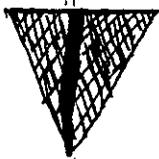


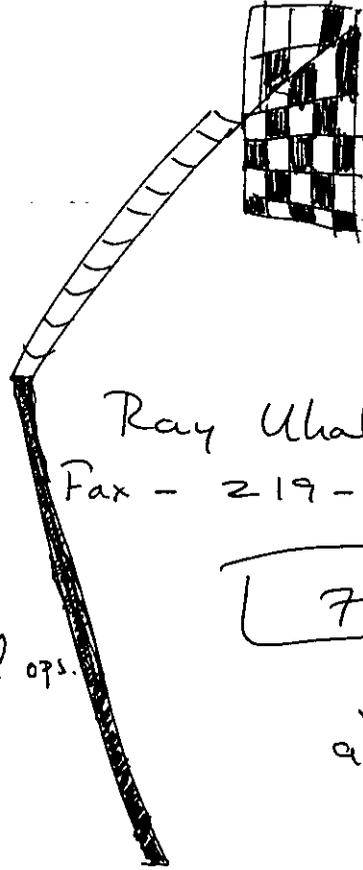
NLWJC - Kagan

DPC - Box 060 - Folder-001

Welfare - Displacement



wages / benefits



Ray Uhalke
Fax - 219-6827

7:00
↓
a.m.

non-preemptive
remedies

partial disp. → [wages & benefits] // promotional ops.
grievance - indep of agencies -

application →

Bunny White

WR - Displacement

DRAFT: June 30, 1997

NONDISPLACEMENT PROVISIONS

Have to have grievance procedure to make effective.
- Sec of Labor // with state agency OK? it indep etc? Hilley - huge

House-passed H.R. 2015	Senate-passed H.R. 2015	TANF	JOBS
	Partial displacement: Prohibits displacement of current employed worker (including partial displacement).		Partial displacement: Prohibits displacement of current employed worker or position (including partial displacement).
Violation of collective bargaining agreement or contract: Prohibits any assignment that violates an existing contract for services or collective bargaining agreement.	Impairment of collective bargaining agreement or contract: Prohibits any assignment that impairs an existing contract for services or collective bargaining agreement or would be inconsistent with such an agreement.		Impairment of collective bargaining agreement or contract: Prohibits any assignment that impairs an existing contract for services or collective bargaining agreement.
	Promotional Opportunities: Prohibits any infringement of the promotional opportunities of currently employed workers.		Promotional Opportunities: Prohibits any infringement of the promotional opportunities of currently employed workers.
			Unfilled Vacancies: Prohibits any assignment of a participant in CWEP or Work Supplementation to an unfilled position vacancy.
Layoffs: Prohibits the assignment of any participant in a position where any other individual is on layoff from the same or similar job.	Layoffs: Prohibits the assignment of any participant in a position where any other individual is on layoff from the same or similar job.	Layoffs: Prohibits the assignment of any participant in a position where any other individual is on layoff from the same or similar job.	Layoffs: Prohibits the assignment of any participant in a position where any other individual is on layoff from the same or similar job.
Terminations: Prohibits assignment where the employer has terminated the employment of any regular employee with the intention of filling the vacancy with a participant.	Terminations: Prohibits assignment where the employer has terminated the employment of any regular employee with the intention of filling the vacancy with a participant.	Terminations: Prohibits assignment where the employer has terminated the employment of any regular employee with the intention of filling the vacancy with a participant.	Terminations: Prohibits assignment where the employer has terminated the employment of any regular employee with the effect of filling the vacancy with a participant.
No Preemption: Nondisplacement provisions do not preempt any provision of State law that provides greater protection against displacement.	No Preemption: General TANF no preemption provision applies.	No Preemption: Nondisplacement provisions do not preempt any provision of State law that provides greater protection against displacement.	

Support Senate Nondisplacement provisions applied to all of TANF

Priority Welfare Reform Conference Issues
7/9/97

Administering Agency for \$3 Billion Welfare to Work Program: We insist that the \$3 billion welfare to work program be administered by the Department of Labor and operated through DOL's local Private Industry Councils (PICs), as done in the House bill.

8004/05
] drop
all

Minimum Wage, Worker Protections, and Required Hours per Week of Work for Workfare. We insist on dropping all language in House bills which dilutes current law minimum wage enforcement, worker protections, and welfare reform work requirements.

Worker Displacement. We strongly urge the conferees to adopt the Senate anti-worker displacement language and apply it to the entire Temporary Assistance for Needy Families welfare reform program.

Privatization of Medicaid and Food Stamp Operations. We insist that the conferees drop the House provisions allowing states to privatize all Medicaid and Food Stamp operations.

\$3 Billion Welfare to Work Program: Community Service as Allowable Use. We prefer the language passed by the House and Senate which allows funds from the \$3 billion program to be used for "job creation through public or private subsidies" but not language GOP may add in conference allowing "community service/work experience."

\$3 Billion Welfare to Work Program: Distribution of Funds. We strongly prefer the distribution of funds as reported out by the House Ways and Means committee: 50% of funds by formula, 50% by competitive grants; no small state minimum for formula grants; 65% of competitive funds set-aside for 100 cities with the largest poverty populations.

Exempting Victims of Domestic Violence from Work Rates and Time Limits. We have not taken a position on the provision enacted by the Senate which allows states to exempt victims of domestic violence from the welfare law's work requirements and time limits, but we are concerned about the effects of the provision.

Nichles sanctions

VocEd
Title XX Transfer

W Substate - W & M?

Flap privatization

Comparison of Priority Welfare Reform Conference Issues

7/9/97 Internal Draft

	Our Position	House Ways and Means	House Ed & Workforce	Senate Finance
Administering Federal Agency	Dept. of Labor	Dept. of Labor	Dept. of Labor	Dept. of Health and Human Services
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Minimum Wage, Worker Protections, and Required Hours per Week of Work for Workfare Participants	Option #1: Strike all House provisions; Option #2: Strike all House provisions, don't apply EITC or FICA to workfare participants; Other Options: Prepared if needed.	No Enforcement Mechanism for Minimum Wage; No "employee status" and related protections; Allows less than 20 hours of real work in certain states.	No Enforcement Mechanism for Minimum Wage; No "employee status" and related protections; Allows less than 20 hours of real work in certain states.	No provision. (Byrdable)
Worker Displacement	Option #1: Senate Language applied to all of TANF program; Other Options: Being developed.	Strong Anti-Displacement Language ¹ Applies to all of TANF. (However, GOP House staff plan to weaken.)	Strong Anti-Displacement Language ¹ Applies to all of TANF. (However, GOP House staff plan to weaken.)	Strong anti-Displacement Language ¹ Applies only to \$3 Billion Program.
Welfare Privatization	Strike House Provision	[House Commerce and Agriculture Committee bills allow all Food Stamp and Medicaid operations, including eligibility determination, to be privatized.]		No Provision (Texas Specific Provision Struck due to Byrd Rule)

¹ Program may not replace a worker who has been fired or laid off; cause the hours, wages, or benefits of other workers to be reduced; violate collective bargaining agreements; or infringe upon promotional opportunities of other workers. Specific due process procedures and remedies apply.

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“Community Service/Work Experience” i.e. Workfare as Allowable Use for \$3 Billion	Option #1: Do not allow community service/work experience as allowable use. Option #2: If community service/work experience allowed, add limiting language ensuring goal is private sector job.	Allows “Job Creation through Public or Private Subsidies” but GOP staff want to add “Community Service/Work Experience.”	Allows “Job Creation through Public or Private Subsidies” but GOP staff want to add “Community Service/Work Experience.”	Allows “Job Creation through Public or Private Subsidies”
Welfare to Work: Distribution of Funds	50% formula, 50% competitive; Formula grants have no small state minimum. Competitive grant set-aside for 100 cities with largest poverty populations if significant percentage of all funds are competitive.	50% formula, 50% competitive; Formula grants have no small state minimum. Competitive grants have 65% set-aside for grants for spending in cities that are among the 100 with the largest poverty populations, 25% set-aside for rural areas.	95% formula, 5% competitive; Formula grants have no small state minimum. Competitive grants have no set-asides (competitive grants are only 5% of total WTW funds).	75% formula, 25% competitive; Formula grants have small state minimum. Competitive grants have 30% rural set aside. ?
Domestic Violence		No provision.	No provision.	States shall be allowed to exempt victims of domestic violence from work rates and time limits and not count them in 20% time limit exemptions or work participation rate.

WR discussions - Lew/Reed/Haskins/

1. Nichols

Haskins: H's in.

5004-05 -

OUT

2. Voc Ed - in

3. Substate -

Gov has article - not to use PIC

comp: no set aside for cities/rural etc.

↳ have to get agreement w/ pol subtitv and gov
must be consulted.

4. Community service listed

- major issue

5. Pennington is in

- Byrd rule

6. Displacement - House

7. Title XX - in

Priv. lang - not in draft

Tx - up to 50% of caseload +
pay cash to make up ~~for~~

· diff for running 2 systems

hm

SSI/Vets - fix on

13 payments in 2001;

not yet in draft

Possible Options

Senate -
appellate
law

Grievance --Independent State Agency

- 1) Use [✓] Unemployment Compensation System (3 person independent board)
Problem: they don't know labor law
- 2) State EEOs
Possible problems:
Not always independent of governor
Won't know health and safety law
- 3) Let states choose between #1 and #2

Remedies

- 1) For anti-displacement, use Senate provisions
- 2) For gender and religion, use remedies provided by laws already covered in TANF
(Age Discrimination Act, Rehabilitation Act, Americans with Disabilities Act, and Title VI of Civil Rights Act)
- 3) ?Working on health and safety ideas designed to correct hazard

Nickles

- 1) "States can sanction, but recipients must receive minimum wage" i.e. can sanction through fines only.
- 2) State can sanction through fines but if penalty would result in less than the minimum wage, the person could choose to have a deduction or to write a check (this resolves some issue with state employees)
- 3) Garnishment - State can sanction by reducing the amount of a person's pay, as long as the person making the decision to sanction cannot be the employer or the employer's employer. They believe this preserves the principle of FLSA while allowing all government agencies except the welfare agency to hire workfare recipients and sanction them through their paycheck.
- 4)(a) Allow states to do either #1 or #3
- 4)(b) Option #2, but person making the decision to sanction cannot be the employer or the employer's employer

July 9, 1997

MEMORANDUM

**To: Mr. Rangel
Mr. Levin**

From: Deborah Colton

Subject: MAJOR HUMAN RESOURCE ISSUES IN CONFERENCE

In the next day or so, conferees will be named for the spending side of budget reconciliation. This memorandum briefly outlines the major human resource issues that will be before you.

Welfare-to-work grants**1. Distribution of funds**

Competitive vs. formula grants.— With limited resources, it is important to spend the available funds wisely. This has led many to conclude that a competitive application process will be especially valuable, since allocating the money purely by a formula does not account for the capacity of the recipient to carry out the program. The *Administration* supports a 50-50 split between competitive and formula grants as Ways and Means proposed. The House Education Committee proposed 5 percent competitive, 95 percent formula. House Republicans appear to be united at 10 percent competitive, 90 percent formula. The Senate adopted 25 percent competitive, 75 percent formula.

Targeting to poorest areas.— The *Administration* also supports the Ways and Means proposal to reserve 65 percent of the competitive grants for cities with large poverty populations. House Republicans appear to support 65 percent for this purpose; however, the actual funds set aside would be small since, under their plan, only 10 percent of the total funds would be competitive.

2. Federal administration

The Senate bill gives HHS responsibility for administering the welfare-to-work funds. All versions of the House bill put DOL in charge, in consultation with HHS and HUD. The *Administration* supports the House bill.

3. Local administration

In the House bill, service delivery areas, created under the Job Training Partnership Act (JTPA), may apply for either the competitive or the formula grants; political subdivisions may receive only the competitive funds. Service delivery areas are not authorized to receive any funds under the Senate bill; only political subdivisions may receive both types of funds. Competitive grants may go to other community organizations and non-profit agencies. The *Administration* supports the House bill, preferring to use the JTPA structure to deliver services. Note that the JTPA structure has been designed to serve the unemployed; the expertise of JTPA agencies in placing long-term welfare recipients in jobs is unknown. It no doubt varies considerably by State.

4. Performance bonus

There is support among "Blue Dog" Democrats and the Administration for performance based funding under the welfare-to-work initiative. The Senate bill has one such approach; the *Administration* is working on a proposal to present to the conferees. Given the short duration of these funds, and the difficulty in precisely measuring performance, it will be a challenge to craft a meaningful performance bonus.

5. Allowable activities

The President's initial welfare-to-work proposal was sold as an attempt to fill a large gap in the new welfare law — the lack of true job creation. Consistent with that approach, the House and Senate bills restrict the allowable activities to those that result in more jobs for long-term welfare recipients. The basic TANF block grant, which replaced AFDC and its work programs, should be used to meet the training, education and work experience needs of welfare families. House Republicans now want to add workfare and community service to the allowable welfare-to-work activities. The *Administration* position is unclear. If "workfare" type activities are added it would dilute considerably the resources available for true job creation. }

6. Eligible participants

Both the House and Senate bills attempt to target funds on the hardest to employ welfare recipients. Staff should be instructed to craft language that extends eligibility to no more than 35 percent of the total TANF population.

House Republicans also seem to want to set aside funds for "profiling" at the beginning who is likely to receive cash assistance for a long time and target

services to this population. This is a concept that has worked, with some success, in the unemployment compensation program. Care must be taken, however; House Republicans have proposed to limit the "mandatory" activities of these families to job search and working off your benefit. States should have the discretion to target the full array of services/programs to these families.

Worker protections

1. Application of minimum wage and FLSA to employees and work experience/community service participants

Minimum wage.— The House bill establishes a formula for determining the number of hours a TANF recipient can be required to work in exchange for cash assistance: TANF cash assistance plus food stamps divided by the minimum wage gives you the required hours. The House bill also lets States count other activities, including job search and education, toward the work requirement once the recipient has "worked off" all the hours that result from the minimum wage formula. The Senate has no such provision, leaving the entire issue to State discretion. The *Administration* is opposed to counting other activities toward the work requirement.

Fair Labor Standards Act.— The House bill curtails the application of the FLSA for certain TANF recipients. As a result, work experience and community service participants are not protected from employment discrimination or sexual harassment. In addition, the proposed grievance procedure does not give these participants the same recourse to address health and safety concerns, nor are they entitled to the same appeal rights.

2. Displacement

The two House Committees adopted virtually identical anti-displacement language; the Senate bill is similar. All were modeled after the language negotiated by House Republicans with the Administration under the pending workforce bill. The House Republicans now want to scale back the displacement language for TANF recipients, especially by curtailing the grievance procedure and allowing workfare participants to infringe on other employees' opportunity for promotion. The *Administration* supports the Senate displacement language and would like to add to it one part of the House language, ensuring that the Federal government does not pre-empt State non-displacement laws that provide greater worker protections than Federal law.

3. Applicability

Once the package of worker protections is agreed to, the remaining policy decision is whether to apply these protections *only* to the new welfare-to-work program or to the work activities of TANF as well. The *Administration* supports the application of one set of rules to both programs.

SSI/Medicaid for legal immigrants

1. Restoring SSI to those legal immigrants on SSI/Medicaid as of August 22, 1996

Both bills grandfather all legal immigrants receiving SSI when the new welfare law passed and extend the exemption for refugees and asylees.

2. Disabled legal immigrants

The Senate bill restores SSI/Medicaid eligibility to legal immigrants present before but disabled after August 22, 1996; the House bill does not. The *President* will not sign a bill that fails to protect disabled legal immigrants.

NOTE: The combination of grandfathering and restoring eligibility for legal immigrants who become disabled in the future, costs \$2.5 billion more than the budget agreement set aside for legal immigrants. Some have suggested a sunset on the provisions to stay within (or closer) to the funds available under the budget agreement.

3. Other issues

The Senate bill restores Medicaid for future immigrant children; provides SSI and Medicaid to those legal immigrants who are too disabled to satisfy the naturalization requirements; and treats Amerasian and Cuban Haitian legal immigrants like refugees. If resources are available, the *Administration* supports these provisions.

Miscellaneous

1. SSI State supplements

The House bill allows States to reduce the SSI benefits of 2.8 million elderly and disabled Americans; the Senate has no provision. The *Administration* wants the

House provision dropped.

2. TANF transfers to title XX

The House bill permits States to transfer TANF funds to the title XX social services block grant without also transferring funds to the child care block grant; the Senate has no provision. The Administration supports the Senate, arguing that the House provision dilutes State welfare-to-work resources and was not part of the budget agreement.

3. Vocational education in TANF

add to
ways - m.
house

Both versions of the House bill (Ways and Means and Education) narrow the base against which the cap on vocational education applies. Ways and Means also excluded teen parents — all of whom should be in school — from the cap. The Senate bill doesn't narrow the base (it retains current law) but does remove teen parents from the cap. The Administration notes that this was not part of the budget agreement and wants to retain current law (i.e., drop all provisions).

4. UI Pennington

The House bill overturns the Pennington Court case which requires some States to use the most recent data to establish the base period for UI eligibility. It would give States full discretion to establish the base period. The Senate has no provision. The Administration has not taken a position.

20% 20%
20% 20%
20% 20%
20% 20%

Draft: July 8, 1997

RECOMMENDED CHANGES IN WELFARE-TO-WORK PROVISIONS (H.R. 2015)
(new language shown in bold italics and underlined)

1. Allowable activities: community service and work experience.

Modify the new section 403(a)(5)(C)(i) [as proposed to be modified by the House Staff Discussion Draft of June 24, 1997, at page 17, lines 1 through 18] as follows:

"(i) ALLOWABLE ACTIVITIES. -- An entity to which funds are provided under this paragraph shall use the funds to move into the workforce recipients of assistance under the program funded under this part of the State in which the entity is located and the noncustodial parent of any minor who is such a recipient, by means of any of the following:

"(I) The conduct and administration of community service or work experience programs, except that no recipient shall participate in any such program for more than 90 days, and a service strategy shall be developed for each recipient participating in a community service or work experience program that is designed to ensure that the program will enable the recipient to move promptly into other employment.

"(II) Job creation through public or private sector employment wage subsidies.

"(III) On-the-job training.

"(IV) Contracts with public or private providers of readiness, placement, and post-employment services.

"(V) Job vouchers for placement, readiness, and post-employment services.

"(VI) Job retention or support services if such services are not otherwise available.

Of the funds provided to any entity under this paragraph in any fiscal year, not more than 15 percent shall be expended for administrative purposes.

2. Additional State plan provision.

In H.R. 2015 as passed by the House (bill print HR 2015 EH):

Page 590, on line 6, strike "and"; on line 11, strike the period and insert a semicolon and the word "and"; and between lines 11 and 12, insert the following new subclause:

"(dd) set forth performance goals for moving recipients participating in activities funded under this paragraph in unsubsidized employment lasting not less than 9 months.

3. Evaluation of welfare-to-work programs.

In H.R. 2015 as passed by the House (bill print HR 2015 EH):

Page 607, on line 4, strike "and"; and between lines 4 and 5, insert the following new subparagraph (and redesignate the succeeding subparagraph accordingly):

"(2) shall evaluate the success of welfare-to-work grant activities under sections 403(a)(5) and 412(a)(3) in meeting performance goals for moving recipients into lasting unsubsidized employment; and

Priority Welfare Reform Conference Issues

7/9/97

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Domestic Violence		No provision.	No provision.	States shall be allowed to exempt victims of domestic violence from work rates and time limits and not count them in 20% time limit exemptions or work participation rate.

DRAFT**Welfare-to-Work Legislative Proposals**

	House Ways & Means Committee ¹	House Education & Workforce Committee ²	House Republican Plan ³	Senate ⁴
Purpose	Provides \$3 billion to States and localities for additional resources to support welfare-to-work efforts.	Provides \$3 billion to States and localities for additional resources to support welfare-to-work efforts.	Provides \$3 billion to States and localities for additional resources to support welfare-to-work efforts.	Provides \$3 billion to States and localities for additional resources to support welfare-to-work efforts.
Administering Agency	DOL in consultation with the Secretary of HHS and the Secretary of HUD.	DOL in consultation with the Secretary of HHS and the Secretary of HUD.	DOL in consultation with the Secretary of HHS and the Secretary of HUD.	HHS
Inter-Agency Coordination	<p>Non-Competitive Grants:</p> <ul style="list-style-type: none"> ■ Administered by agency supervising State TANF program or another agency designated by the Governor. ■ Plans must be approved by State TANF agency. <p>■ Private Industry Councils have sole authority for expenditures in SDAs under the 85% portion of the non-competitive funds, pursuant to an agreement with the agency responsible for administering TANF in the SDA.</p> <p>■ If the Secretary of Labor, in consultation with the Secretary of HHS and the Secretary of HUD, determines that a PIC and the agency responsible for administering TANF in the SDA are not adhering to their agreement, funding shall be remitted to the Secretary of Labor.</p> <p>Competitive Grants:</p> <ul style="list-style-type: none"> ■ Proposals must be approved by State TANF agency. 	<p>Non-Competitive Grants:</p> <ul style="list-style-type: none"> ■ Administered by agency supervising State TANF program or another agency designated by the Governor. <p>■ Private Industry Councils have sole authority for expenditures in SDAs under the 85% portion of the non-competitive funds, in coordination with the chief elected official of the SDA.</p>	<p>Non-Competitive Grants:</p> <ul style="list-style-type: none"> ■ Administered by agency supervising State TANF program or another agency designated by the Governor. ■ Plans must be approved by State TANF agency, and (if different) by the agency that will administer the grant. ■ Private Industry Councils have sole authority for expenditures in SDAs under the 85% portion of the non-competitive funds, in coordination with the chief elected official of the SDA and pursuant to an agreement with the agency responsible for administering TANF in the SDA. ■ If the Governor determines that a PIC and the agency responsible for administering TANF in the SDA are not adhering to their agreement, funding shall be remitted to the Governor, who shall distribute the funds the following fiscal year, pursuant to the sub-State formula. <p>Competitive Grants:</p> <ul style="list-style-type: none"> ■ Proposals must be approved by State TANF agency. 	<p>Non-Competitive Grants:</p> <ul style="list-style-type: none"> ■ Administered by agency supervising State TANF program or another agency designated by the Governor. ■ Plans must be approved by State TANF agency. <p>Not applicable.</p> <p>■ If the Secretary of HHS determines that an entity operating a project and the agency responsible for administering the State TANF program are not adhering to their agreement, funding shall be remitted to the Secretary.</p> <p>Competitive Grants:</p> <ul style="list-style-type: none"> ■ Proposals must be approved by State TANF agency. ■ If the Secretary of HHS determines that an entity operating a project and the agency responsible for administering the State TANF program are not adhering to their agreement, funding shall be remitted to the Secretary.

	House Ways & Means Committee ¹	House Education & Workforce Committee ¹	House Republican Plan ²	Senate ³
Appropriation and Distribution of Funds	<p>FY 1998 - \$.75 billion FY 1999 - \$1.25 billion * FY 2000 - \$1 billion</p> <p>Total - \$3 billion</p> <p><i>Note: The Manager's Amendment appears to fully obligate the funding in FYs 1998 and 1999.</i></p> <p>Funds distributed 50% by formula to States and 50% to PICs or political subdivisions of States through a competitive grant process (see below)</p> <p>1% set-aside each year for Indian tribes that choose to run their own program.</p> <p>0.5% set-aside each year for evaluations through HHS.</p> <p>Funds not expended within 3 years must be returned. Funds remain available until the end of FY 2002.</p>	<p>FY 1998 - \$.75 billion FY 1999 - \$1.25 billion * FY 2000 - \$1 billion</p> <p>Total - \$3 billion</p> <p><i>Note: The Manager's Amendment appears to fully obligate the funding in FYs 1998 and 1999.</i></p> <p>Funds distributed 95% by formula to States and 5% to PICs or political subdivisions of States through a competitive grant process (see below).</p> <p>1% set-aside each year for Indian tribes that choose to run their own program.</p> <p>0.5% set-aside each year for evaluations through HHS.</p> <p>Funds not expended within 3 years must be returned. Competitive funds remain available until the end of FY 2001.</p>	<p>FY 1998 - \$1.5 billion FY 1999 - \$1.5 billion</p> <p>Total - \$3 billion</p> <p>Funds distributed 90% by formula to States and 10% to PICs or political subdivisions of States through a competitive grant process (see below).</p> <p>1% set-aside each year for Indian tribes that choose to run their own program.</p> <p>0.5% set-aside each year for evaluations through HHS.</p> <p>Funds not expended within 3 years must be returned.</p>	<p>FY 1998 - \$.75 billion FY 1999 - \$1.25 billion FY 2000 - \$1 billion</p> <p>Total - \$3 billion</p> <p>Funds distributed 75% by formula to States and 25% to political subdivisions of States through a competitive grant process (see below).</p> <p>1% set-aside each year for Indian tribes that choose to run their own program.</p> <p>0.5% set-aside each year for evaluations through HHS.</p> <p>Funds not expended within 3 years must be returned.</p>
Matching Requirements	<p>States must meet 1/3 match requirement for non-competitive grants.</p> <p>No match specified for Indian tribes.</p>	<p>States must meet 1/3 match requirement for non-competitive grants.</p> <p>No match specified for Indian tribes.</p>	<p>States must meet 1/3 match requirement for non-competitive grants. States that do not fully expend the estimated State share of welfare-to-work funds will have their TANF grants reduced by the difference the following year.</p> <p>No match specified for Indian tribes.</p>	<p>States must meet 33% match requirement for non-competitive funds.</p> <p>No match specified for Indian tribes.</p>
Prior State Spending Requirements	<p>States must meet 80% Maintenance of Effort requirement under TANF.</p>	<p>None specified.</p>	<p>States must meet TANF Maintenance of Effort requirement.</p>	<p>States must meet 75% Maintenance of Effort requirement under TANF.</p>

	House Ways & Means Committee ¹	House Education & Workforce Committee ²	House Republican Plan ³	Senate ⁴
Allocation of Non-Competitive Funds to States	<p>50% of appropriated funds (after subtracting set-asides for Indian tribes and evaluation) goes to States with approved State welfare-to-work plans allocated on the basis of each State's average of the following:</p> <ul style="list-style-type: none"> ■ percent of U.S. poverty population; ■ percent of U.S. adults receiving TANF assistance; ■ percent of U.S. unemployed. <p>The Secretary of Labor, in consultation with the Secretary of HHS and the Secretary of HUD, determines whether States meet the following criteria as a welfare-to-work State:</p> <ul style="list-style-type: none"> ■ submit a plan as an addendum to their TANF State plan (including a description of how welfare-to-work funds will be used, the sub-State distribution formula, and evidence that the plan was developed in consultation and coordination with sub-State areas and approved by the State TANF agency) <ul style="list-style-type: none"> ■ provide an estimate of State spending ■ agree to negotiate with the Secretary of HHS on the substance of and cooperate with the conduct of an evaluation ■ be an eligible TANF State for the fiscal year ■ meet 80% Maintenance of Effort (MOE) requirements under TANF for current or preceding fiscal year. 	<p>95% of appropriated funds (after subtracting set-asides for Indian tribes and evaluation) goes to States with approved State welfare-to-work plans allocated on the basis of each State's average of the following:</p> <ul style="list-style-type: none"> ■ percent of U.S. poverty population; ■ percent of U.S. adults receiving TANF assistance. <p>The Secretary of Labor, in consultation with the Secretary of HHS and the Secretary of HUD, determines whether States meet the following criteria as a welfare-to-work State:</p> <ul style="list-style-type: none"> ■ submit a plan as an addendum to their TANF State plan (including a description of how welfare-to-work funds will be used, the sub-State distribution formula, and evidence that the plan was developed through a collaborative process that, at minimum, included sub-State areas) <ul style="list-style-type: none"> ■ provide an estimate of State spending ■ agree to negotiate with the Secretary of HHS on the substance of and cooperate with the conduct of an evaluation, and ■ be an eligible TANF State for the fiscal year. 	<p>90% of appropriated funds (after subtracting set-asides for Indian tribes and evaluation) goes to States with approved State welfare-to-work plans allocated on the basis of each State's average of the following:</p> <ul style="list-style-type: none"> ■ percent of U.S. poverty population; ■ percent of U.S. adults receiving TANF assistance. <p>The Secretary of Labor, in consultation with the Secretary of HHS and the Secretary of HUD, determines whether States meet the following criteria as a welfare-to-work State:</p> <ul style="list-style-type: none"> ■ submit a plan as an addendum to their TANF State plan (including a description of how welfare-to-work funds will be used, the sub-State distribution formula, and evidence that the plan was developed through a collaborative process that, at minimum, included sub-State areas and approved by the State TANF agency AND, if different, by the agency that will administer the grant) <ul style="list-style-type: none"> ■ provide an estimate of State spending ■ agree to negotiate with the Secretary of HHS on the substance of and cooperate with the conduct of an evaluation ■ be an eligible TANF State for the fiscal year ■ meet the Maintenance of Effort (MOE) requirements under TANF. 	<p>75% of appropriated funds (after subtracting set-asides for Indian tribes and evaluation) goes to States with approved State welfare-to-work plans allocated on the basis of each State's average of the following:</p> <ul style="list-style-type: none"> ■ percent of U.S. poverty population; ■ percent of U.S. adults receiving TANF assistance; ■ percent of U.S. unemployed. <p>A small State minimum of 0.5% of appropriated funds (after subtracting set-asides for Indian tribes and evaluation) will apply.</p> <p>The Secretary of HHS determines whether States meet the following criteria as a welfare-to-work State:</p> <ul style="list-style-type: none"> ■ submit plan as an addendum to their TANF State plan (including a description of how welfare-to-work funds will be used, the sub-State distribution formula, and evidence that the plan was developed in consultation with sub-State areas and approved by the State TANF agency) <ul style="list-style-type: none"> ■ certify that State intends to meet the 33% match ■ agree to negotiate with the Secretary of HHS on the substance of and cooperate with the conduct of an evaluation ■ be an eligible TANF State for the fiscal year ■ meet at least 75% Maintenance of Effort (MOE) requirements under TANF.

	House Ways & Means Committee ¹	House Education & Workforce Committee ⁷	House Republican Plan ³	Senate ⁴
Distribution of Non-Competitive Funds Within States	<p>Within each State, 85% of non-competitive funds to be distributed to service delivery areas (SDAs) based on a formula comprised of:</p> <ul style="list-style-type: none"> ■ number of individuals below poverty that exceeds 5 percent of the population in SDA (must account for at least 50% of formula). <p>Additionally, States may incorporate either or both of the following for the remaining 50% of the formula:</p> <ul style="list-style-type: none"> ■ number of adults receiving TANF assistance in SDA for 30 months or more (whether or not consecutive) ■ number of unemployed residents in SDA <p>Grants to SDAs have a minimum threshold of \$100,000; in lieu of distributing lesser amounts, unused funds as a result of this threshold would go into the 15% fund (see below).</p> <p>Within each State, up to 15% of non-competitive funds can be distributed by the Governor to projects that help move long-term recipients into work. Unused funds as a result of the \$100,000 threshold would be added to this fund.</p>	<p>Within each State, 85% of non-competitive funds to be distributed to service delivery areas (SDAs) based on a formula comprised of:</p> <ul style="list-style-type: none"> ■ number of individuals below poverty that exceeds 5 percent of the population in SDA (must account for at least 50% of formula). <p>Additionally, States may incorporate either or both of the following for the remaining 50% of the formula:</p> <ul style="list-style-type: none"> ■ number of adults receiving TANF assistance in SDA for 30 months or more (whether or not consecutive) ■ number of unemployed residents in SDA <p>Grants to SDAs have a minimum threshold of \$100,000; in lieu of distributing lesser amounts, unused funds as a result of this threshold would go into the 15% fund (see below).</p> <p>Within each State, up to 15% of non-competitive funds can be distributed by the Governor to projects that help move long-term recipients into work. Unused funds as a result of the \$100,000 threshold would be added to this fund.</p>	<p>Within each State, 85% of non-competitive funds to be distributed to service delivery areas (SDAs) based on a formula comprised of:</p> <ul style="list-style-type: none"> ■ number of individuals below poverty that exceeds 5 percent of the population in SDA (must account for at least 50% of formula). <p>Additionally, States may incorporate either or both of the following for the remaining 50% of the formula:</p> <ul style="list-style-type: none"> ■ number of adults receiving TANF assistance in SDA for 30 months or more (whether or not consecutive) ■ number of unemployed residents in SDA <p>Grants to SDAs have a minimum threshold of \$100,000; in lieu of distributing lesser amounts, unused funds as a result of this threshold would go into the 15% fund (see below).</p> <p>Within each State, up to 15% of non-competitive funds can be distributed by the Governor to projects that help move long-term recipients into work. Unused funds as a result of the \$100,000 threshold would be added to this fund.</p>	<p>Within each State, at least 85% of non-competitive funds to be distributed to political subdivisions based on a formula comprised of:</p> <ul style="list-style-type: none"> ■ number of individuals below poverty in political subdivision (must account for at least 50% of formula). <p>Additionally, States may incorporate either or both of the following for the remaining 50% of the formula:</p> <ul style="list-style-type: none"> ■ number of adults receiving TANF assistance in political subdivision for 30 months or more (whether or not consecutive) ■ number of unemployed residents in political subdivisions <p>Grants to political subdivisions have a minimum threshold of \$100,000; in lieu of distributing lesser amounts, unused funds as a result of this threshold would go into the 15% fund (see below).</p> <p>Within each State, up to 15% of non-competitive funds can be distributed by the Governor to projects that help move long-term recipients into work. Unused funds as a result of the \$100,000 threshold would be added to this fund.</p>
Performance Bonuses	None specified.	None specified.	None specified.	\$100 million of FY 1999 funds to be reserved and added to the High Performance Bonus under TANF in FY 2003 for welfare-to-work States that are most successful in increasing the earnings of long-term welfare recipients or those at-risk of long-term welfare dependency.

	House Ways & Means Committee ¹	House Education & Workforce Committee ²	House Republican Plan ³	Senate ⁴
Competitive Grant Funds for Private Industry Councils and Political Subdivisions of States	<p>50% of welfare-to-work funds (after subtracting set-asides for Indian tribes and evaluation) goes to establish competitive grants. Eligible applicants are PICs or political subdivisions of States.</p> <p>Grants must be sufficient to ensure a reasonable opportunity for success.</p> <p>Not less than 65% of competitive funds will be available for grants among the 100 cities in US with the highest number of individuals in poverty.</p> <p>Not less than 25% of competitive funds will be available for grants in rural areas with populations less than 50,000.</p>	<p>5% of welfare-to-work funds (after subtracting set-asides for Indian tribes and evaluation) plus any unobligated funds from prior fiscal years, to establish demonstration projects. Eligible applicants are PICs or political subdivisions of States.</p> <p>Grants must be sufficient to ensure a reasonable opportunity for success.</p> <p>Not specified.</p> <p>Not specified.</p>	<p>10% of welfare-to-work funds (after subtracting set-asides for Indian tribes and evaluation) goes to establish competitive grants. Eligible applicants are PICs or political subdivisions of States.</p> <p>Grants must be sufficient to ensure a reasonable opportunity for success.</p> <p>Not less than 65% of competitive funds will be available for grants among the 100 cities in US with the highest number of individuals in poverty.</p> <p>Not less than 25% of competitive funds will be available for grants in rural areas with populations less than 50,000.</p>	<p>25% of welfare-to-work funds (after subtracting set-asides for Indian tribes and evaluation) goes to establish competitive grants to political subdivisions of States. Eligible applicants are political subdivisions of States or community action agencies, community development corporations, and other non-profit organizations with demonstrated effectiveness in moving recipients into the work force. (Note: For-profit organizations also may be eligible to compete for these funds.)</p> <p>Grants must be sufficient to ensure a reasonable opportunity for success.</p> <p>Not specified.</p> <p>Not less than 30% of competitive funds will be available for grants in rural areas with populations less than 50,000.</p>

	House Ways & Means Committee ¹	House Education & Workforce Committee ²	House Republican Plan ³	Senate ⁴
Competitive Grant Funds for Private Industry Councils and Political Subdivisions of States (cont.)	<p>Grants based on:</p> <ul style="list-style-type: none"> ■ likelihood of project's effectiveness in expanding the base of knowledge about welfare-to-work programs for the least job ready, moving the least job ready into the labor force, and moving the least job ready into the labor force even in labor markets with a shortage of low-skill jobs. ■ at the Secretary's discretion, other factors may be considered: the applicant's success in addressing multiple barriers, ability to leverage other resources, use of State or local resources that exceed the required match, plans to coordinate with other organizations, or use of current or former recipients as mentors, case managers or providers. <p>Grants made by the Secretary of Labor in consultation with the Secretary of HHS and the Secretary of HUD in fiscal years 1998 and 2000.</p>	<p>Grants based on:</p> <ul style="list-style-type: none"> ■ likelihood of demonstration project placing long-term recipients into the workforce. <p>Grants made by the Secretary of Labor in consultation with the Secretary of HHS and the Secretary of HUD in fiscal years 1998 and 2000. Funds remain available until the end of FY 2001.</p>	<p>Grants based on:</p> <ul style="list-style-type: none"> ■ the likelihood of project's effectiveness in expanding the base of knowledge about welfare-to-work programs for the least job ready, moving the least job ready into the labor force, and moving the least job ready into the labor force even in labor markets with a shortage of low-skill jobs. ■ at the Secretary's discretion, other factors may be considered: the applicant's success in addressing multiple barriers, ability to leverage other resources, use of State or local resources that exceed the required match, plans to coordinate with other organizations, or use of current or former recipients as mentors, case managers or providers. <p>Grants made by the Secretary of Labor in consultation with the Secretary of HHS and the Secretary of HUD in fiscal years 1998 and 1999.</p>	<p>Grants based on:</p> <ul style="list-style-type: none"> ■ the likelihood of project's effectiveness in expanding the base of knowledge about welfare-to-work programs for the least job ready, moving the least job ready into the labor force, and moving the least job ready into the labor force even in labor markets with a shortage of low-skill jobs. ■ at the Secretary's discretion, other factors may be considered: the applicant's success in addressing multiple barriers, ability to leverage other resources, use of State or local resources that exceed the required match, plans to coordinate with other organizations, or use of current or former recipients as mentors, case managers or providers.
Grants to Indian Tribes	<p>1% of appropriated funds goes to Indian tribes with welfare-to-work plans, in such amounts as the Secretary deems appropriate.</p> <p>An Indian tribe shall be considered a welfare-to-work tribe if it meets the following criteria:</p> <ul style="list-style-type: none"> ■ submit a plan in the form of an amendment to the tribal family assistance plan, if any, (including a description of how welfare-to-work funds will be used) ■ provide an estimate of tribal spending * ■ agree to negotiate in good faith with the Secretary of HHS on the substance of and cooperate with the conduct of an evaluation. 	<p>1% of appropriated funds goes to Indian tribes with welfare-to-work plans, in such amounts as the Secretary deems appropriate.</p> <p>An Indian tribe shall be considered a welfare-to-work tribe if it meets the following criteria:</p> <ul style="list-style-type: none"> ■ submit a plan in the form of an amendment to the tribal family assistance plan, if any, (including a description of how welfare-to-work funds will be used) ■ provide an estimate of tribal spending ■ agree to negotiate in good faith with the Secretary of HHS on the substance of and cooperate with the conduct of an evaluation. 	<p>1% of appropriated funds goes to Indian tribes with welfare-to-work plans, in such amounts as the Secretary deems appropriate.</p> <p>An Indian tribe shall be considered a welfare-to-work tribe if it meets the following criteria:</p> <ul style="list-style-type: none"> ■ submit a plan in the form of an amendment to the tribal family assistance plan, if any, (including a description of how welfare-to-work funds will be used) ■ provide an estimate of tribal spending ■ agree to negotiate in good faith with the Secretary of HHS on the substance of and cooperate with the conduct of an evaluation. 	<p>1% of appropriated funds goes to Indian tribes with welfare-to-work plans, in such amounts as the Secretary deems appropriate.</p> <p>An Indian tribe shall be considered a welfare-to-work tribe if it meets the following criteria:</p> <ul style="list-style-type: none"> ■ submit a plan in the form of an amendment to the tribal family assistance plan, if any, (including a description of how welfare-to-work funds will be used) ■ provide an estimate of tribal spending ■ agree to negotiate in good faith with the Secretary of HHS on the substance of and cooperate with the conduct of an evaluation.
Grant to Territories/Outlying Areas	Welfare-to-work funds to outlying areas do not count against their Title IV-A funding cap.	Welfare-to-work funds to territories do not count against their Title IV-A funding cap.	Welfare-to-work funds to territories do not count against their Title IV-A funding cap.	Welfare-to-work funds to outlying areas do not count against their Title IV-A funding cap.

	House Ways & Means Committee ¹	House Education & Workforce Committee ²	House Republican Plan ³	Senate ⁴
Use of Funds	<p>Funds can be used to move TANF recipients and noncustodial parents of any minor who is a recipient into the work force through the following:</p> <ul style="list-style-type: none"> ■ job creation through public or private wage subsidies ■ on-the-job training ■ contracts (through public or private providers) for job readiness, placement or post-employment services ■ vouchers for job readiness, placement or post-employment services ■ job support services (excluding child care) if not otherwise available. <p>PICs cannot use funds to provide direct services.</p> <p>Funds:</p> <ul style="list-style-type: none"> ■ are subject to the 15% cap on administrative costs ■ may be used for public or private job placement agencies, and ■ may be used to fund Individual Development Accounts. <p>Funds cannot be used to:</p> <ul style="list-style-type: none"> ■ satisfy matching requirements under other programs ■ displace current workers or violate collective bargaining agreements (See "Other Human Service Provisions" side-by-side). 	<p>Funds can be used to move TANF recipients into the work force through the following:</p> <ul style="list-style-type: none"> ■ job creation through public or private wage subsidies ■ on-the-job training ■ job placement contracts (through companies or public programs) ■ job vouchers ■ job retention or support services, if not otherwise available. <p>PICs cannot use funds to provide direct services.</p> <p>Funds:</p> <ul style="list-style-type: none"> ■ are subject to the 15% cap on administrative costs ■ may be used for public or private job placement agencies, and ■ may be used to fund Individual Development Accounts. <p>Funds cannot be used to:</p> <ul style="list-style-type: none"> ■ satisfy matching requirements under other programs ■ displace current workers or violate collective bargaining agreements (See "Other Human Service Provisions" side-by-side). 	<p>Funds can be used to move TANF recipients and noncustodial parents of any minor who is a recipient into the work force through the following:</p> <ul style="list-style-type: none"> ■ the conduct and administration of community service or work experience programs ■ job creation through public or private wage subsidies ■ on-the-job training ■ contracts (through public or private providers) for job readiness, placement or post-employment services ■ vouchers for job readiness, placement or post-employment services ■ job retention or support services, if not otherwise available. <p>PICs cannot use funds to provide direct services.</p> <p>Funds:</p> <ul style="list-style-type: none"> ■ are subject to the 15% cap on administrative costs ■ may be used for public or private job placement agencies, and ■ may be used to fund Individual Development Accounts. <p>Funds cannot be used to:</p> <ul style="list-style-type: none"> ■ satisfy matching requirements under other programs ■ displace current workers or violate collective bargaining agreements (See "Other Human Service Provisions" side-by-side). 	<p>Funds can be used to move TANF recipients and noncustodial parents of any minor who is a recipient into the work force through the following:</p> <ul style="list-style-type: none"> ■ job creation through public or private wage subsidies ■ on-the-job training ■ contracts (through public or private providers) for job readiness, placement or post-employment services ■ vouchers for job readiness, placement or post-employment services ■ job support services (excluding child care) if not otherwise available. <p>Not applicable.</p> <p>Funds:</p> <ul style="list-style-type: none"> ■ are subject to the 15% cap on administrative costs ■ may be used for public or private job placement agencies ■ may be used to fund Individual Development Accounts. <p>Funds cannot be used to:</p> <ul style="list-style-type: none"> ■ satisfy matching requirements under other programs ■ displace current workers or violate collective bargaining agreements (See "Other Human Service Provisions" side-by-side).

	House Ways & Means Committee ¹	House Education & Workforce Committee ¹	House Republican Plan ¹	Senate ¹
Eligible Individuals	<p>90% of funds must be expended on TANF recipients that have received assistance for at least 30 months (whether or not consecutive); OR that are within 12 months of reaching the time limit; AND that meet at least two of the following criteria:</p> <ul style="list-style-type: none"> ■ are not HS graduates or do not have GED and have low skills in reading and math ■ require substance abuse treatment for employment ■ have a poor work history. <p>(the Secretary shall prescribe regulations necessary to interpret these criteria).</p>	<p>90% of funds must be expended on TANF recipients that have received assistance for at least 30 months (whether or not consecutive); OR that are within 12 months of reaching the time limit; OR that meet at least two of the following criteria:</p> <ul style="list-style-type: none"> ■ are not HS graduates or do not have GED and have low skills in reading and math ■ require substance abuse treatment for employment ■ have a poor work history. <p>(the Secretary shall prescribe regulations necessary to interpret these criteria).</p>	<p>70% of funds must be expended on TANF recipients that have received assistance for at least 30 months (whether or not consecutive); OR that are within 12 months of reaching the time limit; AND that meet at least two of the following criteria:</p> <ul style="list-style-type: none"> ■ are not HS graduates or do not have GED and have low skills in reading and math ■ require substance abuse treatment for employment ■ have a poor work history. <p>(the Secretary shall prescribe regulations necessary to interpret these criteria).</p> <p>An entity that operates a welfare-to-work project is urged to expend up to 30% of funds for programs that require TANF recipients with characteristics associated with long term dependence (such as school dropout, teen pregnancy, or poor work history), to participate in job search or work experience as a condition of receiving assistance.</p>	<p>90% of funds must be expended on TANF recipients that have received assistance for at least 30 months (whether or not consecutive); OR that are within 12 months of reaching the time limit; OR that meet at least two of the following criteria:</p> <ul style="list-style-type: none"> ■ are not HS graduates or do not have GED and have low skills in reading and math ■ require substance abuse treatment for employment ■ have a poor work history. <p>(the Secretary shall prescribe regulations necessary to interpret these criteria).</p>
Worker Protections	(See "Other Human Service Provisions" side-by-side)	(See "Other Human Service Provisions" side-by-side)	(See "Other Human Service Provisions" side-by-side)	(See "Other Human Service Provisions" side-by-side)
Interaction with TANF	<p>Assistance to individuals from welfare-to-work funds is not counted as TANF assistance and months that welfare-to-work assistance is received do not count toward TANF time limits.</p> <p>States must adopt plan as an addendum to their TANF State plan.</p> <p>States must be eligible TANF States for the fiscal year.</p>	<p>Assistance to individuals from welfare-to-work funds is not counted as TANF assistance and months that welfare-to-work assistance is received do not count toward TANF time limits.</p> <p>States must adopt plan as an addendum to their TANF State plan.</p> <p>States must be eligible TANF States for the fiscal year.</p>	<p>Assistance to individuals from welfare-to-work funds is not counted as TANF assistance and months that welfare-to-work assistance is received do not count toward TANF time limits.</p> <p>States must adopt plan as an addendum to their TANF State plan.</p> <p>States must be eligible TANF States for the fiscal year.</p>	<p>Assistance to individuals from welfare-to-work funds are not counted as TANF assistance and months that welfare-to-work assistance is received do not count toward TANF time limits.</p> <p>States must adopt plan as an addendum to their TANF State plan.</p> <p>States must be eligible TANF States for the fiscal year.</p>

	House Ways & Means Committee ¹	House Education & Workforce Committee ²	House Republican Plan ³	Senate ⁴
Evaluation	<p>The Secretary of HHS must develop, in consultation with the Secretary of Labor, a plan to evaluate welfare-to-work grants.</p> <p>States must agree to negotiate with Secretary of HHS on the substance and cooperate with the conduct of an evaluation.</p> <p>0.5 percent of funds reserved for HHS evaluation.</p> <p>The Secretary is urged to include the following measures:</p> <ul style="list-style-type: none"> ■ placements in the labor force and placements that last at least six months ■ placements in the private and public sectors ■ earnings of individuals who obtain employment ■ average expenditures per placement. <p>The Secretary of HHS, in consultation with the Secretary of Labor and the Secretary of HUD, must report to Congress on the projects funded under the welfare-to-work program and on the evaluations of the projects. An interim report is due January 1, 1999, and a final report is due January 1, 2001.</p>	<p>The Secretary of HHS must develop, in consultation with the Secretary of Labor, a plan to evaluate welfare-to-work grants.</p> <p>States must agree to negotiate with Secretary of HHS on the substance and cooperate with the conduct of an evaluation.</p> <p>0.5 percent of funds reserved for HHS evaluation.</p>	<p>The Secretary of HHS must develop, in consultation with the Secretary of Labor, a plan to evaluate welfare-to-work grants.</p> <p>States must agree to negotiate with Secretary of HHS on the substance and cooperate with the conduct of an evaluation.</p> <p>0.5 percent of funds reserved for HHS evaluation.</p> <p>The Secretary is urged to include the following measures:</p> <ul style="list-style-type: none"> ■ placements in the labor force and placements that last at least six months ■ placements in the private and public sectors ■ earnings of individuals who obtain employment ■ average expenditures per placement. <p>The Secretary of HHS, in consultation with the Secretary of Labor and the Secretary of HUD, must report to Congress on the projects funded under the welfare-to-work program and on the evaluations of the projects. An interim report is due January 1, 1999, and a final report is due January 1, 2001.</p>	<p>The Secretary of HHS must develop, in consultation with the Secretary of Labor, a plan to evaluate welfare-to-work grants.</p> <p>States must agree to negotiate with Secretary of HHS on the substance and cooperate with the conduct of an evaluation.</p> <p>0.5 percent of funds reserved for HHS evaluation.</p> <p>The evaluation must include the following measures:</p> <ul style="list-style-type: none"> ■ placements in the labor force and placements that last at least six months ■ placements in the private and public sectors ■ earnings of individuals who obtain employment ■ average expenditures per placement. <p>The Secretary of HHS, in consultation with the Secretary of Labor and the Secretary of HUD, must report to Congress on the projects funded under the welfare-to-work program and on the evaluations of the projects. An interim report is due January 1, 1999, and a final report is due January 1, 2001.</p>

1. Based on Committee print legislative language dated 6/13/97 (1:08pm), as modified on the floor and adopted.
2. Based on draft legislation dated 6/10/97, as modified on the floor and adopted.
3. Based on Staff Discussion Draft dated 6/24/97 (10:19am).
4. Based on draft legislation received 6/20/97, and amendments as adopted on 6/25/97.

Other Human Services Provisions

	House Ways & Means Committee ¹	House Education & Workforce Committee ²	House Republican Proposal ³	Senate ⁴
Compensation of Work Participants	<p>The Manager's Amendment established rules governing the expenditure of funds for work experience and community service programs. Work experience and community service programs are designed to improve the employability of participants through actual work experience or training. Such programs are limited to projects which serve a useful public purpose. Participants may not be placed in private, for-profit organizations and may not participate for more hours than the combined value of their TANF and Food Stamp benefits minus child support collected and retained by the state, divided by the greater of Federal or State minimum wage (not to exceed 40 hours per week).</p> <p>Participants engaged in work experience and community service programs are not considered to be receiving compensation for work performed and are not entitled to a salary or work or training expenses.</p> <p>At state option, participants in work experience and community service programs who cannot meet the hourly work requirements when minimum wage is taken into account can meet the remaining hours of the work requirement by participating in any other work activity.</p>	<p>The Manager's Amendment established rules governing the expenditure of funds for work experience and community service programs. Work experience and community service programs are designed to improve the employability of participants through actual work experience or training. Such programs are limited to projects which serve a useful public purpose. Participants may not be placed in private, for-profit organizations and may not participate for more hours than the combined value of their TANF and Food Stamp benefits minus child support collected and retained by the state, divided by the greater of Federal or State minimum wage (not to exceed 40 hours per week).</p> <p>Participants engaged in work experience and community service programs are not considered to be receiving compensation for work performed and are not entitled to a salary or work or training expenses.</p> <p>At state option, participants in work experience and community service programs who cannot meet the hourly work requirements when minimum wage is taken into account can meet the remaining hours of the work requirement by participating in any other work activity.</p>	<p>Work experience and community service programs are designed to improve the employability of participants through actual work experience or training. Such programs are limited to projects which serve a useful public purpose. Participants may not be placed in private, for-profit organizations and may not participate for more hours than the combined value of their TANF and Food Stamp benefits minus child support collected and retained by the state, divided by the greater of Federal or State minimum wage.</p> <p>Participants engaged in work experience and community service programs are not considered to be receiving compensation for work performed and are not entitled to a salary or work or training expenses.</p> <p>At state option, participants in work experience and community service programs who cannot meet the hourly work requirements when minimum wage is taken into account can meet the remaining hours of the work requirement by participating in any other work activity.</p>	<p>Notwithstanding minimum wage requirements, states retain the ability to sanction a family for noncompliance.</p> <p>No related provision.</p> <p>Not specified.</p>

	House Ways & Means Committee ¹	House Education & Workforce Committee ²	House Republican Proposal ³	Senate ⁴
Worker Protections	<ul style="list-style-type: none"> ■ Displacement: Participants in activities funded by welfare-to-work participants and TANF may fill a vacant employment position in order to engage in a work activity but may not fill a position when another individual is on layoff from the same or substantially equivalent job or if the employer has terminated another employee with the intention of filling the vacancy with the participant. These non-displacement provisions shall not be construed to preempt any State law that affords greater protection. ■ Impairment of contracts: The work activity cannot violate an existing contract for services or collective bargaining agreement. ■ Health and safety: Otherwise applicable federal and state health standards shall apply to all TANF and welfare-to-work participants engaged in a work activity. ■ Nondiscrimination: Adds gender to the other nondiscrimination provisions applicable to TANF and welfare-to-work participants. 	<ul style="list-style-type: none"> ■ Displacement: Participants in activities funded by welfare-to-work participants and TANF may fill a vacant employment position in order to engage in a work activity but may not fill a position when another individual is on layoff from the same or substantially equivalent job or if the employer has terminated another employee with the intention of filling the vacancy with the participant. These non-displacement provisions shall not be construed to preempt any State law that affords greater protection. ■ Impairment of contracts: The work activity cannot violate an existing contract for services or collective bargaining agreement. ■ Health and safety: Otherwise applicable federal and state health standards shall apply to all TANF and welfare-to-work participants engaged in a work activity. ■ Nondiscrimination: Adds gender to the other nondiscrimination provisions applicable to TANF and welfare-to-work participants. 	<ul style="list-style-type: none"> ■ Displacement: Participants in activities funded by welfare-to-work participants and TANF may fill a vacant employment position in order to engage in a work activity but may not fill a position when another individual is on layoff from the same or substantially equivalent job or if the employer has terminated another employee with the intention of filling the vacancy with the participant. ■ Impairment of contracts: The work activity cannot violate an existing contract for services or collective bargaining agreement. ■ Health and safety: Otherwise applicable federal and state health standards shall apply to all TANF and welfare-to-work participants engaged in a work activity. ■ Nondiscrimination: Adds gender to the other nondiscrimination provisions applicable to TANF and welfare-to-work participants. 	<ul style="list-style-type: none"> ■ Displacement: Participants in activities funded by welfare-to-work funds cannot displace current employees or be employed in a job resulting from a layoff or a workforce reduction to create the vacancy or that impairs promotional opportunities for current employees. ■ Impairment of contracts: Existing contracts for services or collective bargaining agreements cannot be impaired by a work activity; any violating activities cannot be undertaken without the written consent of the labor organization and employer. ■ Health and safety: Otherwise applicable federal and state health and safety standards, as well as workers' compensation, apply to welfare-to-work participants. ■ Nondiscrimination: Not specified.

	House Ways & Means Committee ¹	House Education & Workforce Committee ²	House Republican Proposal ³	Senate ⁴
Worker Protections (continued)	<ul style="list-style-type: none"> Grievance procedure: States must establish grievance procedures for employees alleging nondisplacement violations and TANF and welfare-to-work participants which include an opportunity for a hearing. Remedies: Remedies are limited to the following: prohibition against placement of a participant with an employer that has violated a worker protection listed above; where applicable, reinstatement of an employee with payment of lost wages and benefits and terms, conditions and privileges of employment; or other equitable relief. 	<ul style="list-style-type: none"> Grievance procedure: States must establish grievance procedures for employees alleging nondisplacement violations and TANF and welfare-to-work participants which include an opportunity for a hearing. Remedies: Remedies are limited to the following: prohibition against placement of a participant with an employer that has violated a worker protection listed above; where applicable, reinstatement of an employee with payment of lost wages and benefits and terms, conditions and privileges of employment; or other equitable relief. 	<ul style="list-style-type: none"> Grievance procedure: States must establish grievance procedures for employees alleging nondisplacement violations and TANF and welfare-to-work participants which include an opportunity for a hearing. Remedies: Remedies are limited to the following: prohibition against placement of a participant with an employer that has violated a worker protection listed above; where applicable, reinstatement of an employee with payment of lost wages and benefits and terms, conditions and privileges of employment; or other equitable relief. 	<ul style="list-style-type: none"> Grievance procedures: States must establish grievance procedures which include an opportunity for a hearing within 60 days, with appeal rights to the Secretary (of Labor). Remedies: Remedies are limited to <u>suspension or termination of payments</u>, prohibition of placement with an employer who violated these provisions, reinstatement of the employee and payment of lost wages and benefits, or equitable relief.
Vocational Education Cap/Teen Parents	Clarifies limit on the number of persons who may be treated as engaged in work by reason of participation in vocational education activities as 30 percent of individuals in all families and in two-parent families, respectively, who are engaged in work for a month. Teen heads of households who are deemed to be meeting the work requirements by maintaining satisfactory school attendance are specifically excluded from the cap.	Clarifies limit on the number of persons who may be treated as engaged in work by reason of participation in vocational education activities as 20 percent of individuals in all families and in two-parent families, respectively, who are engaged in work for a month or deemed to be engaged in work by reason of being teen heads of households who are maintaining satisfactory school attendance.	Clarifies limit on the number of persons who may be treated as engaged in work by reason of participation in vocational education activities as 25 percent of individuals in all families and in two-parent families, respectively, who are engaged in work for a month or deemed to be engaged in work by reason of being teen heads of households who are maintaining satisfactory school attendance.	Clarifies that the 20 percent limit on the number of persons who may be treated as engaged in work by reason of participation in vocational education activities excludes teen heads of households who are deemed to be meeting the work requirements by maintaining satisfactory school attendance. (Incorporated in Technical Corrections.)
Integrated Enrollment Systems for HHS Programs	No provision.	No provision.	No provision.	Texas' application to integrate and automate enrollment procedures for eligibility determination functions for federal and state health and human services benefit programs, including TANF and Medicaid and to determine eligibility by non-government entities or individuals, is deemed approved. An independent evaluation of the plan must be completed by the state and submitted to Congress within 5 years of approval.

	House Ways & Means Committee ¹	House Education & Workforce Committee ¹	House Republican Proposal ²	Senate ³
Transfers to Title XX	Limits the amount transferable to Title XX programs to 10 percent of the TANF block grant without respect to any transfers to the Child Care and Development Block Grant.	No provision.	Limits the amount transferable to Title XX programs to 10 percent of the TANF block grant without respect to any transfers to the Child Care and Development Block Grant.	No provision.
Penalties	A state will be penalized between one and five percent of its TANF block grant if it fails to reduce a recipient's grant for refusing without good cause to participate in work. The Secretary will impose the reduction based on the degree of noncompliance.	A state will be penalized between one and five percent of its TANF block grant if it fails to reduce a recipient's grant for refusing without good cause to participate in work. The Secretary will impose the reduction based on the degree of noncompliance.	A state will be penalized between one and five percent of its TANF block grant if it fails to reduce a recipient's grant for refusing without good cause to participate in work. The Secretary will impose the reduction based on the degree of noncompliance.	A state will be penalized five percent of its TANF block grant if it fails to reduce a recipient's grant for refusing without good cause to participate in work.
Child Support Enforcement	Conforming Amendment: Confirms the Unemployment Compensation program's authorizing statute to allow access to wage and claim information collected by the Office of Child Support Enforcement, as specified in section 453 of the PRWORA. Agreement between OCSE, OMB and DOL.	No provision.	No provision.	No provision.
Technical Corrections	On April 29, the House approved by voice vote H.R. 1048, the Welfare Reform Technical Corrections Act of 1997.			Incorporates H.R. 1048, "Welfare Technical Corrections Act of 1997" but deletes all provisions relating to Title II of the Social Security Act.

	House Ways & Means Committee ¹	House Education & Workforce Committee ²	House Republican Proposal ³	Senate ⁴
Domestic Violence	No provision.	No provision.	No provision.	A Murray/Wellstone amendment passed that provides that: (1) states shall not be subject to any numerical limitation to the granting of good cause waivers in accordance with the Family Violence Option, and (2) HHS shall not include any individual to whom a good cause waiver has been granted in accordance with the Family Violence Option in determining a state's compliance with work participation rates, time-limits, and the imposition of penalties resulting from failure to meet work participation, paternity establishment and child support, and 5 year-time limit rates. It also clarifies the protections that apply to prevent the disclosure of information in cases of domestic violence by the Federal Parent Locator Service.

Endnotes:

1. Based on Committee Print legislative language dated 6/13/97 (1:08pm) as modified on the floor and adopted.

2. Based on draft legislation dated 6/10/97 as modified on the floor and adopted.

3. Based on Staff Discussion Draft legislative language dated 6/24/97 (10:19am) for Sections 9001 and 9002, the Manager's Amendment for Compensation and Worker Protections, and Staff Discussion Draft dated 6/23/97 (3:56pm) for other provisions.

4. Based on draft legislation received 6/20/97 and amendments as adopted on 6/25/97.

Wp - displacement



Cynthia A. Rice

05/22/97 11:39:34 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP

cc:

Subject: Re: Displacement

Phil Levine says the President highlighted the passage on effects that indicated wages for low-wage workers may be somewhat depressed by welfare reform even if their employment prospects aren't affected much.

Michelle Jolin (CEA COS) told me that Eli had Yellen talk to the CEOs on Tuesday (last minute fill-in for Daschle). She spoke about CEA displacement study too and they were very interested. Yellen now wants to talk to more groups about the findings and may ask public liaison to set up some briefings.

Also, my read of the President's handwriting on the 5/3 weekly noted a "good article over the weekend on Md. law dealing with strict requirements of no displacement for [can't read], should consider strengthening language in federal law - Congress might go along since federal \$ [can read rest because my copy is cut off at bottom.] I've been meaning to ask you for translation assistance!

----- Forwarded by Cynthia A. Rice/OPD/EOP on 05/22/97 11:33 PM -----



Phillip B. Levine

05/21/97 08:41:00 AM

Record Type: Record

To: Cynthia A. Rice

cc:

Subject: Re: Displacement

Message Creation Date was at 21-MAY-1997 08:41:00

Good job yesterday. It seemed to work out well. As for your^{LF} question yesterday, the

President did respond to the displacement piece in I wrote for the WEB. He highlighted the passage on wage effects that indicated wages for low-wage workers may be somewhat depressed by welfare reform even if their employment prospects aren't affected much.

Phil

Wp - displacement



Cynthia A. Rice

05/23/97 08:46:12 AM

Record Type: Record

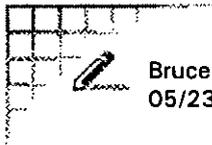
To: Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP

cc:

Subject: Re: Displacement

Bruce's reply

----- Forwarded by Cynthia A. Rice/OPD/EOP on 05/23/97 08:50 AM -----



Bruce N. Reed

05/23/97 08:19:14 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc:

Subject: Re: Displacement

The President told me Tues night that some states were strengthening displacement language because the federal language wasn't strong enough. He thought we should look into toughening the federal language if necessary. I told him the language was strong enough, just difficult to enforce -- and in any case the best we could do with this Congress.]

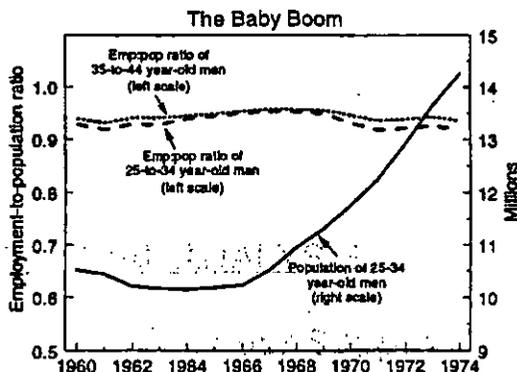


WR - displacement

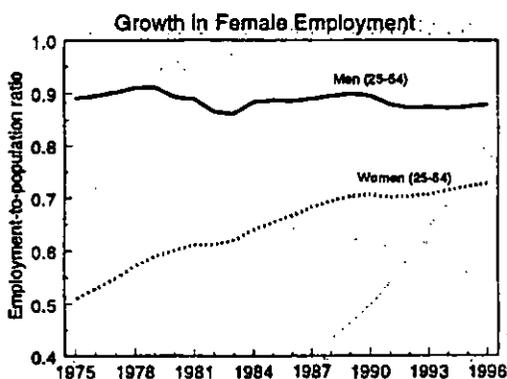
SPECIAL ANALYSIS

Surges In Labor Supply and Labor Market Outcomes

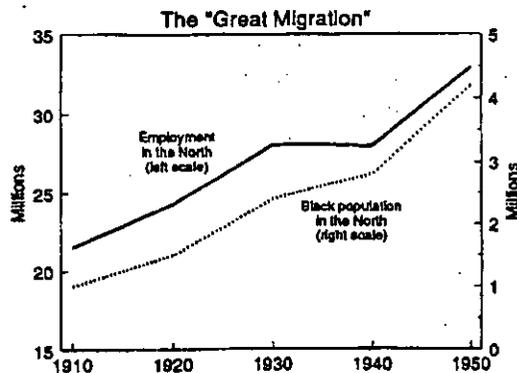
Can a case be made that the entry of up to 2 million former welfare recipients into the labor force be accommodated without major dislocations to those already working? Several historical episodes provide encouraging evidence—although wages could be adversely affected.



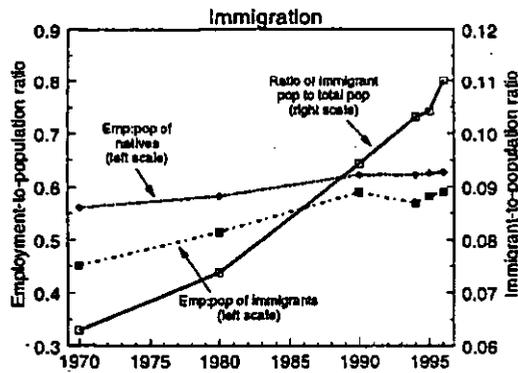
The baby boom. The baby boom cohort represented a huge increase in the supply of labor when its members reached working age. Between 1965 and 1974, the population of men between the ages of 25 and 34 grew by about 4 million (see upper chart). Yet, the share of men in this age bracket who held jobs changed little. Nor was employment among men between the ages of 35 and 44 from the pre-baby-boom cohort much affected.



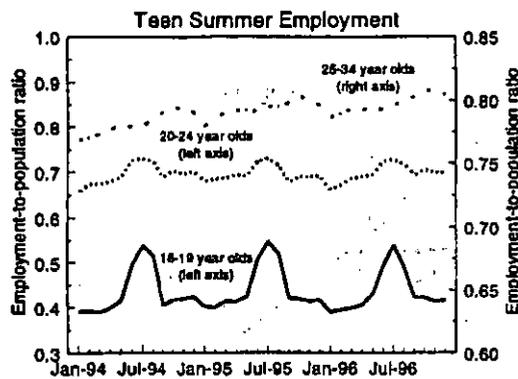
Female labor supply. Women's labor force participation has been rising for decades. Between 1975 and 1996, for example, the fraction of women aged 25 to 54 who were employed rose from about one-half to over two-thirds (see middle chart). Meanwhile, the fraction of employed men in that age group remained roughly the same, apart from cyclical fluctuations. Thus, the entry of millions of women into the labor force during this period apparently did not cause major dislocations among men.



The Great Migration. From 1910 to 1950 the population of blacks in the North increased from 1 million to 4 million, due to migration from the South (see lower chart). One important cause of this "Great Migration" was reduced demand for labor in the South resulting from mechanization of cotton production. Notwithstanding this large influx of Southern blacks, employment in the North grew from 22 million to 33 million over this 40 year period.



Immigration. Over the past 15 years, the share of the population that is foreign-born has been growing at an increasing rate (see upper chart). Employment among immigrants grew by 4 million as their employment-to-population ratio actually rose between 1980 and 1990 and then remained roughly constant, indicating job-finding success among immigrants. The employment-to-population ratio of native-born workers has continued to increase gradually over the period.



Teen summer employment. Each year, hundreds of thousands of teens flood the labor market when school lets out. In recent years, for example, teen employment has risen about 10 to 15 percent in the summer (see lower chart). Employment prospects of other young workers do not appear to have been hurt. In fact, those aged 20-to-24 experience small gains in employment as well during the summer, as college students find summer jobs.

Wage effects. Even if former welfare recipients are able to obtain employment without displacing other workers, their entry into the labor market may lower wages for low-skilled workers to some extent (see *Weekly Economic Briefing*, November 22, 1996). Research suggests, for example, that entry of the baby boom into the labor market may have depressed wages for some groups of workers. Although large reductions in wages would be troubling, some degree of wage flexibility enables those with no other means of support to find jobs.

Conclusion. None of the examples provided here is definitive, in the sense that other factors may have been at work to ease the transition. Nevertheless, this range of historical episodes provides encouraging evidence that the U.S. labor market is flexible enough to absorb large influxes of new entrants.

DRAFT
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PRELIMINARY & CLOSE HOLD
May 8, 1997

WELFARE REFORM AND LABOR MARKET DISPLACEMENT

May 1997

A report prepared by the
Council of Economic Advisers and the
U.S. Department of Treasury, Office of Economic Policy

DRAFT
FOR OFFICIAL USE ONLYPRELIMINARY & CLOSE HOLD
May 8, 1997

WELFARE REFORM AND LABOR MARKET DISPLACEMENT

Recently enacted welfare reform legislation will lead to the inflow of perhaps 2 million welfare recipients into the labor market. One concern that has been raised is that these individuals will take jobs away from others (mainly the less-skilled) who are already engaged in market work. Such "displacement" would be disturbing because the burden of welfare reform should not be borne by those who have "played by the rules" in the past.

Yet, it is far from clear whether current job holders will be displaced by the welfare recipients who will enter the labor market. The number of workers employed is determined by market forces that include both supply and demand side factors. While the supply of workers will certainly increase, the demand for workers continues to grow; for instance, 12 million new jobs have been created since January 1993. A rising demand for workers may allow for the entry of welfare recipients into the labor market without disrupting the employment of those currently holding jobs.

One way to determine whether displacement is likely to occur is to examine previous episodes where a large number of new workers entered the labor market for largely noneconomic reasons. This brief report will explore the employment outcomes resulting from such events for new and previously employed workers in the period of time after the "shock" occurred. Several such incidents are considered, including: (1) the baby boom, (2) growing female labor force participation, (3) the "Great Migration" of blacks to the North in the first half of this century, (4) the boom in immigration, including one localized incident of a sudden increase in the size of an immigrant community, and (5) teen summer employment. In all five cases, the evidence suggests that little displacement occurs. Furthermore, the Administration's labor market policies have been designed to minimize the problem, should it occur.

HISTORICAL EVIDENCE ON LABOR MARKET DISPLACEMENT

Several historical examples of surges in the supply of labor can help us evaluate the effect of such shocks on those already working. In each case, the evidence indicates that large numbers of new jobs were obtained by the group entering the labor market with no obvious impact on the employment of others. Each of the examples provided here may not be perfect in the sense that other events may have been occurring contemporaneously which eased the transition. Nevertheless, the fact that the labor supply shocks did not appear to generate any significant labor market displacement in all five cases suggests that, aside from cyclical fluctuations, market mechanisms operate to provide a sufficient number of jobs for all who seek them.

The Baby Boom

The baby boom cohort born in the years following World War II was significantly larger than preceding cohorts; the baby boomers represented a huge increase in the available supply of labor when they reached labor market age. For example, between 1965 and 1974, the population of men

between the ages of 25 and 34 grew by about 4 million (Figure 1). As these individuals moved into the labor market, their success in finding jobs was comparable to earlier cohorts of younger workers, as measured by the employment-to-population ratio. Evidence suggests that the baby boomers' arrival in the labor market did not lead to employment declines for older workers, however; the employment-to-population ratio of 35 to 44 year old men remained roughly constant over the period.

Increased Female Labor Supply

The trend towards greater labor force participation among women has been ongoing for several decades. For instance, the share of women between the ages of 25 and 54 with jobs rose from about half to over two-thirds between 1975 and 1996 (Figure 2). The entry of so many women into the labor market may have led to job loss among the men for whom they may have competed for jobs. Evidence contradicts this hypothesis; the share of men between the ages of 25 and 54 that were employed exhibited very little change aside from cyclical fluctuations over this period.

The Great Migration

From 1910 to 1950 the migration of blacks from the South increased the population of blacks in the North from 1 million to 4 million (see Figure 3). This "Great Migration" came about in response to a number of factors: increased labor demand in the North brought about by two world wars, a desire on the part of blacks for greater freedom and economic opportunity, and a reduction in labor demand in the South resulting from the mechanization of cotton production. The skills that these migrants had acquired in the agricultural South were obsolete in the industrial North. Yet the North absorbed these internal migrants and still created significantly more employment opportunities for others; employment increased from 22 million to 33 million over this 40 year period. This record is even more impressive given that this period includes the Great Depression, when Northern employment actually fell.

Immigration

The flow of immigrants into the United States and into the labor market has risen dramatically over the past 15 years. Although only about 400,000 immigrants entered this country per year in the 1970s, the inflow has risen to roughly twice that recently. As a result, the share of the population that is foreign born has been increasing at an increasing rate (Figure 4). These new immigrants appear to have been largely successful in obtaining employment as the employment-to-population ratio of immigrants actually rose between 1980 and 1990 and has remained roughly constant since then. The employment gains of these new workers may have come at the expense of native born workers with whom they may have been competing. No evidence of this displacement is apparent, however, as the

employment-to-population ratio of native-born workers has continued to gradually increase over the period.¹

Localized incidents of a sudden increase in the size of an immigrant community provide additional evidence that native-born workers are not displaced by immigrants.² For example, the Miami area became the home for several hundred thousand Cuban immigrants released for political reasons in the summer of 1980 Mariel Boatlift. Changes in the labor market success for native born workers of various demographic groups can be identified by examining employment patterns for Miami residents to similar workers residing in comparison cities in the years immediately before and just after 1980. If the inflow of Cuban immigrants displaced native-born workers in Miami, the share of a particular demographic group employed should have fallen there compared to other localities and the effect should have been larger for less-skilled workers that could more easily substitute for the new, largely less-skilled, immigrants. Evidence indicates that this pattern is not observed in the data, however, suggesting that job displacement did not occur in Miami.

Teen Summer Employment

Each year, hundreds of thousands of teens flood the labor market during their school summer vacations looking for jobs. Over the past few years, for example, an additional 10 to 15 percent of teens obtain employment during the summer compared to the rest of the year (Figure 5). This surge of very young workers may hinder the employment prospects of other young workers between the ages of 20 and 24 or perhaps even those between 25 and 34. Employment patterns for these other groups shows no adverse reaction to the entry of teens during the summer. In fact, those aged 20-24 experience small gains in employment as well during the summer as college students seek summer employment.

POLICIES TO MITIGATE ANY DISPLACEMENT EFFECTS

The best estimates currently available suggest that any displacement effect associated with welfare reform will be small, at most. Nevertheless, to mitigate any adverse impact of welfare reform on other workers in the economy the Administration has developed a four prong strategy to stimulate

¹The impact of immigrants on labor market outcomes of natives has been examined extensively by academic researchers; reviews of this literature include Friedberg, Rachel M. and Jennifer Hunt, "The Impact of Immigrants on Host Country Wages, Employment, and Growth," Journal of Economic Perspectives, Spring 1995, pp. 23-44, and George Borjas, "The Economics of Immigration," Journal of Economic Literature, December 1994, pp. 1667-1717.

²See Card, David, "The Impact of the Mariel Boatlift on the Miami Labor Market," Industrial and Labor Relations Review, January 1990, pp. 245-157 and Hunt, Jennifer, "The Impact of the 1962 Repatriates from Algeria on the French Labor Market," Industrial and Labor Relations Review, April 1992, pp. 556-572.

employment and prevent displacement. This strategy is essential to insuring that there are enough jobs in the economy to accommodate everyone that wants to work.

First, it is critically important that the overall economy continue to grow and expand. Since 1993 nearly 12 million jobs being created in the economy lowering unemployment to below 6 percent for 31 consecutive months. The President's balanced budget plan will insure deficit reduction and promote economic growth so that all Americans can enjoy a better economic future.

Second, the President has proposed \$3 billion for the Welfare-to-Work Challenge program. This program gives states and cities subsidies to help encourage private business to expand the number of jobs and hire welfare recipients. By helping stimulate job creation by private employers the total number of jobs available would increase to accommodate those moving off the welfare rolls.

Third, the President has proposed a continuation of the Work Opportunity Tax Credit (WOTC) for hiring individuals from certain economically disadvantaged groups and the welfare to work (WTW) tax credit for hiring long term welfare recipients. The WOTC and WTW tax credits are worth up to \$2100 and \$5000 per year respectively. A Harvard University study has shown that tax subsidies can be effective in boosting employment of disadvantaged adults and youth.³ These job creation benefits are more likely to exist when tax credits are combined with the types of direct demand stimulus embodied in the Welfare-to-Work initiative.

Finally, the President's welfare reform legislation has embodied in it legislative prohibitions designed to prevent employers from displacing workers with welfare recipients. The Personal Responsibility and Work Opportunity Reconciliation Act contains specific language to prohibit the displacement of existing workers with welfare recipients.⁴ Employers claiming the WOTC or WTW tax credit must keep the employee 120 days or 400 hours to get any of the benefit of the credit. This encourages employers to establish long term jobs rather than churning over one worker for another simply to get the credit.

³ See Lawrence Katz "Wage Subsidies For The Disadvantaged", National Bureau of Economic Research, working paper 5679, July 1996.

⁴ Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Sec. 407, f. Nondisplacement in Work Activities.

Figure 1

Effect of the Baby Boom

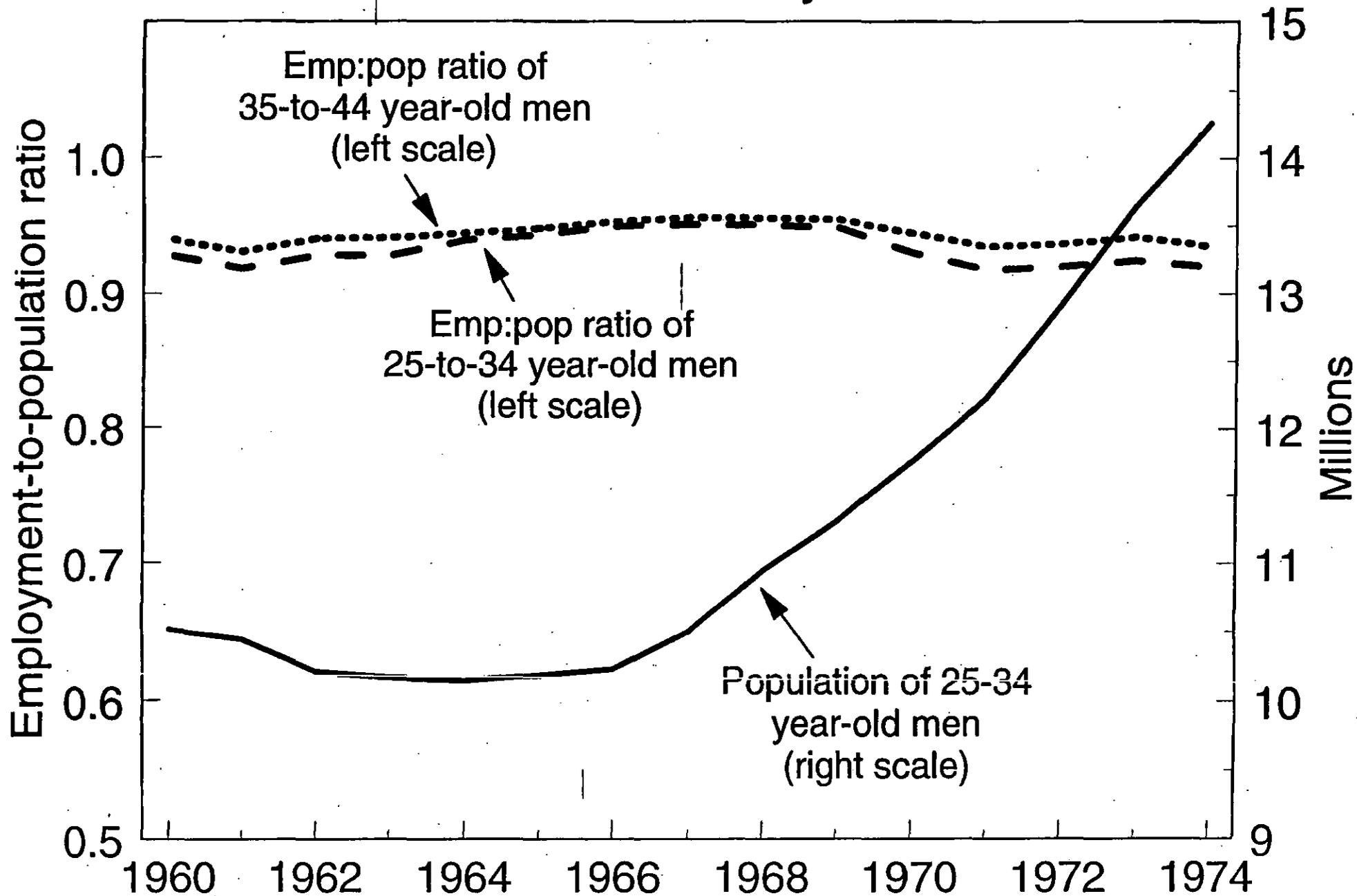


Figure 2

Effect of Growth in Female Employment

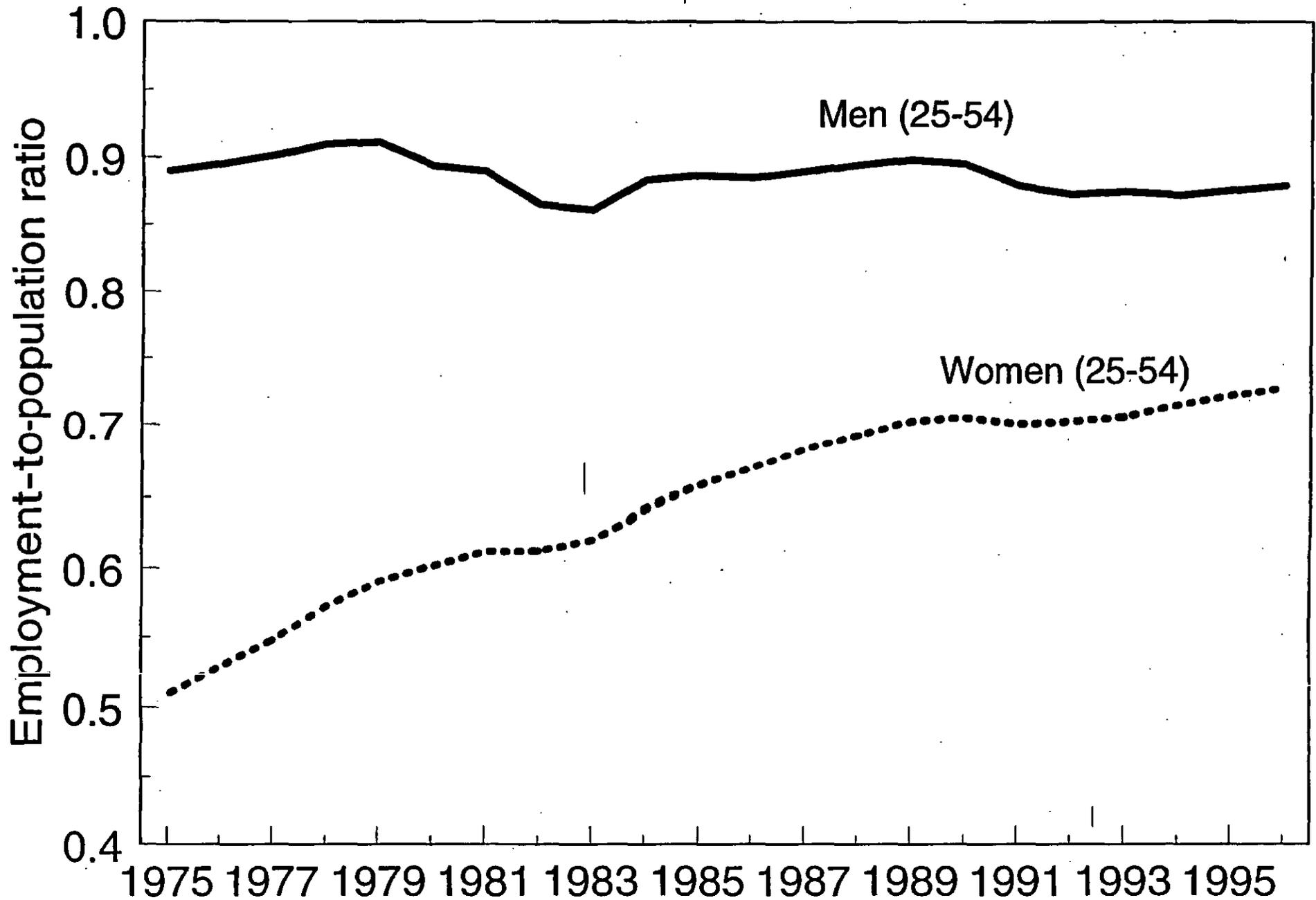


Figure 3

Effect of the "Great Migration"

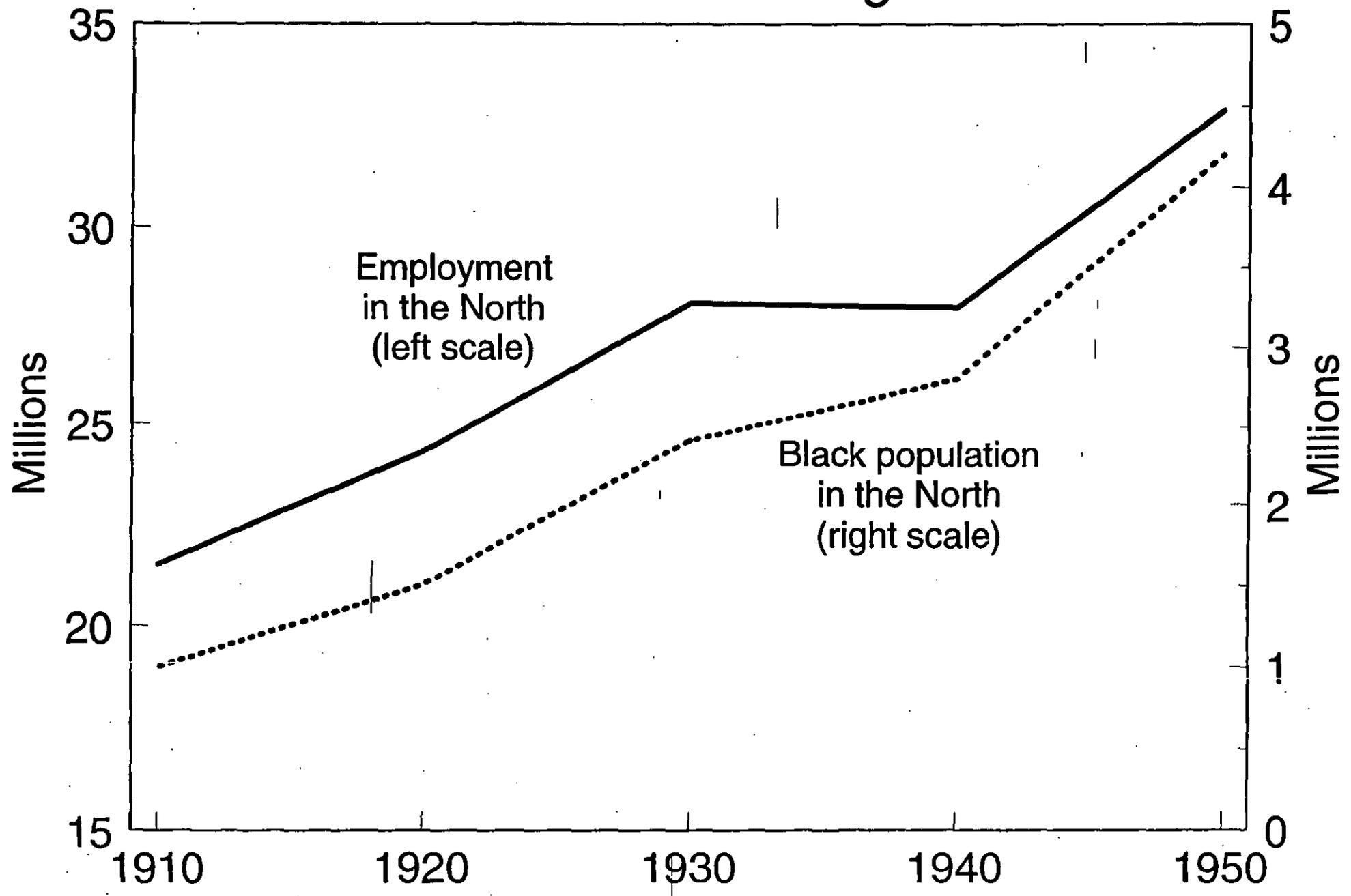


Figure 4

Effect of Immigration

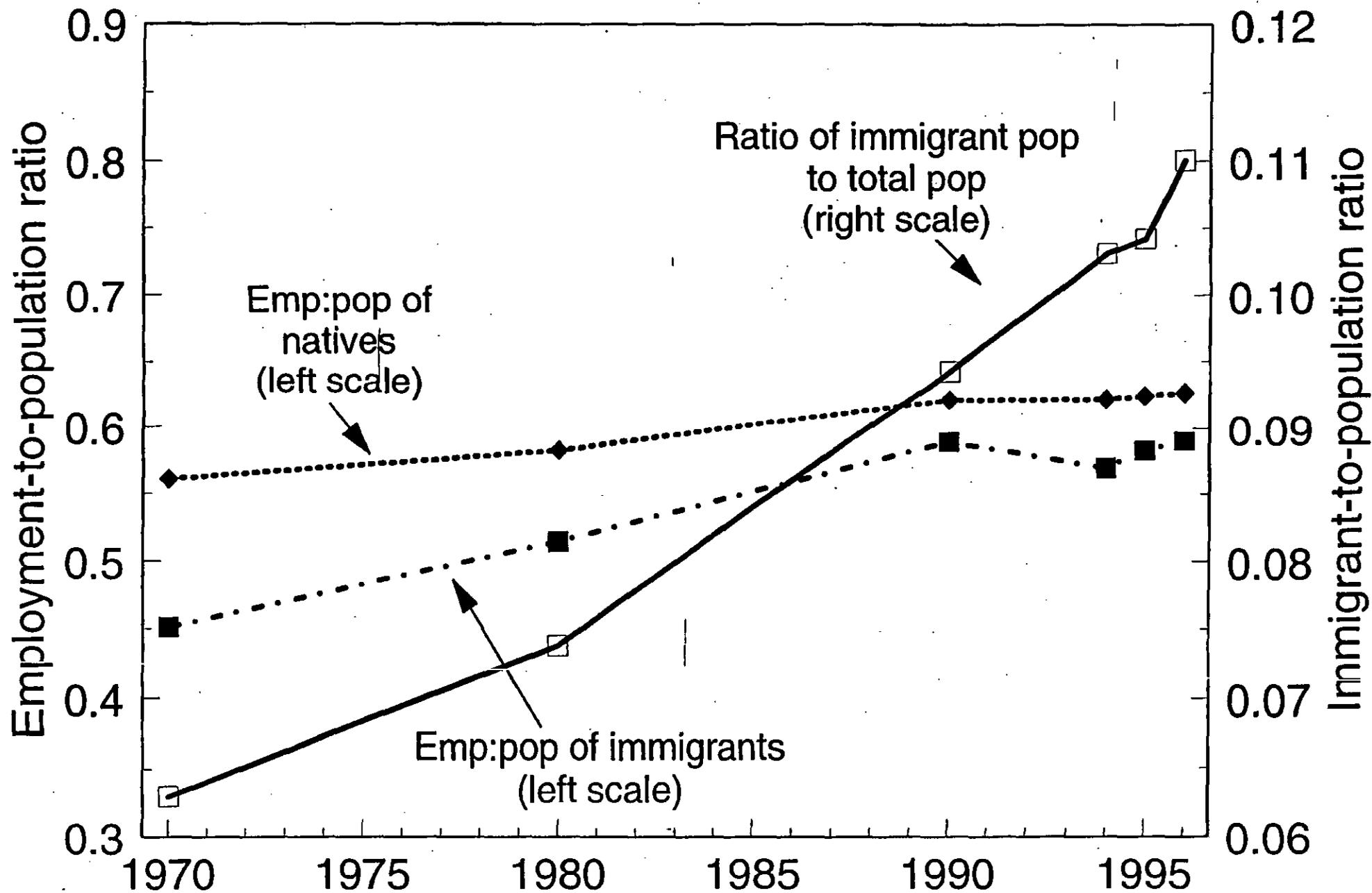
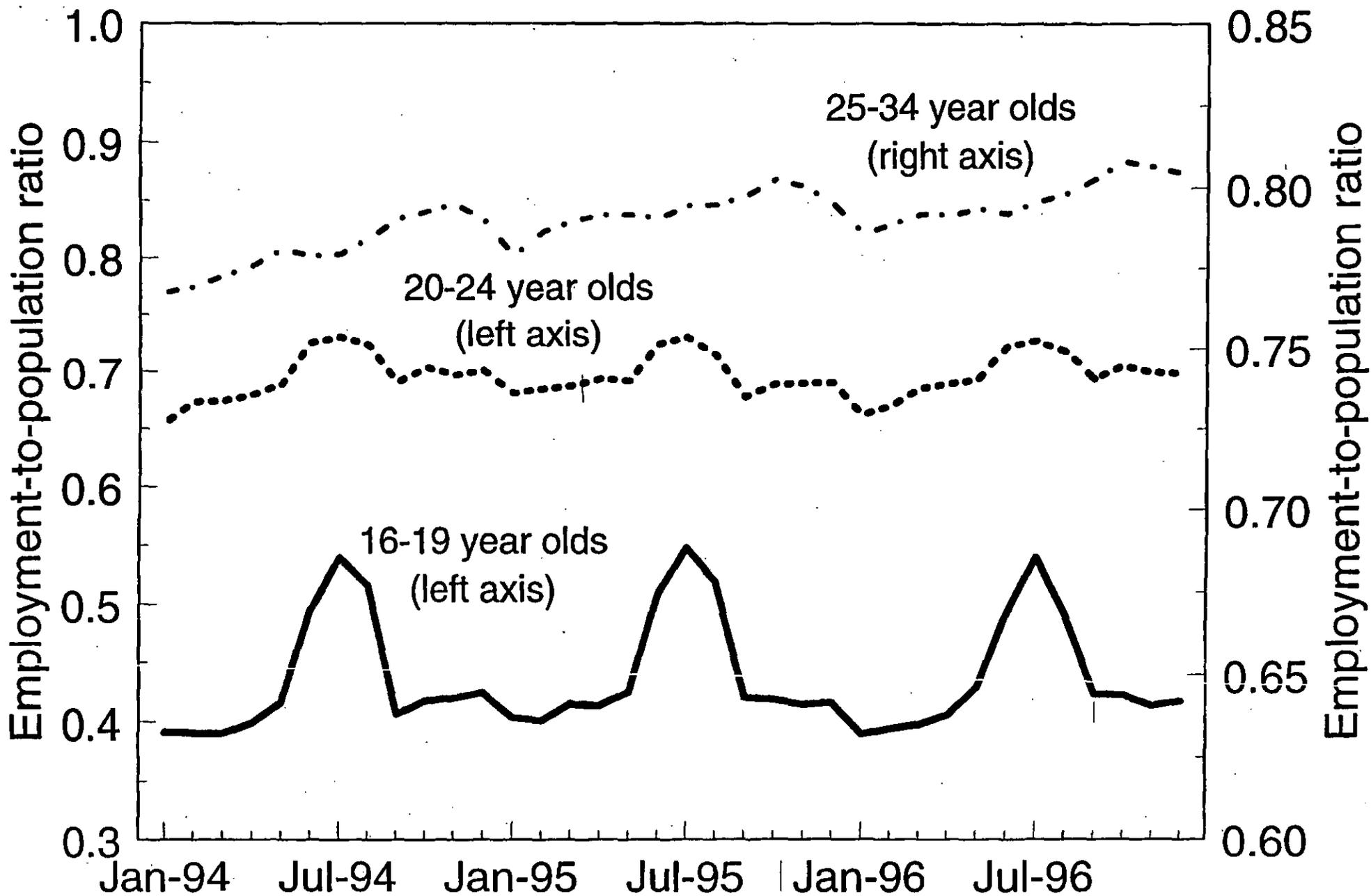


Figure 5

Effect of Teen Summer Employment



File - ~~DR~~ keep up on

and

WR-displacement

Rush to workfare costs jobs of working poor

OUR VIEW Welfare laws need to be fine-tuned; they're hurting those most vulnerable to job loss.

Schools in Baltimore are bringing in welfare recipients to do janitorial work at \$1.50 an hour, less than one-third the minimum wage, rather than renew contracts with agencies that supplied custodians at \$6 an hour. The new workers continue to receive federally financed welfare benefits, at no cost to the schools.

It's a sweet deal for the money-short schools and useful work experience for people who soon must get off welfare. But what about those janitors who were displaced? How many are unemployed and candidates for the welfare rolls?

As Washington and the states push welfare recipients to work, they've created a way for employers, public and private, to replace regular employees with cheaper labor. The losers are folks who had stayed off welfare with low-income work. They're vulnerable to reduced hours, disappearing jobs and lesser wages and benefits.

A Jersey City, N.J., hospital is cutting full-time aides while hiring people on welfare as "volunteers" to do the same work.

In Nassau County, N.Y., a custodian laid off in 1992 and ultimately forced onto welfare returned to the same job last year — but as a welfare "trainee" at lower pay, no benefits and no vacation.

No one has yet quantified the problem. But the vulnerable population is large: 38 million working poor who at \$7.50 an hour or less often have no health insurance. And even with the economy thriving, most states are short of the low-wage, low-skill jobs that the working poor hold and welfare recipients need. Yet welfare reform requires that by the turn of the century, nearly 50% of all adults getting welfare assistance — 4 million people — must spend at least 30 hours a week in some sort of work.

The law bars employers from firing existing workers to hire welfare recipients whose compensation is subsidized by the state. But its intent can be defeated by re-

The job gap

State studies document the challenge of placing welfare recipients in jobs:

California: More than 1 million people have to be moved into a job market where 2 million people not on welfare are already looking for work and another half-million part-timers want more work. State's economy is growing by only 300,000 jobs a year.

New York: 1.2 million potential job seekers, including adults on welfare, for 242,000 job openings.

Maryland: Of 44,000 new jobs created in 1994, more than 38,000 were high technology or professional work requiring college degree or better. Yet work must be found for 79,000 welfare recipients.

Minnesota: Ratio of job seekers to job openings is 2.7-1; for jobs with a "livable wage," 6-1.

ducing hours, wages or benefits for existing workers or terminating outside contracts; workfare recipients can then fill vacancies.

Backers of the 1996 welfare reform minimize the problem. They fear a backlash could reverse momentum running their way. On the other side, unions trumpet scare stories, not research. But anecdotal evidence is accumulating. In addition to subtle and overt job displacement, employers from Salt Lake City to Richmond, Va., report the flow of welfare recipients into the workforce is helping keep pay rates down.

And when the inevitable economic slowdown arrives, with shrinkage in low-income jobs, the situation is likely to resemble a nasty game of musical chairs with far more players than wage-paying seats.

Welfare reform was long overdue. But the 1996 law, driven by simplistic budget-cutting politics, did little to spur the job growth needed to deal with underlying poverty and lack of opportunity. President Clinton wants to spend \$3 billion for job-training grants and tax breaks to employers who hire welfare recipients. First, some spadework is needed. Moving welfare recipients to work is a fine objective. But throwing the working poor out on the street is an unacceptable price.

Reform that risks throwing the working poor out of work and onto the welfare rolls is not worthy of the name.

THE PRESIDENT HAS SEEN
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B. Bruce

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cos Cynthia/Diana

Has Bruce sent you this already? We should answer it - in the weekly or, if too long for that, in a separate memo. This week's would be great. Elena cc: Bruce

What about that

I thought we were supposed to have protections against JV replacement -