that they will share in that success with managers and investors.

The results where such reward plans have been put into place are dramatic. One comprehensive study found that the average productivity improvement in firms that implemented such plans was 7.4 percent—significantly higher than recent economywide productivity growth rates of 1 to 3 percent. Moreover, in Japan, where about 25 percent of a worker's pay is tied to the performance of the company, fully 93 percent of the workers feel they benefit from an increase in the company's productivity, compared to just 9 percent in the United States.

Performance-based reward plans also help make labor costs more flexible. This flexibility encourages firms to create more jobs, because the marginal cost of hiring an additional worker is less. Moreover, layoffs are less likely because when a firm goes through a bad spell and cash is short, its fixed labor costs are lower, as well.

One great example of this benefit is a company called Lincoln Electric, a Cleveland-based manufacturer of welding machines and motors. This company suffered a 40-percent decline in revenues during the 1981–83 recession, yet it laid no one off, and has not done so since the early 1940's. And, in Japan, the unemployment rate has stayed around 3 percent through the recent recession—about half the level in the United States during the recovery.

The Employee Partnership Reward Act would provide firms and workers with tax incentives to implement performance-based reward plans. Firms would be able to deduct 110 percent of their payments to workers under such a plan, while workers would receive a tax credit of $100–$500, depending on how much of their salary came from payments under the plan.

It is entirely appropriate for the Federal Government to encourage such plans through tax incentives because increased productivity and new job creation are good for the whole economy.

Today, the Federal Government offers billions of dollars of tax incentives for deferred pension plans, which help people save for retirement but have been shown to have little effect on productivity or job creation. The United States also offers incentives for investments in machinery—in effect, encouraging firms to replace workers with machines. Last year, such capital investments received $22 billion in tax breaks, while investments in workers got just $2 billion.

Surely, there is room within the budget to reorder priorities so there can be an incentive for firms to implement plans that benefit the whole economy by boosting productivity and creating new jobs.

4. THE SMALL BUSINESS EXPORT ENHANCEMENT ACT

Mr. Speaker, even if a firm succeeds in attracting sufficient capital and boosting productivity, it will in many cases still need to compete in fast-growing foreign markets in order to prosper.

Exports are becoming an increasingly important part of the U.S. economy. Nationally, exports are growing three times as fast as overall economic growth. Over the past 40 years, the rate of job creation in trade-related fields grew three times faster than overall job creation. One in six U.S. manufacturing jobs is now related to exports, and those jobs pay 22 percent more than the average U.S. wage.

The lesson is clear: As the global economy continues to develop, successful exporting will make the difference between a good economy and a great economy.

While the U.S. economy overall has reached world-class exporting status, small businesses in the United States still lag behind. Smaller companies face special challenges in getting into foreign markets, but export assistance generally has not been provided in a way they find useful.

The trade statistics clearly show that small business has not fully shared in the global bounty. According to the Commerce Department, only 10 percent of U.S. firms are regular exporters. A few large firms account for the bulk of U.S. exports, despite the fact that 90 percent of U.S. manufacturers are small- and mid-size firms.

Clearly, small businesses remain a large untapped resource of potential export growth for the U.S. economy. However, small businesses with competitive products frequently face high transactions costs and inadequate information about foreign markets, which limit their ability to export. They need some additional help, but Government is not successfully providing it.

The Federal Government is the major provider of export assistance, spending over $3 billion a year. A quick look at its export assistance program reveals why small businesses are having such a hard time.

There are over 150 Federal export promotion programs fragmented among 19 different Federal agencies. These programs are characterized by duplication of effort, overlap, inefficient dissemination of services and information, turf battles, and confusion among both providers and users of assistance. The Trade Promotion Coordinating Committee concluded that ''for many small- and medium-sized firms, getting through the bureaucracy may be as great a hurdle as foreign market barriers.''

While Federal programs trip over each other and frequently miss their intended targets, many State-based export assistance providers—including State departments of trade, local industry associations, international freight forwarding companies, local and regional banks, chambers of commerce, and world trade centers—have established good local networks that can effectively deliver timely, accurate, and useful assistance to would-be small business exporters.

For example, in Oregon the State department of trade, working closely with the private sector, has set up an admirable model. It is focused on identifying specific, targeted trade leads, doing outreach to companies to inform them of opportunities, and working closely with the companies to help them through the export process. It is a classic example of local leaders who know the local economy working cooperatively to get the most out of the State's export potential. Unfortunately, in Oregon as in other States, those providers of export assistance are woefully short of resources.

The Small Business Export Enhancement Act would redirect millions of dollars from the Federal Government to State-based export providers. For the most part, this money will be used to fund partnership programs, designed to combine the resources of the Federal Government with the local networks of State-based export providers. The bill also directs the trade promotion agencies to offset this new spending by identifying in a report to Congress savings of at least $100 million to be achieved through consolidating or eliminating some of those 150 Federal programs that provide overlapping or duplicative services.

Mr. Speaker, the report of the National Performance Review stressed that the Federal Government needs to reallocate its export assistance resources to sectors that have clearly shown growth potential while it works to make its services more accessible to clients. Clearly, small business is the obvious place to turn to boost U.S. export growth, and the best way to help small business to export is through State-based providers that know the local companies and their particular needs.

If the United States can successfully turn the small business sector into a source of export strength, it can provide a structural economic boost that can put the country on a permanently higher plane of income growth and job creation.

THE HYDROGEN FUTURE ACT OF 1995

HON. ROBERT S. WALKER

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 24, 1995

Mr. WALKER. Mr. Speaker, today I am introducing legislation to authorize and fund the hydrogen research, development, and demonstration programs of the Department of Energy.

Hydrogen holds the greatest promise as an environmentally benign renewable energy source. It is readily available from water and when it combusts it leaves no noxious residues, but again only water. What we have is a replacement fuel for our fossil-based economy, because hydrogen can be used in as many ways, and more, as any available fossil fuel now being used without the environmental cost associated with cleanup. Hydrogen will play a major role in the energy mix of the future and it is up to us to see that we begin this integration wisely, economically, and efficiently.

Hydrogen offers the potential for a limitless supply of clean, efficient energy. However, its use faces large technical hurdles, particularly in production and storage, that must be overcome. The Department of Energy's Hydrogen Program has also been plagued in the past by rather erratic funding profiles, which have limited its effectiveness.

The Hydrogen Future Act of 1995 will focus Federal hydrogen research on the basic scientific fundamentals needed to provide the foundation for private sector investment and development of new and better energy sources and enabling technologies without adding to the budget. The bill, while allowing modest increases in the hydrogen authorization, requires corresponding offsets to pay for this research by freezing the overall Department of Energy research and development account.

The Hydrogen Future Act of 1995, will give added direction and funding stability to a most worthwhile energy research and development program.