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Jobs Program

PRESIDENT CLINTON'S WELFARE-TO-WORK JOBS CHALLENGE

Providing Opportunity For All, Demanding Responsibility From All

> *"This is not the end of welfare reform, this is the beginning. And we have to all assume responsibility. Now that we are saying with this bill we expect work, we have to make sure the people have a chance to go to work."*
> -- President Bill Clinton

PRESIDENT CLINTON BEGINS THE PROCESS OF MOVING PEOPLE FROM WELFARE TO WORK. The goal of welfare reform is to move people from welfare to work and President Clinton is committed to ensuring that there are job opportunities for welfare recipients. President Clinton is proposing a Welfare-To-Work Jobs Challenge -- a three-pronged $3.4 billion initiative to create job opportunities for the hardest-to-employ welfare recipients. This initiative is fully paid for with the elimination of corporate subsidies: not one penny of this challenge is paid for with savings from welfare reform. The three components of the Welfare-To-Work Jobs Challenge are:

1. **TARGETED WELFARE-TO-WORK TAX CREDIT.** Building off of the Work Opportunity Tax Credit (WOTC) -- signed into law by President Clinton on August 20, 1996 -- President Clinton proposes a targeted Welfare-To-Work Tax Credit to create new job opportunities for long-term welfare recipients. This proposal costs $383 million.

   - **New Tax Credit To Help Move People From Welfare To Work.** The targeted Welfare-to-Work Tax Credit would enable employers to claim a 50 percent credit on the first $10,000 of wages for long-term welfare recipients, claim this tax credit for up to two years, and treat employer-provided education and training assistance, health care, and dependent care spending as wages.

   - **Expanded Work Opportunity Tax Credit.** The Work Opportunity Tax Credit -- which is currently funded through the end of September 1997 -- would be expanded to include adults age 18 to 50 who are no longer eligible for food stamps because they did not satisfy the work requirements under the welfare reform bill.

2. **TAX INCENTIVES TO INCREASE INVESTMENT IN DISTRESSED AREAS.** President Clinton has a comprehensive strategy to increase investment in distressed communities. Today, President Clinton expands on his strategy to propose a new tax credit to investors in qualified community financial institutions and venture capital funds.

   - **CDFI Initiative.** The Community Development Banking and Financial Institutions Act of 1994 created a Federal CDFI Fund to provide grants, loans, and technical assistance to qualifying lenders. Today, President Clinton proposes to provide nonrefundable tax credits to equity investors in qualified CDFIs. This proposal will cost $48 million between FY 97 and FY 2002. Currently, the CDFI Fund has $45 million in assistance to provide to various qualified institutions. President Clinton's balanced budget proposes to expand the CDFI Fund to $125 million next year, and continue to increase it each year thereafter.

- **Empowerment Zones/Enterprise Communities.** In his current balanced budget, President Clinton proposed a second round of Empowerment Zones (EZs)/Enterprise Communities (ECs) that would designate 20 additional EZs (15 urban, 5 rural or Indian nation) and 80 ECs (50 urban, 30 rural or Indian nation). For EZs, the Federal government provides tax benefits for businesses that set up shop, and grants to community groups for job training, day care, and other purposes. For ECs, the Government provides grants to community groups for the same array of purposes. EZs and ECs both can apply for waivers from Federal regulations, enabling them to better address their local needs.

- **Brownfields Initiative.** Yesterday, the President called for an expansion of the Brownfields initiative by increasing EPA grants to communities for site assessment and redevelopment planning, and support for revolving loans to finance brownfields cleanup efforts at the local level. In his 1996 State of the Union, President Clinton challenged Congress to enact a Brownfields tax incentive which would provide incentives to businesses to clean up abandoned, contaminated industrial properties in distressed communities.

3. **WELFARE-TO-WORK JOBS INITIATIVE.** President Clinton's Welfare-To-Work Jobs Initiative is designed to help communities move one million of the hardest-to-employ welfare recipients into jobs by the year 2000. This proposal will cost $3 billion over three years.

- **Targeting Long-Term Recipients.** Funds will be targeted to areas with the basis of hard-to-employ welfare recipients. Funds will flow through state governments, but the proportionate share of the funds will flow automatically to the 100-150 cities -- and where appropriate counties -- with the largest number of long-term welfare recipients. These cities (and counties) would be required to coordinate their plans with the States. States will receive and directly administer funds for all other cities and localities.

- **Flexibility.** The emphasis of this initiative is to provide assistance to help create new job opportunities in the private and non-profit sectors for long-term welfare recipients. State and localities, however, would be granted maximum flexibility to develop job creation strategies -- including, where appropriate, in the public-sector. There will be strict anti-displacement provisions and all jobs would be covered by the Fair Labor Standards Act and all other relevant labor laws.

- **Performance and Accountability.** This initiative will *only* provide full funding upon a showing of successful placements of the target population into jobs lasting at least nine months. The funds used by states and localities would go to assist employers -- who would also be eligible for using the targeted Welfare-to-Work Tax Credit -- to create lasting job opportunities for long-term welfare recipients. And the states or localities, working with employers, would have to show that for each $3,000 they receive one long-term welfare recipient is being placed in a new job that lasts at least nine months. To ensure accountability, 25 percent of the funds will be withheld until there is a substantial showing that the new job opportunities promised are being delivered.

- **Building On What Works.** This initiative relies on proven job creation/job placement models, such as the San Jose Center for Employment and Training (CET), which provides highly structured basic education, skill training and work experience leading to job placement in the private sector; America Works, a successful private job placement firm for hard-to-place recipients in New York, Indiana, and Connecticut; and the welfare-to-work program in Riverside, California, which provides intensive job search and private sector job placement to move recipients into jobs as quickly as possible. Local communities could also focus on creating jobs through cleaning up the environment such as under Brownfields programs and rebuilding communities through housing redevelopment programs such as YouthBuild, or expanding child care opportunities so there are new jobs for welfare recipients and a place for their children if they find other work.

THE TARGETED WELFARE-TO-WORK TAX CREDIT

TARGETED WELFARE-TO-WORK TAX CREDIT -- EXPANDING NEW JOB OPPORTUNITIES. Building off of the Work Opportunity Tax Credit (WOTC) -- signed into law by President Clinton on August 20, 1996 -- President Clinton proposes a targeted Welfare-To-Work Tax Credit to create new job opportunities for those on welfare for at least 18 months.

- **A $5,000 Tax Credit For Businesses That Create New Jobs For The Hardest-To-Employ Welfare Recipients.** The targeted Welfare-to-Work Tax Credit would enable employers to claim a 50 percent credit on the first $10,000 of annual wages paid to long-term welfare recipients. The business could claim this tax credit for up to two years, and would be able to treat education and training assistance, health care, and dependent care expenditures as eligible wages.

    - Long-term welfare recipients are defined as (1) members of families that have received family assistance (AFDC or its successor program) for at least 18 consecutive months ending on the hiring date; (2) members of families that have received family assistance for at least 18 months after the date of enactment and who are hired within two years of the time the 18-month total is reached; and (3) members of families who are no longer eligible for family assistance because of Federal or state time limits and who are hired within two years of the date that they become ineligible for family assistance.

- **President Clinton Proposes To Expand The Work Opportunity Tax Credit.** When President Clinton signed the minimum wage increase into law, he also signed into law a reformed tax credit to encourage businesses to hire economically disadvantaged workers -- the Work Opportunity Tax Credit. President Clinton proposes to expand this tax credit to adults age 18 to 50 who are no longer eligible for food stamps under the new welfare reform bill.

    - **The Work Opportunity Tax Credit.** The Work Opportunity Tax Credit will enable employers to claim a 35 percent credit on up to $6,000 of first-year wages paid to a qualifying individual. This credit is effective October 1, 1996 and expires on September 30, 1997. Members of families receiving welfare assistance for more than 9 months; qualified veterans; qualified ex-felons; 18-24 year olds who live in an Empowerment Zone or Enterprise Community; vocational rehabilitation referrals; qualified food stamp recipient who are 18 to 24 years old and a member of a family receiving food stamps for a six-month period; and qualified summer youth employees.

    - **President Clinton Proposes To Expand The Work Opportunity Tax Credit -- To Create More Opportunity And More Jobs.** President Clinton's proposal would expand the Work Opportunity Tax Credit to include adults age 18 to 50 who are no longer eligible for food stamps because they did not satisfy the minimum work requirements under the Welfare Reform Act of 1996.

TAX INCENTIVES FOR COMMUNITY DEVELOPMENT: PRESIDENT CLINTON'S CDFI INVESTMENT INITIATIVE

PRESIDENT CLINTON ANNOUNCES NEW TAX INCENTIVES TO INCREASE INVESTMENT IN DISTRESSED AREAS. In his current balanced budget, President Clinton proposes to more than double than the current Community Development Financial Institution (CDFI) Fund. Today, President Clinton announces a new tax credit to investors who are investing in community development institutions and venture capital funds. These initiatives -- along with the second round of Empowerment Zones and Enterprise Communities and President Clinton's Brownfields initiative -- should help leverage billions of dollars of private-sector investment in community development and distressed areas.

- **Expand The CDFI Fund to $125 Million Next Year.** Currently, the CDFI Fund has allocated $45 million in assistance to qualified community development institutions, even though it received applications for over $300 million this year. Now, President Clinton proposes to nearly triple the CDFI Fund next year, increasing it to $125 million as part of the FY 1997 Budget.

- **Create Tax Incentives to Increase Investment in Distressed Areas.** This initiative will provide $100 million in nonrefundable tax credits that would be made available to the CDFI fund to be allocated among equity investors in community development banks and venture capital funds..

  - **Allocation.** The allocation of credits would be determined by the CDFI Fund using a competitive process similar to the one used to allocate the $45 million in assistance. The maximum amount of credit allocable to a particular investment would be 25% of the amount invested, though a lower percentage could be negotiated. The full credit would be available the year the investment is made.

  - **How Does It Work?** The investor's tax basis in the equity interest would then be reduced by the amount of the credit -- having the effect of increasing any capital gain, or reducing any capital loss -- in the event the investor sells the interest in the CDFI. In order to ensure long-term investments, the credit would be recaptured if the investment is sold or redeemed within 5 years.

PRESIDENT CLINTON'S CDFI INITIATIVE IS DESIGNED TO EXPAND THE AVAILABILITY OF CREDIT, INVESTMENT CAPITAL, AND FINANCIAL AND OTHER DEVELOPMENT SERVICES IN DISTRESSED URBAN AND RURAL COMMUNITIES.

- The President's historic reform of the Community Reinvestment Act has already focussed the nation's major banks and thrifts on performance rather than paperwork and thereby unleashed billions of dollars in private capital to help rebuild low and moderate-income communities throughout the country.

- In 1994, President Clinton signed the Community Development Banking & Financial Institutions Act which created the CDFI Fund. The Fund is designed to expand the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. The CDFI Fund provides grants, loans, and technical assistance to qualifying financial institutions.

- CDFIs include a wide range of financial institutions -- community development banks, and venture capital funds, community development credit unions, community development loan funds, and microenterprise loan funds. CDFIs provide such services as mortgages for first-time homebuyers, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing, and basic financial services.

- In July, out of nearly 270 applications, 31 community development organizations were chosen to receive $35.5 million in financial and technical assistance. These funds are expected to leverage at least $350 million in private lending and investment in distressed communities.

WELFARE-TO-WORK SUCCESS STORIES

THE CENTER FOR EMPLOYMENT TRAINING -- San Jose, CA

- Founded in 1968, the Center for Employment Training (CET) provides 3-6 months of occupational skill training to disadvantaged adults and youth.

- Two separate studies have confirmed that *CET dramatically raises participants earnings* -- the Minority Female Single Parent demonstration, conducted by Mathematica Policy Research and the JOBSTART demonstration, conducted by the Manpower Demonstration Research Corporation (MDRC).

  - The Mathematica study concluded that by the fourth quarter after program entry, *CET had large positive impacts on the proportion of participants who were working, their monthly earnings, and their hourly wages.* Five years after beginning the program, women who had enrolled in the program earned 16% more than a control group.

  - The MDRC study concluded that *CET's impacts on earnings totaled more than $6,000 in the final two years of follow-up.* [George Cave et. al., "Jobstart: Final Report on a Program for High School Dropouts," MDRC, Oct. 1993.]

- CET is exceptional in its strong ties to the private sector. Instructors all have private sector experience in the fields they are teaching; training is conducted as if it were a private sector workplace; and all training is geared toward private sector placement. An industrial advisory board consisting of area employers is set up to assist in the selection of skills in which training will be offered and review curricula.

- Training is in medium-paying technical jobs such as shipping and receiving, building maintenance and automated office work. Participants start occupational training immediately on entering the program. Since there are no entry requirements, some CET entrants have difficulty with reading or math. They receive individual assistance in conjunction with their occupational skills training.

- Because of its strong record, CET has become the model for the Department of Labor's efforts to restructure job training programs for out-of-school youth. Currently, CET has been replicated with the Department's support in ten cities across the country (New Haven, CT; Chicago, IL; Baltimore, MD; Piedmont, NC; Orlando and Ft. Lauderdale, FL; Newark and Camden, NJ; Newport News, VA; and New York, NY). Replication will soon begin in five other cities.

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RIVERSIDE GAIN PROGRAM -- Riverside, CA

- Participants in the Riverside GAIN program -- long-term welfare recipients -- *increased their annual earnings by over 40%*, according to a study by the Manpower Demonstration Research Corporation. The program returned $2.84 for every dollar spent on it. [James Ricco et. al., "GAIN: Benefits, Costs and 3-year Impacts of a Welfare-to-Work Program," MDRC, 1994.]
  - ▸ Key factors in Riverside's success include a strong emphasis on finding employment, a balance between basic education and job search assistance, and sufficient resources and community support to extend participation to all eligible welfare recipients.
- While Riverside was the most successful program, the five other California GAIN program sites studied also produced gains in earnings and employment for long term welfare recipients, although they results were more modest.
- Riverside is a large county in southern California encompassing both urban and rural areas. The program enrolls a broad cross-section of the county's welfare population. Over 60 percent of enrollees are in need of basic education. Most are minorities.
- Riverside emphasizes job placement. In part this is achieved by assigning case managers job placement standards. Supervisory units and district offices are assigned job placement goals as well, culminating in a county wide goal. Job placement effectiveness is an important factor in staff evaluations.

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WOMEN'S SELF-EMPLOYMENT FUND (WSEP) -- Chicago, IL

- The Women's Self-Employment Fund (WSEP) is a non-profit financial services and entrepreneurial training program that helps low and moderate-income women become economically independent through self-employment.
- WSEP offers women twelve weeks of entrepreneurial training during which they must produce a realistic business plan to begin a small or micro business, also called a microenterprise. Following training, the "graduates" have access to a revolving loan fund offering $100 to $25,000 in capital to actually begin their micro businesses. Women's welfare benefits are not reduced until they earn enough money from their business to move off of welfare. The fund has distributed over $1 million in small, short-term loans and provided business tools and information to over 5,000 women.

Goodwill Job Connection Success Stories

- ▸ Arinez Gilyard, a mother of three, was on welfare for five years. With training and a loan from WSEP, she started and now operates Child Care Crew, a successful day care center across the hall from her current residence. She now earns over $40,000 a year.
- ▸ Desiree Stewart also moved off of welfare with the help of the WSEP. After successfully completing the WSEP entrepreneurial training program, she received a loan to start her own hair salon. She now owns and operates Desiree Stewart Hair Systems in Chicago, IL and has hired three additional employees.

AMERICA WORKS – New York, NY, Indianapolis, IN, & CT

- America Works is a for-profit placement and support organization that has placed more than 10,000 welfare recipients in full-time private sector jobs. Recipients are placed in permanent jobs, at an average wage of $16,000 per year, including health benefits.
- America Works typically charges a state about $5,400 per placement, and is paid in full only once a recipient is placed and remains in an unsubsidized job for seven months. The state of New York found that 81 percent of those placed by America Works are still off the rolls after two years.
- Prof.'s Steven Cohen and William Eimicke of Columbia University confirmed the program's effectiveness in their study, "Assessing the Cost Effectiveness of Welfare to Work Programs: A Comparison of America Works and Other Job Training Partnership Act Programs".

America Works Success Stories

- ▸ Valerie Smith, a mother of one who had been on welfare for over 10 years was placed by America Works in a full-time job with health benefits at ARAMARK, a national food services company based in Philadelphia. She makes $8.50 an hour as a floor supervisor and has been working since Sept. 1994.
- ▸ Patricia Hines, a mother of six who was on welfare for 17 years, now works at a full-time job with health benefits at Comstock, a start-up finance firm in New York. She began working in 1995 as a data entry clerk for $6.75 an hour. After several raises, she now earns $17,000 a year plus an annual bonus.
- ▸ Janice McPherson (who asks that her last name not be used), a welfare mother with one child who had never worked before, was placed by America Works in a full-time job with health benefits at Rosenman & Colin Law Firm in New York. Janice, who started as a mail clerk at Rosenman & Colin, has worked there for seven years and now runs the supply room for an annual salary of $17,914.

THE GOODWILL JOB CONNECTION – Sarasota, FL & Lafayette, LA

- Founded in 1987, the Goodwill Job Connection offers job placement and support services to chronically unemployed members of the Sarasota and Lafayette communities.
- The Goodwill Job Connection spends about $1,500 per job placement. In its nine years, it has placed more than 1,000 people in jobs. Goodwill works to build relationships with local employers and, after providing its clients with basic job readiness and on-the-job work skills, places them permanently into unsubsidized jobs and offers follow-up support to make sure they stay employed.

Goodwill Job Connection Success Stories

- ▸ Mary Brown, a mother of four, had received welfare on and off for years. After receiving basic job readiness and some on-the-job training, she was placed full-time (with benefits) as the head housekeeper for The Courtyard Retirement Center in Bradenton, Florida. She has been working there for 18 months.
- ▸ In 1993, Maria Valesquez, a mother of one, lost her job to downsizing and ended up on welfare. She searched unsuccessfully for full-time work for two years before joining the Goodwill program. Now, she has a full-time job with benefits as a sales associate with Target in Bradenton, Florida.
- ▸ Norma Davenport, a recovering drug addict and mother of four, had been jobless and on and off welfare for years. She went to the Goodwill program as a last resort and found the skills and motivation to find work. She was placed as a full-time receptionist at the Manatee Opportunity Council in Manatee, Florida. After a year, she was promoted to outreach worker. She now works 40 hours a week at $8.00 an hour and receives full benefits. She credits Goodwill for helping put her on the right track.