

WR - Ideas

July 17, 1993

## Appendix A. Job Development Case Studies: America Works and TEE

I. **What are these programs?** Both America Works and TEE (Transitional Employment Enterprises) function as temporary help agencies. Employers are able to "test drive" welfare mothers for six months at a reduced wage before deciding whether to employ them permanently. During the trial period, the program collects money from both the employer and the welfare agency and provides a paycheck to the job candidate. Both TEE and America Works are paid a lump sum bonus when the job candidate is hired permanently and stays in the job for a specified period of time.

Job development and placement, however, is not all they do. These programs resemble the Work Support Agency being described in the current welfare reform effort. At America Works, the staff helps job candidates before and after placement to solve problems that could impact their jobs. America Works representatives will help with almost anything: rearrange welfare appointments outside work hours, represent the candidate at child support court hearings, find child care, avoid having the recipient's electricity shut off, etc.

What makes America Works and TEE truly unique are their organizational status. Both organizations are private, whereas the work support agency is generally conceived as a public entity. TEE is a non-profit organization. America Works is a for-profit, private enterprise.

II. **Do they work?** The success of these programs is a controversial point. America Works claims to place about 2/3 of their trial workers in permanent jobs. Critics have accused the program of creaming the best applicants in order to increase profits. While non-profit TEE has received less criticism, it has also received less publicity. Neither program has been rigorously evaluated with control groups.

These programs rely in part on the principle of supported work which has been extensively evaluated by MDRC. Significant, positive impacts were found in programs that allowed AFDC recipients to experience increasing responsibility and stress as they were transitioned gradually from a totally supported work environment to self sufficiency. In the area of supported work, these programs are based on concepts that are known to work well.

III. **What Lessons Can We Learn?** There are three design features incorporated in America Works of which we do not know the effectiveness:

- 1) pay for performance incentives
- 2) using a private rather than a governmental institution
- 3) profit making

Since job development could be organized with any combination of these design features, it would be worth evaluating each of these components individually.

- *Pay for performance:* This is a critical, yet untested design feature in both the TEE and America Works programs. The state governments using their services pay a fee equivalent the foregone AFDC payments after the recipient has been self sufficient for a given period of time. There is no reason, however, that this incentive structure needs to be linked with either privatization or profit-making. An evaluation of pay for performance incentives should include a controlled experiment using public employees with the same incentives as, for example, America Works. Furthermore, we should test the provision of similar incentives to the recipients themselves. A sound evaluation would cover a range of institutional structures with similar incentive schemes.

Certain minimum design standards for the incentives should be met in order to provide a fair test. If the fee is always the same no matter how difficult to place the employee is, there is a clear incentive for creaming. Even without creaming, a flat fee is unfair to taxpayers. Some individuals, such as divorced mothers over 25, are much more likely to get off welfare within a year without help than others. To pay a large bounty for this group is not likely to save tax dollars. In addition, safeguards against churning should be in place. Whether bonuses are paid to government employees, private employees or the AFDC recipients themselves, there must be some disincentive to recirculate the same people through the system every year. Before evaluating the pay for performance principle, we should ensure that we are evaluating it in its best possible form.

- *Private v. public:* An evaluation that compares private organizations for job development to government job development assistance should shed light on two important open questions. Can private organizations win the trust of the local employers more easily and thereby provide better job development services than a public entity? Can private institutions increase their effectiveness with more flexibility in organizing employee incentives because they do not have to comply with government employee regulations? If pay for performance is found to be effective, this may be an argument to encourage the role of private institutions.

One potential disadvantage of relying on private institutions is the inability to guarantee uniform quality or broad national coverage.

- *Profit making:* The importance of profits to job development effectiveness can be evaluated in isolation from pay for performance and non-governmental status. With similarly designed incentive structures, is a for profit enterprise more effective than a non-profit? Competition could lead to higher quality and higher placement rates at the lowest cost to employers and taxpayers. On the other hand, the desire to maximize profits may exacerbate the moral hazards of creaming and churning to increase the number of bonuses.

Until a careful evaluation is undertaken that evaluates these three components of the America Works and TEE programs, the controversy that surrounds them will continue.

February 22, 1994

MEMORANDUM FOR DAVID, MARY JO, AND WENDELL

FROM: BRUCE

SUBJECT: Comments on 2/22 a.m. drafts

I. WORK

1. Nice try, but I hate the name TAP. I'm not convinced we need to change the name of the JOBS program at all (remember who thought it up in 1988), but we certainly should wait until we can agree on an alternative name we all like and that means something. -Otherwise a new acronym just adds to the confusion rather than clarifying it-(cf. WORK). Remember we have also just added the JOBS Preparation phase.

2. The brief section on pp. 1-2 about JOBS needs to make clear that we are 1) requiring recipients to sign a Personal Responsibility Contract that lays out their obligations; 2) asking everybody to do something; and 3) changing the culture of the welfare office to move people into work and help them stay there. Those points came through in the December document but are lost here. With all the talk about deferrals, extensions, preparations, etc., it would be a mistake not to stress loudly that we're raising expectations on everybody.

3. Job search: We're not going to let this one go. If you don't want to include a detailed discussion on this issue, at least describe the true state of play. For example: "Much stronger focus will be placed on immediate job search, job placement, and worker support. One option would be to require all applicants to go through supervised job search as a condition of eligibility for benefits; another option would be to give states the option to require immediate upfront job search for all. Those who are offered work will be expected to take it."

4. Job Placement Bonus and Worker Support: We're not going to let this go, either. Let me explain it again: Our suggestion was to set aside a certain percentage of JOBS (say, 25%) for the specific purpose of encouraging states to establish incentive plans that will reward caseworkers and welfare offices for helping people find work and keep it. Nothing like this happens under current law -- perhaps it could (although I'm not sure), but it doesn't and probably won't unless we figure out a way to encourage it. This is not meant as a privatization idea at all; on the contrary, the goal is to reward performance within the public system. We can quarrel over the exact percentage, and we can argue over whether the bonuses should go to caseworkers who find jobs for people who've been on the rolls for a year or just for people who've been on for much longer. But I don't see why we can't agree on the principle that we want to encourage, even require, states to explicitly develop and submit to HHS plans for how they intend to reward performance and worker support.

5. Choice and Standards: The Labor Dept.'s Workforce Security plan has two other ideas to encourage choice, competition, performance, etc. One is easy: require that welfare offices provide recipients with consumer information on the job placement records of the various programs and services available to them. The other is worth a significant demonstration: giving governors the option to create charter welfare offices, which would allow for the possibility of competition between two or more JOBS programs in one market.

6. Sanctions: Somewhere in the discussion of the JOBS program, it's necessary to have a reference to the sanctions issue. This isn't a Specs issue; it is fundamental to whether we can actually get everybody to do something. We prefer the APWA recommendation to impose a 25% sanction on AFDC and Food Stamps.

7. Part-Time Work: These arguments as written are unfairly biased toward the result you want (e.g., suggesting that not counting part-time work will lead to 600,000 more WORK and JOBS slots for full phase-in by 2004 -- when we're not even contemplating full phase-in). I also believe that with our current phase-in, stopping the clock indefinitely for part-time work is no longer a relevant cost factor in the near term, and only a modest one in the intermediate term. Since this is sure to be a contentious issue, and looks to us like one more loophole than we need, there must be a way to make it a state option to stop the clock for part-time work (at a level of hours -- 20-30/week -- set by the state), rather than mandating it nationwide. Some states like Michigan will think your idea is great; others will think it squish-headed.

8. Food Stamps: The idea I was trying to explain earlier is to make it a state option for states to do what Oregon is doing, which is use both Food Stamps and AFDC (in the WORK program) to subsidize private sector jobs. I know cash-out is always a battle, but it's one the President has been willing to fight before.

9. Requiring acceptance of any private sector job offer: This requirement should apply throughout the program -- to JOBS participants as well as people in the WORK program.

10. Time Limits for WORK: Again, the arguments are somewhat skewed. The draft says that a 3 year-limit on WORK placements could push up to 50% of WORK participants off of support, when those of us who favor such a limit are not suggesting pushing them off of support at all, but rather reducing their support. (I also think it's dangerous, not to mention misleading, to concede that 50% of the people in WORK might still be there after 3 years, while implies that we're having no impact on long-term dependency after all.)

11. Work Opportunities in Existing Programs: Since this document is for the Cabinet, we should go out of our way to point out that we would like to use existing Administration initiatives to find jobs for people leaving welfare. The top candidates are child care/Head Start, housing rehab, Empowerment Zones, National Service, etc.

12. Minor line edits:

-- October 1996 should read simply 1996 or FY97

-- Born After 1970 should read Born Since 1970

-- Don't forget to mention that we're reducing the number of extensions over current law

-- We should be careful about promising to increase the match, offer more money, or make other amends to areas of high local unemployment until we figure out what we're really talking about. It's safer to refer to "times of recession".

## II. PARENTAL RESPONSIBILITY

1. Paternity: This section is quite good, but we would like to allude to the option of using this new, tougher and smarter cooperation requirement to help determine the queue for other non-universal entitlements, like housing and possibly child care for the working poor.

2. Child Support Assurance: It's misleading to say that a number of states have expressed a strong interest in implementing a CSA program, when it's a small number and many states have argued strongly against it. In any case, it is still necessary to put the same disclaimer on this that we used for the December document: "The President has never endorsed child support assurance, and there is considerable debate within the Working Group about its merits."

3. Demonstrations on Prevention: These demos sound too broad and too vague to prove much. They still sound like the kinds of service-based programs you so effectively debunk. I suggest we say in the paper that we're still looking for the right approach.

Minor line edits:

-- Tone down rhetoric on dooming society (p. 1) and "cruelly hypocritical" (p. 2)

-- First sentence of Noncustodial section should say that "the needs and concerns [add: and responsibilities] of noncustodial parents are often ignored."

-- I could go either way on comparisons to the GOP bills, but our approach should be standard across sections.

## III. MAKING WORK PAY/CHILD CARE

1. Targeting: I think it's a mistake, when we're trying to persuade young people to delay childbearing until they are ready for it, to reward or convenience very young mothers with children. It makes more sense to target the assistance to the age of the child, as Head Start did -- starting with 5-6, then 4-6, 3-6, etc.

2. Child Care Workers: It's great that you mention this as a source for WORK slots, but is a fraction of 5% all we'll have to spend on training them?

WR 2/7/94

Key Cost Issues & memo w/

Case

One set of numbers: one estimating team

NEED TO DO

1. Budget options

2. Decision memos

3. BC mtgs.

Overview/Dynamics (Costs/financing)

WORK (jobs/time limits)

- Child care
- Child support
- Parental responsibility

4. Reverse W/ Budget mtgs. (preempt 1:30)

- Not just spec aty - Comments on paper

5. Work mtgs

- What the jobs are

6. Lewis strategy

- 1. Other bills?
- 2. GDP

7. Roll out plan

8. Policy gaps

- 1) Fraud
- 2) State intervention
- 3) Sanctions

9. Working Gear

10. Parental Responsibility

11. Connections to SSI, TANF, etc.

12. Personnel

13. AFSCME

14. Displaced workers

1. Child Care: 1) Working poor, 2) work program, 3) public works

2. Parental Resp: 1) Paternity, 2) Formula, 3) Demos: MCPs - CSA

3. Make Work Pay: 1) Advance Payment, 2) HC subsidies

4. JOBS: 1) Exemptions (AFSA), 2) Volunteers, 3) Upfront Job Search, 4) Part-time work

5. WORK: 1) Pay rate (ES-SSC), 2) Time limit, 3) EITC, 4) Econ conditions, 5) Child care, 6) System tracking

6. Phase-in

7. Rev

?

SSI drug #

APRIL 1

- FINISH SPECS - DURING MARCH

- PUBLIC NEGOTIATIONS IN MARCH

1) DETAILED SPECS BY MARCH 1

2) COST FINANCING PLAN BY MARCH 1

- Key Cost Issues outline

- Financing memo

- Phase in document

OL PRIORITY

- 1) Jeremy
- 2) Costs outline
- 3) Phase-in strategy
- 4) WORK/DO

1) Draft Cost Issues Memo by next week.

2) mtgs w/BC

- Overview/Cost/4
- Par Resp/Child Support
- Jobs/Tx/work
- C. Care etc.

3) Decision memos

4) Personnel, Roll out, Vetting, Congress

1) DETAILED CS - PATERNITY SPECS

2) TELL GALETON RE HIS TOWN PROGRAM

3) CONN. MTGS: 1) Bureau 2) Ford 3) Mitsui

4) Kennedy 5) H. Ford

4) 7:30 WORKERS MEET. (JEREMY)

5) HEAR LIAISON

6) WRITER

WR -- TO DO 2.13.94

#### Random Ideas

- Fraud hotline, bonuses to recips who identify fraud
- Family development accounts
- Job: child support/custody mediator (missouri)
- Sanctions: Allow total termination of benefits if determined it won't hurt kids (Md.)
- pay for performance in JOBS
- possible alternative to tracking: payments in 3 consec yrs
- require addicts to get treatment or lose benefits
- Waiver authority??
- Time limit Drug SSI

#### Research

- How many due CS are on AFDC?
- Moynihan 1986 study on dynamics of teen welfare (Md or Missouri reference?)
- Are kids required to attend school?

Give NGA document to BC

\*\* Take full specs to Boca

DRAFT

February 13, 1994

MEMORANDUM FOR WELFARE REFORM TEAM

FROM: BRUCE  
SUBJECT: JOBS AND WORK

cc: Kathi  
Belle  
Bonnie  
Paul  
+ return to me

Here is another attempt to summarize the DPC/OMB/NEC vision of the JOBS and WORK program.

**I. Personal Responsibility: Preventing Welfare Dependency**

All recipients will be required to sign a Personal Responsibility Contract that makes clear up front the terms of their assistance -- what they can expect from government and what responsibilities will be expected of them in return.

The Personal Responsibility Contract must include the following conditions:

1. **Upfront Job Search:** Applicants must go through 30-60 days of supervised job search before receiving benefits. Emergency assistance may be granted in some cases.

2. **Paternity Establishment:** Require mothers to cooperate with paternity establishment as a condition of benefits. Reduce federal match to 50% for cases in which paternity is not established. Require states to streamline paternity process, provide expedited hearings, and establish rebuttal presumption of paternity.

OPTION 1: State option to reduce or delay benefits until paternity has been established. Limit good cause exceptions to 10% of out-of-wedlock cases (still subject to 50% match). Goal is 90% paternity establishment for new births by the year 2000.

OPTION 2: National requirement that any mother who has a child one year after enactment of this law will not be eligible for AFDC until paternity has been established. (Emergency assistance available if delay is the state's fault.)

OPTION 3: In addition to Option 1 or 2, apply paternity establishment requirements to public housing.

OPTION 4: In addition to Option 1 or 2, require birthing hospitals and prenatal clinics which receive public funds to ask about paternity.

**3. Teen Mothers at Home:** Minor mothers must live at home and stay in school. Teens shouldn't be allowed to drop out to have a child.

**4. No Additional Benefits for Additional Children:** Preliminary estimates from New Jersey suggest 10-15% reduction in additional children born on AFDC. Wisconsin projects \$141 million in state/federal savings from family cap over next five years (out of \$5.4 billion five-year total).

**OPTION 1:** National rule of no additional benefits for additional children, with some of the savings used to make sure recipients receive adequate family planning information and advice, and some of the savings used for a national campaign against teen pregnancy.

**OPTION 2:** State option to no longer provide additional benefits for additional children, so long as states also provide family planning information and counseling.

**OPTION 3:** In addition to Option 1 or 2, prohibit Medicaid reimbursement for fertility drugs while on AFDC (currently paid for in 40 states).

**5. Rewards and Sanctions:** Give states broad flexibility to condition AFDC grants on responsible behavior: a) requiring parents to make sure their children are immunized; b) requiring teen recipients and teen parents 13-17 to stay in school (state option to reward them for doing so); c) requiring young parents to attend parenting classes; etc.

## II. JOBS: Changing the Culture of Welfare

Our biggest challenge is to change expectations for recipients and caseworkers at the same time. As we expand the JOBS program, we need to change the culture of the welfare office to reward work and results.

**1. Performance-Based Match:** We need to change incentives within the welfare system to get people off welfare as soon as (they are job-ready) <sup>possible</sup>

**OPTION 1:** A declining federal match (for example, 80% in 1st year, 70% in 2nd year, 60% in 3rd year; 50% in 4th year and beyond) that will encourage states to spend money upfront, and reward states for moving people quickly into the workforce.

**OPTION 2:** In addition to Option 1, give states the flexibility to reduce benefits over time for long-term recipients. For example, a state might have three tiers of benefits: one for recipients in the 1st 2 years; another for recipients in years 3-5; and a third for recipients still on the rolls after 5 years.

**2. Job Placement Bonuses:** To change the culture of the welfare office, we need to reward those who find people work and help them stay there.

**OPTION 1:** Set aside 25% of JOBS money for Job Placement Bonuses. To qualify for the money, states must design a plan to reward caseworkers and placement firms for

successful job placement and retention. State plans would require HHS approval. Bonuses would only be paid if former recipient was still on the job 6-9 months later, and might be limited to placement of recipients on the rolls 6 months or longer. The bonuses could be used for recipients in either the JOBS program or the WORK program.

**3. Choice and Competition:**—In a time-limited system, many welfare recipients will want to move off as quickly as possible. We should follow the Labor-Department's Workforce Security model in two areas: a) by creating Charter Welfare Offices, nationwide or on a demonstration basis, which would enable Project Match and other programs to compete to become JOBS programs; and b) by ensuring that welfare offices provide recipients with consumer information on the job placement records of the various programs and services available to them.

**4. Everybody Does Something:** The definition of activities can be flexible, but everyone in the JOBS program has to do something from Day One. In general, it is better to limit the number of extensions and phase in age groups more slowly than to let the size of the cohort dictate a looser extension policy. "No "deferrals" -- everyone must be participating in some way.

**5. Work First:** State option to require work or community service at any time in the JOBS program, even for those in training. National requirement that anyone who is deemed job-ready be required to work right away. Similarly, anyone who comes back onto the rolls employable should be required to work, even if they haven't reached the time limit.

**6. Any Job Is a Good Job:** Anyone who is offered a job at any time on AFDC -- in the JOBS program or the WORK program -- must accept the job or lose eligibility.

**7. Sanctions:** APWA recommendation to impose 25% sanction of AFDC and Food Stamps for non-compliance. Even that won't be enough to change behavior.

**8. Job Search Last:** The last three months of the two-year time limit must be spent on supervised job search. Recipients must take a job if offered.

### III. WORK, Not Welfare

**1. Guarantee a Job Offer, Not a Job:** The WORK program is not a guaranteed job for life; the only guarantee is that recipients will be offered a job -- in the private sector, in a subsidized public or private sector job, or in community service. Anyone who is offered a job in the private sector must take it.

**2. Let the States Decide:** The only way to make the WORK program work is to give states broad discretion in designing and administering it. We don't know the right answer, so we should let them experiment.

a. WORK Program Block Grant: Local job markets vary dramatically, and different states will have different needs. The WORK program will provide states a lump sum for each WORK-mandatory individual (including that person's benefits), which will be enough to help pay wages, child care, and perhaps limited administrative costs. States will make money on some recipients and lose money on others. States can use the money to find, subsidize, or create jobs. States will be expected to set up or make use of governing boards with representation from government, business, and labor.

b. Set Their Own Time Limit: Every state should be required to provide WORK positions to recipients for at least 2 years beyond the time limit. Beyond that, states could choose to: 1) provide WORK slots indefinitely; 2) end WORK after 2 years (4 years total on welfare); with some basic safety net; 3) make the WORK program voluntary, with same benefits for those who choose to work, but dramatic (50+%) reduction in benefits for those who don't. Long-termers will still qualify for Job Placement Bonus.

c. Set Their Own Wages: If we gave states the flexibility to set differential benefit levels for short- and long-termers, they could also determine their own wage scales for WORK jobs.

3. **Private Sector Subsidies**: Wage supplementation should be made easier and encouraged. State option to use both Food Stamps and AFDC to subsidize private sector jobs, and to calculate both in determining wages and minimum hours of required work.

4. **Job-Readiness Standards**: State option to demand high standards from recipients as a way to increase employer confidence. For example, the WORK program could require drug testing and other basic job screens. Anyone who is fired from the WORK program should get one chance to come back, not several.

5. **Spell Out Where the Jobs Are**: When we propose legislation, we should make clear where the WORK jobs will be in the public and private sectors:

a. Child Care: Option 1 -- award the IV-A child care money for JOBS and WORK participants to the WORK program, which can use the money to set up child care cooperatives staffed by participants in the WORK program. Option 2 -- give JOBS and WORK participants vouchers and a choice of child care providers, but require those providers to hire a certain percentage of WORK participants.

b. Housing: Require public housing authorities to spend a portion of their housing rehab money to hire welfare recipients. Work with construction unions to develop nationwide apprenticeship program for residents of public housing.

c. Child Support Enforcement: Missouri wants to use AFDC recipients as child support mediators. They would also make excellent enforcement investigators to relieve the crushing burden on child support caseworkers.

d. Other Federal Initiatives -- Head Start, immunizations, lead-paint removal, Empowerment Zones, family preservation: We need a solid estimate for each.

e. Private sector commitments: We should require that at least 50% of the WORK slots be in the private sector.

6. Mixing Work and Welfare: We should encourage recipients to work, but at some point, we should encourage them to leave the welfare system:

a. Count the EITC as income for AFDC purposes: Once we have advance payment of the EITC, it will be income.

b. A time limit on mixing work and welfare: The clock should slow down for recipients who work, but it shouldn't stop altogether. Perhaps a 4-year limit.

c. Limit earn-back to 3 months: The purpose of earning back eligibility should be to allow a brief cushion in hard times, not welcome people back onto the welfare rolls. No one who has left welfare should be able to earn back more than 3 months of eligibility at any time.

1. Advance payment of the EITC
2. Liberalizing the assets test/Conforming Food Stamps and AFDC filing units or other program simplification
3. Services to non-custodial parents
4. Up front job search requirements
5. Participation rate and federal match rate assumed in JOBS
6. Participation rate and federal match rate assumed in WORK
7. Treatment of part-time work
8. Exemptions
9. Sanctions
10. Time limiting the WORK program and providing an in-kind safety net at some fixed percentage of current benefits
11. Whether additional time on welfare can be earned once a recipient leaves the system
12. Capping administrative costs in the WORK program at a different level assuming more will be borne by employers
13. Eliminating the 100 hour rule, the quarters of work test, or the state option to provide benefits for only 6 months for two parent families
14. Interaction costs with SSI, Food Stamps, Child and Feeding Programs
15. Systems Costs (i.e., AFDC tracking, WORK program and CSE)
16. Fraud
17. Child Support assumptions
18. Child Care assumptions
19. Demos

WELFARE/WORK IDEAS

February 11, 1994

Job Search First

Declining match 90 1st year, 80 2nd yr, 70 3rd yr, 60 4th yr...

(applies only to new applicants)

20% of JOBS \$ set aside for bonuses to placement firms and caseworkers.

year 1: job search followed by training

year 2: job search followed by part-time work at state option

year 3: job search followed by work or no benefits

year 4: job search followed by work or no benefits

year 5: job search followed by voluntary work or reduced benefits

-- state option to make work program mandatory

-- people still eligible for placement bonus at any time

phase-in 23-25 & up in 95 or 96 = 2m phased-in; 300k in work

-- don't phase in beyond age 30

size of JOBS/work program: assume max of 2.5m phased in

parallel program for DADS?

Belle:  $\frac{Score}{P/E}$   
ETC as income  
Job Search 1st

## Stemming the flow on to AFDC

- \*Job search first
- \*Child support enforcement
- \*EITC/Healthcare
- Additional childcare for working poor (could score as savings if used as jobs)
- \*No citizenship for children of illegal entrants to U.S.
- \*Paternity requirements in medicaid plus
- \*State bonus-match rate for cases in first 2 years with paternity
- \*Rebuttable presumption of fatherhood with DNA testing

## Increasing the flow out:

- \*Bonus for placement (Designed to score as savings, eg through targeting on first time entrants under 23, bonus increases with number of months on AFDC up to 36)
- \*States can count federal monies (eg. CCGDB, medicaid, headstart, PHA modernization, etc.) against welfare benefits if paid to provide temporary on-the-job-training.
- \*Everything counts after 3 years: Cap on federal dollars paid to AFDC recipients at the poverty level. (For example, if a family receives AFDC the total of child support, earnings, EITC, housing, LIHEAP, food stamps, general assistance, etc. cannot be greater than \$11,000)
- \*Federal match falls after year 2 to ?? . After year 4 it falls again.

## Federal Responsibilities

- **Make work pay** – Only the federal government can set up the rules of the game (taxes, health, daycare) so that working is a sensible choice for a single parent.
- **Hold mothers and fathers equally responsible for supporting the children they create** – The federal government can require the non-custodial parent to contribute to their child's support by tracking across state lines, forfeiting tax rebates, allowing wage garnishing and ultimately requiring the non-custodial parent to work.
- **Enforce immigration laws** – Require all parents present at birth to provide proof of legal entry and residence in order to obtain a birth certificate for the child. Children will receive only a "notification of birth" until proof is provided. Children of illegal aliens should not become citizens—they should be deported.
- **Transitional support** – Any of us may be down on our luck for a little while and need a hand up. As a nation, we should insure ourselves and our children against temporary difficulties. The goal should be getting back to work and having a long term plan for building skills and employability through work or education.

Up to two years: Training (counselling, placement, and skill building services)

Up to two years: OJT (community work experience or subsidized private work)

Three years maximum Training plus OJT.

Lifetime access to learning while working (One stop/Income contingent grant).

- **Post-transitional maintenance** – Once we have provided all of the above, our only responsibility should be to support children. No federal dollars should be paid to raise families above the national poverty level after they have been on welfare for more than three years. States may require both parents to work in exchange for benefits.

## State Responsibilities

- **Maximize number of paternities** – Only states can implement a system in hospitals or through medicaid which maximizes the number of paternities. Not every individual can be held accountable for paternity.
- **Maximize number of child support orders** – Only states can make the process of getting a child support order streamlined and automatic. (Is that true?)
- **Maximize the number of people who receive job offers, who have long term success plans, and who leave welfare as early as possible.**
- **Minimize the number of people who hit the time limit and are unable to support themselves.**
- **Enforce a cap on the total benefits paid to AFDC parents after three years.**

Decide whether a work requirement at that stage is worthwhile.

### Individual Responsibilities

- Mother must identify father (or set of likely fathers) at time of medicaid birth, application for AFDC, FS, etc.
- Fathers can be held liable for child support unless they cooperate with DNA testing and it proves negative paternity.
- ✓ | ● Parents must show proof of legal residence at birth in order to obtain birth certificate for child.
- Non-custodial parent must pay or work. Wages, tax rebates, or any other federal payment can be garnished and remitted to child's caretaker.
- Custodial parent is expected to work at least part-time as soon as possible (except for high school students.) Those who are in training, college, etc. are still expected to work at least 10 hours per week ASAP.
- JOBS program participants should have a menu of providers to choose from. Since they have only a limited resource (3 yrs), they should have a say in how to spend it. The money must follow the customer choice.
- After three years of training and OJT, the parent may not collect more than the poverty level in assistance while on AFDC.

Gerry Whitburn, 2.11.94

family cap 70%

- lm to counties for creative family planning needs and reqmts
- MOU with every understanding with new recip
- teach county workers sex education
- mail twice a year descriptive info family planning
- face to face assessments twice a year/ must talk about it

birthrate 8% reduction -- \$235 million/ (\$141) - 60 state, 80 fed  
federal over 5 yrs; 5.4b over 5 -- 4% reduction

- pay for performance in JOBS program
- mandatory upfront job search for 100% -- pause 30 days
- lagrande OR --
- divert a certain group/

- child support enforcement
- streamline paternity establishment: hypocrisy of arrearages; 49%; didn't want to do at same time as family cap
- trouble with professional license

NJ -- no spike in abortions. 10-13% since August  
fewer babies, not pay benefit, 1 yr less on

8th highest to 31st, 19%

- economy....
- every county is down; 70% are down 30% or more
- regenerating the stigma

40% of longtermers had 1.4 babies

13,000 babies for

FRAUD...

- fingerprinting

Children 1st...

- doubling of child support collections

Declining benefits

- for those who are able bodied, benefits must end sometime

jobs performance...

- require federal approval of bonus plan

charles murray... jfk message to congress re welfare

welfare-shouldn't pay for graduate school and masters degrees;

- 40 states pay for fertility drugs -- if you're on AFDC
- Wisc had 59 AFDC recipients last year
- 3400 Norplants last year...
- until 1990, you were required

1950s -- increased 110k, 17% (Calif 5x that in 2 yrs)

1960s -- increased 800k, 100%

26 wks of UI vs 2600 wks -- which would you choose

no money for teens -- will turn people to prostitution

diminishing benefits

25%<sup>san</sup> sanction is not enough

2 yrs and off vs 25 years is too long

charles murray -- another book on IQ

stigma... = why murray is so effective ...:

any job is a good job... where do mfgs hire their \$9-11/hr jobs?  
From the ranks of \$6-8/hr jobs.

1969, 14% of recips had work; now it's 7% -- 93% aren't doing a damn thing.

\* our proposal requires work after month one if someone is job-ready. If someone is deemed job-ready, require them to go to work right away. -- 80% are job ready

earning benefits back is bullshit -- it's a crutch.  
-- 35% of people accessing it over 10 yrs.

608-831-7151 (H)

EXECUTIVE OFFICE OF THE PRESIDENT

09-Feb-1994 07:40pm

TO: Isabel Sawhill  
TO: Kathryn J. Way  
TO: Paul R. Dimond  
TO: Bonnie L. Deane

FROM: Bruce N. Reed  
Domestic Policy Council

SUBJECT: Making WORK work

The more I think about our caseload projections and the prospect of 800,000 people in public sector job slots for life, the more I fear we're headed for political disaster. I'm not worried that Congress would actually pass such a program -- they couldn't pass a stimulus program to create real jobs, so why would they pass a makework jobs program-for people on welfare? -- but I am afraid that this administration might make the mistake of proposing it. If we do, we will soon see our allies vanish: the moderates won't want to spend that kind of money, the GOPs will think we're being too generous, the left will think we're being mean-spirited, and AFSCME will use every resource to kill us.

So, we need to come up with an alternative plan unless we want to go down with the ship. Paul, Bonnie, and I have been discussing a few options that could save money and save face:

1. Require that 1/2 the work slots be in the private sector. Subsidizing a private sector job is sure to be cheaper than creating a public one, b/c there will be no administrative costs. The average welfare benefit (\$5000/yr) is more than enough to subsidize a full-time minimum wage job, let alone a 20 or 30 hr a week job. (We'll still have to pay child care no matter where the slot is.) This option would come as a great relief to AFSCME -- and also to state govts, which want no part of public jobs programs. We could even include some kind of waiver provision for high-unemployment cities that really want to create more public jobs. Not many would take us up on it.

2. At the same time, require that the other 1/2 of the work slots be in areas where the federal govt is already expanding spending: child care, Head Start, Empowerment Zones, housing, etc. This has the double benefit of saving money we don't have to spend twice, and ensuring that we don't displace existing public sector workers. The states would like it b/c these are all areas where the feds are already picking up most of the tab, so we won't be dumping them with some costly new CETA program. Moreover, doing

this would save us so much money we could even give a little ground on the wage issue if we wanted. We could afford to pay the prevailing wage for child care workers so long as we're paying it to the same people we're trying to move off welfare.

Belle, can we cost out such a proposal? Maybe we could get a time limit for the private sector subsidies, at least -- although I think we should also fight for an overall time limit on the work slots.

Of course, we still need to fight for all our measures that will keep people from going on in the first place -- paternity establishment, teen pregnancy prevention, job search. And we need a way to move people off quicker, whether it's bonuses to America Works style job placement services or a state option to phase in the work requirement even sooner.

EXECUTIVE OFFICE OF THE PRESIDENT

09-Feb-1994 07:46pm

TO: Isabel Sawhill  
TO: Kathryn J. Way  
TO: Paul R. Dimond  
TO: Bonnie L. Deane

FROM: Bruce N. Reed  
Domestic Policy Council

SUBJECT: Cash for Addicts

Belle, we need to look hard at possible savings in SSI from cracking down on fraud and abuse in the SSI drug addiction and alcoholism program. You may have seen the story in the Post about Bill Cohen's study finding \$1.4 billion/yr in waste, and the Dateline report last night showing footage of addicts walking out of the welfare office and using the money to buy drugs.

The natural inclination at HHS will be to say that these addicts are very deserving, and cutting their benefits will put their children at risk, etc. But we ought to be able to propose a time limit for cash benefits, or an ATM card that prohibits fraud. We can keep paying for their treatment without paying for their habit.

One other thought: has your staff analyzed the House GOP bill to see whether we can squeeze additional savings beyond HHS's numbers on immigration, paternity establishment, substance abuse, etc.? That would be helpful as we lay this out for the President?

EXECUTIVE OFFICE OF THE PRESIDENT

10-Feb-1994 05:53pm

TO: Kathryn J. Way  
TO: Isabel Sawhill  
TO: Paul R. Dimond  
TO: Bonnie L. Deane

FROM: Bruce N. Reed  
Domestic Policy Council

SUBJECT: WORK Alert!

David agrees that we've got to wrestle

utility... public housing is big user of energy  
lead paint abatement ...

insurance cos. to set up non-profits. Home Insurance Co. \$25 out  
of every sale they make in public housing.

\$2.8 bill for housing renovation...

ed gorman ... school to work to university

indianapolis... building trades agmt with pic/jtpa/building  
trades/ 200 people a year for 16 yrs 98% placement rate... 2700 in  
LA... some came back and taught in the program...

upfront stipend... tools for kids ... need help saving \$ to buy a  
car, b/c transp is key to construction industry... 60% of  
journeyman's wage... \$12/hr...

expand in the south ... self-reliance, macho, black women;  
how do we build upper body strength for women...

talk to cisneros... quality corporate sponsorship ...

we missed the civil rights movement...

white paper ...

national-non-profit foundation to run this problem ... broad  
coalition...

joe shuldiner... likes it ...

\$100 m/yr ... jumpstart training....

1000 per city per year

EXECUTIVE OFFICE OF THE PRESIDENT

10-Feb-1994 10:41am

TO: Bruce N. Reed  
FROM: Kathryn J. Way  
Domestic Policy Council  
CC: Isabel Sawhill  
CC: Paul R. Dimond  
CC: Bonnie L. Deane  
SUBJECT: RE: Cash for Addicts

1) Time Limit Drug SSI

Bruce--Good thoughts on two important issues. Let me add my concerns to each.

SSI-- We need to look at coordination of time limit requirements between AFDC and SSI. If not States will move their substance abusers and other "marginal" disabled clients to SSI. Then they will have no state \$\$ requirements and won't have to include them in the participation rates. The child-only cases will climb even higher. Right now the two programs are in conflict. Now, the incentives for SSI encourage you to use drugs. Once you stop you're no longer eligible for SSI. Of course, we are not monitoring that program very well and in many cases the physical damage done while abusing drugs/alcohol has created a physically disabled person. There are no time limits on this type of eligibility in SSI currently, so people continually go through the rehab/recovery revolving door. I think one more conversation on ways to coordinate these two programs would be helpful. Of course, some time limits on this type of disability would also result in some additional cost savings.

WORK--Agree that a public works program for 800,000+ is not attractive to propose, forget whether or not it will pass. Targeting child care and home health aides in particular makes good sense. I would prefer to not have these count in the WORK program, rather be "private sector" jobs that will give the client job stability and the EITC in addition. Child care wages and home health aides wages are at the very low end of the scale. Seems if that could be combined with some EITC \$\$ it would be a real boost to the child care industry and assist with some job stability in a field where there currently is none. This could also help moving people "off" before the two years are up. For the WORK program, I think we have to let the states come up with the answers for the most part. I think we have lost sight of the notion that our efforts are to get people off BEFORE two years. If we use the child care, home health aides and some HUD jobs we can show some results early. This will also require the welfare offices to be prepared to explain to clients the advantage of leaving early, EITC and saving some "months of welfare" for times of emergency.

Two more things, on the work for wages, Mike mentioned we have to build in some "slack" for people who have transportation, child care problems etc. I think that is exactly wrong. The purpose is for people to experience the real world of work. JOBS counselors need to work with clients before they take those jobs to explain back up plans for emergencies and how to talk with employers when an emergency does arise. Remember the lady from Marriott who talked about clients thinking a sick day was appropriate because of a headache or cold. Finally, we have to talk about forever excepting part time work as O.K. It is one thing to allow people currently working part time to continue for some amount of time until a full time position is available (maybe 4 years or 3 years) but to allow people to meet the requirement by obtaining a part time position sets up different problems. If for some reason health reform does not happen the way we envision it, a greater number of employers will structure part time work for entry level. Recipients will continue to receive welfare, medicaid and in addition they will never accumulate pension benefits, etc.

That's it for now.

EXECUTIVE OFFICE OF THE PRESIDENT

10-Feb-1994 12:35pm

TO: Bruce N. Reed

FROM: Isabel Sawhill  
Office of Mgmt and Budget, HRVL

CC: Kathryn J. Way  
CC: Paul R. Dimond  
CC: Bonnie L. Deane

SUBJECT: RE: Making WORK work

I've been worrying about the caseload projections, too. Yesterday, I met with my staff and they pretty much convinced me that we're not talking about 800,000 but rather about 1.5 million WORK slots (and this excludes the part-timers, people with children under 1, etc.). I tend to agree with HHS that there won't be this many in practice but there will still be a lot and we won't be able to convince CBO or the Jason de Parles of the world about a different scenario.

With respect to your proposed solution, I think it has the right feel to it, and we'll be glad to try to cost it out. But here are a few issues to consider:

1. Will private sector subsidies work? The TJTC (which includes welfare recipients as one target group) doesn't have a great record of success. (Moreover, Reich has made a number of public statements to this effect.) Suppose the private sector doesn't absorb half the caseload? Under the Youth Incentive Entitlement Program of the late 1970s, employers were offered 100% wage subsidies to hire disadvantaged youth and very few were willing to participate. On the other hand, the plan might work if one combined financial inducements along with appeals to business to do their part to help "end welfare as we know it."
2. Are there enough low-skilled jobs associated with the expansion of federal spending that welfare recipients could fill? We need some analysis of where, specifically, such jobs might be, and what the consequences might be of filling them with former welfare recipients.

In thinking about the problem of trying to create so many jobs, I keep coming back to the need to guarantee people not a job, but the offer of a job. Last night I read the draft specs for the WORK program, and I was horrified by the extent to which we seemed to be going through contortions to give people second, third, and fourth chances. A better approach, in my view, would be to pour

lots of money into helping people find jobs that already exist, give them some moral and practical support while they are adjusting, create a limited number of jobs along the lines you suggest in areas where private jobs are genuinely scarce, but then be prepared to really end welfare if this doesn't work. If welfare is to be a second chance and not a way of life, then the same needs to be true of workfare as well.

What I really dislike is the idea that states have to create a certain number of work slots. I would much prefer to ~~give them~~ funds tied to their success in finding jobs for people. We should simply say that we will reimburse them for every person they move off the rolls, whether into a public or private job, and leave it up to them how they do this. If the job-finding/work creating bonus were, say, \$15,000 per person, and states and their communities were allowed the flexibility to use this in any way they wished, my guess is they would be creative and they would succeed. They would make money on some people and lose them on others. (Some people would find jobs quickly; others would remain on assistance but at state expense.) The only federal requirement would be that they couldn't leave mothers and children destitute. Either they find people jobs or they provide a state-funded safety net. There must be some number (like, \$15,000) that would make the states willing to sign on to such a plan and that would be cheaper than an unlimited workfare program. I will have my staff play around with this a little more.

WR - WH Group

THE WHITE HOUSE  
WASHINGTON  
February 22, 1994

MEMORANDUM FOR BO CUTTER  
GENE SPERLING

FROM: BONNIE DEANE  
PAUL DIMOND

SUBJECT: WELFARE REFORM

**Summary:** As you know, several agencies are concerned about the current state of the welfare proposal and the inter-agency process for reaching closure. The chief concerns of the economic agencies and working group members are summarized below. In addition, we have attached a memo from Bruce Reed to the senior staff at HHS summarizing specific options which certain White House offices (DPC/NEC/OMB) would like to keep on the table during the next round of working group and principals meetings. Also attached is a chart showing our best estimate of the timeline for decisionmaking.

**Next Steps:** We can arrange a time for Belle and Bruce to brief both of you together with Larry Katz. You may also want to invite Roger Altman to participate in the briefing.

**Issues:**

Gene and others have argued that the President's welfare proposal must look and sound tough on day one. Either we start tough and let others soften it, or we start soft and let others toughen it. Gene (the world's greatest softie) would prefer that we start tough. As the specifications for legislation have been developed, HHS staff have eroded most of the toughness of the plan in numerous little ways. In Bruce's attached memo, he argues for the inclusion of tough options (e.g. no separate apartment for teen mothers on welfare and no increase in checks for having a baby).

Reducing the flow of new applicants into welfare and increasing the flow of welfare recipients off welfare is the most important good-policy, low-cost issue. In addition to us, Belle, Bruce, and Heather are concerned that the working group will present a plan based on an assumption of caseload expansion continuing at its current rate because the CBO won't score behavioral change. At the end of the day, if we cannot argue that our policies will reduce the number of people on welfare and the costs of supporting them, who will believe that we have reformed welfare?

Three main factors are likely to affect the flow rates:

- Message: There is some preliminary evidence that a tough message reduces the flow onto welfare while a kinder message of help and training can increase the flow even if the actual policy framework is the same. This makes us extremely vulnerable in 1996 if our kinder message dominates and the caseload swells. We must ensure that our message centers on a tough parental responsibility (governments don't support children, parents do; deadbeat dads will get caught; and defer having children until you can support them).
- Illegitimate birth rates: Without strong action to halt the illegitimate birth crisis, we will have little credibility with the public on reducing welfare rolls. Almost all of the dramatic increase in the welfare caseload in the last four years can be attributed to the increase in early, out of wedlock childbearing. Furthermore, some analysts claim that over half of the total costs go to support mothers who began welfare as a teen parent. Anyone who is active in their community, even business, is aware that this issue is the heart of the problem.
- Direct actions to reduce the caseload: For example, upfront, supervised job search before signing up for welfare or letting states reduce or eliminate welfare support for the job-ready adults after four years would have direct, easily scorable impacts on flow rates and caseload size.

Gene is also very concerned about the entitlement offsets in the budget. Naturally, we are scraping the bottom of the barrel for cuts to fund anything. To find entitlement cuts in the HHS budget to fund welfare involves some very unpalatable choices between one group of poor people and another. Many of these issues and ideas are already leaking, to our great embarrassment. One alternative to cutting other programs for the poor is reducing the cost of Welfare Reform program itself. Which leads to the next issue...

Belle Sawhill, Alicia Munnell, Joe Stiglitz, and Larry Katz have expressed grave concerns about the unwillingness of HHS to share cost estimates associated with various policy choices. While HHS is justifiably concerned about leaks, the lack of cost data makes an intelligent discussion of the policy options difficult. We all agree that we cannot afford a solution which is not driven by cost considerations. Yet, we are not providing some of our best

policy experts with the relevant cost information. How can we get their advice on how to balance cost and policy trade-offs? How can they help design a program for re-employment and work which is driven by cost considerations without cost estimates?

To the extent that these experts can judge the costs on a back of the envelope basis, they are advocating several ideas which save money and are good policy. Bruce's memo outlines many of these "tough love" cost savers. There is resistance by the HHS staff to include these ideas. For example:

- Mandatory supervised job search before signing up for welfare. This may provide scorable savings of up to \$2 billion over 5 years.
- Minor mothers cannot have independent status. If they cannot live with parents, they must live with another adult guardian who will teach parenting skills. This saves money because their welfare checks will be based on their parent's income or AFDC check.
- Count the EITC as income for AFDC purposes. Once the EITC is paid in advance, it should replace AFDC as a non-stigmatizing support. Encouraging families to collect both will undermine support for the EITC.
- We can employ people off welfare in the jobs we will create with new federal money in child care, health care, child support enforcement, housing refurbishment, etc. This dramatically lowers the cost of a public sector jobs program, allows communities to help themselves more, and clarifies "where the jobs are" for concerned unions and other interested parties.
- Bruce's memo contains many more tough-love and cost saving policies.

- Alicia, David, Bruce, Belle, and others are very concerned about the provision of work AFTER THE TWO YEAR TIME LIMIT.

-Phase-in. The rate of phase-in affects the number of jobs needed at the end. Slow phase-in would be easier to fund, but looks less like an end to welfare. Starting with those under 24 could be the right compromise. It all depends on the numbers.

-Job Quality and Length. Putting people to work in anything better than workfare or make-work jobs is very expensive. Most of the senior staff agrees that we should provide better quality, real jobs right after the time-limit for up to a maximum of two years. Paul, however, believes that a one-year work program would be more feasible, effective, and likely to launch workers into the private sector. There is significant disagreement about the extent to which subsidized private sector jobs can be or should be an alternative to public jobs. The deepest disagreements, however, arise over what to do after two years on welfare and one or two years of work:

- a) Return to welfare as we know it. (Maximum cost)
- b) Let individuals return to welfare or the JOBS program, but lower the state match rate for long term cases so that states try harder to get people off welfare sooner. (Less cost; but it may be an unfunded mandate)
- c) In addition to option b, allow states to reduce benefits for the job ready adults still on welfare after 3 or 4 years but exempt a certain number of people who will never work in the private sector. (Minimum cost, allows states a way out, and provides an exemption for certain individuals.)

Assuming that CBO and other commentators will not give us any credit for changing the behavior of welfare recipients, deciding between a, b, and c above will determine the steady state costs and the ultimate size of the public jobs program.

-Unions and others are concerned about displacement. Strong anti-displacement provisions tend to leave make work as the only option. Yet, without displacement provisions, critics will claim that welfare reform will drive people from jobs and onto welfare.

-Bonnie and Paul are concerned that none of the design features for the JOBS or WORK programs will help if the flow on and off of welfare in the first two years isn't drastically changed. We will shoot ourselves in the foot in 1996 and 1998 if our welfare reform proposal serves only to increase the attractiveness of getting on welfare. After all, wouldn't lots of people want two years of free education and training (with daycare included) and then a guaranteed job afterwards for two years or more?

cc: Bruce Reed, Larry Katz

~~4207-212~~

February 18, 1994

**MEMORANDUM FOR WELFARE REFORM TEAM**

**FROM: BRUCE**  
**SUBJECT: JOBS AND WORK**

Here is an attempt to summarize the DPC/OMB/NEC vision of the JOBS and WORK program, and where we stand on the key questions. Please include these ideas in your draft of the cost/financing/key issues document.

**I. Personal Responsibility: Preventing Welfare Dependency**

All recipients will be required to sign a Personal Responsibility Contract that makes clear up front the terms of their assistance -- what they can expect from government and what responsibilities will be expected of them in return.

The Personal Responsibility Contract must include the following conditions:

**1. Upfront Job Search:** Applicants must go through 30-60 days of supervised job search before receiving benefits. Emergency assistance may be granted in some cases.

**2. Paternity Establishment:**

- \* Require mothers to cooperate with paternity establishment as a condition of benefits.
- \* Reduce federal match to zero for cases in which paternity is not established within 6 months.
- \* Apply paternity establishment requirements to public housing.
- \* Require birthing hospitals and prenatal clinics which receive public funds to ask about paternity.

**3. Teen Mothers at Home:** Minor mothers must live at home and finish high school. Minor mothers in AFDC households should not qualify as a separate casehead. Teens who have babies must go right back to school, and shouldn't be allowed to drop out for a year to have a child.

**4. National Campaign Against Teen Pregnancy:** We would like to consider setting aside a small percentage of JOBS money for this purpose, to set National Prevention Goals and challenge the states to come up with school- or community-based plans to meet those

goals (90% paternity establishment by the year 2000; an illegitimacy rate that is flat or declining by the year 2000; etc.).

**5. No Additional Benefits for Additional Children:** Preliminary estimates from New Jersey suggest 10-15% reduction in additional children born on AFDC. Even without that caseload impact, a family cap will generate significant, scorable benefit savings.

**OPTION 1: National rule** of no additional benefits for additional children, with some of the savings used for a national campaign against teen pregnancy and to make sure recipients receive adequate family planning information and advice.

**OPTION 2: State option** to no longer provide additional benefits for additional children, so long as states also provide family planning information and counseling. (Assume half the states will take this option.

\* In any case: Prohibit Medicaid reimbursement for fertility drugs while on AFDC (which I'm told are currently paid for in 40 states).

**6. Rewards and Sanctions:** Give states broad flexibility to adjust AFDC grants for responsible behavior: a) requiring and/or rewarding parents to make sure their children are immunized; b) requiring and/or rewarding parents of teenagers for staying in school; c) requiring young parents to attend parenting classes; etc.

## II. JOBS: Changing the Culture of Welfare

Our biggest challenge is to change expectations for recipients and caseworkers at the same time. As we expand the JOBS program, we need to change the culture of the welfare office to reward work and results.

**1. Performance-Based Match:** We need to change incentives within the welfare system to get people off welfare as soon as possible, with a declining federal match (highest % in 1st 2 years, slightly lower in years 3 and 4; 50% in 4th year and beyond) that will encourage states to spend money upfront, and reward states for moving people quickly into the workforce.

**2. Job Placement Bonuses and Worker Support:** To change the culture of the welfare office, we need to reward those who find people work and help them stay there:

\* Set aside 25% of JOBS money for Job Placement Bonuses and worker support. To qualify for the money, states must design a plan to reward caseworkers and placement firms for successful job placement and retention. State plans would require HHS approval. Bonuses would only be paid if former recipient was still on the job 6-9 months later, and might be limited to placement of recipients on the rolls one year or longer. The bonuses could be used for recipients in either the JOBS program or the WORK program.

**3. Choice and Competition:** In a time-limited system, many welfare recipients will want to move off as quickly as possible. We should follow the Labor Department's Workforce Security model in two areas: a) by giving governors the option to create Charter Welfare Offices, which would enable Project Match and other programs to compete to become JOBS programs; and b) by ensuring that welfare offices provide recipients with consumer information on the job placement records of the various programs and services available to them.

**4. Everybody Does Something:** The definition of activities can be flexible, but everyone in the JOBS program has to do something from Day One. In general, it is better to limit the number of extensions and phase in age groups more slowly than to let the size of the cohort dictate a looser extension policy. No "deferrals" -- everyone must be participating in some way.

**5. Any Job Is a Good Job:** Anyone who is offered a job at any time on AFDC -- in the JOBS program or the WORK program -- must accept the job or lose eligibility.

**6. Sanctions:** Follow APWA recommendation to impose 25% sanction of AFDC and Food Stamps for non-compliance.

**7. Job Search Last:** The last three months of the two-year time limit must be spent on supervised job search. Recipients must take a job if offered.

### III. WORK, Not Welfare

**1. Guarantee a Job Offer, Not a Job:** The WORK program is not a guaranteed job for life; the only guarantee is that recipients will be offered a job -- in the private sector, in a subsidized public or private sector job, or in community service. Anyone who is offered a job in the private sector must take it or lose eligibility.

**2. Let the States Decide:** We strongly favor work-for-wages, and are open to suggestions on how to make it a viable option. On other questions, we believe the only way to make the WORK program work is to give states broad discretion in designing and administering it. We don't know the right answer, so we should let them experiment:

a. WORK Program Block Grant: Local job markets vary dramatically, and different states will have different needs. The WORK program will provide states a lump sum for each WORK-mandatory individual (including that person's benefits), which will be enough to help pay wages, child care, and perhaps limited administrative costs. States will make money on some recipients and lose money on others. States can use the money to find, subsidize, or create jobs. States will be expected to set up or make use of governing boards with representation from government, business, and labor

We believe that it is vital to block grant the benefits as well as the administrative costs -- otherwise work for wages will be too onerous (with too many monthly hassles) for the private sector.

b. Time Limit the WORK Program: The WORK program should be limited to 2 years, with periodic job search during and between assignments. After 2 years, states will make an assessment of WORK graduates. If they are unable to work, the state can place them back on extension status, where they will receive regular AFDC benefits and the state will receive its regular match, but where they will count against the state's overall cap on extensions. If they are able to work, the state can declare them job-ready and reduce their benefits as much as half. The state will receive a lower match for job-ready long-termers. These long-termers will still qualify for Job Placement Bonus.

3. Private Sector Subsidies: Wage supplementation should be made easier and encouraged. State option to use both Food Stamps and AFDC to subsidize private sector jobs, and to calculate both in determining wages and minimum hours of required work.

4. Job-Readiness Standards: State option to demand high standards from recipients as a way to increase employer confidence. For example, the WORK program could require drug testing and other basic job screens. Anyone who is fired from the WORK program should get one chance to come back, not several.

5. Spell Out Where the Jobs Are: When we propose legislation, we should make clear where the WORK jobs will be in the public and private sectors. We believe that it is reasonable to assume that 20% of the new jobs could come from expansions related to welfare reform.

a. Child Care: Option 1 -- award the IV-A child care money for JOBS and WORK participants to the WORK program, which can use the money to set up child care cooperatives staffed by participants in the WORK program. Option 2 -- give JOBS and WORK participants vouchers and a choice of child care providers, but require those providers to hire a certain percentage of WORK participants.

b. Housing: Require public housing authorities to spend a portion of their housing rehab money to hire welfare recipients. Work with construction unions to develop nationwide apprenticeship program for residents of public housing.

c. Child Support Enforcement: Missouri wants to use AFDC recipients as child support mediators. They would also make excellent enforcement investigators to relieve the crushing burden on child support caseworkers.

d. JOBS Workers: As Sen. Moynihan told us, in many welfare offices there isn't much that separates people on either side of the table. As we expand the JOBS program, some of the new hires should be to hire people off welfare.

e. Other Federal Initiatives -- Head Start, immunizations, lead-paint removal, Empowerment Zones, family preservation: We need a solid estimate for each.

f. Private sector commitments: We should set a goal that 50% of the WORK slots be in the private sector. We believe that we should consider allowing the EITC for WORK participants in subsidized private sector jobs, not only to make those jobs more attractive but also because it will be difficult for the IRS to tell who's getting a subsidy. (Why allow it for TJTC-subsidized but not WORK-subsidized? etc.)

6. Mixing Work and Welfare: We should encourage recipients to work, but at some point, we should encourage them to leave the welfare system:

a. Count the EITC as income for AFDC purposes: Once we have advance payment of the EITC, it will be income.

b. A time limit on mixing work and welfare: The clock should slow down for recipients who work, but it shouldn't stop altogether. Perhaps a 4-year limit. Counting the EITC as income for AFDC purposes would mitigate this issue.

c. Limit earn-back to 3 months: The purpose of earning back eligibility should be to allow a brief cushion in hard times, not welcome people back onto the welfare rolls. No one who has left welfare should be able to earn back more than 3 months of eligibility at any time.

7. Work Programs for Non-Custodial Parents Who Don't Pay Child Support: If we're going to have a sizable work program for AFDC mothers, we should have a sizable CWEP program for fathers to work off their child support. We would like to include the option of a more expansive mandatory work program for non-custodial parents. We believe these programs are a much better investment than child support assurance, and should be funded at the same or significantly higher levels. States should have flexibility to design their own programs, but here the emphasis should be on CWEP, not work-for-wages.

#### IV. Reinventing Government

We need to think more about whether and how these and other possible changes can help reduce welfare fraud. If we don't come up with our own anti-fraud provisions, we may end up with fingerprinting or something like it.

1. Review Gap plan (microenterprise)
2. How many due CS and in ARX?
3. Find 800 #, bonuses & receipts
4. Family Bond: Receipts
5. Job: Child support/working mother (Proson)
6. Dynamics of Family Welfare (Progn. study)
7. Services: all that should remain if determined if won't hurt kids (MIL)
8. Family Review: ???
9. Part. measures
10. MIL FS, ARX for wages, part. \$5,990

→ Give ML & due to RC  
 → Take All spaces  
 no Bonus  
 Tight Phase in no definition  
 exceptions



Social k  
 - List

W/Phase in, reduce 1st kid to 3-6 mos. (at least for  
 Alternative to tracking: 3 cases, yrs  
 3 tier system (M/D/L)

Priority early - state option - long until stable (6 mos.)  
 - condition to ARX up w/90 good cases except.

Expected learning  
 Uphold budget to reduce caseload size  
 - better on state + wages  
 - 90% of new cases

20% for job placement bonus + earlier support  
 Mandatory sections for teens (ARX) 173-17

- sanction add/points? / bonus  
 - lower mandatory age for TBBS to 13  
 → Clerks  
 → List specific of  
 if the caseload  
 is large, some  
 immunity (Shulkin)

Immunity (creates jobs)  
 Reg. ability to get treatment or lose benefit  
 Cost providing classes as TBBS partner  
 W/ARX?

Legal Milan - ARX - 1.0 in case bill  
 State option = 1.3  
 Anyone who comes back employment be right to work  
 2570 sanction for ARX

**Welfare Reform  
Policy Checklist  
May 25, 1993**

*Plot the  
WR Debate*

**A. Keeping People Off Welfare**

**1. Making Work Pay**

- How much will the expanded EITC reduce the welfare rolls?
- What other incentives can we offer to make work a better deal?

**2. Health Care Reform**

- How much will health care reform reduce the welfare population?

**B. Welfare to Work**

**1. Education and Training**

- Does it work? What model programs should we follow?
- How can we do more with existing federal programs (JTPA, Dislocated Workers, Unemployment Insurance, etc.)?

**2. Job Placement and Worker Support**

- How can we accelerate placement into private sector jobs?
- What do we need to do keep them there?

**3. Public and Private Sector Jobs**

- What kind of private sector jobs will be available for people leaving welfare?
- What kind of public sector jobs can we create, how many will we need, and how much will they cost?

**C. Time-Limited Welfare**

**1. Designing a Universal System**

- How can we cover the most people with the fewest exemptions, without bankrupting the states or creating an enormous bureaucracy?
- Who should be exempt?
- How should we sanction those who refuse to work?
- How quickly should we phase in this new system?

**2. Workfare vs. Work Instead of Welfare**

- Should people work off their benefits (like CWEP), or should we guarantee them full-time minimum-wage public-sector jobs, or should we use their benefits to subsidize private-sector employment?

### 3. Bold, Persistent Experimentation

- How do we streamline the welfare system (AFDC, food stamps, housing, etc.)?
- How do we encourage bottom-up experimentation while still insisting on fundamental reform?

## D. Other Issues

### 1. Child Support Enforcement

- What incentives can we use to demand responsible behavior?

### 2. Building Support

- What do the states need to make these reforms work?
- How can we attract support from community groups and the private sector?

### 3. Money

- How much will welfare reform cost?
- Where can we find the money?