

NLWJC - Kagan

DPC - Box 067 - Folder-005

Welfare-POTUS Press Conference

1/28/97

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Welfare Reform Q&A

Question: You have promised to help States and local areas in ensuring there are job opportunities for welfare recipients who lose benefits under welfare reform. How does the Budget fulfill your commitment, and how would the program operate?

Answer: The 1998 Budget includes \$3 billion over the FYs 1998 through 2000 for Welfare-to-Work Jobs to help communities move one million of the hardest-to-employ welfare recipients into jobs by the year 2000. Approximately \$1 billion in mandatory funding is included annually through 2000; States may use their TANF grant to complement Welfare-to-Work Jobs for similar activities if they so choose.

To complement the \$3 billion Welfare-to-Work Jobs proposal, the FY 1998 Budget includes an enhanced and expanded Work Opportunity Tax Credit. First, the WOTC would be enhanced for long-term welfare recipients for three years. This credit would allow employers who hire welfare recipients to claim a 50 percent tax credit on the first \$10,000 of wages paid to that person for two years. Wages may include the cost of training, health insurance, and day care. Second, the WOTC would be expanded to make a new population eligible for the existing base credit for the next three years. Employers could claim the WOTC for hiring able-bodied childless adults aged 18-50 who are subject to the work requirements under the food stamp legislative proposal in the budget. However, these employers *would not* be eligible for the *enhanced* credit offered for long-term welfare recipients.

Question: *How is the Administration going to move people from welfare to work when there are no jobs?*

Answer: I believe jobs are available and that the welfare rolls will continue to decline. Minimum wage jobs have always been open, but the package of welfare benefits previously available offered more to recipients than a minimum wage job. Now, with increases in the Earned Income Tax Credit, child care subsidies, and other provisions that makes work pay, work is a more attractive option than welfare. Once working, former welfare recipients will gain the employment experience necessary to move up the ladder of work.

But, we will need more jobs -- and jobs that pay more than the minimum wage if we are ensure the success of the new welfare law. The combination of private sector commitments, such as those made

by the CEOs with whom I recently met, economic development, tax credits, additional welfare-to-work funds, and a focus on jobs in the growing technology industry will create the new, higher paying jobs we need.

Question: *Why do you need another new welfare to work program?*

Answer: Passing the welfare law was an historic accomplishment that represents a significant step forward in social policy for this country, as was the aggressive welfare waiver strategy I pursued before I was sent a welfare bill I could sign. And we are seeing results already. Since the beginning of my first term, the welfare rolls have fallen by an unprecedented 2.5 million people. Some of this drop is due to our strong economy, but a good deal is due to the aggressive welfare waiver strategy and the new welfare law. However there is more work to do.

Now that the welfare law has passed, we have to work tirelessly to ensure its success.

To truly succeed, states and localities need additional funds targeted specifically toward helping the hardest to place welfare recipients find jobs. The Welfare to Work initiative would provide funds to states and their cities that could then be leveraged with existing welfare to work funds in creative efforts to move large numbers of hard to place recipients in to the labor market.

And too, I will continue to challenge and encourage the business community, the faith community, states, localities, and others to put together plans that will move welfare recipients permanently into the workforce.

Question: *During your State of the Union address, you announced that five prominent CEOs had joined the effort to help move welfare recipients to work. However, recent press stories indicate that these companies have done little to date to actually hire welfare recipients. Further, the one company that has done the most -- Marriot -- was not one of the five you announced. Can you comment?*

Answer: During my State of the Union address, I was thrilled to announce that five of this country's major corporations had pledged to work with me in the effort to move welfare recipients permanently into the workforce. In early January of this year, I met with 14 CEOs interested in becoming involved in the welfare to work effort. The five companies I announced during the State

of the Union emerged from the CEO meeting as the companies that wanted to take a leadership role in this effort. The CEO of Marriot was invited to the initial meeting but he unfortunately had a conflict and could not attend. However, Marriot has a top notch welfare to work program already in place that we are reviewing and will encourage other corporations to emulate. I hope Marriot, as well as all of the corporations I met with in early January, will work with me and others to make the new welfare law a success.

Question: *What has the White House done to hire welfare recipients since the new welfare law was signed?*

Answer: Just last week, James King, Director of the U.S. Office for Personnel Management completed a report outlining several options the Federal Government might pursue to hire welfare recipients. He and his staff came up with some very good ideas and I am currently reviewing those ideas. I hope to have something to announce very soon.

Question: *How many welfare recipients will states have to put to work to meet the work requirements?*

Answer: For states to meet the work requirements included in the new welfare law, states must move an additional 1 million recipients into work nationwide by the year 2000.

Question: *You have mentioned several times that under the new welfare law, employers may turn the welfare and food stamp checks into temporary wage subsidies. How does this actually work?*

Answer: As of August 22, 1996 when you signed the welfare law, 11 states had received waivers to modify work supplementation rules. Most of those waivers sought to combine AFDC and food stamp benefits to subsidize jobs. Oregon pioneered this concept. HHS is currently gathering more recent statistics on work supplementation since you signed the law. In Oregon, both private and public sector jobs are subsidized for up to six months per placement. The job is subsidized at minimum wage and gives employers cashed out AFDC and food stamps benefits to cover the minimum wage. In addition, the employee is entitled to the Earned Income Tax Credit (EITC). If the minimum wage and the EITC do not bring the recipient up to the poverty line, the employer must make up the difference by paying up to \$1 dollar an hour over the reimbursed minimum wage or may put \$1 for every hour worked into an Individual Development Account (IDA). Once a recipient is

hired in a full-time, unsubsidized job, she becomes eligible for her wage, the EITC, *and* food stamps coupons previously used to subsidized her wage. Such a system creates an escalating financial incentive that always makes full-time, unsubsidized work the most attractive option