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WASHINGTON, D.C. 20503

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NOTE FOR GENE SPERLING
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FROM: Ken Apfel

SUBJECT: Welfare-to-Work Jobs Program Design Draft
(for the meeting on December 5th)

Attached is a draft paper outlining the state of play on the design of the Welfare-to-Work program, as summarized by my staff. It has not been reviewed by the agencies and should not be shared with them yet. I want us to talk it through first.

The paper identifies eight significant issues for resolution. You will note that it does not highlight labor protections as an issue (see p. 9). This is because the Labor Department developed the text offered (at Tab C), based partly on current JTPA law and on the provisions from the Administration's Work and Responsibility Act, and DOL policy officials aver that this text will satisfy organized labor. You will note that the paper does note on page 9 that an option would be to write the specification such that any State or city that uses WTW funds in a project with other funds, such as TANF monies, would have to apply this set of labor protections to the whole project -- something organized labor surely would applaud, but which might lead States and cities to fence off WTW funds from other funds to avoid having to abide by these rules.

At our meeting, we should: (1) discuss the issues and options and identify alternative approaches; (2) identify other issues that should be highlighted; (3) discuss when and how to share with the agencies; (4) discuss when and how to raise issues with principals, including the overarching issue of whether to have an actual bill. When we do go to principals, the presentation will have to be shorter and more focused on the issues, but we can work on that later.

Attachment

CONFIDENTIAL DRAFT

December 3, 1996

WELFARE-TO-WORK JOBS PROGRAM DESIGN

The Welfare-to-Work Jobs Challenge Fund provides incentives to States and cities to place long-term welfare recipients in jobs that lead toward self-sufficiency and reduce welfare dependency. It maximizes the flexibility and innovation of States and cities working in close cooperation with the private sector and the community by not specifying a program design; rather it specifies the measure of success and rewards its achievement. The evidence of the ability of past Federally-designed job placement programs to achieve significant levels of success with this population is decidedly mixed, whether under JTPA, Welfare-JOBS, Food Stamps Employment and Training, or myriad other designs. WTW would be accompanied by a substantially enriched tax credit to employers who hire the target group. Nevertheless, based on previous tax credit take up rates, the credit alone will not be sufficient to change the hiring practices of employers, or the employment prospects of long-term welfare recipients. The introduction of the performance-based incentives of WTW to an environment of the tax credit, TANF's work focus, new child care funds and strategies that integrate other State and local funds should, however, catalyze substantial new job creation to make lasting improvements in the lives of long-term welfare recipients.

Presented below is a working outline of how the Welfare-to-Work (WTW) Jobs $3 billion spending program could be designed. While any aspect of the design can raise issues, the outline highlights the eight major issues the WTW workgroup identified:

1. City eligibility for direct grants.
2. Definition of eligible individuals
3. Definition of earnings success for performance payments
4. Performance payments for public sector jobs
5. Mayoral control
6. Federal role in plan approval
7. Use of WTW funds for workfare and subsidized public sector jobs
8. Federal administration

(A) Budget structure

- Budget structure. WTW will be a capped mandatory spending program.
- Fund availability. Funds will be available in the following amounts: FY 1998, $750 million; FY 1999, $1 billion; and FY 2000, $1.25 billion.

For the purposes of making performance payments during FY 1998, the Secretary may draw funds from the amount for FY 1999. For the purpose of making performance payments during FY 1999, the Secretary may draw funds from the amount for FY 2000.

- Availability for obligation. Funds would be available for obligation in the year in which they are first available, and for two additional fiscal years. Funds would be available on a fiscal year basis, as in TANF (vs., for example, on a July-June program year basis as in JTPA), given the necessity for joint programming with TANF funds.

- Federal administration funds. Funds for Federal administration and for evaluation would be appropriated annually in the discretionary budget. The agencies suggest about $5 million per year to support 50 FTE, plus evaluation costs.

(B) Flow of funds; performance grants

- Total formula grants. In general, each eligible applicant (see below) with an approved plan would be eligible to receive amount equal to its percentage share of the eligible population, applied to the $3 billion, or $1 billion annually for three years.

- Annual formula grants. In general, for each of the fiscal years 1998 through 2000, each eligible applicant with an approved plan would receive an amount equal to its percentage share of the eligible population, applied to $750 million. After the FY 1998 grant, subsequent grants would be conditioned upon demonstration of satisfactory progress toward meeting the goals of the approved plan.

- Performance grants. The remaining funds ($250 million in 1998 and $500 million in each of fiscal years 1999 and 2000) would be distributed to each grantee based on its actual number of successful placements/retentions, up to the maximum for which it planned.

- Performance payments. The total Federal payment per placement -- regardless of the actual cost of placement -- is calculated to be $3,000. The formula grant provides three-fourths of the Federal share of each expected placement, or $2,250, up front, in order to support WTW's share of the grantee's approved plan.

  For each successful placement, the grantee then earns an additional $750 performance grant. Failure to place as many individuals as its approved plan calls for does not result in State or city repayment of the grantee's formula grant, but it would trigger the necessity for corrective actions prior to receiving subsequent years' formula grant, and, in extreme cases, reallocation of funds to other areas.

  - The actual cost per placement will be whatever the grantee chooses, and is financed by a combination of WTW funds, State TANF block grant funds, State job training funds, the private sector, and other funds in the plan. While WTW funds need not be spent in any specific amount or proportion on any one individual, the funds must be spent on activities intended to benefit the eligible population (vs., for example, the welfare population generally, or those with shorter durations on welfare).

- Timing of payment of performance grants. Beginning on October 1, 1998, performance grants will be awarded quarterly, based on grantee certification of successful placements to the Secretary. Certifications will be subject to audit and grantees liable for recovery of funds for improper certifications.

© Eligible applicants and share of funds

- States. Each State, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, and the Territories is eligible for a WTW grant. Grant funds within these entities would automatically pass through, by formula, to cities which are eligible applicants. The State administers the funds for parts of the State without cities that are eligible applicants.

- Cities. Cities with the highest number of individuals in poverty also receive and administer WTW grants. A city may, in its sole discretion, arrange for the State to administer funds the city would otherwise receive.

- Counties. [NOTE: this is the response to the August statement that "counties, as appropriate" could be grantees. The term "appropriate" is defined locally] The State may delegate administration of funds in areas for which a city is not otherwise an eligible applicant, to a county (or a city) of its choosing. In States where counties will be responsible for TANF administration, a State may find it appropriate to delegate its non-city WTW funds and responsibilities to the counties. Cities within or abutting a county with the necessary capability could arrange to have the county administer its WTW funds.

- Service Delivery Areas (SDAs) as eligible applicants. The Labor Department is exploring an option in which the 630 JTPA SDAs, comprised of cities, counties, and other units of local government, would constitute the eligible grantees. In this option, there would be no State grantees.

DESIGN ISSUE #1: 100 or 150 cities

Ideally, WTW would distribute funds on the basis of the relative numbers of long-term welfare recipients. There is no data base that does this, so the workgroup assumes WTW will use the distribution of people in poverty. The attached tables (Tab A) use 1990 Census data, but would need to be updated. They show the percentage and amount of funds which cities and States-less-cities ("Balance of States") would receive under the annual $750 million grant, and from the total $3 billion.

> **NOTE**: The illustrative tables are from a data base that only has cities of 100,000 population or more. Thus it excludes cities with smaller total population that may have more poor people than cities that now show as being within either the 100 or the 150 list. East St. Louis, for example is not on the list, but may qualify when there is a list of cities by number of people in poverty without regard to total city population. Also, Puerto Rico and the territories are not shown and would change the numbers.

Each table set shows the cities in descending order of numbers in poverty, followed by the Balance of State amounts. The first set of tables is based on 150 cities qualifying; the second on 100 cities qualifying. Items for consideration:

- Where are the poor? Whether at the 100 or the 150 city level, roughly one-third of the poor are in the cities, two-thirds in the Balance of States (this would shift somewhat on the data base that ranks cities without regard to population size.) The task of moving welfare recipients into jobs is preponderantly a State task.

- Basis for deciding which cities should be eligible. There is no particular objective standard that leaps out for where to draw the line on the table. On an annual basis, only 22 cities would have to plan for more than 1,000 job placements per year. Only 46 cities would need to plan for more than 2,000 jobs over the three year period.

- There are 11 States with no cities that qualify. It is not uncommon in Federal programs to recognize this situation by qualifying "the largest city in a state with no otherwise eligible city."

The decision on how many cities to make eligible is a pure policy call. Given the preponderance of the poor in small cities, suburbs and rural areas, whether there are 100 or 150 or some other number of cities will not materially influence the overall success of WTW; State behavior will be the greatest determinant.

(D) WTW eligible individuals

The August outline names "long-term welfare recipients" who have been on the rolls for "at least" 18 months. The caseload of adults receiving welfare for 18+ months numbers about 2.2 million annually. Because of normal churning of the welfare population, about half of these individuals probably would get jobs without special State efforts. With only the 18+ months factor, WTW is susceptible to charges of creaming and having no net impact. In addition, as the tables indicate, the number of jobs a city or State needs to find to qualify for the full performance payment is not large. The combination of avoiding creaming and spending the $3 billion for people in the most need suggests the necessity for an additional individual targeting factor.

DESIGN ISSUE #2: Definition of eligible individuals

The workgroup identified two approaches to ensuring that the individuals for whom WTW makes performance payments are those more likely to need the extra effort that WTW implies, one based on the Federal government specifying an additional criterion beyond duration on welfare; the other requiring an additional criterion, but permitting each grantee to select the factor from a statutory list, or based on its own justification.

Option A: Specify in law an additional factor, such as:

(1) 18+ months on welfare and **lacking a high school diploma/GED**; about 900,000 eligibles;
(2) 18+ months on welfare and **lacking basic skills** -- about 900,000 eligibles.
(3) 18+ months on welfare and **lacking high school and basic skills** -- about 600,000.
(4) 18+ months on welfare and living **in high poverty areas** -- about 950,000 in areas of 20% poverty or greater; about 665,000 in 30% or greater poverty areas.
(5) 18+ months on welfare and **victim of domestic abuse, or other factor from a Federal list.**
(6) 18+ an **additional 6 months on welfare**; about xxx,000 eligibles [estimate coming];

Option B: Let States and cities choose the additional factor

Formula grants could only be used for, and payments from the 25% withheld funds could be awarded only for, individuals the State or city document are long-term recipients and from one of the groups above (including any other factor the State or city proposes and justifies in its plan).

Option A more closely resembles the current JTPA structure (although JTPA does include in its targeting menu a "local choice" option); cities and States are familiar with this approach. Option B is more consistent with the overall State flexibility principle of WTW and puts the onus of selecting the targeting factor more on the State or city, where it belongs.

(E) Hours worked/earnings standard for the performance payment

The August outline defined the condition for a performance payment for an eligible individual to be placement in a job that lasted for at least 1,000 hours during nine months. At the time, this definition was simply an intuitive judgement that it was long enough to demonstrate the desired focus on job retention and still seem achievable.

The workgroup questioned whether this goal was sufficiently ambitious: 1,000 hours at the minimum wage would qualify, but is not much of an achievement. Earnings for 1,000 hours at next year's minimum wage ($5.15/hour) would be $5,150, or $10,712 for a full year's work (2,080 hours). The poverty level for the typical welfare family of three is $12,980 now and will be higher in FY 1998, when WTW begins. This population is believed to churn in and out of minimum wage jobs, though it is noted that there is no systematic information available at HHS on the wage experiences of the target population.

Thus, if a WTW "success" is a job at minimum wage, the typical welfare family's full-time earnings would be about 17% below poverty. This level would be a significant improvement in earnings for many on welfare, but it should be achievable with relatively limited effort, such as might be available under TANF without WTW.

On the other hand, it is important not to have a measure of success so difficult to achieve as to doom WTW's likelihood of success. The JTPA National Study found that even though JTPA boosted welfare recipients' earnings by as much as 50 percent above control group member earnings, the program did not reduce welfare and food stamp dependency among treatment group members. The Study found that AFDC participants' average post-program 18-month earnings were about $5,200; average hours worked over that 18-month period -- a period double the August outline's 9-month standard for WTW -- were 1,072.

Notwithstanding the evidence that this is a hard group to place in better paying jobs, it is also important to keep in mind that TANF permits each State to exempt from time limits 20% of its welfare population, which should mean that the very hardest to employ likely will not be in the WTW population. Finally, as the illustrative tables at Tab A show, at least for the cities, the actual number of individuals that need to be placed to generate a performance grant in WTW is fairly modest, again suggesting that a more ambitious success measure is feasible.

The workgroup also determined that there is no administrative record series that tracks post-program hours worked. To do so would require a costly follow-up reporting system for each grantee. Quarterly Unemployment Insurance (UI) wage record data is available in each State and offers an objective way to document the earnings of individuals for whom performance payments are claimed. Therefore, an earnings standard -- rather than an hours worked standard -- would be adopted for WTW.

<u>DESIGN ISSUE #3:</u> **Definition of earnings success for performance payments.**

The work group suggests a policy goal that can be argued as "economic self-sufficiency" for long-term welfare recipients. It is exploring approaches linked rhetorically to the President's 1993 EITC and minimum wage goals.

In 1993, the President's Earned Income Tax Credit (EITC) and minimum wage policy goal was for levels that, when combined with Food Stamps, provided income sufficient for a female-headed family of three (the typical long-term welfare family) to escape poverty. At the 1996 poverty threshold for a family of three of $12,980, the "Minimum Wage + EITC + Food Stamps > Poverty" standard requires only 30 hours of work per week, or about 1,500 hours annually, for actual earnings of $7,725.

WTW could define its "self-sufficiency" earnings goal as --

- Option A: Wages + EITC > Poverty, excluding Food Stamp benefits from the calculation because they are another form of dependency. This would require annual earnings of $__________, or about $______ per hour for a 2,000 hour job. Or,

- Option B: Wages + EITC > 130% Poverty. This option uses the standard that takes a family above the qualifying level for free lunch, or 130% of poverty. This formulation, would require annual earnings of $________, or $ per hour for a 2,000 hour job.

Analysis is needed to determine whether either of these formulations place the success goal so far out of reach as to be unrealistic, even in light of the 20% exemption and the modest job targets generated by the funding structure. Some effort in this direction, however, is desirable to justify the spending program and demonstrate that it is achieving something not otherwise likely to occur.

(F) Jobs for which WTW performance payments can be made

The workgroup generally agreed that WTW performance payments should be made only for jobs that are unsubsidized (except by WOTC) and that result in the requisite earnings level. (See also the discussion below on Use of Funds for consideration of whether WTW funds should support workfare or other forms of job subsidy, without regard to the basis on which performance payments are made.)

It should be noted that some Administration rhetoric since August could lead some to believe that WTW performance payments are for subsidizing private sector jobs. While WTW funds may certainly be used for this purpose (e.g., in the America Works approach), to make the performance payment for time spent in such jobs would be premature: there would be no basis for determining if the individual had really achieved a degree of independence and earnings. Permitting WTW performance payments for jobs for which employers are claiming WOTC should be the maximum degree of subsidization allowed.

Some in the workgroup and elsewhere have argued that especially in areas of local recession, WTW should make performance payments for subsidized jobs. Given how few jobs are needed to satisfy WTW requirements (see Tables at Tab A), this does not seem necessary. TANF and other funds can and will support workfare and subsidized jobs in any case. WTW performance payments should focus on an individual achieving employment status outside the welfare system.

The work group was, however, sharply divided over the question of paying performance grants for unsubsidized jobs in the public sector. The August design stressed private sector jobs but did not explicitly address whether performance payments could be made for regular, unsubsidized jobs in Federal, State, or local government. As the attached table (Tab B) notes, public jobs make up 15 to 25 percent of the job opportunities in most local labor markets, more in a few places. On the other hand, public agencies are not eligible for the WOTC and most employment growth is occurring in the private, not the public sector, so it is likely that most WTW job placements will be in the private sector. Paying off for public jobs could also raise the specter of the much-maligned CETA public service employment program.

DESIGN ISSUE #4: Performance payments for public jobs

The choices range from no public jobs, through a cap on public jobs, to total local discretion.

- Option A: No payments for public jobs. A complete bar on performance payments for such jobs. This may present difficulties in areas of high public employment.
- Option B: Cap on payments for public jobs. This could be an arbitrary cap, such as 10%, or a limitation based on the presence of public jobs in the local labor market: if the local labor market has 15% of its total employment in the public sector, only 15% of the jobs qualifying for performance payments could be in the public sector.
- Option C: No limit on payments for public jobs. Complete State and city discretion.

It is difficult to craft a credible argument that jobs in the public sector are somehow not real or appropriate jobs for long-term welfare recipients. Allowing public job placements to count does not necessarily weaken the private sector emphasis of the program, or somehow make it like CETA, though this criticism will be made. The issue of whether WTW is more like CETA with all is perceived faults, is more likely to arise with the use of WTW funds, as discussed below, not the basis upon which performance payments are made. If there has to be some limitation, doing it with reference to the share of public jobs in the area is defensible.

(G) Application process

- Process. States and eligible cities submit a plan at the same time to the Secretary, at a time and in the manner designated by the Secretary, for their share of the formula grant funds. Initial applications would be for the full program period (3 years of annual formula grants, plus the additional time needed to meet the job retention goal) with annual reporting, updates, and plan amendments. Plans would be modified by grantees as necessary, in accord with procedures the Secretary determines.
- Satisfactory progress. Grantees will be required to show satisfactory progress toward their jobs goal in order to receive second- and third-year formula grants. Failure to show such progress will result in required plan modification and, at the discretion of the Secretary, could lead to a reallocation of funds to other grantees with a greater likelihood

of success.

- Public comment. Applications must be made available for public comment prior to admission to the Secretary. The final submission will indicate what public comments were received, and how they are reflected in the plan.

(H) Plan content

- Linkages and leveraging of resources. How the resources from State TANF, Child Care and Development Block Grant, JTPA, Work Opportunities Tax Credit (WOTC) and other sources will be used to help achieve the jobs goal.

- Stakeholder participation. How the TANF administering entity, the private sector, community-based organizations, labor representatives, EZ/EC plans, CDFI grantees, JTPA service delivery areas, educational institutions, the Employment Service, and other job training and placement entities and economic development activities have been brought together to plan the WTW activities, and how their participation will help achieve the jobs goal through use of their financial or in-kind resources, hiring commitments, or in other ways.

- Labor protections. How the job placements generated by WTW funds will be covered by the Fair Labor Standards Act and other labor protection laws, and will satisfy the nondisplacement, nondiscrimination, and wages and working conditions provisions of sections 142 through 144, and 167(a)(1) and (2) of the Job Training Partnership Act, as amended, and the additional labor protections included in the Administration's Work and Responsibility Act (see language at Tab C).

  Labor Department policy officials believe the language meets organized labor concerns.

  - Organized labor would welcome a requirement that would extend the labor protections described above to any programs (especially TANF) that grantees use in conjunction with WTW Jobs funds. However, such an extension could have the unintended effects of discouraging the merging of WTW and TANF funds and creating separate tracking of funds to avoid the additional labor protections.

- Job placements. The number of projected job placements consistent with the share of funds, and how these placements will occur in jobs that can be expected to continue after the retention period has expired.

(I) The relationship of the city to the State

Mayors of the largest cities will receive WTW Jobs funds directly and "control" their expenditure. At the same time, WTW funds must, to have a chance of being effective, be deployed locally in a manner that is fully consistent with State TANF and child care plans and spending. Under TANF, it is the State which is responsible for the welfare population, although States may devolve significant control to lower levels of government -- mainly counties. It is therefore not possible to give mayors totally independent control over WTW and still hope to have a successful program.

DESIGN ISSUE #5: Mayoral control

To balance mayoral control with necessary State coordination, the workgroup considered three options for local plan approval and funding arrangements.

- Option A: Consultation. Mayors must consult on their plans with Governors, but are not required to incorporate or report to the Secretary any comments received, or to secure Governor approval. This model assures the Governor the opportunity for input, but the degree to which his input is accepted is solely at the discretion of the mayor.

- Option B: Joint responsibility. Mayors must work with Governors to gain their approval prior to plan submission to the Secretary. Cities that could not secure Governor approval of their plans would be ineligible for WTW Funds. Their formula allotment would be reallocated among other eligible applicants in the State, including the Governor. This model maximizes the likelihood of close coordination between TANF and WTW, but at the expense of mayoral independence.

- Option C: Required mayor/governor interaction. A step-by-step process: (1) Mayors would develop their plans with Governors in whatever manner the two players work out. (2) The mayor's plan would, "to the greatest extent feasible," reflect Governor views in the plan. (3) If mayors cannot reach initial agreement with the Governor, they would be required to attach the Governor's comments to the application to the Secretary and to explain the areas of disagreement to the Secretary. (4) The Secretary could return the plan to the mayor to ask for additional explanation. (5) The Secretary could suggest alternatives to the mayor and the Governor, to help obtain a mutually satisfactory plan. (6) In the end, the mayor's preferences control. This model maximizes the opportunity for the mayor and Governor to work out their differences, but retains ultimate mayoral control.

The workgroup believes the third option strikes an appropriate balance between local control and the imperative of consistency with Statewide TANF strategies.

(J) Federal plan approval

As with virtually all Federal grants to States and cities, there needs to be a Federally-accepted plan upon which Federal funds flow to grantees. Federal programs offer a range of options for the degree to which the Government exercises control over the content of the grantee's plan as a condition for receipt of funds.

DESIGN ISSUE #6: The Federal role in WTW plan approval.

The workgroup identified two primary options for the Federal role, the TANF model and the JTPA model.

Option A: TANF model. Under TANF, the Federal role is limited to checking for completeness; guidance and oversight are minimal. The burden of design adequacy rests with the State. Funds are not conditioned on the quality of the plan or its likelihood of success, as judged by the Federal government.

Option B: JTPA model. In JTPA and many other Federal programs, the Federal government plays a more substantive role. With limited funds available to achieve the stated purpose, the Federal government is presumed to have a stake in, and expertise in, determining what approaches most effectively satisfy the requirements of the program statute. Under this approach, the Secretary would approve plan applications based on a "reasonable expectation of success."

Because WTW Jobs rewards activities primarily financed under TANF, departing from the "de minimus" TANF role would be difficult to justify, even though the JTPA model is more the Federal norm. Because the Secretary withholds 25 percent of WTW Jobs funds, the Federal leverage to encourage good performance is inherent in the WTW design, without regard to the plan approval process. Arguably, the carefully specified plan content requirements (above), coupled with full payment only for the showing of performance, can ensure accountability for WTW Jobs funds without a more meticulous plan approval process. It is likely, however, that a TANF-like approach will be criticized by some for failing to provide effective Federal oversight.

(K) Use of funds

States and localities are generally free to devise whatever program plan they choose, provided their plan makes clear that the result will be successful placement in jobs qualifying for the performance grant, up to the level determined in the formula allocation. In addition, three broad types of activities would be cited. They include:

(1) Proven models of job creation and placement. WTW may replicate programs which various localities have used successfully to place highly disadvantaged individuals.

(2) Jobs in expanded child care, through creation of jobs for eligible individuals in expanded community-based child care centers and other sources of affordable child care.

(3) Jobs created through cleaning up and rebuilding communities. Creation of jobs through environmental clean up, such as under Brownfields programs, and resulting

economic development; EZ/EC incentives for new job creation in high poverty areas; and housing rehabilitation. Housing redevelopment programs, such as YouthBuild, also could be part of local community plans for these activities.

The most sensitive issue for use of funds is whether they may support workfare or other forms of job subsidization in the public sector. This issue is the forum for determining whether WTW is open to attack for being CETA in another guise.

DESIGN ISSUE #7: Use of WTW funds for workfare and subsidized public sector jobs.

The August outline is clear that the purpose of the program is to help create job opportunities in the private and non-profit sectors and that States and localities "would be granted maximum flexibility to develop job creation strategies -- including, where appropriate, in the public sector." While the language is ambiguous about using WTW funds specifically for "workfare," there was general (but not unanimous) agreement that WTW funds should not be used for workfare. In contrast, if "workfare" jobs are something local areas believe are warranted or necessary to prepare long-term welfare recipients for work, it might harm WTW's chances of success to bar its use for this purpose, even though TANF resources are already available for that purpose.

- Option A: Prohibit use of WTW funds for workfare or subsidized public jobs.

- Option B: Complete local discretion.

The issue here is not whether workfare or public jobs subsidization are valuable employability development tools, but rather whether WTW funds should be available for that purpose in addition to TANF and other funds. The key for WTW is the performance payment for regular, lasting employment, not the manner in which a long-term welfare recipient acquired the skills and knowledge needed to get and hold such a job. On the other hand, using WTW for workfare raises the unwelcome CETA issue. TANF already permits the use of its funds for such purpose.

(L) Accountability and evaluation

- The basic design of WTW -- rewarding only success -- ensures grantee accountability. It is also essential that the Federal government, and the States and cities, learn which WTW strategies work best, in what situations.

- WTW will require periodic reports from each grantee on progress toward meeting the plan goals, with analysis of successes and problems. In addition, the Secretary will establish an on-going evaluation capability that will establish baseline data at the outset and permit an assessment of whether the WTW strategy is working during its second and third years, and an overall assessment of its net impact on the long-term welfare population.

- The authorization for appropriations for WTW ends after the third year, in order to make clear that the decision on whether to seek additional appropriations beyond the initial $3 billion should turn on whether this program design has proved successful.

(M) Administering agency

The WTW workgroup did not address the issue of which Federal agency should be the lead administering entity for WTW Jobs. This issue was deferred in August. The discussion below is divided into two issues: 8(a), HHS or DOL; and 8(b) interaction between DOL and HHS, should one or the other be designated lead.

<u>DESIGN ISSUE #8</u>: Federal administration

8(a) Should HHS or Labor administer WTW?

OMB offers the following summary of this issue.

HHS and DOL can each make a strong case for assuming administrative responsibility. As administrator of TANF, HHS remains the principal source to the States on welfare policy. Administrative ease and efficiency, extensive knowledge of the welfare population, and the complex interactions between TANF and WTW's multiple sanctions and rewards, argue for a lead role for HHS in WTW Jobs.

On the other hand, DOL has a proven track record of working for decades with low-income adults; currently 35 percent of JTPA title II-A participants are AFDC recipients. Like WTW, JTPA stresses employment outcomes through a system of performance standards. JTPA also has strong ties to mayors, county commissioners, and local employers through its 600 business-led Private Industry Councils.

- <u>Option A: DOL lead</u>.

- <u>Option B: HHS lead.</u>

If DOL has the lead, States would deplore answering to two federal bureaucracies -- DOL for WTW and HHS for TANF -- as they administer their complementary, commingled welfare funds. Mayors would likely gladly accept DOL as lead agency for the WTW funds since they work with DOL on JTPA and have for many years.

It is possible to defer this issue past the Budget database lock in early January, by including in the Budget an "allowance" of $750 million in FY 1998 and $3 billion for FY 1998-2000 (plus administrative costs) that is not assigned to either agency. However, deferring this issue means losing the ability for the administering agency to work actively with key Congressional members to obtain the legislation and FY 1998 appropriation.

8(b) Interaction between HHS and Labor

Regardless of which agency has the lead, the programmatic interaction between TANF and WTW requires a close working relationship between HHS and DOL. This relationship could take various forms. Primary options are:

Option A: Consultation. Under this option, the lead agency would, by statute, be required to consult with the other agency on all aspects of WTW program administration, and its interaction with TANF. At a minimum, consultation would occur on standards for WTW plan content, review and approval of applications, progress reports, corrective action or funding reallocation, and the design and conduct of the evaluation. This option would provide a formal participatory role for the other agency, but ensure a clear line of responsibility to the lead agency.

Option B: Joint approval. Under this option, HHS and Labor would jointly administer WTW. This option would adapt the model included in the Clinton Administration's School-to-Work (STW) Opportunities Act, in which the Secretaries of Education and Labor "jointly provide for, and exercise final authority over, the administration of the Act" and have final authority to jointly issue whatever procedures, guidelines, and regulations the Secretaries consider necessary and appropriate to administer and enforce the Act. To avoid some of the complexity of STW, funds would be requested only in the lead Department, and the joint STW staffing pattern would not be followed. While this option is more complex than the consultation model, it ensures the administrative and policy strengths of both agencies will be brought to bear on WTW.

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P TY LEVELS, RATES AND RANKS

(.s of at least 100,000; 1990 Census)

H

		150 Cities and 50 States					100 Cities and 50 States				
	Persons in Poverty	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
City U.S. Total..	31,699,669						30,692,487				
Rank Cities	10,496,370				$993,358	331,119	9,489,188			$927,509	309,170
1 New York city	1,384,994	$43,691	14,564	$32,768	$131,073	43,691	$45,125	15,042	$33,844	$135,375	45,125
2 Los Angeles city	643,809	$20,310	6,770	$15,232	$60,929	20,310	$20,976	6,992	$15,732	$62,928	20,976
3 Chicago city	592,298	$18,685	6,228	$14,014	$56,054	18,685	$19,298	6,433	$14,473	$57,893	19,298
4 Houston city	332,974	$10,504	3,501	$7,878	$31,512	10,504	$10,849	3,616	$8,137	$32,546	10,849
5 Detroit city	328,467	$10,362	3,454	$7,771	$31,086	10,362	$10,702	3,567	$8,026	$32,106	10,702
6 Philadelphia city	313,374	$9,886	3,295	$7,414	$29,657	9,886	$10,210	3,403	$7,658	$30,630	10,210
7 San Antonio city	207,161	$6,535	2,178	$4,901	$19,605	6,535	$6,750	2,250	$5,062	$20,249	6,750
8 Dallas city	177,790	$5,609	1,870	$4,206	$16,826	5,609	$5,793	1,931	$4,344	$17,378	5,793
9 Baltimore city	156,284	$4,930	1,643	$3,698	$14,790	4,930	$5,092	1,697	$3,819	$15,276	5,092
10 New Orleans city	152,042	$4,796	1,599	$3,597	$14,389	4,796	$4,954	1,651	$3,715	$14,861	4,954
11 San Diego city	142,382	$4,492	1,497	$3,369	$13,475	4,492	$4,639	1,546	$3,479	$13,917	4,639
12 Cleveland city	142,217	$4,486	1,495	$3,365	$13,459	4,486	$4,634	1,545	$3,475	$13,901	4,634
13 Phoenix city	137,406	$4,335	1,445	$3,251	$13,004	4,335	$4,477	1,492	$3,358	$13,431	4,477
14 Memphis city	136,123	$4,294	1,431	$3,221	$12,882	4,294	$4,435	1,478	$3,326	$13,305	4,435
15 Milwaukee city	135,583	$4,277	1,426	$3,208	$12,831	4,277	$4,417	1,472	$3,313	$13,252	4,417
16 El Paso city	128,886	$4,066	1,355	$3,049	$12,198	4,066	$4,199	1,400	$3,149	$12,598	4,199
17 Miami city	109,594	$3,457	1,152	$2,593	$10,372	3,457	$3,571	1,190	$2,678	$10,712	3,571
18 Columbus city	105,494	$3,328	1,109	$2,496	$9,984	3,328	$3,437	1,146	$2,578	$10,311	3,437
19 Atlanta city	102,364	$3,229	1,076	$2,422	$9,688	3,229	$3,335	1,112	$2,501	$10,005	3,335
20 Boston city	102,092	$3,221	1,074	$2,415	$9,662	3,221	$3,326	1,109	$2,495	$9,979	3,326
21 District of Columbia	96,278	$3,037	1,012	$2,278	$9,112	3,037	$3,137	1,046	$2,353	$9,411	3,137
22 St. Louis city	95,271	$3,005	1,002	$2,254	$9,016	3,005	$3,104	1,035	$2,328	$9,312	3,104
23 San Francisco city	90,019	$2,840	947	$2,130	$8,519	2,840	$2,933	978	$2,200	$8,799	2,933
24 Indianapolis city (remainder)	89,831	$2,834	945	$2,125	$8,501	2,834	$2,927	976	$2,195	$8,780	2,927
25 Cincinnati city	85,319	$2,691	897	$2,019	$8,074	2,691	$2,780	927	$2,085	$8,339	2,780
26 Fresno city	83,108	$2,622	874	$1,966	$7,865	2,622	$2,708	903	$2,031	$8,123	2,708
27 Buffalo city	81,601	$2,574	858	$1,931	$7,723	2,574	$2,659	886	$1,994	$7,976	2,659
28 Austin city	80,369	$2,535	845	$1,901	$7,606	2,535	$2,619	873	$1,964	$7,856	2,619
29 Jacksonville city (remainder)	80,016	$2,524	841	$1,893	$7,573	2,524	$2,607	869	$1,955	$7,821	2,607
30 Tucson city	79,287	$2,501	834	$1,876	$7,504	2,501	$2,583	861	$1,937	$7,750	2,583
31 Denver city	78,515	$2,477	826	$1,858	$7,431	2,477	$2,558	853	$1,919	$7,674	2,558
32 Fort Worth city	75,597	$2,385	795	$1,789	$7,154	2,385	$2,463	821	$1,847	$7,389	2,463
33 Pittsburgh city	75,172	$2,371	790	$1,779	$7,114	2,371	$2,449	816	$1,837	$7,348	2,449
34 San Jose city	71,676	$2,261	754	$1,696	$6,783	2,261	$2,335	778	$1,751	$7,006	2,335
35 Newark city	70,702	$2,230	743	$1,673	$6,691	2,230	$2,304	768	$1,728	$6,911	2,304
36 Long Beach city	69,694	$2,199	733	$1,649	$6,596	2,199	$2,271	757	$1,703	$6,812	2,271

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P' 'TY LEVELS, RATES AND RANKS

(.s of at least 100,000; 1990 Census)

		150 Cities and 50 States						100 Cities and 50 States				
		Persons in Poverty	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
37	Oklahoma City city	69,096	$2,180	727	$1,635	$6,539	2,180	$2,251	750	$1,688	$6,754	2,251
38	Oakland city	68,781	$2,170	723	$1,627	$6,509	2,170	$2,241	747	$1,681	$6,723	2,241
39	Minneapolis city	65,556	$2,068	689	$1,551	$6,204	2,068	$2,136	712	$1,602	$6,408	2,136
40	Kansas City city	65,381	$2,063	688	$1,547	$6,188	2,063	$2,130	710	$1,598	$6,391	2,130
41	Birmingham city	64,572	$2,037	679	$1,528	$6,111	2,037	$2,104	701	$1,578	$6,312	2,104
42	Nashville-Davidson (remaindr)	62,497	$1,972	657	$1,479	$5,915	1,972	$2,036	679	$1,527	$6,109	2,036
43	Toledo city	62,426	$1,969	656	$1,477	$5,908	1,969	$2,034	678	$1,525	$6,102	2,034
44	Sacramento city	62,232	$1,963	654	$1,472	$5,890	1,963	$2,028	676	$1,521	$6,083	2,028
45	Portland city	62,058	$1,958	653	$1,468	$5,873	1,958	$2,022	674	$1,516	$6,066	2,022
46	Seattle city	61,681	$1,946	649	$1,459	$5,837	1,946	$2,010	670	$1,507	$6,029	2,010
47	Louisville city	59,144	$1,866	622	$1,399	$5,597	1,866	$1,927	642	$1,445	$5,781	1,927
48	Baton Rouge city	54,669	$1,725	575	$1,293	$5,174	1,725	$1,781	594	$1,336	$5,344	1,781
49	Tulsa city	53,768	$1,696	565	$1,272	$5,089	1,696	$1,752	584	$1,314	$5,255	1,752
50	Albuquerque city	52,903	$1,669	556	$1,252	$5,007	1,669	$1,724	575	$1,293	$5,171	1,724
51	Tampa city	52,557	$1,658	553	$1,243	$4,974	1,658	$1,712	571	$1,284	$5,137	1,712
52	Rochester city	52,237	$1,648	549	$1,236	$4,944	1,648	$1,702	567	$1,276	$5,106	1,702
53	Santa Ana city	51,835	$1,635	545	$1,226	$4,906	1,635	$1,689	563	$1,267	$5,067	1,689
54	Corpus Christi city	50,525	$1,594	531	$1,195	$4,782	1,594	$1,646	549	$1,235	$4,939	1,646
55	Shreveport city	49,215	$1,553	518	$1,164	$4,658	1,553	$1,603	534	$1,203	$4,810	1,603
56	Dayton city	46,480	$1,466	489	$1,100	$4,399	1,466	$1,514	505	$1,136	$4,543	1,514
57	Laredo city	45,126	$1,424	475	$1,068	$4,271	1,424	$1,470	490	$1,103	$4,411	1,470
58	Akron city	44,544	$1,405	468	$1,054	$4,216	1,405	$1,451	484	$1,088	$4,354	1,451
59	St. Paul city	44,115	$1,392	464	$1,044	$4,175	1,392	$1,437	479	$1,078	$4,312	1,437
60	Stockton city	43,990	$1,388	463	$1,041	$4,163	1,388	$1,433	478	$1,075	$4,300	1,433
61	Norfolk city	43,944	$1,386	462	$1,040	$4,159	1,386	$1,432	477	$1,074	$4,295	1,432
62	Jackson city	43,216	$1,363	454	$1,022	$4,090	1,363	$1,408	469	$1,056	$4,224	1,408
63	Mobile city	42,838	$1,351	450	$1,014	$4,054	1,351	$1,396	465	$1,047	$4,187	1,396
64	Jersey City city	42,539	$1,342	447	$1,006	$4,026	1,342	$1,386	462	$1,039	$4,158	1,386
65	Charlotte city	42,312	$1,335	445	$1,001	$4,004	1,335	$1,379	460	$1,034	$4,136	1,379
66	Flint city	42,218	$1,332	444	$999	$3,995	1,332	$1,376	459	$1,032	$4,127	1,376
67	Omaha city	41,357	$1,305	435	$978	$3,914	1,305	$1,347	449	$1,011	$4,042	1,347
68	Richmond city	40,103	$1,265	422	$949	$3,795	1,265	$1,307	436	$980	$3,920	1,307
69	Wichita city	37,321	$1,177	392	$883	$3,532	1,177	$1,216	405	$912	$3,648	1,216
70	Hartford city	36,397	$1,148	383	$861	$3,445	1,148	$1,186	395	$889	$3,558	1,186
71	San Bernardino city	36,174	$1,141	380	$856	$3,423	1,141	$1,179	393	$884	$3,536	1,179
72	Lubbock city	34,593	$1,091	364	$818	$3,274	1,091	$1,127	376	$845	$3,381	1,127
73	Syracuse city	34,402	$1,085	362	$814	$3,256	1,085	$1,121	374	$841	$3,363	1,121
74	Providence city	34,120	$1,076	359	$807	$3,229	1,076	$1,112	371	$834	$3,335	1,112

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P[illegible]TY LEVELS, RATES AND RANKS

([illegible]s of at least 100,000; 1990 Census)

			150 Cities and 50 States					100 Cities and 50 States				
		Persons in Poverty	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
75	Gary city	33,964	$1,071	357	$804	$3,214	1,071	$1,107	369	$830	$3,320	1,107
76	Hialeah city	33,830	$1,067	356	$800	$3,202	1,067	$1,102	367	$827	$3,307	1,102
77	Montgomery city	32,778	$1,034	345	$776	$3,102	1,034	$1,068	356	$801	$3,204	1,068
78	Knoxville city	32,189	$1,015	338	$762	$3,046	1,015	$1,049	350	$787	$3,146	1,049
79	Columbus city (remainder)	31,811	$1,004	335	$753	$3,011	1,004	$1,036	345	$777	$3,109	1,036
80	St. Petersburg city	31,475	$993	331	$745	$2,979	993	$1,025	342	$769	$3,076	1,025
81	Springfield city	30,241	$954	318	$715	$2,862	954	$985	328	$739	$2,956	985
82	Lexington-Fayette	30,108	$950	317	$712	$2,849	950	$981	327	$736	$2,943	981
83	Colorado Springs city	29,973	$946	315	$709	$2,837	946	$977	326	$732	$2,930	977
84	Honolulu CDP	29,873	$942	314	$707	$2,827	942	$973	324	$730	$2,920	973
85	Spokane city	29,863	$942	314	$707	$2,826	942	$973	324	$730	$2,919	973
86	Savannah city	29,854	$942	314	$706	$2,825	942	$973	324	$730	$2,918	973
87	East Los Angeles CDP	29,355	$926	309	$695	$2,778	926	$956	319	$717	$2,869	956
88	Grand Rapids city	29,103	$918	306	$689	$2,754	918	$948	316	$711	$2,845	948
89	Las Vegas city	29,084	$917	306	$688	$2,752	917	$948	316	$711	$2,843	948
90	Madison city	28,640	$903	301	$678	$2,710	903	$933	311	$700	$2,799	933
91	Tacoma city	28,632	$903	301	$677	$2,710	903	$933	311	$700	$2,799	933
92	Anaheim city	27,933	$881	294	$661	$2,644	881	$910	303	$683	$2,730	910
93	Mesa city	27,087	$854	285	$641	$2,563	854	$883	294	$662	$2,648	883
94	Chattanooga city	26,803	$846	282	$634	$2,537	846	$873	291	$655	$2,620	873
95	Kansas City city	26,433	$834	278	$625	$2,502	834	$861	287	$646	$2,584	861
96	Riverside city	26,280	$829	276	$622	$2,487	829	$856	285	$642	$2,569	856
97	Amarillo city	26,058	$822	274	$617	$2,466	822	$849	283	$637	$2,547	849
98	Bakersfield city	25,782	$813	271	$610	$2,440	813	$840	280	$630	$2,520	840
99	Paterson city	25,677	$810	270	$608	$2,430	810	$837	279	$627	$2,510	837
100	Salt Lake City city	25,651	$809	270	$607	$2,428	809	$836	279	$627	$2,507	836
101	Tallahassee city	25,518	$805	268	$604	$2,415	805					
102	Glendale city	25,484	$804	268	$603	$2,412	804					
103	New Haven city	25,481	$804	268	$603	$2,411	804					
104	Little Rock city	25,193	$795	265	$596	$2,384	795					
105	Macon city	25,178	$794	265	$596	$2,383	794					
106	Fort Lauderdale city	24,793	$782	261	$587	$2,346	782					
107	Lansing city	24,513	$773	258	$580	$2,320	773					
108	Worcester city	24,228	$764	255	$573	$2,293	764					
109	Des Moines city	24,137	$761	254	$571	$2,284	761					
110	Orlando city	23,797	$751	250	$563	$2,252	751					
111	Pomona city	23,648	$746	249	$560	$2,238	746					
112	Beaumont city	23,494	$741	247	$556	$2,223	741					

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P' 'TY LEVELS, RATES AND RANKS

(s of at least 100,000; 1990 Census)

		150 Cities and 50 States					100 Cities and 50 States				
	Persons in Poverty	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
113 Bridgeport city	23,463	$740	247	$555	$2,220	740					
114 El Monte city	23,446	$740	247	$555	$2,219	740					
115 Springfield city	23,223	$733	244	$549	$2,198	733					
116 Newport News city	23,169	$731	244	$548	$2,193	731					
117 Raleigh city	22,942	$724	241	$543	$2,171	724					
118 Virginia Beach city	22,307	$704	235	$528	$2,111	704					
119 Arlington city	21,272	$671	224	$503	$2,013	671					
120 Modesto city	20,930	$660	220	$495	$1,981	660					
121 Winston-Salem city	20,713	$653	218	$490	$1,960	653					
122 Lincoln city	20,521	$647	216	$486	$1,942	647					
123 Peoria city	20,516	$647	216	$485	$1,942	647					
124 Yonkers city	20,436	$645	215	$484	$1,934	645					
125 Greensboro city	20,214	$638	213	$478	$1,913	638					
126 Erie city	20,192	$637	212	$478	$1,911	637					
127 Fort Wayne city	19,531	$616	205	$462	$1,848	616					
128 Durham city	19,163	$605	202	$453	$1,814	605					
129 Pasadena city	19,043	$601	200	$451	$1,802	601					
130 Tempe city	18,603	$587	196	$440	$1,761	587					
131 Eugene city	18,176	$573	191	$430	$1,720	573					
132 Rockford city	18,127	$572	191	$429	$1,716	572					
133 Huntsville city	18,093	$571	190	$428	$1,712	571					
134 Portsmouth city	17,920	$565	188	$424	$1,696	565					
135 Ontario city	17,853	$563	188	$422	$1,690	563					
136 Evansville city	17,812	$562	187	$421	$1,686	562					
137 Inglewood city	17,806	$562	187	$421	$1,685	562					
138 Oxnard city	17,608	$555	185	$417	$1,666	555					
139 Elizaberh city	17,451	$551	184	$413	$1,652	551					
140 Glendale city	16,756	$529	176	$396	$1,586	529					
141 Pasadena city	16,724	$528	176	$396	$1,583	528					
142 Salinas city	16,652	$525	175	$394	$1,576	525					
143 Aurora city	16,288	$514	171	$385	$1,541	514					
144 Irving city	16,209	$511	170	$383	$1,534	511					
145 Anchorage city	15,614	$493	164	$369	$1,478	493					
146 Reno city	15,085	$476	159	$357	$1,428	476					
147 South Bend city	14,854	$469	156	$351	$1,406	469					
148 Garden Grove city	14,652	$462	154	$347	$1,387	462					
149 Topeka city	14,292	$451	150	$338	$1,353	451					
150 Garland city	14,062	$444	148	$333	$1,331	444					

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P' 'TY LEVELS, RATES AND RANKS

(.s of at least 100,000; 1990 Census)

State Rank		Persons in Poverty	150 Cities and 50 States: Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	100 Cities and 50 States: Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
	States/Balance of States (BOS)	21,203,299				$2,006,642	668,881				$2,072,490	690,830
1	California BOS	1,957,413	$61,749	20,583	$46,312	$185,246	61,749	$63,775	21,258	$47,831	$191,325	63,775
2	Texas BOS	1,749,675	$55,195	18,398	$41,397	$165,586	55,195	$57,007	19,002	$42,755	$171,020	57,007
3	Florida BOS	1,222,606	$38,568	12,856	$28,926	$115,705	38,568	$39,834	13,278	$29,876	$119,502	39,834
4	Pennsylvania BOS	874,891	$27,599	9,200	$20,700	$82,798	27,599	$28,505	9,502	$21,379	$85,515	28,505
5	Ohio BOS	839,288	$26,476	8,825	$19,857	$79,429	26,476	$27,345	9,115	$20,509	$82,035	27,345
6	Michigan BOS	766,397	$24,177	8,059	$18,133	$72,530	24,177	$24,970	8,323	$18,728	$74,911	24,970
7	Louisiana BOS	711,076	$22,432	7,477	$16,824	$67,295	22,432	$23,168	7,723	$17,376	$69,503	23,168
8	Georgia BOS	704,514	$22,225	7,408	$16,668	$66,674	22,225	$22,954	7,651	$17,215	$68,862	22,954
9	North Carolina BOS	704,514	$22,225	7,408	$16,668	$66,674	22,225	$22,954	7,651	$17,215	$68,862	22,954
10	New York BOS	703,626	$22,197	7,399	$16,647	$66,590	22,197	$22,925	7,642	$17,194	$68,775	22,925
11	Illinois BOS	677,978	$21,388	7,129	$16,041	$64,163	21,388	$22,089	7,363	$16,567	$66,268	22,089
12	Kentucky BOS	592,575	$18,693	6,231	$14,020	$56,080	18,693	$19,307	6,436	$14,480	$57,921	19,307
13	Mississippi BOS	587,813	$18,543	6,181	$13,907	$55,630	18,543	$19,152	6,384	$14,364	$57,455	19,152
14	Alabama BOS	565,333	$17,834	5,945	$13,376	$53,502	17,834	$18,419	6,140	$13,814	$55,258	18,419
15	South Carolina State (no cities)	517,793	$16,334	5,445	$12,251	$49,003	16,334	$16,870	5,623	$12,653	$50,611	16,870
16	Tennessee BOS	487,329	$15,373	5,124	$11,530	$46,120	15,373	$15,878	5,293	$11,908	$47,633	15,878
17	Missouri BOS	479,200	$15,117	5,039	$11,338	$45,351	15,117	$15,613	5,204	$11,710	$46,839	15,613
18	Virginia BOS	450,337	$14,206	4,735	$10,655	$42,619	14,206	$14,673	4,891	$11,004	$44,018	14,673
19	New Jersey BOS	416,783	$13,148	4,383	$9,861	$39,444	13,148	$13,579	4,526	$10,184	$40,738	13,579
20	Indiana BOS	415,452	$13,106	4,369	$9,829	$39,318	13,106	$13,536	4,512	$10,152	$40,608	13,536
21	Arkansas BOS	411,896	$12,994	4,331	$9,745	$38,981	12,994	$13,420	4,473	$10,065	$40,260	13,420
22	Washington BOS	397,757	$12,548	4,183	$9,411	$37,643	12,548	$12,959	4,320	$9,720	$38,878	12,959
23	Oklahoma BOS	386,990	$12,208	4,069	$9,156	$36,624	12,208	$12,609	4,203	$9,456	$37,826	12,609
24	Massachusetts BOS	362,778	$11,444	3,815	$8,583	$34,333	11,444	$11,820	3,940	$8,865	$35,459	11,820
25	West Virginia State (no cities)	345,093	$10,886	3,629	$8,165	$32,659	10,886	$11,244	3,748	$8,433	$33,731	11,244
26	Wisconsin BOS	344,322	$10,862	3,621	$8,147	$32,586	10,862	$11,218	3,739	$8,414	$33,655	11,218
27	Minnesota BOS	325,660	$10,273	3,424	$7,705	$30,820	10,273	$10,610	3,537	$7,958	$31,831	10,610
28	Arizona BOS	285,223	$8,998	2,999	$6,748	$26,993	8,998	$9,293	3,098	$6,970	$27,879	9,293
29	Iowa BOS	283,283	$8,936	2,979	$6,702	$26,809	8,936	$9,230	3,077	$6,922	$27,689	9,230
30	Oregon BOS	264,633	$8,348	2,783	$6,261	$25,044	8,348	$8,622	2,874	$6,467	$25,866	8,622
31	New Mexico BOS	253,031	$7,982	2,661	$5,987	$23,946	7,982	$8,244	2,748	$6,183	$24,732	8,244
32	Colorado BOS	250,438	$7,900	2,633	$5,925	$23,701	7,900	$8,160	2,720	$6,120	$24,479	8,160
33	Maryland BOS	229,012	$7,224	2,408	$5,418	$21,673	7,224	$7,461	2,487	$5,596	$22,384	7,461
34	Kansas BOS	196,577	$6,201	2,067	$4,651	$18,604	6,201	$6,405	2,135	$4,804	$19,214	6,405
35	Utah BOS	166,764	$5,261	1,754	$3,946	$15,782	5,261	$5,433	1,811	$4,075	$16,300	5,433

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P[illegible]TY LEVELS, RATES AND RANKS

([illegible]s of at least 100,000; 1990 Census)

	Persons in Poverty	150 Cities and 50 States: Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs	100 Cities and 50 States: Share of $1 B ($ in 000)	Jobs	Annual Allocation Based on $750 M	Share of $3 B ($ in 000)	Jobs
36 Connecticut BOS	132,006	$4,164	1,388	$3,123	$12,493	4,164	$4,301	1,434	$3,226	$12,903	4,301
37 Idaho State (no cities)	130,588	$4,120	1,373	$3,090	$12,359	4,120	$4,255	1,418	$3,191	$12,764	4,255
38 Maine State (no cities)	128,466	$4,053	1,351	$3,039	$12,158	4,053	$4,186	1,395	$3,139	$12,557	4,186
39 Montana State (no cities)	124,853	$3,939	1,313	$2,954	$11,816	3,939	$4,068	1,356	$3,051	$12,204	4,068
40 Nebraska BOS	108,738	$3,430	1,143	$2,573	$10,291	3,430	$3,543	1,181	$2,657	$10,628	3,543
41 South Dakota State (no cities)	106,305	$3,354	1,118	$2,515	$10,061	3,354	$3,464	1,155	$2,598	$10,391	3,464
42 North Dakota State (no cities)	88,276	$2,785	928	$2,089	$8,354	2,785	$2,876	959	$2,157	$8,628	2,876
43 Nevada BOS	75,491	$2,381	794	$1,786	$7,144	2,381	$2,460	820	$1,845	$7,379	2,460
44 New Hampshire State (no cities)	69,104	$2,180	727	$1,635	$6,540	2,180	$2,251	750	$1,689	$6,754	2,251
45 Rhode Island BOS	58,550	$1,847	616	$1,385	$5,541	1,847	$1,908	636	$1,431	$5,723	1,908
46 Hawaii BOS	58,535	$1,847	616	$1,385	$5,540	1,847	$1,907	636	$1,430	$5,721	1,907
47 Delaware State (no cities)	56,223	$1,774	591	$1,330	$5,321	1,774	$1,832	611	$1,374	$5,495	1,832
48 Vermont State (no cities)	53,369	$1,684	561	$1,263	$5,051	1,684	$1,739	580	$1,304	$5,216	1,739
49 Wyoming State (no cities)	52,453	$1,655	552	$1,241	$4,964	1,655	$1,709	570	$1,282	$5,127	1,709
50 Alaska BOS	32,292	$1,019	340	$764	$3,056	1,019	$1,052	351	$789	$3,156	1,052

B

Government Share of Total Employment in Selected Metropolitan Areas, 1995

	Total Employment (thousands)	Government Employment (thousands)	Government Share (percent)
N York City	3318.1	541.5	16.3
York PMSA	3815.6	624.6	16.4
Los Angeles	3762.7	533.8	14.2
Chicago	3908.2	484.9	12.4
Houston	1763.6	242.3	13.7
Detroit	2002.2	225.6	11.3
Philadelphia	676.4	128.5	19.0
Philadelphia PMSA	2178.9	304.1	14.0
San Antonio	620.7	129.7	20.9
Dallas	1600.4	191.6	12.0
Baltimore	407.2	91.1	22.4
Baltimore PMSA	1130.6	209.8	18.6
New Orleans	599.1	103.3	17.2
San Diego	974.9	184.7	18.9
Cleveland	1104.9	141.7	12.8
Phoenix	1216.1	161.3	13.3
Memphis	531.6	79.2	14.9
Milwakee	802.6	89.3	11.1
El Paso	234.8	49.3	21.0
Miami	931.7	133.1	14.3
Columbus	784.4	133.7	17.0
nta	1820.9	248.9	13.7
on	1811.1	216.7	12.0
Washington	643.3	254.3	39.5
Washington PMSA	2409.6	611.2	25.4
St. Louis	1246.0	150.7	12.1
San Francisico	914.1	125.4	13.7
Indianapolis	794.2	110.0	13.9
Cincinnati	804.2	101.6	12.6
Fresno	264.9	62.9	23.7
Buffalo	539.1	87.4	16.2
Austin	516.7	128.7	24.9
Jacksonville	480.8	64.5	13.4
Tucson	301.4	65.9	21.9
Denver	982.1	139.4	14.2
Fort Worth	653.5	87.2	13.3
Pittsburg	1052.9	123.6	11.7
San Jose	828.0	86.8	10.5
Newark	930.1	143.0	15.4
Long Beach		(included in Los Angeles)	
Oklahoma City	474.5	101.0	21.3
Oakland	895.6	170.0	19.0
Minneapolis/St. Paul	1542.9	215.9	14.0
as City	863.0	129.4	15.0
ingham	442.0	68.2	15.4

	Total Employment (thousands)	Government Employment (thousands)	Government Share (percent)
Nashville	596.9	76.2	12.8
Toledo	308.5	45.9	14.9
S[illegible]mento	589.4	165.6	28.1
[illegible]nd	838.7	108.9	13.0
Seattle	1181.1	172.4	14.6
Louisville	527.6	55.3	10.5
Baton Rouge	269.5	57.4	21.3
Tulsa	350.9	41.3	11.8
Alburquerque	323.4	60.7	18.8
Tampa	995.5	130.3	13.1
Rochester	523.1	77.6	14.8
Santa Ana	not available		
Corpus Cristi	145.5	30.8	21.2
Shreveport	163.1	31.8	19.5
Dayton	467.0	72.7	15.6
Laredo	55.6	13.1	23.6
Akron	311.9	46.1	14.8
St. Paul	(included in Minneapolis)		
Stockton	not available		
Norfolk	628.9	137.1	21.8
Jackson	209.8	44.2	21.1
Mobile	209.7	33.8	16.1
Brownsville	92.4	21.5	23.3
[illegible]y City	237.8	40.0	16.8
[illegible]lotte	711.3	81.2	11.4
Flint	180.5	24.2	13.4
Omaha	372.8	50.2	13.5
Richmond	502.2	98.4	19.6
Wichita	256.1	32.6	12.7
Hartford	585.7	94.6	16.2
San Bernadino	776.0	160.8	20.7
Lubbock	107.4	23.5	21.9
Syracuse	332.1	59.9	18.0
Providence	495.2	63.8	12.9
Gary	252.5	34.9	13.8
Hialeah	not available		
Montgomery	150.3	36.2	24.1
Knoxville	312.2	55.2	17.7
Columbus	784.4	133.7	17.0
St. Petersburg	(included in Tampa)		
Camden	450.1	76.8	17.1
Springfield	242.2	43.5	18.0
Lexington-Fay	252.8	55.3	21.9
Colorado Springs	197.7	33.0	16.7

	Total Employment (thousands)	Government Employment (thousands)	Government Share (percent)
Honolulu	408.4	89.5	21.9
S[illegible]ne	178.4	29.7	16.6
[illegible]ah	126.9	20.9	16.5
East Los Angeles		(included in Los Angeles)	
Grand Rapids	515.3	51.5	10.0
Las Vegas	547.1	58.5	10.7
Madison	255.9	68.6	26.8
Tacoma	217.1	46.6	21.5
Anaheim		not available	
Waco	92.3	14.9	16.1
McAllen	123.4	33.6	27.2
Youngstown	242.2	30.1	12.4
Mesa		(included in Pheonix)	
Chattanooga	215.6	35.0	16.2
Kansas City		(included in Kansas City)	
U.S. Total	116,607	19,279	16.5

Source: Based on data from the Bureau of Labor Statistics, Current Employment Statistics.

C

Welfare-to-Work Jobs Initiative
Draft Labor Protection Provisions Language

PROVISIONS GENERALLY APPLICABLE
TO PROVISION OF SERVICES UNDER WELFARE-TO-WORK

[NOTE: These provisions relate primarily to workfare or subsidized jobs activity as might be funded with WTW, rather than to the jobs for which WTW performance payments would be made. Provisions for jobs into which people are placed need to be more clearly set out separately. They may include, for example, the provisions on nondiscrimination, Fair Labor Standards Act, health and safety coverage, and nondisplacement as in subsections (a)(5) and (a)(6) below.]

"Sec. __. (a) In assigning participants in the program under this part to any program activity, or in assigning individuals registered with the program under part __ to a position of employment, the State agency shall assure that --

"(1) each assignment takes into account the capacity, health and safety, family responsibilities, and place of residence of the participant;

"(2) no participant will be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight;

"(3) for the purpose of applying the prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975, on the basis of handicap under section 504 of the Rehabilitation Act, on the basis of sex under title IX of the Education Amendments of 1972, or on the basis of race, color, or national origin under title VI of the Civil Rights Act of 1964, programs and activities funded or otherwise financially assisted in whole or in part under this Act are considered to be programs and activities receiving Federal assistance;

"(4) no individual shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in the administration of or in connection with any such program because of race, color, religion, sex, national origin, age, disability, or political affiliation or belief;

"(5) no such assignment will --

"(A) result in the displacement of any currently employed worker by any participant (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits;

(B) impair existing contracts for services, or existing collective bargaining agreements, unless the employer and the labor organization concur in writing with respect to any elements of the proposed activities with affect such agreement, or either such party fails to respond to written notification requesting its concurrence within 30 days of receipt thereof.

"(C) result in the employment of the participant or filling of a position when --

"(I) any other individual is on layoff from the same or any substantially equivalent job; or

(ii) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created by hiring a participant whose wages are subsidized under this Act;

"(D) be created in a promotional line that will infringe in any way upon the promotional opportunities of currently employed individuals;

"(E) result in filling a vacancy for a position in a State or local government agency for which State or local funds have been budgeted, unless such agency has been unable to fill such vacancy with a qualified applicant through such agency's regular employee selection procedure during a period of not less than 60 days;

"(6) no participant shall be assigned to a position with a private nonprofit entity to carry out activities that are the same or substantially equivalent to activities that have been regularly carried out by a State or local government agency in the same local area, unless such placement meets the nondisplacement requirements of paragraph (5);

"(7) Conditions of employment and training shall be appropriate and reasonable in light of such factors as the type of work, geographical region, and proficiency of the participant;

"(8) Health and safety standards established under State and Federal law, otherwise applicable to working conditions of employees, shall be equally applicable to working conditions of participants. With respect to any participant in a program conducted under this Act who is engaged in activities which are not covered by health and safety standards under the Occupational Safety and Health Act of 1970, the Secretary shall prescribe, by regulation, such standards as may be necessary to protect the health and safety of such participants;

"(b) Grievance procedures. --

"(1) In General. --

"(A) Each administrative entity, contractor, and grantee under this Act shall establish and maintain a grievance procedure for grievances or complaints about its programs and activities from participants, subgrantees, subcontractors, and other interested persons. Hearings on any grievance shall be conducted within 30 days of filing of a grievance and decisions shall be made not later than 60 days after the filing of a grievance. Except for complaints alleging fraud or criminal activity, complaints shall be made within one year of the alleged occurrence;

"(B) Each recipient of financial assistance under this Act which is an employer of participants under this Act shall continue to operate or establish and maintain a grievance procedure relating to the terms and conditions of employment;

"(2) Deadlines. --

"(A) Upon exhaustion of a recipient's grievance procedure without decision, or where the Secretary has a reason to believe that the recipient is failing to comply with the requirements of this Act or the terms of the grantee's plan, the Secretary shall investigate the allegation or belief and determine within 120 days after receiving the complaint whether such allegation or complaint is true;

"(B) If a person alleges a violation of section ____ and such person exhausts the recipient's grievance procedure or the 60-day time period described in subsection (9) has elapsed without a decision, either party to such procedure may submit the grievance to the Secretary. The Secretary shall investigate the allegations contained in the grievance and make a determination as to whether a violation of section ___ has occurred;

"(C) If the results of the investigation conducted pursuant to paragraph (ii) indicate that a modification or reversal of the decision issued pursuant to the recipient's grievance procedure is warranted, or the 60-day time period described in subsection () has elapsed without a decision, the Secretary may modify or reverse the decision, or issue a decision if no decision has been issued, as the case may be, after an opportunity for a hearing in accordance with the procedures under section ____;

"(D) If the Secretary determines that the decision issued pursuant to the recipient's grievance procedure is appropriate, the determination shall become the final decision of the Secretary.

"(3) Alternative grievance resolution. --

"(A) A person alleging a violation of section ___ may, as an alternative to the procedures described in this section, submit the grievance involving such violation to a binding grievance procedure if a collective bargaining agreement covering the parties to the grievance so provides.

"(B) The remedies available under paragraph ( ) shall be limited to the remedies available under sections ( ) and ( )

"(4) Remedies. --

"(A) In general. -- Except as provided in paragraph (ii), remedies available to grievants under this section for violations of section ___ shall be limited to --

"(I) suspension or termination of payments under this Act;

"(ii) prohibition of placement of a participant, for an appropriate period of time, in a program under this Act with an employer that has violated section ___, as determined under subsection ( ) or ( ); and

"(iii) appropriate equitable relief (other than back pay).

"(B) In addition to the remedies available under paragraph (A), remedies available under this section for violations of subsection ( ), ( ) and ( ) may include --

"(I) reinstatement of the grievant to the position held by such grievant prior to displacement;

"(ii) payment of lost wages and benefits; and

"(iii) reestablishment of other relevant terms, conditions, and privileges of employment.

"(c) In assigning participants in the program under this part to any program activity, the State agency shall, in addition to the assurances required under subsection ( ), assure that --

"(1) the conditions of participation are reasonable, taking into account in each case the experience and proficiency of the participant and the child care and other supportive services needs of the participant; and

"(2) each assignment is based on available resources, the participant's circumstances, and local employment opportunities.

"(d) In assigning individuals registered with the State's WORK program under part ( ) to a position of employment, the State agency shall assure that --

"(1) where a labor organization represents a substantial number of employees who are engaged in similar work or training in the same area as that proposed to be funded under this Act, an opportunity shall be provided for such organization to submit comments with respect to such proposal;

"(2) under all activities financed under this Act --

"(A) a trainee shall receive no payments for training activities in which the trainee fails to participate without good cause;

"(B) individuals in on-the-job training shall be compensated by the employer at the same rates, including periodic increases, as similarly situated employees or trainees and in accordance with applicable law, but in no event less than the higher of the rate specified in section (6)(a)(1) of the Fair Labor Standards Act of 1938 or the applicable State or local minimum wage law;

"(C) individuals employed in activities authorized under this Act shall be paid wages which shall not be less than the highest of (A) the minimum wage under section 6(a)(1) of the Fair Labor Standards Act of 1938, (B) the minimum wage under the applicable State or local minimum wage law, or © the prevailing rates of pay for individuals employed in similar occupations by the same employer.

"(e) References in paragraphs (B) and © to section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) --

"(1) shall be deemed to be references to section 6© of that Act for individuals in the Commonwealth of Puerto Rico;

"(2) shall be deemed to be references to section 6(a)(3) of that Act for individuals in the American Samoans; and

"(3) shall not be applicable for individuals in other territorial jurisdictions in which section 6 of the Fair Labor Standards Act of 1938 does not apply.

"(f) Allowances, earnings and payments to individuals participating in programs under this Act shall not be considered as income for the purposes of determining eligibility for and the amount of income transfer and in-kind aid furnished under any Federal or federally assisted program based on need, other than is provided under the Social Security Act.

"(g) Each recipient of funds under this Act shall provide the Secretary assurances that none of such funds will be used to assist, promote, or deter union organizing.

"(h) The provisions of this section apply to any work-related programs and activities under this part.

G . ; i B

THE WHITE HOUSE

WASHINGTON

July 29, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: ERSKINE BOWLES
LAURA TYSON

SUBJECT: Update on Budget Working Group Activities

I. APPROPRIATIONS UPDATE

- **House Floor Action:** On Friday, July 29, the House considered the VA/HUD Appropriations bill. An amendment to retain the Environmental Protection Agency's jurisdiction to enforce clean air and clean water rules was passed (212-206).

  √ Following the floor vote, the Budget Working Group mobilized and had the Vice President brief reporters on the GOP Environmental cuts. The Vice President was quoted in a very positive *ABC News* story. His quotes also appeared in the first few paragraphs of stories in the *Washington Post* and *New York Times.*

  There is a possibility that there will be a re-vote on Monday evening on the environmental legislative riders issue. Also, there still has not been a final vote on VA/HUD Appropriations.

  √ Both present opportunities for your involvement either by written statement or comment

  The Commerce/Justice/State Appropriations bill passed Wednesday (272-151). Labor/HHS is expected to be taken up on the floor sometime next week.

- **Senate Floor Action:** There were no Appropriations bills on the Senate floor last week. Energy and Water Appropriations bill will be taken up during the week of July 31.

- **Senate Appropriations Committee:** On Friday, July 29, the Senate full committee completed markup on the Defense and Interior Appropriations bills. Treasury/Postal and Energy and Water Appropriations bills were reported out full committee on Thursday. The office of the National Drug Control Policy was eliminated in the committee markup of the Treasury/Postal Appropriations bill.

- **Legislative Branch Appropriations:** The conference on the Legislative Branch Appropriations bill was completed on Thursday. It is expected to clear both houses next week.

II. WEEK IN REVIEW: JULY 24 - JULY 30, 1995

- **Empowerment Zones/Urban Report (Wednesday, July 26)**

  - In conjunction with your speech, we released a press document highlighting the detrimental impact of the Republican cuts on the nation's cities and communities.
  - Following your speech, Secretary Cisneros briefed reporters on the impact Republican budget cuts will have on cities.
  - We set-up regional print and radio interviews for Mayors participating in Wednesday's Empowerment Zone event.
  - The Vice President did a satellite tour into targeted markets.

- **American Federation of Teachers (Friday, July 28)** The Republicans handed us a gift on Friday, by choosing to call for the elimination of Direct Lending on the same day as your speech.
  - Your speech was mailed to 150 editorial boards
  - The Department of Education issued several press releases on Direct Lending and Deputy Secretary Kunin held several conference calls with reporters.
  - A dozen African American college presidents wrote op-eds blasting the GOP cuts.
  - OMB Director Rivlin released a letter blasting the Republicans for trying to repeal Direct Lending.

- **Medicare 30th Anniversary Radio Address (taped Friday, July 28).** Your radio address with the First Lady received extensive press coverage, leading *CNN* news all day Saturday, and producing favorable stories in both the *Washington Post* and the *New York Times* [See Attached]. The event was also successful at turning around debate -- putting the Republicans on the defensive, forcing them to respond to the poverty numbers.

  Amplification.
  - Your radio address was mailed to top 150 editorial boards, African-American, Hispanic, women's and older American press.
  - We issued a press paper detailing the number of seniors who will be forced into poverty under the Republican plan. [See Attached]
  - Set-up regional print and radio interviews for seniors attending POTUS and FLOTUS radio address. These were all done on Friday afternoon and Saturday following the program.

- **State-by-State Numbers on Medicare**: State-by-State analyses of the Republican Medicare and Medicaid cuts were released on Friday, July 28, to coincide with your radio address.

  Amplification.
  - Chief of Staff Panetta briefed reporters on the state-by-state data, Friday afternoon, July 28.
  - Analyses were sent to radio stations, ed. boards, and television outlets in all 50 states.
  - Cabinet and sub-Cabinet officials conducted numerous radio and print interviews into targeted markets.
  - Press releases/statements by: State Democratic Legislative Leadership: CA, FL, IL, Iowa, MI, MO, NB, NJ, NY, PA, OR.
  - Press releases/statements by: Governors: WVA, MD, FL, DE, CO
  - Press releases/statements by:. Lt. Gov: CA, MO, RI

WEEK AHEAD: JULY 31 - AUGUST 6, 1995

Monday, July 31, 1995

POTUS Speech to NGA (Burlington, Vermont): Welfare Reform.

Other Activity

- Sec. Pena will conduct radio interviews with target cities regarding impact of transit cuts to rural areas.
- Sec. Reich will hold a OSHA event on Republican attacks on worker protection laws.
- Sec. Riley tapes an "Eye on Washington" segment with Sen. Reid and Sen. Bryan for ABC TV.

Tuesday, August 1, 1995,

POTUS Speech to Federation of Police Officers (satellite): Remarks will emphasize how GOP cuts will prevent efforts at stopping youth crime and violence. The GOP cuts will put "pork over police," and their block grants will eliminate the hiring of your 100,000 cops.

Other Activity

- Sec. Ron Brown will do a Sperling Breakfast.
- Adm. Johnson will participate in a radio interviews with WBTE in Charlotte, NC.
- Sec. Reich will participate in a Satellite tour with communities dislocated due to base closures. The communities include Philadelphia, Charleston, San Antonio and key sites in California.
- Sec. Glickman will be in MN for Farm Fest Convention where there will be a forum on budget cuts.

Wednesday, August 2, 1995

- Sec. Pena will appear before the Senate Commerce Science and Transportation Committee on FAA reform
- Sec. Rubin will do a Sperling Breakfast.
- Sec. Shalala will be in Anaheim California addressing the California Teachers Association meeting.

Saturday, August 5, 1995

POTUS Radio Address on Family and Medical Leave.

Tuesday, August 8, 1995

POTUS Budget Event on Environment/Public Safety Cuts: Current planning is an event coupled by issuance of an Executive Order on Community Right to Know. Details being worked out.

Wednesday, August 9, 1995

POTUS National Baptists Convention (Charlotte, NC)

Thursday, August 10, 1995

Press Conference (tentative)

FUTURE ACTIVITIES

- **Recess Planning:** We have been meeting to finalize a plan for the Congressional Recess. Our strategy will be to use Cabinet, groups, and outside validators to keep the pressure on key members while they are at home in their districts.

    - OMB finishing analyses of GOP cuts on 50 major cities.
    - Cabinet / Group activity
    - Mayors will meet in Seattle on Aug 28th. Plan is to have them do events in their cities that week, culminating with a huge event.press conference with 50 Mayors on the 8/28th. Possibly Put them on Sunday News shows on the 27th.

- **September planning:** Meetings continue with key education groups and Congressional staff to coordinate back-to-school activities in early September. Activity is planned throughout the country to highlight the impact of the Republican cuts at the local level. We are hoping to unify and coordinate these efforts around certain key themes and to find a useful and appropriate role for you in kicking off that week.

On Radio Show, Clinton Warns of Dangers of Cuts in Medicare

By TODD S. PURDUM

WASHINGTON, July 29 — Surrounded by an invited audience of senior citizens, including his mother-in-law, President Clinton warned today that Republican plans to slow the growth of Medicare spending could push half a million elderly people into poverty by the turn of the century to finance tax cuts for the wealthy.

"We do need to protect Medicare from going bankrupt, but we don't have to bankrupt older Americans to do it," Mr. Clinton said in his weekly radio address from the Oval Office. "Medicare is too important to all families to become a piggy bank for just a few."

Mr. Clinton was joined by his wife Hillary for the speech, which was timed for the 30th anniversary on Sunday of the signing of Medicare legislation by President Lyndon B. Johnson. Tiptoeing back into the fray over restructuring health care, Mrs. Clinton sketched the history of Medicare as one of the nation's bedrock social programs.

"We need to remember that Medicare is not just important for older men and women," she said. "It is a compact across generations. Medicare means that we don't have to choose between doing right by our parents and giving our children the opportunities they deserve."

Mr. Clinton cited a new study by the Department of Health and Human Services that estimated that the increase in out-of-pocket costs to beneficiaries that would flow from the Republicans' proposed reductions would push 500,000 elderly Medicare recipients below the Federal poverty threshold by 2002. That is based on the assumption that individuals, whom Mr. Clinton has vowed to protect, would be affected by about half of the Republican cuts.

The Republicans would cut some $270 billion from planned growth in Medicare spending over the next seven years, to help finance a tax cut of $245 billion that would mostly benefit upper income taxpayers. As part of his plan to balance the budget, Mr. Clinton is proposing $124 billion in reduced Medicare growth and a tax cut of $98 billion, mostly to help people paying for education.

"Parents ought to be able to save for their children's college and protect their parents' health," Mrs. Clinton said. "And Medicare means that they can."

In the Republican response on the program, Representative Barbara F. Vucanovich of Nevada accused the President of playing politics, saying that the Republicans, too, believe that Medicare spending must be increased, only at a slower rate.

"This is not a time for scare tactics, distortions or finger pointing," she said.

Both parties agree that, without changes, a principal arm of Medicare — the trust fund that pays hospital bills for the elderly — faces bankruptcy by the year 2002. The Administration concedes that growth in the program is fast outpacing available resources, but it argues that the Republican cuts are unrealistically large and would hurt the elderly, without providing the expanded private insurance coverage or broader access to health care that Mr. Clinton envisioned last year in his failed health care proposal.

For his speech, Mr. Clinton was joined by several senior citizens, including his stepfather, Dick Kelley, and his mother-in-law, Dorothy Rodham, and he answered questions in an impromptu exchange afterward.

"I think we've got a chance now, a real chance to build a sensible, common sense, common ground majority," Mr. Clinton said. "And that's what we're going to try to do. I don't know that these Medicare cuts can pass the Congress, and I'm certainly going to do what I can to defeat them."

Clinton Bashes GOP For Medicare Plan

HHS Study Fans Reform Debate

By Gary Lee
Washington Post Staff Writer

President Clinton released a new government analysis yesterday that said the Republican plan to restrain the growth of Medicare would push into poverty 500,000 elderly Americans who already are struggling to make ends meet.

Under the GOP proposal, Medicare patients eventually would have to spend an average of $625 more each year on medical bills than they do now, concludes the study prepared by the Department of Health and Human Services. The added expense would reduce the spending capacity of a half-million older citizens enough to push them below the poverty line, the study said.

Even more would be impoverished if the medical insurance program for the elderly were converted into a block grant program—in which only a fixed amount each year were spent on Medicare. Government spending on Medicare now is open-ended, the study added.

"These cuts would force their families to make choices between generations that no family should have to make," Clinton said in his weekly radio address.

"We will drive more young people into poverty if they have to . . . try to take care of their parents and grandparents," he told a White House gathering later.

The HHS analysis is the latest salvo in a bitter rhetorical war between GOP lawmakers and the White House about Medicare. The 30-year-old program has burgeoned into a major health care insurance program that provides care for 33 million elderly and 4 million disabled Americans.

Rep. Barbara F. Vucanovich (R-Nev.), in the GOP radio response to Clinton, said dramatic changes must be made in the program if it is to survive. "While President Clinton and many Democrats in Washington are content to celebrate Medicare's 30th birthday by reminiscing about its past, Republicans are committed to securing Medicare's future," she said.

The Medicare Board of Trustees warned earlier this year that the system will go bankrupt in seven years unless major steps are taken to change it. GOP lawmakers have proposed reducing the growth in Medicare spending by $270 billion over the next seven years to reach their goal of balancing the budget by the year 2002. Even so, the GOP says spending on each beneficiary would increase 40 percent over the period.

The Clinton administration has said its plan to balance the budget in 10 years would require far less drastic Medicare restraint—reducing its growth by about $124 billion over the next seven years. Clinton's plan would encourage the elderly to use less expensive, managed health care plans.

"We do need to protect Medicare from going bankrupt," Clinton told his radio audience. "But we don't have to bankrupt older Americans to do it." The money saved in the GOP plan would be used to finance tax cuts for the rich, he said.

Hillary Rodham Clinton, joining the radio address, stressed the security Medicare has provided for a generation of Americans. Recalling that she and her husband each lost a parent within the last 2½ years, she said, "For all our worries, the one thing we didn't have to worry about was a mountain of health care bills."

During their presentations yesterday, each side accused the other of over-dramatizing the issue.

"This is not a time for scare tactics, distortions, or finger pointing," Vucanovich said in her radio response.

"There is a lot of misinformation out there," Mrs. Clinton said during a White House meeting with a diverse group of elderly citizens, including the president's stepfather and mother-in-law, that followed the radio address.

During yesterday's meeting with Clinton, many of the elderly attendees voiced concerns about the future of Medicare. "How are people going to live?" asked Genevieve Johnson, 96, president of the District's chapter of the National Council of Senior Citizens.

Senior citizens, reacting to the cuts, are "terrified, they're frightened, they're confused," said 70-year-old Norman Abramowitz.

FOR MORE INFORMATION

For full text of Clinton's radio address, see Digital Ink, The Post's on-line service. To learn about Digital Ink, call 1-800-510-5104, ext. 9000.

REPUBLICAN CUTS PUSH 500,000 MEDICARE BENEFICIARIES INTO POVERTY

For 30 years, Medicare has meant financial security and health security for older Americans. Since 1965, Medicare has effectively lifted millions of older Americans out of poverty. Prior to Medicare, less than 50 % of the elderly had health insurance. Today, thanks to Medicare nearly 100 percent of older Americans have coverage.

To preserve Medicare for our grandchildren, President Clinton believes we have to strengthen the Medicare Trust Fund, which holds the money we all pay in to cover hospital, nursing home and home health bills. President Clinton believes that real reform is about making a situation better, not worse. Real reform means fixing the Trust Fund, without putting beneficiaries in a fix.

President Clinton's balanced budget will strengthen Medicare. His plan will:

- Extend the solvency of the Medicare Trust Fund at least through 2005;
- Make **no** new cuts targeted at beneficiaries; and
- Expand benefits for seniors, including free mammograms and respite care for families of people with Alzheimer's disease.

The Republican plan would severely burden the elderly, and reverse the 30 year tradition of Medicare lifting seniors out of poverty:

- In 2002, 500,000 Medicare beneficiaries would effectively be put into poverty by the increases in out-of-pocket costs for health care. This number could be even larger if Medicaid is turned into a block grant. Many states would no longer be able to afford to cover the poor elderly unless they chose to raise property or sales taxes, or cut other critical state spending. [According to an HHS study released on July 29, 1995]
- These cuts in Medicare and Medicaid are 4 times more than the largest cuts ever enacted.
- In order to stay in fee-for-service plans, where they can choose their doctor, seniors would be forced to either pay more or get less:
  - ☞ The average Medicare recipient of skilled nursing home services will pay at least $1,400 more.
  - ☞ The average beneficiary receiving home health care services will pay at least $1,7000 more in 2002.
  - ☞ Every beneficiary choosing to stay in the fee-for-service plan would pay at least $2,825 more in premiums and copayments over 7 years; couples would pay at least $5,650. Couples would pay at least $1,250 more in 2002 alone.
- Or, seniors could get a voucher that is too small. Each year private health care costs would increase 40 percent more than the voucher's value. Seniors will have to pay more to make up the difference--or be forced into care they don't want.

The increases in out-of-pocket costs to seniors are needed to pay for a tax cut for the well-off, not to balance the budget or shore up the Medicare Trust Fund. **Republicans could drop all of their new costs for beneficiaries and balance the budget if they would just accept the President's tax cut for the middle class, rather than their huge tax cuts for those who need it least.**

Expiring Provisions

- The research and development (R&D) tax credit would be extended, in slightly modified form, from July 1, 1995, through 1997.

- The Targeted Jobs Tax Credit (renamed the Work Opportunity Tax Credit) would be modified, including a reduction in the credit rate from 40% to 35%, and extended for 1996 and 1997. It would not be made retroactively available for 1995.

- ? The exclusion for employer-provided educational assistance would be extended through 1997. However, for 1996 and 1997 the exclusion would not apply to post-graduate education.

- The tax credit for clinical testing expenses (the so-called orphan drug credit) and the special fair market value deduction for contributions of appreciated stock to private foundations would be extended for 1995 through 1997.

- ? The FUTA exemption for alien agricultural workers would be made permanent retroactive to January 1, 1995.

- The effective date of the 4.3-cents-per-gallon tax on commercial aviation fuel would be delayed from October 1, 1995, to October 1, 1997.

- The airport and airway trust fund excise taxes on air passenger and air freight transportation and the expiring portion of the tax on noncommercial aviation fuel would be extended through September 30, 1996.

Increase in Statutory Limit on the Public Debt

- The statutory limit on the debt limit would be increased from the current $4.9 billion to $5.5 billion, with no expiration date.

Medical Savings Accounts (MSAs)

Cont? Is this ok

- The bill would create a new IRA-type account called a Medical Savings Account (MSA), that could be used to pay health benefits only for individuals covered by catastrophic (and not comprehensive) insurance. Employees and other individuals would get a tax deduction (or exclusion from income) for their or their employer's contributions to an MSA up to $2,500 for an individual ($5,000 for a family). MSA distributions would not be taxed if used to pay for medical care. Earnings within the MSA would be taxable.

Coal Industry Retiree Health Provisions

Under the 1992 Coal Act -- which was a priority for Senator Rockefeller -- liability for financing coal-industry retiree health benefits was spread broadly among companies that had signed bargaining agreements since 1948. The bill would shift the liability entirely to the 1988 signatory companies.

Pension Simplification

The bill incorporates numerous items from the Administration's <u>pension simplification</u> proposal that you announced on June 12, 1995. A majority of these provisions were also included in the pension simplification bill passed by the House in 1994. The bill also includes new items proposed by the Administration, although it does not include the Administration's proposal for a new, simple retirement plan for small business, the National Employee Savings Trust (or "NEST").

Taxpayer Bill of Rights 2

The bill contains a number of provisions intended to enhance taxpayer safeguards in dealing with the IRS. The Administration has worked with Hill staff to develop and improve many of these proposals.

Talking Points on GOP Finance Committee
Proposal to Reduce Earned Income Tax Credit (EITC)

- Just a few hours ago we learned the specifics of the Republican Finance Committee proposals to raise taxes on low-income working Americans by reducing the EITC.

  We think it is wrong to increase taxes on millions of low-income workers -- and to cut Medicare and Medicaid -- to finance tax cuts for the most affluent.

- According to the proposals' sponsors, this EITC-related tax increase will total $40 billion over 7 years.

  -- Included in this package is a proposal to tax social security payments received by approximately 1 million widowed, retired and disabled taxpayers who care for about 2 million of their own children, grandchildren, or other children. These social security recipients will be subject to an average tax increase of $859.

  -- It would also eliminate the modest EITC that was first made available last year to very low-income workers who do not reside with qualifying children.

    This component alone will subject 4.3 million taxpayers to an average tax increase of $173.

  -- The proposal would eliminate the final phase of the 1993 EITC increase for workers with 2 or more qualifying children. This increase is currently scheduled to become effective in 1996.

  -- In addition, all EITC recipients with annual income currently in excess of $11,630 will be subject to creeping tax increases every year as the so-called phaseout rates are increased. As a result, many recipients will see their EITC reduced simply because of inflationary increases in their income.

  first time ever in the tax code

  -- Lastly, working parents who receive child support payments will, for the first time ever, suffer a tax increase simply because they are fortunate to actually collect those payments intended solely for the benefit of their children.

- We are carefully analyzing the impact of this new proposal. We will be opposing it vigorously when the Finance Committee takes up the bill early next week.

Office of Tax Policy
September 22, 1995

THE WHITE HOUSE

WASHINGTON

August 13, 1996

MEMORANDUM TO KEN APFEL
BRUCE REED
GENE SPERLING

From: Jeremy Ben-Ami
Lyn Hogan

Subject: Welfare to Work Challenge Fund

Attached please find a brief summary of our proposal for a Welfare to Work Challenge Fund to spark placement of 1 million longer-term welfare recipients into jobs in three years. The $3 billion, three-year proposal would be only one part of a broader national challenge the President would announce. On signing the bill, the President would call on the country to pull together as a nation and as communities to truly end welfare as we know it by finding jobs and opportunity for those unable to find work.

We believe the strengths of this proposal are:

- *paying for performance* – The Fund pays only for placement and job retention not for process

- *maximizing flexibility* – Payments from the Fund can be used by employers or placement firms to provide any type of training and support necessary to prepare people for jobs and to help keep them

- *community involvement* – The proposal calls on communities, cities and counties to develop plans for job creation and placement that draw on their unique strengths and advantages

- *Presidential leadership and ongoing involvement* – The structure of the Challenge puts the President in the position of leading the nation to meet the challenge of making welfare reform a success. He can travel the country getting commitments from Mayors, private employers and community leaders of jobs and other support to meet the challenge he has laid down

Please let us know if we can be helpful in developing this proposal further.

cc: Carol Rasco
Paul Weinstein

WELFARE TO WORK CHALLENGE FUND

Believing that the success of welfare reform will be determined by every community's ability to move people into jobs, President Clinton has proposed the creation of a Welfare To Work Challenge Fund to support the placement of 1 million longer-term welfare recipients into jobs by the year 2000.

The vision of a reformed welfare system is that many short-term welfare recipients with work histories will find jobs as they do now in the present system, and that employers would be able to access the Work Opportunities Tax Credit as an incentive to hire these easier to place individuals. The WTW Challenge Fund is designed to provide additional support in the case of longer-term, harder-to-place recipients who will require additional preparation and support to get and hold jobs.

The President is challenging state and local governments, communities and the private sector to join in the national effort to truly transform the welfare system by ensuring that jobs are available for all those who need them to get off of welfare along with the training and preparation to get and hold those jobs.

The President is proposing to pay $3000 to any employer or job placement program that employs or finds work for each welfare recipient who remains employed for nine months. The WTW fund will reward the placement of 1 million welfare recipients into jobs over three years at a total cost of $3 billion. At the end of three years, the program will be evaluated and Congress and the President will have to consider whether to extend the program.

The President is challenging states to match at least part of this commitment with their new Block Grant funds and is urging local communities to come up with private contributions as well. States and communities can determine the level of match and the amount of the total WTW payment based on the job market and the needs of their community. Placement costs vary from $2500 in Columbus, Ohio to $5500 in New York City. A community able to match the Challenge Grant dollar for dollar from state, local and private sources will have $6000 to pay as a placement bonus for each job. This together with the Work Opportunities Tax Credit (worth an additional $2000 to the employer) should be more than enough to stimulate private sector interest in creating and finding jobs for welfare recipients.

Targeting The WTW Challenge targets longer-term welfare recipients, as only those receiving welfare for 18 months would be eligible. Many welfare recipients find work quickly after initially receiving welfare and employers do not need extra incentives to provide work for short-term recipients. New state welfare programs should do a good job helping work-ready recipients find employment as quickly as possible. The WTW Challenge is targeted, therefore, at those recipients who despite their best efforts have been unable to find employment for 18 months.

Who's Eligible? Communities [need to define as cities, counties or other] will develop WTW plans for job creation, training and placement which they will submit to the Department of Labor for approval. Employers and placement programs in communities with approved WTW plans will be eligible for WTW payments. Each community will determine the amount of its WTW payments based on the additional funds they add to the Challenge Fund and a determination of their local needs.

To have their plans approved, communities will have to:

- form a consortium of community leaders including, at a minimum, employers, Chambers of Commerce, non-profits, community-based organizations, churches, synagogues and others interested in creating employment opportunities

- develop a WTW plan that lays out how the city or county will create jobs and maximize job placement and retention for those leaving the welfare rolls that includes *specific* commitments to the Challenge by private employers

- indicate their plans for ensuring employment of welfare recipients in such expanding fields as child care and housing redevelopment.

WTW payments In any community with an approved plan, the Challenge Fund will make two $1500 payments to employers or placement agencies in that community — one up front at the time of employment and, to ensure job retention, the $1500 after nine months of employment. The exact distribution of matching WTW payments from the state or other sources would be determined in the community's plans.

What is the WTW payment for? The combination of national and state WTW payments together with the WOTC will help private employers pay for on-the-job training and other job readiness programs and provide an incentive to hire those leaving the welfare rolls. Not-for-profit or for-profit training and placement firms could enter into agreements with communities to train and place welfare recipients in return for WTW payments. America Works, for instance, is paid an average of $5500 in New York City for such a service. WTW payments could even go to groups providing training for microenterprises and to child care providers hiring and training welfare recipients to meet the increased demand for day care. The costs of not-for-profit and for-profit placement efforts with welfare recipients compare favorably with the over $20,000 per person cost of traditional training programs which are paid for based on participation not performance. [See attached for examples.]

Formula Communities will be eligible for a certain number of WTW payments determined by a formula based on the welfare population in that community. [or other TBD]

(Draft: 8/13/96 a.m.)

Job Placement and Support Organizations

Evidence now exists that private for-profit and nonprofit programs offer a bridge to connect welfare recipients to jobs and help them achieve sustained independence. Their success contrasts sharply with the marginal impact of the traditional welfare education and training programs.

The private nonprofit and for-profit programs described below share four critical elements that most government-run programs do not: each assesses the needs and skills of its clients individually and assumes each wants to work; each bypasses traditional education and training activities and instead puts clients to work as quickly as possible; each forms strong links with local employers and works hard to maintain them; and each measures success by counting the number of recipients who get jobs.

America Works, a for-profit placement and support organization in New York, Indianapolis, and Connecticut has helped more than 10,000 welfare recipients find full-time private sector jobs. Recipients are hired permanently at an average wage of $16,000 per year, including benefits. The state of New York found that 81 percent of those placed by America Works are still off the rolls after two years.

America Works typically charges a state about $5,400 per placement, and is paid in full only once a recipient is placed and remains in an unsubsidized job for seven months. When compared to the cost of $21,000 per placement for New York City's Job Training Partnership Act program or the $23,000 a year it costs New York state to support an average welfare family, a private placement program such as America Works could move about four times the number of people from the welfare rolls than the state-run programs at a considerable cost savings.

The Goodwill Job Connection in Sarasota, Florida and Lafayette, Louisiana offers job placement and support services to chronically unemployed members of the surrounding community. The Goodwill Job Connection spends about $1,500 per job placement compared to per person costs of about $4,000 for the Florida's work-focused JOBS program. Since the program began in 1987, it has placed more than 1,000 people in jobs. Goodwill works hard to build relationships with local employers and, after providing its clients with basic job readiness and on-the-job work skills, places people permanently into unsubsidized jobs and offers follow-up support to make sure they stay in jobs.

Cleveland Works, a private nonprofit group funded by public grants, foundations, and private money, has placed more than 2,000 welfare recipients in full-time jobs since 1986, enabling 7,000 men, women, and children to quit the dole. Over 80 percent of the Cleveland Works families have not returned to the welfare rolls, a remarkable result considering that the typical family had been on and off welfare for 10 years. Cleveland Works spends about $5,000 per placement to provide its clients with four weeks of general job readiness training and in some cases basic education and occupation-specific courses. The group then matches clients with jobs offered by some 500 local employers. Once hired, clients receive transitional services and support from corporate counselors to ensure that they stay employed.

Columbus Works, a private nonprofit group providing intensive human capital development, opened its doors last January. Its per person job placement costs are about $2,300. Services include six weeks of full-time, daily job readiness and skills, job development, placement, and follow-up, a $6-$8 dollar a day transportation allowance, and in-house legal counsel. Recipients are placed in full-time jobs with an average starting wage of $6.69 an hour and retention rates should be around 60 percent.

Milwaukee's New Hope Project, another private nonprofit group, also stresses job placement. Clients go through eight weeks of job search. Those who do not find private sector jobs are offered minimum wage community service positions at nonprofit organizations for a maximum of one year. When necessary, New Hope subsidizes its clients' wages to bring them up to at least the poverty line. It also provides health and child care benefits based on income and helps clients receive the EITC. Preliminary results from the first phase are very encouraging—57 percent are currently employed in private or public sector jobs.

CHIEF OF STAFF TO THE PRESIDENT

THE WHITE HOUSE

February 26, 1997

MR. PRESIDENT:

Please note the attached memo from Eli Segal describing the organization, mission, and short term action plan of "Work Now" -- a soon to be created 501(c)(3) organization whose founding board members will be the CEOs of the five companies you referenced in the State of the Union.

The central mission of "Work Now" will be "to help businesses of all kinds move people permanently from welfare to work."

Erskine

cc: John Podesta
Sylvia Mathews
Vicki Radd
Rahm Emanuel
Bruce Reed
Gene Sperling

ELI J. SEGAL

February 25, 1997

MEMORANDUM

TO: THE PRESIDENT

SUBJ: WORK NOW (WN)

This is a memo which goes to the organization, mission and short term action plan of WN (working title only). Its creation reflects one of the most hopeful reactions to your signing the welfare reform legislation and your frequent challenges to the business community that there is much it needs to do if we will truly "end welfare as we know it".

1. Organization

WN is a soon to be created 501(c)(3) organization. Its incorporators (and perhaps "Founding Board" members) will be the CEOs of the five companies you referenced in the State of the Union. It is unclear who will be the Chair, but his identity will be determined shortly.

The organization will be aggressively non-partisan, results driven and comparatively easy to join. It will be scrupulously independent, but its mission and its agenda will be completely consistent with your vision of welfare reform. I do not expect it to look for any government funds, at least at the beginning.

It will have a Board of Directors of about 15-20 composed of businesses of all sizes and from all sectors; some of its Board may include Governors and other prominent Americans. All companies will be encouraged to join, provided they are prepared to make a commitment to use their resources to help move people from welfare to work. One measure of success in WN's first year will be whether it can reach a membership of an agreed upon number of companies, perhaps 5000. Membership will not require payment of a fee.

2. Mission

A partial but intensive review of organizations engaged in welfare reform-related activities suggests one niche which is likely to represent the heart and soul of WN's mission: to help businesses of all kinds move people permanently from welfare to work. WN's customer will be the businesses themselves, rather than welfare recipients, legislatures, Governors or state welfare agencies. WN will encourage, mobilize, reward and provide technical assistance to all of the following:

(a) large and small companies whose growth will depend on hiring and retaining substantial numbers of people for entry level positions (e.g., Burger King);

(b) other large companies without significant employment growth plans (e.g., Monsanto) or those with such growth plans but without a significant number of entry level positions (e.g., Microsoft); in all of these cases, WN will look to notions of corporate responsibility and moral suasion of companies and their vendors in designing a meaningful agenda; and

(c) a broad range of so-called "intermediaries" from temporary organizations like Manpower and Kelly (one of the largest growth categories in an era of downsizing) to for profit and not for profit organizations like America Works and Strive, springing up overnight in response to welfare waivers of recent years and the welfare reform legislation of 1996.

WN will not, of course, be indifferent to "the front end" of welfare reform: motivated, prepared welfare recipients. However, the more WN engages in activities at the front end, e.g. GED, literacy, mentoring, substance abuse treatment, job training and readiness, the more its mission is blurred and it invades the turf of others. One possible exception to this thrust may be in the area of micro enterprise. It is also possible that some of the means WN will utilize to reach businesses (e.g.. 800 numbers and Web sites) can also be used to match businesses and potential employees, but that is further down the road.

Because there is no reliable national way of counting those who move from welfare to work, WN will need to look to other indices of success. WN will have individual company success stories to tell, job producing partnerships of its members to report, and the equivalent of Baldridge awards to announce; once WN sees positive patterns emerging from its work and study, it will publicize them, help replicate them to the extent resources permit and transmit them to appropriate government executives. WN may also report on obstacles it uncovers to welfare reform from the perspective of the private sector, perhaps in a manner similar to that of the Small Business Conference of your first term.

3. Activities of the Organization.

There are three broad categories of activities within which WN will work (subject always to avoiding duplication with the work of other organizations):

(a) Education

(1) business outreach -- WN will become a comprehensive source of information to businesses in finding potential employees and uncovering what public and private resources are available;
(2) training -- WN will coordinate the use of existing company resources to aid in training, including the training universities of 110 companies; WN may create a human resources speakers bureau (although National Alliance for Business and National Governors Association are looking at this as well);
(3) recommendations to government (federal, state and local).

(b) Hiring

(1) pledges -- businesses, some with and some without experience hiring and retraining those formerly on public assistance, commit to hire or apprentice workers;
(2) consortium -- new members join an ever expanding group of WN businesses that would hire workers who had received training, apprenticeships or entry level positions at other member businesses;
(3) a wards -- WN will bestow recognition on selected participating companies.

(c) Grants -- possible recipients/activities include:

(1) micro enterprises (but this may properly be the realm of government and foundations);
(2) studies of successful programs; and
(3) large scale public works projects (e.g.., rehabilitating a train station, creating a public park, etc).

4. Action Plan

WN contemplates three stages over the next year, in each of which there are logistical, functional and communications tasks to fulfill:

(a) creation and clearinghouse (months 1 - 3) -- WN announces its plans, its 800 number and its Web site; becomes a source of information for businesses seeking the names of like-minded businesses or useful resources in their geographic area or their industrial sector;

(b) program initiation (months 4 - 6) -- WN announces its first 1000 members; announces its consortium plan (see above); makes first grants to study model programs ;

(c) in-depth programs (months 6 - 12) -- membership grows to 5000; WN reports on number of new jobs its members have created, especially through its consortium (unless too modest at this stage); announces PSA campaign to combat stigmatization of hiring workers from welfare; announces intensive project in demonstration city; issues its first advisory report to government; announces first annual employer award recipients.

5. Presidential Engagement

The mission of WN will be enhanced by Presidential engagement from the beginning. Possible activities include, but are not limited to the following:

(a) publicity around the launch;
(b) events in different geographic areas and different industries with business leaders who have joined WN by "taking the pledge" and/or have actually hired and retained former welfare recipients;
(c) publicity around the first (and perhaps subsequent) awards to model employers.

6. Conclusion

Overall, the mission, functions and indices of success of WN will need greater refinement over the next few weeks. The basic judgment, however, is to focus welfare to work activities on what businesses themselves can do. With skill and discipline, we can carve out a role in this undertaking that will permit the private sector to translate good intentions into meaningful results.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO GENE SPERLING

FROM: Emil Parker
DATE: April 1, 1997
SUBJECT: Welfare-to-Work Foundation

Below are a couple of points to keep in mind concerning the projects of the Welfare-to-Work Foundation:

Database of organizations/ "mentoring businesses." It may not be cost-effective to create a database including all businesses that hire welfare recipients through JTPA. While 40 percent of JTPA Title II-A participants are welfare recipients (cash assistance), these recipients are considerably more employable than the welfare population as a whole and especially than long-term recipients. For example, three-quarters of JTPA II-A welfare participants have a high school degree or more, compared to just one-third of long-term recipients.

Many of the businesses who hire welfare recipients, through JTPA or other channels (including their standard hiring procedures), are employing relatively skilled individuals and may have no special services in place and no experience with harder-to-employ recipients. It might be preferable to restrict the database(s) to businesses that have made a particular effort to hire recipients and/or have hired a substantial number of recipients.

Challenge events. The regional (and other) challenges--i.e., hiring targets--may prove to be one of the more reliable measures of the Foundation's impact. To this end, collection of data on hiring should be handled by an independent party, and each challenge should apply only to Foundation members in the region--hiring by firms not in the Foundation would not count toward the challenge target. A challenge that included businesses outside the Foundation would be considerably more difficult to track and also be a much less valuable evaluation tool.

THE WHITE HOUSE

WASHINGTON

June 11, 1997

MEMORANDUM TO THE PRESIDENT

FROM: **GENE SPERLING**
PETER ORSZAG

SUBJECT: **Economic progress for African-Americans**

You asked for a response to the recent *Wall Street Journal* article that asserted that African-Americans have not shared in the benefits of the recent recovery ("Surging Economy Bypasses Black Men," June 3, 1997). This memorandum provides an initial response. We will also be working with Janet Yellen to examine the issues involved more thoroughly.

One of the article's principal points is true: The wage differential between otherwise similar blacks and whites remains distressingly high, especially for males, and has shown no improvement since the mid-1970s. But the wage gap is only one measure of economic well-being, and the economic recovery has produced significant gains for African-Americans. For example, African-American median family income -- which reflects trends not only in wages, but also in employment and non-labor income -- fell by almost $2,000 between 1988 and 1992, but increased by over $3,000 between 1992 and 1995. Median family income for all races did not rise nearly as much -- less than $900 since 1992 and just over $1,600 since 1993. And for married couples, African-American median household income rose from 81 percent of white median household income in 1993 to 87 percent in 1995.

In a sense, these recent gains are not surprising, since African-Americans seem to be particularly affected by changes in the overall labor market (James Stewart, "Recent Perspectives on African-Americans in Post-Industrial Labor Markets," *American Economic Review*, May 1997). Therefore, an improved labor market is often particularly beneficial to African-Americans. Some of the signs of recent African-American gains include:

Poverty

- The poverty rate for African-Americans fell from 30.6 percent in 1994 to 29.3 percent in 1995 -- the first time it dropped below 30 percent and its lowest level since the data were first collected in 1959.

-- Between 1992 and 1995, the African-American poverty rate fell by 4.1 percentage points (from 33.4 percent to 29.3 percent), while the overall poverty rate fell by 1 percentage point (from 14.8 percent to 13.8 percent).

-- The EITC pulled more than 800,000 African-Americans, including 455,000 children, out of poverty in 1995.

-- The poverty rate for elderly African-Americans fell from 33.5 percent in 1992 to 25.4 percent in 1995 -- its lowest level on record. The decline in the overall elderly poverty rate was less dramatic (from 12.9 percent in 1992 to 10.5 percent in 1995).

Unemployment

- The African-American unemployment rate fell from 14.3 percent in December 1992 to 9.8 percent in April 1997, before climbing slightly to 10.3 percent in May 1997. For more than two decades -- from August 1974 to December 1994 -- the African-American unemployment rate had never fallen below 10 percent.

  -- Between December 1992 and May 1997, the African-American rate declined by 4.0 percentage points, while the overall rate has declined by 2.6 percentage points. The proportional decline was just slightly lower for African-Americans (31.5 percent drop in the unemployment rate) than for all Americans (33.3 percent).

- The unemployment rate for African-American males aged 20 years and over fell from 13.4 percent in December 1992 to 8.4 percent in May 1997.

  -- In 1995, this unemployment rate averaged 8.8 percent, the lowest since 1974.

  -- The absolute decline in the unemployment rate for African-American males was larger than the decline in the rate for all males (5.0 percentage points versus 2.6 percentage points), and the proportional declines were again almost indistinguishable (37.3 percent for African-American males, and 38.2 percent for all males).

Employment

- A larger percentage of African-Americans were employed in May 1997 (57.8 percent) than during any month on record before 1993. The highest percentage was recorded in November 1995 (58.0 percent).

  -- A larger percentage of African-American women aged 20 and over (58.4 percent) were employed in April 1997 than in the history of the series. The percentage fell slightly in May, to 58.1 percent.

- Since January 1993, 1.73 million more African-Americans have found jobs -- seven times as many had found jobs during the previous four years.

-- These data come from a survey of households and are not strictly comparable with the 12.3 million jobs figure, which comes from a survey of establishments.

Remaining challenges

Despite these recent improvements, however, now is certainly not the time for complacency. As noted above, the wage gap for otherwise similar African-Americans and whites remains stubbornly high -- partially reflecting ongoing discrimination in the labor market. Studies using random testing, in which equally qualified white and black testers compete for the same job, apartment, or other goal, tend to confirm continued discrimination against African-Americans. And numerous economic indicators -- from median income to educational achievement to poverty rates -- point to persistent gaps between whites and African-Americans.

We face particularly difficult challenges with younger African-Americans. For example, the unemployment rate for African-American teenagers was a shocking 33.2 percent in May 1997, relative to 12.7 percent for white teenagers. And the poverty rate for black children was 41.9 percent in 1995, relative to 16.2 percent for white children.

A strong economy may be necessary -- but is unfortunately not likely to be sufficient -- for further narrowing of these gaps between African-Americans and other Americans. In addition to pursuing sound macroeconomic policies, we must therefore continue to remove the lingering obstacles to equal opportunity.

THE PRESIDENT HAS SEEN
6-4-97

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THE PRESIDENT HAS SEEN
6-4-97

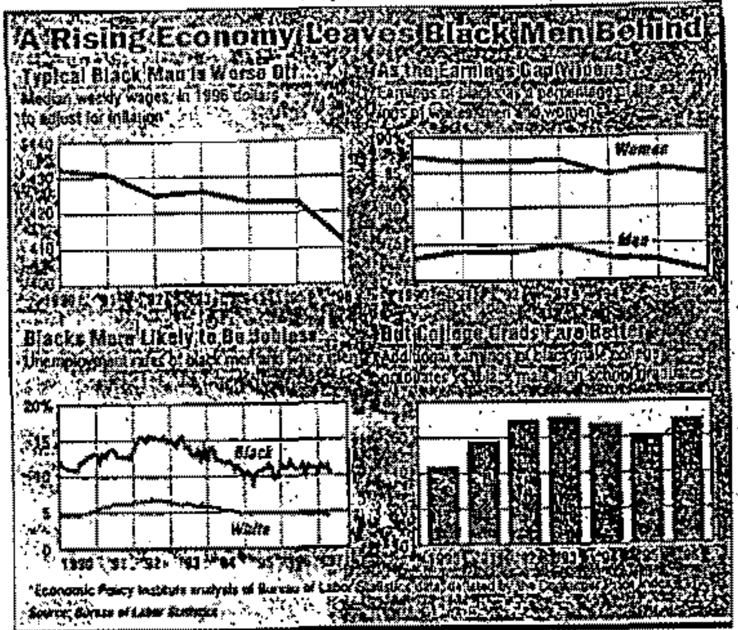
S··rging Economy Bypasses Black Men

Blue-Collar Workers Face Particularly Daunting Odds

r Christina Duff
Staff r of The Wall Street Journal

WASHINGTON—A surging economy is supposed to carry with it all types of people, but low-skilled black males haven't quite caught the wave.

Certainly, the "strongest economy in a generation," to borrow from President Clinton, has lowered unemployment rates across the map and brought all sorts of workers out of the woodwork. "I don't think there's a lot of doubt that improvements have been broad-based," said economist Gary Burtless of the Brookings Institution.



*Economic Policy Institute analysis of Bureau of Labor Statistics data

Source: Bureau of Labor Statistics

Broad-Based but Unequal?

Broad-based, yes. But equal? Not really. Though the latest expansion has helped both blacks and whites, it hasn't done much to narrow the gap between them. Black workers are making just 76.5% of what white workers make per week—down from the 78% they made in 1990.

Black males in particular are losing ground, especially if they didn't attend college—and only about 14% did. The earnings gap between black male college and high-school graduates has widened four times as much since 1990, as has the gap between their white counterparts. Unemployment is running at 3.5% among college-educated black men — way below the 9.5% among black high-school grads. Comparable figures for white college and high-school grads: 2.1% and 4.0%, respectively. " premium for black men with a colle tion is really glaring," said Jare ein, labor economist for the Econ. .licy Institute.

Although the jobless rate for adult black is about the same as for black —8.9% in April—black men's earnings have fallen more in inflation-adjusted terms than black women's in the current economic expansion. And black women's paychecks are much closer to those of their white counterparts than is the case among black men and their white counterparts.

The hurdles facing blue-collar black males reflect how much the economy has changed over the past decade. Consider Trumark Inc., a Lansing, Mich., maker of underbody car parts. At first glance, Trumark appears the ideal place for low-skilled black men to find jobs. It's in the Midwest, where the economy is booming, and it's run by Carlton Guthrie, a black man who says he prefers to hire black workers.

Because labor markets are so tight, Mr. Guthrie recently had to boost entry wages by $1 to $7.60 an hour, "just to attract folks." At the same time, however, auto clients have refused to pay higher prices for Trumark's parts — so Mr. Guthrie hasn't raised them.

Like many businesses, then, Trumark has had to do more work with fewer people to keep profit margins from collapsing. The company is down to just 230 workers from 350 three years ago. "Fewer black men are getting my jobs," Mr. Guthrie said.

'Soft S''''s' in Demand

' m shift in the workplace is part 's holding back lower-skilled black an emphasis on so-called "soft skills." Now, even factory workers must posse m. For instance, within the past deca rumark employees have been required to chart and analyze data electronically, to gauge both the quality and the quantity of what they make.

Many of these prerequisite soft-skills have more to do with personality, attitude and behavior than formal or technical knowledge. Philip Moss of the University of Massachusetts at Lowell and Chris Tilly of the Russell Sage Foundation, New York, interviewed 56 employers in 1996 in an effort to explain black men's employment problems. They found that businesses rank black men poorly in terms of soft skills. It's "partly stereotype, partly cultural gap and partly an accurate perception of the skills that many less-educated black men bring to the labor market," they concluded. It's "inevitably subjective."

For five years, Trumark has required its factory workers to have problem-solving skills. With just $45 million in sales, the company is smaller than some competitors and needs workers who can provide good ideas about how to improve, can work well in teams and have good communication skills. Since many workers don't read or write well, they must use graphics and find creative ways to communicate ideas. "It's much different from putting your hand on a button and watching the press go up and down," Mr. Guthrie said. "That won't get it."

Old Jobs, New Tasks

"As job requirements change, black men have suffered," said economist Margaret Simms of the Joint Center for Political and Economic Studies.

No one knows that better than Darrius Scott. He sells flowers on a street corner in an upper-middle-class neighborhood of

Please Turn to Page A10, Column 5

Continued From Page A1

Washington, but wants a better-paying job. Mr. Scott says he recently was turned down from a furniture-making company because his writing skills are poor. "I didn't see how that mattered," he said. Just last week, he was turned down for a $12-an-hour job at a pension-benefit company because he couldn't use the computer fast enough to complete a simple math test in 20 minutes.

Harry Holzer, economics professor at Michigan State University, conducted a study in April to determine why there aren't higher employment rates among blacks. He found that when jobs don't require any special tasks — like computer use or dealing with customers — 38% of them are filled by blacks. But when jobs require one or more of these tasks, only 22% are filled by blacks.

And long-term trends aren't the only factors decreasing the employment opportunities of black men. Trumark's auto clients also are making cost-efficient changes themselves, which squeezes the company. For example, Ford Motor Co. just discontinued its classic Thunderbird model, causing Trumark to lose $6 million in sales this year. Fifteen workers, Mr. Guthrie said, will lose their jobs as a result.

"The economy is booming, so to speak," Mr. Guthrie said. "But there's a strong current to reduce costs and that has an indirect effect on black males. Often, they're the ones who are let go."

THE WALL STREET JOURNAL
TUESDAY, JUNE 3, 1997

THE WHITE HOUSE

WASHINGTON

September 12, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: Low-Wage Workers

There is no doubt that low-wage Americans suffer disproportionally from economic change. There is also no doubt that serious challenges still remain for them. Overall, though, low-wage workers have benefitted enormously under your economic strategy, which has included reducing the deficit, investing in the people, *and opening markets.* The facts and statistics below outline the positive impact your economic-growth strategy has had for low-wage workers and the challenges that still remain.

In talking about this to our supporters, I recommend that you (1) give people the impressive statistics, while recognizing the magnitude of the remaining problems; (2) remind supporters that the policies they supported and fought for (e.g., 1993 economic plan, EITC, minimum wage, education funding) are partly responsible for these improvements and they should be proud of their efforts; and (3) that we are not satisfied and we believe that there is still a lot of work to be done.

OVERALL:

- **Family Income Up 10 Percent -- $1,000 -- In Last 2 Years For Poorest 20%.** Since the 1993 Economic Plan passed, the real average income of the poorest 20 percent of families has increased $994 -- or 9.7 percent -- from $10,275 in 1993 to $11,271 in 1995. Over the same time period, the incomes of wealthy American households -- the top 20 percent -- increased 2.0 percent, from $117,086 in 1993 to $119,453 in 1995.

- **The Largest Decline In Income Inequality In 27 Years.** In 1995, household income inequality fell, as every income group -- from the poorest to the most well-off -- experienced a real increase in their income for the second straight year. One measure of inequality -- the Gini coefficient -- dropped more in 1995 than in any year since 1968.

- **The Number Of People In Poverty Fell By 1.6 Million -- Largest Drop In 27 Years.** The number of people in poverty dropped 1.6 million, from 38.06 million in 1994 to 36.43 million in 1995 -- that's the largest one-year decline since 1968.

- **Poverty Rate Fell To 13.8 Percent -- Biggest Drop In Over A Decade.** In 1995, the poverty rate dropped from 14.5 percent in 1994 to 13.8 percent -- that's the largest one-year fall in the poverty rate since 1984. Since President Clinton's Economic Plan was signed into law, the poverty rate has declined from 15.1 percent in 1993 to 13.8 percent last year -- that's the biggest two-year drop in the poverty rate since 1973.

By Race:

These statistics show clearly that African-Americans have benefitted from the recent economic growth. However, the African-American poverty and unemployment rates remain far above that for all workers. And while the increase in African-American median family income has out paced the rise for all families, African-American median family income level is still just 64 percent of overall median income. For Hispanics, the current prosperity has provided both good and bad news. The good news is that Hispanic unemployment and poverty have fallen. The bad news is that Hispanic median family income has declined too.

- **The African-American Poverty Rate Dropped To It Lowest Level On Record.** In 1995, the African-American poverty rate declined from 30.6 percent to 29.3 percent -- that's the first time it dropped below 30 percent and its lowest level since data were first collected in 1959. However, the African-American is still more than twice the overall poverty rate of 13.8 percent.

- **A Higher Share of African-Americans Are Working Today Than Any Time In History.** A larger percentage of African-Americans are now employed -- 59.6 percent -- than at any time in history.

- **Under President Clinton, The Typical African-American Family's Income Is Up $3,000.** Since 1992, the median income of African-American families has increased from $22,923 to $25,970 -- that means their income was $3,047 higher in 1995 than the year before President Clinton took office. This compares to a $1,631 increase for *all* families. However, the African-American median family income is still 64 percent of the median income for all families, which was $40,611 in 1995.

- **Lowest African-American Unemployment Rate in 24 Years.** The unemployment rate for African Americans has dropped from 14.1 percent in January 1993 to 9.3 percent today -- that's the lowest the African-American unemployment rate has been in 24 years. The African-American unemployment rate, though, still remains at nearly twice the overall rate of 4.9 percent.

- **African-American Teen Unemployment Rate Is Down.** In January 1993, the African-American teenage unemployment rate was 37.0 percent. Today, it is down to 29.4 percent. But this is still significantly higher than the current overall teen unemployment rate of 16.4 percent.

- **Home Mortgage Lending and African-American Homeownership Have Increased.** Since 1993, home-mortgage lending to African-Americans has increased by 70%. And the homeownership rate for African-Americans has increased from 42.6 percent in 1992 to 44.9 percent in the second quarter of 1996. This is significantly below the overall homeownership rate of 65.7 percent.

- **Highest Share of Hispanics Working In Two Decades.** The share of the Hispanic population working as high today -- 63.3 percent -- as any other month in the last two decades (when data were first collected).

- **Lowest Hispanic Unemployment Rate in 8 Years.** The unemployment rate for Hispanics has dropped from 11.3 percent in January 1993 to 7.2 percent today -- that's the lowest it's been since 1989. The Hispanic unemployment rate is still nearly 50 percent higher than the overall unemployment rate.

- **Income <u>DOWN</u> for Hispanic Families.** The median family income for Hispanics fell from $25,007 in 1994 to $24,570 in 1995. This fall follows a slight increase in median Hispanic family income between 1993 and 1994 (from $24,947 to $25,007).

- **Poverty Down for Hispanics.** In 1995, the Hispanic poverty rate fell slightly from 30.7 percent to 30.3 percent. NOTE: In 1994, the Hispanic poverty rate increased from 30.6 to 30.7 percent.

PROGRAMS:

- **Minimum-Wage Increase.** The minimum wage increase directly benefited nearly 10 million workers. For someone working full-time at the old minimum wage of $4.25, the 90-cent an hour increase means an additional $1,800 per year. The increase directly benefitted 1.3 million African-American workers.

- **Increased Earned Income Tax Credit.** The expanded Earned Income Tax Credit provided tax relief for 15 million working families -- the average family with two kids who received the EITC got a tax cut of $1,026. *In 1995, the EITC lifted over 810,000 African Americans, including almost 450,000 African American children, out of poverty.*

- **AmeriCorps College Support.** The AmeriCorps program has enabled 70,000 volunteers to earn money for college by serving their communities and their country, with African Americans comprising *one-third of all participants.*

- **Increased WIC Nearly $1 Billion.** President Clinton increased funding for WIC -- which provides nutrition packages, nutrition education and health referrals to low-income pregnant women, infants, and children -- by nearly $1 billion or 34% to $3.83 billion in FY97. The program's participation has expanded by 1.7 million since 1993, from 5.7 to 7.4 million women, infants, and children.

- **Expanded Head Start -- $1 Billion Higher Each Year.** President Clinton has increased funding for Head Start by 43%, from $2.8 billion in FY93 to $4.0 billion in FY97. He also created the Early Head Start program in 1994 to support zero-3 year olds and their families. And the Balanced Budget agreement increases funding so that 1 million kids will be enrolled in 2002.

- **Doubled Dislocated Worker Funding.** The funding for dislocated workers has been doubled, from $651 million in FY93 to $1,286 million in FY97. This year, the dislocated worker program will assist 580,000 workers, up about 300,000 since President Clinton took office.

- **Largest Pell Grant Increase in Two Decades.** The Balanced Budget agreement boosts the maximum 1998 Pell grant from $2,700 to $3,000, and expands the program to more poor independent students -- that's the largest increase in two decades.

- **Fought for Child Tax Credit That Benefitted Low-Wage Workers.** When congressional Republicans tried to deny the child tax credit to as many as 7.5 million* children from families with incomes below $30,000, President Clinton fought to ensure that they benefitted. *Comparison to House passed bill; vs. Senate bill: 5.9 million.

EXAMPLES OF HOW HYPOTHETICAL LOW-INCOME FAMILIES ARE BETTER OFF SINCE 1993:

- **Mother With Two Kids -- $3,094 Better Off.** A mother with two kids earning the minimum wage. This family would have benefitted from both the increased minimum wage and the expanded Earned Income Tax Credit. The increased minimum wage the President fought for will raise the mother's earnings by $1,800 per year, while the expanded EITC provides a $1,294 larger tax credit than the family would have received under previous law. Thus, this family is $3,094 better off today than they would have been without President Clinton's economic strategy.

- **Rookie Police Officer With Two Kids -- $3,119 Better Off.** A family of four with two children; the father is a rookie police officer making $23,000, and the mother has chosen to stay at home. Both congressional bills would have denied this family, and millions of others, the child tax credit. Under tax bill signed into law, this family will receive a child tax credit of $675. Income for families such as this one have experienced a $1,286 increase in their family income, adjusted for inflation, since 1993. In 1992, this family would have not qualified for the Earned Income Tax Credit. In 1996 -- as a result of the expansion signed into law by President Clinton -- this family received an EITC of $1,158. In total, therefore, this hypothetical family is approximately $3,119 better off now than when President Clinton took office.

cc: Sylvia Mathews
Michael Waldman
Terry Edmonds

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO GENE SPERLING

FROM: Emil Parker EP
CC: Anne Lewis, Kathy Wallman
DATE: March 25, 1997
SUBJECT: 2:00 Hill meeting/ key welfare-to-work issues

Tomorrow at 2:00, you, Bruce Reed, Jack Lew and Ken Apfel are scheduled to brief Congressional staff (majority and minority) on the Administration's welfare package--the legal immigrant and food stamp fixes and the Welfare-to-Work Jobs Challenge. Bill Hoagland, majority staff director of the Senate Budget Committee, has set up these meetings, so Budget Committee staff should be prominently represented.

There are competing Congressional Democratic welfare-to-work proposals, one from the Blue Dogs and the other from Senator Daschle, courtesy of Grace Reef. The two proposals, which are limited to outlines at this stage, are quite similar in most respects, both to each other and to the Administration's plan as described in the pages handed out at the Convention (see attached OMB paper on principles/similarities).

OMB has prepared briefing materials (attached). Given that releasable information on the Administration's Welfare-to-Work Jobs Challenge is essentially limited to the single paragraph in the FY 98 budget, staff, including Ken, thought it best to hew closely to the OMB materials in this area during the meeting. Nonetheless, there are a number of critical issues to keep in mind during the discussions.

Better Job vs. Any Job. The question of where to set the bar for job placements made under the WTW Jobs Challenge has arisen repeatedly--should cities/counties/States receive bonuses for placement of recipients in minimum wage positions, or should these grantees be required find participants higher quality jobs (e.g., better paying, with health benefits) in order to qualify for bonus payments? Should grantees receive bigger bonuses for better jobs?

The Stenholm proposal features a bigger bonus payment if the individual's earnings (over a 9-month period) exceed 130 percent of poverty. The Daschle proposal does not include a comparable super-bonus for higher-paying jobs, but does provide for an additional payment if the individual receives a GED prior to placement (the research on the impact of a GED may not justify this approach).

The Administration proposal was moving in the "better jobs" direction when work on the policy development process coordinated by Barry White essentially ceased. Both OMB and DOL staff supported the "better jobs" approach. Health and Human Services' position was unclear, Treasury was opposed, and Lyn Hogan of DPC appeared sympathetic (although she may not have been speaking for Bruce on this issue).

Given that JTPA Title II-A programs are now placing welfare recipients in jobs paying an average of $6.84 per hour (starting wage), setting the standard for bonus payments higher than a minimum wage job may not be unreasonable. It is true, however, that the welfare recipients who participated in JTPA when the prior welfare law was in effect were considerably more employable than the target population for the WTW Jobs Challenge. This may argue for a "bigger bonus for better job" approach, rather than requiring a placement to meet a higher standard to qualify for any bonus at all.

Setting the bar higher in the WTW Jobs Challenge would send a signal as to the Administration's overall position regarding the importance of good jobs, at a fairly low political cost.

For this meeting, it is important for the Administration not to go on record as opposed to or uncomfortable with the "bigger payments for better jobs" concept.

HHS vs DOL. As you know, the decision was made, for purposes of the FY 1998 budget, to place the WTW Jobs Challenge in the Labor Department. The Daschle proposal similarly gives the Labor Department responsibility for the program, whereas the Blue Dogs draft designates HHS to administer the program at the Federal level. Placing the program within HHS would likely be interpreted by mayors, counties and advocacy groups as giving governors almost total control over the funds. It is difficult to imagine a bill establishing a mechanism separate from TANF within HHS to distribute these funds to units of government other than States. Moreover, the Administration for Children and Families (within HHS) almost exclusively distributes funds to States (or individual providers) rather than cities or counties.

Concentration on High Poverty Areas. The Daschle proposal requires that funds be spent in communities with unemployment and poverty rates 20 percent higher than the State average; the Blue Dogs draft only calls for States to provide assurances that high poverty areas will be targeted. The Daschle 20 percent provision would probably not be sufficient to channel the bulk of the funds to high-poverty areas. For example, in a State with a 5 percent unemployment rate and a 10 percent poverty rate, each area with a 6 percent unemployment rate and a 12 percent poverty rate would be eligible for funds. By contrast, concentrated poverty areas are often defined as those with a poverty rate of 40 percent or higher.

Creation of Public Sector Jobs. Another thorny area. As you know, while all in the Administration are agreed that the focus of the program should be placement in private sector positions, there is no consensus on what, if any, limits should be placed on public sector job creation (in order to avoid the charges of "CETA revisited"). Possible approaches discussed within the Administration include limiting the percentage of placements in the public sector to the share of total jobs in the local labor market represented by that sector, a total ban (Paul Dimond), and no limits (Lisa Lynch). The Blue Dogs proposal prohibits public sector job creation, except on Indian reservations and in counties with unemployment rates above 50 percent. In contrast to this strict limit, the Daschle proposal prohibits public sector job creation, except on Indian reservations, in DOL-designated Labor Surplus Areas (areas with unemployment 20 percent above the national level) or in areas determined to have an insufficient number of low-skills jobs (according to standards developed by the Secretary of Labor). This relatively elegant formulation would take the form of a ban, but would in fact afford considerable flexibility with respect to public sector job creation.

As with the "better jobs" concept, it's critical not to get locked into a particular approach to this problem. Acknowledging the issue and trumpeting the focus on private sector jobs may be sufficient.

State vs. City. Although the Daschle proposal gives administration of the program to DOL, it nonetheless calls for funds to be distributed to, and placed under control of, States. As a compromise, each State would be required to allocate a share of its funds to the two cities with the largest poverty populations. The portion of the State plan concerning these two cities would have to be approved by both the Governor and the relevant Mayor. The Blue Dogs proposal contains essentially no substantive role for cities or counties with respect to the base funds, although 20% of the funds would be awarded on a competitive basis to cities to run innovative welfare-to-work programs.

Targeting. Focusing the initiative on long-term recipients was thought essential to avoid "buying out" existing activity--paying States/cities/counties, through the WTW Jobs Challenge, for placements that would have occurred in the absence of the program. While the Daschle proposal takes an approach to targeting similar to that in the Administration plan--i.e., limiting services under the program to individuals on assistance for 18 months or longer--, the Blue Dogs draft does not appear to include a comparable provision, although States would receive bonus payments only for placement of long-term recipients. This may have been an oversight.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO GENE SPERLING

FROM: Emil Parker
DATE: April 1, 1997
SUBJECT: Welfare-to-Work Foundation

Below are a couple of points to keep in mind concerning the projects of the Welfare-to-Work Foundation:

Database of organizations/ "mentoring businesses." It may not be cost-effective to create a database including all businesses that hire welfare recipients through JTPA. While 40 percent of JTPA Title II-A participants are welfare recipients (cash assistance), these recipients are considerably more employable than the welfare population as a whole and especially than long-term recipients. For example, three-quarters of JTPA II-A welfare participants have a high school degree or more, compared to just one-third of long-term recipients.

Many of the businesses who hire welfare recipients, through JTPA or other channels (including their standard hiring procedures), are employing relatively skilled individuals and may have no special services in place and no experience with harder-to-employ recipients. It might be preferable to restrict the database(s) to businesses that have made a particular effort to hire recipients and/or have hired a substantial number of recipients.

Challenge events. The regional (and other) challenges--i.e., hiring targets--may prove to be one of the more reliable measures of the Foundation's impact. To this end, collection of data on hiring should be handled by an independent party, and each challenge should apply only to Foundation members in the region--hiring by firms not in the Foundation would not count toward the challenge target. A challenge that included businesses outside the Foundation would be considerably more difficult to track and also be a much less valuable evaluation tool.

DRAFT 3/31/97

WELFARE-TO-WORK FOUNDATION BRIEFING
APRIL 3, 1997
BY ELI SEGAL

I. PURPOSE OF MEETING

The purpose of this meeting is to brief members of the White House, the Cabinet, and other government personnel on the Welfare-to-Work Foundation ("the Foundation"), which will work closely with the business community to implement the new Personal Responsibility and Work Opportunity Reconciliation Act ("PRWORA") of 1996, by moving welfare recipients to jobs in the private sector.

II. MISSION OF WELFARE-TO-WORK FOUNDATION

A. **Moving welfare recipients to work.** America faces a challenge of historic importance: to help those on public assistance prepare for and obtain employment. In order for our nation to be strong in the next century, we must begin now to ensure that all of our citizens' talents are utilized, and that all citizens have the opportunity to fully contribute.

B. **The Foundation's efforts are directed toward the business community rather than welfare recipients.** The focus of the Foundation is to provide businesses with the information they need to hire welfare recipients including a "best practices" manual of ways to facilitate the hiring and retention of welfare recipients in jobs; a listing of businesses in their communities that previously have hired welfare recipients; and a listing of organizations (including intermediaries, community colleges, and non-profits) that provide job training and other services with which partnerships will be productive.

C. **The Foundation is non-partisan.** The Foundation's staff and Board will consist of members of both major political parties because the success of moving welfare recipients to work depends on everyone working together to meet this challenge and achieve this goal.

D. **The Foundation will prod businesses.** The Foundation is unlikely to lobby or request funds from government (vs. foundations). The Foundation will be more hands on than organizations like Partnership for a Drug Free America, but it is unlikely that the Foundation will run programs itself. The Foundation's mission is to proselytize, mobilize, and reward companies that hire and retain those formerly on public assistance.

III. ORGANIZATION OF WELFARE-TO-WORK FOUNDATION

--Non-profit 501(c)(3) corporation

--"Founding Board." The Founding Board will be the CEOs of the five companies that the President listed in his State of the Union Address: Burger King, Monsanto, Sprint, United Airlines, and UPS. The Chair will be United's CEO, Gerald Greenwald. Hopefully, Marriott will join us as well.

--Funding. Funding will be provided by the companies who join as members. We anticipate that there will be pledges by the companies who join both in terms of hiring and monetary donations. The five Founding Board members have each agreed to a minimum of $100,000 to support the Foundation's efforts. The Foundation's first-year budget is anticipated to be $2,000,000, but the Foundation is likely to raise double this amount in 1997. There is no immediate plan to be a grant-maker, but this could change over time.

--Board of Directors and Membership. The Foundation is expected to have a Board of Directors of approximately 30 members, composed of businesses of all sizes and from all sectors. All companies will be encouraged to join, provided they are prepared to make a commitment to use their resources to help move people from welfare to work. The Foundation has a goal of achieving a membership of approximately 5000 companies in the first year, with each of these companies making a "pledge" to hire at least one welfare recipient.

IV. ACTIVITIES OF THE FOUNDATION

1. HIRING

Pledges. Companies would pledge to hire or apprentice workers.

Awards. The Foundation will bestow recognition on participating companies, creating an appropriate program such as the *American Business Award*.

Consortium. Companies would agree to be part of a consortium, an ever-expanding group of businesses that would seek to hire workers who had left public assistance and received training or acquired entry-level positions at other member businesses.

Targeted Companies. It is planned that growing companies, or so-called intermediaries (job placement businesses) will participate in the program.

2. EDUCATION

Business Outreach. The Foundation will be a comprehensive source of information to businesses interested in finding potential employees and uncovering what public and private resources are available. The Foundation will facilitate contacts between business people who have experience with employees who are former welfare recipients and companies interested in hiring employees who have received public assistance. The outreach effort will utilize a widely-publicized toll-free telephone number.

Training. The Foundation will coordinate the use of company resources to aid in training workers, including using the training universities of companies (approximately 110 are in existence) and creating a human resources speakers' bureau to discuss successful programs with business leaders as well as prospective employees.

Recommendations to Government. The Foundation could seek to hold hearings and/or produce a report on what changes government should make to ease hiring of welfare recipients.

V. PROJECTS FOR THE NEXT THREE MONTHS.

1. Create a database of organizations. This database would include those organizations that help place persons in nonsubsidized, private jobs. Organizations to be listed would include those providing training services, education, counseling, substance-abuse, and follow-up services to those persons already placed in jobs. Examples of intermediaries are America Works in New York City and the Center for Employment Training in San Jose, California.

   A. In trying to create this database, the Foundation would like to utilize existing resources like the Department of Labor's Job Training Partnership Act. Currently, it appears that approximately 120,000 persons receiving public assistance are placed in jobs through the JTPA program. The Foundation would like to collect a database of all the businesses and training programs that participate in the program.

2. Create a database of "mentoring businesses." This database would include a list of businesses who have hired welfare recipients in the past.

3. Establishment of a "1-800" number. The Foundation will establish a "1-800" number to provide information to businesses that are interested in hiring persons receiving public assistance.

4. Challenge events. The Foundation envisions a kick-off event that is substantive as well as message-oriented. To this end, the Foundation anticipates having the five CEOs of our Founding Board announce a regional challenge such as *The Detroit Challenge*. At this event, the region would challenge itself to hire a specified number of welfare recipients in the next year. (The Foundation would anticipate holding a follow-up event in a year to see how the goal was met.)

5. Customized package of materials available to companies calling the "1-800" number. The Foundation anticipates providing a customized package to companies seeking information:

   A. A standard best-practices manual. The Foundation hopes to receive the assistance of the National Alliance of Business and the National Governors' Association in preparing this document.

   B. A listing of intermediaries in their area that could assist in hiring and link the companies with the pool of welfare recipients.

   C. A listing of businesses in their area who have hired welfare recipients and could serve as "mentors."

6. Awards events. Honoring CEOs and companies which have achieved significant results.

THE WHITE HOUSE

WASHINGTON

May 2, 1997

MEMORANDUM FOR THE DOMESTIC POLICY COUNCIL

FROM BRUCE REED

SUBJECT: MAY MEETING

There will be a meeting of the Domestic Policy Council on Thursday, May 8, from 3:00 to 4:00 p.m. in the Roosevelt Room.

The purpose of the meeting is to discuss coordination of agency activities to promote the President's welfare-to-work agenda. We will discuss not the federal government's own hiring initiative, but the range of other agency efforts to help move people off welfare.

Please have your staff provide any necessary clearance information to Cathy Mays (456-6515). If you have any questions, please contact me (456-6515) or Cynthia Rice (456-2846).

THE WHITE HOUSE

WASHINGTON

May 7, 1997

TO: GENE SPERLING

FROM: EMIL PARKER EP

SUBJECT: Key issues re: new welfare-to-work funds/ Domestic Policy Council principals meeting on Administration welfare-to-work agenda

Thursday's 3:00 DPC principals meeting will have three basic parts:

1) Distribution of materials describing the welfare-to-work provisions of the budget agreement and, presumably, some discussion;

2) Eli Segal presentation on the Welfare-to-Work Partnership (see attached materials for draft of earlier briefing);

3) Briefings by three or four Cabinet secretaries (e.g., from HHS, HUD, Labor and Transportation) on welfare-to-work efforts underway in their departments. Domestic Policy Council staff suspect that there may be ongoing agency initiatives which are not well publicized. These presentations will likely not focus on departmental efforts pursuant to the Federal hiring initiative.

New welfare to work TANF set-aside: key issues

The details to be ironed out concerning the $2 billion in welfare-to-work funds that would be added to the Temporary Assistance for Needy Families (TANF) block grant are for the most part the same design questions that arose during development of the Administration's Welfare-to-Work (WTW) Jobs Challenge.

HHS vs. DOL. Adding the funds to TANF creates a strong presumption of HHS administration. This presumption will, however, be vigorously resisted by the Labor Department. Channeling the dollars through TANF may also be interpreted by mayors and advocacy groups as giving governors almost total control over the money. This perception may be mitigated to the extent that the allocation of funds to cities is essentially automatic, as opposed to contingent on gubernatorial action (see below).

Pay for performance. The Administration proposal, as well as the Daschle and Blue Dog WTW plans, called for a percentage of the WTW funds to be distributed on the basis of performance placing recipients in jobs, with larger bonuses for finding recipients higher-paying employment (Blue Dogs) or helping them secure a GED as well as a job (Daschle). The budget agreement makes no mention of a performance-based payment structure.

Targeting of long-term recipients. Within the Administration, there was a consensus that services provided under the Welfare-to-Work Jobs Challenge should be limited to long-term recipients. This position was linked to the contemplated pay for performance aspect of the WTW Challenge--there was a strong desire to avoid paying bonuses to States or cities for placements that would have occurred in the absence of the WTW program. The budget agreement does not include a requirement to target long-term recipients, although it may be implied by the language calling for funds to be distributed to cities (with large poverty populations) on the basis of the number of long-term recipients.

State vs. city. The budget agreement indicates that some percentage of the funds will go to cities, more or less directly. The extent to which it is more rather than less will largely determine how this initiative is viewed by mayors.

Public sector job creation. No consensus was reached within the Administration on the issue. This question may be another key point for certain mayors. All participants in the OMB-led Administration process were agreed that the focus of the WTW Challenge should be placement in private sector jobs. There was, however, some dispute concerning what, if any, limits should be placed on the use of WTW Challenge funds for public sector job creation (see attached March 25 memo).

Targeting of high-poverty areas. Geographical targeting is another aspect of the WTW Challenge which remained unresolved internally. The budget agreement appears to follow the model of the Daschle proposal in requiring that funds be directed to areas with poverty and unemployment rates at least 20 percent higher than the State average. These levels, however, may not be adequate to accomplish the goal of targeting funds to the most disadvantaged areas. As noted in the attached memo, in a State with a 5 percent unemployment rate and a 10 percent poverty rate, each area with a 6 percent unemployment rate and a 12 percent poverty rate would be eligible for funds. By contrast, concentrated poverty areas are often defined as those with a poverty rate of 40 percent or higher.

cc: AL, KW

THE WHITE HOUSE

WASHINGTON

January 26, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: Minimum Wage

On August 20, 1996, you signed the Small Business Job Protection Act, which raised the minimum wage in two steps from $4.25 to $5.15 (from $4.25 to $4.75 on October 1, 1996, and from $4.75 to $5.15 on September 1, 1997). With these recent increases, the current minimum wage is, in real terms, about where it was in the mid-1980s. Senator Kennedy has therefore proposed a significant further increase in the minimum wage. His proposal is to increase the minimum wage to $7.25 per hour by 2002, through 50-cent increases in 1998, 1999, and 2000, and then 30-cent increases in 2001 and 2002. This proposal would return the real minimum wage to approximately its level in the late 1970's by 2002.

The economics of the minimum wage involve difficult tradeoffs. On the one hand, as Senator Kennedy emphasizes, raising the minimum wage helps to increase earnings at the lower end of the income distribution -- the part of the distribution that, until recently, suffered most from real income declines. Leading academics, such as Alan Krueger of Princeton, believe that the recent increases in the minimum wage have played a significant role in stemming the downward trend in wages for the lower skilled.

On the other hand, if the minimum wage were raised too much, it could cause disemployment among some of the most vulnerable participants in the labor market -- from African American males to teenagers and former welfare recipients. The difficulty, then, is deciding at what point the potential disemployment effects become significant enough to outweigh the beneficial distributional effects.

If we decide to support an increase, there are two additional issues you will need to consider: one, when to make the increase effective; and two, how many stages to increase the minimum wage. On the former, we may want to propose to make any increase effective in 1999 or 2000, not in 1998, to ensure that we give businesses a reasonable warning. On the latter issue, the Labor Department emphasizes that changing the minimum wage entails administrative and enforcement costs on the Department and on businesses. They would prefer fewer -- but larger -- step increases; in other words, they prefer one 30-cent increase to two 15-cent increases.

Options:

We have several options, as delineated below:

Option I. **Adopt Kennedy Minimum Wage Proposal:** Increase minimum wage to about $7.25 by 2002, through 50-cent increase in 1998, 1999, and 2000, and then indexing it to the rate of inflation thereafter (about 30-cent increases each year).

Pros:

- Returns minimum wage to real level of late 1970's.
- Provides substantial wage increase to low-wage workers.
- Would unify liberal-wing of the Democratic party.

Cons:

- Your entire economic team believes that this approach is too aggressive and are concerned that Senator Kennedy's proposal could prove damaging to the employment prospects of low-skilled workers, as well as to the general macroeconomic performance of the economy.
- Janet Yellen and Treasury would prefer to have more time to analyze the effects of the most recent increases before enacting increases that go well beyond the bounds of the evidence already accumulated.
- The increase in 1998 may be harshly criticized by business as not permitting enough advance warning. Moreover, important validators for your 1996/97 minimum wage increase -- such as Alan Krueger, David Card of Berkeley, and Larry Katz of Harvard -- would oppose this approach.
- Some may argue that an increase this large could lead employers to pass the higher minimum wage onto customers in the form of higher prices.

Variation of Option I: One variation of this option would be to limit Kennedy's proposal to the first two increases -- the 50-cent increases in 1998 and 1999 -- and then re-evaluate further increases based on the experience with those two increases. If we were to adopt this proposal, it is possible that Senator Kennedy would sign onto it. However, your economic team believes that even this option is too aggressive. Raising the minimum wage by $1 over the next two years could unnecessarily increase the risk of disemployment effects.

Option II. Adopt Position to Split the Difference and Maintain Real Value of Minimum Wage, Without Explicit Indexation Proposal: Increase minimum wage to $6.15 by 2002 (roughly halfway between the current level and Senator Kennedy's 2002 proposal, and slightly above the level that would maintain real value of minimum wage). The increases could take the form of a 25-cent increase in 1999, 2000, 2001, and 2002. Alternatively, we could propose a 50-cent raise in 1999 and another 50-cent raise in 2002.

Pros:

- Your entire economic team supports a moderate increase in the minimum wage in the range of this Option. Secretary Rubin, Secretary Herman, Gene Sperling, Janet Yellen, and Secretary Shalala agree that this Option would help millions of low-wage workers, while not creating a significant risk to the economy or the labor market prospects of low-skilled workers.

- Slightly improves real value of minimum wage over budget horizon. To keep the real value of the minimum wage at its current level, we would have to raise it to approximately $5.90 in 2002.

- Fulfills 1992 campaign promise to have the minimum wage "keep pace with inflation."

Cons:

- Democrats may complain that the increase is too small, and that this approach takes away the issue in 2000. This proposal would not return the real value of the minimum wage to its level of the 1970s. On the other hand, business may still complain that the increases are too soon.

- The economy could reverse its impressive performance over the past several years, and the increases in the outyears would then pose potential risks to low-skilled unemployment.

Variation A of Option II: A Single 40-Cent Increase in 1999. Proposing to raise the minimum wage to $6.15 per hour by 2002 is equivalent to increasing it by 20 cents per year. One alternative would be to propose a single 40-cent increase in 1999. This would be consistent with reaching $6.15 per hour by 2002, but would provide flexibility for macroeconomic conditions and would allow Democrats to reopen the minimum wage issue in 2000. This variation is supported by your economic advisers.

Variation B of Option II: A Single 50-Cent Increase in 1999. John Podesta is concerned that a single 40-cent increase is not enough to attract Democrats, such as Senator Kennedy. He believes we would be "a year late and a dime short." If you adopt a single increase, John argues that we should propose a 50-cent increase because it would be more likely to gain support from Democrats. However, your economic team believes that one 50-cent increase in 1999 would be large enough to risk potential disemployment effects.

Option III. **More Aggressive Minimum Wage Increase:** This option splits the difference between what your economic advisers are comfortable with and Senator Kennedy's proposal. It would increase the minimum wage to $6.00 by 2000. The increases could take the form of a 35-cent increase in 1998 and two 25-cent increases in 1999 and 2000. Alternatively, we could propose a 45-cent raise in 1999 and a 40-cent raise in 2000.

Pros:

- More likely to get support of liberal Democrats. And since it covers a different time frame than Kennedy's proposal (2000 vs. 2002), may not be viewed as competing proposal.
- Since this proposal would be more controversial, could create a more significant debate.
- Provides simple message: we believe minimum wage should be $6 per hour by the turn of the century.

Cons:

- Since this proposed increase is slightly larger in real terms than going to $6.15 by 2002, your economic team would be concerned that there could be disemployment effects.
- May lose support of moderate Democrats and Republicans, especially from Southern states. Moreover, important validators, such as Alan Krueger, Larry Katz, and David Card, would not support this large an increase.

Option IV. **Wait and See:** Do not endorse increase in minimum wage at this time. Argue that we support minimum wage, but too early to increase again because we need to learn from the facts of the recent hikes.

Pros:

- Provides more time to study effects of most recent increases.
- Could be presented as not taking a stance on Kennedy -- thus could allow Kennedy to push for his relatively large increase without an Administration proposal to distract attention.
- Allows issue to be raised during 2000 cycle if desired.

Cons:

- Allows the minimum wage to deteriorate in real terms over time.
- May be criticized by Democrats as not supporting an important objective.

Recommendations:

I discussed this issue at a meeting of the NEC principals on Thursday night. Your entire economic team could support a moderate increase in the minimum wage to maintain its real value. Therefore, your economic advisers recommend that you support an increase in the minimum wage to $6.15 by 2002.

You should know that your advisers considered explicitly indexing the minimum wage to the rate of inflation. However, we rejected this approach for a number of reasons: (1) it would be difficult for us to argue that we should index the minimum wage, when we were willing to veto the balanced budget over the indexation of capital gains; (2) if we indexed the minimum wage this year, many Democrats would argue that we locked it in at an historically low level; (3) the Labor Department would have difficultly administering annual minimum wage increases (as noted above); and (4) since the minimum wage would automatically rise each year, it would take away a good political issue for those who believe the minimum wage is an important tool to help low-income families.

________ **Option I:** Approve Kennedy proposal to raise minimum wage to <u>$6.65 in 2000 and then index it to inflation</u>.

________ **Option II:** Approve increase to <u>$6.15 by 2002</u>, to maintain real value of minimum wage and split the difference with Kennedy's proposal. (RECOMMENDED BY ECONOMIC TEAM)

________ **Variation A of Option II:** Approve <u>40-cent increase in 1999</u>, maintaining real value of minimum wage, while allowing flexibility for macroeconomic conditions and the issue to be revisited in 2000. (RECOMMENDED BY ECONOMIC TEAM)

________ **Variation B of Option II:** Approve <u>50-cent increase in 1999</u>, which would gain additional Democratic support, but would be outside the range that your economic team is comfortable with.

________ **Option III:** Approve more aggressive increase to <u>$6.00 by 2000</u>.

________ **Option IV:** Wait and see, do not take position at this point

________ Discuss further

1-27-98

THE WHITE HOUSE
WASHINGTON

January 26, 1998

to Sperling 2/20/94 R

MR. PRESIDENT:

Sen. Kennedy has proposed an increase in the minimum wage to $7.25/hour by 2002 through .50¢ increases in 1998-2000, and then indexing it to inflation thereafter (about .30¢ increases in 2001-2002). In the attached memo, Gene Sperling seeks a decision from you on whether to seek an increase, and if so, to what level. *If you choose, you could include a specific proposal in the State of the Union, or, in the alternative, voice your general support for an increase and leave the specifics to be released separately.*

Gene lays out several options in the memo, which I recommend you read, and the pros and cons of each:

Option 1: adopt Kennedy *(no support among your advisors)*;
Option 1 variation: increase to $6.15 through 50¢ hikes in 1998-99, then reevaluate indexing increases *(no support)*;
Option 2: maintain real value without explicit indexing -- increase to $6.15 by 2002 through .25¢ raises in 1999-2002 or .50¢ raises in 1999 and 2002 *(supported by economic team)*;
Option 2A: increase to $5.55 through .40¢ increase in 1999 and then revisit issue in 2000 *(supported by economic team, Rahm and Sylvia; Podesta is opposed and feels this won't attract Democratic support; he could live with 2, 2B or 3)*;
Option 2B: increase to $5.65 through single .50¢ increase in 1999 *(supported by Bruce Reed, Paul Begala)*;
Option 3: splits difference between Kennedy and economic team -- increase to $6 by 2000 through a .35¢ increase in 1998 and two .25¢ increases in 1999-2000; or a .45¢ raise in 1999 and a .40¢ raise in 2000.
Option 4: wait and do not endorse any proposal now.

Copied
Sperling
Mathews
Bowles

Phil Caplan Phil

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

THE CHAIRMAN

September 23, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Janet L. Yellen Janet L. Yellen

SUBJECT: Income and Poverty Statistics for 1997

The Census Bureau will release its annual report of income and poverty statistics for 1997 tomorrow at 10:00 AM. Overall, this report is very good news: *the strong economy is lifting family income and lowering the poverty rate.*

BROAD-BASED INCOME GAINS

- **Median household income increased by 1.9 percent.** Income for the median household rose $699 to $37,005 in 1997 dollars, regaining the level of the last peak in 1989. While the Census report highlights the household income number, in the past the Administration has pointed to the family income number, which excludes single individuals and counts only related members in any household. The report shows that median family income was up 3.0 percent or $1,297 last year and is now $3,517 higher than it was in 1993, after adjusting for inflation.

- **Black and Hispanic households showed even larger increases.** After adjusting for inflation, median household income grew by 4.3 percent for blacks and 4.5 percent for Hispanics. Over the past two years, Hispanic income has risen faster than at any time on record (data first collected in 1972). Since you took office in 1993, the median black household has seen its income increase 15.5 percent (or $3,354), while the median Hispanic household's income has risen only 4.8 percent (or $1,208).

- **Single-mother households shared in the gains.** Women heading households with no husband present saw income gains of 3.2 percent among those with families and of 4.4 percent overall, since 1996.

- **Incomes rose in the South, Midwest, and West.** Though median household income in the Northeast remains unchanged, the Midwest and West show income gains of 2.4 percent and 3.1 percent respectively. The South shows the largest rise of 3.6 percent, albeit from a lower income base. People living outside metropolitan areas saw a dramatic income rise of 4.6 percent.

STRONG REDUCTION IN POVERTY

- **The poverty rate fell to 13.3 percent, the lowest since 1989.** Down from 13.7 percent in 1996, the percentage of people in families below the poverty line has fallen 12 percent since

1993. In 1997, 35.6 million people lived in poverty — down from 36.5 million the year before and 39.3 million in 1993.

- **Black and Hispanic populations show large drops in poverty.** While the poverty rates for blacks and Hispanics are still very high, the report shows significant progress: the poverty rate for blacks fell to 26.5 percent, the lowest level recorded (data collected since 1959) and 6.6 percentage points (20 percent) lower than in 1993. Last year, the poverty rate among Hispanics fell 2.3 percentage points to 27.1 percent; this was the largest one-year drop since 1977.

- **Poverty also declined among children and the elderly.** Though the child poverty rate of 19.9 percent is still very high, for the first time since 1989 fewer than 1 in 5 children are in poverty. In the past three years, child poverty has dropped more than at any time since the 1960s. The poverty rate among the elderly fell back to its record low of 10.5 percent, after a temporary rise to 10.8 percent in 1996.

- **Alternative poverty measures reveal benefits of EITC.** While the official data do not include the positive impact of the Earned Income Tax Credit, Census does publish alternative poverty measures which allow us to measure the impact of the EITC. Adjusting family incomes for taxes, including the EITC, reduces the poverty rate to 12.7 percent. The EITC lifted 4.3 million people out of poverty in 1997 — more than double the 2.1 million people lifted out of poverty by the EITC in 1993. Data from the report show that in 1997 the EITC lifted 2.2 million children, 1.1 million African Africans, and nearly 1.2 million Hispanics out of poverty.

STRONG EARNINGS GAINS

- **Earnings grew for both men and women.** Median earnings of women who work full-time and year-round rose 3.0 percent (or $719) while those of men rose 2.4 percent (or $792). The median woman still earns 74 percent of her male counterpart, the same ratio as in 1996.

NO IMPROVEMENT IN INCOME INEQUALITY

- **Income inequality remains near the same level as in 1993 and increased slightly between 1996 and 1997.** Families in all income quintiles have experienced strong income growth since 1993, but this has not translated into a narrowing of the income distribution. Both the distribution of total household income and the Gini coefficient, an index of income inequality, worsened slightly compared to 1996.

As the above points indicate, there are two potential problem areas in the report: (1) Although every income group — from the poorest to the richest — saw their income rise last year, income inequality increased slightly (the change was not statistically significant). (2) While incomes are up and poverty is down over the past several years, the incomes and poverty of certain groups have barely returned to their 1989 levels, and some may claim that many families are no better off now than they were then.

1

September 23, 1998

QUESTIONS AND ANSWERS RELATING TO THE RELEASE OF INCOME AND POVERTY DATA FOR 1997

I. INCOME and EARNINGS

Q1: What do you mean by "income?"

A1: To measure income, the Census asks families every March about their income during the previous calendar year. Income includes all before-tax money income and excludes non-cash benefits, capital gains, or lump-sum and one-time payments. Realize this means the effect of recent EITC expansions will not show up in these numbers.

Specifically, income includes earnings, unemployment compensation, worker's compensation, Social Security, Supplemental Security Income, public assistance, veterans' payments, survivor benefits, disability benefits, pension and retirement income, interest, dividends, rents, royalties, estates and trusts, educational assistance, alimony, child support, outside financial assistance, and other periodic income.

Q2: Is there a difference between a "family" and a "household?"

A2: Yes, a "household" includes everyone living in a single housing unit, whether it is a single apartment room or a house. A "family" refers to people living together who are related by birth, marriage, or adoption. As a result, the term "family" excludes single individuals.

Q3. The EPI report, "The State of Working America," claims that there has been little real progress in income in this country. They claim that income gains within families are all due to increases in hours worked, primarily among women. They conclude that many families are working harder just to stay in the same place. Do you agree with that analysis? Aren't these numbers far less rosy than you have suggested?

A3: One of the most encouraging aspects of today's report is that earnings are rising steeply. Between 1996 and 1997, median earnings among full-time year-round male workers rose 2.4% and they rose by an even larger 3.0% among full-time year-round female workers. Increases in earnings mean that families are not working harder and staying in the same place; rather they're earning more for each hour that they work. These numbers are only through 1997. Given the strong labor market we've been experiencing this year, we anticipate continued strong wage growth when the 1998 data are reported a year from now.

Q4: Why has there been a larger increase in median income among black and Hispanic families compared to white families?

A4: A number of groups with lower average income levels show higher-than-average gains between 1996 and 1997. This includes black families, Hispanic families, families headed by women, and families outside metropolitan areas. These gains almost surely reflect the broad and strong economic expansion that occurred during 1997. It is also possible these gains reflect a decline in discrimination in the labor market against minorities and women, as tight labor markets force employers to broaden their hiring.

Q5: What's happening to earnings?

A5: Median earnings among full-time year-round workers have increased dramatically between 1996 and 1997, rising by 2.4 percent among men and 3.0 percent among women. The female/male wage gap remained at its historically high point of 74 percent.

Q6: Do you account for inflation?

A6: Yes, all of our comparisons are based on constant 1997 dollars. We use the Consumer Price Index , or CPI, which is a standard measure of inflation. The CPI has been adjusted and improved over the years as consumer behavior changes.

II. INCOME INEQUALITY

Q17: Are you disappointed that income inequality hasn't fallen since 1993? Why did inequality actually go up this year, at the same time when you're claiming that black and Hispanic incomes rose faster than usual?

A17: The most important well-being question is whether incomes are rising, particularly among groups with lower-than-average income levels. The good news in today's report is that gains from the current economic expansion are accruing to low-income families as well as higher-income families. Across the income distribution, average income levels have risen substantially since 1993. (See charts) For example, consider the poorest quintile:

Mean income in the lowest quintile (1997 dollars)

1993	$8,233	
1994	$8,406	
1995	$8,794	
1996	$8,793	
1997	$8,872	*7.8% increase since 1993*

In contrast, income inequality measures focus on the *share* of income received by different income groups. While incomes among low-income families have risen, their overall share of income has not risen, because incomes have risen just as fast among higher-income families. Hence, the overall income distribution looks about the same now as in 1993.

Q8: What is the Gini coefficient, and why does it matter?

A8: The Gini coefficient is a standard index of income inequality that ranges from 0 to 1, with 0 being complete equality, so that everyone has the same income, and 1 being total inequality, so that only one person has all the income. We use it as a consistent measure of income inequality over the years.

III. POVERTY

Q1: How many people are poor?

A1: There were 35.6 million people in poverty in 1997, down almost one million from 36.5 million in 1996. That is, 13.3 percent of the population was poor in 1997, down from 13.7 the previous year. Since 1993, when 15.1 percent of the population were poor, the poverty rate has fallen 12 percent.

Q2: The Census says that the decrease in number of poor people is not statistically significant. So how can poverty rates go down when there are just as many people in poverty?

A2: According to the Census Bureau, the poverty rate was down significantly last year -- due to a drop in the number of people in poverty and an increase in the population. While the Census is right to be very careful about what is and is not statistically significant, they do show that nearly 1 million fewer people were in poverty this year, which is a large numerical decline. Even if the number of poor people did *not* fall, we can still have a lower poverty rate because the poverty rate is a percentage of the American population, so that an unchanging *number* of poor would be a decreasing *share* of a growing population.

Q3: What is the poverty rate, and what does it mean to be in poverty?

A3: The poverty rate is the percentage of the population that lives in a poor family. A family is in poverty if its before-tax income falls below the poverty threshold, which is adjusted for family size and for inflation each year.

Q4: What are the poverty thresholds nowadays?

A4: The average poverty threshold for a family of four is $16,400. Here are some other examples of 1997 thresholds for different types of families:

Two parents, two children	$16,276
Two parents, one child	$12,919
One parent, two children	$12,931
One parent, one child	$11,063

Single adult under 65	$8350
Single adult over 65	$7698

Q5: Aren't the poverty numbers used in this report obsolete? Didn't the National Research Council of the National Academy of Sciences recommend major changes in the definition of poverty? What is the Administration doing about this?

A5: The current poverty definition provides us with a consistent measure over time, and has been used since the mid-1960s. However, there are many possible problems with the way that we measure poverty, as the recent report by the National Research Council pointed out. Today's report provides some alternative poverty definitions, including cash transfers as income, and measuring after-tax rather than before-tax income. Furthermore, the Census Bureau has been studying the NRC recommendations and will be issuing a report in early spring showing how the alternative poverty definitions suggested by the NRC would change our measurement of poverty.

Q6: Does the administration plan to adopt the new poverty definition recommended by the National Research Council?

A6: It's too early to provide an answer to that question. We're still waiting to receive the report from the Census Bureau on how this alternative poverty measurement would affect our understanding of poverty. We'll give serious attention to that report when it comes out.

Q7: What is the effect of the EITC or of non-cash transfers on poverty rates?

A7: The official numbers do not include information about the EITC or about non-cash transfers, they report poverty based on before-tax cash income only. To see the effect of EITC by itself on poverty rates, if we used after-tax income to calculate poverty rates but excluded the EITC, most families would be poorer and the poverty rate would rise from 13.3 to 14.3 percent. Adding in the EITC reduces the after-tax poverty rate by 1.6 points, to 12.7 percent. That means that 4.3 million people were lifted out of poverty by the EITC.

In 1997, the EITC lifted:

Children:	2.2 million children out of poverty.
African-Americans:	1.1 million African-Americans out of poverty.
Hispanics:	Nearly 1.2 million Hispanics out of poverty.
Black Children:	580,000 African-American children out of poverty.
Hispanic Children	605,000 Hispanic children out of poverty.

The Census Bureau also reports some alternative calculations which indicate that adding non-cash, non-medical transfers into family incomes drops the poverty rate from 13.3% to 11.9% before-tax. The poverty rate drops further to 10.8% if we add in taxes, including the EITC.

Q8: The Census briefing emphasized the fact that income and poverty numbers are about where they were in 1989. Isn't it disappointing that we haven't made any progress on these numbers during the past decade?

A8: Since the start of the Clinton Administration in 1993, median income has risen by 6.6% and poverty has fallen by 11.9%. It's unfortunate that these numbers fell as much as they did during the recession of 1990-91. But this administration has clearly made substantial progress in improving the economic status of American citizens. Furthermore, these numbers for 1997 are not the end of the expansion, as they were in 1989. Given the strong labor market we've experienced in 1998, we anticipate further increases in income and further declines in poverty when the 1998 report is released a year from now.

Q9: How did welfare reform affect these numbers?

A9: It is probably too early for us to detect an effect of national welfare reform legislation in the poverty and income statistics. Welfare reform legislation, although it was passed in 1996, was not implemented until mid-1997. During 1997 -- the year which these statistics describe -- many states were just still at the beginning stages of designing and implementing changes in their welfare programs. Many provisions of these programs would not be expected to show immediate effects. For example, the effects of the five-year time limit on receipt won't show up for several more years.

Q10: How much do these numbers simply reflect overall economic growth? Is poverty falling faster or slower than expected, given the strong labor market?

A10: These numbers reflect a strong macroeconomy, with low unemployment and low inflation. The decline in poverty between 1996 and 1997 is exactly what one would expect, based on the historical relationship between poverty and the macroeconomy.