

THE WHITE HOUSE

WASHINGTON

August 6, 1993

Mr. Raul Meyreles
Executive Director
La Cooperativa Campesina
de California
2101 Capitol Avenue
Sacramento, California 95816

Dear Mr. Meyreles:

Thank you for the interesting proposal on
the Family Self Sufficiency Project.

I appreciate your taking the time to share
the report with us. I will pass it to the
Working Group on Welfare Reform, and
Family Support, and Independence at the
Department of Health and Human Services.

Sincerely,



Bruce Reed

Deputy Assistant to the President
for Domestic Policy

ROBERT T. MATSUI
FIFTH DISTRICT, CALIFORNIA

COMMITTEE ON
WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES
SUBCOMMITTEE ON TRADE
WHIP AT LARGE

Congress of the United States
House of Representatives
Washington, DC 20515-0505

August 3, 1993

WASHINGTON OFFICE:
2311 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-0505
(202) 225-7163

DISTRICT OFFICE:
8058 FEDERAL BUILDING
650 CAPITOL MALL
SACRAMENTO, CA 95814
(916) 651-2846

Mr. Bruce Reed
Deputy Assistant to the President for Domestic Policy
Old Executive Office Building, Room 216
17th Street and Pennsylvania Avenue
Washington, D.C., 20500

Dear Bruce:

Enclosed is a proposal from La Cooperativa Campesina de California containing an intriguing idea for consolidating some of the differences for many public welfare agencies and services. La Cooperativa's suggestions have received the endorsements of the governors of California, Hawaii, Oregon, and Washington.

La Cooperativa's proposal would increase the economic self-sufficiency of immigrant migrant-working families by building on the values already present in the family. It provides a flexible and comprehensive model for employment assistance and training services for Hispanic and other limited English proficient families. Besides creating a more capable work-force, an investment in the education and training of these workers could save substantial amounts in public assistance.

Thank you for your time and consideration. I look forward to hearing your opinion on this material.

Sincerely,



Robert T. Matsui
Member of Congress

LA COOPERATIVA
CAMPESINA
DE CALIFORNIA

George L. Ortiz
Chairman

Raul Meyreles
Executive Director

July 20, 1993

Honorable Robert T. Matsui
2311 Rayburn House Office Building
Washington, D. C. 20515

Dear Congressman  Matsui:

Regarding the recent discussion between Tom Keaney and Joe Velarde, enclosed is a copy of the Executive Summary of the Family Self Sufficiency Project, developed by Pacific Community Partners, a coalition of community-based, nonprofit, service delivery organizations, in which La Cooperativa is a principal shareholder.

We firmly believe that only by coordinating and integrating services at local levels, can the growing problems of unemployment and underemployment, with their disastrous effects on family and community integrity, be properly controlled and managed. This is especially significant for the low-income population, which includes the vast majority of immigrants, refugees, farmworkers, and an increasing number of dislocated workers.

Our efforts to advance this "family-centered" approach to delivering all employment and training, education, and support services, from the status of a unique concept to that of a fully developed project have been underway since the presidential victory of the Democratic Party last Fall, which brought with it a promise of real changes for the first time in 12 years. Current representatives of the U. S. Departments of Education, Health and Human Services, and Labor have shown an interest in the project's innovative potential, and especially so in the latter department. The enthusiastic endorsement of the governors of the participating states of California, Hawaii, Oregon, and Washington is evident in the enclosed copies of their letters to the Secretary of Labor at the time, the Honorable Lynn Martin.

We seek your assistance in bringing this "mold-breaking" project to the attention of Mr. Bruce Reed, the President's Advisor on Domestic Policy, primarily because we recognize that it needs to be assessed from an integrated, national perspective. A "macro-view" is important in order to fully appreciate its innate potential for bringing about methodological changes in the existing human and social services delivery systems that, heretofore, have had very limited success in helping to resolve what is perhaps the most serious of President Clinton's domestic problems: unemployment.

May we thank you in advance for your continued support of our efforts, and also take this opportunity to wish you good health and success in all of your work. Please be assured of our highest esteem and regard.

Sincerely,


Raul Meyreles
Executive Director

George L. Ortiz, Chairman
Pacific Community Partners

2101 Capitol Avenue Sacramento California 95816

(916) 442-4791 Fax (916) 441-2326

PACIFIC COMMUNITY PARTNERS

FAMILY SELF SUFFICIENCY PROJECT

EXECUTIVE SUMMARY

GOAL

To implement a comprehensive, inter-agency, multi-service program to strengthen the self sufficiency of low income families by building on the inherent self-reliance and family values of immigrants.

PACIFIC COMMUNITY PARTNERS

A coalition of nonprofits, it is the largest and most effective community based provider of basic education, ESL, and employment and training services to Hispanics, other immigrants, and farmworkers on the Pacific Coast. It consists of the La Cooperativa Campesina membership, Hermandad Mexicana Nacional and Templo Calvario Legalization and Education Center, and Oregon, Washington and Hawaii Human Development. California Human Development Corporation is the lead agency and fiscal agent.

TARGET GROUP

Low income, primarily Hispanic, rural and urban, limited English-speaking, immigrant families in California, Oregon and Washington and Filipino and other farmworker families in Hawaii.

POPULATION CHARACTERISTICS

This population of new Americans is young, mobile and strongly motivated, but constrained by education and limited English to working in poorly-paid jobs which provide an unstable livelihood. This working-poor population has strong family values and traditions of informal self-help and community participation, but widespread poverty makes life difficult and stressful.

Many families piece together a series of short-term jobs in entry-level manufacturing or service industries while working seasonally as migrant workers traveling a circuit including different regions of California, Oregon, and Washington. Although current labor force participation is high and welfare dependency low among these families, chronic under-employment and seasonal unemployment undermine family self-sufficiency.

Because of language barriers, mobility, and avoidance of established institutions, they have very limited access to education and services that would improve their well being. Their language and basic skills deficits, low income, and the unpredictability of farm work and casual labor, put them at substantial risk of needing to rely on public assistance and benefits for survival. An investment in training and education is an effective way of guaranteeing the long-term economic self sufficiency of these workers and their families.

PROGRAM DESIGN

The two-year project will achieve family self sufficiency by providing family case management through an established network of local, community-based service providers. Bilingual Case Managers will enroll and assess the entire family; develop an education and service plan in consultation with the primary wage earner and other responsible adults in the family; coordinate the delivery of primary services by the community agency and by individual referral to other public resources; provide supportive services necessary to realize planned goals; and follow up and monitor progress to ensure that services are accomplishing real changes.

The case management system will combine the resources of the Departments of Labor, Health and Human Services, and Education in a demonstration, integrated inter-agency effort. To access and track a variety of services to several members of a family, the recently developed Smart Card Technology will be used.

PROGRAM SERVICES

Case Management and Core Life Skills Training provide the matrix for integrating a range of primary training and educational services which include:

- ◆ Core Life Skills (Survival English, Analytical Skills, Parenting, Basic Health, Community Resource Access, Civics, Citizenship, and Problem Solving);
- ◆ School Advancement (Tutoring and Scholarship Assistance);
- ◆ Job Training and Placement (Vocational Classroom Training and OJT);
- ◆ Basic Education and ESL (English, Basic Educational Skills, Family Literacy and GED prep);
- ◆ Community Service (Summer Youth Employment, Community Service, Senior Employment and Work Experience);
- ◆ Career Advancement (Continuing Education, Workplace Literacy, Certification and Special Permits).

Long term employment training may last from six to 24 months. Supportive services will include child care, transportation; nutritional, housing and emergency assistance to make completion of training possible; job development, placement and job retention services; income stabilization, legal, immigration and health counseling. A small economic development program, linked with the training program, will provide small business assistance, entrepreneurial training, and incentives to participating firms who expand their workforce to hire enrollees.

DEMONSTRATION FEATURES OF THE PROJECT

- ◆ A focus on involving and serving the whole family;
- ◆ Pooling funding from several categorical programs to allow more versatile services;
- ◆ A core life skills curriculum as the basis for lifelong learning and problem-solving;
- ◆ A widespread network to serve urban-rural migrants--"anytime, any place";
- ◆ Continuing counseling support over a long-term period to consolidate achievements; and,
- ◆ Accessing and tracking client use of services using Smart Card technology.

The integrated service delivery network and "enhanced" case management approach provides opportunities for a wide range of federal agencies to explore a new approach to inter-agency collaboration and increasing service effectiveness, while systematically broadening the menu of services provided by Pacific Community Partners. Funding is being sought initially from the Departments of Labor, Health and Human Services, and Education.

SMART CARD TECHNOLOGY UNDERLYING THE SERVICE DELIVERY SYSTEM

An exciting potential Smart Card use is combining multiple human service providers' client information including education, training, counseling, medical, family service, transportation, and emergency medical on one card. Adding the dimension of the whole family as the basis for tracking service interventions offers major service coordination breakthroughs.

The ability to link service providers and to chart service planning, receipt and outcomes can be a dramatic human services milestone. The underlying premise is that a core set of data must be commonly defined, collected and shared regardless of funding source or reporting requirement. This will help break down the information barriers among programs. These barriers are often times arbitrary at best and regressive at worst.

Relying upon Smart Card technology will automate many of the routine administrative tasks and transactions which have constrained traditional efforts in case management. The Smart Card-based management information system will link together Pacific Community Partners' four-state regional network and greatly facilitate efficient and effective service to migrant families. The Smart Card is an especially powerful and appropriate technological tool when a program participant is likely to use several service providers or when the service provider has multiple locations that are not linked by computer as is the case with the Pacific Community Partners' widespread service network.

EVALUATING AND REPLICATING THE PROGRAM

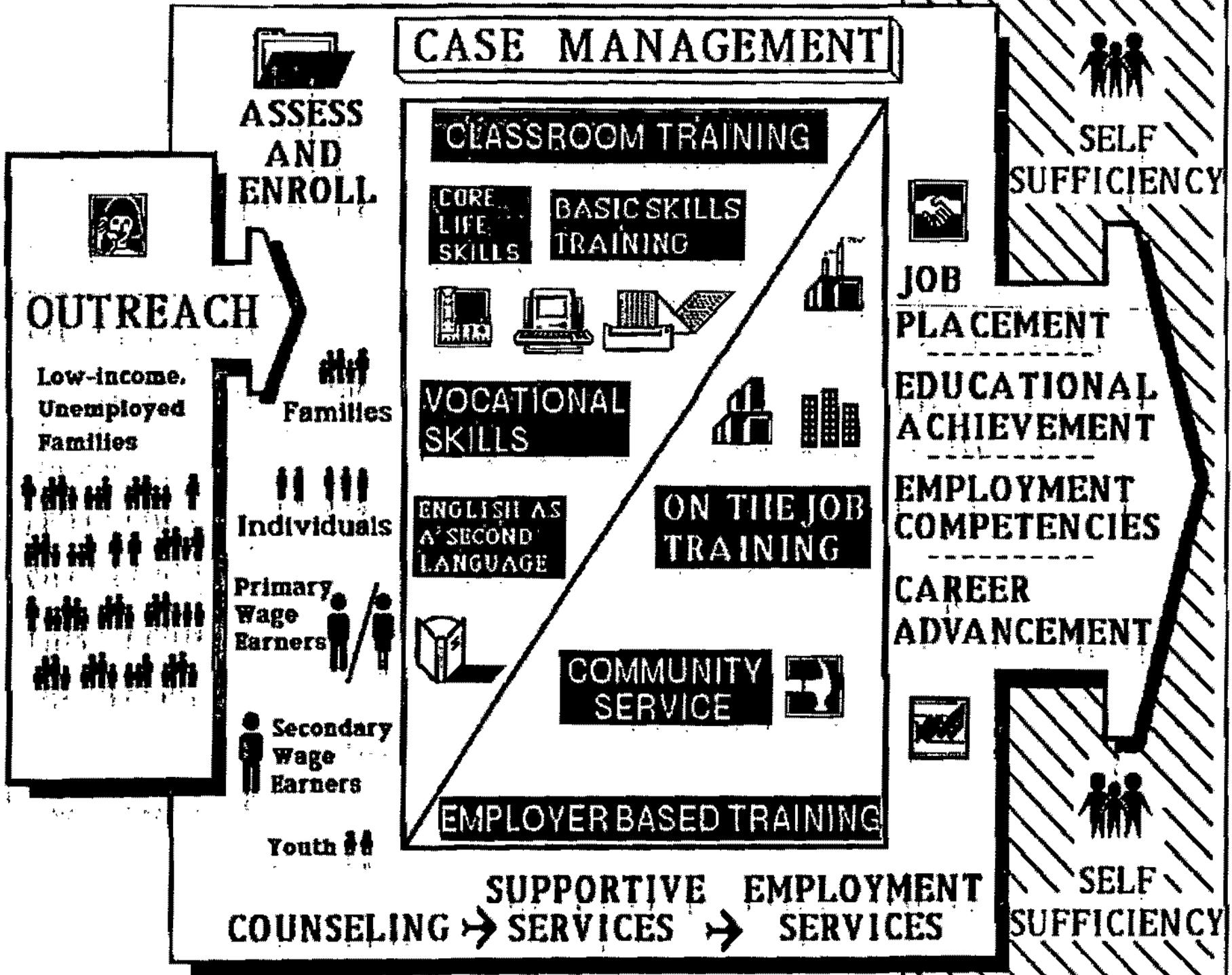
Pacific Community Partners' family-centered, multi-service strategy represents a sharp departure from current highly targeted, client-centered, and narrowly specialized program designs. Impact on individual client and on whole families will be tracked using multiple indicators of learning, employability gains, and long-term post-program follow-up. The integrated Smart Card-based management information system will generate consistent high-quality data on services received. The evaluation framework will address the efficacy of serving whole families versus individual clients. Documentation of the program implementation challenges and organizational problem-solving strategies will provide useful guidance for efforts to replicate the program.

FOR FURTHER INFORMATION CONTACT:

George L. Ortiz or Chris Paige

California Human Development Corporation
3315 Airway Drive
Santa Rosa, CA 95403

(707) 523-1155



PACIFIC COMMUNITY PARTNERS**Goal:****SELF SUFFICIENCY**

- DECREASED PUBLIC ASSISTANCE
- INCREASED ANNUAL INCOME
- DECREASED RISK FACTORS
- INCREASED SELF SUFFICIENCY

FAMILY CASE MANAGEMENT**Goal:****Family Service Plan & Management**

- Family Enrollment [Multiple]
- Family Goal Setting & Decision Making
- Family Self Sufficiency Assessment
- Family Self Sufficiency Planning & Implementation

EDUCATION AND TRAINING

Component (Participants)	Activities	Outcomes
A. Core Life Skills (All Family Participants)	Survival English, Parenting, Basic Health, Community Resource Access, Civics, Citizenship, Problem Solving	<ul style="list-style-type: none"> - Survival Skills - Improve Access - Decrease Risk Factors
B. School Advancement (In School Participants)	Tutoring/Scholarship Assistance	<ul style="list-style-type: none"> - Retention/Advancement in School - School/Work Transition
C. Job Training/Placement (Primary Wage Earners)	Vocational Training, OJT	<ul style="list-style-type: none"> - Good Jobs
D. Basic Education/ESL (Skills Deficient, Limited English)	Family Literacy, ESL, GED, Basic Math	<ul style="list-style-type: none"> - Increase in basic skills
E. Community Service (Youth, Seniors, Disabled)	Summer Youth Employment Program, Senior Employment, Community Service Corps, WEX	<ul style="list-style-type: none"> - Reinforce Other Components, e.g., Summer Jobs For In-School Kids - Income Stabilization
F. Lifelong Learning (Underemployed & Employed Seeking Advancement)	Workplace Literacy, Continuing Education	<ul style="list-style-type: none"> - Upward Mobility - Job Retention

ECONOMIC DEVELOPMENT

Goals:
Job Creation
Income Stabilization

- Entrepreneurial Training
- Business Planning
- Loan & TA Access Assistance

SUPPORTIVE SERVICES

Goals:
Emergency Assistance/Crisis Intervention
Resolve Barriers To Training
Resolve Barriers To Placement
Resolve Barriers To Advancement

- Child Care/Development
- Housing Shelter
- Medical
- Nutrition
- Transportation
- Immigration



GOVERNOR'S OFFICE

January 5, 1993

The Honorable Lynn Martin
Secretary
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Dear Madam Secretary:

The State of California strongly endorses the proposal presented by the California Human Development Corporation and affiliate organizations to provide comprehensive employment assistance and training services for displaced limited English proficient workers and families.

As you know, downturns in the economy and several natural disasters have forced California's jobless rate significantly above the national average. A program such as the one before you includes the necessary service and education components to put people back to work in California. This program receives my personal support because it focuses on welfare prevention and self-sufficiency for its participants.

California's diverse economy and ethnic composition requires innovative approaches to meet our residents' education and training needs. Having had the opportunity to work closely with the applicants during the relief effort for the December 1990 agricultural freeze, I am confident in their ability to provide and coordinate the services vital to the success of this project.

I also approve of the U.S. Department of Labor's plan to contract directly with the applicant for the provision of services as identified in the proposal. As Governor of the State of California, I pledge the support of state agencies that will coordinate with the applicants to ensure efficient and expedient service delivery.

It is my hope that programs such as the one proposed by California Human Development Corporation will serve as a model for the nation, as we all seek to prepare our workers for a changing national economy. I urge your prompt support of this program.

Sincerely,

A handwritten signature in black ink that reads "Pete Wilson".
PETE WILSON



EXECUTIVE CHAMBERS
HONOLULU

JOHN WAIHEE
GOVERNOR

December 17, 1992

The Honorable Lynn Martin
Secretary of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Dear Madam Secretary:

The State of Hawaii endorses the innovative proposal to provide comprehensive employment assistance and training services for Filipino, Hispanic, and other limited English proficient displaced workers submitted by California Human Development Corporation dba Hawaii Human Development (HHD).

We also approve of the U. S. Department of Labor's plan to contract directly with the applicant for provision of services as identified in the proposal. Furthermore, the State of Hawaii agrees that appropriate State agencies such as the Employment Service Division and the Office of Community Services will coordinate with HHD to ensure cost-effectiveness and continuity and to avoid duplication of effort.

Hawaii is subject to severe economic dislocation and plantation closures due to technological changes in agriculture and fluctuations in the global economy. It is our hope that this project will provide the State and nation with new, flexible models of retraining displaced workers which promote self-sufficiency for the entire family while giving the primary wage earner the skills needed to meet the challenges of our changing workplace.

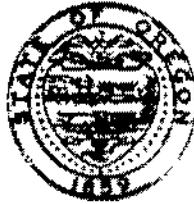
With kindest regards,

Sincerely,

A handwritten signature in black ink, appearing to read "John Waihee".

JOHN WAIHEE

BARBARA ROBERTS
GOVERNOR



OFFICE OF THE GOVERNOR
STATE CAPITOL
SALEM, OREGON 97310-0370
TELEPHONE: (503) 378-3111

December 22, 1992

The Honorable Lynn Martin
Secretary of Labor
U. S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

Dear Secretary Martin:

The State of Oregon endorses the innovative proposal to provide comprehensive employment assistance and training services for Hispanic and other limited English proficient families submitted by California Human Development Corporation, which does business in our state as Oregon Human Development Corporation (OHDC). We also approve of the Department's plan to contract directly with the applicant for provision of services as identified in the proposal.

Further, The State of Oregon agrees that appropriate state agencies such as the Employment Service and the Housing and Community Services Department will coordinate with OHDC to ensure cost-effectiveness and continuity with no duplication of effort. It is our hope that this project will provide the state and nation with new, flexible models of retraining displaced workers which promote self-sufficiency for the entire family while giving the primary wage earner the skills needed to meet the challenges of our changing workplace.

Cordially,

Barbara Roberts
Governor

cc: Lazaro B. Sanchez, Vice-President
Oregon Human Development Corporation

Steve Minnich, Administrator
State of Oregon, Adult and Family Services

Pamela Mattson, Administrator
State of Oregon, Employment Division

Rey Ramsey, Director
State of Oregon, Housing and Community Services



STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

OLYMPIA
88504-0413

BOOTH GARDNER
GOVERNOR

December 18, 1992

The Honorable Lynn Martin
Secretary of Labor
U.S. Department of Labor
200 Constitution Avenue, Northwest
Washington, D.C. 20210

Dear Secretary Martin:

The state of Washington endorses the innovative proposal to provide comprehensive family self-sufficiency services through welfare prevention for Hispanic and other limited English proficient families submitted by California Human Development Corporation, which does business in our state as Washington Human Development (WHD). We also approve of the Department's plan to contract directly with the applicant for provision of services as identified in the proposal.

Further, the state of Washington agrees that appropriate state agencies such as the Department of Social and Health Services and Employment Security will coordinate with WHD to ensure cost-effectiveness and continuity with no duplication of effort. It is our hope that WHD's project will provide the state and nation with new, flexible models which achieve long-term self-sufficiency for the entire family by giving family members the skills needed to meet the challenges of modern living.

Sincerely,

Booth Gardner
Governor

PACIFIC COMMUNITY PARTNERS

FAMILY SELF SUFFICIENCY PROJECT

A Comprehensive, Interagency
Multi Service Program
Which Will Strengthen The
Self Sufficiency Of
Low Income Immigrant Families
By Building On Their
Inherent Self Reliance And
Family Values

ABOUT *PACIFIC COMMUNITY PARTNERS*

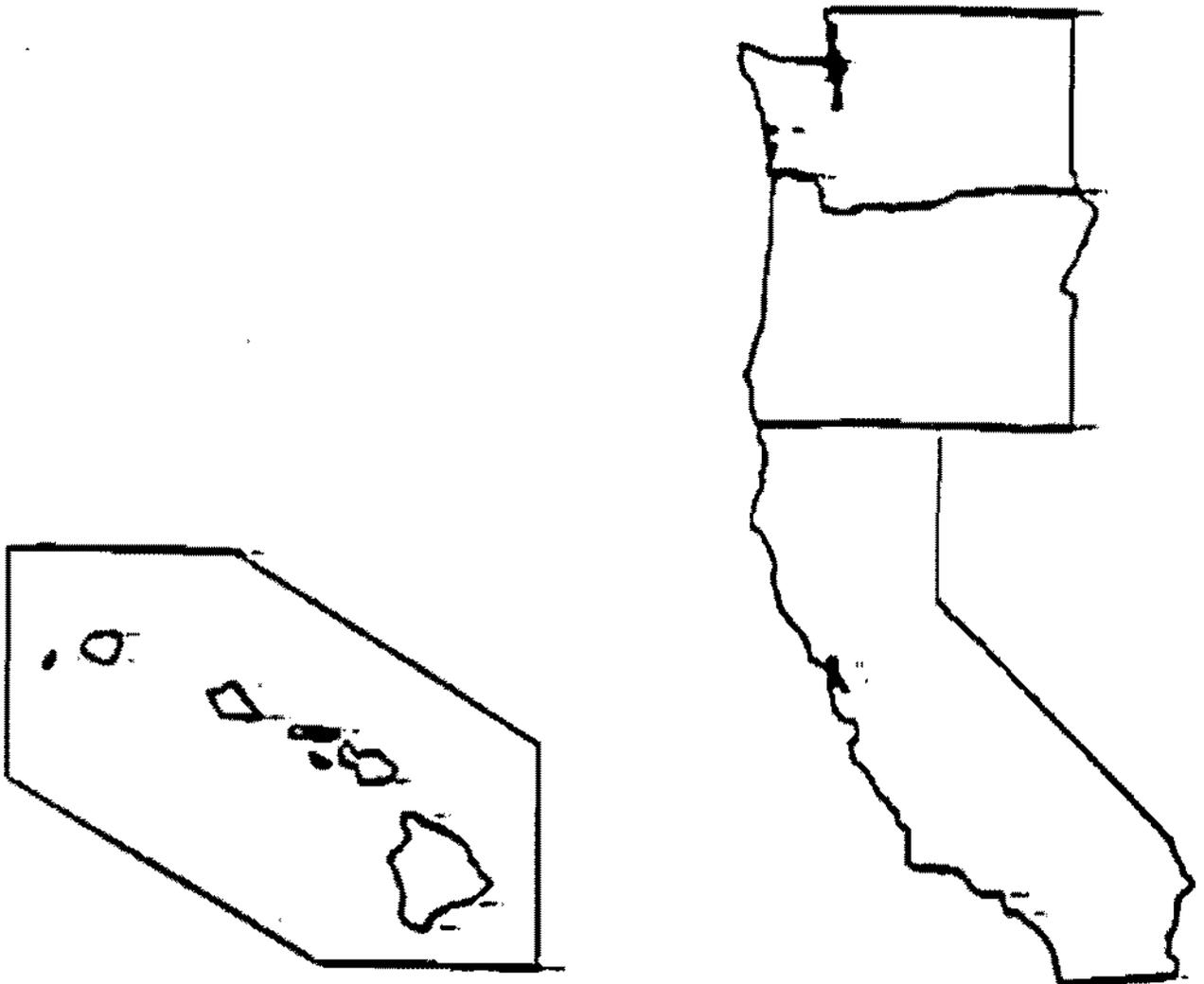
A Coalition of community-based non-profit organizations

**California Human Development Corporation
Hawaii Human Development
Oregon Human Development Corporation
Washington Human Development
La Cooperativa Campesina de California
Proteus Inc.
Central Valley Opportunity Center
La Hermandad Mexicana Nacional
Templo Calvario Legalization and Education
Center
Employers Training Resource**

- ▶ This coalition is the largest provider of services to immigrants on the Pacific Coast.**
- ▶ California Human Development Corporation will act as the lead agency on behalf of the partnership.**

PACIFIC COMMUNITY PARTNERS

**Provides services in the States of
California, Oregon, Washington, and Hawaii**



OUR CHALLENGE

- ▶ Providing families with integrated, comprehensive strategies that address family self sufficiency.

- ▶ Empowering families to act as a decision making unit.

- ▶ Integrating a recently immigrated, largely unskilled, limited English speaking workforce with the skill requirements of a transforming American economy.

- ▶ Providing individuals and families with both basic and vocational skills that will allow them to secure non-seasonal, well paid employment in the jobs of today as well as the jobs of tomorrow.

WHY DO WE NEED A NEW PROGRAM DESIGN?

Current efforts to meet these challenges are fragmented into categorical programs which:

- ▶- Lack focus on the whole family
- ▶- Duplicate services such as intake and assessment
- ▶- Are not consumer oriented: they fit the client to the program, not the program to the client
- ▶- Make inter-agency cooperation difficult
- ▶- Do not link training and other services to economic development
- ▶- Increase administrative costs
- ▶- Are limited to short term quick fixes
- ▶- Do not promote lifelong learning

Therefore:

- ▶- Are not investment oriented and long term in nature
- ▶- Fail to address broad issues of self sufficiency and welfare prevention

THE TEAM MEMBERS

U.S. Department of Labor

U.S. Department of Health and
Human Services

U.S. Department of Education

U.S. Department of Commerce

State of California

State of Oregon

State of Washington

State of Hawaii

Pacific Community Partners

TARGET GROUPS

Immigrant Families

Rural and Urban
Migrants
Unemployed
Underemployed
Dislocated
Farmworkers

Strengths

Strong family values and networks
High rates of labor force participation
Low rates of welfare dependency
High motivation to improve

Risk Factors

Limited in English
Unemployment, dislocation or seasonal employment
Limited in basic skills
Failure to progress in and/or complete school
Limited in vocational skills needed in the labor market.
Potentially welfare dependent
Matrix of other risk factors e.g.: lack of shelter, family violence and substance abuse.

PROGRAM DESIGN AND SERVICES

Family Case Management Framework

- Family Self Sufficiency Assessment by bilingual counselor
- Evaluation of risk factors
- Family Self Sufficiency Plan development
- Active involvement of family in decision making
- Any time, any place, access to service network
- Smart Card access and tracking

Multiple Family Member Enrollments

In a comprehensive service strategy including:

Training and Education

- | | |
|---------------------|--------------------|
| Core life skills | School advancement |
| Basic education | Community service |
| Vocational training | Lifelong learning |

Support Services

- Child care
- Health
- Nutrition
- Transportation

Economic Development

- Small business assistance
- Entrepreneurial training

ROLE OF THE SMART CARD

WHAT IS A SMART CARD?

A Smart Card is a credit card with a very small built in microprocessor which:

- ▶ - Stores up to 2K of information
- ▶ - Provides privacy protection
- ▶ - Is used widely in Europe as Debit Cards

In the project, the smart card will be used to store client eligibility, assessment, and service information.

BENEFIT TO THE PARTICIPANT

- ▶ - Simplify assessment procedures
- ▶ - Move easily between providers

BENEFIT TO SERVICE PROVIDER STAFF:

- ▶ - Reduce unnecessary paperwork and speed up service management
- ▶ - Ensure consistency and accuracy of information

BENEFIT TO STATE AND FEDERAL AGENCIES AND OTHER PROVIDERS

- ▶ - Link the project with ongoing efforts
- ▶ - Provide a core set of data to foster coordination and linkages
- ▶ - Empower participants to access other services

DEMONSTRATION FEATURES

Family focus

Multiple family member enrollments

Pooled funding from categorical programs

Family case management and decision making

Core life skills curriculum linked with broad based services

Comprehensive services - "one stop shopping"

Rural/urban network of service sites

Continued education and counseling over a long period to consolidate achievements

Accessing and tracking of services using smart card technology

ROBERT T. MATSUI
FIFTH DISTRICT, CALIFORNIA

COMMITTEE ON
WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES
SUBCOMMITTEE ON TRADE
WHIP AT LARGE

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DISTRICT OFFICE
8050 FEDERAL BUILDING
850 CAPITOL MALL
SACRAMENTO, CA 95814
(916) 551-2648

Mr. Bruce Reed
Deputy Assistant to the President for Domestic Policy
Old Executive Office Building, Room 216
17th Street and Pennsylvania Avenue
Washington, D.C., 20500

Dear Bruce:

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La Cooperativa's proposal would increase the economic self-sufficiency of immigrant migrant-working families by building on the values already present in the family. It provides a flexible and comprehensive model for employment assistance and training services for Hispanic and other limited English proficient families. Besides creating a more capable work-force, an investment in the education and training of these workers could save substantial amounts in public assistance.

Thank you for your time and consideration. I look forward to hearing your opinion on this material.

Sincerely,



Robert T. Matsui
Member of Congress

June 21, 1993

Mr. William H. Kolberg
President
National Alliance of Business
10201 New York Avenue, NW
Washington, D.C. 20005

Dear Mr. Kolberg:

Thank you for your letter of June 7
enclosing the paper entitled, "A Business
Approach to Welfare Reform." I appreciate
your taking the time to share the
information with us.

Sincerely,

Bruce Reed
Deputy Assistant to the President
for Domestic Policy



NATIONAL ALLIANCE OF BUSINESS

25th Anniversary of Helping America Work

TY + cc to
Heather Ross
Paul Diamond
Bonnie Deane
Chris Lin / Debbie Finn

(We need a strategy
for business outreach.)

-BR

CM -

Make sure I
call this guy.

BR

June 7, 1993

Mr. Bruce Reed
Deputy Assistant to the President for Domestic Policy
Executive Office of the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Bruce Reed:

I am delighted to provide you with the enclosed paper, *A Business Approach to Welfare Reform*.

This paper describes some of the issues in our current system of public welfare, outlines the social and economic costs of this system, and suggests a framework for the business community's involvement in its reform. It does not attempt to answer the many questions sure to be discussed during the debate on welfare reform. Nonetheless, the paper raises the issues business believes are essential to welfare reform efforts and discusses how those issues should be addressed. Fundamentally, the paper proposes the need for a business approach to welfare reform, because there can be no comprehensive attempt at reform without employer involvement.

For the past twenty-five years, the National Alliance of Business has worked with business and all levels of government to help citizens with special problems obtain training and jobs. In this, its 25th Anniversary year, the National Alliance of Business is rededicating itself to serving as the nation's catalyst for building an internationally competitive workforce. This mission includes all Americans because we cannot afford to lose the productive talents of any citizen.

Central to this mission, are the Alliance's efforts to improve local welfare-to-work programs and, thereby, our nation's welfare system. NAB comes to this discussion as the only organization representing the role of business in welfare-to-work programs. Much of the Alliance's involvement has been aimed at increasing participation by the private sector in the development of welfare-to-work programs.

- Chairman
Joseph A. Pichler
The Kruger Co.
- President
William H. Kolberg
- Board of Directors
Leo F. Beebe
K-Tron International, Inc.
- Thomas H. Bell, Jr.
Horseshoe Management
- Edwin D. Campbell
Coalition of Essential Schools
- Bruce Carrawell
GTE Corporation
- Malcolm B. Chancey, Jr.
Liberty National Bank and
Trust Company
- John E. Clendenin
BellSouth Corporation
- Hans W. Dackler
Siemens Corporation
- Kenneth G. Docter
Prier Waterhouse
- Warren Froland
NAACP
- Jerome H. Grossman
New England Medical Center, Inc.
- Sidney Harmon
Harmon International
Industries, Inc.
- John F. Heldrich
Johnson & Johnson
- Wayland R. Hicks
Xerox Corporation
- Benjamin Hooks
NAACP
- Jerry Jackson
Entergy Corporation
- Gary Johnson
Employer National Job
Service Committee
- Elton Jolly
OIC of America, Inc.
- Glenn R. Jones
Jones Incentive, Inc.
- Corretta Scott King
The Martin Luther King, Jr.
Center, Inc.
- David M. Lawrence
Kaiser Foundation Health Plan
- Malcolm B. Lovell, Jr.
National Planning Association
- Pedro E. Mata
Grice Cocon
- Jewell Jackson McCabe
National Coalition of 100
Black Women, Inc.
- Richard L. Measelle
Arthur Andersen & Co.
- Kenwood C. Nichols
Champion International
Corporation
- John H. Ong
The HB Goodrich Company
- John E. Pepper
The Procter & Gamble Co.
- Bert G. Roberts, Jr.
MCI Communications Corp.
- Richard F. Schubert
Points of Light Foundation
- John P. Singleton
ISSC
- Gery L. Tooker
Motorola, Inc.
- Benjamin Tregoe
Kaplan-Tregoe, Inc.
- Anne-Lee Verville
IBM Corporation
- Alan J. Wurtzel
Circuit City Stores, Inc.
- Raul Yanguirre
National Council of La Raza

Since August 1990, NAB has been the prime contractor to the U.S. Departments of Health and Human Services, Labor and Education for the development and delivery of training and technical assistance to state and local Job Opportunities and Basic Skills Training (JOBS) program operators. This contract has given NAB hands-on experience in implementing welfare-to-work programs at the national, state, and local level. Additionally, through its field offices, the Alliance has also been involved in numerous welfare-to-work projects that entail providing technical assistance to states. Clearly, the Alliance has a great deal of first-hand experience which it will contribute to the formulation of any welfare reform proposal.

Knowing of your deep commitment to providing education and training opportunities that help disadvantaged citizens move toward self-sufficiency, I want to share this paper with you. I hope that this paper will be of use to you in your deliberations about welfare reform. I look forward to hearing your comments and thoughts about this important issue.

Sincerely,

A handwritten signature in cursive script that reads "Bill".

William H. Kolberg

President

National Alliance of Business

A BUSINESS APPROACH

TO

WELFARE REFORM

June 4, 1993
Washington, DC



NATIONAL ALLIANCE OF BUSINESS

A BUSINESS APPROACH TO WELFARE REFORM

Executive Summary

Today there is widespread agreement that our welfare system must be improved. Created to address economic problems of the 1930s, Aid to Families with Dependent Children is no longer suited to social conditions of the 1990s. Congress took a major step toward reforming the welfare system with passage of the Family Support Act in 1988. Even so, welfare reform continues to remain high on the public policy agenda.

Growing dissatisfaction with the system prompted President Clinton's campaign pledge to "end welfare as we know it." To fulfill this pledge, the President has outlined several principles that will guide his welfare reform proposal. He would impose time limits on the receipt of benefits, expand the Earned Income Tax Credit, toughen child support, and increase education and training opportunities for welfare recipients.

A comprehensive reform of the welfare system will require a concerted effort by, and the active involvement of, both the public and private sector. Because a strengthened and expanded welfare-to-work program is widely recognized as crucial to reform, the business community must play a critical role in this effort. As a business-led organization involved in welfare-to-work programs nationwide, the National Alliance of Business (NAB) has developed this paper to provide a business approach to welfare reform efforts.

The paper describes some of the issues in our current system of public welfare, outlines the social and economic costs of this system, and suggests a framework for the business community's involvement in its reform. It does not attempt to answer the many questions sure to be discussed during the debate on welfare reform. Nonetheless, the paper raises the issues business believes are essential to welfare reform efforts and discusses how those issues should be addressed. Fundamentally, NAB proposes the need for a business approach to welfare reform because we believe there can be no comprehensive attempt at reform or any expectation of its success without employer involvement.



This approach to welfare reform recognizes that any new or reformed system must be firmly rooted in and connected to the local labor market. Any system of public assistance that is not inextricably bound to local economic conditions and labor needs will face significant barriers in helping to move its participants to productive employment and self-sufficiency.

Reforming the welfare system will be a large and complicated undertaking. It will require addressing issues not only specific to welfare but also related to child care, health care, transportation, housing, job training and education. But if a reformed welfare system does not have at its core assimilating welfare participants into the workforce, it will achieve only limited success. American business should take part in the welfare reform debate to ensure that the redesigned system encourages work and assists participants in becoming productive members of our society.

Background

A brief scan of the current public welfare system reveals four major weaknesses. First, welfare does not reinforce values most Americans believe are important: work, family, individual responsibility, and self-sufficiency. Welfare rules penalize savings, perpetuate dependency, discourage work, and isolate recipients. In short, welfare often rewards failure not success.

Second, welfare often penalizes marriage and underwrites single parenthood. Welfare rules have traditionally imposed a stiff "marriage" penalty: women who marry a man with a job usually exceed AFDC limits on household income and thus lose their benefits. Couples who choose to live together instead of marrying suffer no such loss of income.

Third, much of what the federal government spends on public assistance to the poor is lost in an uncoordinated and inefficient system. Because this money is dispensed through so many separate programs and delivery systems with their own rules and regulations, much of it is swallowed up by an ever expanding bureaucracy for delivering social services, and never reaches the poor.

Finally, and most important from a business perspective, welfare undercuts the incentive to work. The current system is

We should look into this assertion, and see whether there's anything that can be done about it. At any rate, it would be worth knowing what kind of overhead we're talking about.



replete with rules and regulations that have the effect of discouraging those who wish to work from doing so. For many, staying on welfare is simply a matter of economics. When cash assistance, medical, transportation, housing, and child care benefits - many of which are cut for those moving off AFDC - are considered, welfare often offers a more stable income than work.

The costs of maintaining the current system must, then, be measured in both economic and social terms. Currently, Washington spends about \$150 billion a year on 75 means-tested programs for the poor. In addition, the indirect costs, in the form of higher taxes to pay for remedial education, emergency medical care, drug treatment, homeless shelters, police, courts, prisons, etc. are an increasing burden on the economy and on our society.

Even more significant, however, are the costs of losing the productive capacity of a large number of our citizens. This is a loss of the productive potential of millions of citizens who cannot, for lack of education and/or skills, compete in a global economy. Nor can these costs be measured simply in economic terms. The costs of continuing with the current system will drain our country of important human resources well into the 21st century.

A Call for Reform

A general consensus has been formed that there are deep structural flaws in our public welfare system as it currently operates. A closer look at common attitudes about welfare, however, reveals two general and distinct points of view regarding welfare recipients. Recent studies have shown that people generally view welfare recipients in one of two ways: as long-term, or "career," welfare recipients and as temporary, or "transitional," recipients. A focus group study done in California discovered that perceptions of welfare recipients generally determined attitudes about the system as a whole. Those who felt that most welfare recipients were long-term dependents of the system generally had more negative impressions than those who felt most welfare recipients were temporary participants. The significance of these findings is that while many people express general dissatisfaction with our welfare system, what is most objectionable is the long-term



dependency it allows and, at times, encourages. Thus any significant attempt at welfare reform must seriously address the long-term dependency that welfare encourages.

Welfare reform is certain to remain high on the public policy agenda as several reform proposals are being discussed and/or considered. President Clinton campaigned on the promise to "end welfare as we know it." Legislation has not yet been introduced, but the President has indicated the following principles will guide development of his welfare reform plan.

- **First, welfare should be a second chance not a way of life.** Under the Clinton plan, most recipients would have two years after they completed a training program before they would be asked to take a job either in the private sector or in public service. The President would guarantee that welfare recipients do not lose their access to health care and child care by moving into the workforce.
- **Second, every American who works full-time with a child in the home should not live in poverty.** The centerpiece of this proposal is an expansion of the Earned Income Tax Credit (EITC). The EITC is a tax credit for working families with incomes of less than \$22,370 and one child living at home. Under the Clinton plan the income threshold would be raised and the credit would be extended to poor workers who don't have children.
- **Third, federal child support enforcement would be dramatically toughened.** It is estimated that 15 million children have parents who could pay child support but do not. The President proposes having states establish paternity at the hospital and using the Internal Revenue Service to collect unpaid child support. His plan would also establish a national databank to track down deadbeat parents.
- **Fourth, education and training opportunities for welfare recipients would be expanded.** This step would build on the Family Support Act of 1988, which required states to move a portion of their welfare recipients into training programs and jobs.



Business Involvement in Welfare Reform

Under the framework of the Clinton plan, states would be accorded greater flexibility to experiment and design their own approaches to welfare reform. The President has promised to approve waivers to states for welfare reform programs that may not directly reflect the policies of his Administration, provided that there is an honest evaluation of each program.

It is in the interest of all concerned that the business community participate in any reform discussion so as to guarantee that any proposal is premised upon the goal of moving welfare recipients off public assistance and into productive employment. Because any earnest attempt at reforming the welfare system will include efforts to strengthen and expand successful welfare-to-work programs, employers' involvement is critical. Welfare-to-work programs lie at the intersection between social service agencies, education and training services, and the labor market. Meaningful business involvement can improve program efficiency and effectiveness and can significantly increase the chances that program participants will ultimately become independent from public assistance.

Welfare-to-work programs must be incorporated into our national effort to build a world class workforce. At a time when all resources of the nation's labor market must be better utilized to keep pace with global economic competitiveness, preparation of welfare recipients to meet the expanding human resource needs of business is critical. However, employment and training programs for welfare recipients will not be sufficient in and of themselves unless they leverage the interests, perspectives and resources of the business community.

Private sector employers know what job skills are needed in their industries and in their geographic areas. They understand local labor market trends that can help to guide program designs and training content. Just as business has a direct interest in welfare-to-work programs as a means to building a better workforce, so too does the nation need to develop the productive capacity of groups previously considered to be outside the mainstream of our economy to assure an adequate supply of skilled workers. Training welfare recipients to fill job vacancies in the private sector not only makes good social policy - we are dignified by our work - it is sound economic policy. In short,



A Framework for Welfare Reform

Principle 1

the business community has a stake in the success of welfare-to-work. The problems created by chronic unemployment and dependency are well documented. Because these problems demand the use of scarce resources, and because they contribute to social tensions which affect productivity and the general business climate, the public sector should be interested to have business's assistance in solving them.

Long-term welfare dependency and complex labor phenomena are issues too large and important for any one sector of society to address alone. Labor market and welfare issues are no longer just government problems. A public/private partnership based on the principles outlined below would bring the best leadership, resources, and commitment to the table in each local community to address the welfare issue.

Welfare reform should be an integral part of the effort to develop a comprehensive workforce development system that is firmly rooted in local labor market needs and opportunities.

If the United States is to remain competitive in world commerce in the 21st century, we need to invest in building the skills of our current and future workforce, and we must actively engage in partnerships to build a workforce development system that includes all our citizens. We must realize the need for the public and private sectors to collaborate on systems that optimize the full potential of our human resources.

Experts agree that we lack a coherent system for setting human resource goals and priorities at the community level and for linking employment, training, and education programs together with local employers to deliver services efficiently to meet these goals and priorities. A broad-based workforce development system would help to eliminate the inefficiencies in the current use of resources for public assistance and welfare-to-work programs. The system would be characterized by: a common point of intake; individualized assessment of clients to determine their service needs; a form of case management to see participants through the system; and a common system of placement that employers could readily access.



The lack of available resources at the state level has been a barrier to previous welfare reform efforts and to developing effective welfare-to-work programs. State budgets, severely pinched by the recession, have not been able to provide sufficient matching funds to use all of the available federal money. A comprehensive and well-coordinated workforce development system would increase the probability that adequate funding is available at the federal, state, and local level to meet the needs of our current and future workforce.

Another barrier to improved welfare-to-work programs is the lack of coordination between different federal and state agencies and the programs they administer. The result of this is more often than not an incoherent effort between different parts of the system that do not work together toward complementary goals. Welfare-to-work program administrators have expressed a great desire for a more integrated and better coordinated system. Legislative changes would be required to correct some of the problems, but with influence of the private sector, a workforce development system could accomplish much administratively to improve coordination and reduce paperwork. Such a system would provide the context for making decisions about investing in our human resources today for the benefit of our future economic competitiveness.

The crucial components of any welfare-to-work program are education and job training. These components, however, are also expensive. Viewed in the short term these services do not seem to justify their costs. Viewed in the long term as part of an overall effort to build an internationally competitive workforce, they are a wise investment in our future. A comprehensive workforce development system implemented at the state and local level would serve clients more efficiently.

The key component of a workforce development system should be a network of business-led Workforce Investment Councils to be established in every labor market in the country. The Councils would overcome the inefficiency of our current fragmented and frequently duplicative approach to local labor market program administration by overseeing the operation of a more efficient, integrated system of service delivery. In fact, several states have utilized the existing Private Industry Council system to serve this function.

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Within a framework of federal and state policy leadership and support, the Councils would negotiate among existing federal, state, and local training and work-related education programs.

A restructured welfare program that is integrated into a larger workforce investment system would provide a more efficient way of moving participants into productive employment. Education and training programs would be responsive to local economic conditions and participants would be provided training appropriate to those conditions. Such a system would allow welfare to return to its intended role of providing participants with temporary assistance as they prepare to enter or reenter the workforce.

Principle 2

Welfare reform should build on the Family Support Act of 1988 to expand education and training programs that help welfare recipients become job-ready and employed.

In 1988, Congress enacted the Family Support Act (FSA), which established a new employment and training program for recipients of AFDC called the Job Opportunities and Basic Skills Training (JOBS) program. The purpose of JOBS is to assure that needy families with children obtain the education, training and employment that will help them avoid long-term welfare dependence. JOBS requires states to set up welfare-to-work programs, to fund the programs by matching federal dollars, and to compel some welfare recipients to participate in these programs. Through these programs, participants receive basic and vocational education, job skills and job readiness training, on-the-job training and community work experience. They are also eligible to receive support services, such as transportation, child care and Medicare up to a year after they complete training.

Perhaps the most significant aspect of JOBS is its emphasis on participant responsibility. JOBS stresses that welfare recipients have an obligation to pursue the opportunities and take advantage of the activities presented to them. One of the shortcomings of the current welfare system is the absence of expectations it places on participants. Only by moving towards a policy which recognizes and rewards participants' efforts to help themselves will we eliminate the long-term nature of public



assistance. To this end, the President's proposal to impose time limits on the receipt of welfare is a step in the right direction. However, without continuing and strengthening this emphasis on mutual obligation, as required under JOBS, time limits will only be partially effective.

The foundation upon which to build welfare reform is already in place. A coordinated, comprehensive welfare system can be constructed with refinements to the existing structures and can become an integral component of the workforce development system. JOBS is the culmination of a great deal of welfare experience and reflects what programs need, such as design flexibility and the encouragement to coordinate with other, appropriate agencies and community-based organizations. In fact, most interested parties believe that the ingredients for a successful welfare-to-work program are contained in JOBS.

Many observers also recognize that the potential for success in an expanded Family Support Act and JOBS program lies in their emphasis on individualized services and assistance. Many of the education and training programs in states, however, are not capable of addressing the unique needs of welfare recipients. Target groups from welfare-to-work programs differ from those that have traditionally been served effectively by education and training programs. When compared with other students in education and training programs, welfare recipients have generally been found to have lower average achievement, lower average motivation, greater need for support services, and a higher incidence of personal problems. Welfare-to-work programs should be designed with the flexibility necessary to address different needs.

Because of welfare recipients' special needs, states and localities have found it necessary to adapt existing education and training programs. Many education providers have found that welfare recipients by and large require more counseling than non-welfare recipients. Others have adapted their established curricula to meet the needs of welfare recipients. In some local education agencies in California, for example, educators decided to create classes expressly for adult welfare recipients. The Job Training Partnership Act (JTPA) is moving toward a system with an assessment process and an array of appropriate services that succeed in matching services to the person. The effort needs to be expanded to include JOBS participants.



Another significant aspect of the JOBS program is its emphasis on providing work experience. Many JOBS programs use Community Work Experience or Work Supplementation not as ends in themselves but as components of a program designed to prepare participants for work. As a component, work experience is a way for the participant to make choices about potential professions, become accustomed to the job readiness skills that a permanent position requires, and to develop additional skills. In addition, the program staff can use work experience as an assessment tool of a participant's training or education needs.

The Family Support Act of 1988, and specifically the JOBS program, lays the groundwork for reforming the welfare system. The Act's emphasis on participant responsibility, the importance it places on the provision of employment and training services to welfare recipients, and its encouragement of employment programs such as Community Work Experience and Work Supplementation, begin to move in the direction of a reformed and improved welfare system.

Principle 3

Public service employment should be evaluated by weighing the benefits it would provide against the costs it would impose.

The idea of mandating some type of work experience is controversial because it inevitably leads to a debate about public service employment. The President has said that under his plan after two years welfare recipients would be asked to take a job in either the private or public sector. Presumably, those unable to find private sector jobs would be placed in some type of public service employment. The questions associated with public service employment are too numerous to be discussed definitively in this paper, yet it is clear that, however well-designed and well-constructed a public service employment program is, it should not be a permanent alternative to unsubsidized private sector employment. Additionally, public service employment should not position welfare recipients against unionized workers, dislocated workers, and existing workers for jobs. In general an effective public service employment program will need to be carefully managed to avoid pitfalls of supplanting or replacing regularly funded private sector jobs. The benefits of public service employment are the



Principle 4

values and habits of work it instills, the sense of participant responsibility it imparts, and the skills and training it provides to participants.

Welfare reform should preserve the flexibility allowed to the states and should encourage state experimentation with their own welfare plans.

The environment for welfare reform experimentation was established by the Family Support Act of 1988 and by the federal government's response to requests from the states for waivers. The states have used this flexibility and made major changes to their welfare systems. For example, Wisconsin has been a leader among states experimenting with welfare reform. Widely known for its Learnfare program, which reduces welfare benefits for teenage truancy, Wisconsin has also proposed a more aggressive child support collection system than the one found in the Family Support Act.

In Ohio, teen parents receive a bonus in their welfare grant for being enrolled in a school program leading to a high school diploma or its equivalent and for meeting monthly attendance requirements. Maryland has proposed cutting benefits for recipients not receiving preventive health care or not keeping children in school. New Jersey is experimenting with denying benefits to mothers if they have additional children. Michigan has abolished its general assistance program, which provided benefits to adults with no children. Recently, Wisconsin became the third state to begin work on a time-limit plan, joining Vermont and Florida. Vermont was granted a waiver from federal rules to proceed with its plan, Florida will submit a waiver request shortly, and the Wisconsin legislature will soon vote on its time-limit proposal.

Much of the progress that has been made on welfare reform has been the result of ideas like these developed, tested, and refined at the state level. Almost every state has some experimental innovative approach in its welfare-to-work program and although many state experiments will be controversial, it is through state flexibility and experimentation that widely acceptable program solutions will be found. Allowing, indeed encouraging, these demonstrations to continue should be a key component of a reformed welfare system.



Principle 5

Welfare reform should preserve the safety net for children and the disabled. Furthermore, steps should be taken to address the root causes of poverty and avert welfare dependency before it begins.

The goal of all welfare-to-work programs should be to help participants find productive employment and become contributing members of our workforce and society. However, programs should not be considered to have failed if all participants in them do not reach this goal. There will still remain a segment of the welfare population which will have great difficulty becoming self-sufficient. There are a number of welfare recipients who cannot work because of age or disability. In the efforts to reform the welfare system it is essential that we not lose sight of our commitment to providing citizens a safety net below which no one is allowed to fall.

Today, the business community is defining its role in public policy by seeking greater involvement in school reform, vocational education, dislocated worker training programs, job-training for the disadvantaged, school-to-work and youth apprenticeship programs. As the business community continues to provide input into these and other critical issues affecting the quality of the American workforce, questions about long-term welfare dependence will be addressed. Many of the flaws of our welfare system today could be corrected by taking action sooner and addressing problems before they occur.

A Role for Business

Although the proposed framework for reform is primarily addressed to public-policy makers, there is a distinct but closely related role for the business community. As detailed earlier in this paper, business has a critical stake in the success of our welfare-to-work system. As this system is further integrated into a workforce investment strategy, the business community's stake becomes even higher and the benefit of having business involved in the design and implementation of welfare-to-work programs is even greater.

Businesses can help ease the transition from welfare-to-work by adopting voluntary "family friendly" policies that recognize the



barriers many welfare recipients face in gaining full-time employment. Many of the hurdles welfare recipients face in maintaining productive employment are only indirectly related to income. AFDC recipients often have child care, transportation, health care and other needs that prevent them from finding and maintaining full-time jobs. Recognizing the interrelationship between these issues and the welfare reform debate is a necessary first step in constructing a more enlightened welfare system. These are issues to be addressed by both the public and private sectors. There are, nevertheless, steps the business community can take voluntarily to remove some of the obstacles welfare recipients face on their path to self-sufficiency.

Many companies, large and small, have begun to adopt policies that provide support for employees struggling to balance family, health, transportation, and other concerns. These concerns are often what keep welfare recipients from maintaining employment. The extent to which businesses can address them will be a critical factor in the success of reformed welfare system.

Additionally, employers have a key role to play at the local, state, and federal levels in the design and implementation of welfare-to-work programs and welfare reform strategies.

At the local level, businesses are often the best predictor of labor market trends and needs. Businesses also know the skills required of the current and future workforce in their industries. The business community can bring this knowledge and experience to the development of effective welfare-to-work programs. Local private sector leaders can serve an important role as outside brokers, or barometers, for public programs related to employment and training. Very often it is the "neutral" business volunteer who motivates public agencies and officials to work more effectively and to coordinate resources more efficiently toward a common goal.

At the state level. Many of the most innovative ideas on welfare reform have emerged from state efforts to restructure their programs. States will continue to experiment with ideas and as such it is at the state level where business can have an impact on overall policy direction. Critical to the success of programs at this level is the ability to coordinate statewide public/private employment and training strategies.



Summary and Conclusions

At a time of limited public resources, coordination among job training and education programs is a critical common sense issue for employers. Welfare-to-work programs should be coordinated with other employment and training resources available for similar population groups. This can be done through comprehensive state-level coordination policies that provide criteria for coordination in the local planning process.

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At the federal level. AFDC has been and remains a federally funded program. Overall policy decisions that impact welfare programs will be made in Washington. The business community can make its voice heard as the Administration, the Congress and national organizations frame a redesigned welfare system. Appropriate issues for the business community to raise at the federal level include: increasing incentives for welfare recipients to seek and maintain employment; creating incentives for employers to hire welfare recipients; developing program performance evaluation criteria; and simplifying program requirements.

President Clinton has indicated that welfare reform will be prominent on the domestic public policy agenda. There is nearly universal agreement that the current system has several fundamental problems and serves to perpetuate the conditions it was designed to correct. The question is no longer whether something needs to be done but rather what can be done.

The business community can help to answer this question by advocating policies that have productive employment as their end results. The issues confronted in moving welfare recipients into productive employment are directly related to issues in building a world-class workforce capable of competing in the global economy.

The debate on welfare reform will require that we address many broad issues including the proper role and responsibility of federal, state, and local governments, their relationship with the business community, the reciprocal obligations of those receiving public assistance, and the most appropriate way to empower those in poverty to take control of their own lives.



THE WHITE HOUSE

WASHINGTON

May 18, 1993

Dr. Stephen H. Wirls
Assistant Professor
Franklin & Marshall College
P.O. Box 3003
Lancaster, Pennsylvania 17604-4356

Dear Dr. Wirls:

Thank you for your letter of May 6 enclosing a policy recommendation on welfare reform. The disciplined workfare proposal is an interesting idea and I appreciate your taking the time to write.

We appreciate your interest in reforming our nation's welfare system and welcome your ideas.

Sincerely,

A handwritten signature in dark ink, appearing to read 'BRUCE REED', written over a light-colored background.

Bruce Reed

Deputy Assistant to the President
for Domestic Policy

TM for interesting idea

6 May 1993

Mr. Bruce Reed
Deputy Assistant for Domestic Policy
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. Reed,

Enclosed is a policy recommendation that addresses the core dilemma of any welfare reform entailing some form of disciplined workfare: that is, time limits and sanctions. It attempts to accommodate the humanitarian concerns that inhibit systems of limits and sanctions. It is guided by a principle of personal responsibility. I thought you might find it interesting and, perhaps, useful.

Yours,



Dr. Stephen H. Wirls
Assistant Professor

To: Mr. Bruce Reed, Deputy Assistant for Domestic Policy
Re: Welfare reform and the 'sanction' problem.
From: Dr. Stephen H. Wirls, Franklin and Marshall College, Lancaster, PA.

Welfare reform is demanded not only by the actual flaws in the current system but also by a public feeling that relief programs are abused, a feeling that infects attitudes toward almost every program to ameliorate the failures of our otherwise desirable system of economic distribution. The most promising sort of reform, in which public assistance is contingent upon training and work, is aimed at both problems.

However, every "workfare" plan faces the dilemma of enforcement. Unless we assume away all characteristics of an "underclass," some sanction is necessary to overcome bad habits and immediate convenience. Otherwise the program may become a costly cycle back to the dole.

Cutting off all assistance after a probationary period is a brutal sanction. Some cases, as those involving drug dependency, are more intractable. The most potent criticism is that any palpable sanction against the adult(s) unavoidably harms the children. Some proposals make a formal distinction between child maintenance payments, which would be preserved, and other components of AFDC, which could be cut. Obviously, this is a comforting but merely formal distinction which could not be enforced in practice. Within these terms, the only way to protect children from the effects of a sanction would be to remove them from parental custody. Such a policy would, with good reason, kill any welfare reform program.

In sum, the tough sanctions that are essential to any workfare reform are also a Procrustean bed that pleads for humane exceptions. Such exceptions, in turn, undermine the program's aims. Especially children become the lever, honest or contrived, that AFDC recipients can use to pry their way out of the grip of sanctions.

The only humane and politically feasible solution is a second form of sanction for the problematic cases. The alternative method of sanction I am proposing certainly intrudes on personal liberty, but it is based on the basic principle of the reform movement while being more flexible, humane, and attentive to the welfare of children.

After a probationary period, continued public assistance to especially, and maybe exclusively, single mothers with infants and young children would become contingent upon relocation into a publicly run residence with family quarters. Again, this class of recipient poses the most valid arguments, practical and moral, against any other form of sanction. Moreover, it is the least behaviorally or socially difficult class. Studies show that, once the practical impediments are removed, this group is responsive to opportunities and an ethic of personal responsibility. Consequently, this group would not tend to reproduce the same type and degree of social problems endemic to many poor neighborhoods and housing projects.

Social services would be concentrated there. Access to daycare and training would be simplified. Psychological and substance abuse problems would be more observable and treatable.

One key feature would be an incentive system based on personal liberty. All residents would be provided spare quarters, meals, and basic clothing. Greater resources and liberty would depend upon responsible action on a graduated scale: from training and maintenance of the community to full time work. As the residents acquire good habits and full time jobs, income supplements could be used for motivation to return to the larger community. This system could maximize opportunity and so the probability of productive residents. The hard cases could not isolate themselves from standards of improvement and work.

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Welfare reform and the 'sanction' problem: p. 2

Child care and maintenance of the community itself would be sources of training and experience that are transferable to the private sector. Municipal businesses requiring a range of skills, such as recycling, could be run by these communities. Enterprise zone benefits could be tied to use of the residents in jobs.

Moreover, the sanction is isolated from the children. The residence community would provide and monitor nutrition and participation in daycare and preschool programs. Children would see the consequences of irresponsible, and the advantages of responsible, behavior. They would be directly encouraged by resident aides and models of aspiring and working adults.

The program should begin through pilot grants to smaller cities in states with a compatible workfare program.



CENTER ON BUDGET AND POLICY PRIORITIES

Orig: CBR
xc: Gaistor
Reed
Way

April 12, 1993

Carol Rasco
Assistant to the President
for Domestic Policy
Office of the President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

File:
Welfare Reform -
Proposals

Bill: Pls. take
lead in
looking into
this.
CBP

Dear Carol:

I'm writing to call your attention to a proposed rule being written at the Department of Education that has significant implications for the ability of welfare recipients to gain access to postsecondary education and job training. The proposed rule is currently under review at the Department and will be sent to the Office of Management and Budget within a week or two. I am particularly concerned that the proposed regulation has apparently been developed with little input from political appointees and could continue an adverse Bush administration policy that effectively undermines legislation enacted last year. I have enclosed a short analysis on this matter.

In brief, the problem is that a substantial number of low income people, including many AFDC recipients, are barred from access to postsecondary education and job training by student loan defaults. Many of them were victims of abuses of the federal student aid programs by for-profit trade schools during the 1980s. Often targeted by unscrupulous schools, a significant number of welfare recipients were left with little useful training and with loan debts they cannot repay.

Many defaulted on their student loans and, as a result, have been barred by law from receiving any further federal student aid either in the form of grants or loans. In some areas, this has emerged as a significant obstacle to state welfare reform efforts. The JOBS program and JTPA typically must rely on federal student aid to cover tuition costs for clients they place in postsecondary education or training since their own program resources are quite limited. Clients who cannot obtain federal aid are denied access to postsecondary education in most cases.

Congress acted to address this problem last year in the Higher Education Amendments of 1992. This new law is designed to enable and encourage low-income borrowers who are in default to reestablish a habit of regular monthly payments on their loan, and upon doing so, to renew their eligibility for financial aid so they may

become more employable. Specifically, the law allows defaulted borrowers to renew eligibility for student aid by making six consecutive affordable monthly payments. The Congressional Budget Office has estimated that this "renewed eligibility" provision does not entail a cost. In fact, CBO has noted that the provision should bring in some revenue for the federal government by encouraging repayment from defaulted borrowers who otherwise would not be able to afford the large monthly payments normally required of those in default.

As the enclosed analysis explains, however, meaningful implementation of this remedy has been blocked by a Bush Administration policy that remains in effect. The regulations for the Higher Education Act Amendments of 1992 are the key vehicle through which this policy could be changed and the new law faithfully implemented. We do not know whether the proposed regulations now under review at the Education Department would reverse the Bush policy or maintain it. But we are concerned. We understand that there is division within OMB over what direction the Administration should take on this matter. And as noted, we also fear the rule may have been developed at the Education Department with little guidance from Clinton appointees, since the appointees in this part of the Education Department are not yet in place.

Thanks for taking time from your busy schedule to consider this issue. It was good to see you at the White House reception a few weeks ago.

Sincerely,



Robert Greenstein
Executive Director

CENTER ON BUDGET AND POLICY PRIORITIES

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Bush Administration Policy Remains Barrier to Repayment of Defaulted Student Loans by Low-Income Borrowers

by Julie Strawn

Overview

In recent years, large numbers of borrowers have defaulted on their federal student loans. A 1991 General Accounting Office report on the characteristics of defaulted borrowers found that most borrowers who defaulted had low incomes, received little or no financial support from other individuals, and had attended for-profit trade schools. Many were unemployed at the time of the default.¹ Unfortunately, a significant number of defaulters were taken advantage of by unscrupulous for-profit trade schools, which abused the federal student aid program in growing numbers during the 1980s. In 1990, according to GAO, students attending proprietary schools represented 41 percent of borrowers but 77 percent of those that had defaulted.

Defaulted borrowers often received little or no training. Many continue to need further education or training to become employable or to earn a wage that lifts them out of poverty. Yet by law, their loan defaults bar them from receiving further federal student aid, whether in the form of grants or loans. Moreover, loan guaranty agencies typically require that defaulters on student loans make a large up-front payment — or even pay the entire amount owed — to bring their loans out of default. This creates a disincentive for low-income borrowers to make any payments at all, as making smaller, more affordable payments will not change their default status or make them eligible for further aid.

Last year Congress revised federal student aid policies, with the enactment of the Higher Education Amendments of 1992. An important provision of the new law was intended to address these problems; it allowed borrowers with defaulted loans to qualify for new federal aid after making six consecutive monthly loan payments. Under this "renewed eligibility" provision, these payments must be affordable based on each borrower's financial circumstances. At the end of the six months, the borrower is eligible again for student aid (though still liable for the balance of the loan).

The renewed eligibility provision has two aims. First, this provision will encourage repayment by borrowers who are unlikely otherwise to be paying anything on their loans. The Congressional Budget Office has estimated that the renewed eligibility provision will have a small but positive budget impact by increasing collections on

¹ *Student Loans: Characteristics of Defaulted Borrowers in the Stafford Student Loan Program*, General Accounting Office, April 1991.

defaulted loans. A second goal of renewed eligibility is to allow defaulted borrowers, many of whom receive public assistance, to regain access to student aid in order to receive further education and training and become more employable.

The Bush Administration blocked meaningful implementation of the renewed eligibility procedure, however, by directing loan guaranty agencies to set the required six monthly payments at a minimum of \$50 per month or to document the basis for setting a lower payment in each case where a lower payment amount was allowed.² While this policy might seem workable in theory, in practice guaranty agencies have been very reluctant to set lower payments without specific criteria from the federal government as to when a lower payment is justified, and no such criteria have been provided.

Guaranty agencies have responded in two ways. Some are continuing the current practice of requiring large up-front and sizable monthly payments from defaulters until federal rules are published. Others are requiring a minimum \$50 monthly payment from all borrowers, regardless of their income. For very low-income borrowers, such as AFDC recipients, a \$50 monthly payment often is not affordable. If this policy remains in effect, many low-income borrowers will remain in default and be unable to gain access to the education and training that could enable them ultimately to become more self-sufficient and repay their debts.

The Clinton Administration could modify the Bush policy and allow low-income borrowers to renew their eligibility for aid by notifying guaranty agencies immediately that they cannot set a minimum monthly payment for all borrowers. Guaranty agencies should be directed instead to set monthly payments that are affordable for each borrower, as Congress clearly intended. This change should also be incorporated into the proposed regulations on renewed eligibility that are part of the NPRM on the Higher Education Amendments currently under review within the Administration.

Background

During the 1980's, federal student aid programs were widely abused by unscrupulous for-profit trade schools. The Investigations Subcommittee of the Senate Government Operations Committee conducted an exhaustive study of the problems.³ The Subcommittee found that the specific abuses covered a broad range. At the extreme, schools engaged in outright fraud, for which some administrators have been convicted on criminal charges. For example, some schools falsified student test scores,

² *Dear Colleague* letter of October 1992. This 160-page letter has served as interim regulations for the HEA Amendments until an NPRM is published.

³ The Subcommittee's findings are summarized in *Abuses in Federal Student Aid Programs*, report of Senate Subcommittee on Investigations, May 17, 1991, hereafter the Nunn report.

admitting students whose basic skills were too low for them to succeed in the program. When those students failed, they were left with defaulted loans and no useful training.

In some cases, the content of training programs was misrepresented. In other cases, licensing requirements for jobs were not disclosed. For example, students with no high school diploma were trained for occupations where a high school diploma was a condition of being licensed by the state for that job. Other abuses included portraying loans to students as grants that did not have to be repaid, false claims about the completion or job placement rates of the school, and high-pressure sales practices. A number of schools closed abruptly, leaving students with little or no training, and then refused to refund tuition.

The Investigations Subcommittee found that some proprietary schools viewed aid programs as an easy source of revenue, using most of their resources to bring in more students, not to serve students once they were enrolled. A case study examined by the Subcommittee is typical of this problem. The American Career Training Corporation was a part correspondence, part in-residence school for secretaries and travel agents. The investigation found that ACT employed just 23 instructors, compared to 109 commissioned sales representatives and more than 70 financial aid staff. In 1988, ACT spent just one percent of its revenues (\$468,000) on instructors' salaries while spending over a third of its revenues — over \$11 million — on advertising.⁴

As a result of these abuses, thousands of borrowers found themselves without the promised training, without employment, and facing loan debts they could not repay. The Subcommittee's report concluded that "fraud and abuse in the [guaranteed student loan program] have had perhaps the most profound and disastrous effect on the intended beneficiaries of Federal student financial aid — the students....unscrupulous and dishonest school operators victimize students, leaving them with huge debts and little or no education."⁵ When these borrowers default, not only are they barred from further student aid but their credit records are ruined and all future tax refunds, including earned income tax credit refunds, are subject to seizure.

The Higher Education Amendments of 1992 contain numerous program changes aimed at keeping fraudulent or low quality schools out of the program. If implemented effectively, the amendments should help improve the quality of postsecondary education and training and lower future defaults. Unfortunately, these changes come too late for borrowers already hurt by past abuses.

The Current Renewed Eligibility Policy Keeps Low-Income Borrowers in Default

By establishing the renewed eligibility procedure, Congress intended to increase collections on defaulted loans and give borrowers in default a second chance. As noted earlier, renewed eligibility would encourage borrowers with defaults to get back into

⁴ The Nunn report, p. 8.

⁵ The Nunn report, p. 10.

repayment; without this procedure, many defaulters would not be making any payments at all.⁶ This approach should enable the federal government to recoup more of its default losses. (Some 180 days after a loan goes into default, the guaranty agency reimburses the lender; the federal government, in turn, typically reimburses the guaranty agency. After that point, the guaranty agency continues to try to collect on the loan; if it succeeds, it keeps 30 percent of whatever it collects and passes on the remaining 70 percent to the federal government.)

Renewed eligibility also allows defaulted borrowers who make the six monthly payments to qualify for new aid and thereby gain access to education or training needed to improve their earnings prospects. Defaulted loans have emerged as an important obstacle to postsecondary education or job training in the Job Opportunities and Basic Skills (JOBS) program and the Job Training Partnership Act (JTPA) program. These employment and training programs must typically rely on federal student aid to cover tuition costs for their clients. But clients with defaults are ineligible for further aid.

A 1991 survey of JOBS programs by the Center on Budget and Policy Priorities found that many JOBS clients had default problems, especially in urban areas. Often proprietary schools targeted questionable recruiting practices on very poor people who were likely to qualify for the maximum amounts of federal grants and loans, such as the unemployed and public aid recipients.

If borrowers such as these are provided renewed access to student aid through the renewed eligibility process, they may not only improve their future earnings prospects, but may also improve their future ability to repay the original debt. Since the amounts borrowed by defaulters are typically small — less than \$3,000 — repayment of the debt on the original loan is not an impossible goal for those who subsequently find employment.

The Bush Administration Policy

In establishing the renewed eligibility procedures, the Higher Education Amendments make no reference to a requirement for a universal minimum monthly payment. To the contrary, the renewed eligibility provision was based on loan rehabilitation programs operated by several states in which the required monthly loan payment was sometimes as little as \$10 per month for very low-income borrowers. By setting \$50 as the standard for minimum monthly payments, the Bush Administration policy — which remains in effect today — has had the result of shutting out the low-income borrowers most in need of the new provision, because a \$50 minimum monthly payment is often beyond their reach. While the Bush policy allows lower payments if guaranty agencies can document the basis for them, guaranty agencies have been unwilling to risk granting lower payments without knowing exactly what criteria will

⁶ A separate but related provision allows defaulted borrowers to bring their loans out of default after 12 consecutive affordable monthly payments, provided that after those 12 payments the Secretary or the guaranty agency sells the loan to an eligible lender.

satisfy the federal government. And guaranty agencies may have a financial interest in keeping payments high, as they keep 30 percent of what they collect.

The Center has been contacted by a dozen low-income borrowers who have tried to enter repayment under the renewed eligibility provision but who have been denied that chance. Nearly all are public assistance recipients. Below are three typical examples from this group.

- *One case involves an SSI recipient who attended a USA Training Academy truck driving school, once the largest chain of for-profit trade schools. After just one week in school, he was told that his second aid check had not arrived and that he would have to leave. The school never made a refund to the federal government on his behalf, as he later discovered when he was billed for the loan. (Five former officials of USA Training Academy have been convicted of criminal fraud.) Now disabled and enrolled in vocational rehabilitation, he is being told he must pay \$50 per month to become eligible again for federal aid.*
- *Another example involves an AFDC mother with two children in Mississippi, whose total monthly income is \$120 (plus food stamps). Enrolled in the JOBS program, she has successfully completed a year of community college and hopes to transfer to a state university in 1994. Because of a previous default from a for-profit trade school, she is ineligible for further federal financial aid. Without that aid, she cannot continue school. She is being told by her guaranty agency she would have to pay her entire debt of \$1,800 all at once to renew her eligibility for federal aid.*
- *We were also contacted by an AFDC mother in Kentucky who is enrolled in JOBS and who must rely on \$285 per month to support herself and her three children. She completed a semester in community college, earning good grades, before her car broke down forcing her to leave school and sending her into default. She was ready to pay \$20 per month of her meager income toward the loan so that she could return to school and become a teacher. Until the Center intervened with a guaranty agency executive on her behalf, she was told she would have to pay at least \$50 per month, an amount she cannot afford. She is now successfully making \$20 monthly payments. Most defaulted borrowers, however, do not come into contact with organizations or individuals who can plead their case for them.*

Conclusion

The current policy of requiring minimum monthly loan payments of \$50 for all defaulted borrowers is both short-sighted and contrary to Congressional intent. By reversing this policy, the Clinton Administration could achieve two results supportive of broader Administration goals.

- *Many defaulted borrowers currently not paying anything on their loans would begin making payments. This not only reduces federal losses on defaulted loans but also*

allows borrowers to uphold their end of the social contract embodied by student loans. In addition, by renewing their eligibility for student aid, the federal government rewards the personal responsibility shown by borrowers who make payments despite having very low incomes.

- *Low-income borrowers currently receiving public assistance would be supported in their efforts to become employable and leave the welfare rolls. As noted, some significant number of those with student loan defaults receive public assistance. Even those recipients enrolled in JOBS or JTPA are usually unable to enter postsecondary education or job training unless they can qualify for federal student aid. Renewed eligibility complements broader welfare reform and employment goals.*

The Clinton Administration could direct guaranty agencies immediately to stop requiring \$50 minimum monthly payments and instead to allow defaulted borrowers to make monthly payments that are affordable for their income. This new policy should also be incorporated into proposed regulations for the renewed eligibility provision when those regulations are published. The NPRM is currently under review within the Administration.