finney's economic development funding recommendations.

Technology: The KTEC organization, including its Board of Directors, should be eliminated and its powers transferred to the Administration Division of the Department of Commerce. Six new staff positions should be created in that division for technology functions. The Research and Training Equipment grant programs should be eliminated. The SBIR, Research Matching grants, Agricultural Value-Added Center and other special projects should be reduced. The Centers of Excellence grants should be maintained at the current level of $3,215,000. Total funding change of -43%.

Human Capital: A $1,000,000 reduction in the Kansas Industrial Training and Retraining program should be made. This recommendation comes at a time when federal contributions to adult training is being reduced. Total funding change is -36%.

Strategic Planning: The Community Strategic Planning Assistance Grants Program should be continued at its current level of $445,000. Funding for Kansas Inc. also should be maintained at approximately current levels.

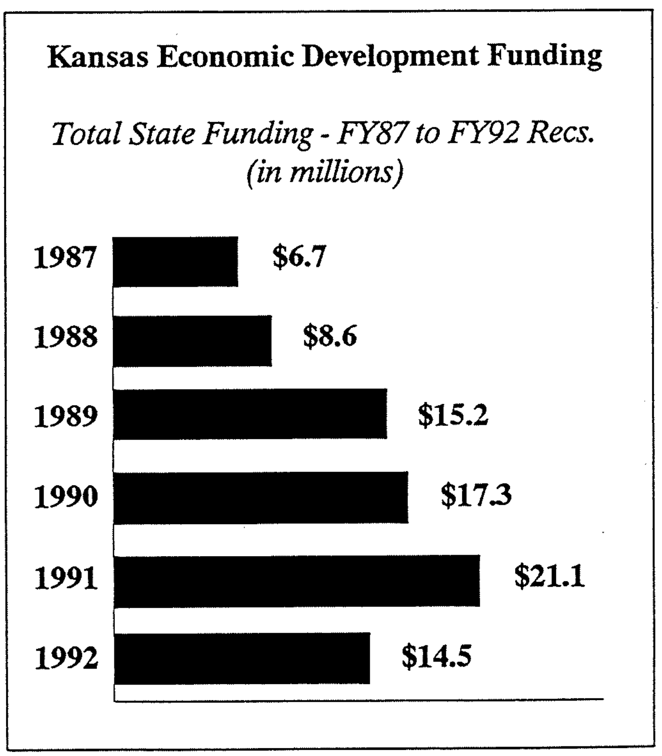
Trade Development: Funding in the Trade Development Division of the Commerce Department should be changed by approximately -10%. The Governor has recommended that the Trade Fair Assistance program should be increased from $150,000 to $250,000 in FY 1992. An apparent decrease in overseas representative contracts is recommended.

Community Development: Governor Finney has recommended that the current year expenditures for the Kansas Partnership Fund, which provides loan interest loans to communities for economic development related infrastructure projects, should be reduced from $1,250,000 to $500,000. This funding level is also recommended for the next fiscal year. This reduction in program dollars is matched by reduction in salaries and wages.

Capital Markets Development: It is recommended that Certified Development Companies continue their current funding of $425,000 in the next fiscal year.

Industrial Development: An overall reduction of -29% is recommended for industrial recruitment and development in the Department of Commerce. Governor Finney's budget recommendations indicate that the division's national marketing campaign should be reduced.

Total Funding: The accompanying chart shows the changes in economic development funding over the past five years and includes the Governor's recommendations for FY 1992. Governor Finney proposes a $6.6 million, or -31.5%, reduction in funding from current levels. Total funding is recommended at $14.52 million for FY 1992, down from $21.18 million in FY 1991. ■



Issue Dates: January 14 to January 25, 1991

Kansas Inc.
Capitol Tower Building
400 S.W. 8th Street, Suite 113
Topeka, Kansas 66603-3957
(913) 296-1460

Attachment 2
1/29/91
Sen. Eco. Dev.

Work Force Training, Education Issues on 1991 Economic Development Agenda

The Joint Committee on Economic Development, chaired by Senator Dave Kerr, introduced five bills and two concurrent resolutions addressing work force training and education issues.

Office of Work Force Training (S.B. 32): This office, initially placed by the legislation under the authority of the industrial development division in the Department of Commerce, would have three primary functions: administration of the Kansas Industrial Training and Retraining programs (KIT/KIR); act as a clearinghouse for business and industry's training needs through close cooperation with other relevant state agencies; and, collect and disseminate information on work force training resources.

Currently, these functions are assigned to the Job Training Coordinator in the Commerce Department but because of the increasing volume of training requests, he is unable to fulfill all the duties. A larger staff would provide the assistant director of work force training, as articulated in the legislation, more capacity to respond to the other industry needs.

Kansas Inc. believes that this office should report directly to the secretary instead of the director of industrial development because work force training is not solely an industry recruitment function.

Creation of State Board of Community Colleges and Vocational-Technical Education (H.C.R. 5001): This resolution would provide, if passed by voters, for an independent board to oversee the functions of the state's community colleges and area vocational-technical schools (AVTS). Presently, they are under the authority of the Board of Education. A second board, the Board of Regents, oversees the state universities.

The missions of the community colleges and AVTSs have, over the past decade, expanded beyond its historical mission of preparation for further education to include work force training and retraining. A separate board would provide greater attention to these broader missions.

Duration of School Year (H.B. 2023): This legislation would increase the length of the school year for elementary and secondary institutions. Presently, students are required to be in school a minimum of 180 school days, except for high school seniors. If this bill is passed, the school year would be extended by ten (10) days.

University Articulation for Technical Programs (S.C.R. 1601): The present articulation agreement between the Board of Education and the Board of Regents does not provide advance placement for students who have received the technical-based Applied Associate degree. Students who have received either the Associate Degree of Arts or Sciences are automatically granted junior standing at the State's universities.

This termination of technical education at the community college level does not provide these students ample opportunities to progress through the State's university system. This resolution urges the boards of Regents and Education to develop an articulation agreement for these technical programs. ■

Gaming Revenues Potential Source of Budget and Tax Relief

Both Governor Finney and a group of senators have proposed the elimination of the Economic Development Initiatives Fund (EDIF) and the targeting of the state gaming revenues fund for either property tax or budget relief.

Governor Finney, in her State of the State address, told legislators that she would like to redistribute revenue generated by the Kansas Lottery and the Racing Commission. She proposed that 60% of these funds be "transferred directly to the State General Fund," and the other 40% be used for selected capital improvements.

Senators Steineger, Reilly, Martin and Strick have introduced legislation (S.B. 40) which would also eliminate the EDIF and direct the funds to the local ad valorem tax reduction fund and the county and city revenue sharing fund. This money would be used to reduce property taxes.

The EDIF has been the primary source of economic development funding since FY 1988. In its four years, the fund has contributed approximately $80 million to various economic development programs in the Department of Commerce and KTEC. ■

Joint Economic Development Committee Issues 1991 Interim Report

The report of the Joint Committee on Economic Development to the 1991 Legislature articulates priorities for three important areas: work force training, economic development funding and Kansas Inc.

Work Force Training: The committee received extensive testimony from both the education and business community. Included in this activity were visits to the Wichita and Johnson County areas.

In the report, the committee outlined its vision of the ideal training system. The report states that:

"...the ideal training delivery system should be based on the principles of outcome, targeting, and coordination. *Outcome* relates to accountability to businesses that their needs are adequately met. With respect to *targeting*, prospective employees already in the work force must be provided with the skills and background needed to adjust to technological changes. Finally, greater *coordination* among training providers would ensure the limited public resources are being used most effectively."

Several bills were introduced (see related story, column one) which attempt to address these issues.

Economic Development Funding: The committee articulated four priority areas of economic development funding.

Work Force Training: programs devoted to work force training, "including structural changes to agencies and networks which provide training services..."

Technology: emphasis on technology transfer and applied technology research.

Capacity: improvements to the ability of the State to respond to business needs.

Foreign Trade: support of programs which encourage Kansas exports and foreign investments in Kansas.

Kansas Inc.: The committee, after receiving testimony from the Kansas Inc. Board of Directors, recommends three priority areas for Kansas Inc.: engage in long-range planning and set priorities for Kansas economic development programs; analyze and research issues which influence the Kansas economy; and, evaluate the effectiveness of individual Kansas economic development programs. ■

1/29/91
2-2