

WR SALES -
Demos

May 5, 1994

DRAFT SPECIFICATIONS: ENCOURAGING PLACEMENT DURING THE JOBS PROGRAM

One of the explicit goals of welfare reform is to transform the welfare system (and the JOBS program) into one which focuses from the very first day on helping people to get and hold jobs. To achieve this, it would be helpful to make even some relatively minor changes to the JOBS program that specifically encourage placement-focused activities.

One way to do this is to provide an enhanced federal match for activities that specifically focus on helping JOBS participants find and keep work. Performance standards that eventually affect match rates will be important, but seem to be down the road a bit.

Our proposal is to offer up to 25 percent of JOBS money to the states at an enhanced federal match of 90-100 percent (here called "JOBS-Placement" funds) to fund any of the following activities:

- Placement Bonuses
- Chartering Placement Firms
- Special Placement Initiatives

States would be able to submit as part of their JOBS plan the types of activities they plan to engage in to claim the JOBS-Placement funds. The following provides an outline of how this might work.

PLACEMENT BONUSES

States would be given the option to use JOBS-Placement funds as placement bonuses to reward offices and caseworkers who are particularly good at placing JOBS participants in private sector jobs. One outline for a bonus plan might be:

- 1) The State would receive a \$500 bonus for placing any JOBS participant in a job and getting them off welfare completely. The bonus would be payable in installments: \$250 after three months; \$500 after six months.

Part or all of the bonus could be repayable to the Placement Fund if the participant returns to welfare within the following six months.

- 2) The state would have a great deal of flexibility in determining how the bonus should be paid and used. We would:
 - permit states to pay a percentage directly to the case manager
 - permit states to invest money in a fund that goes to pay for staff development, office improvements, anything to enhance the functioning of the local JOBS office
 - permit states to use the money to support their general JOBS program.
- 3) Bonuses should be structured to reward job retention
 - Example: \$250 when the participant has been in the job three months; the remaining \$250 after six months.
- 4) Option: Structure bonus to reward more difficult placements.
 - Example: Could reward states \$250 for placements generally, but \$1000 for someone with no work experience or some other criteria. [Could allow states to suggest criteria for enhanced bonuses.]
- 5) Issue: How to avoid paying for natural dynamics -- i.e., why pay bonuses when someone leaves for a job who would have left on her own?
 - One way to limit the extent of the problem is to pay only for placements after six months. That avoids paying bonuses in the time when the most people leave on their own.

Is there a risk that states might encourage those about to leave to stay until the six month mark? Possible, but unlikely. If someone wants to leave welfare, it's doubtful the state will be able to convince them to stay just a few extra weeks so the state can get a bonus.

CHARTERING PLACEMENT FIRMS

A second option we would offer is that states would receive enhanced JOBS-Placement funds for chartering private for-profit and not-for-profit organizations to work with JOBS clients to place them in private sector jobs. Many successful welfare-to-work programs are operated by not-for-profits, but they sometimes have difficulty getting funding from Social Service agencies to expand.

A chartering arrangement would work as follows:

- (1) The state would offer to "charter" private not-for-profit and for-profit organizations to work with JOBS clients to place them in private sector jobs. This is similar to offering contracts through an RFP, except that a charter is a license to serve clients that puts the burden on the organization to recruit its clients. Further, chartering arrangements would be pay-for-performance not pay-for-service. Service contracts generally guarantee referrals to the contractor and guarantee some level of payment regardless of performance.
- (2) Charters would be granted by the JOBS program to entities that meet eligibility criteria (Federal minimums plus state and local factors.) Charters could be awarded competitively, to any organizations meeting certain standards, or in some other manner possibly determined at the local level.
- (3) Chartered organizations would be paid a fee for finding work for an eligible JOBS participant. Charters can specify services that the organization will deliver: work prep (if any), placement services, follow-up, linkages to other agencies (child care, transportation, etc.). Charters permit the organization to serve eligible WORK participants and specify performance standards on which they will be paid. These performance standards would be based on placement and retention measures possibly developed at the federal level.
- (4) The JOBS program would verify the eligibility of JOBS participants for this program and provide them with a "voucher" indicating eligibility and with information about chartered programs. Chartered placement agencies would be allowed to serve any applicant with a voucher. Programs would have the incentive to recruit and accept participants because they would only get paid for serving people.
- (5) A critical piece of this model is that JOBS programs will be required to give all participants information about chartered placement firms in their area. The information provided would include success at placement, retention, and other information required by the state.

This type of arrangement gives customers (JOBS participants) choice -- by providing them with information about and the ability to enroll in a range of different programs aimed at finding them work as quickly as possible. It is efficient for government because it pays only for performance. And it guarantees that at least some organizations in each state will be allowed to focus exclusively on placement outside the public JOBS structure.

OTHER SPECIAL PLACEMENT INITIATIVES

Chartering and placement bonuses are two explicit options that we would envision outlining in the statute. However, in addition to these federally-offered options, we also envision allowing states to propose programs, projects and initiatives of their own design that would qualify for the JOBS-Placement enhanced match, subject to federal approval. These might be contracts with placement firms or other bonus-type setups, as long as they are placement-oriented.

States would be eligible to apply for the money, up to a per-state or per-project limit, as in the CSE revolving loan fund. Projects could run for more than one year. Funds would also cover an evaluation of the project if appropriate. This would not be the equivalent of a revolving loan fund, however, because the state would not be expected to pay the money back. We would, though, like to consider a creative way to reward projects that demonstrate particularly high levels of caseload reduction - perhaps through additional eligibility for the JOBS-Placement money in future years.

WR SPECS -
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May 3, 1994

**DRAFT SPECIFICATIONS: STATE OPTION TO DEVELOP WORK-FOR-WAGES
OUTSIDE THE AFDC SYSTEM**

Rationale

While the general framework for state implementation of the WORK program will be established within the AFDC program, there is also interest in giving states the flexibility to experiment with alternative program structures. Specifically, states will be given the option to establish WORK as an independent program outside the welfare system -- as an employment program rather than a work-for-welfare program. Under this option, individuals who reach the time limit for transitional assistance would no longer be entitled to cash income, but to enroll in a program providing them with the opportunity to work to earn money to support their families.

This WORK-outside-welfare option is provided to test its potential to benefit both the participants and the state. Participants will no longer be part of the welfare system and subject to the hassles and problems they associate with it. The creation of WORK as an entirely separate program will send a clear signal that welfare has truly ended and that the expectations have truly changed. States will benefit because of the freedom and flexibility this option provides to try simple, creative approaches to providing and supporting work, without excessive federal regulation.

This state option is also valuable to the federal welfare reform effort and to those states that do not take the option because it will promote experimentation and allow the program to develop and flourish in different ways throughout the country. Eventually, experience will show what approaches are most successful in helping families to support themselves and to move on to fully unsubsidized private sector jobs.

Process

States will be expected to submit a plan for approval by the Secretaries of HHS and Labor, detailing how the WORK program is to be run. The plan must indicate either how the state intends to meet the requirements of Part [G? -- the WORK program] or provide a plan for implementing a WORK program outside AFDC that meets the requirements listed below.

ISSUE: How should the welfare reform bill attempt to encourage states to try alternative WORK models?

1. Pure state option -- allow states to pursue an alternative WORK model without providing financial or other incentives. States would be able to submit a plan for all or part of the state as part of the State plan process.

2. Demonstration -- we could allocate funds to a limited number of states (5-8) to try alternative WORK models as demonstrations.

3. State option with incentive match -- we could offer a higher match for WORK to states that choose to develop WORK outside welfare.

4. Relief in other areas -- In addition to or instead of incentive funding, we could provide states with certain kinds of waivers either automatically or at least more easily for choosing this model. For instance, flexibility on earnings disregards, relaxed UP requirements or assets rules might be made more easily available for states willing to experiment with WORK.

Requirements Outside Standard WORK Rules

States have complete flexibility in designing a WORK program under this [Subsection?], so long as the program meets the following requirements and is approved by the Secretaries.

- 1) Eligibility/Application All individuals who exhaust their transitional assistance must be eligible to apply to the WORK program either after their initial spell on welfare or if they leave JOBS or WORK and subsequently re-apply for assistance and have no time left. States may not deny admission into WORK for any reasons other than those discussed under item Sanctions.
- 2) Relationship to AFDC States must close AFDC cases when recipients reach the time limit. WORK programs under this [subsection?] may only pay participants for performance of some activity.
- 3) Income States may develop a system of compensation that mixes wages and WORK stipends. States must develop a system that ensures that WORK participants who comply fully with

the program's rules are receiving income at least equal to what they would receive were they on AFDC [plus the WORK disregard].

States shall have flexibility on this criteria in the interest of administrative simplicity (i.e., the income need not match to the penny for every case), but the income from full compliance in WORK must exceed income on AFDC for a similarly situated family.

4) WORK Stipends

Under this option, states will be allowed to pay participants WORK stipends when they are not in a WORK assignment as compensation for a range of activities to be designated by the state, including job search, job clubs, and interim community service assignments.

States will have flexibility in designing the stipend system. The only requirement is that this be a pay-for-activity system. There will be no underlying entitlement to a cash income.

5) Wage Supplements

As part of a WORK-outside-welfare program, states would be allowed to develop a system of wage supplementation in place of the present AFDC system. WORK stipends could be provided to part-time workers either in unsubsidized jobs or in the WORK program.

States would be encouraged to develop an extraordinarily simple system of supplements. For instance, states might match up to 25% of wages up to a certain level, after which the supplement would phase out. States could incorporate such a match into a state EITC or develop other creative mechanisms for getting the money out.

For WORK participants, eligibility for the supplement would be contingent on satisfactory participation in WORK, i.e., people suspended from WORK, or not receiving wages would not receive supplements.

Requirements/Structure Carried Over from General WORK Rules

1) Administrative Structure and Funding

In its plan, the state will:

- designate any agency/office to run the WORK program (complete flexibility)
- designate bodies at the local level with private, public, non-profit membership to oversee the program (as in regular WORK program)

Funding will be provided in similar fashion to the regular WORK program. There will be two streams of money: a capped entitlement for overhead, and uncapped entitlement covering wages and stipends. As in the regular WORK program, part of state's IV-A funds will be re-channeled. The difference in this option will be that states will be permitted to re-channel all IV-A funds for its post-transitional clients, as there would be no residual AFDC grant.

2) Minimum Number of WORK Assignments

As in the regular WORK program, states will be required to create a minimum number of WORK assignments, calculated the same way.

3) Eligible WORK assignments

The same rules regarding flexibility in creating WORK assignments will apply in this option.

4) Suspension/Penalties/Due Process

As part of their WORK plan, states will be required to outline a plan for handling situations in which participants either quit or are fired from their WORK positions. As with the general WORK framework, this plan must include graduated sanctions such as suspension from the program for an increasing period of time. However, this process should be structured to reflect that the state is not seeking to "take away" something to which the participant is entitled, but rather to deny eligibility or suspend them from a program to which they were eligible to apply.

The State plan will have to include a hearing process through which participants will be afforded the opportunity to contest decisions to suspend them from the program. This process

will provide that the participant be allowed to continue earning WORK funds until their case has been heard and a final resolution reached.

5) Time Limit on the WORK Program

As with the regular WORK program, states would be able to limit the length of time a participant spends in any one WORK assignment.

States would be required to develop a process for assessing participants after every two assignments, with the option of returning them to the JOBS program, reauthorizing continued participation in WORK, or suspending the participant for failure to comply with the rules of the program. Detailed criteria for these assessments will be required as part of the state plan.

Work Support Agency (Option)

One option for states in establishing the WORK program independently is to establish the program as a "Work Support Program" designed to provide support for low-income working families. Through the Work Support Office, working families would be able to get assistance in applying for and receiving food stamps, EITC, child support, child care, and any other programs designed to helping the low-income working poor. One function of the Work Support Office would be the creation and administration of work opportunities for those who are enrolled in the WORK program.

Case management services would be partially paid for through the JOBS program, which will now fund after-care services for individuals going on to unsubsidized work for up to one year. Other administrative expenses for the Work Support Office would be eligible for reimbursement through the capped WORK entitlement.

WR SPECS -
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MEMORANDUM TO WENDELL PRIMUS
FROM: Elaine Kamarck
RE: Legislative Specifications for: Preventing Teen
Pregnancy and Promoting Parental Responsibility; Make
Work Pay; Improving Government Assistance.
DATE: May 19, 1994

Comments on each section follows.

1. Prevent Teen Pregnancy and Promote Parental Responsibility.

The steps listed to promote parental responsibility among young people are among the strongest provisions in the plan. They send a firm message about parental responsibility. They ought to be well received by the general public.

2. Making Work Pay.

I am not clear about whether or not the section on child care would simplify the requirements for child care in such a way as to allow easier entrance, i.e. for welfare mothers themselves, into the child care provider business. Without knowing how the IV-A requirements differ from the CCDBG guidelines I can't tell whether this is making the situation better or worse. The more bureaucratic and detailed the child care regulations, the more expensive it will become and we will end up restricting entrance to the child care business from welfare mothers or grandmothers who may want to work in this area.

3. Improving Government Assistance.

- The section on IDAs is very good but it may be subject to some skepticism from conservatives. In rolling out the plan we should remind people of the front page New York Times story a few years ago that got a great deal of attention. An hispanic teenager had saved several thousand dollars to go to college and the welfare administration took it away from her because her mother was on welfare.

- We did not have many discussions about the expansion of AFDC in the territories. Are we sure this is politically wise?

- While this section does a good job of streamlining and simplification it falls somewhat short of full scale reinvention. Much of what needs to be reinvented about the welfare system is, of course, cultural - not statutory. Nevertheless, the critical cultural change needed - to transform welfare offices from places

preoccupied with error rates and bureaucratic red tape to places preoccupied with helping people solve problems, is not mentioned here. There ought to be some option which allows states to use performance measures and allows them to offer incentives to front line employees who are especially good at helping people get and stay off welfare. The concept of incentives is in the plan for welfare recipients; it should appear somewhere for the front line social worker as well.

