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Congress of the United States

U.S. House of Representatives

COMMITTEE ON WAYS AND MEANS

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March 5, 2004

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The Honorable Elaine L. Chao
The Secretary
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

Dear Secretary Chao:

We appreciate your attendance at a Ways and Means Committee hearing on March 4th on President Bush's FY 2005 budget as it relates to the Department of Labor. However, we found your comments repeatedly non-responsive to the questions being asked by members of the committee. On several occasions, you either changed the question and responded accordingly, or you simply did not respond to the question presented to you. We do not recall such evasiveness ever occurring so frequently or so blatantly during a witness' presentation at our committee, especially from a cabinet official.

The questions posed at the hearing are important not only to the members of the committee, but also to the American public who have a right to straight-forward answers. Therefore, we hope you will provide a written response to some of the same questions raised during the committee hearing. When appropriate, please begin your answer with yes, no, or I do not know. Such a response will give us a clearer understanding of the President's policies and priorities — a step that may lead to a more productive discussion in the future.

1. In the Economic Report of the President, which was delivered to Congress in February, the Administration implied that 300,000 jobs would be created *per month* in 2004. The press reports that President Bush has suggested he is not sure that number is attainable. Please tell us what the Administration's current projection is for job growth this year?

2. The President's chief economist, Greg Mankiw, has said that sending American jobs to countries with cheaper labor, a process known as outsourcing or offshoring, is a "plus for the economy in the long run." As the Secretary of the Department of Labor, do you agree with his assessment? Do you know if the President agrees with that statement?
3. Does the Administration support extending unemployment benefits to the nearly 90,000 workers who are exhausting their regular unemployment compensation every week?
4. Amendments to extend unemployment benefits recently received majority votes in both the House and the Senate. Does the Administration support or oppose these efforts to extend unemployment benefits?
5. Does the Administration have a position on including service workers as potentially eligible for Trade Adjustment Assistance (TAA) benefits when they lose their job to foreign competition? Does the Administration support or oppose HR 3881, which was recently introduced to provide TAA benefits to service workers dislocated by trade, including those losing their jobs to off-shoring?
6. The President's recent economic report asks: "*When a fast-food restaurant sells a hamburger, for example, is it providing a "service" or is it combining inputs to "manufacture" a product?*" Do you believe the federal government should classify a job at McDonald's as a manufacturing job?
7. You testified that the "Administration will not be satisfied until every American who wants a job can find one." Is this the Administration's definition of full employment?
8. You suggested states could extend unemployment benefits with so-called Reed Act funds distributed to them in 2002. Beyond the fact that both the law and DOL guidance prohibit states from directly using Reed Act funds to extend benefits for individuals exhausting regular unemployment compensation, several barriers exist to states even using these funds to free up state money to extend benefits. First, seven states, including New York, have spent all of their Reed Act funds. How do you expect those states to extend unemployment benefits? Second, while it technically has some remaining Reed Act money, California has submitted a

request to the Department of Labor to borrow money to pay *regular* unemployment benefits. If a state has to borrow money to pay *regular* unemployment benefits, do you think it can afford to pay for *extended* unemployment benefits? Finally, the General Accounting Office has informed us that many states may have to raise taxes on employers if they spend their Reed Act funds. Does the Administration support raising taxes on employers?

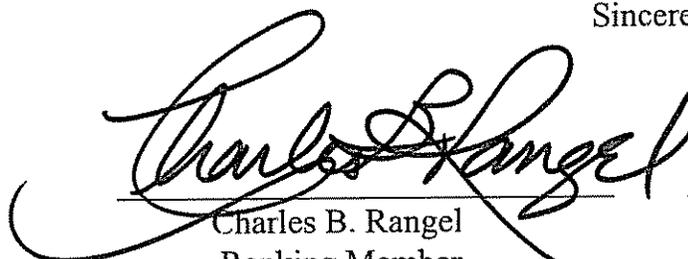
9. When discussing the lack of job creation in the economy, you have said things might be better than they appear because one survey, known as the household survey, has shown more jobs being created than the establishment or payroll survey, which looks at employment in 400,000 businesses. However, the head of the Bureau of Labor Statistics has said the payroll survey, which shows the economy losing 2.4 million jobs since March of 2001, “provides more reliable information on the current trend in wage and salary employment.” Furthermore, a report from the Congressional Budget Office (CBO) last year agreed that the payroll survey “better reflects the state of labor markets.” And finally, Federal Reserve Chairman Greenspan testified just last week that the payroll survey was “assuredly more accurate” than the household survey in depicting job creation and losses. Are you suggesting all of these experts are wrong?
10. The President has talked about training American workers for the 21st Century. You have touted a provision in the Administration’s budget that relates to job training through community colleges. However, according to the Congressional Research Service (CRS), the Administration’s FY 2005 budget provides \$750 million *less* for job training compared to the amount provided three years ago (FY 2002). Why has the Administration supported cutting funds for job training over a period in which unemployment was rising?
11. On Labor Day of last year, President Bush promised to appoint a “manufacturing czar.” This promise was presumably made because 2.8 million manufacturing jobs have been lost since President Bush came to office a little more than three years ago. Six months have passed and there still has not been an appointment to this new position. As the Labor Secretary, have you talked with the President about this position? Do you know when someone will be appointed to improve conditions for manufacturing and expand employment in that sector of our economy?

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12. Can you respond to an article in the Associated Press from January 6, 2004 that suggests the proposed DOL regulations on overtime pay provide several ways for employers to evade paying overtime to workers? For example, the article says employers are told they can pursue "payroll adjustments" that will limit overtime pay. Why does the Administration believe we should cut overtime pay for workers?

Thank you for your consideration of these questions. We look forward to your response in the next couple of weeks. If we can provide any clarification, please do not hesitate to contact us or our offices.

Sincerely,


Charles B. Rangel
Ranking Member


Benjamin L. Cardin
Ranking Member
Subcommittee on Human Resources

c: The Honorable George W. Bush