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or go to jail

Testimony of

Katharine McFate

Associate Director, Social Policy

Joint Center for Political and Economic Studies

to

Welfare Reform Task Group

"The Impact of Time-Limited Welfare on African-Americans"

August 19, 1993

The Impact of Time-limited Welfare on African Americans

Katherine McFate

Associate Director, Social Policy

Joint Center for Political and Economic Studies

We at the Joint Center are particularly concerned about this particular part of the welfare reform package the Administration is proposing because time limits will have a tremendous impact on black AFDC recipients. As you know, almost a third of black AFDC recipients have welfare spells of 10 years or more and the *average* length of time on welfare among black recipients is over 8 years. One of every three black children in the U.S. today lives in a household that receives AFDC support. Welfare is more likely to have become "a way of life" for poor, female-headed black families than for other groups, so time limits will fall more heavily on blacks than others. This racial subtext will affect the way program participants and community leaders view your reform efforts and their reactions to it. Perceptions of your intentions will affect the response to any reform initiative you undertake, so I would urge you to use the rhetoric of national service when talking about welfare reform and to focus on creating opportunities for the poor to contribute to their communities rather than the more punitive language of "paying back" a system that many of the minority poor feel has not served them well or fairly.

This afternoon I would like to briefly weigh in on several issues regarding the two-year time limit, and then move on to discuss the work question.

1. Two year time limit on work/training exemptions.

Although aggregate racial comparisons paint a rather dismal picture of the prospects that unmarried black mothers have for economic independence, we should recognize that there is a great deal of diversity in outcomes within the population of welfare users, even among black recipients. In the interest of good resource management, the two-year time period under discussion should be used as a sorting mechanism and early warning system, not a time bomb.

Young mothers who apply for AFDC should be targeted for immediate intensive casework, since we know that they are at great risk of persistent poverty and dependence. (I would include mothers of up to 21 or 22 years of age who have not yet completed high school in this group.)

Once unmarried teen mothers have been removed from consideration, our ability to predict who will be a long- or short-run user is severely diminished. However, since we do know that at least half the women who use AFDC leave within two years *with no special assistance*, it doesn't make much sense to set up a system where the State starts spending time and money supervising job search activities, etc., the moment a woman applies for assistance. Allowing a "grace period" of a year or two before special supervision begins will allow the market and the individual to demonstrate the need for special assistance.

Those who propose creating a *cumulative, life-time* two-year time limit on receipt of AFDC fail to recognize the turbulence of the low-wage labor market and the poor coverage our unemployment insurance system provides for service workers. Since black AFDC mothers only rarely "marry off" welfare, they are at the mercy of the labor market. But the

employment prospects of African-Americans are constrained by their lack of education and/or poor basic skills that result from the poorer quality of public schools in minority neighborhoods; residence in high unemployment areas (central cities and the rural South); and the racial prejudice of private employers. For all these reasons, black workers are more likely to have "breaks" in their work history and spells of joblessness. If a poor mother who has used up her two-year allotment of AFDC loses her job, is she to be put into a work program immediately when she again applies for assistance? If so, then we will create a new "welfare trap" for minority mothers -- working mothers, perhaps, but still poor and still dependent. A system that allows a poor mother to return to welfare for a few months after working in the private sector for a year or two is a better way to "reduce dependency" and end "welfare as a way of life" than a system that channels a mother into workfare activities for long periods of time. Given the shifting and tenuous nature of low-wage work today, a cumulative total of two years is very unrealistic. The reform you design should allow women to move in and out of private sector employment if and when they are able to do so.

2. Constructive activities for long-term welfare users.

Like you, I believe that the American public would be much more sympathetic to AFDC mothers if they were convinced that these mothers were constructively utilizing the time they spend on public assistance to effectively parent and/or improve their own lives, their families, their communities. This is not simply an issue of paid employment: with a national unemployment rate of 7 percent we know that not all these women will find private sector jobs. So, I hope you will define the goal of your reform effort more broadly. The

objective should be to engage long-term welfare recipients in constructive activities that help positively (re)integrate them and their families into positive roles in their communities and in the mainstream economy. We know that long-term AFDC recipients tend to be (become) demoralized and fatalistic; they have been beaten down by life's experiences. If we are truly interested in helping these individuals re-engage, we need to emphasize incentives and opportunity structures, not punishments and work requirements. Work programs should have a *social purpose*, allow the participants to exercise some *choice*, and encourage personal growth.

Past experience in this country (with JTPA) and elsewhere would suggest that offering subsidies to private employers to hire and supervise welfare recipients will not produce many new job opportunities, especially for "hard-to-employ" long-term welfare clients. Thus, we are left with two options: public sector job creation and Community Work Experience Programs. Like others on this panel, I believe that public sector jobs provide a more constructive activity for long-term welfare users than CWEP. However, I condition this assessment on two qualifications.

First, the jobs created should be aimed at a larger social need. Second, they should be structured to create skill ladders and the potential for advancement. No one wants the public to perceive a new jobs program as "makework." To avoid this, public sector job creation must be designed to meet a real social objective. The two that seem most pressing (for which middle class support would presumably be greatest) are: childcare and eldercare. Expanding public investment and increasing standards in both these fields would create a pool of new jobs for which welfare recipients could be trained. And, with public sector

support and supervision, job ladders within the human service industry could be created so that individual participants could earn and learn while on the job. Thus, we could create the kind of structured work/training experience that numerous Labor Department studies tell us are most effective. Most Western European countries have national health and human service systems that include a large number of permanent, though part-time positions filled with mothers. We could and should do the same. However, we all recognize that this is the most expensive option, and that budgetary constraints are likely to lead you toward the less expensive alternative of CWEP.

CWEP jobs typically provide only menial work experience. If they are administered by local governments, there will be a strong fiscal incentive to substitute CWEP participants for unionized civil servants, even with legal guidelines prohibiting such practices. This creates a particularly bad dynamic in the black community, since black workers are overrepresented in public employment, especially in the lower echelons where jobs are most subject to the competitive pressure of unskilled labor. Unfortunately, there is no evidence that community-based organizations offer better quality of jobs or training.

If CWEP is to be the major source of work for long-term welfare users and we want to make the work experience meaningful to participants, to pull them in to community life rather than making them feel more marginalized, then we need to (a) ensure that participants have some choice in their work assignment, and (b) that the community helps identify the needs that a new influx of labor could help meet. To achieve the latter goal, one could establish a CWEP advisory board in each community in which CWEP operates which would:

- (a) certify that any given CWEP assignment provides a benefit to the

community/neighborhood in which the individual resides, and (b) encourage each non-profit organization participating in CWEP to upgrade whatever training they provide and to develop job ladders within their organizations.

Without some degree of choice by individual participants and involvement by local communities, a massive, mandatory Community Work Experience Program is likely to be viewed as coercive and punitive. And, given the racial subtext of the welfare reform debate, there will be rumblings of the reinstatement of "involuntary servitude." This would undermine the reform effort by increasing the fatalism of potential CWEP participants and by reducing the number of nonprofits, particularly minority-operated nonprofits, who participate in any work experience program.

- couldn't agree more that W. stereotype is demeaning to f.
- ① Agree: most f on W want to work.
- most f hate the W system.

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- ① Demeaning to f
 - ② Most f hate the system (this am)
 - ③ Most f do want to work
-

Two Q's:

① Don't you think that ^{dramatic} serious WR is ~~an~~ essential to changing that stereotype?

② Don't you think that in absence of serious effort on our part, the politicians around the country will reform the W. system by cutting benefits to nothing anyway

COALITION ON WOMEN AND JOB TRAINING

STATEMENT ON EDUCATION, TRAINING AND SUPPORT SERVICES

Submitted By

JILL MILLER, CHAIR

COALITION ON WOMEN AND JOB TRAINING

to the

WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT
AND INDEPENDENCE

August 19, 1993

Thank you for the opportunity to testify here today on this important issue. I am Jill Miller, Chair of the Coalition on Women and Job Training. I am also executive director of the National Displaced Homemakers Network which is comprised of nearly 1,300 local programs that provide a range of education, training and support services to approximately 350,000 women annually, including many receiving public assistance benefits.

The Coalition on Women and Job Training is committed to ensuring that all women, those already in the workforce and those entering or re-entering, have access to quality education and training for high wage jobs. We have forty-five member organizations which represent millions of women who are working and/or are in need of employment and training services. We also represent the expertise of professionals throughout the United States who have years of experience in providing employment and training services for women.

The Coalition has developed principles guiding our advocacy on education, training and support services for women receiving public assistance benefits. Our overriding concern is that the services provided will assist women to achieve long-term economic self-sufficiency rather than simply remove them from public assistance. I will be happy to provide each of the members of the Working Group with a copy of our principles.

We recognize that welfare recipients are an important part of the American workforce. Most have been workers and turn to AFDC because of limited opportunities in the current labor market for stable employment in jobs that pay adequately. The most important welfare reform measures we can adopt as a nation are economic policies that will ensure economic

opportunities for all American workers. These include raising and indexing the minimum wage, universal health care insurance and pursuing full employment policies.

We are pleased that job training is a priority for President Clinton. In designing and implementing a plan to reform welfare, we strongly believe that welfare recipients should be treated as workers with the same opportunities to pursue education and training as other workers. We should avoid the development of a new two-tiered employment and training system, with separate systems for welfare recipients and other workers. The same high quality of services expected for workers displaced because of our changing economy should be available for welfare recipients as well. Therefore, training and training-related services should be provided to welfare recipients through the existing federal job training system, not the income maintenance system.

It is vital to the economic well-being of our country that welfare reform strategies reflect the President's goal of strengthening and improving the skills of all workers. Welfare recipients should be entitled to appropriate education and training services to the extent necessary to achieve self-sufficiency. Their opportunities and access to these services should not be limited by arbitrary time limits, but should recognize the need for lifelong learning and workforce development, just as we recognize this is as an important issue for others seeking to enter, re-enter and train for the labor market.

When the goal of a program is long-term self-sufficiency rather than decreasing the

number of people receiving welfare, then the services provided must be evaluated using a different set of criteria usually developed by the education and training system. Services received by welfare recipients placed in jobs should be judged by a self-sufficiency standard, which evaluates the quality of a job by taking into account the economic needs of the worker as well as local variations in the cost of living. The self-sufficiency standard would include realistic and up-to-date housing, dependent care, health care and transportation costs. The Coalition strongly urges you to incorporate into your plan H.R. 2788, the Self-Sufficiency Standard Act. This bill was recently introduced by Congresswoman Lynn Woolsey from California, a former welfare recipient who knows first-hand what a family needs to become self-sufficient.

In order to assist welfare recipients to achieve this goal, all program activities should enhance employability and/or increase earnings. Requiring that recipients work for their benefits does not serve this purpose and should not be part of the program. Workfare is not work-based learning and has been proven to be the least effective way to raise welfare recipients earnings.

There are a number of specific components that quality programs include. First, welfare recipients must be able to choose their career goals from a broad range of opportunities. To ensure that this happens:

1. All programs should be required to encourage and promote opportunities to pursue non-traditional occupations and training. Placing women in traditionally

female, low-wage occupations will not lead to self-sufficiency. The welfare system must be aggressive in their efforts to move women into high wage occupations.

2. Programs should encourage and promote opportunities to pursue post-secondary and higher education. Too often higher education is overlooked as an option for low-income women, even though many have filled the prerequisites for entering two or four year programs.

Participants should also gain strong experience in and understanding of all aspects of the industry they are entering, rather than training for one job that might disappear or change drastically. The Perkins Vocational and Applied Technology Education Act recognizes this important need for today's workers and includes language which we encourage the Working Group to adopt. Training and education programs should also provide a variety of assessment tools, the opportunity for the individual to develop education goals and a career-life plan, counseling, knowledge of workers rights, and participation in support groups.

The full extent of support services needed, including not only dependent care and transportation but also housing counseling, chemical dependency treatment and family support services, must be provided both during program participation and to the extent necessary after entering employment. Close coordination of these support services with training and education is critical to prevent participant dropout and job retention.

Education and training programs must take into account the local economy and where unemployment is high, it should be linked to job creation and self-employment strategies.

These services cannot be designed or implemented in a vacuum. Programs for welfare recipients must be intricately linked to federal, state and local economic development activities.

We strongly encourage you to build on and improve the coordination of the welfare education and training program, with other existing education and training systems, including community-based service delivery systems, community colleges, vo-tech schools and women's programs and other post-secondary training as part of your plan. The primary purpose of coordination, such as the development of one-stop shopping, should be to make it as easy as possible for participants to gain access to the full range of services for which they are eligible.

There is a need for a strong federal role in any welfare reform strategy. The federal government must develop minimum requirements to ensure there are universal program elements in all states, and that there is equity between recipients from different states. Provisions for state variations should only allow experimentation that enhances or enriches programs and does not reduce benefits or options for any welfare recipient or group of recipients. State variation that does not meet this criterion would lead to some states lowering benefits.

There must also be a strong federal role in research, oversight, technical assistance, and data collection to document success and facilitate replication. Currently no data exists that show what types of training and services welfare recipients now receive under JOBS. Therefore, no significant evaluation of the program's ability to assist recipients in acquiring skills and abilities leading to self-sufficiency can be undertaken. When these kinds of data collection, evaluation and research activities are strengthened in your plan, the privacy and welfare of individuals must be protected.

Finally, education and training should be adequately funded to ensure that participants have access to quality, long-term training that ensures self-sufficiency. Education and training is an investment in the workforce that will bring many benefits, but only if a true investment for the long-term is made.

The Coalition on Women and Job Training has additional information on all of these points and looks forward to being a partner with the Working Group as you continue to develop your plan.

DAVID -

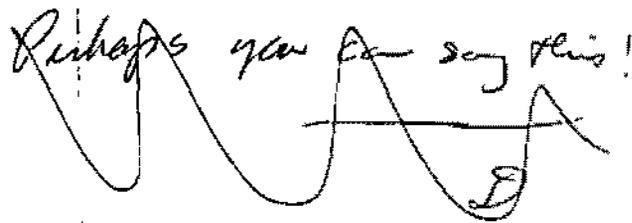
When Patricia Ireland complains that none of us is on AFDC, be sure to point out to her that if she had been here this morning, she would have heard poignant stories from women who were trapped by the current welfare system and let down by the current CS system.

These women weren't complaining about Welfare Reform.

~~BR~~ They were pleading for it. We're listening to them because they're the most articulate advocates of the kind of reform we need. — BR

① Do you think the current system is doing anybody any good?

Perhaps you can say this!



②



AFSCME®

American Federation of State, County and Municipal Employees, AFL-CIO

1625 L Street, N.W., Washington, D.C. 20036-5687

Telephone (202) 429-1000

Telex 89-2376

Facsimile (202) 429-1293

TDD (202) 659-0446

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President

William Lucy
Secretary-Treasurer

Vice Presidents

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Columbus, Ohio

Dominic J. Badolato
New Britain, Conn.

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Columbus, Ohio

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Honolulu, Hawaii

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Belmont, Calif.

Joseph P. Puma
Albany, N.Y.

Michael E. Rhynes, Sr.
Indianapolis, Ind.

Joseph P. Rugola
Columbus, Ohio

Kathy J. Sackman
Pomona, Calif.

Burhman D. Smith
Philadelphia, Pa.

Larry R. Smith
East Lansing, Mich.

Linda Chavez-Thompson
San Antonio, Tex.

Garland W. Webb
Baton Rouge, La.

Statement

of

Lee Saunders
Assistant to the President

American Federation of State, County and Municipal Employees

before the

Working Group on Welfare Reform, Family Support and Independence

August 19, 1993

in the public service

Statement of Lee Saunders
Assistant to the President
American Federation of State, County and Municipal Employees
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Working Group on Welfare Reform, Family Support and Independence
August 19, 1993

My name is Lee Saunders and I am Assistant to Gerald McEntee, President of the American Federation of State, County and Municipal Employees (AFSCME). I am accompanied by Ed Jayne, Associate Director of AFSCME's Department of Legislation. We appreciate the opportunity to present some of our views on welfare reform here today.

AFSCME represents 1.3 million employees in federal, state, and local governments and in the nonprofit sector.

AFSCME represents many employees who currently work in the welfare delivery system, and we share with you a desire to significantly reform the system. Federal welfare policy during much of the 1980s turned welfare office employees into police officers searching for cheaters, while funding cutbacks and recession-induced caseload growth created impossible workloads for poorly trained personnel. It is no wonder welfare recipients dislike the welfare system as much as anyone else. It has become a system which treats neither employees nor recipients with respect.

We fear, however, that the negative politics of welfare and a lack of resources will lead to a rigid two year time limit on collection of benefits and workfare formulation which, at best, will not help the poor, and at worst, will have an adverse impact not only on them but the employed workforce as well.

One of the greatest dangers is that stringent new work requirements will be imposed without regard for either the nature of the current labor market or the potential effect on the labor market of a massive workfare program.

Low wage work has increased significantly in recent years, and low wage workers are finding it increasingly difficult to support their families. We believe increasing numbers of these individuals can be found among the welfare population, part of many "recyclers" -- people who work, lose their job, go on welfare, and then go to another low wage job.

These people do work, but the work, quite simply, doesn't pay enough. Certainly, the Administration recognizes this basic fact. Indeed, the first crucial downpayment on welfare reform, which AFSCME strongly supported, was the historic expansion of the Earned Income Tax Credit in the just-passed Omnibus Budget Reconciliation Act. However, universal health care, an increased minimum wage, and a strengthened unemployment insurance system (instead of welfare) for unemployed low wage workers also should be in place before the AFDC changes being contemplated are implemented.

Nevertheless, it needs to be recognized -- based on current economic forecasts -- that, even if these economic supports are implemented and the welfare system and

recipients did everything right, job growth will not be strong enough to produce employment for everyone able and willing to work in the nation today.

So what will welfare recipients do at the end of the two-year period, especially when millions of non-welfare workers remain unemployed? The most frequently mentioned idea is workfare – an arrangement under which welfare recipients "work off" the value of their welfare benefit at a rate equal to the minimum wage without the rights and benefits associated with being an employee. Workfare is being considered because it is much less expensive than the alternative of public service employment. In addition, some have suggested that it would be untenable for welfare to become a route to decent paying public sector jobs when others must settle for minimum wage work in the private sector.

This view, however, ignores the very substantial negative impact a workfare strategy would have on public sector employment and local labor markets. If welfare recipients are to be employed, then roughly 1.2 to 2 million workfare positions would have to be created, depending on what kind of exemptions from this requirement are made.

That means at least as many workfare positions as there are members of AFSCME!

To put this in additional perspective, the public service employment program under the Comprehensive Employment and Training Act (CETA) enrolled 739,000 at its height and made up as much as 20 to 30 percent of the regular workforce of some local governments.

There is absolutely no way so many positions can be created without displacing regular public sector jobs – even with strong anti-displacement rules. Public sector jobs most likely to be converted into unpaid workfare positions are low wage, low skilled jobs, such as day care aides, school crossing guards, cafeteria workers, hospital orderlies, bus drivers, clerks and janitors. These jobs are precisely the ones currently held by low skilled workers, with high concentrations of minorities and women.

A program of 1 to 2 million workfare positions is a totally unacceptable solution to the failure of the economy to generate enough good jobs in the right places. It will destroy decent paying jobs, undermine local collective bargaining relationships, and exert a downward pull on wages in the public and private sectors. This is exactly the opposite direction from the high wage/high performance workfare strategy which the President advocated during the campaign.

Workfare also is bad from the recipient's point of view. It offers none of the rights and opportunities of a job, and does not appear to improve future earnings and employment opportunities.

A minimum wage public sector jobs program would avoid some of the problems associated with workfare, but it still would create a second class substandard workforce in the public sector which would displace higher paying jobs with lower paying work and drag down wage standards in the public sector.

The likelihood that welfare reform – through workfare or other substandard work arrangements – could kill jobs and hurt lower income workers should be given as much weight in your deliberations as any political imperative of making someone work in exchange for getting government benefits.

In view of the limitation of federal resources and the negative potential of a mandatory workfare program, we strongly urge you to be modest and targeted in your objectives. Welfare reform will not eliminate poverty, but it might be possible to reinforce family responsibilities and help people in low income neighborhoods begin to regain control over their own destiny and their neighborhoods.

We suggest that you focus on strengthening and improving state child support collections and targeting limited resources through the JOBS program to recipients at high risk of long term unemployment. Time limits should be modified for individuals making real progress toward specified goals. It is especially important to retain the flexibility in JOBS for states to tailor education and training activities for welfare recipients in different circumstances.

Instead of individual unpaid or underpaid work assignments, we urge you to look to the National and Community Service Trust Act as a model for structuring community service work in a way that can empower participants and create useful community service without displacing paid work or duplicating regular public services. If you do move in the direction of job creation, it must be done in a way that conforms to the standards of the workforce where the jobs are being created, and it must involve the community, especially local unions.

Finally, we urge you to pay close attention to the capacity and culture of local welfare offices. The employees, many of whom are from the same neighborhoods as welfare recipients themselves, are an enormous resource. With adequate training and support they can play a crucial role in a redefined welfare system.

The Administration has a choice between the politically expedient path of rigid time limits and mandatory work rules and a more sensitive and positive vision of welfare reform. We at AFSCME strongly urge you to pursue the latter course. To do so will take strong leadership and it will not be easy, but AFSCME will eagerly work with you in such an endeavor.

LS:ejb

Testimony before Working Group on Welfare Reform,
Family Support and Independence

August 19, 1993

Mark Greenberg
Center for Law and Social Policy
1616 P St., NW, Suite 150
Washington, D.C. 20036
202-328-5140

Members of the Working Group on Welfare Reform, Family Support and Independence:

I greatly appreciate having an opportunity to speak with you this afternoon about the directions for welfare reform.

I am a Senior Staff Attorney at the Center for Law and Social Policy. CLASP is a non-profit organization engaged in research, policy analysis, technical assistance, and advocacy on a range of issues affecting low-income families. My primary area of activity concerns federal and state welfare reform initiatives. I have closely followed and written extensively about state implementation of the JOBS Program under the Family Support Act developments in state waiver and welfare reform packages.

The Working Group has described its process as being guided by four principles:

- Make Work Pay;
- Dramatically Improve Child Support Enforcement;
- Provide Education, Training, and Other Services to Help People Get Off and Stay Off Welfare; and
- Create a Time-Limited Transitional Support System Followed by Work.

The framing of the fourth principle is that for those who are healthy and able to work, after a period of time, assistance would only be provided in return for work. I understand that one option being seriously considered would be that, instead of offered individuals jobs that pay wages, individuals would simply be required to work in return for receiving a welfare grant at the two year point.

In the next few minutes, I want to make three points:

- A large group of people, including many for whom welfare is plainly not a "way of life", rely on AFDC for more than two years. Treating them all in the same way, and mandating "work for welfare" for all healthy individuals who receive AFDC for two years, would be both expensive and a poor use of limited resources.
- Many people believe it important to establish a system in which parents cannot receive AFDC indefinitely without reciprocal obligations. This goal can be met in a way that is a good investment of public funds through a substantial expansion of the JOBS Program.
- However much is accomplished in the effort to "make work pay", improve child support, and expand education and training, there will always be a need for a basic safety net for families with children. The desire to "end welfare as we know it" need

not and should not further impair a safety net that has been severely damaged in recent years.

A "Work Off the Grant" Program For Over a Million People Would Be Expensive and a Poor Use of Money

President Clinton plainly appealed to much of the public during his campaign when he declared that welfare should not be a "way of life." In fact, for the vast majority of those who use AFDC, it functions as a safety net, not as a way of life. I've recently been looking at data from states that have tracked month-by-month AFDC usage over time. The basic pattern seems to be that half of new entrants leave AFDC within a year and about 70% within two years. Only about 10% to 15% receive AFDC for five years in a row without a break. Most of the families receiving AFDC at the two-year point leave before reaching the five year point. When families leave, they often return at later points, so a much bigger group will receive assistance for 24 months over time. There are major limitations in the available data, but it seems clear that in many instances, families leave for jobs that pay little and do not last long. There is a clear need for a set of policies to help families that enter employment hold their jobs and move up in the labor force. However, the idea that cash assistance needs to be stopped in order to prevent families from becoming long-term dependents is not true for most of the families who rely on AFDC.¹

If asked, many members of the public might still say they would like to see people work for their welfare benefits. However, people often assume such a requirement would either save or at least not cost money. In fact, the opposite is likely to be the case. At any given point, about half of the families on AFDC have received assistance for two or more years continuously, and a larger group has received at least 24 months of aid over time. Thus, the group of families potentially subject to a requirement probably exceeds 2.5 million; even assuming generous exemptions, we can anticipate between 1 and 1.5 million families being subject to the work requirement. Based on FY 91 JOBS data, it appears reasonable to project costs of at least \$3 billion to \$5 billion to provide work slots and needed child care for these families.²

If the cost is likely to be \$3 to \$5 billion, a critical question becomes whether this is a good use of money. There are three key reasons why it would not be:

First, spending the money may do little or nothing to improve the employment prospects of the affected families. When the Manpower Demonstration Research Corporation has sought to measure the impact or added impact of community work experience, i.e., work in

¹ The themes in this paragraph are discussed in much more detail in Greenberg, *Beyond Stereotypes: What State AFDC Studies on Length of Stay Tell Us About Welfare as a "Way of Life"* (CLASP, July 1993).

² The explanation for how these figures were developed is contained in Greenberg, *The Devil is in the Details: Key Questions in the Effort to "End Welfare as We Know It"* (CLASP, July 1993).

return for welfare receipt (CWEP), MDRC has generally found no impact on employment or earnings of participants; the only instance where a statistically significant impact was found was for one sub-group of applicants in one site.³ There are many unanswered questions about the potential impact of different work program designs. However, the current state of research surely does not justify committing \$3 to \$5 billion annually in the belief that this would be a good investment to improve the employment chances of participants.

Second, a work-off-the-grant mandate seems plainly inappropriate for many families that reach the 24 month point in AFDC receipt. If an individual has never worked or has no recent work experience, an unpaid work experience might offer a useful exposure to the "world of work." But consider Ms. Smith, who received AFDC for two years, worked a low wage job for two years, and now comes back to AFDC. Will an unpaid work experience improve her employability? Or, consider Ms. Jones, who received AFDC as a young woman, has been married for the last five years, and has just been left by her husband. Is it clear that it is a better use of public funds to have her work off an AFDC grant than to complete her schooling? As these examples suggest, in some cases a work experience program may make a great deal of sense, and in others it won't. A system that treats all families the same way regardless of their circumstances runs the risk of creating hardships for families and squandering scarce public dollars.

Third, a massive work-off-the-grant program seems directly contrary to the "make work pay" principle guiding the Working Group. The underlying rationale for "making work pay" is that people who work should be better off when they do so, and should be able to come closer to meeting their family's basic needs. In recent years, it has become increasingly clear that the minimum wage alone is not sufficient to meet these goals, and that an expanded earned income credit is needed to reduce the poverty of working families. At the same time, many states have sought to revise their AFDC rules to ensure income supplements to improve the well-being of the working poor. In contrast, under a work-off-the-grant program, a family where a parent is working will be no better off; in some states, parents could be working 40 hours a week simply to receive AFDC and food stamps, and still falling far below the poverty line. The principle of making work pay needs to apply whenever a parent is working, and not just to those families who have been forced to rely on the welfare system.

An Expanded JOBS Program Could "End Welfare as We Know It"

Part of the reason why the President's proposals have been popular is that many people are troubled by the possibility that a family might be able to receive AFDC indefinitely without doing anything in return. There is already a way to address this in current law: the JOBS Program. Under the Family Support Act, states already have the authority to require up

³ The MDRC research is discussed in Greenberg, *Community Work Experience: Research Suggests Little or No Effect on Employment and Earnings for AFDC Families* (CLASP, March 1992).

to 80% of AFDC families to participate in education, training, or work-related activities. Yet at any given point, due to limited state resources, only about 10% of AFDC families are participating in JOBS.⁴ Significantly expanding JOBS funding could simultaneously accomplish two goals:

- In JOBS, the purpose of an activity is not simply to insure that a parent is busy, but to insure that she is engaged in an activity that will improve her employment chances. In some cases, the activity is education; in others, it is job search; in others it could be a training program or a work activity. But the activity is based on the state's determination of what seems to make sense based on the individual's circumstances.
- With expanded resources, states could assure that a very high percentage of those families who have received AFDC for two or more years were actively participating in JOBS. Thus, expanding the program can be a means of ensuring that parents are meeting their side of a social contract, while at the same time ensuring that a public agency believes that the cost of the activity is a good public investment.

One part of JOBS expansion could involve developing a public sector employment component. Unfortunately, under current regulations, states are prohibited from using JOBS dollars to create public service employment slots. If this regulation were repealed, states could move toward creating jobs for families in those instances where parents are able to work but there are no available jobs in the local economy. However, in creating jobs that pay wages - as opposed to simply requiring work for welfare - states could ensure that families who go to work are better off for doing so.

Another part of JOBS expansion could involve federal funding and technical assistance for significant enhancements of the job placement and development components of state JOBS Program. Because the current JOBS Program has placed such a strong emphasis on measured hours of participation, there has been relatively little attention to job placement and development issues. A combination of more flexible federal regulations, technical assistance, and expanded federal funding could lead to a program that emphasized both participation and job placement outcomes.

Welfare Reform Must Preserve a Basic Safety Net for Families and Children

Much of the current welfare reform effort - make work pay policies, child support, education and training - is intended to reduce the need for welfare. In each area, there are key

⁴ A more detailed discussion of the extent and nature of JOBS participation can be found in Greenberg, *Welfare Reform on a Budget* (CLASP, June 1992).

unresolved questions,⁵ the answers to which may determine how effective the efforts will be in reducing the situations in which families must turn to AFDC because other systems fail. However, it is important to recognize that while these efforts may successfully reduce the need for welfare, they will not eliminate the need for a safety net system.

Even if there is a stronger child support system and additional income support for families in low-wage jobs, there will still be times when a parent loses a job. So long as there is an unemployment rate, there will be times when a parent looking for a job cannot find one. There will be times when full-time work outside the home is not possible, and there will be times when the cost of care for infants or toddlers exceeds the possible wages from a job. When these times occur, families need a system of basic income support to fall back on.

Unfortunately, there will also be instances where program administrators conclude that a parent has not complied with program requirements. In some of these instances, the administrative decision will be correct, and in others it will be erroneous, but it is inevitable that there will be times that the administrator concludes a parent has violated the program rules. While penalties may be needed in those circumstances, we need to begin with a recognition that there is very little room to reduce assistance without expanding hunger and homelessness; the maximum AFDC grant for a family of three in the median state is now \$367, 39% of the poverty line; with food stamps, the family's income still only reaches 70% of the poverty line.

In thinking about these situations, I suggest a basic guiding principle: in any welfare reform design, individuals should not be punished unless they have done something wrong. This has two implications:

- A parent should never be denied basic assistance unless that parent refuses to meet reasonable expectations. For example, it may be reasonable to expect a parent to actively look for a job, but it is not reasonable to deny assistance simply because the

⁵ For the "make work pay" principle, critical questions include whether an effective means of advance payment of the earned income credit will be developed; whether the minimum wage will be increased to restore its lost value; whether health care for working poor families not in the welfare system will be made available as part of (or prior to) the welfare reform initiative; and whether the "make work pay" structure will envision that a single parent family can escape poverty only if the parent works outside the home full-time, year-round.

For the child support principle, critical questions include whether and to what degree aspects of the child support system will be federalized; how effective federalization and other improvement techniques can be in enhancing support enforcement; and whether a child support assurance structure will be put in place to provide insurance for those months in which a noncustodial parent fails to pay sufficient support to meet a social minimum standard.

For the education and training principle, it remains unclear how much the current system will be expanded; whether access to education beyond basic education will be curtailed; whether the interest in more rapid job placement will lead to reduced emphasis on human capital activities; and whether working poor families will have new access to education and training opportunities.

parent, despite her best efforts, is unable to find a job.

- Children should not be punished for the conduct of their parents. Even in circumstances where a parent may have broken the rules, there must be a structure that preserves families and provides basic assistance to children.

I believe we all share the goal that welfare reform leads to a better life for children; it is essential that the effort to create a new system does not leave children with even less than they have in the current one.



1000 Wisconsin Avenue, N.W., Washington, D.C. 20007
(202) 342-4726

Jennifer A. Vasiloff
Executive Director

STATEMENT OF JENNIFER A. VASILOFF
EXECUTIVE DIRECTOR, COALITION ON HUMAN NEEDS

Thursday, August 19, 1993

PUBLIC FORUM

**WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND
INDEPENDENCE**

Thank you for the opportunity to testify this afternoon. I am Jennifer Vasiloff, Executive Director of the Coalition on Human Needs. The Coalition on Human Needs is an alliance of over 100 national organizations working together to promote public policies which address the needs of low-income Americans. The Coalition's members include civil rights, religious, labor, and professional organizations and those concerned with the well-being of children, women, the elderly, and people with disabilities. In 1992, the Coalition on Human Needs formed a Welfare Reform Task Force composed of our member organizations that share a strong interest in welfare policy. Organizations participating in the Coalition's Welfare Reform Task Force are listed in an attachment to this statement.

The Coalition on Human Needs' Welfare Reform Task Force believes that certain fundamental principles must guide any welfare reform initiative. Our recommendations to the Working Group are based on these three overarching principles. We believe that to properly address human needs, the welfare reform proposal the Working Group designs must:

- * first, reduce the need for welfare;
- * second, affirm that Americans work for wages not for welfare; and,
- * third, assure an adequate safety net for children and their families.

1. We Must Reduce the Need for Welfare

The Coalition on Human Needs believes that reform of the Aid to Families with

Dependent Children (AFDC) program cannot succeed in the absence of a broader anti-poverty strategy. Families are often forced to rely on welfare because other societal systems have failed. A meaningful anti-poverty strategy must include assured child support benefits for all children with an absent parent, improved unemployment insurance protection, a refundable children's tax credit, universal access to health care, an increased minimum wage, an expanded Earned Income Tax Credit, quality child care needed for employment and preparation for employment, as well as other reforms and initiatives outside the AFDC system.

Investing in education and training opportunities for welfare recipients is critically important. Federal funding for the Job Opportunities and Basic Skills (JOBS) program -- or any successor program -- should be increased to expand education and training services that give participants the necessary skills to obtain a decent paying, stable job. The state matching funding requirement should be waived or substantially reduced. Job preparation activities for AFDC recipients should include the option to pursue higher education and nontraditional training for women.

AFDC parents trying to get work and get off welfare face the realities of a labor market that is increasingly dominated by low-wage, part-time and temporary jobs that cannot support a family. In many poor communities, jobs of any kind are scarce. Initiatives to create jobs paying a living wage must be pursued aggressively.

2. Americans Work for Wages Not For Welfare.

The Coalition on Human Needs believes that any public sector employment created for people leaving the AFDC system must provide pay and benefits equal to other workers doing the same work, without displacing current workers and jobs. Requiring work in exchange for welfare benefits would create a permanent class of impoverished parents who would not enjoy the basic rights to which all other American workers are entitled. Creating such a permanent working underclass would erode both wages and employment standards for all Americans.

The AFDC system should promote, not penalize, work effort. Reforms should be made to make it easier to combine some paid employment with AFDC receipt by finding ways to allow recipients to retain more of their earnings and to save for future needs.

3. An Adequate Safety Net for Children and Their Families Must Be Assured..

Curtailing access to welfare without reducing the need for income support will only increase poverty and hurt needy families. The Coalition on Human Needs believes that time limits on the receipt of AFDC benefits are unacceptably arbitrary because they fail to take into account individual circumstances, the needs of dependent children, and the failure of the economy to generate decent jobs.

The welfare system should provide adequate support to families while they are unable

to support themselves and while they are preparing to succeed in the work force. Adequate support for welfare recipients must include the income necessary to meet basic needs, as well as access to health care, housing, education or job training, child care, and other supportive services. Supportive services should be continued during periods of combining paid employment and AFDC receipt, as well as for a transitional period after receipt of AFDC ends.

While innovative strategies proposed by the states for addressing the needs of welfare recipients should be considered, state requests for waivers from federal law governing the AFDC program must be carefully reviewed by the Health and Human Services Department in a fair and public process. Some states have used the waiver process as a back-door method for cutting benefits and imposing punitive behavioral requirements on recipients. Care must be taken to prevent recipients from being worse off by waivers granted.

The welfare system must treat people with dignity. Family cap provisions, restrictions on migration and other measures that seek to punish certain behaviors hurt needy families and do nothing to help them escape poverty. A reformed welfare system should emphasize incentives over penalties.

The organizations participating in the Welfare Reform Task Force of the Coalition on Human Needs recognize that the problems with the current welfare system are many; the

challenges facing your Working Group are great. We appreciate your consideration of our recommendations and look forward to continued close communication with your Working Group as you develop the Administration's welfare reform proposal.



Testimony of Will Marshall, President
Progressive Policy Institute

HHS Working Group on Welfare Reform,
Family Support and Independence
August 19, 1993

I appreciate the opportunity to testify before HHS's Working Group on Welfare Reform, Family Support and Independence. Nothing better exemplified candidate Bill Clinton's commitment to fundamental change than his promise to "end welfare as we know it." More than any other, this pledge established him as a "Different Kind of Democrat" -- one determined to move beyond an exhausted left-right debate that is failing to confront the nation's most urgent problems.

President Clinton's courageous call for time-limited assistance goes to the heart of America's social welfare dilemma -- the growth in long-term welfare dependency and intergenerational poverty. I'd like to commend Bruce Reed, David Ellwood and the other members of the Working Group for undertaking the hard work of translating this key campaign pledge into national policy.

That a Democrat rather than a Republican would make welfare reform a prime issue signifies a major shift in the politics of welfare. The old liberal-conservative argument between "more of the same" and "less of the same" is giving way to a national consensus that the welfare system is deeply flawed and can't be fixed by such tinkering. President Clinton is offering a new synthesis that challenges both sides to call a truce in their ideological trench warfare. To make his reforms work, liberals will have to accept the idea of time limits while conservatives will have to accept higher social costs.

In the same spirit of reciprocity, the President's New Covenant on welfare offers poor Americans greater opportunities while demanding greater responsibility from them. The Progressive Policy Institute shares these views and strongly endorses President Clinton's call for time-limited welfare. We believe that this reform is an essential precondition for a new and progressive social policy intended to liberate poor Americans from poverty and welfare dependence.

In *Mandate for Change*, PPI's policy blueprint for the new Administration, Elaine Kamarck and I proposed a new social policy architecture intended to complement the

President's call for time-limited welfare. In essence, we argued for shifting public subsidies from welfare to work. Our approach is based on the conviction that progressives cannot be satisfied with a welfare system that consigns the poor to the economic margins of society. We must insist, instead, on social supports that help people develop their capacities and integrate themselves into the economic and social mainstream of American life.

Our design draws on the work of David Ellwood and other researchers on the contradictions and perversities of the existing system. It reflects the growing public conviction, expressed in experiments throughout the states, that public assistance should be conditioned on responsible behavior by recipients. Such demands reflect not so much a hardening of attitudes toward the poor as common sense judgments based on a quarter century of welfare experience. Americans know that we do people no favor by holding them to lower standards. They know that when you ask nothing of people, you encourage passivity and dependence, and turn citizens into clients. They know that income transfers can't lead to productive, self-sufficient citizenship; only work can.

The PPI's approach is based on the following assumptions about the current system:

- That it undercuts incentives to work and isolates the poor in a separate welfare economy rather than integrating them into the mainstream economy.
- That it penalizes marriage and underwrites single parenthood.
- That it empowers bureaucracies and social service providers rather than poor citizens.
- That it fails to reinforce values held by most Americans, including poor Americans, and rewards failure, not success.

Ending long-term dependency through time-limited assistance is the essential first step toward changing these perverse dynamics. In addition, we at PPI believe there are five principles or pillars necessary to make a time-limited welfare system work.

First, we must make work pay. It makes little sense to exhort welfare recipients to work if that means lowering their standard of living or leaving them without medical protection. By shifting public subsidies from welfare to work, a time-limited system would make private jobs -- even low-wage jobs -- far more attractive than they are today. Several years ago, PPI called for dramatically expanding the earned income tax credit, in order to create a guaranteed family wage that would effectively banish poverty among the working poor. We were delighted that the President embraced that goal and included such an EITC expansion in his budget.

Second, we must assure universal access to health care. A work-based social policy requires that welfare recipients not lose medical protection when they take a job. Here again, the President is advancing plans that will assure universal access and so remove a serious obstacle to work.

Third, we must strengthen child support enforcement to supplement the income of poor families. Even with the expanded EITC, many working mothers who lack education and skills will remain on the financial edge. Their children deserve the support of both parents, yet only 20 percent of never-married mothers collect child support from absent fathers. We need to crack down on deadbeat dads and give mothers incentives to cooperate by allowing them to keep more of their child support payments than they do now.

Fourth, we must offer community service jobs for people who can't find private jobs. If the President's New Covenant for welfare is to require work as a condition of public assistance, it must guarantee the opportunity to work. But community service jobs at minimum wage should be a last resort; wage subsidies for private jobs should create a differential that always makes private work a better-paying proposition.

Of course, you can't subsidize private jobs that don't exist. A crucial question for welfare reform is whether there will be enough private jobs for welfare recipients seeking work. We can speculate, but we don't really know the answer. Time-limited assistance will fill this empirical vacuum by testing the absorptive capacity of our labor markets.

Fifth, we must expand welfare-to-work efforts by non-profit groups and businesses. While education and training clearly will benefit some welfare recipients, they cannot substitute for prompt efforts to move people into private labor markets. Demonstration projects show that while education and training programs can raise earnings, such gains are rarely enough to lift a family out of poverty. On the other hand, innovative ventures such as America Works in New York shows that with intensive support, even long-term welfare recipients can get and hold private jobs with decent pay and benefits.

The recent Manpower Demonstration Research Corporation study of California's GAIN program also suggests that programs that stress work produce results superior to those that emphasize education and training. In Virginia, the state has begun a welfare reform program that identifies specific jobs and prepares welfare recipients for them rather than enrolling them in generalized training courses. This plan also offers businesses incentives to participate and permits welfare recipients to cash out their AFDC and food stamp benefits to start personal savings accounts.

Since most people learn their jobs on the jobs, we recommend shifting the relative emphasis of the JOBS program from education and training to job placement. We endorse a proposal by Peter Cove of America Works to change AFDC rules to allow money saved when people leave welfare to be reinvested in further efforts to move people onto payrolls.

We should allow public and private job placement outfits to bid for the chance to place welfare recipients in private jobs and keep part of the money saved when someone leaves the rolls. That would shift federal money from education and training programs that can unwittingly perpetuate dependence to successful efforts to get people off the welfare rolls.

These five pillars, along with the time limit on welfare, would move us from a system centered on income maintenance and consumption to a system oriented around work and the development of personal assets. PPI also has embraced an array of empowering initiatives that will complement a work-based social policy, including Individual Development Accounts to encourage saving and asset-building; microenterprise to encourage self-employment; and tenant management and ownership and social service vouchers to give poor people more control over the services created for them.

Obviously it will take time to put these five pillars in place. And even if this is the right policy architecture, we face lots of difficult engineering challenges. How and when do we phase in the limit and is two years the right limit? Will anyone be exempted from the limit? How can we prevent work requirements from being emasculated? Will added education, training and child care benefits actually induce some to stay on the rolls longer? What will be the sanction for refusing to work? How are we going to pay for the community service work component?

There are lots of devilish details to be worked out and a work-based social policy will be no more immune to the law of unintended consequences than others. All this suggests the need for a lengthy transition, lots of experimentation by the states as to how to move people into jobs and how to create and monitor community service jobs, and much more rigorous evaluation of these efforts. I hope HHS will encourage creative experiments by liberally granting waivers. For example, Wisconsin's plan to test a two-year limit on welfare is entirely consistent with the President's approach and certainly merits a waiver.

What's needed today, as President Clinton has said so often, is the courage to change, to innovate, to take risks; because the only thing worse than failing is accepting the status quo. Thank you.

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National Association of Social Workers

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NATIONAL ASSOCIATION OF SOCIAL WORKERS

**Testimony on
Welfare Reform**

**Before the
Working Group on Welfare Reform,
Family Support and Independence**

**Presented by:
Judy Catherine Walruff, ACSW, CISW
NASW Board of Directors**

**August 19, 1993
Washington, DC**



My name is Judy Walruff and I am testifying today on behalf of the Board of Directors of the National Association of Social Workers (NASW). I am currently Coordinator of the Adolescent Pregnancy and Parenting Program for the Flinn Foundation, a private family foundation based in Phoenix, Arizona. Most of my twenty-plus years as a professional social worker have been in county and state social service agencies--primarily in child welfare. Like many social workers in public agencies, I worked with low income families. Although I now work in the private sector, my work centers on some of the most vulnerable of these families--those headed by single teenage mothers.

NASW's 146,000 members practice in a wide range of fields including health and mental health, criminal and juvenile justice, adoption, child protection, education, foster care, substance abuse, public assistance and employment and training. The collective experience of the profession as well as my own observations, is what informs the recommendations NASW offers today.

NASW's commitment to improving the lives of low-income families reflects the social work profession's traditional role in providing income support and delivering social services. It reflects an ethical framework that places a priority on meeting the needs of vulnerable populations while fostering personal development.

I believe that efforts to improve the welfare system should be guided by two broad objectives; the first is to reduce poverty by increasing earned income. It is critical that we not lose sight of our true goal--to reduce poverty. Reducing poverty is not the same as reducing dependence on welfare, nor is it the same as reducing welfare costs. Reducing poverty is a formidable goal, but one well worth investing in and striving for.

There is some agreement from all sectors -- the Clinton administration, Congress, state officials, advocates, the average citizen, and clients--that the preferred route out of poverty is employment. But beyond this agreement are diverse opinions about paths to employment at decent wages that will support a family. People on welfare represent a diverse group. For some, help to find appropriate employment is sufficient; others, like teenage parents, need substantial

preparation and support. The one common denominator for families on AFDC is that they have children and consideration for those children should be foremost in any plan to move welfare parents into jobs.

Our focus needs to be two-fold as we transition people from welfare to work (or back to work as the case may be); easing the transition from welfare to work, and, as President Clinton has said, making work pay.

To increase the numbers of welfare families that are prepared to accept employment and to succeed in the marketplace, we must ensure that there is available and accessible child care, education and training, health care, transportation, life management education and family planning. Our experience with the JOBS program of the Family Supports Act has reinforced the importance of ensuring the availability of accessible, affordable, high-quality child care. This experience has also shown us that we are far from meeting that need. Only about 3% of AFDC recipients and 30% of JOBS participants currently get the child care they need. In small towns and rural communities, child care resources are scarce to non-existent. It is not an acceptable solution to declare that lack of accessible resources means that persons are exempt from education, training or work. An infrastructure must be built to assure that needed support services are available. For families with elderly family members who are dependent on the welfare client for care, additional services and resources may be needed. We must rebuild the system to be responsive to and considerate of the important family value that emphasizes quality care for both our young and elderly.

A transition period for health care coverage is an essential component of welfare reform. Until we achieve universal health care, welfare clients must not lose health care benefits for their children by accepting employment. By now we are all informed of the benefits of childhood immunization, early periodic screening, diagnosis, and testing, and early treatment of common childhood ailments. Children without health care do not see a doctor until they become very ill--and then the cost in pain and suffering and for treatment is very high. Parents should not ever have to choose between accepting employment and their children's health.

We have known for years and have ample empirical evidence that education and training are critical to employment. The JOBS program has sensitized us to the fact that this education and training can and should take many forms. There are people on welfare who need basic literacy skills, while others are ready to pursue a high school degree or GED. For yet another group, vocational education or post secondary education is the key to a decent and lasting job. Some recipients do not flourish in a traditional educational environment; for them, we need to develop non-traditional alternatives. We also need to build in the flexibility to allow for different paths for different participants. This flexibility extends as well to the length of time that participants prepare for employment. For some, a two year maximum may be adequate; for others, it is not. My own experience tells me that, for teenage parents, artificial time limits that do not account for the developmental issues of adolescence fall far short of preparing these young people to succeed in the workplace. I feel compelled to also point out a significant shortcoming of the current JOBS program for adolescent parents on AFDC. At present, only adolescent parents who are not enrolled in school are considered "mandatory" for JOBS and entitled to the matrix of support services (child care, transportation, case management, book and supply stipend) available to JOBS participants. Teenage parents who have not yet dropped out, are struggling to stay in school, and facing the daily challenges of school work and the demands of parenting may volunteer for the JOBS program. In Arizona, and other states in the nation, lack of resources puts them on a waiting list until they become dropouts. This is a sad situation and seems entirely illogical if we want to reward persistence, initiative and commitment among these young women (and men) who want to finish school and join the ranks of the employed. With all the concern about teenage parents today, the welfare system should be giving these young people priority and reinforcing their diligence.

In Phoenix, a city of over a million, there are 2,000 adolescent AFDC heads of household. Resources allow for only 150 of them to receive intensive support services through a collaborative program of the State and the City of Phoenix called "Young Families Can". An evaluation of this program showed significant success in preparing young welfare clients for work. An important finding of the study was that successful intervention took at least 24 months.

In many parts of the country, transportation is also an indispensable service. If welfare recipients are expected to participate in education, training, and work, transportation should be guaranteed--both for them, and for their children to get to and from day care or school.

I believe there is a basic assumption that low income families, especially those on welfare, have ample access to family planning services. In my experience this is simply not true. The barriers to reproductive health care for poor women and men are many and well documented in the literature. Among those barriers are that some Medicaid providers do not offer this service for personal moral reasons. In other situations women are reluctant to seek these services because they are not treated with respect. In rural communities and in some cities, transportation, lack of child care, and lack of confidentiality prevent women from obtaining family planning services when they desire them. Men and women in employment and training programs and preparing to enter the job market often want to include family planning as part of their long-range plan for self-sufficiency. Although family planning must remain a personal, private family decision, we must assure that welfare clients have access to these services when they want them.

Finally, effective preparation for employment depends on quality assessment, counseling, and case management services. Accurate assessment and effective case management are indispensable tools in achieving the best possible fit between the client, the service system, and the job market. These processes that take place between the worker and the recipient, provide the opportunity to maximize efficiency, empower the client, establish realistic expectations, and ensure success. Workers face barriers too, not the least of which are appropriate training and case-load size. An appropriate continuum of services must be available in the community, and caseloads must be small enough to afford workers the opportunity to establish substantive relationships with their clients.

It is important to consider that the matrix of education, training, and support services need not and should not be provided exclusively within the institutional settings of the public welfare systems. Community agencies, state and community colleges and universities, cities, counties and states, and even private philanthropy can plan together to achieve effective programs of

service that take people from welfare to work. In many communities across the nation, (and in my own experience) publicly and privately funded demonstration programs have proven immensely successful in preparing welfare clients for work. The wheel has been invented--we know what it takes for people to succeed. Unfortunately, after a successful demonstration, few of these programs receive the level of financial support needed to expand and accommodate more clients who would benefit from their services. In addition, because of artificial time lines and unrealistic expectations, "creaming" may occur and with limited resources only those most likely to succeed are given the benefit of the programs. Community programs that demonstrate success should be supported with additional program funding and allowed to grow. Those efforts that do not show results should be abandoned.

When appropriate education, training and support services are accessible, client participation is high. Unfortunately, punitive sanctions are often viewed as alternative means to motivate clients. These short cuts to achieving change rarely work and serve only to increase the misery of children in families dependent on public welfare. Available, accessible services and appropriate incentives that reward hard work and progress will achieve the results that far exceed the limited effect of sanctions and other punitive measures.

In addition to adequately preparing people for work, we must ensure that labor force participation will result in income sufficient to support a family. The United States must make it a priority to implement a comprehensive job creation strategy that focuses on developing jobs that pay a living wage and offer adequate benefits. The preponderance of low-wage, part-time, and contingent jobs in today's labor market leads many families to cycle back and forth between welfare and employment. Moving large numbers of families into low-wage work is not a solution; it will not reduce poverty and will not measurably improve conditions for our children.

At the same time that job creation is underway, there are things that we can and must do to supplement low wages. The recent expansion of the earned income tax credit is critical. The unemployment compensation system must likewise be strengthened to reduce the number of recipients moving back and forth onto AFDC. The minimum wage should be increased and

indexed for inflation. Pay equity legislation is needed to eliminate wage discrepancies based on race and gender. Non-traditional job opportunities must be expanded to move women into better paying occupations and young women need to be oriented to these occupations while still in high school. We need to continue to support businesses that offer a more flexible workplace with policies that include job sharing, flextime, and a reduced work week for all employees. Companies and businesses that operate in this way should be rewarded with a tax credit mechanism for their participation in strengthening the employment base in this country.

We are now seeing in some States, initiatives that require community work experience programs in which people on welfare work in exchange for their grants, rather than for wages. This presents both practical and ethical dilemmas. There is no evidence to date that these provisions successfully move clients toward self-sufficiency. We do know that they preclude the accumulation of assets, make no contribution to the economy, and perpetuate a double standard under which people on welfare are treated differently from others in the mainstream. The Clinton Administration has just provided a marvelous incentive for people to volunteer for community service in exchange for educational benefits. Should welfare clients decide that they can give community service, they should do it on the same basis as other citizens and without penalty to their welfare grant.

NASW is concerned that in our eagerness to promote work, we may neglect the needs of those families that, for whatever reason, will not succeed in achieving economic self-sufficiency. We cannot eliminate the safety net for those who will still need it.

NASW recommends the following: **Establish a national minimum benefit standard for AFDC.** Children--regardless of which state they live in--should not go to bed hungry or have to skip school because they have no shoes to wear. **Increase the amount of earnings permitted without a reduction in public assistance benefits.** Workers should not have to choose between subsisting in a low wage job or receiving welfare; packages should be devised and permitted that ensure financial stability by mixing earned income and public assistance. **Allow for the accumulation of assets, without penalty.** Savings and experiencing the benefits of saving are

as important to self-sufficiency among low-income families as they are among middle and upper-income Americans.

Our solutions should, whenever possible, lie outside the welfare system in the institutions and structures that serve the rest of America. We must strengthen child support enforcement for all children for whom support is owed. We need to be sure that non-custodial parents have the opportunities for education, training, and work that will enable them to contribute to their children's support. We need to stop ignoring fathers of babies born to adolescent mothers and ensure that policies and program exist to help them (when appropriate) assume financial responsibility for their children. We need to have a strong public education system than provides quality education to all children. But at all costs, we need to see to it that children, early on, are safe from the mind and body ravages of poverty. It's simply a matter of fairness.

NASW recognizes that the task before you is extremely complex. We are anxious to work with you in formulating an effective, responsible, and constructive proposal to improve the lives of Americans who are struggling to make the best life they can for themselves and their children.

In Summary, NASW believes that:

- Government has a responsibility to provide leadership in developing humane and effective policies to reduce poverty.
- Economic and social policies should not just address those already in poverty, but should be broad enough to prevent poverty by addressing the needs of the working poor and those most at risk of becoming poor.
- The income support system must be adequately funded and provide for education and employment opportunities based on individual circumstances. The system must concentrate its resources and energy on a rational system of support that is accessible to all who need it and that will ensure successful transition to long-term self-sufficiency.
- Income maintenance programs that provide a decent standard of living for children must remain in place for those unable to attain economic self-sufficiency.

Thank You

EMPLOYMENT POLICIES INSTITUTE

FOR IMMEDIATE RELEASE

Contact: Michael J. Volpe
(202) 347-5178

ENTRY-LEVEL JOBS FOR WELFARE RECIPIENTS ENDANGERED BY FEDERALLY-MANDATED POLICIES ON BUSINESS, CLINTON PANEL WARNED BY EMPLOYMENT POLICIES INSTITUTE OFFICIAL

Washington, D.C., August 19, 1993 -- While the Clinton Administration's proposal of a two-year limit on receiving public assistance is an important first step towards ending welfare, a leading employment expert today warned that some government policies will raise the cost of labor so high as to eliminate the ability of businesses to hire welfare recipients.

In prepared remarks before President Clinton's Working Group on Welfare Reform, Family Support and Independence, Richard B. Berman, executive director of the Employment Policies Institute, said "the access to, and the availability of, entry-level employment must be one of the strongest, if not the most important component of any program to 'end welfare as we know it.'"

Berman said it is critical for the Task Force to endorse measures which protect existing entry-level jobs, and encourage the creation of new ones. "We all must remember that the success of whatever reforms are proposed will only be measured by the number of recipients placed in jobs," Berman said. "More training does not create jobs. If the economy is not creating employment opportunities, then as one study put it a few years ago, training 'only serves to reshuffle the unemployment queue.'"

Protecting and increasing the number of entry-level jobs available to all Americans requires that the government not increase the cost of labor so far as to make hiring new employees beyond the fiscal capacity of most businesses, Berman told the Clinton panel. "Increasing the minimum wage, mandating health care benefits, and imposing a new tax on business to pay for universal health care destroys the opportunity for full employment for millions of Americans currently trapped on the island of welfare dependence," he said.

Berman also revealed advanced findings of two Institute studies to be released soon on minimum wages and health care mandates. According to the first study, when the last minimum wage was increased, workers living in poor households received only one in five dollars of wage increases due to the change in policy, while only five percent of the earnings gains went to black workers living in poverty. Meanwhile, the second study concludes that a federally-mandated health plan for families costing an employer about \$6,000 would result in the nationwide loss of 3.1 million jobs, including 828,000 restaurant jobs, 512,000 retail jobs, and 340,000 agricultural jobs.

**REMARKS EXPECTED TO BE DELIVERED BY
RICHARD B. BERMAN, EXECUTIVE DIRECTOR
THE EMPLOYMENT POLICIES INSTITUTE**

**A PLAN FOR INDEPENDENCE:
JOB PLACEMENT AS JOB TRAINING**

**WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT
AND INDEPENDENCE**

**WASHINGTON, D.C.
THURSDAY, AUGUST 19, 1993**

A Plan for Independence: Job Placement as Job Training

Good afternoon. Thank you for the opportunity to appear before President Clinton's Working Group on Welfare Reform, Family Support and Independence and speak to the important issue of reforming our system of public assistance. While we all can agree that the welfare system is in need of repair, the blueprint for action remains obscure and controversial. President Clinton's plan to "end welfare as we know it" appears to rely heavily on a familiar remedy: two years of education and training for adult recipients, after which they would be expected to find a job and cease reliance on government assistance. The President's promise, at least according to the campaign rhetoric, is to provide the training necessary to find not only a job but a "good" job. The question before us is what kind of "job training" is likely to help the President fulfill his pledge to the millions of Americans currently looking for a way to escape the trap of welfare dependency?

Today my discussion will focus on a special part of the relationship between job training and job placement -- the gulf that exists between wanting a job and getting a job. Building a bridge between the desire to be employed and the actuality of receiving a paycheck requires two strong and sturdy abutments: one on the side of instruction, and one on the side of job-availability. The bridge to full employment for our public assistance population cannot stand if either abutment is absent, while damage to one necessarily erodes the strength of the other.

According to a report issued in July 1992 by the General Accounting Office, there are currently "125 federal programs that provide various forms of employment and training assistance to adults and out-of-school youths, with fiscal year appropriations of \$16.3 billion." Yet, welfare recipients continue to be denied the opportunity of finding employment.

While instruction and training stand as a critical part of the design for a successful full-employment program, experience tells us the best form of job training is real-life job experience. This is particularly true for the public assistance population, where the required "basic" skills are as fundamental as showing up for work regularly and on time. Entry-level jobs have historically provided the "port-of-entry" for many of us preparing for a life-time of work and productivity.

I would be surprised, for instance, if most of us here today could not attest to this fact with a story of their own personal experience as a minimum-wage worker. These jobs are responsible for teaching hundreds of American workers the essential ethics of work, and the necessary skills to advance their careers.

Further, I would remind us all of the failure of past "training" programs which lacked a focus on real-life work. Without going too far off on a tangent highlighting past failures, let me encourage us not to suffer from a dangerous case of "CETA amnesia." The most serious crimes of the CETA (Comprehensive Employment and Training Act of 1973) program were not the indictments and convictions for embezzlement, misuse of funds, false statements, theft, kickbacks, etc. The most serious crime was CETA's insensitivity to the needs of the program's constituents.

According to many local CETA administrators, Washington, D.C., policymakers had only a dim understanding of the people (and their needs) that they were trying to help. "Washington seems to think," said one Houston-based CETA official, "that there are a lot of poor kids out here, who, if offered training, will gladly take it and then walk into a well-paying job." The problem, he said, was much more complex, and involved the whole psychology of the poor and their attitudes toward work. Simply providing training -- no matter how noteworthy the instructor or curriculum -- could not adequately bridge the gap between life as a public assistance recipient and life in the workplace.

The point is, to borrow from a statement from Mickey Kaus published at the close of a long article reviewing national welfare policy in *The New Republic*:

"Welfare doesn't work. Work 'incentives' don't work. Training doesn't work. Work 'requirements' don't work. Work 'experience' doesn't work and even workfare doesn't quite work. Only work works."

Programs which emphasize work and target training at the enhancement of skills necessary to compete or to advance in a specific job carry a much stronger record of success. The value of "working-as-training" can be seen in some of our nation's more successful "welfare" programs. In these cases, the emphasis is on moving people from the ranks of public assistance recipients into a position independent of state subsidies.

The GAIN program in Riverside, California is a well-known example of just what a difference a real job can make. According to a two-year impact study conducted by the Manpower Demonstration Research Corporation, Riverside stands out as the only county in California to produce large and statistically significant earnings gains and welfare savings for longer-term AFDC-FG recipients. By their analysis, Riverside's success is due in large part to its "unusually strong emphasis on getting people into jobs quickly, while communicating a strong message to registrants at all stages of the program that employment is central, that it should be sought expeditiously, and that opportunities to obtain relatively low-paying jobs should not routinely be turned down."

In other words, the attitude that makes Riverside a winning program, according to Bruce Wagstaff, Chief of Employment and Immigration Programs and principle director of the GAIN program in California, is that "in Riverside there is no such thing as dead-end job." Entry-level employment in the service and clerical industries provides the majority of jobs available to the public assistance recipients in Riverside, according to Marilyn Kuhlman, director of the Riverside GAIN program. With the help of these entry-level opportunities, Riverside continues to exceed the job placement success, earnings mobility and welfare savings of other counties in California. What better testament to the tremendous value of job-training occurring through job-placement?

Increasing the access to, and availability of, entry-level employment must be one of the strongest, if not the most important component of any program to "end welfare as we know it." While the Administration's proposal of a two-year limit on receiving public assistance is an important first step, attention must be paid to where people are going to go once government support is eliminated. Destroying employment opportunities through policies that raise the cost of labor so high as to eliminate the ability of business to hire welfare recipients will negate *any* positive benefits that training might bring.

In view of the vital importance of entry-level employment, it is critical that this Task Force endorse measures which protect existing entry-level jobs, and encourage the establishment of new ones. We all must remember that the success of whatever reforms are proposed today, or at another of the regional hearings, will only be measured by the number of recipients placed in jobs. More training does not create jobs. If the economy is not creating employment opportunities, as one study put it a few years ago, training "only serves to reshuffle the unemployment queue."

With job placement and job creation as the goals, it is also important to avoid the temptation that former Secretary of Labor Ray Marshall succumbed to when he created more than 725,000 public-service jobs to bolster the statistics supporting the failing CETA program. Government creating government jobs to move people off public assistance roles is an empty solution, and, as with the CETA program, will produce very little in terms of real results for those now trapped in the cycle of dependency on welfare.

Protecting and increasing the number of entry-level jobs available to all Americans requires that the government not increase the cost of labor so far as to make hiring new employees beyond the fiscal capacity of most businesses. Increasing the minimum wage, mandating health care benefits, and imposing a new tax on business to pay for universal health care destroys the opportunity for full employment for millions of Americans currently trapped on the island of welfare dependence.

THE MINIMUM WAGE

Increasing the minimum wage is often paraded as a quick-fix to curing poverty in America. Trial and error have proven that such a policy not only fails to improve the condition of those it purports to target, it actually reduces the number of jobs available to this vulnerable unskilled population.

A study by economists Richard Burkhauser of Syracuse University and Andrew Glenn of Vanderbilt University to be released this Fall by the Employment Policies Institute¹, demonstrates the ineffectiveness of policies which increase the minimum wage in changing the life conditions of poor families. According to the study, when the last minimum wage was increased workers living in poor households received only one in five dollars of wage

increases due to the change in policy, the remainder going to low-wage workers living in middle and upper income households. Accordingly, low-wage workers living in upper income households received 27 percent of the wage hike associated with the minimum wage increase.

Also contrary to conventional wisdom, minorities and women are not overwhelmingly helped by a minimum wage boost. Only 14 percent of the earnings gains in the last minimum wage increase went to blacks, and only 5 percent to black workers living in poverty. Female-headed households with children received far less in minimum wage increases than the 40 percent boost in income earned through EITC credits in the same time period.

Much of this effect is due to the demographics of minimum wage workers: the majority do not represent the heads of households. Most are second or third wage earners in an upper income household. In 1989, only about one low-wage worker in five was a household head and less than one low wage worker in 20 headed a poor household. Only about 8 percent of low-wage workers head families living in poverty. And, a low-wage worker is 36 percent more likely to live in an upper income household than a poor one.

Not only is increasing the minimum wage an inadequate mechanism for aiding minorities and single female headed households in poverty, it actually hurts more than it helps. Increases in the minimum wage negatively affect employment opportunities and are alone responsible for decreasing the number of jobs available at the entry-level of the market. Earlier this year David Neumark of the University of Pennsylvania² produced a study which concludes that for every 10 percent increase in the minimum wage, employment opportunities are reduced as much as 1 to 2 percent. The negative consequences for this most vulnerable population are profound.

The Earned Income Tax Credit (EITC), in contrast, as a refundable tax credit available only to low-income households, is the most efficient and fairest way of helping people out of poverty, and dependency on public assistance. The Burkhauser/Glenn study shows how much more effective the EITC was in targeting poor households during the period between 1989 and 1992, immediately following the last minimum wage increase. According to their analysis, an increase of \$4.4 billion in EITC funding increased the wages of a minimum wage employee from \$4.25 to \$5.37 per hour for participating recipients. Only a small fraction of this expenditure, less than 3 percent, went to minimum wage workers living in upper income households. Blacks received 22 percent of the benefits, while female-headed households received 45 percent. And all without a negative effect on employment!

THE EFFECT OF HEALTH CARE MANDATES

Health care mandates on business also effectively increase the cost of labor enough to mean fewer jobs for unskilled workers. According to Dr. June O'Neill and Dr. David O'Neill of

Baruch College, City University of New York, employer mandates requiring employers to pay for workers' health insurance would result in a substantial loss of jobs, particularly entry level jobs. For instance, according to their analysis, a federally mandated health plan for families costing an employer \$6,000 (essentially a \$6,000 raise per employee) would result in the loss of 3.1 million jobs.³ The loss of jobs would be heavily concentrated in industries with large entry level populations, with restaurants losing 828,000 jobs, retail trade 512,000 jobs, and agriculture 340,000 jobs. The O'Neills' study will be available shortly from the Employment Policies Institute.

CONCLUSION

The Employment Policies Institute's position on job training can best be summed up in a statement by former Senator and Presidential candidate George McGovern:

"For many employees, an entry-level job is the only opportunity to learn about the workplace. Poor language skills, illiteracy, and the inability to show up for work regularly keep many people from advancing beyond a basic wage. Yet, some of these entry-level jobs may be the only work that is available to keep someone from total welfare dependency.

Unfortunately, many entry-level jobs are being phased-out as employment costs grow faster than productivity... As we debate the definition of "good jobs" and how to train people to fill them, we cannot ignore the bottom of the ladder and the need to preserve the first rungs for people to climb. Without a sufficient focus on the creation of entry-level work, employment-based learning opportunities will become an endangered species in the marketplace."

ENDNOTES

1. Richard V. Burkhauser and Andrew J. Glenn, "Public Policies for the Working Poor: The Earned Income Tax Credit Versus Minimum Wage Legislation," (working title) to be released by the Employment Policies Institute.
2. David Neumark, "Employment Effects of Minimum and Subminimum Wages: Recent Evidence," February 1993, Employment Policies Institute.
3. June O'Neill and David O'Neill, "The Impact of a Health Insurance Mandate on Labor Costs and Employment," (working title) to be released by the Employment Policies Institute in the Fall of 1993.