DANIEL PATRICK MOYNIHAN
CHAIRMAN

United States Senate

COMMITTEE ON FINANCE

12/30

Bruce:

Take a look at the attached. I think it has some promise. Would be interested in your thoughts.

Paul Offner

WR-Ideas

In the debate over welfare reform, one thing you don't hear much about these days is the fathers. The focus is on women and children. "Men only make a cameo appearance as people who must be forced to acknowledge paternity," says the Washington Post's Ellen Goodman. That's how it's been for most of the last 50 years -- our welfare laws have always treated the men as if they were largely irrelevant to the problem. "The result," says former Minneapolis mayor Don Fraser, "has been to drive fathers from the home and marry the mothers to the system."

In theory welfare reform should improve this situation. Low income women, knowing they will have to work if they go on welfare, are more likely to stay with the fathers of their children even if these men are working intermittently at low wages. Moreover, as child support systems improve, fewer fathers will desert their families since doing so is less likely to relieve them of their support obligations. That's the good news. Unfortunately, there's also another side to the story. The major reform bills all require that recipients work, preferably in private jobs, otherwise in government-created positions. But the bulk of the new jobs go to the mothers, not the fathers. That's who must work under the Clinton bill, for instance. Imagine the scene in a typical urban poverty neighborhood sometime in the 21st century when the new welfare system is fully in place: every morning welfare mothers pack their lunch buckets and go off to their jobs while the fathers of their children lounge around the

street corners and watch them go.

This makes no sense. As James Q. Wilson said recently, "it is fathers whose behavior we most want to change". They're the ones dealing drugs, committing crimes, and terrorizing our urban neighborhoods. Most people would be willing to allow poor mothers to stay at home with their children if the fathers could be convinced to join the work force and become contributing members of society. At least in the short run, however, the reform plans do little for the fathers.

One remedy would be to create enough public jobs to employ both the mothers and the fathers, but that's not likely to happen. It costs about $4,000 a year to put someone to work in a public service job, and that's not including day care or transportation or the wages paid. At this rate, we don't even have enough money to put all the mothers to work. And even if we did, it's hard to believe the public would be willing to create the 2-3 million public jobs that would be required.

So here's a more promising approach. Why not give the welfare mother a choice: either she takes the public job, or she tries to get the father of her children to go to work in her place. In that case, we might allow him to work something like full-time -- more than the number of hours required to pay off the welfare grant -- and keep the difference. In the State of Ohio, for instance, a mother with two children receives a monthly

check of $341 from the Aid to Families With Dependent Children program. For that, she would have to work 18 hours a week at the minimum wage under the President's proposal. But if the father of the children went to work in her place, we might let him work 40 hours a week and earn $740 a month, of which $341 would go to the mother. The remaining $399 he could keep for himself.

The payments to the fathers would increase total costs, but there would be savings too. Since the mother is staying at home, day care expenses would be reduced. Depending on the age of the children, the savings could be $200-400 a month per child. The Clinton bill contains $2 billion for day care, much of which could be saved if the fathers went to work instead of the mothers. Furthermore, food stamp benefits for the men would be lower since they would now have earnings from their public jobs (food stamp benefits are inversely related to the recipient's income).

We don't know how many welfare mothers would choose this option, or how many fathers would agree to go to work in their place. For the father much depends on what state he is in. A minimum wage job paying $740 a month looks a lot better in Alabama where, on average, only $164 would be deducted for the mother and her children, than in New York City where $577 would be deducted. In either case, the financial incentive is not great. However, many of these fathers want to support their families -- experts estimate that 30-40 percent of low-income men

living separately from their families nevertheless have a relationship with the mothers and their children. They aren't contributing much because they aren't working. This proposal would fix that problem, and at little or no cost.

If it were made a state option, different states could try out different approaches. In low welfare benefit states, jobs providing less than 40 hours a week may make sense, and cost less money. In high benefit states, additional incentives may be needed to get the fathers to participate. State experimentation will be essential to find out what works.

If the father can satisfy the mother's work obligation, the relationship between the two changes. Each now has a practical reason to need the other -- he needs her so that he can have access to a public job and to his children, she needs him to meet the work obligation so she can stay home with the kids. There are risks, of course. Once they have re-entered their families' lives, some of these fathers may end up abusing the mothers, or even the children. However, we will face that problem anyway as child support enforcement becomes more effective. Some fathers will resent the fact that their girlfriends are trying to collect money from them, while others will feel that they have been unjustifiably denied access to their children. In all these cases, the state must step in to protect the mothers and children, and to help reconcile the warring parties.

25 years ago, President Nixon sent Congress a welfare reform proposal (the Family Assistance Plan) that sought to eliminate the bias against fathers, but it was defeated. In 1988, Congress passed the Family Support Act, but it only corrected part of the problem. Today, everyone acknowledges that welfare drives the fathers away from their families, but no one knows what to do about it (the one major demonstration currently under way, known as "Parents Fair Share", won't produce useful results for several years). So the subject receives little attention in welfare reform discussions, and the debate quickly moves on -- or back -- to the mothers. Everyone has views on that topic, and there is an abundance of reform proposals.

It's a mistake, though. At a time when 40 percent of all children are growing up without one of their biological parents in the home, our government is telling low income fathers that it's only interested in them as payers of child support. It is hard to imagine a more damaging message. In the short run, the proposal made here may not save money, or lift a lot of families out of poverty, but it holds some promise of getting the fathers back into the picture. That may be the most important welfare reform of them all.

WR - IDEAS

AMERICA WORKS

Friday, December 23, 1994

Bruce Reed
White House
Old Executive Office Building
Room 216
Washington, D.C. 20501

Dear Bruce:

I am writing to share with you draft legislation that David Riemer, Chief of Staff for Milwaukee Mayor John Norquist, developed. Since, you have been so supportive of the America Works entrepreneurial model, I thought you would be intrigued by Mr. Riemer's legislative language which enables states to capitalize on the success of the private sector model at a much greater level.

The purpose of the proposed legislation is to enable states to easily implement Mr. Riemer's Employment Maintenance Model. This model would permit states to replace their current delivery mechanisms with a lower cost entrepreneurial system that rewards private firms for connecting low income adults into private sector jobs. The proposed legislation imposes neither mandates nor costs on state government.

If his language is incorporated into the final welfare reform bill, there would be a market developed of competing organizations to get the largest number of people into private sector work at a savings to government. Mr. Riemer's proposal is comprehensive in that it gives incentives and rewards to welfare recipients, allows states the flexibility to change current ineffectual delivery systems, and gives private business an opportunity to play a primary role in welfare reform.

If you are interested in the enclosed legislation and background pieces and would like to have me arrange a briefing with Mr. Riemer in Washington, please let me or Richard Greenwald of my staff know. I look forward to hearing from you.

Sincerely,

Peter Cove
Founder

Enclosures

America Works of New York, Inc., 575 8th Avenue, 14th Floor, New York, NY 10018 (212) 244-JOBS (5627) FAX (212) 244-5628

AMERICA WORKS

AMERICA WORKS BRIEFING PAPER

The following is a summary of what we have learned at America Works and suggestions for new policy initiatives.

WHAT HAVE WE LEARNED?

* **PEOPLE GET JOBS NOT SO MUCH FOR WHAT THEY KNOW, BUT FOR WHO THEY KNOW.** This lesson, simple as it is, has broad ramifications for policies designed to attach disenfranchised people to the labor market. For example, if this lesson is accepted for argument sake, the President's proposed welfare reform bill is 180 degrees off base with its emphasis on education and training as the solution to two years and off. Programs that stress attachment to the labor market would be preferred rather than skills or educational upgrading. Not that education and training are unnecessary. It is the timing of it that is critical. It seldom has much impact as a first strike in moving people from dependency to independence. It does work once the person is integrated into the work place to upgrade and to help secure new and better jobs. WORK, once ingrained as daily experience, powers the quest by the worker to go further. Stuck in a classroom following repeated failures in public school leaves absent a reason for succeeding.

* **PEOPLE LOSE THEIR JOBS NOT SO MUCH FOR A LACK OF SKILLS, BUT FOR THEIR INABILITY TO SOCIALLY INTEGRATE WITHIN THE WORK PLACE.** This can be due to cultural differences or outside problems (i.e. an abusive mate, an intrusive welfare bureaucracy). This lesson, again, has profound implications for program policy. Most employment efforts focus on up front human capital investment. Little is offered once the person gets a job. This would be reversed with intensive on site job support, rapid intervention off the job for problems that might force the person to quit, and minimum initial investment in programs designed to improve the individual. As with the above, get them working and stable, then work on the skills.

America Works of New York, Inc., 575 8th Avenue, 14th Floor, New York, NY 10018 (212) 244-JOBS (5627) FAX (212) 244-5628

* **INTERVENTION OF A COMPETITIVE MARKETPLACE FORCES GOVERNMENT TO PRODUCE.** There is a profound impact on Government by the intervention of free market outcome driven forces. Bureaucracies will be forced to concentrate on measuring outcomes as successful results versus outputs. This has occurred already in some of the places America Works is operating. In New York State, since contracting with America Works, the Department of Social Services Commissioner, Mike Dowling insists that all his contracts be performance based. Similarly, in Indianapolis, the child welfare system is going to start using totally performance based contracting.

The positive impact of this is to ensure that Government is competitive and is a player in the successes and failures of its contractors. Government becomes accountable. As in Albany, from the very beginning, America Works insisted that the county welfare commissioner give referrals to our office and sanction recipients who did not cooperate. If that did not happen we would have had trouble meeting our contractual goals for job placement. Linking America Work's success to the local commissioner and holding him accountable assured success for both organizations.

This lesson of learning to create performance driven marketplaces goes beyond making Government accountable. It breaks up the monopoly of process and forces competition between outcome and output. For America Works it helps welfare departments recognize the foremost goal of getting one off welfare. It redefines success for an agency.

Empowering Government to compete or join with the private sector in providing services will have significant ramifications. In addition to becoming more efficient, as David Osborne has documented, it will also be a catalyst for attracting more people to public service. The idea that a entrepreneurial public minded person could enter Government and not be bound to some of the archaic practices of the past certainly would be appealing to many who currently turn away from public service.

* **WELFARE TO WORK PROGRAMS FAIL, IN THE MAIN, BECAUSE THERE IS NO INCENTIVE FOR THEM TO SUCCEED.** Government operated programs seldom create incentives to reduce the rolls through job acquisition. Processing paper and protecting the jobs of the bureaucrats prevents a strong work policy from emerging. When contracts are let to private non profit and profit organizations there are little, if any performance standards strictly based on job finding and retention. Simply, vendors can get most if not all of their money for

running a program regardless of how many people get jobs and stick with them.

Of the lessons learned by us at America Works, this is the most important one as we rethink employment policy. The implications for policy would demand no less than a paradigm shift in our thinking and support for interventions that might really work to get people to work.

HOW TO ESTABLISH SUCCESSFUL WORK POLICIES

1. STIMULATE A COMPETITIVE MARKETPLACE.

This country has been built on private initiative stimulated and tempered by the public will. A cursory reading of the President's welfare bill, or an assessment of how we conduct the business of welfare now will immediately expose a strange irony. When it comes to welfare, it is the public will organized and operated by government that powers our efforts. It is the private market place that we expect to absorb people and provide work. Yet business is hardly in the play to increase hiring and reduce the rolls. Inexplicably, the private sector plays a neglected role in welfare to work programs but is expected to do the hiring -- to provide all the jobs. The fact is that except for a few specific tax breaks like the TJTC, or involvement of low level business people on PIC boards, the private sector is absent from the debate and the play of welfare policy and, most important, its implementation.

HOW COULD WE CHANGE THIS PARADIGM? First, develop a competitive marketplace to place disenfranchised workers. This is what is done by government with America Works but we are tiny and have limited power to effect government policy. Consequently there has been little done by government to build on this competitive model.

The largest employer in this country is Manpower Inc. Its sole purpose is to act as the middleman for companies who need labor and workers capable of being employed. This market developed because of a need by private companies that could not be met internally, and they were willing to pay for it. Central here is the broker function, not that Manpower Inc. is a temp agency, They get the jobs for people because of who they know. Even for the skilled workers they place, job finding would be difficult. Manpower Inc. facilitates the job finding and match.

Why not do the same for disenfranchised workers? However in this case, some of the reward or incentive would come from

the public sector. Let the government create and administer the incentives that would be paid only if they succeed in getting people jobs, but not for their program's efforts. The government would determine how much it was worth to get an unemployed person working so it receives a reasonable return on its investment. Private entrepreneurs, assessing that the reward was worth their initial up front investment, would start ventures. Using this competitiveness model the welfare bureaucracy could be a player as well.

The advantages to this approach are numerous. To name a few:

*Private capital would flow into an otherwise publicly supported effort.

*Many models would be experimented with. Government would not dictate one size fits all policies.

*Those that place people will continue in business. Those that don't will cease.

*Competition would force efficiencies never to be encouraged in present day welfare programs.

2. FINANCE THE NEW MARKETPLACE PRINCIPALLY THROUGH REINVESTMENT OF WELFARE SAVINGS.

Fund only programs that get paid for each person placed and retained in a job. Calculate the savings to the government. Reinvest all or a portion of the savings into new job placement activities. (There is precedent in other program areas to do this at the State level.) Since the payment by government is made only when the savings have begun to accrue, the investment and return by government is guaranteed. Entitlement transfer payments are, in effect, used to finance a reduction on dependency

3. CREATE A PACKAGE OF TAX AND OTHER MONETARY INCENTIVES TARGETED TO THIS NEW MARKETPLACE.

Presently those that exist are directed toward the companies that will finally hire the workers. The fact is, though, most private companies know that with the tax breaks like the TJTC, or a wage subsidy, like those for OJT, come a series of problems. These include hard-to-integrate workers, difficult-to-train employees, and government intrusion. It is why most of these efforts have failed. Placing the incentives squarely into this new sector would encourage the development of programs geared to deal with hard to place workers rather than expecting the permanent employer to take the risk first.

These recommendations require government action. The paradigm shift requires a radical restructuring of the way poor people are given access to the work place. Demonstrations documenting the results of a competitive marketplace for job placement are needed.

APPENDIX B

Replacing welfare with work: The case for an employment maintenance model

by David R. Riemer

David R. Riemer currently serves as Chief of Staff for Mayor John O. Norquist of Milwaukee, Wisconsin. He previously served as the city's Director of Administration and Director of Budget and Management. Riemer is the author of *The Prisoners of Welfare: Liberating America's Poor from Unemployment and Low Wages* (New York: Praeger, 1988), a member of the board of directors of the New Hope Project in Milwaukee, and one of the architects of Wisconsin's recent law to end welfare and replace it with a work-based system. The views expressed in this article are those of the author alone.

Overview

It is only a matter of time before Congress ends the principal welfare program, Aid to Families with Dependent Children (AFDC). On its ruins lawmakers will erect a program structured to encourage work. The question is, Precisely what kind of work-based program will emerge?

Will the replacement mimic AFDC's own traditional bureaucratic architecture—one that relies almost exclusively on government for implementation, focuses on the processes used in operating the program and not on its outcome, holds no one accountable for results, and leaves the poor and the taxpayers at risk for failure? Or will Congress turn to an entirely different model?

For there is a competing architecture. Congress could (in the spirit of "reinventing government") turn to a new entrepreneurial model, one that leaves government in charge of setting standards and buying services, but that shifts to competing private vendors the responsibility for providing services. Under this model, the focus would be not on process but on outcome—specifically, getting the poor out of poverty and into private sector jobs that pay well for long periods of time.

Because of the incentives built into the new model that I call the Employment Maintenance Model, there would be strict accountability for results. Virtually all the poor would be assured an income—primarily from wages—that removes them from poverty. The poor would be lifted out of poverty not by government employees but by competitively selected, risk-taking, private vendors. Those vendors that failed to get most of the poor into good private-sector jobs would lose money and eventually go out of business. Firms that succeeded in connecting the poor to the private economy would profit and thrive.

The risk of poverty would thus be shifted from the poor and government to government and its vendors. Government could further shift a part of its own risk to its vendors by buying most services from low-cost firms, which will be able to remain in business for long only by proving to be the most productive ones.

After welfare, What?

The movement to replace the welfare system with a work-based alternative continues to gain momentum. President Clinton, keeping his campaign promise to "end welfare as we know it," has now proposed to limit AFDC benefits to two years, to intensify the effort during those two years to get recipients into jobs, and after two years to help former recipients only if they are working. In Wisconsin, the state government has taken a far more radical step. During the fall of 1993, the legislature decided and the governor agreed to end AFDC as of January 1, 1999, and replace it entirely with a work-based system.[1] The legislature also decided to end the General Assistance program and the food stamp program, but the governor chose to preserve GA and food stamps by using a line-item veto.[2]

I believe it is only a matter of time before Congress itself ends AFDC. Local experiments with alternatives to AFDC are likely to precede congressional action. But eventually a convergence of old beliefs and new trends—the public's loathing for AFDC, the rapid decline in faith in AFDC on the part of its former champions in liberal and Democratic circles, the growing unwillingness of conservatives and Republicans to support the system even though they fear its replacement may cost more, and the success of state and local experiments—will persuade Congress to junk the status quo and start over again. Already the first signs of a congressional stirring have surfaced. Senator Herb Kohl, Democrat from Wisconsin, and a small number of colleagues

from both parties have introduced a bill to terminate AFDC and related programs and let the states use the money to fashion a work-based alternative.[3]

As a result of these and similar proposals around the country, whose aim is not merely to reform welfare but to end it, the search is on for a new post-welfare model to help the poor. Only one key feature of the new model is self-evident: the poor who can work will be required to be connected to work in some way to receive public support. Virtually all of the other components of the new work-based model are up for grabs.

The two big questions

There are two key questions that have to be answered in designing a work-based system: Whom do we help? How exactly do we help them?

There is no consensus on either point. With respect to *whom* should be helped, some argue that help should be limited to the same population now on AFDC: low-income parents (usually mothers) without jobs or husbands (with limited exceptions). Others contend that even this target population is too broad: that teenage mothers should be entirely or partially excluded. Others argue that the target population is defined too narrowly: that low-income persons who do not have dependent children, are employed, or are married also deserve help. Finally, there are some (I include myself in this category) who feel that the current target population is both too broad *and* too narrow: that we should exclude virtually all persons under the age of 18, and also exclude all persons between 18 and 21 who have not obtained a high school degree or its equivalent, but add low-income adults who have no children, are employed, or are married.[4]

The debate about *how* we help the target population—whatever it turns out to be—is even more contentious. Some argue that welfare should be replaced with a guaranteed income or child allowance. At the other extreme, some hold that welfare should be replaced with nothing. Most take a middle position of some sort, recommending that the target population work to get public funds. But within the middle there is no clear consensus.

Some in the middle (including President Clinton and Wisconsin Governor Tommy Thompson) favor providing cash payments for a defined period of time before requiring work, while others (including Milwaukee Mayor John O. Norquist) favor providing no cash payments at all to people who can work. Some advocate community service jobs, while others are skeptical about the need, cost, and administration of a community service jobs program. Within the group that favors such jobs, there is debate about whether all such jobs should pay the minimum wage (except for jobs as supervisors or managers) or the prevailing wage. Some support providing cash to people if they are undergoing job training though not working; others believe that cash should be made available to persons in training only if they are simultaneously employed.

Some favor—and some oppose—paying for training on the basis of outcomes, rewarding the training organization according to the number of clients who find jobs or the wages their clients earn. Some favor—and some oppose—the use of profit-making firms such as America Works, which places low-income people in private sector jobs for commissions. A strong group of advocates recommends an asset development strategy, which includes such concepts as the Individual Development Account (IDA).

The architecture of outcomes

I would like to suggest, however, that the most important "how" question has to do not with the individual components of the work-based system that replaces welfare but with the overall architecture of the new model. It can be a bureaucratic model or an entrepreneurial model. It can pay for process or pay for results. It can hire officials and contractors to *try* to get the poor out of poverty and into jobs, or it can reward private risk-takers for *doing* so.

I am inclined to believe that an entirely new model—an entrepreneurial model that pays private risk-takers for outcomes—will have the best chance of success. For lack of a better term, I call it the Employment Maintenance Model, because its central institutional component is something I refer to as an Employment Maintenance Organization.

The underlying principle of the Employment Maintenance Model is that virtually all of the poor can be lifted out of poverty and into private sector jobs, at the fastest pace and the lowest cost, if private organizations are given full responsibility, put at risk, and offered powerful financial incentives to deliver precisely that result. We get what we pay for. Right now, government pays some of the poor to be poor, idle, and unwed . . . and largely ignores the rest. It should hardly come as a shock that we end up with millions of poor, idle, and unwed Americans.

But suppose instead we paid for people who can work to be moved out of poverty and into jobs in the private sector—not just temporarily but permanently, and regardless of their marital status—by offering risk-taking firms financial rewards if (and only if) they produced such outcomes? It stands to reason that most (if not all) poor people would permanently end up out of poverty and working in private sector jobs, and that many who are unmarried would choose to marry, if the incentive

structure were designed properly. The translation of this premise into policy is the basis of the Employment Maintenance Model.

Operation of the model

While many of the details of the Employment Maintenance Model could be modified (and probably will be modified as I and others think more about it), the model would essentially work as follows.

1. *Eligibility Determination and Assignment.* Low-income adults who are able to work, but who are either unemployed or working in low-wage jobs, would be randomly assigned by an agency of state government to one of several regional Employment Maintenance Organizations (EMOs). I define "low-income" adults as persons between 18 and 65 who have received high school degrees or the equivalent, and persons between 21 and 65 who have not earned such a degree or the equivalent, whose incomes are between 100 and 200 percent of the poverty line (depending on how much policymakers want to spend).[5] Narrower or broader definitions of the eligible population would not significantly affect the operation of the Employment Maintenance Model. Low-income adults who are truly unable to work would be directed by the state agency to the Supplemental Security Income program, the Social Security Disability program, or a new disability program that gives them monthly checks.[6] Low-income teens would be told that, if they are under 18, they do not qualify at all; that if they're between 18 and 21, they qualify only if they have finished high school or obtained an equivalent degree; but that their parents or guardians may qualify for help from the Employment Maintenance Model. Adults who have employment problems but whose income exceeds 200 percent of the poverty line would be directed by the state agency to other public or private programs.

the eligibility standard

2. *Selection of the EMOs.* The same state agency would designate the regional EMOs. This would involve preparing an annual (or even more frequent) Request for Proposals, reviewing the proposals submitted by prospective EMOs, and selecting for each region one or more EMOs. The state agency could foster the competitive process by designating small employment regions, allowing EMOs to bid in any region, and aligning the borders of a region with the state's particular geographic and demographic circumstances.[7]

3. *Obligation of EMOs.* All EMOs, apart from meeting basic corporate and financial standards (e.g., incorporation in the state as either a not-for-profit or a for-profit corporation, compliance with such minimal accounting and reporting standards as the state feels are necessary to assure proper spending of public funds, and so forth), would have only two obligations. First, they would be required to guarantee that 100 percent of the eligible population assigned to them (except for those who have unreasonably refused to accept a suitable private or community service job) will be brought above the poverty line immediately and kept above the poverty line for a specified number of years.[8] Second, they would be required to assure that 100 percent of the eligible population assigned to them have been enrolled in an adequate health insurance plan.

The idea is to impose on the EMO as few formal obligations as possible and get them to carry out the greater part of their task—providing the eligible population with assessment, counseling, and training; arranging for such child care as is necessary to facilitate full-time employment; placing qualified workers in available private-sector jobs; increasing the stability of the jobs that are held; boosting the wages that the workers earn; etc.—through powerful financial incentives.

4. *Methods Used by EMOs.* The organizations would be allowed, with respect to the eligible population, to use any of the following "tools":

- paying wages for community service jobs;[9]
- providing job assessments, job counseling, job search, job interviews, job testing, and job placement services;
- providing remedial education;
- providing technical job training;
- providing or facilitating child care;
- helping individuals claim the federal earned income tax credit and any available state earned income tax credit;
- helping participants with transportation, work clothing, their children's education, housing, and mortgage applications; and
- helping participants claim unemployment compensation benefits, child support payments, and food stamps, all of which would be counted as income in determining whether a participant had reached the poverty line.

If all else fails, the EMO would be required to provide cash payments sufficient to get the participant above the poverty line to any participant whom the EMO had not placed in a job, but that would cost the EMO money, as explained shortly.

The EMO could also perform activities related to keeping an eligible person in a job, such as organizing support groups and providing career counseling. Basically, any legal activity that gets money to the eligible population, gets them into jobs, gets them higher wages, and

helps them stay connected to employment and climb the employment ladder would be permissible.

But exactly what a particular EMO does in a given case—and this is an essential feature of the model—would be left up to it. No government law, regulation, protocol, or contract would dictate to the organization how to help particular classes, categories, or subsets of the population it serves. The EMO's decisions would be based entirely on meeting the two obligations mentioned under point 3, above, and maximizing its own income as explained in point 5.

5. *Reimbursement and Incentives.* EMOs would be paid as follows:[10]

- For cash payments made to eligible individuals, 75 percent of the payments would be reimbursed to the organization;
- For wages paid to eligible individuals for community service jobs, 100 percent of the wages would be reimbursed to the EMO; and
- For private sector (i.e., regular government or "true" private sector) wages earned, the organization would be paid a commission that would rise to 5 percent for annual earnings after $15,000, be a flat dollar amount after $20,000 or $25,000, and apply to earnings up to five to ten years after the individual has been assigned to the EMO.

What makes the model tick

The marriage of public purpose and private profit is the dynamic that makes the Employment Maintenance Model work. The marriage has two dimensions. Activities that are contrary to the public interest would be made either impossible or unprofitable. Those that promote the public interest, on the other hand, would be easy and profitable.

Three specific activities that would undermine the public interest by excluding parts of the eligible population in order to make easy profits would be directly prohibited. First, neglect of any segment of the eligible population would be impossible. The entire eligible population would be assigned to EMOs. Second, "creaming" of the easy-to-place would not be available to EMOs to let them gain easy profits. Random assignment, or some method of participant choice that achieves substantially the same results as random assignment, would ensure that each organization received a cross-section of the poor. The obligation to bring the entire cross-section out of poverty (except for those who unreasonably refuse to accept a suitable job)—by paying them cash if necessary, should placement in a job not occur—would preclude an EMO from leaving behind the hard-to-place while making money by easily serving the work-ready. EMOs would have to succeed at removing virtually all the poor from poverty, primarily by getting them into private sector jobs that pay well, in order to make solid profits.

Third, EMOs would also be unable to wash their hands of certain hard-to-employ individuals assigned to them by simply declaring that they unreasonably refused to accept a suitable job. Independent arbitrators would make that decision. Until the decision is made, the EMOs would retain responsibility for ensuring that the individuals are not poor.

Within the framework of having to serve the entire eligible population and get them out of poverty through work, the financial incentives that apply to EMOs would cause each to:

- lose money if it simply paid cash to bring an eligible person above the poverty line;
- make no or little money if it had to maintain that person in a community service job that got the person above the poverty line;
- make money if it helped an eligible person get and keep a good private-sector job; and
- make the most money if persons are placed as quickly as possible in higher-paying jobs and maintained in them for several years.[11]

In short, EMOs would have to be successful at getting most of the people assigned to them into good jobs for long periods to make steady profits.

Getting the poor quickly and permanently out of poverty, primarily by connecting them to private sector jobs that pay high wages and last long, is not the only public goal. Productivity—that is, achieving such an outcome at the lowest possible cost and lowering the cost in real dollars every year—is another. Since the cost of the model is rooted in its commissions, the challenge is to lower the commissions. But how?

Based on the State of Wisconsin's and the City of Milwaukee's experience with managed competition in providing state and city employees with health care coverage through HMOs, I believe that careful use of competitive bidding could be used to lower the cost to taxpayers of the commissions paid under the Employment Maintenance Model.[12] The government would establish a commission rate and invite EMOs to bid lower rates. The government would then assign the greatest percentage of eligible participants to the EMO that bid the lowest rate. For example, suppose that three EMOs bid rates that were 20 percent, 10 percent, and 5 percent lower than the government's established rate. The government would assign, say, 45 percent, 35 percent, and

20 percent, respectively, of eligible participants to those EMOs.

Alternatively, to facilitate participants' enrollment in the EMOs of their choice, participants could be given the right to choose any EMO but be required to pay a modest monthly fee if they chose any but the lowest-priced EMO—with the fee rising in proportion to the EMO's bid. For instance, if participants chose the second least expensive EMO, they might pay $5 per month; if they chose the third least expensive EMO, they might pay $7.50 per month; and so on. This is similar to the mechanism used by the State of Wisconsin's and City of Milwaukee's employee health plans to hold down costs. Compared to randomly assigning participants to EMOs, this model does not guarantee an absolutely equal cross-section of risk to each EMO; but it may achieve substantially the same results as random assignment, and its vesting of decision-making in participants may induce the EMOs to submit even lower bids.

The incentive to maximize volume by lowering price is a powerful one. It drives down the prices of most goods and services in our economy. It has been shown to work even in health care. It would probably be the single most effective tool for assuring that EMOs also lower their prices. And it would do more than induce EMOs to lower their prices; it would also encourage continuous improvement in the employment techniques used by EMOs, remove from business truly ineffective organizations, and allocate dollars to the more efficient EMOs.

The Employment Maintenance Model, the EITC, and the asset development strategy

Related to the Employment Maintenance Model—although the concept could be applied under other models—is the concept of linking the earned income tax credit to the asset development strategy pioneered by Michael Sherraden.[13]

The earned income tax credit is designed to be a reward for work. It makes available to low-income workers a sum of money, the amount of which depends on their earnings each year. The EITC can be obtained either as an "advance payment," i.e., a supplement added to a worker's paycheck, or as a lump sum at the end of the year.[14] Recent changes in federal law limit the amount of the EITC that can be obtained in advance to 60 percent. Therefore, by law, 40 to 100 percent of the EITC, if it is claimed, will be obtained as a lump sum. Much attention has focused on improving the advance payment feature of the EITC.[15] But the heart of the EITC, the lump sum, should not be ignored.

It may be possible, for instance, to forge a creative link between the heavily used but less discussed EITC lump sum and the Individual Development Account (IDA) advocated by Sherraden. What if, for example, individuals who qualify for the EITC and are about to get at least 40 percent—and in many cases will claim the full 100 percent—of their EITC as a lump sum would have the option of "directing" up to $500 (or $750, or $1000) of the lump sum into an IDA?

The IDA, whether unmatched or matched by the federal government, would have a tax-exempt status. It could be used by individuals to buy a home, enroll in a qualifying education program, or leverage a loan from a bank or other financial institution to start a business.

If the Employment Maintenance Model were thus integrated with an asset development strategy, then four sets of incentives would be working in tandem: (1) the individual's incentive to work, make money, make more money, and become self-sufficient; (2) the EMO's incentive to make a profit; (3) the individual's incentive to build up assets to own a home, greatly increase his or her productivity through education, or start a business; and (4) the desire of firms in the housing, education, and financial worlds to add customers and increase profits. Because of their mutual reinforcement, each incentive would increase the odds that all four outcomes would occur.

Unanswered questions

At this point, I haven't thought through and developed proposals for some of the important operational aspects of the Employment Maintenance Model. For instance, I don't know what to do about an eligible person who has been served by an EMO for the full length of required service and the next year (or years later) reemerges as a low-income adult who is able to work. Should that person be ignored? Be reassigned to the EMO that initially served her or him? Be assigned to a new EMO? If the latter, should the first EMO be charged for the commission payments made to the second EMO? Should the second EMO receive the same or lower commissions?

Participant choice is an extremely important issue and a very thorny problem. Within an EMO there is no reason not to offer participants considerable choice—choice of community service jobs if placement in the private sector is not possible, choice of private sector positions, choice of child care options, and so forth. But what about choice of the EMO itself?

It would be not only desirable but efficient to let eligible persons choose their own EMOs. Freedom to choose is a highly prized value in the United States. Extending to participants a choice of EMOs would also increase the odds that they will be happy with and work better with their EMOs, and thus get into a private job with a good

wage faster and at a lower cost. Vesting participants rather than government with the power to make decisions may also induce the EMOs to submit lower bids.

But participant choice of EMOs may result in adverse selection by participants against certain EMOs as well as creaming of participants by EMOs. Both circumstances could result in excessive government costs, as some EMOs collapse not because of their inefficiency but because they got a very difficult mix of participants, while other EMOs thrive not because of their efficiency but as a result of their skill or luck in acquiring an easy mix of participants to serve. Correcting for such a maldistribution of risk may be possible in theory, but creating a "level playing field" in practice is extremely difficult.

A second and perhaps more serious problem with participant choice is how to permit choice while still giving EMOs incentives to lower the prices they charge the government (i.e., their commissions). The health care model of managed competition allows consumer choice, but in order to induce the HMOs to lower their premiums it also requires consumers to pay out-of-pocket for all or some of the cost of joining higher-priced HMOs. Translating this feature of the health care model to the Employment Maintenance Model, i.e., allowing participants to choose their EMO but requiring them to pay out-of-pocket all or part of the difference between the lowest-bidding EMO and any other EMO, is fraught with problems. Should participants—who by definition are poor or near-poor—be asked to pay the full difference regardless of how much it is? If not, what part of the difference?

One approach, discussed earlier, would be to allow participants to enroll in the EMOs of their choice but require them to pay a modest monthly fee if they chose any but the lowest-priced EMO—with the fee rising in proportion to the EMO's bid. This comes very close to the approach used by the State of Wisconsin's and City of Milwaukee's employee health plans. The difference is that, here, participants' out-of-pocket costs are arbitrarily limited and terraced, while in the health care model participants pay whatever the difference is between a benchmark price (roughly 100 percent of the premium submitted by the lowest-bidding HMO) and the actual premium submitted by the higher-bidding HMOs.

Another approach would be to assign all participants at random to EMOs, but let them (with more or less difficulty) opt at any time to enroll in the EMO of their choice at no cost. Alternatively, participants assigned at random to EMOs could be allowed to join a lower-priced EMO free of charge but be required to pay a nominal monthly fee (e.g., $5 or $10) to join a higher-priced EMO. Another compromise would be to invite all participants to choose an EMO during an open enrollment period and then randomly assign those who don't choose in a way that favors the lower-cost EMOs.

The trick here is to maximize three objectives that are not necessarily compatible: (1) allocating roughly equal risk to all EMOs, (2) preserving the maximum incentive to EMOs to lower their prices, and (3) accommodating to the greatest extent possible the value of participant choice. There's no obvious or easy balance, which suggests that experimentation should occur with different plans to see which works best.

Finally, should the structure of the incentives vary with the business cycle? It seems unfair to use the same reward structure in a recession, when it is much harder to connect low-income unemployed adults to the private sector, as is used when the economy is booming. On the other hand, many corporations don't change their reward structures for their sales representatives or corporate executives just because the markets in which they operate have turned sour; rather, when times get bad, the sales reps and the corporation itself may just make less money and have smaller profits (or even suffer losses). Why should EMOs be sheltered from the rigors of the business cycle that other corporations have to endure?[16]

Conclusion

The collapse of public and political support for the welfare system, as well as the growing willingness to go far beyond welfare reform to radical strategies that replace welfare entirely with work-based alternatives, opens up the door to any number of models that seek to answer the two key questions: Whom do we help? How do we help them? This paper outlines one such model. It is so different from most of the other models that have been advocated that it will be necessary to circulate it among scholars and policymakers to fully assess its strengths, weaknesses, and potential.

At first blush, it would seem to have a lot going for it: the virtual elimination of poverty; congruence with the emerging theory of "reinventing government" under which the government's job is to steer, while private firms are hired to do the rowing; a heavy reliance on private sector methods such as financial incentives (in the form of commissions), as well as a heavy reliance on the private sector itself as the principal provider of services; flexible tools for private firms to use to get the poor into good private-sector jobs; the potential for using competition among private firms to reduce net costs to the taxpayers.

If careful scrutiny of the Employment Maintenance Model suggests that it could be an effective mechanism for ending poverty and connecting workers to work in a manner that holds down costs to taxpayers, it may offer

the kind of new paradigm that the United States needs to jump start the war on poverty as it brings down the deficit. The United States needs to succeed on both fronts if it is to regain control of its future.■

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[1]Wisconsin Senate Bill 413, as amended; governor's veto message of December 13, 1993; and 1993 Wisconsin Act 99.

[2]See governor's veto message of December 13, 1993, pp. 3–4.

[3]U.S. Senate Bill 2057.

[4]Parents who are under 18, or who are between 18 and 21 but who haven't completed high school or received an equivalent degree, would be helped by helping their parents or guardians meet the needs of a larger family if their parents or guardians had low incomes.

[5]Rather than expressed in relation to the poverty line, the eligibility standard could instead be expressed as a fixed amount of earnings, say, yearly earnings of $12,000 or $15,000 or $18,000. This would make running the program much simpler, since program officials would not have to determine how many people are in a given family; they would not have to compare the income of that family against the appropriate poverty line; and they would not have to calculate income other than earnings. But abandoning reliance on the poverty line in calculating eligibility may also create serious inequities, since a fixed earnings standard could make eligible some single persons or small families who are currently well above their poverty lines while rendering ineligible some very large families that are now well below their poverty lines. Shifting from the use of the poverty line to the use of earnings would also eliminate the EMO's incentive to pursue unearned income, such as unemployment compensation benefits, child support, and food stamps, unless these were "deemed" to be earned income for the purposes of the program. Given the problems that many see with the validity of the official poverty line, however, the merits of shifting to a fixed earnings standard may persuade program officials to do so, especially if the disincentive to pursue UC, child support, and food stamps can be effectively overcome.

[6]Persons who are found to be disabled should nonetheless always be given incentives to work. Many wish to work, and they should be encouraged to do so. For the disabled, the Negative Income Tax—a guaranteed annual income that is "taxed" at reasonable rates as earnings rise—may make sense.

[7]There will be a temptation to pick very large employment regions of equal population. This should be resisted. Large regions will greatly reduce competition among EMOs, raise the government's payments to EMOs, and restrain EMO productivity. In rural areas, employment regions should be no larger than a county. In metropolitan areas, they should be subcounty units. Equal population is irrelevant. The smaller the employment region, the less the financial risk of failure to an EMO, and thus the more a new EMO can enter the market or a troubled but restructured EMO can try one more time, which means more competitors and better competition. Small employment regions also help larger EMOs. Rather than fix a single commission rate for a whole metropolis or vast rural district, EMOs can set different rates for each of several small employment regions, adjusting to the actual difficulties of employing the eligible population of each region the rate bid to connect people to work.

[8]The process of determining who has unreasonably refused to accept a suitable job could be handled in a variety of ways, but any such process should include: fully informing affected persons in advance of a proposed determination, its consequences, and the specifics of the process that will unfold; providing assistance to them (not necessarily legal counsel) if they wish to object to the determination; and, if there is an objection, arranging for a resolution of the matter by an impartial individual.

[9]Community service job (CSJ) programs could be administered either by the government, private organizations other than EMOs, or EMOs. There are pros and cons to each option. One of the advantages of having CSJ programs run by entities other than EMOs is that it will then be easier to verify for reimbursement purposes that a given job was really a CSJ. If the CSJ program is run by an EMO, verification becomes trickier. The EMO has a conflict of interest that arises from the different levels of government reimbursement for cash payments versus CSJ wages. See p. X and note 10. If nonwork is called a CSJ, the EMO makes more money. If the decision as to whether a given person is not working or employed in a CSJ is left up to the EMO itself, it faces a conflict of interest in cases where the person isn't working in a CSJ but might be said to be: telling the truth and claiming less reimbursement as opposed to lying to get more reimbursement. This conflict could impede accurate reimbursement and could even result in serious abuse and loss of political support for the whole model. On the other hand, having EMOs run the CSJ program allows for fuller integration of CSJs with the organizations' other job-focused work.

[10]The proposed reimbursement rates for cash payments and CSJs are somewhat arbitrary. They could be lowered or raised moderately without damaging the model. More important than the actual reimbursement rates is the ratio between the two types of rates. The key is to establish reimbursement levels and ratios that maximize the following objectives: (a) encourage EMO formation, bidding, and price reduction; (b) discourage "miscoding" of less-than-CSJ activity as CSJ activity by avoiding too great a financial incentive to have a person "miscoded" as a CSJ worker; (c) encourage the employment of persons in real CSJs, if private sector employment is either not feasible or desired, by having a significant incentive to use CSJs; (d) discourage the inappropriate classification of eligible persons as persons who refuse to work at even suitable CSJs by setting the CSJ reimbursement rate high enough to make CSJ employment an acceptable risk to EMOs, but not a desirable outcome; and (e) encourage EMOs to move persons as quickly as possible into private sector jobs, even low-paying ones. It may be that maximizing these objectives requires different rates than 75 percent and 100 percent—at least at different times and in different employment regions. Because of the potential value of varying rates from time to time and place to place, the best mechanism for achieving such rate flexibility must be considered. One mechanism that may work well is the market: the government could invite the EMOs to bid discounts on the two rates by employment region, and reward with more customers the EMO or EMOs that submit the lowest bid or bids. Whether there should be a requirement of a single discount applied equally to both rates or the possibility of bidding a different discount on each rate is an important consideration. The first option (single discount for both rates) is simpler, but the latter option (different discount for each rate) may save the government more money and improve EMO productivity. Even more important is the integration of any EMO bids to discount these two rates with its bid to discount its commission on earnings. See page X. Again, a single discount that applied to both rates and the commission would be the simpler approach, but it may inhibit savings and productivity.

[11]Hence the name: the Employment Maintenance Model.

[12]For a description of the State of Wisconsin's and City of Milwaukee's employee health care plans, see David R. Riemer, "Milwaukee's Successful Effort to Control Employee Health Care Costs," *Government Finance Review*, February 1990; and Steven C. Hill and Barbara Wolfe, "Testing the HMO Competitive Strategy: An Analysis of Its Success and Failure in Wisconsin," La Follette Institute of Public Affairs, Working Paper no. 22 (1994), University of Wisconsin–Madison.

[13]Michael W. Sherraden, *Assets and the Poor: A New American Welfare Policy* (Armonk, N.Y.: M. E. Sharpe, 1991).

[14]See John Karl Scholz, "Tax Policy and the Working Poor: The Earned Income Tax Credit," *Focus*, 15, no. 3 (Winter 1993–1994), 1–12.

[15]See, for example, Stephen Holt, "Improvement of the Advance Payment Option of the Earned Income Credit," *Tax Notes*, December 14,

1992, p. 1583, and "Effect of the 1993 Budget Act on the Advance Payment Option of the Earned Income Credit," *Tax Notes*, February 7, 1994, p. 759.

"Inviting EMOs to discount commissions on earnings may solve government's problem of discovering the "right price" to charge EMOs for their services, but it doesn't solve the problem of whether the government's established commission rates were a good starting point in the first place or how they should be changed.

APPENDIX A

Title_____: Authorization of Employment Maintenance Models

Sec. 1. Definitions.

For the purposes of this title:

(a) "Employment region" means an area designated by the state that is no larger than a county, provided that if a county has more than 100,000 persons the employment region shall be a part of the county that contains 100,000 or fewer persons;

(b) "Employment management corporation" means a for-profit or not-for-profit corporation organized under the laws of the state that establishes and implements a system of competition among, provides reimbursement and commission payments to, and oversees the operation of employment maintenance organizations for the purpose of connecting low-income persons to stable, well-paying, private-sector jobs at the lowest possible cost;

(c) "Employment maintenance organization" means a for-profit or not-for-profit corporation organized under the laws of the state for the purpose of connecting low-income persons to stable, well-paying private-sector jobs at the lowest possible cost;

(d) "Initial participant" means a low-income person who is a resident of the state, at least 21 years of age (or at least 18 years of age and has graduated from high school or obtained an equivalent degree), determined by the state to be able to work, and eligible for benefits under Title _____ of the Social Security Act [i.e., AFDC];

(e) "Additional participant" means a low-income person who is a resident of the state, is at least 21 years of age (or at least 18 years of age and has graduated from high school or obtained an equivalent degree), is determined by the state to be able to work, is not eligible for benefits under Title _____ of the Social Security Act [i.e., AFDC], and has an estimated annual income that is less than a dollar amount determined by the state, provided that such dollar amount shall be no greater than 200 percent of the poverty line or $25,000, whichever is greater, and is a person that the state determines that the employment management corporation has resources to serve pursuant to sec. 3(b)(ii) and (iii);

(f) "Private-sector job" means a job with a for-profit or not-for-profit corporation, a quasi-government entity, or a government;

(g) "Unwilling worker" means an initial participant or additional participant who, based on criteria established by the state, after notice and due process, has been found by an independent arbitrator to be unwilling to work at three or more full-time jobs that an employment maintenance organization has made available and that the arbitrator concurs the participant was able to perform;

(h) "Adequate income" means an annual income that is equal to a percentage of the poverty line or to a dollar amount that provides:

(1) All initial participants, except unwilling workers, with an annual income that is at least 20 percent greater than the maximum benefits they would receive under Title _____ of the Social Security Act [i.e., AFDC] and is determined to be adequate by the state, and

(2) Any additional participants, except unwilling workers, with an annual income that is determined to be adequate by the state;

(i) "Adequate health insurance" means a health insurance plan that:

(1) Provides all initial participants, any additional participants, their spouses, and their dependent children at least 75 percent of the actuarial equivalent of the benefits that the state provides to its employees, and

(2) Requires participants to pay no more than 25 percent of the monthly premiums charged by the plan, provided that if participants are offered a choice of two or more plans, they may be required to pay no more than 25 percent of the monthly premium charged by the lowest-cost plan plus all or part of the difference between the monthly premium charged by the lowest-cost plan and the monthly premium charged by the plan they select;

(j) "Secretary" means the secretary of health and human services;

(k) "State" means a state of the United States, the District of Columbia, Puerto Rico, etc.

(2) Notwithstanding any other provision of law, the Secretary shall:

(a) Authorize any state, at the request of any state, to enter into an agreement with one or more employment management corporations located in the state, with respect to employment regions designated by the state, under which:

(i) The state assigns all initial participants and any additional participants who reside in the employment regions to the employment management corporation; and

(ii) Each employment management corporation on behalf of the state and such participants establishes and implements a system of competition among, provides reimbursement and commission payments to, and oversees the operation of employment maintenance organizations for the purpose of connecting initial participants and any additional participants to stable, well-paying, private-sector jobs located in the state at the lowest possible cost.

(b) Pay to any state that it has authorized to enter into an agreement with an employment management corporation pursuant to sub (a) 80 percent of the amount that in the absence of such an agreement it would have paid to the state on behalf of initial participants and any additional participants under Titles _____, _____, and _____ of the Social Security Act, Title _____ of the _____ Act, Title _____ of the _____ Act, and Title _____ of the _____ Act.

(3) Any agreement entered into between a state and an employment management corporation pursuant to sec. (2)(a) shall include the following provisions:

(a) The state shall agree to:

(i) Assign to the employment management corporation all current and future initial participants who, at the time of and subsequent to the agreement, reside in the employment regions to be

covered by the agreement for a period of time mutually agreed upon between the state and employment management corporation;

(ii) Assign to the employment management corporation such current and future additional participants who, at the time of and subsequent to the agreement, reside in the employment regions to be covered by the agreement and with respect to whom the state and employment management corporation will have sufficient resources to serve pursuant to sub (b)(ii) and (iii), for a period of time mutually agreed upon between the state and the employment management corporation;

(iii) Pay to the employment management corporation an amount equal to 80 percent of the gross cost that in the absence of the agreement the state would have incurred in providing benefits to such initial participants under Titles _____, _____, and _____ of the Social Security Act, Title _____of the _____ Act, Title _____ of the _____ Act, and Title _____ of the _____ Act, provided that the specific amount to be paid is mutually agreed upon and the manner of payment is mutually agreed upon between the state and the employment management corporation; and

(iv) Pay to the employment management corporation an amount equal to 80 percent of the gross cost in the absence of the agreement that the state would have incurred in providing benefits to any additional participants under Title_____ of the _____ _____ Act, Title _____ of the _____ Act, and Title

_____ of the _____ Act, provided that the specific amount to be paid is mutually agreed upon and the manner of payment is mutually agreed upon between the state and the employment management corporation.

(b) The employment management corporation, in consideration for the payments it receives pursuant to sub (a)(iii) and (iv), shall agree to:

(i) Ensure that all initial participants, except unwilling workers, who are assigned to it pursuant to sub (a)(i) have an adequate income and adequate health insurance;

(ii) Use 50 percent of the difference between the payments it receives from the state pursuant to sub (a)(iii) with respect to initial participants and the reimbursement and commission payments it makes to employment maintenance organizations pursuant to sub (5) with respect to initial participants to recruit additional participants, assign them to and ensure that they obtain adequate income and adequate health insurance from employment maintenance organizations, and make reimbursement and commission payments with respect to them to such employment maintenance organizations;

(iii) Use 50 percent of the difference between the payments it receives from the state pursuant to sub (a)(iv) with respect to additional participants and the reimbursement and commission payments it makes to employment maintenance organizations pursuant to sub (5) with respect to additional participants to recruit additional participants, assign them to and ensure that they obtain adequate income and adequate health insurance from employment

maintenance organizations, and make reimbursement payments with respect to them to such employment maintenance organizations;

(iv) Request proposals for each employment region from employment maintenance organizations under which the employment maintenance organizations would provide initial participants and any additional participants the services described in sub (4) in return for the reimbursement and commission payments described in sub (5);

(v) Approve proposals from and enter into agreements with all employment maintenance organizations that the employment management corporation determines are capable of providing the services described in sub (4) in return for the reimbursement and commission payments described in sub (5);

(vi) Include in each agreement entered into between the employment management corporation and an employment maintenance organization all necessary provisions needed to ensure that the employment maintenance organization provides the services described in sub (4) and receives the reimbursement and commission payment described in sub (5);

(vii) Assign randomly all initial participants and any additional participants in each employment region to employment maintenance organizations with which the employment management corporation has entered into agreements with respect to that region in proportion to the prices they have bid; and

(viii) Provide such reports to the state, facilitate such inspections by the state, and monitor the performance of employment maintenance organizations by obtaining such reports from them and making such inspections of them, as the state determines are necessary to obtain a true and accurate picture of the success of the employment management corporation and the employment maintenance organizations with which it is affiliated in connecting low-income workers to stable, well-paying, private-sector jobs at the lowest possible cost.

(4) (a) An employment maintenance organization shall:

(i) Make cash payments sufficient to provide all initial and any additional participants, except unwilling workers, who have been assigned to the employment organization an adequate income to the extent the employment maintenance organization has not succeeded in helping participants obtain such an income through wages, unemployment compensation, child support payments, and Food Stamps; and

(ii) Ensure that all such participants have adequate health insurance to the extent the employment maintenance organization has not succeeded in helping participants obtain such insurance from private-sector employers or other sources.

(b) An employment organization may provide participants with or help participants obtain one or more of the following services:

(i) job assessments;

(ii) job counseling;

(iii) job search;

(iv) job interview preparation;

(v) job testing;

(vi) job placement services;

(vii) remedial education;

(viii) technical job training;

(ix) child care;

(x) help in claiming the federal earned income tax credit and any available state earned income tax credit;

(xi) help with transportation, work clothing, children's education, housing, and mortgage applications; and

(xii) help in obtaining unemployment compensation benefits, child support payments, food stamps, and employer-provided health insurance;

(xiii) community service jobs; or

(xiv) any other service that the employment maintenance organization determines is likely to help connect the participant to stable, well-paying, private-sector jobs.

(5) An employment management corporation shall pay an employment maintenance organization as follows:

(a) (i) For cash payments made to participants, 75 percent of the payments made shall be reimbursed to the employment maintenance organization;

(ii) For wages paid to participants to perform community service jobs, 100 percent of the wages paid shall be reimbursed to the employment maintenance organization; and

(iii) For private sector wages earned by a participant, the employment maintenance organization shall be paid a five percent commission for the first two years of earnings, a four percent commission for the next two years of earnings, a three percent commission for the next two years of earnings, a two percent commission for the next two years of earnings, a one percent commission for the next two years of earnings.

(b) Notwithstanding par. (a), if, pursuant to the process of requesting and approving proposals described in sec. 3, an employment maintenance organization offers to receive lower reimbursement and commissions than those described in par. (a), the employment maintenance organization shall be paid what it bid.

[NY Times
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In 4 Years, Disabilities Act Hasn't Improved Jobs Rate

U.S. Rules Discourage Work, Advocates Say

By STEVEN A. HOLMES
Special to The New York Times

WASHINGTON, Oct. 22 — More than four years after Congress passed the Americans with Disabilities Act, a sweeping civil rights law covering people with physical and mental impairments, the number of disabled people entering the work force has not significantly increased, experts in the field and advocates for the disabled say.

Though the law, commonly known as the A.D.A., was intended to bring people with disabilities into the cultural, social and economic mainstreams, the number of disabled people who have entered the work force has hardly changed, even as the number of disabled high school and college graduates has continued to increase.

A recent survey conducted for the National Organization on Disabilities found that only 31 percent of disabled people age 16 to 64 were working part time or full time, down slightly from the 33 percent that were found to be employed in a similar survey in 1986.

Another measure comes from tracking disabled people who work in addition to receiving Supplemental Security Income under a program meant to encourage employment. In December 1990, the figure was 6.5 percent; last December, it was only 5.8 percent, according to figures supplied by the Social Security Administration.

One important factor in the lack of progress, experts say, was the recession, which led many companies to cut their work forces.

Do Federal programs force handicapped people to choose between health care and employment?

But Government officials and advocates for the disabled point to a number of other problems that they say the act has made only limited progress in addressing.

They point to lingering prejudice by employers and what they say are unfounded fears that hiring a worker with a disability will drive up already high health insurance costs.

The also point to fears among the disabled about losing health benefits and, more broadly, to what many advocates describe as a culture of dependency not unlike that found among welfare recipients. Many disabled people are too fearful of losing the benefits they have, or are uncomfortable about taking the kind of aggressive action that is often necessary to receive benefits at the Social Security Administration.

While Federal officials ponder changes in the system, people like David Grimes, 24, who was born with cerebral palsy remain frustrated by their inability to find work.

For the last two and a half years, Mr. Grimes has been a volunteer at the Red Mountain Museum in Birmingham, Ala., despite the disease that contorts his muscles and forces him to use a computer-driven voice synthesizer to communicate. Gamboling about in his electric wheelchair, he greets patrons, explains exhibits and conducts tours.

His presence has been a boon to the museum, which gains both a dedicated, unpaid worker and a raft of good publicity from having a person with a disability so prominently associated with it.

But museum officials, citing insufficient funds, have not placed Mr. Grimes on staff, and the work experience he has gained has not enabled him to find employment elsewhere.

"It's frustrating," said Linda Lohmeyer, Mr. Grimes' mother. While stressing that she did not fault museum officials, she said, "Two and a year years of supporting him, providing him transportation and supplies, getting him work experience, has not been good enough to propel him into the work force."

And for the severely disabled, many of whom would only be able to work at or near the minimum wage, working full time might mean bringing home less money than if they continued to receive full Social Security cash payments.

Tim Mason was born deaf and has bone and nerve damage in his legs as a result of a 1988 car accident. He now gets $750 a month, from Social Security Disability Income, plus $400 for child support that goes to his son, who lives with his ex-wife. All payments are tax free.

Mr. Mason earns $4.75 an hour working part time as a butcher in a Birmingham grocery store. If he becomes a full-time worker, which his employer wants him to do, he would earn more than the $500 a month and lose his Medicare eligibility — and his take-home pay would be less than what he gets from Social Security Disability Income.

"It's almost reinforcing him not to work full time," said Jeff Prince, Mr. Mason's job counselor at United Cerebral Palsy in Birmingham. "You hear so many stories about deadbeats who don't want to work, it's a shame when you get people who want to work full time, but are penalized when they do."

The Federal Government runs two programs for people who are physically or mentally disabled. One, Supplemental Security Income, pays about 4.5 million disabled people who are considered poor a maximum of $642 a month if they have a work history before becoming disabled. This program also provides health insurance through Medicare.

Together, the two programs cost $54 billion in the fiscal year that ended on Sept. 30.

In 1981, in an effort to encourage disabled people who were working at the end of 1982.

Advocates and Social Security officials agree that the rules governing work incentives in both the S.S.I. and S.S.D.I. plans are complicated and poorly understood by recipients, social workers and job counselors. As a result, disabled recipients often shy away from taking a job.

A well-intended law fails to erase prejudice and a lingering culture of dependency.

las Martin, a special assistant to the Chancellor at the University of California at Los Angeles and an advocated for people with disabilities.

In August, Ms. Daniels was appointed to head a working group in the Social Security Administration to develop a strategy to induce more disabled recipients of S.S.I. and S.S.D.I. to go to work. She plans to report her preliminary recommendations in December.

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Melissa Springer for The New York Times

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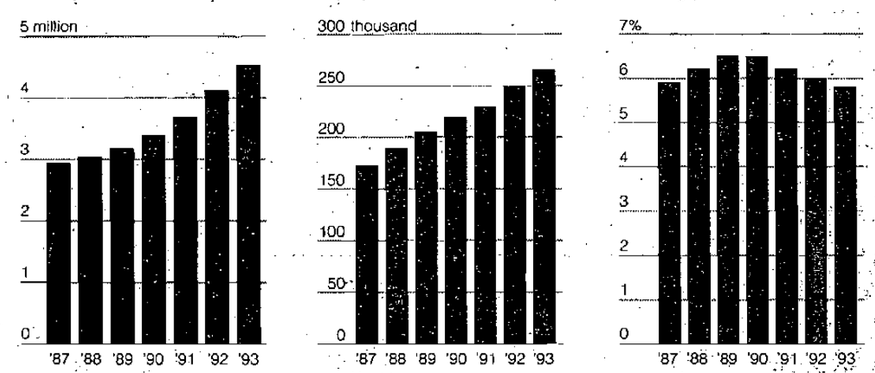

Source: Social Security Administration

The New York Times

In 4 Years, Disabilities Act Hasn't Improved Jobs Rate

U.S. Rules Discourage Work, Advocates Say

By STEVEN A. HOLMES
Special to The New York Times

WASHINGTON, Oct. 22 — More than four years after Congress passed the Americans with Disabilities Act, a sweeping civil rights law covering people with physical and mental impairments, the number of disabled people entering the work force has not significantly increased, experts in the field and advocates for the disabled say.

Though the law, commonly known as the A.D.A., was intended to bring people with disabilities into the cultural, social and economic mainstreams, the number of disabled people who have entered the work force has hardly changed, even as the number of disabled high school and college graduates has continued to increase.

A recent survey conducted for the National Organization on Disabilities found that only 31 percent of disabled people age 16 to 64 were working part time or full time, down slightly from the 33 percent that were found to be employed in a similar survey in 1986.

Another measure comes from tracking disabled people who work in addition to receiving Supplemental Security Income under a program meant to encourage employment. In December 1990, the figure was 6.5 percent; last December, it was only 5.8 percent, according to figures supplied by the Social Security Administration.

One important factor in the lack of progress, experts say, was the recession, which led many companies to cut their work forces.

Do Federal programs force handicapped people to choose between health care and employment?

But Government officials and advocates for the disabled point to a number of other problems that they say the act has made only limited progress in addressing.

They point to lingering prejudice by employers and what they say are unfounded fears that hiring a worker with a disability will drive up already high health insurance costs.

The also point to fears among the disabled about losing health benefits and, more broadly, to what many advocates describe as a culture of dependency not unlike that found among welfare recipients. Many disabled people are too fearful of losing the benefits they have, or are uncomfortable about taking the kind of aggressive action that is often necessary to find a job.

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While Federal officials ponder changes in the system, people like David Grimes, 24, who was born with cerebral palsy remain frustrated by their inability to find work.

For the last two and a half years, Mr. Grimes has been a volunteer at the Red Mountain Museum in Birmingham, Ala., despite the disease that contorts his muscles and forces him to use a computer-driven voice synthesizer to communicate. Gamboling about in his electric wheelchair, he greets patrons, explains exhibits and conducts tours.

His presence has been a boon to the museum, which gains both a dedicated, unpaid worker and a raft of good publicity from having a person with a disability so prominently associated with it.

But museum officials, citing insufficient funds, have not placed Mr. Grimes on staff, and the work experience he has gained has not enabled him to find employment elsewhere.

"It's frustrating," said Linda Lohmeyer, Mr. Grimes' mother. While stressing that she did not fault museum officials, she said, "Two and a year years of supporting him, providing him transportation and supplies, getting him work experience, has not been good enough to propel him into the work force."

And for the severely disabled, many of whom would only be able to work at or near the minimum wage, working full time might mean bringing home less money than if they continued to receive full Social Security cash payments.

Tim Mason was born deaf and has bone and nerve damage in his legs as a result of a 1988 car accident. He now gets $750 a month, from Social Security Disability Income, plus $400 for child support that goes to his son, who lives with his ex-wife. All payments are tax free.

Mr. Mason earns $4.75 an hour working part time as a butcher in a Birmingham grocery store. If he becomes a full-time worker, which his employer wants him to do, he would earn more than the $500 a month and lose his Medicare eligibility — and his take-home pay would be less than what he gets from Social Security Disability Income.

"It's almost reinforcing him not to work full time," said Jeff Prince, Mr. Mason's job counselor at United Cerebral Palsy in Birmingham. "You hear so many stories about deadbeats who don't want to work, it's a shame when you get people who want to work full time, but are penalized when they do."

The Federal Government runs two programs for people who are physically or mentally disabled. One, Supplemental Security Income, pays about 4.5 million disabled people who are considered poor a maximum of $446 a month. The other, Social Security Disability Income, pays 3.7 million disabled people an average of $642 a month if they have a work history before becoming disabled. This program also provides health insurance through Medicare.

Together, the two programs cost $54 billion in the fiscal year that ended on Sept. 30.

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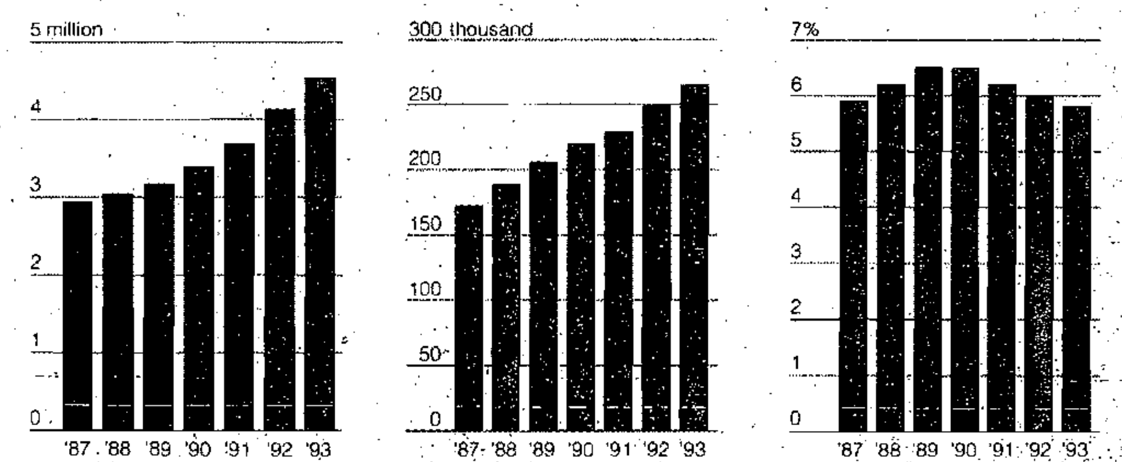

Source: Social Security Administration

The New York Times

losing their benefits, the cash payment would be reduced by $1 for every $2 the recipient earns on a job. In addition, recipients could keep their Medicaid.

But although the number of people receiving Supplemental Security Income and working part time or full time has increased markedly, the increase has barely kept pace with the growth in the overall number of recipients. The 5.8 percent who were working at the end of 1993 was only slightly larger than the 4.8 percent who were working at the end of 1982.

Advocates and Social Security officials agree that the rules governing work incentives in both the S.S.I. and S.S.D.I. plans are complicated and poorly understood by recipients, social workers and job counselors. As a result, disabled recipients often shy away from taking a job.

A well-intended law fails to erase prejudice and a lingering culture of dependency.

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The also point to fears among the disabled about losing health benefits and, more broadly, to what many advocates describe as a culture of dependency not unlike that found among welfare recipients. Many disabled people are too fearful of losing the benefits they have, or are uncomfortable about taking the kind of aggressive action that is often necessary to overcome barriers to employment, these advocates say.

The A.D.A. unlocked the door, but it didn't push it open, said Susan M. Daniels, associate commissioner for ministration.

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In 1981, in an effort to encouraged disabled recipients of Supplemental Security Income to work, Congress enacted a measure that allows them to keep some of the cash benefits even if they go to work, instead of losing their benefits, the cash payment would be reduced by $1 for every $2 the recipient earns on a job. In addition, recipients could keep their Medicaid.

But although the number of people receiving Supplemental Security Income and working part time or full time has increased markedly, the increase has barely kept pace with the jump in new recipients who are not working. As a result, the only 5.7 percent of disabled recipients of Supplemental Security Income had a job in March, a slight increase from the 4.8 percent who were working at the end of 1982.

Advocates and Social Security officials agree that the rules governing work incentives in both the S.S.I. and S.S.D.I. plans are complicated and poorly understood by recipients, social workers and job counselors. As a result, disabled recipients often shy away from taking a job.

"I get calls from all over the country from people who want to know what could happen to their health insurance because they get all this conflicting information," said Douglas Martin, a special assistant to the Chancellor at the University of California at Los Angeles and an advocated for people with disabilities.

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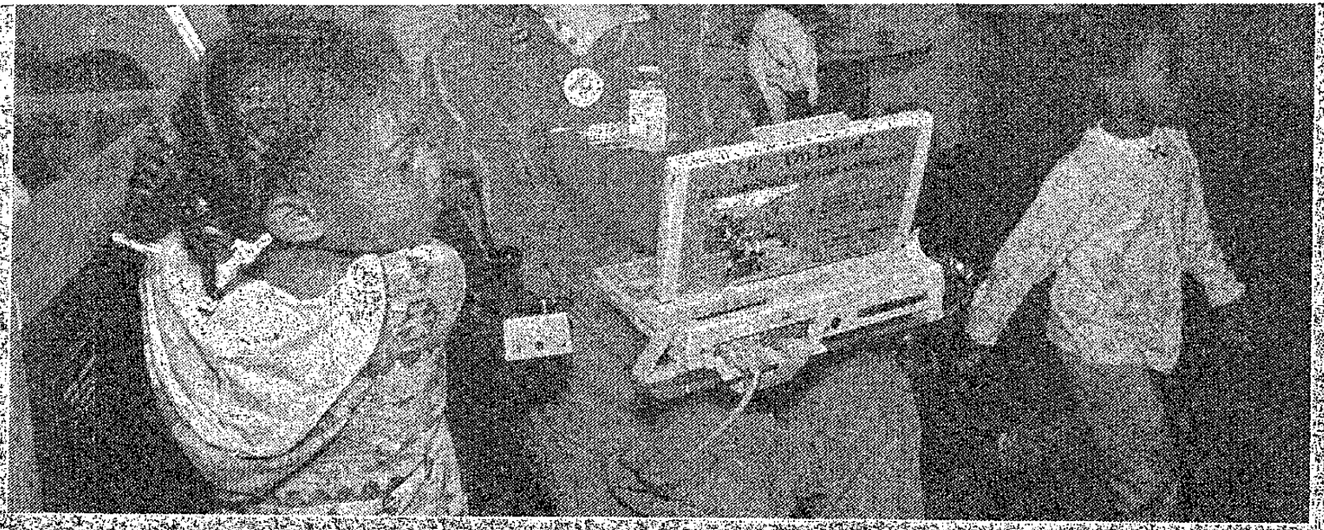
But by keeping the system as it is, some advocates say, people with disabilities are often better off staying on the Federal dole. "We have built up a system, well-meaning as it may be, that says it is not in your best interest to go to work," said Gary Edwards, executive director of United Cerebral Palsy in Birmingham.



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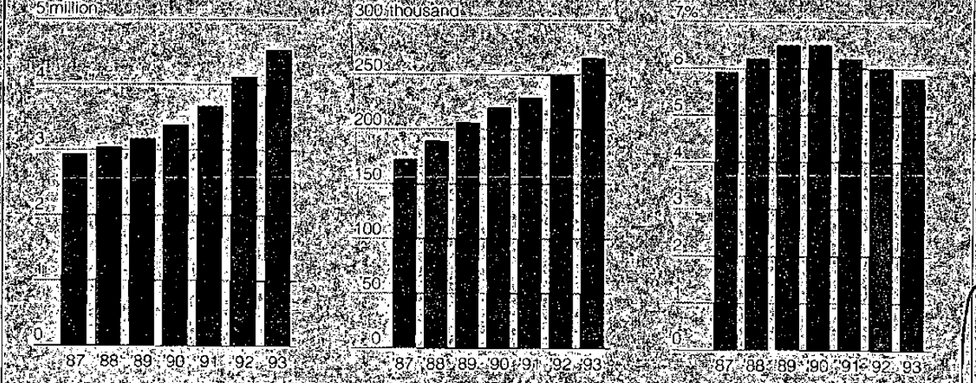

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PRESERVATION PHOTOCOPY