

WR - Wage Supplement

STATES WITH VERSIONS OF THE FULL EMPLOYMENT PROGRAM

State	Program Name	Legislation Date Approved	Waivers Date Approved	Operational Date
Oregon	Oregon Full Employment Program (6 Pilot Counties)	Ballot Measure 7 November 1990		
	JOBS Plus (6 Pilot Counties)	June 1993	September 1994	November 1994
	JOBS Plus (Statewide)	June 1995	April 1996	July 1996
Mississippi	Work First	July 1993	December 1994	October 1995
Arizona	Job Start	May 1994	May 1995	November 1995
Virginia	Virginia Initiative for Work, Not Welfare (VIEW)	April 1995	July 1995	July 1995
Delaware	A Better Chance	May 1995	June 1995	October 1995
Massachusetts	Full Employment Program	February 1995	August 1995	November 1995
Maryland	Family Investment Program	April 1996	Pending	Anticipated 10/96
Wisconsin	Wisconsin Works (W-2)	April 1996	Pending	Anticipated 9/97

AMERICAN INSTITUTE FOR
FULL EMPLOYMENT

to: LYNN HOGAN
fr: SAM BLACK

lyn - see pg 3

call regarding next week

date & time. Sam

**WELFARE REFORM THROUGH
FULL EMPLOYMENT**

**INVITED TESTIMONY OF CHARLES D. HOBBS
TO THE
UNITED STATES SENATE FINANCE COMMITTEE
ON
WELFARE AND MEDICAID REFORM LEGISLATION**

June 19, 1996

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TESTIMONY OF CHARLES D. HOBBS
OF
THE AMERICAN INSTITUTE FOR FULL EMPLOYMENT
TO THE
UNITED STATES SENATE FINANCE COMMITTEE
WILLIAM V. ROTH, JR., CHAIRMAN
ON
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My name is Charles D. Hobbs. I am a senior fellow at the American Institute for Full Employment and I'm here today to speak on behalf of the Institute in support of S. 1795, the "Personal Responsibility and Work Opportunity Act of 1996."

S. 1795 is a very large and complex piece of legislation. It is hard to follow because there is so much of it. But existing welfare laws and regulations are incredibly complex and prescriptive in the greatest detail, and welfare reform legislation must address things as they are.

Nonetheless, there are two clear concepts in S. 1795 that are basic and essential to the correction of the ills of the existing welfare system. One is the concept of work replacing welfare as the basis for improving family and community financial and social health. The other is the concept of creating useful public assistance programs from the bottom up rather than the top down, with the various states empowered to design and operate programs to meet their unique needs and circumstances. It is because these concepts are clearly advanced, even in the forest of detailed prescriptions, that we support S. 1795.

The American Institute for Full Employment

The American Institute for Full Employment is a privately funded, not-for-profit center for the development of programs that expand and enhance employment opportunities for American workers, and especially for those who have been conditioned to accept public assistance as a substitute for

the opportunities and rewards of paid work. Our goal is full employment -- universal access to jobs with career potential for all who need and seek them. We believe that goal can best be met by stimulating public/private partnerships within the states that will encourage the efforts of private sector employers, large and small, to train and employ new workers.

Welfare reform is becoming synonymous with work. Pervasive public disgust with the national welfare system, combined with the growing awareness that we are wasting the human resources we need to build a more competitive work force, has shifted the focus of the welfare debate from the delivery of benefits to the development of jobs and ways to prepare people for them.

The Institute's major contribution to this debate is the Full Employment Program, a welfare replacement concept that has been developed over the past six years and adapted to meet a wide variety of specific state and local needs and circumstances. The Full Employment Program moves public assistance recipients into the active work force by converting public assistance benefits to wage subsidies for transitional, training-oriented, predominantly private sector jobs. More than a dozen states have taken an interest in the Full Employment Program, and eight of them have enacted into law state-specific versions which are now in various stages of implementation. This testimony describes the general concept of the Full Employment Program and highlights two operating versions: Oregon's JOBS-Plus and Mississippi's Work First.

The Institute is also a proponent of increasing the relative power of the states to control social policies and funding. For five decades, from the mid-1930s to the mid-1980s, the pendulum of social policy control swung hard toward Washington, D.C. as the federal government steadily usurped traditional state powers by creating a profusion of ever more expensive national programs. But in the past decade, with clear evidence of the failure of these programs to meet public expectations, a cadre of strong governors and other state and local elected officials has led an effort to shift the balance of power back toward the states. We actively support that shift, and offer the Full Employment Program as evidence of how and why public assistance can be restructured for economic growth and social progress.

Highlights of the Full Employment Concept

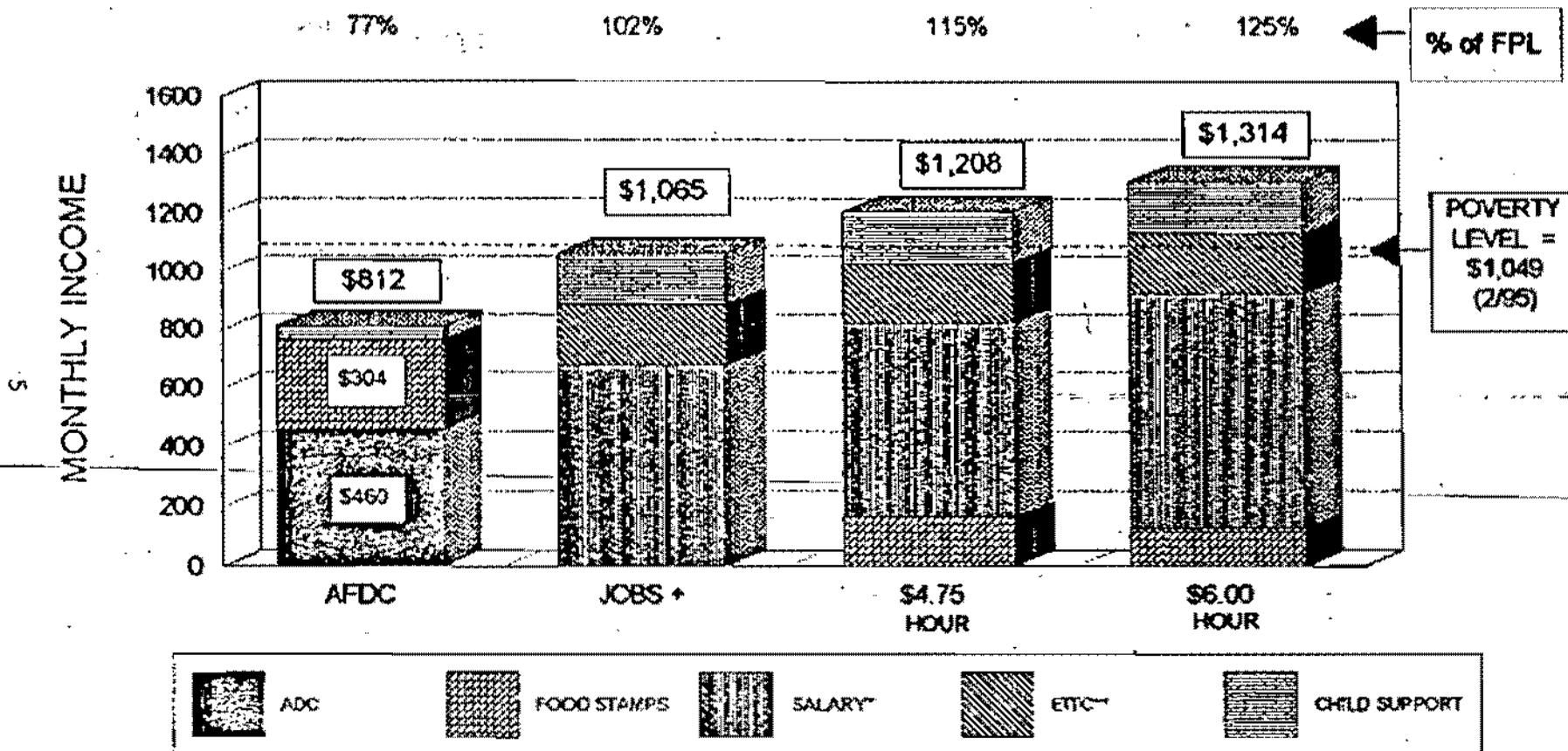
Full Employment is a job and worker development concept that moves welfare and other public assistance recipients into the active workforce and out of dependency on government support. It goes beyond welfare reform to a vision of jobs for all who need them and a larger and better prepared work force to meet the needs of our citizens and the challenge of international competition.

For those in need of public assistance, a Full Employment Program in their state means:

- ◆ Immediate attachment to the work force. Anyone seeking public assistance and able to work is placed immediately in a job leading to permanent employment and self-sufficiency.
- ◆ Temporarily-subsidized, training-oriented jobs at minimum wage or higher, plus the Earned Income Tax Credit (EITC), for those unable to get unsubsidized jobs immediately. These "trial" jobs prepare participants for regular, unsubsidized jobs. Public assistance benefits are pooled and converted to wage subsidies. No increase in spending is needed, and savings from reduced dependency are virtually certain.
- ◆ A ladder of job opportunities, with rising spendable income at each step. A subsidized Full Employment job provides more spendable income than public assistance, and an unsubsidized job provides more spendable income than a subsidized job, as shown on the accompanying Welfare to Work chart. The first unsubsidized job, even at minimum wage, will raise the typical family above the poverty line.
- ◆ Guaranteed supportive services throughout the transition to self-sufficiency. Medicaid and child care are guaranteed to welfare families participating in the program and for at least a year after they move from subsidized to unsubsidized employment.

WELFARE TO WORK

SPENDABLE INCOME FOR 1 ADULT & TWO CHILDREN



*SALARY = GROSS WAGES MINUS TAXES, FICA, CHILD CARE COSTS AND \$75 MISCELLANEOUS EXPENSES

**EITC = EARNED INCOME TAX CREDIT. 50% OF EITC IS AVAILABLE IN MONTHLY PAYCHECK. REMAINING 50% AVAILABLE AS A REFUNDABLE TAX CREDIT AT THE END OF THE YEAR. THIS CHART DEPICTS THE FULL EITC AMOUNT.

CHART ASSUMES CHILD CARE COSTS OF \$625 PER MONTH

NETPS5

For employers -- large and small, public and private, profit and non-profit -- a Full Employment Program in their state means:

- ◆ A larger labor pool from which to recruit workers. Many public assistance recipients are ready, willing, and able to go to work immediately, but are discouraged from doing so by the public assistance system, which often penalizes people for leaving it.
- ◆ The chance to try out new workers at new jobs at little or no wage cost. Subsidized temporary workers learn and perform assigned jobs that meet all Federal Unemployment Tax Act (FUTA) suitability requirements and do not displace regular workers. Employers are encouraged to hire successful participants as regular employees.
- ◆ The opportunity to contribute to the reduction of the public assistance burden. Welfare roles are declining in every state with a Full Employment Program. When it comes to solving the welfare problem, "Only work works."

Full Employment Pioneers

Oregon

The first legislative enactment of the Full Employment concept was by a state electorate: the voters of Oregon. In November, 1990, Ballot Measure 7, the Oregon Full Employment Program, won 58 percent of the vote statewide, with affirmative margins in 35 of 36 counties. Measure 7 called for a three-year, six-county test of subsidized, training-oriented employment as a replacement for welfare and unemployment insurance benefits, with the expectation that replacing obligation-free benefits with wages for work on real jobs would reduce welfare dependency and speed the progress of participants into permanent, unsubsidized employment.

But even though Measure 7 by itself had the force of law, its proponents found that the wheels of government -- both state and federal -- can grind slowly. It took two and one-half years for the governor and the legislature to agree on rules for implementing Measure 7. (Their major contribution

was to change the name from "Full Employment" to "JOBS-Plus" in order to upstage the electorate in taking credit for the program.) And it took the federal government another 15 months to approve the waivers from federal law necessary for JOBS-Plus to operate.

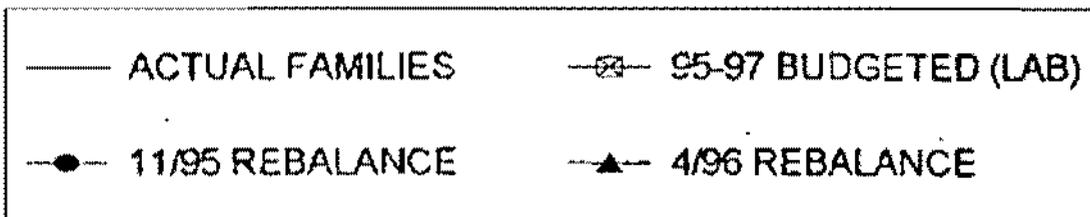
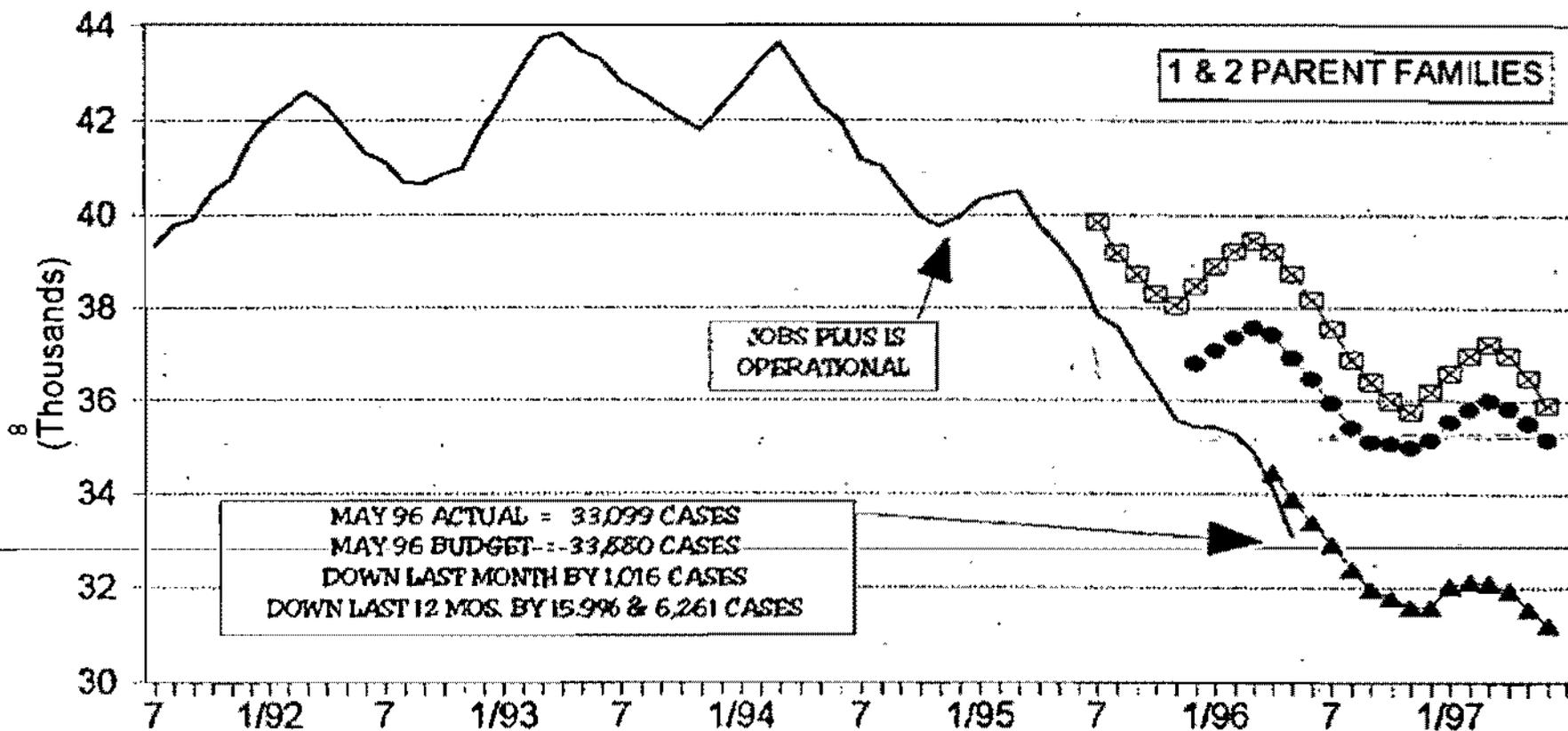
So it wasn't until November, 1994 that JOBS-Plus began to place public assistance recipients into subsidized jobs. Early concentration was on Aid to Families with Dependent Children (AFDC) and Food Stamp cases, and the results were immediate and dramatic. Within a month the AFDC caseload had begun to fall below the traditional pattern of cyclical growth, and within three months it began an actual decline which has continued and steepened over the past year. As the accompanying caseload chart shows, total cases are down by 15.9 percent in the last 12 months and by more than 24 percent since the beginning of 1994. Caseload projections have been revised downward three times, yet actual cases continue to fall below the latest downward estimates. Savings already generated by the declining caseload are \$97 million, \$37.8 million to the state and the remainder to the federal government.

In the test area, 1,700 employers, mostly small businesses, volunteered an interest in participating in the program. But the need for placing participants in subsidized jobs was much less than expected, because record numbers of participants, in preference to subsidized jobs, took the initiative to find their own unsubsidized jobs. In the first 14 months of operations, only 353 participants needed to be placed in subsidized training positions, while 1,389 JOBS-Plus eligible participants went into regular jobs without having to be placed in JOBS-Plus positions. In addition, four out of five subsidized workers are finding unsubsidized jobs during their participation in JOBS-Plus.

Based on the initial success of the six-county pilot program, the Oregon Legislature passed, and Governor John Kitzhaber signed into law in June, 1995 a bill extending JOBS-Plus to the entire state, and the federal government approved the expansion in April, 1996. In the next phase of implementation, starting in July, 1996, increased emphasis will be given to placement of unemployment compensation beneficiaries. In addition, private staffing companies will provide job placement services on an experimental basis.

OREGON AFDC CASELOAD

ACTUAL & BUDGETED



Mississippi

Mississippi was the second state to enact Full Employment legislation. Mississippi's version, called Work First, was signed into law by Governor Kirk Fordyce in July, 1993. The name Work First reflects the program's goal of early attachment to the work force as the best antidote to welfare dependency. Work First is being tested in six counties with 27 percent of the state's welfare caseload. Due to long delays in getting federal waivers, operations did not begin until October, 1995 in Hinds county (Jackson), and were phased-in, county by county, over the following three months.

To promote quicker access to job placement assistance, Mississippi has redesigned its welfare eligibility and case management functions so that those applying for AFDC or Food Stamps are sent to job counselors immediately, even before their welfare eligibility is finally determined. Those for whom unsubsidized jobs can be found are thus diverted from AFDC and require less or no Food Stamp benefits. Child care and Medicaid are guaranteed for the first year of employment, even for those who have not completed the welfare eligibility process.

Another feature of Work First is the use of private staffing companies, together with the Mississippi Employment Security Commission, to carry out the job development/job placement functions. Administrative costs of employer recruiting, worker preparation, and job placement are greatly reduced because private staffing companies absorb those costs in fees to their client employers.

Work First results to date are remarkable, even at this early stage of implementation. Through the end of March, 1996, 3,501 welfare cases had been assigned to Work First, and 633 had been placed in jobs: 352 unsubsidized and 281 subsidized. The combined AFDC/Food Stamp caseload in the six test counties is declining at 1.41 percent per month -- seven times the rate of the rest of the state. Total AFDC payments are also declining -- at 11.4 percent for the September, 1995 to April, 1996 period in the test counties, compared to only 4.4 percent in the rest of the state. Even the number of Food Stamp households has declined by 836 in the test counties, while rising by 616 in the rest of the state.