



DEPARTMENT OF HEALTH & HUMAN SERVICES

WR -
ISSUE GROUP PAPERS

ADMINISTRATION FOR CHILDREN AND FAMILIES
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

October 1, 1993

TO: Welfare Reform Working Group Leaders
Issue Group Liaisons

FROM: Transitional Support Issue Group Co-chairs

Attached are the papers from the Transitional Support Issue Group promised for October 1. They are bundled into one package with each paper topic representing a separate chapter, as follows:

- I. Basic Principles and Features;
- II. Evidence from Employment, Education, and Training Programs;
- III. Providing Education, Training and Other Supports;
- IV. Rules for Time Limits;
- V. Early Intervention Strategies;
- VI. Sanctions;
- VII. Teen Parents;
- VIII. AFDC Families with Disabilities;
- IX. AFDC-UP;
- X. Reinventing Government; and *→ Performance-based incentives
Coordination*
- XI. Component Cost Tables

In reading these papers, we ask that you keep the following things in mind:

- A. In order to be helpful to the Working Group and its liaisons, we have tried to include recommendations in the papers where possible. However, you should not assume that the Transitional Support Issue Group reached a unanimous decision on these recommendations.

- o On many of the issues there were diverse and wide-ranging opinions as to what direction we should be taking.
- o To be honest, we were not working towards wrapping up this phase of our work by October 1. Therefore, most of the papers were pulled together and reviewed under a very expedited schedule. While group members were very cooperative in working within the required timeframes, not all had a reasonable opportunity to weigh in fully. (This is especially true of the recommendations in the early intervention paper and the potential short-term changes in the E&T paper and the Reinventing Government paper.) Further, while we circulated draft papers and considered and addressed the comments we received, we did not have the opportunity to share our specific responses to the comments.
- B. We felt some discomfort in making recommendations because: 1) the research results are not definitive; 2) we have not had the opportunity to run various policy options through a model to see what the implications would be in terms of recipient effects, costs, and savings; and 3) we did not know the specific recommendations that would be coming out of other issue groups in related policy areas. These limitations clearly affect the quality of our recommendations and our security in offering them.

However, we did try to take the overall budgetary situation and the political landscape into account (as best we understand them).

- C. We recognize that we have left a lot of options on the table, and that it is probably not feasible to test everything we have suggested. However, we did not see it as our responsibility to foreclose options at this point.
- D. We make little more than passing reference to important issues like financing and child care. These areas obviously need more attention as the overall package takes further shape. Special rules for the Tribes and territories also need some attention.

We did not focus much attention on the substance abuse issue because we are waiting for some ASPE staff papers to come out. We understand that these papers are close to completion, but are being held pending additional data validation work. Finally, we decided to forego full development of the labor market attachment and revised JOBS models as prototypes. Given that we did

not foresee Federal prescription of a particular model, we thought our time might be better spent working on some of the other education and training issues.

- E. As deliberations on these issues progress, we suggest that it might be helpful to get more involvement from the Office of Community Services; the Administration of Children, Youth and Families; the Administration for Native Americans; the Bureau of Indian Affairs; and the Office of Information Systems Management.
- F. As the note on the cover page of the cost tables indicates, the figures on the cost tables should be viewed and used with some caution. Our most complete and relevant data source is JOBS program data, but States are still refining their data collection and reporting processes, and we have some concerns about reliability. Also, we have a lot of variability in JOBS cost data because States have different methods of allocating their staff and overhead costs to components.

In bringing in data from other programs, we introduce a lot of additional program and reporting variables; it is impossible to achieve true comparability.

- G. During the preliminary review of the background paper, questions were raised whether it should be more thematic and more folksy. Also, there were questions raised whether program and participant profiles should be added and whether program profiles were otherwise being developed. Both Jeremy and Demetra have offered to revise according to your wishes, but they would need some guidance from you as to the major points you want to make (e.g., limited impact of programs; importance of participation; mandatory vs. voluntary; different service strategies; importance of management & TA role for Feds).
- H. We cannot guarantee consistency among all the papers in how the policy options are discussed. Differences exist because some of the papers had different authors with different assumptions about how the overall system would be fitting together. We made some attempt to bring everything together, but did not feel an urgent need to do that at this stage.

In submitting these papers, we would like to acknowledge the high level of participation, patience and support we received from members in our issue group. While we hesitate to single out a specific set of individuals, we do think we should give special recognition to: Steven Bartolomei-Hill and the members of his

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disability subgroup; Nancye Campbell and the members of the teen parent subgroup; Steve Hagy and the members of the cost subgroup; Toby Herr; Demetra Nightingale; and others who made special written contributions to our efforts.

We would also like to thank Howard Rolston, Diann Dawson, Jeremy Ben-ami, and Patricia Sosa for their advice and counsel, and their moral and logistical support.

We hope these papers are helpful to you in your deliberations, and we await your further instruction.

Ann Burek

Mary Ann Higgins

9/30/93

**EVIDENCE FROM EMPLOYMENT, EDUCATION,
AND TRAINING PROGRAMS:
BACKGROUND RELEVANT TO WELFARE REFORM**

INTRODUCTION

The nation has many years of experience attempting to help disadvantaged adults and families become self-sufficient. Much of the experience emanates from programs, demonstrations and initiatives that provide education, training and employment services to working-age individuals. This paper addresses what is known about these services, as it relates to welfare reform. Evidence on individual impacts, aggregate program outcomes and costs is briefly summarized, and policy-relevant issues are highlighted.

A number of books and articles have summarized in detail the findings of major demonstrations and evaluations, and those reviews are referenced. The purpose of this paper is to synthesize the major conclusions that can be drawn from more comprehensive reviews.

EMPLOYMENT AND TRAINING PROGRAM IMPACTS

For three decades federal policy and funding have supported various education, training and employment activities targeted on welfare recipients and other economically-disadvantaged persons. Specific interventions can be categorized into four groups: direct employment services, job training, education, and subsidized employment. There are many different objectives that such interventions are intended to achieve, but three are most important for welfare policy: (1) assist public assistance recipients in obtaining regular employment, (2) assure that recipients

perform some work activities as a condition for receiving welfare, and (3) invest in skill development to improve the chances that an individual or family can become economically self-sufficient.

The research evidence in general shows that programs have made modest, but only modest, progress toward both objectives. In reviews of employment and training programs for AFDC recipients, Burtless (1990), Gueron (1992) and others conclude that:

- Society can impose work-oriented obligations on welfare recipients at fairly low cost and in ways that recipients feel are fair.
- Programs that involve employment-oriented activities of low to medium intensity and cost (like job search assistance and short-term work experience) can increase employment and earnings and, in some cases, reduce welfare costs.
- More intensive and costly training programs can produce greater impacts on employment and earnings.
- Even the best interventions, though, produce small gains, meaning that they have not generally been able to move individuals, children and families out of poverty and permanently off of welfare.

More specifically, a few patterns emerge:¹

- Positive net impacts on rates of employment range from about 2 to about 10 percentage points. A number of programs, though, have shown no impact on employment, even though they may have other positive impacts, such as increased wages.
- Programs have had more consistent impact on earnings, where net impacts are generally positive and range from about \$250 to \$700 a year for low-intensity services to as much as \$1000 or \$1500 a year for more intensive services, such

¹Formal evaluations of employment, training and work-welfare programs use various methodologies in estimating net impacts. Most experimental design evaluations measure net impacts by comparing the impact for treatment group members to the impact for control group members, regardless of whether an individual actually participated in any activity. Unless otherwise noted, this is the measure of net impact reported in this section.

as the Homemaker-Home Health Aide and Supported Work Experience demonstrations.

- Some substantial portion of increases in earnings reflects an increase in hours of work rather than higher wages.
- Even when programs show positive impacts on employment and earnings, there is little consistency in welfare impacts, either in terms of duration on welfare or grant levels. Earnings and employment impacts have not always produced concomitant welfare savings; in fact, in some cases participants have stayed on welfare longer. When there is a short-term reduction in welfare, it generally does not remain the long-term.

*i.e., no way to train
people to leave W*

EFFECTIVENESS OF SPECIFIC SERVICES

There is much variation in impacts across programs and demonstrations, as evident from the above summary. But in general, as Gueron (1992) summarizes, the programs with the greatest employment and earnings impacts tend to provide more intensive and costly services, or an integrated mix of services. The smallest impacts, even though generally positive and statistically significant, have been for job search assistance and for unpaid work experience. The greatest impacts have been found for intensive programs such as supported work experience or the Teen Parent Demonstration that combine staff counselling and case management with provision of, or access to, education, training and/or work preparation.

The most common types of services are job search assistance, occupational or vocational training (in classes and on-the-job), education (remedial and post-secondary), and subsidized employment (paid and unpaid). There is a great volume of information about the effectiveness of low-intensity services, much less about high intensity services, and even less about the impacts of education for adults.

Direct Employment and Job Search Assistance

The top priority in many programs has been to maximize the number of welfare recipients who enter employment. Before the mid 1970s, programs used a variety of counselling and job development to help clients identify job openings and sometimes contact employers directly about possible jobs. About 10 to 15 percent of program clients became employed. Starting in the mid-1970s, there was a proliferation of group instruction on how to find jobs, some of which increased the job entry rate to 25 percent or higher. In aggregate numbers this seemed like a substantial improvement; but, as discussed below, sophisticated net impact studies found that many of the people who found jobs through these programs probably would have gotten jobs on their own even without assistance.

Since then, various models of job search assistance have been implemented, ranging from low-intensity efforts (e.g., 1-5 days of counselling or group instruction followed by 1-8 weeks of independent job search often found in food stamp job search programs) to more intensive efforts (e.g., 2-4 weeks of class instruction followed by up to eight weeks of assisted job search, as in Job Clubs and in the Employment Opportunities Pilot Projects (EOPP)). The outcomes for these programs generally are similar to those reported above for net impacts in general, mainly because most of the studies before the 1990s were of programs built around job search components--small increases in employment rates (less than 10 percentage points) and modest initial increases in earnings (\$150-\$700 a year), which tend to decay somewhat over time. Most of the MDRC work-welfare demonstrations included job search assistance as a major component. Gueron and Pauly (1991) concluded that job search assistance generally increased employment, but had no significant net effect on wages or hours of employment.

Several Food Stamp demonstrations that emphasized either mandatory independent job search activity or provided job search instruction and assistance for non-AFDC food stamp recipients found greater net increases in employment than the AFDC programs discussed above (up to 40 or 50 percentage points), but smaller increases in earnings (e.g., \$100-200 a year). Analysts and FNS staff feel that one of the positive effects of aggressive job search requirements

is that it purges the caseload of persons who are already engaged in employment, either formally or informally, and persons who have no intention of working.

More recent programs have job search assistance as a central component but also offer other services such as work experience or access to education or training. The SWIM program in San Diego, for example, required job search assistance and then work experience if the individual did not become employed or participate in an approved education or training program. Over half of the clients participated in job search assistance. Early results of the evaluation suggested impacts after two years were similar to those noted above; about \$500 a year net impact on earnings, about a 7 percent lower AFDC rate, and about 9 percentage points higher employment rate. The positive impacts remained for the next two years, but then declined and were not significant by the fifth year. (Friedlander and Hamilton, 1993)

More instructional and assistive job search components, such as the Job Club, have had more positive impacts on earnings. The EOPP demonstration in the late 1970s, which emphasized intensive job search and supportive services found fairly significant earnings impacts for welfare women, nearly \$1500 per year per participant. Like other studies, though, even in EOPP there was no reduction in welfare dependency, and some evidence that welfare entry may have increased slightly as a result of the perceived attractiveness of EOPP. (Burtless, 1989)

It seems, then, that job search assistance components are often sufficient to move large numbers of clients into jobs. Those that are more intensive in terms of pre-employment counselling and provision of labor market information and occupational planning may also contribute to longer employment retention. Those that are less intensive and mainly self-directed increase the rate and speed of employment, but often have little clear and consistent long-term impact. There is no evidence that job search assistance significantly reduces welfare dependency.

Occupational Training

Vocational job skills training is available through a variety of federally-funded programs,

especially JTPA, and vocational education. The two major methods for providing occupational instruction are (1) in a classroom and (2) in publicly-subsidized on-the-job training, mainly in the private sector.

Vocational education programs traditionally provide job skills training to adults and high school students in a classroom setting. According to the Department of Education, persons who participate more intensively in vocational education or complete programs are more likely to be employed and more likely to get a job in their field of training. They therefore earn higher wages. However, low income persons have lower rates of program completion than more advantaged groups. In addition, low income persons are more likely to enrol in propriety schools, which tend to charge higher tuition and offer lower quality shorter-term training than public institutions. Those from proprietary schools are more likely to subsequently experience periods of unemployment. (USDOE, 1989) Thus, vocational education can have positive employment effects, but effects vary depending on a number of programmatic factors.

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Can
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after?

There is somewhat more specific impact data from work-welfare and job training programs, which also fund vocational training that also suggests positive impacts of vocational training, especially for women. For example, the evaluation of the Massachusetts ET Choices program found that occupational training (classroom and OJT) produced strong impacts on all measures analyzed--earnings, employment, welfare duration, and welfare grant levels. In addition, the recent JTPA evaluation found that classroom training, which in that study included both basic education and vocational training, increased earnings for women, even though it had no impact for men. (Bloom, et al, 1993) Barnow (1987) suggests that longer training programs may have greater impacts, citing one study which found that earnings impacts for persons who were in training that lasts 40 weeks were five times as high as earnings impacts for persons in the more typical 10-12 week programs.

Of the various types of occupational training, OJT has generally been found to have the strongest impacts. In his review of CETA, Barnow concluded that participation in OJT had a greater impact than classroom training-- classroom training raised earnings by about \$500 a year

(in 1985 dollars) and OJT, by about \$750. As early as the mid 1970s, an evaluation of WIN found the largest impacts for participants came from OJT--\$1800 a year after one year and about \$1200 after three years (Burtless, 1989). And two early MDRC demonstrations that included an on-the-job component, in Maine and New Jersey, found large earnings impacts.

It is not clear what features of OJT produce the impacts. For example, WIN OJT contracts, unlike CETA or JTPA, included an employer commitment to hire the individual, and this probably increased the rate of employment after the subsidy period which may have contributed to higher earnings impacts, at least in the short run. Another theory is that the actual work experience may be at least as important as any formal training that might be provided. In any case, the positive impacts of OJT appear consistently. The benefits, though, come at a fairly high cost; employers generally receive a subsidy equal to about half of the individual's wages for up to one year.

Thus, of all the education and training approaches tried over the years, the most positive net impacts are found for vocational training, particularly OJT. The earnings impacts, though, are still not high enough to move people off of welfare and out of poverty, nor are they strong enough to reduce welfare expenditures.

Education

The economic returns to education have been extensively analyzed. Persons who complete 12 years of school earn more in their lifetimes than persons without high school diplomas, and persons with college degrees earn more than persons with no education beyond high school. Not surprisingly, there is also a clear correlation between low literacy levels and poverty. According to the National Adult Literacy Survey, adults in the lowest level of literacy are ten times more likely to be in poverty than adults in the highest literacy level. (USDOE, 1989) This further suggests the importance of education in increasing economic security.

Given the low educational levels of many AFDC recipients, education activities have, in

fact, been an important component of programs aimed at improving self-sufficiency. According to the Department of Education, about 43 percent of all students in adult basic education (ABE) and 14 percent of ESL students receive some form of public assistance (or have within past year). Reasons adults give for going to GED and ABE programs are mainly employment-related: to help them keep their current job or to get a better job. Many educationally-deficient adults, then, are clearly motivated and interested in furthering their education and believe it will help them in the labor market.

In addition, over 300,000 persons in AFDC families receive Pell Educational grants for post-secondary education. This represents 10 to 15 percent of all Pell Grant recipients. And another 170,000 AFDC recipients receive higher education loans under the Stafford Loan Program. The Department of Education's "TRIO" programs provide support services to help economically disadvantaged students to enter and succeed in post secondary education. (USDOE, 1991) Thus, a significant number of AFDC recipients participate in federally-funded adult and post-secondary education activities.

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get
college
grants

Traditional adult education programs, though, do not have employment outcomes as a goal. It is not surprising that much of the research to date on welfare recipients' experiences in adult education suggest little effect on employment and earnings. In the work-welfare program evaluations in Washington State and Massachusetts, for instance, participation in basic education and ESL had no net impact on employment or earnings and tended to increase the length of time one remains on welfare. This makes some sense, of course, since persons in education may delay entry into a job. These studies though did not distinguish between persons who enter education versus those who actually complete a program. Impacts are probably higher for persons who complete a program.

There is really very little empirical research on the employment effects of adult education. Analysis using large scale data bases, though, confirm the limited employment impact of GED. Pavetti (1993) found that while AFDC women with higher basic skills are more likely to leave welfare and stay off welfare, acquiring a GED had no independent net effect on these welfare

outcomes. Cameron and Heckman (1991) found similar results for men--obtaining a GED had no effect on basic skills development and no net effect on earnings. Maloney (1992), however, suggests that secondary education--either obtaining a high school diploma or a GED--can significantly increase an AFDC woman's employment and through that reduce welfare receipt. A number of other studies are now underway to examine these issues further, and future reports will help clarify the relationship between adult education, GED and employment.

Case studies and program analyses suggest that a number of operational factors within the decentralized adult education system may limit its potential. Most importantly, the median hours an individual spends in an adult education program is only about 43 hours, and slightly higher for welfare recipients. About 20 percent of those who enroll never start instruction. Employed students, who make up about 40 percent of all students, are even more likely to drop out; ESL students are more likely to complete their programs. Skill levels are so low, especially for those who enter ABE classes (8th grade level and below), that even completing some ABE programs cannot substantially raise skill levels. Adult education is particularly limited because of the minimal funding available, which translates into about \$100 per student.

There is much discussion about the difficulties the adult education system has serving their target population. Several hypotheses have been suggested: Persons who have had difficulty in traditional schools are not likely to do well in adult schools using traditional methods. A sizable proportion of persons in adult education--as many as 80 percent according to some estimates--are learning disabled and thus unresponsive to traditional instructional approaches. Finally, many adults have family and work responsibilities which divert their attention away from education.

The Department of Education is implementing strategies to improve the quality of programs for adults and considering ways to better serve the most disadvantaged populations. These strategies include encouraging courses that integrate basic skills with occupational training, more contextual learning, and more work-relevant courses, and by providing supportive services. The current federal focus on improving the skills of the future workforce are reshaping the role

that education plays in preparing individuals for productive employment. The types of improvements being initiated by the Department of Education may mean that more adults complete and benefit from education programs in the future.

Work Experience

In addition to OJT, which provides subsidies to employers who agree to provide training in the workplace, there are at least three other types of subsidized employment: short term work experience (WE), workfare or community work experience (CWEP), and public service employment (PSE).

Short-term work experience, usually lasting about 13 weeks, was commonly used in the 1970s in WIN, JOBS, and other employment and training programs. It has generally been targeted on women who have no real job experience or no recent job. The purpose is to provide a real-world opportunity to get accustomed to the world of work--regular hours, supervision, attitudes, and routine. Clients receive their regular welfare checks plus an allowance, which under WIN was \$30 a week. This type of WE has been a very small component (e.g., fewer than 10 percent of WIN clients), but is considered important for persons with little or no work history.

JTPA, and CETA before it, funds a form of short-term WE for adults and youth, but individuals generally receive minimum wage compensation. There is little evidence about the impact of WE, but Bassi found that under CETA, adult women had a net increase in earnings in 1977 of between \$500 and \$800 a year. (Barnow, 1987)

The other two types of work experience--PSE and CWEP--have been the most controversial of all E&T activities.

Under CETA PSE, unemployed and disadvantaged adults could be placed in a fully-subsidized job in the public or non-profit sector, receiving regular pay. At its peak in the late 1970s, about 700,000 persons were in CETA PSE jobs. Like the Works Progress Administration

jobs in the 1930s, PSE was intended to counter high unemployment. At the same time there was an expectation that disadvantaged persons would also benefit from the job experience.

CETA PSE was surrounded by controversy mainly because of administrative problems encountered in mounting the very large-scale program. Reports of misuse of funds, favoritism in hiring, and substitution of jobs led to major program changes in 1978 that limited wages, targeted jobs on the most disadvantaged and tightened fiscal accountability. By then, though, the public image of CETA PSE was quite poor. When Congress enacted JTPA to replace CETA in 1982, PSE was prohibited.

Despite some of the early management problems, though, CETA PSE had fairly positive impacts, especially for low-income women. Barnow (1987) summarized a number of non-experimental studies that found (in 1977 dollars) overall positive net impacts on earnings (about \$700 a year), with the strongest impacts for white women (as much as \$1200 a year) and welfare women (as much as \$1700 a year). Impacts for men were not consistent, with some studies finding small negative impacts and others finding modest positive impacts.

PSE, then, aside from the administrative difficulties, is a component that has had some fairly positive impacts for participants. Subsidized jobs continued to be provided extensively in the Summer Youth Employment Program, the Native American JTPA programs, and in several programs for dislocated workers. And the Milwaukee New Hope Project is formally testing among other components, subsidized jobs for adults.

Beginning in the 1980s, CWEP, a very different form of work experience emerged in welfare programs. CWEP was proposed by the Reagan administration as workfare--welfare recipients were to work in public assignments as a condition of receiving their welfare checks. The number of hours was determined by dividing the welfare grant by the minimum wage. Theoretically, the CWEP obligation could continue permanently.

In reality, while most states have a component called CWEP, it is generally quite similar

to the old WIN work experience, lasting about 13 weeks and involving only a small number of clients. While the concept of CWEP has aroused much criticism from advocates, unions and others, there is less vocal opposition to the component as it has actually been implemented in most locales.

Some of the major MDRC work-welfare demonstrations included short-term WE or CWEP, usually in combination with some form of job search assistance. MDRC reports that programs did succeed at mounting CWEP programs, even large-scale ones, and enforcing the work obligations. But they conclude that there is no evidence that short-term WE, either alone or after job search assistance, has any net impact on employment or welfare. (Gueron and Pauly, 1991)

Combinations of Services

The current understanding of those in the field is that the most effective education, training and employment programs include a combination, or integration, of various activities and services. Historically, the Job Corps program for disadvantaged youth has been the model of comprehensive education, training and support services, and that program has been found to have positive impacts.

Comprehensive Services. Other programs with a comprehensive mix of services plus staff case management or counselling have also shown positive impacts: the CET program in San Jose, the Supported Work Experience Demonstration, Project Redirection for pregnant and parenting teens, the Teen Parent Demonstration, the San Diego WIN Demonstration, and the Massachusetts ET Choices Program. Project Chance in Chicago is a prime example of a client-oriented intensive services model where all participants engage in some activities that will move them forward on a path to self-sufficiency. (Herr and Halpern, 1991)

Such programs recognize that (1) many welfare recipients require supportive services if they are to succeed in education or training or in a job, and (2) programs should have a number

of different components (e.g., not just job search assistance or CWEP) to meet the needs of the diverse population.

Work-Based Learning. There is also a trend toward integrating vocational and basic education training in one program, like the CET program in San Jose. (Gordon and Burghardt, 1991) This type of instruction builds on the concepts of work-based learning, which describes education and job training provided within a work context, either on the job (work experience) or in a classroom. The expansion of work-based learning efforts is based on past research originally focused on literacy in the military. Sticht found that training that included job-specific materials produced more positive competency outcomes and performance than did training that used general academic material and traditional curricula. He found that "six weeks of intensive job-reading training translated into a two-year increase in specific job-reading skills." (Adelman, 1991). Presumably, students also had better attendance and higher rates of course completion.

In the civilian sector, workplace literacy projects funded in the last decade by the Department of Labor and the Department of Education emphasize developing work-related skills in a functional context, both for vocational training, worker skill improvement and worker retraining.

The concept of work-based learning is now also expanding as the nation aims at improving the skills of the future workforce. The Clinton administration's proposed School-to-Work Opportunities Act would provide apprenticeship style paid work experience that combines basic education, job training, work experience on the job, mentoring, case management and job development.

Intergenerational Services. There is also increasing attention on the needs of children in welfare families and the interactive effects that education, training and work have on both the mother and her children. (Zaslow) Some policy analysts are calling for more intergenerational services to assure that the needs of children and families are considered simultaneously. (Smith, et al, 1990)

There is very little research on the effect of intergenerational services. Evidence that does exist suggests that intergenerational programs can be effective for children, even if there are no positive impacts reported yet for their parents. Even Start, for example, is a federally-funded program that provides high quality early childhood education to children in low-income families (50 percent are on AFDC), and adult education to their parents. Early research shows positive development and cognitive impacts for the children. There have been no positive impacts for their parents in terms of educational outcomes, but some evidence that they remain in the program longer, presumably because they respond to the positive experiences they feel their children are having. They want their children to remain in the high quality early childhood education program, so they remain in the adult education program to assure their children can continue. (USDOE, undated) Presumably, improvements in adult education programming, as described above, would improve outcomes for Even Start parents.

EFFECTIVENESS FOR SPECIFIC POPULATIONS

Demonstration and program evaluation reports also provide a growing body of information about serving specific population groups among the welfare and disadvantaged population. The literature on the effectiveness of education and training for specific population groups, though, is much more limited than the effectiveness of services or the effectiveness of general intervention programs. The welfare population is not homogeneous, and even from the limited research that does exist, there is fairly clear evidence that national policy must allow for a broad range of services--education, training, employment, counselling and supportive services--and program flexibility to ensure that any unique circumstances or needs of particular groups can be considered.

A few populations are of particular interest, even though we still know little about how to improve their employment prospects.

Non-custodial Parents

Even increased child support enforcement efforts will have little effect on welfare children's income if their fathers have limited earnings capacity. Several demonstrations are now focusing on non-custodial parents (usually fathers) to both increase regular payments of child support and increase their earning potential.

Children First, operating in selected Wisconsin counties, is designed to motivate non-custodial parents who are delinquent in child support payments to find jobs. It has a heavy mandatory work requirement--pay child support, perform community service, or go to jail. One county (Racine) also provides skills development.

Early reports from Children First indicate that there is a high "smoke out" effect. The requirement evidently identifies fathers who have "hidden income" and motivates others to find jobs when they are faced with the threat of jail. (DHSS, 1991)

The Parents Fair Share Demonstration program is also targeted on non-custodial parents. It also has strong child support enforcement along with intensive support and training. The training includes parenting skills as well as job skills. Like Wisconsin's program, Parents' Fair Share has found a large smoke effect. About 35 percent of the fathers referred to Parents' Fair Share actually have to be served; the rest find jobs or already have jobs and start paying child support regularly. (MDRC, undated)

65%
smokeout

Both Racine and Parents' Fair Share suggest that support services may be important for non-custodial parents just as they are for custodial parents. Fathers reportedly enjoy and benefit from regular support groups, parenting classes and counselling if the components are designed to be sensitive to the needs of men. This presumably will translate into positive impacts on their relationships with their children, their parenting skills and regular compliance with their child support obligations.

Other programs that have tried to work with non-custodial fathers have had difficulty recruiting and keeping fathers in the program (Watson, 1992). Children First and Fair Share suggest that a strong threat is one way to gain the cooperation of fathers. If a high proportion of non-custodial fathers of AFDC children can be "smoked out" by strong enforcement, then limited resources can be devoted to more intensive training and services to improve the earning potential of the rest.

Persons With Disabilities

Education and training programs have gradually recognized that many persons with disabilities can work. As evident from the long history of vocational rehabilitation programs, persons with disabilities, particularly medical or physical disabilities, generally need special services during their rehabilitation. Some may also need reasonable accommodations on the job, and are entitled to such accommodations according to federal law. The Department of Education estimates that about half of the persons with disabilities have learning disabilities possibly as well as medical disabilities.

The AFDC population probably has few persons with medical or physical disabilities, but the caseload may include many persons with learning disabilities. HHS estimates that nearly 20 percent of AFDC women may have a self-reported physical disability of some type, but only six percent have a "severe" disability, as measured by their ability to perform certain daily living activities. The vast majority of these physical disabilities involve back problems, which may temporarily impede some training or employment. Although there is little information on the severity of such disabilities, as many as 40 percent of AFDC adults may be learning disabled. (Nightingale, et al, 1991)

There is much research about what employment-related services are needed for persons with a range of medical and physical disabilities, but considerably less about what is needed for adults with learning disabilities. Counselors in vocational rehabilitation and developmental disabilities programs, though, offer several suggestions. First, once the disability is correctly

diagnosed, case management is critical to assure a proper course of rehabilitation. When a person begins a job, follow-up services can help make a successful adjustment. Some period of supported employment with job coaches helps many people with disabilities.

Other vocational training programs are just beginning to address the needs of persons with learning disabilities. Programs like CET in San Jose and in many community colleges now emphasize contextual instruction, integrate vocational and basic skills instruction, and use multi-sensory instructional approaches to reinforce diverse learning styles (e.g., video and hands-on instruction as well as paper and pencil work).

If the proportion of persons on AFDC with physical and learning disabilities is as high as current estimates suggest, their special circumstances must be considered if work-welfare programs are to succeed in making large numbers of persons permanently self-sufficient. To date, however, there is very little understanding about what specific services persons with learning disabilities may need.

Housing Assistance Recipients

Welfare recipients who are also receiving housing assistance may face additional barriers and disincentives to work. Rents are pegged at 30 percent of countable income, posing an (at least symbolic) disincentive to increase work effort. Persons living in large public housing projects may have multiple barriers, including geographic and social isolation, crime, and lack of support services.

In the past decade especially, more attention has been paid to this population. One approach that program operators feel may be promising is to have the training and work program operate on-site. Family Support Centers, with HUD, JTPA and HHS funds, are operating in many housing projects and provide a range of support services that should help people participate in employment-oriented activities. Project Chance in the Cabrini-Green housing project in Chicago combines intensive client-oriented assistance with individual initiative and empowerment.

A series of HUD initiatives from Family Self-Sufficiency to Operation Bootstrap and Economic Empowerment Demonstrations link housing assistance to participation in programs that can include education, training and work experience--the Self-sufficiency and Bootstrap projects were targeted on both public housing residents and recipients of Section 8 rent subsidies, and the Economic Empowerment Demonstration was limited to public housing residents.

Unlike general work-welfare and employment and training programs, there are still no rigorous evaluation findings on programs for housing assistant recipients.

PROGRAM PARTICIPATION

While several demonstrations have shown promising results at actually placing recipients into work or education/training activities, most programs have not engaged substantial portions of the welfare caseload. The Work Incentive Program (WIN) (1968-1989) was targeted on about one-third of all recipients, those designated to mandatorily register with the program, mainly women with no children under six years of age. WIN actively served about 25 percent of its registrants or about 10 percent of all AFDC adults. Most of the MDRC work-welfare demonstrations of the 1980s also served between 5 and 15 percent of all AFDC adults.

It is important to note, however, that there was no federal policy emphasis on achieving high rates of participation before the mid to late 1980s.² There are now several examples of

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The Family Support Act (FSA) of 1988 changed work-welfare participation policies in two ways. First, before FSA, about one-third of AFDC adults, mainly those without children under six years old, were mandatorily required to register and cooperate with WIN. FSA increased the mandatory pool by (1) including all persons without high school diplomas or a GED regardless of the age of their children and (2) allowing states to lower the "age of youngest child" provision. Second, there was no federal policy emphasis on achieving high rates of participation before the Family Support Act (FSA) of 1988; now state JOBS programs are

programs that serve substantially higher proportions of the AFDC caseload than generally were served in the 1970s. The San Diego SWIM program, for example, engaged 64 percent of the mandatory population (i.e., those with no children under six), or a little over 20 percent of the total AFDC caseload.

In general, though, the participation by AFDC adult women overall has been quite low because most of the programs and demonstrations served primarily, or only, those persons mandatorily required to register with the work program (i.e., excluded about two-thirds of the caseload which consists of cases headed by women with young children). This means that even programs for the mandatory population that served a high percentage of the target group, say 50 or 60 percent (like SWIM), reached only about 15 or 20 percent of all AFDC mothers.

Some programs do better with men--West Virginia, for example, registered 100 percent of the males in AFDC-UP cases in their WIN demonstration program that included a workfare obligation.

There has been somewhat more success with new teen mothers on AFDC, as evidenced from the Teen Parent Demonstration Program. Ninety percent of the teen mothers required to participate in the program did enrol. Sixty-five percent went through assessment, 60 percent participated in at least one major activity (school, training, or employment) and 27 percent became employed within two years.

There is recent evidence, then, that mandatory work-welfare programs can serve significant portions of the mandatory population. SWIM, the Teen Parent Demo, and other programs like Kenosha, Wisconsin's have shown that it can be done. One important aspect of mandatory programs is that the requirement undoubtedly reaches individuals who might not otherwise, on their own, enter the program or, as with the non-custodial parent demonstrations,

required to serve specific proportions of their mandatory clients.

behave in desired ways.

But voluntary programs can also attract large numbers of participants. It seems that marketing and information are key if voluntary programs are to engage high proportions of the population. While the EOPP program in the 1970s and the more recent Washington State FIP program did not substantially increase participation in employment, training or education, there is some evidence that many clients did not know about or fully understand the availability of program services. In the well-publicized voluntary Massachusetts ET Choices program, though, with a heavy emphasis on information and aggressive marketing, higher percentages participated--about 70 percent of all AFDC adults in 1987 (not just the mandatory pool) had enrolled in ET and about 50 percent of all AFDC adults participated in at least one major activity.

There is ongoing discussion about whether the financial incentives in AFDC can be changed to encourage more participation in education, training or employment. Several states currently are making various changes to the benefit reduction rates in AFDC and are testing the effects of cash incentives and penalties. According to labor economic theory, one would expect that by providing individuals with incentives for certain behaviors should have the desired effect. But the evidence is not that clear. In New York State, the Child Assurance Program which had employment incentives was expected to also have some impact on participation in education and training, as individuals desired to become more employable. Evaluators, however, found that CAP had no effect on participation in education or training--about one third of CAP participants and controls participated in some education or training in a year. Similarly, in Washington State's Family Independence Program (FIP), which had incentives for either employment or education/training, there was a slight initial increase in education, but no substantial difference over time. (Long, et al, 1993).

In part, clients may not respond to incentives because they do not understand them. Evaluators suggest that this may have been one of the problems in FIP. In Ohio's LEAP program which pays cash bonuses to teenagers who attend education and penalizes those who do not, many clients may not have really understood the "carrots and sticks." Staff feel that the

positive effect LEAP had on increasing school attendance may have reflected other aspects of the program and not the incentives and bonuses.

ORGANIZATION AND IMPLEMENTATION

As Gueron (1992) explains, the major evaluations of the past twenty years clearly show that well-executed employment, training and education programs can have positive impacts on individuals and can be cost-effective. The important point, though, is that they must be well-executed. Not all demonstrations and programs evaluated have been found to have positive impacts, and the impacts on programs that appear similar vary across sites and over time. The local economy and labor market play some role, but successful implementation and management may be a major key to success.

In a study of high- and low-performing WIN programs in the late 1970s, between 30 and 50 percent of the variation in performance could be explained by labor market and demographic conditions; most of the rest of the variation was due to program operations and management distinctions.³ (Mitchell, et al, 1979) High-performing programs were more likely to:

- have a broad range of employment, training and supportive services available;
- have clear management and staff consensus on program goals and purposes;
- emphasize a balance between obtaining a high quantity of job placements and seeking high quality jobs;
- have program managers who understood the priority for the program within their

³A weighted index of performance was created using the WIN program's standard criteria: job entries per staff, starting wage rate, job retention rate, and welfare grant reduction. Statistical analysis controlled for state and local socio-economic conditions to estimate expected performance given those conditions. High-performers were programs where performance was at least one standard deviation above expected, low-performers were those one standard deviation below expected.

host agency and adapted accordingly (e.g., buffer and protect integrity of the program in hostile agencies, leverage organizational resources in friendly agencies); and

- be client-oriented, both in staffing and services delivery.

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Experiences in many recent programs are echoing some of these findings. Some of the success of SWIM, Riverside GAIN, Kenosha County, Massachusetts ET Choices, New York CAP, and the Teen Parent Demonstrations, for example, has been attributed to organizational culture, management, clear objectives, goal consistency, and management priority.

The importance of management and implementation may help explain why programs that seem similar have different impacts in different sites, but it may also explain why different types of programs have similar impacts. Transferring the technical management expertise across programs can help improve programs even if the specific service models are different. Technology transfer may be one means by which the federal government can improve program management.

CONCLUSIONS

The clear conclusion of work-welfare and education and training studies to date is that programs can increase earnings some, and maybe increase the rate of employment initially, but they have less effect on welfare receipt, and no real effect on poverty. Furthermore, some of the earnings and employment impacts are short-term, dissipating over time.

A number of factors contribute to the limited impact of employment and training programs, including labor market conditions, resource constraints, implementation problems, and barriers that make interprogram coordination difficult. (Ellwood, 1989)

Much of the program impact evidence comes from demonstrations and evaluations of programs that primarily focused on direct employment services, particularly job search assistance.

Many analysts and program operators feel that more intensive interventions, particularly those that include supportive services, more staff-client interaction and a combination of training, education, supportive services and work may show somewhat stronger positive impacts. The empirical research, however, on more comprehensive programs and on programs that emphasize education is limited.

There is still room for optimism. The management, operational and research experience suggests many ways that services and programs could be improved. For example, it could be that components like OJT and public service employment which have fairly positive net impacts could be even more effective if targeted on less-skilled persons and combined with case management, post-employment followup, and other work supports. The Departments of Health and Human Services, Education, Labor and Housing and Urban Development are making progress in developing comprehensive interventions that should help improve education and training outcomes.

But we have no evidence yet that education, training and employment programs are very successful at actually moving poor adults out of poverty. There are undoubtedly a number of reasons for this, including less than optimal program operations as well as limited wage opportunities in the labor market. Regardless of the reason, it seems clear that employment, education and training alone is not enough. It is critically important to view these interventions in combination with other strategies to "make work pay" and raise income levels. Education and training cannot alone be the engine that moves substantial numbers of people off welfare and out of poverty.

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BASIC PRINCIPLES AND FEATURES
OF A TRANSITIONAL SUPPORT SYSTEM

Background

By definition, under a transitional support system, welfare is not a way of life for families or for generations of families. Instead welfare becomes a system of temporary financial support for families which cannot currently support themselves. It provides cash assistance for a limited period of time and provides a variety of services families need in order to better support themselves. There is a system of mutual responsibilities between recipients and the welfare agencies. Recipients are expected to cooperate in helping secure support from absent parents (if any), to support themselves if possible, and to improve their capability for self-support through participation in appropriate activities. The welfare agency, in turn, has the responsibility for ensuring that recipients understand their responsibilities and for providing recipients with services such as child care they need in order to meet their responsibilities.

It is not easy to establish policies and rules which will automatically turn welfare into a transitional support system. It is not easy to develop a set of rules and programs that will fairly apply to a diverse set of States, localities, and individuals. For example, while some recipients are capable of self-support with little or no assistance, some recipients have health problems or have family members with health problems which make self-support unrealistic in the short run.

In order to be fair and effective, a transitional support system must recognize that the circumstances of families coming into the welfare system varies widely. Even under the current system, many welfare recipients get jobs and go off welfare in a fairly short period of time (i.e., less than one or two years). However, many of these cannot sustain their jobs, and they come back on welfare over time. Some welfare recipients face multiple obstacles to becoming self-sufficient (such as illness or disability in the home, non-supportive institutions and living environments, low skill levels, lack of employment histories, child care problems, limited job opportunities, substance abuse, lack of spousal support, and discrimination). Most recipients want to work, but they may have trouble overcoming the obstacles they face.

Transforming AFDC into a transitional support system will require changes both inside and outside the AFDC system. Changes outside the AFDC system will be focused on the following two principles:

1. Making Work Pay. The capacity of AFDC recipients to support themselves will be substantially enhanced by changes the Administration has made and is proposing which will help make work pay. These changes include better income supplements through the tax system and universal health coverage.
2. Ensuring Support From Both Parents. AFDC families will also be helped substantially by changes being proposed to make the child support payment system more effective.

Based on our research and experience, we do not believe these changes will be sufficient to get all recipients into the labor force and self-supporting within two years. Therefore, changes must also be made within the welfare system to help make it more of a transitional support system. The two principles guiding changes to the welfare system are:

1. Providing Educational and Training Support. Under the Family Support Act of 1988, the Federal government made substantial new sums of money available to pay for education, training, employment and support services which would help AFDC recipients become more self-sufficient. However, because of funding shortfalls, rising AFDC caseloads, and other demands on State and local budgets, the Family Support Act has had difficulty living up to its promise. As the President said in February, we need to provide recipients with more opportunities for job training, child care they need to go to work, and opportunities they need to go to work. At the same time, we expect welfare recipients who can go to work and support themselves to do so.
2. Making Welfare a Program of Temporary Support. One of the major frustrations the American public has about the welfare system is that it is seen by many as providing a "free ride." Instead, the public wants a system that demands responsibility from families in exchange for financial support. In response, the welfare reform package includes changes that will require most families to work after two years on assistance.

Starting with the four major principles of welfare reform, and our understanding of how the current system functions, the Transitional Support Group generally agrees that converting welfare into a transitional system will require

TRANSITIONAL SUPPORT DRAFT PAPER, FOR DISCUSSION ONLY, 10/1/93

changes of the following types:

- a) significant expansions in participation to cover a much larger share of the caseload and a more diverse group of individuals;
- b) a broader view of acceptable participation, with more attention paid to strengthening the family and community involvement;
- c) more attention to program effectiveness, with greater attention paid to whether education and training activities result in employment and earnings gains;
- d) closer relationships between the welfare agency, other governmental, and community-based organizations which provide related services (including better coordination of services and service plans, better referral systems, and greater willingness to undertake team efforts which support individuals and families);
- e) greater support for those going to work, including subsequent access to education and training services for those leaving welfare to accept jobs; and
- f) more emphasis on the notion of a social contract, with clearer policies and messages about the importance of self-support. At least some recipients may be expected to participate more fully in community life and to assume more responsibility for their family's well-being. In return for greater efforts by recipients, government will better provide better financial and personal support. The Federal government will provide better funding support to help States and localities pay for needed services.

In light of the number of unknowns and variables we are dealing with, it does not make sense to prescribe a national transitional support system at this time. In certain areas, we need more information, and we should support strong evaluation projects to provide us that information. We should also continue to provide States with broad latitude in developing their service strategies, with the expectation that continued State experimentation will supply information which will lead over time to the design of increasingly more effective strategies.

Because it is infeasible to convert all applicants and recipients to a time-limited system at the same time, we are proposing a phase-in strategy which begins with a subset of the eligible population. Research on welfare dynamics and program impacts suggests that the best strategy would be to target on new

applicants.

Healthy individuals who come into the welfare system and accrue two total years (i.e., 24 months worth) of welfare will be expected to work at that time, if not before. Families who reach their limits, but face subsequent setbacks and cannot work, might qualify for Emergency Assistance as well as other types of assistance.

Longer time limits may be provided for the most at-risk families, but they will still be subject to expectations about work and other forms of participation associated with removing impediments to self-sufficiency.

Consistent with this Administration's commitment to re-inventing government, our long-term strategy will be to change program funding from an open-ended matching and entitlement basis to a performance-based system which rewards States based on their effectiveness in converting to a transitional support system--one that decreases dependency on cash assistance and guaranteed jobs and that increases labor force participation. We propose this as a long-term rather than short-term strategy because we do not feel there is sufficient agreement about the goals of such a program or sufficient information available on which to estimate what would be reasonable performance expectations.

PROVIDING EDUCATIONAL, TRAINING, AND OTHER SUPPORTS

Overview. The third major principle of the welfare reform agenda is to provide welfare recipients the education, training, and other services they need to get a job and to support themselves. Without such support, time limits on cash assistance are untenable.

While there is widespread agreement that additional education, training, employment and support services are needed, there is considerable disagreement as to how much investment is required. The debate is both philosophical and empirical. It reflects differences in opinion about what the goal of these services should be and about how to achieve different goals. On one side of the debate are individuals who feel the program should be streamlined and strongly oriented towards job placement; on the other are individuals who believe such programs should invest heavily in human capital development. Some believe the same general approach can be successfully applied to a very broad range of recipients; others believe that the approach should be highly individualized. The dimensions of the debate are numerous.

The purpose of this paper is to present some of the major policy issues which should be addressed in developing a service strategy for a transitional program. The first section reviews some of the major philosophical questions. The second section identifies some of the more specific concerns that have been raised about the JOBS program and discusses some policy options to address those concerns. Appendix A presents a possible new set of exemption rules, consistent with a full participation objective. Appendix B presents three prototypical models of welfare-to-work programs.

There are several companion papers which address issues directly relevant to this discussion:

- 1) an overview of the basic principles for a transitional support system;
- 2) a review of what we have learned about education, training, and employment services;
- 3) papers on special subgroups of the AFDC population: teen parents, people with disabilities, and AFDC-UP cases;
- 4) a paper on early intervention strategies;

- 5) possible rules for a time-limited program; and
- 6) creating a transitional support system in the spirit of reinventing government.

SECTION I--MAJOR ISSUES IN STRUCTURING A SERVICE STRATEGY

We start with the premise that no guarantee of educational and training services (or continued welfare benefits) should exist for families who are currently able to support themselves.

Issue 1: Should participation be mandatory or voluntary?

OPTIONS:

- A. Participation is voluntary, and no sanctions are applied when individuals fail to participate.
- B. Participation is mandatory, and sanctions are applied when individuals refuse to participate.

RECOMMENDATION: OPTION B; mandatory.

Discussion.

- 1) In a program with serious time limits, there is some question whether participation should be mandated. Facing a time limit could provide adequate motivation for recipients to participate and seek work. Also, the service system may have difficulty handling a truly mandatory program.
- 2) There is very good evidence that sanctions can be an effective tool for managers to use in achieving participation and improving program impacts. Also, the risks to both the recipient and the agency are too great if individuals do not take advantage of appropriate opportunities.
- 3) A laissez-faire approach towards work obligations seems politically vulnerable. If the public feels that jobs are available, or that participation in education, training or other activities would be efficacious, it would probably not find a voluntary program acceptable.
- 3) A laissez-faire approach could be biased towards welfare recipients who are most "on-the-ball." It could result in resources being spent predominantly on these more motivated recipients, while highly disadvantaged recipients are

neglected for two years and then face a work situation for which they are totally unprepared.

- 4) Given our understanding of caseload dynamics and the experience of welfare-to-work programs, we are concerned that a voluntary program might result in more people on the rolls who will require jobs after two years.

A mandatory program would probably be more effective in terms of bringing people in the door who might otherwise not come.

- 5) A purely voluntary approach would establish AFDC as an "entitlement" program in which governments could not demand that recipients undertake responsibility for their self-support. It could have significant "entry effects," especially if generous services are available to those who enter the system.
- 6) The risks of a voluntary program could be reduced by incorporating one or more of the following policies:
- a) ensure that strong orientations and on-going counseling of applicants and recipients encourage participation and/or early entry into the labor force;
 - b) provide incentives for participation and/or entry into work. These refinements could include one or more of the following items:
 - (i) credits to extend the time limit;
 - (ii) vouchers for future education and training services;
 - (iii) stipends or other financial rewards;
 - (iv) eligibility to participate in an alternative, more prestigious assistance system (e.g., NY CAP or a Work Support Agency);
 - (v) more generous transitional child care benefits; and
 - (vi) more generous income or asset rules.
 - c) reserve or prioritize the "better" post-transitional job opportunities for those who earn them through participation or work; or
 - yes d) be very clear and very strict about enforcing the time-

limit.

Issue 2: Who should be exempt from participation requirements?

OPTIONS:

- A. Include all existing exemptions; among others, these cover some teen parents and other youth, adults with substance abuse problems and generally those with children under the age of three;
- B. Modify the existing exemptions to take care of some of the worst problems (e.g., the provisions which make it difficult to work with young teen parents or to continue service when individuals get pregnant);
- C. Minimize the number of Federal exemptions (with the understanding that the nature of participation requirements may be quite different for some newly mandatory categories of individuals).

RECOMMENDATION; OPTION C; minimize Federal exemptions.

Discussion.

- 1) The current system exempts the following categories of individuals from participation and work requirements: 1) those who are ill, incapacitated or of an advanced age (i.e., over age 60); 2) those needed at home because of the illness or incapacity of another family member; 3) parents or relatives personally caring for a child under age 3 (or at State option, under a specified age between 1 and 3); 4) parents or other relatives caring for a child under age 6 if the State cannot assure child care is available and participation amounts to fewer than 20 hours a week; 5) someone working 30 or more hours a week; 6) children under 16 or attending school elementary, secondary, or vocational school full-time; 7) women in the second or third month of pregnancy; and 8) those in areas not covered by the program.

Teen parents who have not graduated from school do not get an exemption for having a young child, and States are not required to provide an exemption for care of a young child in AFDC-UP cases.

- 2) State agencies and others have expressed concern that some of the exemption provisions thwart their efforts to serve the most disadvantaged groups of recipients.

There are several technical problems with the provisions affecting teens and teen parents that affect the States' ability to serve young people at risk of long-term dependency. They cannot: a) prohibit teens who are in school from dropping out; b) require participation by teen parents under age 16;; and c) require further participation by teen parents who are in the program, but become pregnant, finish school, or reach age 20 (if they have young children).

Also, the exemption criteria (together with the participation rules) limit the interest of State agencies in getting individuals with treatable conditions (such as certain disabilities and substance abuse) into those systems which will help them enter the mainstream of society. Examples of appropriate participation might be substance abuse treatment for substance abusers, referral to a vocational rehabilitation and compliance with a rehabilitation plan for the disabled, and volunteering for Head Start or participation in parenting classes for young mothers struggling with young children.

- 3) There is some concern that the exemption criteria may work to label people as "unemployable"; reduce their access to services; reduce their self-esteem, as well as their own and others expectations about their potential to enter the world of work; discourage any inclination agencies might have to accommodate their needs; and help institutionalize their dependency.
- 4) Eliminating exemptions does not automatically result in assignments to activities or change the level of services provided to different groups. However, it does send a new message about expectations. Once exemptions are changed, further decisions need to be made about what services are available and what subgroups of the caseload are targeted for service intervention.
- 5) Under the JOBS program, it is estimated that about 50 percent of adult AFDC recipients are currently exempt. If no change is made in the criteria, it would be hard to argue that we were going to change welfare as we know it.
- 6) Minimal exemptions help to maximize participation and reduce the number of recipients who can avoid work. At the same time, a minimal exemption policy should not create hardship for families with special needs when the system cannot accommodate them.
- 7) It has been suggested that the concept of exemptions might

be becoming obsolete in that it implies we would have no expectations of individuals. It may be that we should come up with new terminology to deal with the new expectations. | Y/S

Issue 3: How specific should Federal exemption policy be?

OPTIONS:

- A. Federal rules should establish a minimal set of exemptions and give States options in some additional areas.
- B. Federal rules should specify the exemption categories.
- C. There should be no federally established exemptions; States should be allowed to require participation by any individual, given appropriate support systems.

RECOMMENDATION: OPTION A, minimal Federal exemptions with State flexibility in additional areas.

Appendix A contains one possible set of rules consistent with this recommendation.

Discussion.

- 1) The existing set of exemptions was designed to identify individuals who could not be expected to participate in work-related activities or take a job. The exemptions may be appropriate for that purpose, but they tend to reflect a rather narrow, short-term view of people's employment potential; they work against our goal of making the welfare system a second chance rather than a way of life; and they are exclusionary, rather than inclusive.
- 2) The existing exemption system could discourage State efforts to work on improving other aspects of family life, such as ensuring that children receive their immunizations and other preventive health care. Changing the exemptions could help facilitate a move in the system to more of a two-generational approach.
- 3) The minimal exemption approach implicitly assumes that States will be reasonable in setting participation expectations for families at risk. Under the existing system, with more Federal exemptions, the Federal government assumes more responsibility for protecting needy families from inappropriate and detrimental State actions.

In suggesting a new approach, we would assume that State

welfare agencies will consult with other parties (both public and private) delivering health and social services and listen to their professional judgment in deciding what appropriate participation would be.

- 4) Under the JOBS program, States have an incentive to exempt individuals because exemptions reduce the total number of people they must have participating in the JOBS program. In looking at changes in the exemption rules, it is important to consider whether other program provisions inadvertently encourage States to be either liberal or conservative in their exemption policies and practices.
- 5) Under a minimal Federal exemption policy, targeting and deferral policies become much more significant (especially if resources are constrained). The existing JOBS program sets some general targeting expectations, but enables States to make many of its own participation, referral, and deferral decisions; as a matter of resource allocation, it is common for States to focus on participation by those with the fewest service needs. Since service resources will continue to be an issue, participation patterns might be very similar to those currently in effect even if the exemption rules are dramatically different.
- 6) A full participation model, where "everybody does something," would greatly expand the number of individuals expected to be served and could have very serious cost implications. We might anticipate significant cost increases related to case management and tracking even though the hope is that such a system could keep costs low by linking into existing systems and services. In theory, this model would: 1) do a much better job of linking to other service delivery systems and obtaining access to those services (e.g., community-based services, substance abuse treatment programs, and child protective services); 2) recognize participation in other programs and systems (e.g., Head Start family literacy or HIPPIY programs) as acceptable and appropriate; 3) be more creative in terms of identifying and developing activities and services which are more appropriate for welfare recipients and responsive to their particular circumstances (e.g., community-based activities and activities during school hours).

Issue 4: If resource constraints make full participation impossible, should Federal policies dictate who gets priority for services?

OPTIONS:

- A. Require States to give priority to teen parents and those facing the time limit, but otherwise give them discretion.
- B. Require States to give priority to teen parents and those facing the time limit and continue other requirements for targeting to potential longterm recipients.
- C. Require States to give priority to teen parents and those facing the time limits and require that States provide equitable access to other groups of individuals.

RECOMMENDATION: TARGET TEEN PARENTS AND THOSE FACING THE LIMIT, BUT UNABLE TO MAKE A RECOMMENDATION BEYOND THAT

OK

Discussion.

- 1) The existing JOBS rules require, as a condition of enhanced Federal match, that States spend at least 55 percent of their JOBS funds on longterm and potential longterm recipients (which are further defined). It is difficult to argue against this provision in principle. It was put in place in response to two major concerns: 1) employment and training programs had little impact because they often spent their resources on those individuals who could get off welfare on their own; and 2) research in the 1980's on welfare dynamics had shown that longterm welfare dependency was a very important factor in the overall problem of welfare dependency.

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However, the implementation of the provision has been problematic. In particular, States that are successful in accessing education and other community services for their longterm recipients face a much more difficult time qualifying for enhanced funds. Also, it can be difficult to identify how much JOBS money is spent on a specific individual when the JOBS program works out a mutual service agreement with another agency which shares costs on a program versus individual basis.

- 2) Research on welfare dynamics, the Ohio LEAP program, and the Teen Parent Demonstrations all suggest that targeting towards teens is appropriate.
- 3) While it is difficult to argue with the notion of equitable access, Federal and State governments also have an interest in targeting of resources on those cases where they expect the biggest return.

- 4) Welfare-to-work research can provide insight into what targeting strategies might provide the biggest return, but the results are not definitive. Earlier programs had a smaller target population (i.e., they did not include women with children under 6) and tended to have a narrower service strategy. If different service strategies are in place, a different targeting strategy might be appropriate.
- 5) In the public hearings JOBS, child support, and AFDC programs received some criticism for their failure to meet the needs of their diverse service populations. Perhaps the most common complaint was lack of access to appropriate services and to a diverse staff who could effectively communicate with a culturally diverse population. However, other types of access problems related to geographic location, transportation, language (in terms of written materials), and literacy exist. If a Federal policy of reasonable and equitable access and/or Federal complaint process were established, these problems might be alleviated.
- 6) If the entire caseload faces the time limit, the above options are not helpful. These options assume a phase-in of the time limits.

Issue 5: To what extent should the Federal government direct or encourage particular assessment strategies for deciding which activities are appropriate for individuals?

OPTIONS:

- A. Encourage States to follow a particular specified approach.
- B. Continue to let States try alternative approaches.
- C. Continue to let States try alternative approaches, but sponsor a few experiments.

RECOMMENDATION: OPTION C; provide State flexibility, but try to gather additional information on what is effective.

OK,
I think

Discussion.

- 1) There are two prototypical approaches to this issue. One invests little agency staff work upfront in assessing an individual's employability, but relies on one's ability to get employment through a job search program; in other words, it relies on a labor-market, real-life test. The other

prototype is to conduct intensive, upfront assessments to identify barriers to employment and to set up individualized service strategies to address those barriers. From a philosophical view, it can be argued that either approach makes sense in a time-limited, full-participation context.

To some extent, the labor force attachment and general education and training models in Appendix B reflect these prototypical approaches. The human development model discussed in Appendix B provides an alternative approach that relies upon participant's real-life experience in different activities to help assess employability and determine appropriate services strategies.

- 2) The research findings from applicant job search programs suggest that a labor market sift should continue to be an option to States. While results are not consistent for all populations and programs, in many cases, such a strategy appears to be cost-effective.
- 3) While the second strategy has appeal, especially in the context of a time-limited, full-participation program, experience with upfront assessments has not been entirely satisfactory. For example, they have often been used to screen out individuals who can benefit from program participation while focusing resources on those best able to achieve employment without extra assistance.
- 4) The current JOBS program does not invest significant resources in assessing for the presence of disabilities. Also, the context is entirely different. Assessment is primarily done for the purpose of exemption determinations rather than for developing an appropriate service strategy.
- 5) While a minimal exemption policy would reduce the negative connotation of existing disability determinations, there may still be some risk that the process may negatively focus on deficiencies rather than strengths. Also, it may not sufficiently recognize that some less serious disabilities might be alleviated by work; i.e., such work can produce secondary benefits (such as greater self-esteem, reduced social isolation, and reduced substance abuse, depression and anger) that improve one's employability.

Issue 6: Should the Federal government encourage changes in the mix of services provided through the JOBS program?

OPTIONS:

- A. Encourage more spending on case management,

orientation, coaching, counseling, peer support, mentoring and other activities to help motivate and support recipients to "play by the rules"

- B. Encourage more spending on employment-directed education and training
- C. Encourage more job placement activities and assistance in finding and keeping jobs
- D. Encourage more supportive services expenditures, including substance abuse treatment, rehabilitation services, transportation, medical screening and services (e.g., eyeglasses and dental work)
- E. Maintain current flexibility

RECOMMENDATION: OPTION E, but in the context of more support for a range of activities.

Discussion.

- 1) There are numerous areas where JOBS programs could be strengthened.

Putting more emphasis on the activities specified in Option A would help address concerns about the organizational culture, the need for agencies to produce strong and consistent messages, and Project Match's experience with the problems recipients had keeping jobs.

Putting more emphasis on Option B activities would address the concerns about the effectiveness and return we are getting from current education and training expenditures.

Putting more emphasis on Option C activities would address concerns about whether the program is sufficiently employment-focused and supportive.

Putting more emphasis on Option D activities would address concerns about the program's responsiveness to individual employment barriers and to the most at-risk.

From a Federal perspective, it is hard to know which of these areas, if any, should be singled out for special attention. Thus, continued flexibility is probably appropriate.

Contrary to many people's understanding, the JOBS rules give States great discretion about paying for necessary supportive services (including eyeglasses, etc.). Most State JOBS plans cover a broad range of services and are written broadly enough to give flexibility to meet individual needs.

- 2) Based on Federal rules, JOBS plans generally lay out limits for the amount that can be spent on individual items. However, the rules could be set up to give some flexibility (e.g., allowing a higher amount based on second-level review).
- 3) It is possible to target some of these areas for special attention without requiring a specific funding commitment.
- 4) The existing system discourages support services funding in that it provides a lower matching rate for such expenditures than for certain other activities. A flat matching rate (and different participation expectations) might make the system more responsive to support services needs. /?
- 5) The appropriate policy decision in this area will depend upon the nature of the transitional support system we design (in terms of its mandatoriness, exemption policies, etc.).

Issue 7: Should the Federal government encourage a full-participation, "everything counts" policy?

OPTIONS:

- A. Encourage as a general policy.
- B. Encourage, under the aegis of a demonstration.
- C. Do not encourage.

RECOMMENDATION: OPTION B; encourage demos so that we can learn more about the implications of such an approach. In the meantime, allow States to pursue such an approach to the extent their resources permit.

Discussion:

- 1) The full participation, "everything counts" approach is designed to respond in a more holistic way to the fragmentation in the social service delivery system. It gets the welfare system involved in broader family issues (besides employability), provides a framework for greater

cooperation among social service agencies, facilitates greater consistency in the expectations imposed on families, and responds more directly to the special needs of the most at-risk families, i.e., those who cannot perform adequately at regular jobs or succeed in traditional education and training activities. Such at-risk families would face an escalating set of expectations (e.g., similar to the graduated stress concept used in supported work programs). "Lower-rung" assignments, for those unable to meet work expectations, could include things like parenting classes, getting children to school and vaccinated, and voluntary activities, in Head start and other community programs.

- 2) The major concern about such a system is how to maintain an adequate focus on family self-support. Will too many resources be devoted to issues which might seem peripheral? Will families who are not at high risk be diverted from employability goals?
- 3) Another question is whether the local welfare agencies will be able to set up the working relationships and mechanisms with other local agencies necessary to make this viable. The implications for case management and automated data processing systems could be enormous.
- 4) Federal funding will go further if activities not paid for through JOBS are accepted as participation.

Issue 8: Should the Federal government promote education and training activities which are more directly oriented towards employment (e.g., through greater use of performance-based contracting, work-based and contextual learning programs, and programs which integrate education and training services?

True -
but no good
if just means
enrolling in
another
program

OPTIONS:

- A. No; continue to provide State flexibility in this area.
- B. Yes; provide a set-aside for this purpose. (Additional questions follow whether the set-aside would be new money or part of the existing JOBS allocation, and whether the set-aside would be allocated on a discretionary or formula basis.)
- C. Yes; provide higher match for such activities.
- D. Yes,; promote through discretionary funding of new models and technical assistance activities.
- E. Yes, but do not target monies specifically for that

purpose.

RECOMMENDATION: PROMOTE SUCH ACTIVITIES. (NO RECOMMENDATION ON APPROPRIATE STRATEGY FOR DOING SO, BUT SUGGEST CAUTION WITH RESPECT TO PERFORMANCE-BASED CONTRACTS.)

Yes

Discussion.

- 1) There is substantial evidence that independent programs designed to improve basic skills, but not directed at employability or specific occupations (e.g., GED and adult basic education) have little, if any, impact on improving the employment outcomes for welfare recipients.
- 2) On the other hand, some model programs (such as CET in San Jose) which integrate basic and vocational skills have produced very promising results.
- 3) A model which integrates basic and vocational skills also provides a promising strategy for dealing with recent immigrant populations with both low English proficiency and low educational and literacy levels. For these individuals, it might take years to achieve basic skills at the level needed to qualify for more advanced education and training services. However, an integrated program might provide enough work-related basic skills to move them into the labor market within the standard timeframes. The refugee program has some experience with such models.
- 4) The use of performance-based contracts in the JTPA system has been somewhat controversial. We should be sure that the problems have been adequately addressed before embarking too far down that path.

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Issue 9: Should there be Federal expectations set regarding the quality of jobs states aim for?

OPTIONS:

- A. Specify that States should try to educate and train individuals for jobs that pay enough that so they do not need any further public assistance.
- B. Specify that States should try to educate and train individuals for jobs that pay enough that they no longer need cash support (other than the EITC).
- C. Let the time-limit rules drive State objectives in this area.

RECOMMENDATION: OPTION C; do not set separate Federal expectations in this area.

Good

Discussion.

- 1) Even though we might hope that all individuals could achieve high-wage, high-benefit jobs, based on our research, it does not seem realistic based on the research generally to expect such results from participation in education and training.

Health care reform and other proposals related to making work pay make entry-level jobs much more rewarding for individuals.

- 2) BLS projections on occupations with the largest project growth indicate that, with the exception of certain health occupations, such growth is likely to occur primarily in low-wage occupations (in order of new jobs expected: retail salesperson; registered nurses; cashiers; office clerks; truck drivers; janitors and cleaners; nursing aides, orderlies, and attendants; food counter workers; waiters and waitresses; receptionists; food preparation workers; child care workers; gardeners and groundskeepers; guards; teacher aides and educational assistants; licensed practical nurses; home health aides; restaurant cooks; maintenance repairers; secretaries; short-order cooks; and store clerks.)

BLS has identified the following occupations as good candidates for training if higher-paying occupations is the objective: registered nurses; licensed practical nurses; truck drivers; medical secretaries; legal secretaries; carpenters; electricians; painters and paperhangers; and automobile mechanics.

- 3) While there is substantial agreement that upfront investments in basic education (as a stand-alone activity) would not seem fruitful, there is some disagreement in the field whether we can expect welfare recipients entering the labor force in low-wage, entry-level jobs to experience wage growth over time. Donna Pavetti's welfare dynamics analysis suggests that females see little wage appreciation when they take entry-level jobs. However, others feel that welfare-to-work research suggests that a focus on early job entry can result in long-term earnings gains for welfare recipients.

- 4) At the same time, the public is probably not interested in letting welfare recipients hold out for "good" jobs when the non-welfare working poor do not have that choice.

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- 4) State benefit levels and local labor markets will likely affect what would be considered reasonable goals for employment, but it is not clear how to factor these variables in.
- 5) There is also an equity question regarding how much investment in the skill levels of welfare recipients is appropriate given widespread needs in the non-welfare population. TRUE

Issue 10: Is there sufficient Federal interest in certain occupations to warrant Federal targeting of training funds? NO

OPTIONS:

- A. Continue current practice and let State and local agencies make such decisions, based in part on BLS information;
- B. Identify a few target categories and encourage State agencies to fund programs in those areas;
- C. Require a set-aside for training targeted to specific populations.

NO RECOMMENDATION, pending further discussions with DOL and other issue groups.

Discussion.

- 1) The JOBS and JTPA programs have both given States and localities discretion in deciding what occupations would be appropriate targets in terms of their training funds (although JOBS programs are expected to consult with appropriate agencies on that issue). The underlying assumption was that State and local governments were in the best position to establish what the job demand would be in their local areas.
- 2) At the same time, at the national level, JTPA has tended to discourage investment in occupations that had low wages, high turnover, and lesser career ladders, even if they were in growth areas.
- 3) It can be argued that there is a national interest in the supply of child care and health care providers since there is a national interest in: 1) the health care delivery system; 2) the competitiveness of the US workforce; and 3) moving large numbers of AFDC recipients into work or other activities.

- 5) The child care working group is developing information which should help inform this decision.

Issue 11: Should there be a Federal policy regarding post-secondary education?

OPTIONS:

- A. Defer to States.
- B. Allow States to include only post-secondary programs of a vocational nature up to the associate degree level.
- C. Discourage State policies which support attendance in four-year or post-graduate programs.
- D. Encourage State policies which support attendance in four-year or post-graduate programs.
- E. Require that States include post-secondary education of all types.

RECOMMENDATION: OPTION A; defer to States.

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Discussion.

- 1) The JOBS program allows States to include post-secondary education at State option.
- 2) The more prescriptive the Federal policies, the more difficult it will be to monitor State practices. Based on experience with JOBS, we know that it is can sometimes be difficult to categorize post-secondary participation (i.e., to distinguish between associate vs. baccalaureate, academic vs. vocational, degree vs. non-degree). The institutional setting is often irrelevant to the program definition.
- 3) If service funding is limited and time limits are strict, there may be little State interest in post-secondary education.

SECTION II--POTENTIAL SHORT-TERM CHANGES

A recent survey of participants in the JOBS program showed a high level of satisfaction by welfare recipients in the services they were receiving. However, in the report, other studies, and the information-gathering phase of the welfare reform process, we heard a number of concerns about the JOBS program. They included the following:

1) In many instances the Family Support Act has not brought about the change in organizational culture which was anticipated. Some welfare agencies are still geared primarily to the issuance of benefits and avoiding QC penalties rather than to helping recipients become independent. ✓

2) In part because of funding constraints, some case managers have very large caseloads to manage (sometimes in the range of 200-250 cases). With these caseloads it can be difficult, if not impossible, to give adequate support or follow-up to families on assistance.

3) Funding and staffing shortfalls limit access to services. Those with special barriers to participation may have less opportunity to participate. Federal targeting requirements provide some protection for the disadvantaged, but still leave substantial room for creaming and discrimination against the most disadvantaged (for example, agencies can meet targeting requirements without providing reasonable access to services for those with English language problems). Exemption rules may foreclose opportunities for those with disabilities. Selection rules may foreclose opportunities for those with child care needs. Federal targeting rules may foreclose opportunities for more advantaged families to get the little help they might need in finding employment.

4) Funding and staffing shortfalls force welfare agencies to rely on services generally available in the community even if those services are not particularly effective in serving the needs of welfare recipients.

5) Extensive program regulations and expenditure constraints may "disempower" both staff and recipients. The current system requires a lot of their time and energies to be focused on meeting institutional needs (e.g., paperwork). It discourages individual initiative. It may deny staff the time and flexibility they need to serve families appropriately. REGO

In theory, some of these criticisms would be most easily addressed under a performance-based system because such a system would focus resources and agency efforts on the quality and effectiveness of services and give the Federal government more leverage. Also, it would provide a better opportunity to affect the organizational culture within the welfare system. However, such systems are very hard to design well, and a poorly designed system can have quite harmful effects. Therefore, we do not think it is possible to shift to such a performance-based system overnight. | ?

The question remains whether there are some problems with the existing system which could be alleviated, if not resolved, through some interim changes in program rules. Following are some possible options.

Possible short-term changes.

1. Increase the general funding for employment and training activities and for support services. (RECOMMENDED).
2. Require States to contribute a certain level of funding to the program as a condition of receiving full Federal funding for other programs. (NOT RECOMMENDED because there is too much risk of harm to poor families.)*
3. Require, as a condition of funding (or of additional funding), that a certain percentage of such funding go to staffing. (NO RECOMMENDATION. The proposal may not work as intended; 1) funding set-asides for staff could negatively affect service dollars; 2) staffing may not be a major concern in every program; and 3) there is little assurance that more money will result in staffing increases because of hiring freezes and other institutional barriers to staff changes.)* NO!
4. Require, as a condition of funding, that agencies achieve a certain level of staffing. (NOT RECOMMENDED because rates would have to be set at a very high level to accommodate areas where case management functions are shared with other programs; also such a policy could negatively affect service funding.)*
- 5) Establish a Federal standard of equitable access and/or reasonable accommodation. (This could be for JOBS, IV-A, IV-E, etc.) (NOT RECOMMENDED; we would like additional input on whether there is a significant problem with equitable access.)*,**

- 6) Encourage welfare agencies to pay for educational and training services when the available no-cost options are not expected to be effective. (RECOMMENDED, WITH RECOMMENDATION; we would also want to look at ways to make existing services more effective.) **
- 7) Encourage the use of performance-based contracts and other service agreements which lay out specific outcome expectations for employment and training services. (RECOMMENDED IN PRINCIPLE, but have concerns about the JTPA experience with such contracts).**
8. Support Federal, State and local reviews and audits of educational and training programs to determine whether they are effectively serving welfare recipients. (NO RECOMMENDATION pending discussions with OIG, ASMB, OMB, DOEd, and DOL regarding their interest.)**
9. Provide incentive funding for CET-model programs and other innovative programs which tie education and training services more directly to work. (RECOMMENDED IN PRINCIPLE, but need to explore more fully additional options for promoting such programs and to coordinate with DOL and DOEd initiatives in this area.)
10. Provide a pool of Federal R & D funds for further study of effective service models. (RECOMMENDED IN PRINCIPLE, but needs coordination with overall evaluation strategy.)
11. Give States more flexibility and encourage State innovation in meeting the needs of participants using one or more of the following approaches:
 - a) promote use of more individualized service plans (whether for the entire caseload or only for those with special needs) (NO RECOMMENDATION because do not have sufficient information);
 - b1) encourage broader use of and referral to nontraditional services, at least in some cases. These might include relocation, family services, peer support and mentoring programs, substance abuse and mental health treatment, coordinated vocational rehabilitation services, youth interventions, organized transportation initiatives, weight control, etc. (RECOMMENDED, but in the

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YES

NO

context of an evaluation agenda because the costs and benefits are unclear)**;

- b2) amend section 403 of the Social Security Act to restore authorization for general service expenditures under IV-A (NOT RECOMMENDED except in the context of an evaluation agenda because of possible cost implications)**;
- c1) encourage innovative practices through a Federal incentive system (RECOMMENDED)**;
- c2) encourage States to implement their own incentive systems (RECOMMENDED)**;
- d) allow (recipient) families to have an automobile of higher value when needed for employment, participation in employment and training activities, or special family circumstances (such as medical needs) (RECOMMENDED; see draft regulation package on administrative waivers for potential language.);
- f) allow substantially more flexibility to States to pay for services and to provide counseling and other follow-up services to former AFDC recipients (RECOMMENDED; see other papers for additional discussion; needs coordination with recommendations of Making Work Pay group)**.

* Direction would seem inconsistent with the agenda of the National Performance Review.

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** Direction would seem supportive of the agenda of the National Performance Review.

More funding and more flexibility will help alleviate some of the problems regarding service levels, access to services, and staffing, but they might be less successful in addressing problems related to appropriateness, effectiveness, and diversity of services. Therefore, some combination of strategies will probably be necessary.

Appendix A

Rules for a Minimal Exemption Approach

I. The following categories of individuals would be exempt from participation:

- o Children under the age of 10 or 12;
- o Those with a temporary (i.e, less than 90 days) illness or incapacity which prevents their effective participation

States should have the flexibility to require participation by older children, but only for supportive services provided in the context of an appropriate service system. (Further, since requirements on children is a matter of special concern, we could make elimination of exemptions for children under 16 contingent on the State's submittal of an acceptable service strategy as part of its State plan.)

II. Likewise, States would have the flexibility to require appropriate activities by the following categories of individuals. When conditions are serious enough to prevent effective participation in employment activities or work, other types of expectations, including treatment, would be substituted:

- 1) Those with an illness or disability (either physical or mental);
- 2) Those with responsibility for caring for an ill or disabled family member;
- 3) Those with a substance abuse problem;
- 4) Pregnant women and single parents with children under the age of one (a one-time one-year exemption and three-month exemptions for subsequent cases); and
- 5) Those subject to service or treatment plans under other social service programs, such as child protective services (for the length of the plan or 6 months, whichever is shorter).

III. Those employed part-time, but still receiving assistance, could be exempt based on the level of employment and the availability of alternative jobs or services.

IV. The following categories of individuals would not be considered for exemption under Federal rules because we would want States and localities to work on identifying or developing appropriate services for them. However, they would have good cause for not participating if there were no services available appropriate to their needs:

- 1) Non-English speaking;
- 2) Those with disabilities;
- 3) Those with particularly low basic skill levels; and
- 4) Those living in remote areas of the State.
- 5) Those not able to access child care.

| YES

Appendix B

TRANSITIONAL SUPPORT SYSTEMS

Education and Training Prototypes

Three models have been developed for providing assistance and services to AFDC recipients during the transition period from welfare to work. These models include a Human Development Model, a Labor Force Attachment Model, and a General Education and Training Model. Each model includes options for providing an effective and appropriate level of service to meet a wide variation of needs and skill-levels to assist even the most "at-risk" families.

As prototypes, each of these models can be adapted or combined with parts of other models and are not necessarily mutually exclusive. Sanctions could be applied differently, and alternative treatments could be designed for specific target groups.

Human Development Model:

Overview: The basic philosophy underlying the Human Development Model is that every AFDC recipient is responsible for and capable of working toward self-sufficiency. However, by recognizing that AFDC recipients are a heterogeneous group that are at different levels of job-readiness, a variety of activities would be available and count as steps toward achieving self-sufficiency. Activities in this model would include traditional education, training and employment-related (i.e., paid employment and work experience) activities, community activities (e.g., volunteering at their child's Head Start center or volunteering on tenant management boards), as well as activities recipients perform in their role as parents (such as getting child to school regularly, acting on referrals, and meeting their child's immunizations and health care schedules). Participants would be required to participate at a level deemed appropriate to their job-readiness level and most closely related to supporting self-sufficiency.

Expectations: This model establishes the expectation that all welfare recipients will participate at a prescribed level in activities that will improve their lives and will progress to the maximum extent possible on moving to self-sufficiency. The model also adopts a two-generational, long-term approach which is concerned with the future of children of current recipients, their move into adulthood, and their progress toward self-sufficiency, following a traditional route of high school, post-secondary education and employment.

Assumptions Specific to this Model: The Human Development Model is based on the following assumptions:

- For some, leaving welfare is one-step event about getting a job but for others, it is a long, difficult process related to human growth and development that is characterized by false starts, setbacks and incremental progress.
- Everyone can do something to improve his/her life and that of his/her family. Involvement in such improvement activities includes work force attachment activities, activities related to the participant's role as a member of a community and/or activities related to parenting.
- Welfare policies and practices are more likely to succeed if they are grounded in theories and knowledge about human development. It is important to create policies that strike a balance between individual choice and responsibility and ongoing expectations and support from public agencies, the communities and society at-large.
- Each person should be given an opportunity to create his/her unique path out of welfare dependency (e.g., school leading to work, work leading to school, entry-level jobs leading to better jobs, community volunteer work leading to paid work) as long as he/she "plays by the rules" by meeting flexible participation requirements and monthly reporting activities.
- Full participation must be a requirement in order for the concept of welfare as a temporary system to take hold. A time limit must also be in place in which activities are required in exchange for money and benefits.
- A two-generational perspective is critical to the welfare reform effort to ensure that children of current recipients do not become recipients; therefore, initial steps related to parenting and community membership should be supported.
- A relationship may exist between what it takes to move successfully toward self-sufficiency and what it takes to manage parenting functions successfully. Moving toward self-sufficiency and managing parenting involve certain predispositions such as hope and a future orientation, as well as a capacity to anticipate problems, skills such as time management, and self-confidence.
- Failures such as losing a job or dropping out of a GED class must be treated as a learning process for both the participant and the agency. It should become an opportunity

to create a more realistic career plan rather than an event that triggers a series of administrative actions such as conciliation or the establishment of "good cause" that seldom serve the function of getting people back on track. 21

- Social sanctions and incentives (e.g., public recognition, praise from someone you respect) can operate as more powerful motivators than monetary sanctions. Social forces like peer support and pressure also provide significant motivation.

Assessment: No formal assessment is conducted during the transitional period; however, the type and level of activities that a recipient participates in during this two-year period will determine the next set of options for the person at the end of the time limit. At the end of the time limit, recipients who are still unemployed will be assessed to determine who receives additional services including education and training, what the individual participation requirements will be (hours per week), and the length of any extension allowed.

Exceptions: There are no exceptions to participation under this model; however, the two-year time limit per se would not be operative. NO!

Length of Assistance: Rather than an arbitrary two-year cut-off point, all recipients will be required to participate in the maximum required hours (e.g., 20) from day one unless their particular situation makes that impossible. In those cases, a mutually agreed-upon plan (between recipient and caseworker) will be created and reviewed quarterly--with the assumption that the hours will be increasing over time and/or activities will be moving in the direction of paid employment. By the two-year point, it would be expected that all recipients still receiving AFDC would be actively participating in a minimum of 20 hours of authorized activities. *No-work*

*Other stuff is OK for 2 yrs.
But after time limit, we have to get tough*

Scope and Sequence of Services:

From the beginning, recipients would be allowed to proceed on different tracks. One track would be for those who want employment. They would be provided with a range of initial placement supports (e.g., job development and job club), as well as post-placement, follow-up supports (e.g., job retention assistance and help to find subsequent jobs). A second track would be for those who want education and training. They would be provided with enrollment assistance (e.g., in GED or JTPA). They too would receive post-placement support to make sure they completed programs and made the transition to work. If they were making progress, there would be no interruption in their

education after two years; however, there might be a part-time paid or volunteer work requirement added at that point. A third track would be for those who are not ready for work or school at the beginning. They would be allowed to select from a menu of "lower rung" activities (e.g., community volunteer work or participation on community advisory boards). If children were experiencing problems in school (e.g., poor attendance or failure to respond to referrals), fulfilling those responsibilities would become part of the parent's employability plan. Over time parents who fall in this group would be expected to be moving toward the more structured and demanding activities of school and work.

The basic idea of the "Everyone Does Something" (EOS) model is that everyone is expected to do the most that they can do from day one, but there is no arbitrary, two-year cut-off point. It operates on an assumption that self-sufficiency is more likely to be achieved if recipients are allowed to move naturally through a sequence of activities, without rigid time limits. Therefore, there would be no formal break between the transitional and post-transitional period. Recipients would have individualized plans with flexible timeframes for entering unsubsidized employment. Some would probably never reach that point, but all recipients will be moving toward self-sufficiency from day one. ^{through year 20} With the other models, at the two-year cut-off point, many recipients are likely to end up being required to do something that has no logical relationship to what they have previously been doing. NO

A participant "passport" would serve as the primary tool for operationalizing the EOS model. Every recipient would receive an individual passport each month which would list the array of activities in which they could participate and get credit. The person would be responsible for taking this card to the various programs in which they have participated to collect and record their hours. The institution, agency, or program would record and verify attendance. An oversight group would certify each program based on a set of specified criteria. GOOD
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The individual passport concept would serve several functions. It would give recipients significant power over and responsibility for their own career plans and progress. Also, it would give them more control over their lives because recipients would no longer be so dependent on welfare departments for program referrals. They could take their passports to any program they choose (i.e., which they feel they are getting the most help). This approach is more likely to lead to coordination of programs and services around individuals and their families than many of the current efforts at service integration. It also serves as a tool for involving other institutions and programs in the welfare-to-work effort (e.g., family support, Head Start,

public education, and parent education programs, including HIPPY).

Labor Force Attachment Model:

Expectations: The major goals of this model are to increase the rate of employment, to decrease the number of individuals receiving more expensive services unnecessarily, and to reduce the number of individuals reaching the time-limit.

Assumptions: This model is based on the following assumptions:

- Labor force attachment models are not simply job search but rather use job search up front, in lieu of assessment, to determine employability. In addition, these models emphasize shorter term, work-base interventions aimed at rapid employment over longer term education and training.
- Capacity and cost will be "make or break" issues for welfare reform and it will be critical to identify strategies which reduce the need for post-transitional work slots.
- Employment can have positive benefits besides income, especially within a supportive environment, by increasing self-esteem, reducing social isolation, and (at least for some) reducing depression.
- The San Diego SWIM program (three weeks of job club followed by 3 months of CWEP followed by assessment and appropriate services) reduced the percentage of first time applicants for AFDC (i.e. those for whom welfare reform ought to be designed) receiving at least 24 months of AFDC in a 60-month period from 43% t 31%. *12% drop from job search who work regular*
- Human capital development approaches in employment and training programs have generally had very modest to non-existent impacts on welfare receipt and only occasionally raise wage rates.
- Raising wage rates will be of less importance with a greatly expanded EITC and universal health care coverage.
- Investments in education and training will be more publicly acceptable when made for individuals with solid work histories than for those who have exhibited little work effort. They may also prove to be more effective.

Assessment: For all but the few exceptions listed below, assessment would consist of job search activity for a period of time. The kind of job search would depend on the individual's

work history. An individual with recent work history would be expected to conduct an independent job search, however, if this job search proved ineffective, more structured activities would be provided. An individual with little or no work experience would be placed in a structured job search activity where (s)he would be taught the basics of job-seeking and coached in seeking employment. For those for whom structured job search is not appropriate or is not working, the more formal assistance of a job developer/placement specialist would be available.

Exceptions: In a full participation model, there may be some categories for whom job search as an assessment tool would appear to be inappropriate. This does not excuse them from another activity; it simply assumes that a job would not necessarily be the appropriate outcome (although if that were the participant's choice it could certainly be accommodated).¹⁵ These groups are:

- 1) All teen parents under age 16,
- 2) Teen parents under age 18 who do not have a high school degree or equivalent,
- 3) Pregnant women in the second or third trimester, and
- 4) Women with children under age 1.

Some people argue that there are areas in some states where there are so few employers or employment opportunities that job search becomes a hassle for employers. In a labor force attachment model, this criticism would be addressed by having a strong job development/job placement component which would know of employment opportunities and serve as the screen rather than having individuals all calling a limited number of employers.

Length of Assistance--Initial Job Search: A period of two months of job search is proposed and is believed to be reasonable. It allows sufficient time to provide services (job club or job development/placement) but should not impede an individual who needs additional services from getting them during the time-limited period. It is expected that during the job search period, the participant is actively looking for work (i.e. a person cannot just wait out the job search period to be eligible for additional services).

Scope and Sequence of Services:

Job Search

Independent job search:

This mode of job search is for those participants who have recent work history or other skill/experience that make it likely that the individual can find work on his or her own.

An individual conducting independent job search would most likely be expected to make a number of contracts and report back to a counselor (UI model). This reporting process could be done on an individual basis or in a group session.

Certain equipment/services that would assist in job search would be available. For example, initial assistance with writing a resume would be available as appropriate or necessary to an individual participant. Assistance could also include copying facilities, space to make phone calls and, where necessary, a phone number to give to prospective employers for follow-up messages.

Structured job search:

For those with little or no work experience or job-hunting experience, a more formal structure would be provided. Many models are available and basically include classroom training in job-seeking skills such as world-of-work orientation, identification of skills, resume writing, interview techniques, and telephone training on how to contact prospective employers.

Most models include a period of supervised job search in which a coach or counselor supervises participants seeking job leads by phone, critiques their approach, provides encouragement, prompts continued efforts, and helps cope with disappointment. A camaraderie usually develops among participants so that individual successes boost the entire group and potential leads are shared.

Job development/job placement:

This service actually refers to two types of activities. One type of job developer finds job openings in general. This involves contacting employers, finding out about their needs, and developing a relationship such that an employer calls the job developer when openings occur. In this kind of job development, the job developer is not looking for a job for a particular individual although a good job developer always keeps the needs of the clients in mind.

A second type of job development is one in which the job developer is trying to place a particular individual into a job opening. This requires more knowledge of the skills and abilities of the client as well as the labor market. This type of job development/placement is frequently tied to the participant's completion of a specific training activity. The training provider has staff on board whose job is to place those who complete the training. Frequently, reimbursement is

dependent upon successful placement.

Other services available:

For all models, child care would be available while persons participated in job search. In addition, reimbursement for transportation would be available. Finally, a small amount of assistance would be available if it would enable an individual to accept employment. For example, money for tools or uniforms that an individual must purchase would be available.

Failure to Participate:

Instead of imposing a financial sanction, a person who failed to participate in job search could be sanctioned by a state precluding the individual from accessing any further services until the requisite job search had been completed. No extensions to the time limit would be granted in these cases.

Services Upon Accepting Employment

An important feature of any model, but especially this model, will be the services available to individuals who accept employment. Keeping people "attached" to the labor market will be as important as getting them "attached" in the first place.

Thus, it will be important to have services readily available. Anyone who takes a job should be given the name of a "coach" whom (s)he can contact about any problem related to work. (We assume here that the whole subject of services after employment is being more fully explored by the Make Work Pay group.)

Effect of Taking a Job on Time Limit

If taking a job ends eligibility for AFDC, the remaining months of eligibility could be conserved for future use if a crisis arrives. However, if, as a result of taking a job, the participant loses the opportunity to ever get additional education and training services, then a negative incentive exists to not take a job or to take a job the does not end AFDC eligibility so that one could work and receive training while on AFDC.

Therefore, it would seem advantageous to consider offering some inducements to individuals in the form of credits or vouchers for additional training if one stays employed. At the same time, one would not want a system that encouraged someone to work and build up credits but then quit and go back on AFDC to use them. Therefore, one would want a system that perhaps gave more credits for combining work and training or a more limited stipend when

YES

using the credits. Another options is to make the credits void if it was determined that the individual quit a job in order to use the credits (this, of course, would be a difficult determination to make).

What if the job would not take a person off welfare? How would it affect time limits? Clearly, it has to count toward the time limit but it seems that the system would want to establish ways to encourage part-time employment in a time-limited system. Two options appear evident: 1) Only allow education and training if it is combined with employment, and 2) Encourage getting off welfare by making credits more valuable if off AFDC.

Service Availability for Participants Who Do Not Get Jobs

In a labor force attachment model, those who do not get jobs would be assessed for assignment to another work component. The assessment would focus on identifying strengths, skill deficiencies and job interests of the individual with the goal of making a placement that meets the needs of the individual and might lead to unsubsidized employment. (This option is considered more individualized than a post-transitional period of assignment.)

Note: One problem with CWEP, in particular, as the preferred component in a labor force attachment model is whether there are sufficient slots to support CWEP both during the transitional support period and the post-transitional period. To the extent a labor force attachment model with a large CWEP component prevents people from getting to the time limit, no problem would exist, however, history does not inform us on this particular subject.

Availability of Education and Training Services

In a labor force attachment model, education and training services would be available. For most participants, these activities would be available in conjunction with a work activity or earned as a result of such participation.

For teen parents without a high school degree, these services would be available immediately. (It is assumed that the Teen Parents subgroup is dealing with this area more fully.)

Questions To Be Addressed

- What happens to those participants in self-initiated education and training?
- What do you do with those participants who really can not function at the level outlined in this model? (This issue is

being dealt with more specifically in the issue paper on scope of service.)

General Education and Training Model:

Overview: This model proposes that individuals on AFDC become involved in employment or intensive education and training services to build labor force attachment and increase human capital during a two-year period of time. During this time, a contractual agreement of "mutual obligation" between the government and the AFDC recipient would be made in which the recipient commits to working toward self-sufficiency and the government commits to giving her the means and support necessary to achieve self-sufficiency.

Upon contractual agreement between the AFDC recipient and a counselor, a service plan is mutually agreed upon that will place the recipient into one of three tracks--education, training or employment. Strong support services and case management are provided throughout the two years, and job coaches and mentors are provided to employed participants to support job retention.

Service priority is given to recipients most likely to remain on AFDC for long periods of time such as young, never-married women and women who enter AFDC as high school drop-outs with limited work experience. These high-risk women would receive the most intensive case management and training services. ?

Assumptions for the Model: This model is based on assumptions and conclusions drawn from the various education and training studies outlined in the background paper and presumes the following:

- AFDC recipients are a diverse group with diverse needs. A "one size fits all" approach will not be effective.
- Job placement services and job search assistance do not effectively serve the most at-risk groups.
- Intensive services targeting at-risk groups have greater impacts on employment and earnings as well as school participation than less intensive programs.

Length of Assistance: This model proposes a maximum two-year length of time to assist recipients in building labor force attachments and increasing human capital development. At the end of the two-year time limit, persons who are employed in community work experience are transferred to a similar work experience position in which their AFDC grant is converted to wages.

Caseworkers would continue to try to find private sector jobs for these persons.

Scope and Sequence of Services:

Upon entry into the transitional period, all applicants would participate in an initial screening process in which a counselor would work with the applicant to determine an individual service strategy. A contract would be formulated in which the applicant commits to increasing her self-sufficiency and the government commits to providing financial assistance and supportive services to assist her in achieving the goals and objectives identified in the individual service strategy. Three options would be given for mandatory participation: education, job training or employment.

- 1) In the education track, a combination of incentives, sanctions and support services would be used to encourage participants to complete high school. All teen parents would be provided mentors and parenting education. For adult participants, programs would be developed with community colleges and other adult education facilities. OK
- 2) In the job training track, comprehensive programs would be targeted towards participants who are at high risk of long-term dependency such as young, never-married women and women who are high school drop-outs with limited work experience. These women would receive training based on the San Jose CET program, the home health care aide, or other training programs. Women who are not at-risk of long-term stays on AFDC and who wish to receive job training would be referred to JTPA or the local community college.
- 3) In the employment track, participants would be initially assigned to a two-week job search assistance class and to a four-week job club. Extensive job placement efforts would be made for participants who were not able to find employment on their own during this initial six-week period. On-the-job training placements would also be available to participants. After each of these efforts, participants who still remain unemployed in the private sector would be placed in community work experience. Intensive case management, mentors, and job coaches would be provided to all participants who were determined to be at high-risk of long-term welfare dependence therefore increasing the participant's attachment to the labor force.
- 4) Non-custodial parents who are attached to a never-married custodial parent would receive intensive case management services with either on-the-job training services or vocational training based on the San Jose CET model. Non-

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custodial parents who are separated or divorced from the custodial parents would be referred to JTPA services or to community colleges for training.

Participants who have additional stressors or problems outside the realm of education, job training and employment services such as substance abuse or involvement with child protective services would be referred to a special family crisis program similar to Homebuilders in Seattle and New York City.

ISSUES REGARDING THE RULES FOR TIME LIMITS

Overview. On February 2, 1993, the President addressed the National Governors' Association about his agenda for welfare reform. He spoke about the need for a "time-certain beyond which people don't draw a check for doing nothing when they can do something." He reaffirmed the commitment he made during the campaign to make the welfare program a second-chance program, not a way of life. In his policy paper "Putting People First" he first proposed the concept of a two-year limit, indicating his support for providing recipients the assistance they need, for up to two years, prior to requiring that they go to work.

One of the major tasks of the Transitional Support Group was to explore the definition of a time limit more fully and to present policy options in this area. The following paper responds to that charge.

Starting Assumptions.

- 1) The President's remarks on time-limiting welfare must be given real meaning. The proposal must use two years as the base period for the maximum length of time most families could receive cash assistance before being expected to work.
[Note: Alternatively, a transitional support system could require full participation from day one (i.e., without waiting two years). Full participation ensures that everyone does something to prepare for work while receiving assistance. Some demonstration programs such as Riverside GAIN and the Kenosha JOBS programs which support an immediate "immersion" approach argue that full and immediate participation essentially moves the time limit up. In essence then, immersion eliminates the need for a time limit since participants are already working for their welfare or have moved off welfare as a result of this approach. This approach is outlined in Appendix B.]
- 2) The system must reward work and demand responsibility in return.
- 3) The system should allow some opportunity for State flexibility and experimentation.
- 4) The transitional support system has the following general design:
 - a) most individuals are expected to participate in appropriate activities, including work;

- b) certain individuals are exempt at least temporarily from participation in work activities because of health or related reasons; however, certain other forms of participation might be expected;
 - c) cash benefits would in general end after two years; and
 - d) Federal law would establish the basic criteria for exemptions from participation requirements and from time limits.
- 5) States would not be expected to apply the new rules immediately to the whole caseload, including all current recipients. The new system would be phased in over time.

Issue I. Who is subject to time limits?

OPTIONS:

- A. Parents
- B. Other healthy adult relatives
- C. Teen dependents

RECOMMENDATION: PARENTS ONLY. Time limits should be separately applied and tracked for any parent in a case. Other adult relatives who have no legal responsibility for the care of the children and teen dependents should not be subject to time limits. (Note: The welfare simplification issue group is looking into filing unit issues.)

Discussion:

- 1) Parents should each be tracked and have a time limit applied to them for any assistance they receive as a parent. During the period of assistance, they each have a responsibility to work towards becoming self-supporting. They should not have the ability to extend their eligibility for assistance by breaking up into single-parent households.

A significant number of AFDC cases have parents who are in the home but are not in the filing unit. This situation can occur when the parents receive SSI, lack satisfactory immigration status or are otherwise precluded from receiving AFDC. We are not proposing any special policies for these cases. Our initial assumption would be to say that these cases would not be subject to a time limit. (This approach would be consistent with our proposal not to time-limit the

cash assistance benefits to children.) However, as referenced in the AFDC-UP paper, cases with illegal immigrant parents may need attention. ← Yes

- 2) Adults who are caring for children for whom they have no legal responsibility are providing society a valuable service and should not be subject to a time limit.
- 3) Teen dependents should not be subject to a time limit and should qualify for assistance as new applicants if they become teen parents, regardless of their prior receipt of benefits. Although this policy seems to condone teen pregnancy, teen parents and their children are at serious risk and should not be prevented from receiving assistance. At the same time, this assistance will be conditional upon their meeting serious participation requirements.
- 4) Children should not be subject to their own time limits. It is not reasonable to hold children responsible for their own support or their parents' behavior.

Subjecting parents but not children to time limits might encourage movement of the children to different relatives when their parents' benefits run out. Allowing a parent to receive benefits on behalf of the children (i.e., not taking the parent's needs into account when the grant is calculated) is a compromise strategy. This would place a time limit on cash assistance without denying benefits to the entire family, which might be viewed as too draconian. ?

Some argue, however, that by time limiting only the parents in AFDC cases that the sanction becomes so minimal that it would hardly "change welfare as we know it".

(Note: The Post-Transitional Support Issue group is also addressing the issue of the treatment of families who reach the time limit without finding adequately-paying private sector employment.)

Issue II. Who is eligible for exemptions or extensions?

OPTIONS:

- A. Specify in detail the categories of individuals who qualify for exemptions from or extensions to the time limit.
- B. Specify certain categories of individuals who would qualify for exemptions and extensions, but give States the authority to extend the time limit for an additional percentage of families based upon State determinations

of need.

RECOMMENDATION: OPTION B, specified categories with additional margin for extensions at State discretion, at least during phase-in. (See item 1 in Discussion.)

Discussion:

- 1) One possible approach would be to see that in the year of implementation, only 30 percent of those entering the system could reach two years and be subject to a two-year limit; for those entering in second year, only 20 percent; and for those entering in third year, 10 percent. The exact percentages selected would depend on what, if any, categories of individuals would qualify for extensions of or exemptions from time limits on a categorical basis.
- 2) It will be exceptionally difficult to develop Federal definitions precise enough to ensure reasonable uniformity and fairness in the way such definitions are interpreted by States. It might be a lot less difficult to define the most obvious and global exceptions.
- 3) Depending upon the characteristics of the State's caseload and its program philosophy, different exemption and extension policies might be appropriate in different places. Such differences could be addressed through a discretionary window. For example, States might be permitted to grant extensions for completion of selected education and training activities. Recipients enrolled in post-secondary degree programs might qualify for extensions that would allow them to complete their degree requirements, assuming normal progress toward a degree. Alternatively, there could be a national extension policy which provided that those who received extensions beyond a certain length might then be ineligible for post-transitional assistance or have limits placed on their eligibility for such aid.
- 4) Allowing for State flexibility in this area would diminish the incentive for States to attempt to evade participation standards and other Federal mandates.
- 5) It is assumed that the special circumstances would need to last at least three-four months in order to qualify for an extension in the time limit; however, extensions could also be granted if the circumstances arise closer to the end of the time period. Re-eligibility could be established after the time limit if certain types of problems (disability, caring for an ill relative) subsequently occurred which prevent work.

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UNDERSTAND

?

- 6) It could be argued that States with a more disadvantaged caseload should be able to extend the time limit for a higher percentage of AFDC families who are not covered by one of the categorical exemption criteria. This raises the difficult question of how each State's percentage would be determined.
- 7) We have no clear preference for categorizing these as extensions to the time limit, tolling of the clock, or exemptions from a time limit; however, extensions are viewed by some as more consistent with the basic objective of creating a temporary, transitional system in which we make work pay and assist people in achieving self-sufficiency.

Issue III. What categories of individuals could qualify for extensions under Federal rules?

RECOMMENDATION: The following categories of individuals could qualify when conditions are serious enough to prevent participation in work activities; however, participation in treatment, habilitation, or other appropriate activities might still be expected:

- 1) Those with a serious illness or severe disability (including physical, mental, and severe learning disabilities);
- 2) Those with responsibility for caring (in the home?) for a critically ill or seriously disabled family member;
- 3) Those with a substance abuse problem (for a period of time necessary for treatment);
- 4) Pregnant women and single parents with children under the age of one (perhaps a one-time one-year extension and shorter extensions for subsequent cases);
- 5) Those subject to service or treatment plans under other social service programs, such as child protective services (for the length of the plan or 6 months, whichever is shorter); and
- 6) Those employed part-time, but still receiving assistance (see options elsewhere).

The following categories of individuals should be considered for extension or exemption under Federal rules, but we have no specific recommendation, pending some modeling outputs.

- 1) Those with less severe disabilities such as learning disabilities and certain physical and mental disabilities who may be limited to certain types of work activities or who may need additional support services to become job-ready; No?
- 2) Those with particularly low basic skill levels;
- 3) Those in the midst of approved educational or training activities in which they are making progress; ??
- 4) Non-English speaking (perhaps only in areas where there is not a significant number of that ethnic community in the area); No
- 5) Those living in remote areas of the State; YES
- 6) Those for whom necessary services could not be secured during the transitional support period; and
- 7) Those for whom a place cannot be found in a work program at the end of the time limit. ?

Individuals in both sets of categories would be subject to participation requirements, appropriate to their circumstances.

Discussion:

- 1) The first set of categories is generally accepted as appropriate. Extensions in these cases balance our interest in "demanding responsibility" and intervening more aggressively with certain at-risk cases (e.g., substance abusers, women having subsequent pregnancies, and teen parents) with a policy which reasonably accommodates their special needs.

Addressing disability issues in the context of time limits is particularly problematic. An argument could be made for establishing a special track for disabled recipients (recipients could be given an option to participate in the "mainstream" track if they choose) in order to prevent disability questions from undermining time limits; however, this consideration of a special track is controversial given current debates focusing on inclusion versus exclusion.

- 2) The secondary list represents categories of individuals for which we expect less agreement.

The judgement as to which, if any, categories of recipients

from the secondary list are included needs to be made in context of other decisions regarding: 1) how big a discretionary window we would provide States; 2) whether post-transitional work includes some opportunity to receive educational and training services (perhaps in conjunction with work); and 3) whether we can reach some level of agreement as to the precise definition of the qualifying conditions.

- 3) There will probably be particular discomfort regarding items 5-7 because we do not want to let States off the hook in terms of providing needed interventions and services. Also, we are concerned that granting extensions based on lack of service would suggest an entitlement to services and would increase the likelihood of administrative actions, appeals, hearings, and litigation.
- 4) The issue of extensions or exemptions for non-English speaking participants becomes controversial around the issues of inclusion and exclusion in much of the same way as it does for persons with disabilities. By offering exemptions or extensions, non-English speaking persons may not be given services at all. Also, employment opportunities may exist which do not require a proficiency in English, and in many communities, English is not the dominant language.

Some argue, however, that (particularly in some areas) a proficiency in English is necessary for achieving self-sufficiency, and an extension of the time limit would most likely be needed to attain a functional level of English.

Issue IV. How is the two-year time-limit measured?

OPTIONS:

- A. As a calendar period of time.
- B. As a twenty-four month limit on the number of months worth of cash benefits which can be received.
- C. As the amount of benefits that could be paid over a twenty-four month period if a family received the maximum payment for that period of time.

RECOMMENDATION: OPTION B, as twenty-four cumulative months, with OPTION C (the cash-limit version) as a demonstration option. Yes

Discussion:

- 1) Option A suggests an entitlement to benefits. More

importantly, it would discourage a family from accepting employment before its eligibility for transitional assistance was exhausted because any months off assistance would be seen as lost opportunities for financial and other forms of support.

- 2) Under Option B, those who go off the rolls because they have taken advantage of employment opportunities have a safety net and services available to them if they are unable to sustain their employment.
- 3) Option B is not ideal because not all monthly welfare checks are full checks. Separate rules have to be developed on how to treat families who are receiving partial checks because they are working or for other reasons. Option C, the cash limit, deals with such cases more easily.

Under Option C, the limit is expressed in dollars rather than months. A resident of a State with a maximum benefit of \$400 per month would be able to receive no more than \$9600 in benefits (24 months worth of benefits at \$400 per month). Under Option C, an AFDC recipient working part-time would be eligible for the same total amount in benefits over her lifetime as a recipient who did not work, eliminating the work disincentive associated with Option B. Appendix D provides a more detailed discussion on how Option C might work.

NO
DIFF.

Issue V. Would an up-front grace period count towards the 24 months?

OPTIONS:

- A. Up-front period (when participation is not mandatory) would count towards time limit.
- B. Up-front period would be a true grace period.

NO
GRACE
PERIOD

RECOMMENDATION: OPTION A; it would count.

Discussion.

- 1) Option B might be viewed as an attempt to circumvent the two-year limit. The extent of this perception would likely depend in large part on the length and nature of the grace period. For example, structuring and billing the grace period as a diversion program, perhaps with recent work experience as a prerequisite for participation, might mute such criticism.

- 2) If we have a non-mandatory period for a few months, it should probably be labelled differently because advocates have properly argued that it is not a true grace period if the clock is running.

Issue VI. Is the two-year limit a lifetime limit?

OPTIONS:

- A. The two-year limit is an absolute lifetime limit.
- B. The two-year limit is a lifetime limit, but emergency assistance might be available periodically for families which subsequently undergo a crisis.
- C. The two-year limit is a lifetime limit, but emergency assistance is available and individuals whose eligibility has been exhausted can earn additional months of assistance for months of work and/or time spent not on AFDC. YES
- D. The two-year limit is renewable in whole or part after several years:
1. Once the limit is reached, a family is precluded from receiving benefits for a fixed number of years (such as five) from the time the limit is reached; or
 2. A family could accrue a maximum of 24 months worth of benefits in any five-year period, beginning from the date of entry into the program. The clock would start anew at the beginning of the next five-year period.

RECOMMENDATION: OPTION B or C, with Emergency Assistance as an available option.

Discussion.

- 1) Option B and C both give clear meaning to the two-year time limit but Option C better recognizes that the jobs welfare recipients obtain are in general characterized by high turnover. According to Donna Pavetti's work with NLSY data, 57% of those who leave welfare return within two years. Granting credit only for time spent working, as opposed to time not on AFDC, explicitly encourages labor force attachment. YES

→ what if people move to another state?

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To minimize the record-keeping burden, we assume that case closure records should contain information on the number of cumulative months of assistance received by the adults in the case. Also, records might need to include Social Security Numbers or some other common identifier (which might represent a substantial departure from current policy regarding Federal records systems). Better interstate communications would also be needed.

- 2) We assume that assistance would be available to help families keep jobs or get quickly back into the labor force when they lose a job, although such a work support system has not been established.
- 3) We are assuming that cross-State tracking is feasible, and that receipt of assistance in one State would count towards the time-limit in another State. | YES
- 4) Option D does not establish a flat lifetime limit, but it may have only limited cost implications since families who have been off assistance for a longer period of time are less likely to return than those whose exit is more recent. It should receive greater consideration if post-transitional support proves very expensive relative to support during the transitional period.

Issue VII. How should individuals be encouraged to accept available employment during their time on AFDC?

OPTIONS:

- A. Extend the time limit one extra month for every two months that a recipient participates in full-time work or part-time work at an acceptable level; or
- B. Provide modest cash incentives:
 - 1. Allow States to use retrospective budgeting and eligibility determinations when individuals accept work (In other words, don't insist that assistance be stopped immediately upon receipt of a job and require families to return the last one or two AFDC payments); or
 - 2. Allow States to pay cash bonuses for those taking employment; or
 - 3. Encourage States to establish State Earned Income Tax Credits, perhaps by offering to match the State

credits with Federal funds (this would be in addition to the Federal EITC). An example of how this would work follows:

A single-parent family of three resides in a state that has established a state EITC equal to 10 cents for each dollar of earnings below \$5000. If the parent earned \$2000 in 1994, the family would be eligible for \$600 in Federal EITC payments, \$200 in State EITC payments, and \$200 in Federal match for the State EITC payment, for a total of \$1000 in Earned Income Tax Credits.

4. Permit States to disregard employment bonuses or State EITC payments when calculating benefits and/or eligibility.
- C. Allow individuals who have been on AFDC to continue receiving education and training services after they leave welfare:
1. Authorize such services as long as they are consistent in scope (but not necessarily in detail) to the original employability plan; or
 2. Create a voucher system which authorizes payment for a particular level of service or gives an individual priority for services available elsewhere in the community.

RECOMMENDATION: ALLOW STATES TO EXPERIMENT WITH DIFFERENT OPTIONS.

Discussion:

- 1) There is some evidence that education connected to work, or following work experience, may be more effective than education alone. If so, our policies should encourage individuals to work when possible and appropriate. Recipients should not risk loss of access to cash benefits or educational and training services as the result of obtaining employment.
- 2) At the same time, we do not want awards and bonuses to be too liberal because they could easily increase overall program costs. Under the current system, many individuals leave welfare after only a few months. If we substantially increase the costs for these early-out cases without greatly increasing case closures, we will be using up resources which might be better used elsewhere.
- 3) Since we have little experience with these options, States

should have the ability to experiment. However, our experience to date with bonus policies has been discouraging so other options might take priority.

Issue VIII. How should a time-limited program be implemented?

OPTIONS:

- A. On a demonstration basis.
- B. Targeted to a particular category of individuals.
- C. On a schedule of stepped-up expectations. (See appendix C for an example of how this could work.)

NO SPECIFIC RECOMMENDATION; SUGGEST CONSIDERATION BE GIVEN TO A COMBINED APPROACH.

Discussion.

- 1) Option A seems to be an inadequate response to the President's charge, unless we expect most, if not all, States to participate by testing alternative time-limited approaches. At the same time, given the number of major unknowns with which we are dealing, an experimental approach has great appeal.
- 2) There is evidence to recommend particular targeting schemes, but the appropriate strategy might differ depending upon whether the primary objective is to reduce dependency or avoid undue disruption and chaos during implementation of the new system. Also, the targeting scheme might vary depending upon the State's proposed service strategy. With no national service model, it makes it more difficult to establish a sound national targeting policy. Our general recommendation has been to allow experimentation where we lack sufficient information to justify a particular national policy. Therefore, we have reservations about setting a national targeting strategy.
- 3) A stepped-up expectations approach has two advantages: a) it recognizes that implementation of major change takes time; and 2) it builds in time for learning and making adjustments. However, it may not be feasible. It is unlikely that we have the baseline data we would want for implementing such a system. Also, it can be difficult to set specific expectations so they are both reasonable (in terms of the amount of progress they expect) and fair (in terms of not penalizing States which have already made strides towards

YES

reducing dependency). Appendix C outlines an example of a complicated stepped-up expectations approach.

great
Issue IX. To whom should the time-limited program be first targeted?

OPTIONS:

- A. New applicants.
- B. Returning applicants.
- C. Current recipients.
- D. Other categories of individuals.

RECOMMENDATION WITH RESERVATIONS: TARGET TO NEW APPLICANTS

Discussion:

- 1) Data from the welfare-to-work research suggests that targeting new applicants is appropriate for a couple of reasons. First, it would allow the States to gradually develop the capacity needed to provide transitional and post-transitional services to a much higher percentage of the caseload than they now serve under JOBS. Secondly, there is research suggesting that programs are particularly effective in serving new applicants; therefore, targeting new applicants might be the most cost-effective use of resources.
- 2) The selection of applicants as a target group is open to challenge. First, a multivariate analysis done at the University of Wisconsin suggests that programs serving applicants may have done better because applicants are an easier group to work with rather than because they were applicants. Second, the available research generally covers programs that served recipients with school-aged children; we do not have information covering the full range of applicants and recipients and programs that incorporate a much broader service strategy. We can only speculate that comparable findings will result when the nature of the participants and interventions change.

Another concern is that targeting to applicants may contravene the goal of reducing long-term dependency. New applicants is the category of individuals least apt to stay on welfare for a period of more than two years. In his remarks to the governors in February, the President said that the people we really need to help are those who stay on for eight years or more.

- 3) It may take longer to end welfare as we know it if we defer

NO, HE DIDN'T

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targeting of the most difficult cases; however, it is not clear that we know how to serve them effectively. Targeting new applicants would buy us more time to explore that issue.

NO

Appendix A

TIME LIMITS IN THE CONTEXT OF A FULL PARTICIPATION, HUMAN DEVELOPMENT MODEL OF A TRANSITIONAL SUPPORT SYSTEM

Under a human development model of the type proposed by Toby Herr, all recipients would be required to participate in approved activities, but the immediate goal of the activity would not necessarily be labor force attachment.

The case plan for each recipient, including the expectations and goals, would be developed by the caseworker in conjunction with the recipient and would be determined by her circumstances. A recipient whose family situation is volatile might have a case plan calling for her to attend domestic violence counseling, take her children to school each day, keep their immunizations up to date and attend parenting classes.

Recipients with very low levels of basic skills and/or no work experience might have a case plan requiring them to perform volunteer work in the community for a certain number of hours each week, as well as, for example, attending all scheduled parent-teacher activities at their children's schools.

The ultimate goal for all cases would be economic self-sufficiency, but the short-term aims might include improving the children's health status and stabilizing the family's housing situation. The overall goal would be to enhance the parent's capacity to handle her full range of responsibilities, in the process improving the family's health status and standard of living.

This model recognizes the enormous diversity in the welfare population and the difficulty of applying a single set of rules to all categories of individuals. It does place a considerable responsibility on the shoulders of the caseworker, who would be charged with developing a service plan that was both suitable to the family's situation and moved it towards self-sufficiency at an adequate pace. Accompanying that responsibility would be the flexibility needed to respond to an individual family's particular needs and changing circumstances. Such discretion is consistent with re-inventing welfare, as discussed in the paper on that subject.

A human development model of the type outlined here is not, however, compatible with a single time limit applied to all recipients. The length of stay in the transitional program would depend on a recipient's circumstances and service plans, which would be changing over time.

NO

To help such an option meet the President's goal of ending welfare as we know it, requirements could be imposed on States to keep the average length of stay on welfare less than two years and/or to reduce or limit the number of recipients who spend over two years on welfare (see options discussed on page 3 and Appendix C: Stepped-Up Expectations).

IT IS
NOW

Another option is to restrict the range of approved activities for recipients who have spent at least two years on transitional assistance to activities classified as work. Work would be defined broadly to include not only CWEP, work supplementation and on-the-job training but also community service and education and training, but not the full range of human development activities described above. States might be required to enroll in CWEP-style work slots only those recipients who have accumulated 24 months on welfare and are not engaged in other work-type activities.

A full participation model might garner considerable political support, if dissatisfaction with the current welfare system is attributable largely to the perception that recipients are "doing nothing," as opposed to being the result of resentment that recipients are not working (in nonsubsidized jobs).

The full participation model also holds promise of delivering non-economic benefits, including, for example, improved health outcomes for children as a result of regular school attendance and visits for preventive care. A model of this type, with its greater range of approved activities, might well be less expensive than a model in which education and training activities would be required for all participants.

Finally, an argument can be made that the President's public statements on the subject of welfare reform imply not only provision of education and training services to help recipients become job ready, but also two years of additional assistance not tied to work. A model that minimizes deferrals, maximizes participation, requires early intervention with at-risk populations, and early job acceptance by employable recipients could be considered more rigorous than the President's public position.

NO
WAY

Appendix B

IMMEDIATE IMMERSION WITHOUT A TIME LIMIT

A few demonstration models such as the Riverside GAIN program and the Kenosha JOBS program currently operate under a full participation immersion model in which JOBS participants are prepared for employment immediately. The focus of these programs is to get participants into jobs as soon as possible. These programs argue that a time limit is not necessary since all recipients are expected to work or prepare for work in order to receive assistance. Sanctions are applied from day one when recipients do not participate as expected.

→ Kenosha County reports that by using an immersion approach, only 20% of the JOBS population stay on welfare for more than one year and 91% are off of welfare within two years. Of the 9% still on welfare at the two year mark, 39% of the recipients are participating in post-secondary education, 19% of the recipients are working but are not earning enough to leave welfare, and 12% are reported to be disabled. Some portion of the 9% also included persons participating in ESL. With these figures, Kenosha argues strongly that the majority of the 9% who would hit a two year time limit are making a good faith effort toward self-sufficiency and/or might otherwise be given an extension or exemption due to disabilities, language barriers, etc.

so why
be afraid
of a
time limit?

It is arguable, then, under a full participation, immersion model that an additional two year limit would be unnecessary and even administratively burdensome given that this model expects immediate reciprocal obligation and that few people would in fact hit the limit. Those persons that would hit the limit could be negatively impacted (both financially and psychologically) by the limit to the point at which their long-term progress toward self-sufficiency could be seriously impeded.

Appendix C

STEPPED UP EXPECTATIONS--A Further Example

Require States annually to reduce the number (percentage) of individuals reaching a two-year time limit

Let's say that under current law 30 percent of new applicants use up 24 months of benefits within 2 years, 40 percent within 3 years, 45 percent within 4 years, and 47 percent within 5 years. The requirement would be to reduce each of these numbers by 25 percent after one year, 40 percent after two years and 50 percent after three years. Then similar goals (in terms of reductions in the number of long-term recipients) would be set for returning applicants and recipients.

Simpler schemes could also be developed (see page 3 for an example). So could schemes which incorporate post-transitional work following the two-year limit.

too complicated

Appendix D

CASH LIMIT OPTION

Overview. The limit on cash assistance could be expressed as a cash rather than as a time limit. The total amount of cash benefits that the family could collect over their lifetime would be based upon the amount that could be paid to such a family over a twenty-four month period. For example, if a family lived in a State with a \$400 maximum benefit for that size family would not be able to receive more than \$9600 ($\$400 * 24$) in cash benefits. The cash limit need not be thought of as a bank account; an individual would not necessarily be more entitled to the \$9600 than to the full 24 months under a time limit system.

Guaranteed jobs would not be available to individuals who had not reached their cash limits. However, such individuals would have access to work opportunities available to recipients.

ADVANTAGES:

Employment Incentives

The system could provide incentives for early entry into jobs by converting a certain percentage of the unused assistance into a savings account (or an education and training account) for those who go off and stay off assistance. Taking the previous example, suppose the family stayed on assistance for six months (using up \$2400 in assistance). A year later they come back for four months, using up another \$1600. At this point they have a maximum of \$5600 available to them. The State could have a policy that, if assistance is not claimed for three years, one half of the unused amount can be converted into an account which can be used for housing, a car, the adult's education and training, or for their children's future education and training. In this case the family would have \$2800 as a potential account.

NO -
NOT
ENTITLEMENT

Emergency Assistance

Also, the system could accommodate an emergency assistance option by allowing a family to take a certain amount of cash assistance "off the top" to cover their emergency needs. This amount could be more than a monthly AFDC payment, but would reduce the potential amount of future assistance in such a case.

Part-time Employment

The system easily accommodates part-time employment. The more a family is employed, the more they earn, the less cash assistance they need, and the more slowly they draw down against their cash

limit. The adjustments are somewhat automatic, so the system is less complicated than a credit system. At the same time, it can easily accommodate a more flexible approach to budgeting and overpayments than the current AFDC program. For example, a family that takes a job could get a smaller reduction in their cash assistance payment than the AFDC rules provide or could receive one extra full cash assistance payment before reduction. The cost implications would not be the same as under the current system; the extra small expense at this point could be offset in whole or part at some future point.

Rather than earning additional time for years spent working or off cash assistance, the amount available for future cash payments could be supplemented. Extensions would be handled in the same way. Payments to families in suspended status would not be counted toward the cash limit.

Administration

This system might be easier for States to administer and easier for recipients to comprehend. The incentives for earlier and sustained employment might be clearer to recipients. Also, present technology would permit recipients to track their benefit situation without having to deal directly with the welfare system or its workers. They could use cards and PINS to get information on the amount available to them that month and over the course of their lifetime.

Cross-State Moves

A fairly simple formula could be used to determine how much assistance would be available to an individual who changes State residence. For example, consider an individual who has received \$3000 in benefits from State A, which has a 2-year cash limit of \$12,000 (maximum monthly benefit of \$500), and moves to State B, which has a 2-year cash limit of \$7200. The recipient has received 1/4 of the cash limit in State A. The recipient is therefore eligible for a total of \$5400 in benefits from State B (3/4 of the total \$7200 benefit).

Education and Training Support

Education and training activities could be supported and tracked in several different ways.

- 1) The education and training rules could be the same under a cash-limited system as under a time-limited system. The level and type of services to be provided could be established under an employability plan. Once approved, the services could be accessed regardless of whether cash

assistance were received during a particular month.

- 2) As stated previously, unused cash assistance could be converted (in part) into an education and training account or into an account which could be used for education and training for any member of the recipient family for those families that get jobs and stay off of welfare. Anecdotal evidence suggests that providing education and training funds for children might work as a powerful incentive for their parents.
- 3) In theory, a separate education and training account could be established for families entering welfare. This amount allocated to this account could be based on the level of deficits the family faced when they come into the system. The advantage of such a system would be that it ties education and training services less tightly to welfare receipt, allowing for better continuity in such services even where welfare receipt is somewhat erratic. However, there are also potential disadvantages.

First, it will be difficult to define the account. A dollar limit would not necessarily work because of the availability of publicly funded education and training services. A voucher (coupon) system might be developed which more specifically identified the type and level of services which were being authorized. However, if recipients took jobs and their life circumstances changed, the approved voucher might no longer be appropriate and re-authorizations might be required.

This option tends to look like a special welfare-based entitlement. It more clearly raises equity concerns (about services available to welfare recipients versus other disadvantaged families), and it could create significant entry effects.

Yes it does

Under this system, it would be more difficult to control the types of services or service providers which recipients use. Even under the existing system, where more controls are in place, there are serious concerns that welfare recipients do not always undertake activities from which they can benefit (e.g., because the program is poor, because the occupation is not sufficiently in demand, or because they lack needed skills). Unless carefully crafted, this system could waste additional education and training resources.

DISADVANTAGES:

Entitlement Mentality

Under a cash-limited system it may be more difficult to keep families from eventually reaching their cash limit. It will be difficult to eliminate the perception that the cash limit represents an account that is available and which can be drawn upon.

Recipient Independence

To the extent that this system would give recipients more control over use of their money and might enable them to avoid direct contact with welfare workers, there are risks involved. These risks could be reduced, but not eliminated, if recipients received good orientations, including financial counseling, and the State paid attention to the quality of its case management system.

Service to the At-Risk

It can easily be argued that a cash-limited system could be more beneficial to the most advantaged families and more detrimental to the most at-risk families. The most advantaged families might get more cash and services out of the system than they would get out of an alternative system. Those capable of getting jobs early might end up with hundreds of extra dollars as a bonus for taking that early job. The most at-risk families, on the other hand, might be less apt to use their cash limit wisely; they would be less apt to understand their long-term prospects and to draw down their cash prudently. The cash-limit system suggests (but does not require) more recipient discretion and less staff oversight; it therefore entails more risk, particularly for the at-risk family.

Policy Complexities

While the cash-limited system seems very straightforward, it does raise some policy questions which are not easily resolved. Most particularly, what access to past, unused benefits does a family have? For example, suppose a family draws down its full benefits for three months and then draws down only half its monthly benefits for the next three months. If, in month seven, the family wants or needs to withdraw more than one month's worth of benefits (e.g., because it has fallen arrears on its rent), is it free to do so? Or, is it free to past unclaimed amounts only up to a certain limit? Or is it restricted to one month's worth of benefits per month? The State could flatly limit the amount that could be drawn in any one month or have a presumptive limit, but allow case managers to waive the limit based on individual circumstances. However, this latter option would raise administrative costs and reduce the empowerment quotient for this option.

EARLY INTERVENTION STRATEGIES

Overview. Individuals coming into the welfare system face a variety of different circumstances. All are facing financial problems. For some, the financial problems reflect a one-time employment, family or personal crisis. Others are coming in because their ability to support themselves is marginal, and they need additional assistance in order to survive. Still others face serious, long-term problems in supporting themselves; they lack adequate job skills, and their personal or family circumstances seriously limit their ability to support themselves.

In part because of legal pressure and Federal rules, welfare staff have traditionally focused their energies on ensuring that they get cash assistance out expeditiously to families to alleviate their financial crises. This new round of welfare reform opens up the question again whether the welfare system should pay more serious attention to other (nonfinancial) needs when families comes in seeking assistance.

Issue I. Should There Be Early Service Intervention?

One of the major issues to be resolved in designing a service strategy for welfare recipients is deciding what participation strategy to follow during the first few months of assistance.

One argument says that, since families coming in the door are going through crisis, the welfare system should not compound the crisis by laying additional expectations on them. Rather, it should hold off on imposing participation requirements, letting these families catch their breath and get a chance to recompose themselves. Some families will be able to restabilize within two-to-three months and get back on their feet with little or no intervention. Others will be in a better position to participate effectively after a breathing period.

Another argument which is consistent with an early grace period is the view is that resources for education and training are limited and should be reserved for those individuals who cannot make it off welfare by themselves. Under this view, it makes sense to limit the availability of services during the first few months so that new recipients can naturally sort themselves out. Services would be largely reserved for those families who don't find their way off by themselves. (See appendix C for a more fully developed model based on this philosophy.) [NOTE: CLASP proposes a similar approach with a longer lag in service

intervention, and a concomitant extension of any time-limit.]

An alternative argument is that the welfare system should begin intervening right away and send an early and consistent message that individuals have a responsibility to become self-sufficient. Some individuals coming into the welfare system are capable of self-support and should be directed toward the labor force as soon as possible. By getting them to depart early, resources are freed up for more disadvantaged recipients. Other individuals coming in have multiple serious deficits and need to begin working on those deficits if they are to be capable of supporting themselves within two years. For example, teen parents are in a particularly vulnerable position and should be kept in school if at all possible. However, even for recipients who do not seem at high risk, there is concern that long lagtimes in referrals may have deleterious effects in terms of institutionalizing dependency and diverting the energies and focus of recipients from self-support to meeting the myriad demands of the welfare system. There is a related concern that switching signals after three or four months in terms of what the system expects and how important self-sufficiency is has little inherent logic and is likely to be ineffective. [NOTE: this concern could be alleviated if the initial orientation adequately explained the system's philosophy.]

In general, there is not sufficient empirical information available to support a mandate of any particular model. The available information does indicate:

Many recipients can be expected to accrue more than two years' worth of welfare benefits over time. However, a substantial portion can be expected to accrue less.

As a general rule, those with the longest and most persistent welfare stays are unmarried women who lack work experience, have low basic skill levels, and have their first child while in their teens. However, not all recipients with these characteristics are long-term stayers. Furthermore, some two-parent families with strong work histories stay on welfare for a long time.

The number of recipients expected to exceed two years on assistance goes down when recipients are subject to participation requirements.

Applicant job search can expedite welfare exits for a large variety of cases.

OPTIONS:

- A. Provide a grace period for three-four months during which participation in activities is voluntary. NO
- B. Begin mandating participation in services and activities from the time of application.
- C. Sort welfare applicants as they come through the door. For many recipients, including the "job ready," require applicant job search. For teen parents, require school attendance. For those considered highly "at risk," begin appropriate interventions including family support services, substance abuse referrals, medical or mental health assessments, etc. (See appendix A for a list of factors which could be considered in determining who is highly at risk.)

RECOMMENDATION: Allow States to decide which approach to take, except with their pregnant teen and teen parent populations. For these latter groups, there is enough evidence to support a mandatory early intervention strategy. NO!

There is also some evidence that applicant job search is cost-effective for a broad range of individuals. However, there is some disagreement about whether it is the best long-term strategy to pursue. Administrators from Kenosha, WI., and Riverside, CA., strongly argue for universal, early and employment-directed intervention. However, it is possible to refute their arguments. Therefore, while we could further encourage such approaches, it would be difficult to require them.

(Appendices A, B, and C provide some fuller descriptions of three alternative early intervention strategies.)

Issue 2: Should There Be An Alternative System for Addressing Family Crises?

Overview. For many families going through a crisis, AFDC is the only program available to provide assistance. However, AFDC may not be the most appropriate source of support. First, the crisis may not be primarily financial in either origin or nature; the family may have service needs (such as housing or employment) which are more critical. Since AFDC programs have traditionally focused their energies on issuing cash assistance, and face Federal funding restrictions, many have a limited ability to meet the broad service needs of families in crisis. Secondly, some of these families may not be dependent by nature. It could be financially and psychologically damaging to put them on welfare

as a condition for receiving even short-term support. There is reason for concern that the existing system might actually increase dependency in such families. An area of particular concern is the strict resource limits (which cover both automobiles and liquid assets) in the AFDC program. Many argue that these limits ensure that families become destitute; further, low benefit levels and lack of other supports may work to keep them destitute.

A number of States (42) operate an emergency assistance program (AFDC-EA) which can assist families facing emergencies. While EA is more flexible than AFDC in terms of the types of assistance States can provide and the families they can serve, States limit the amount and type of assistance they provide, as well as the circumstances under which they provide it. States have traditionally used EA largely for purposes related to the prevention of homelessness. More recently, they have been increasing their expenditures for child welfare and family support services under EA. Federal matching funds are available at a 50 percent matching rate for State expenditures on EA benefits and administration. (Therefore for the poorer States Federal matching for EA is less generous than for regular AFDC benefits.)

While the above discussion suggests that the concept of EA should be expanded, there are some serious concerns with the current system. One concern is that EA is an open-ended entitlement and therefore has unlimited potential for growth. A second concern is that a few States are using EA to pay for welfare hotels and other exorbitantly priced and inappropriate temporary housing situations. Under the present rules, there is little Federal authority to prevent or control these types of expenditures.

STOP
THIS

OPTIONS:

- A. Encourage the use of EA as an assistance system which meets the needs of families in temporary crisis and enables them to stay out of the welfare system.

One way to encourage greater use of EA would be to pay the regular AFDC matching rate for EA expenditures. Another would be to eliminate the requirement for administration by the "single State agency"; the latter change would facilitate administration by a Work Support Agency or another non-welfare agency which provides support to working, low-income families.

- B. Authorize and encourage demonstration projects to test whether the EA program can effectively serve as a

welfare diversion system. (See appendix B for a fuller description of how such a system could work.)

- C. Authorize and encourage demonstration projects to test whether the EA program can effectively serve as a welfare diversion program, but only in the context of a proposal to limit the costs of the EA program.
- D. Given the risks inherent in the current system, do not expand the concept of EA.

RECOMMENDATION: Option B or C, authorize demonstrations of a welfare diversion model, if concerns about EA costs are adequately addressed. Given our lack of experience with a welfare diversion system, a good demonstration project, with a strong evaluation component, is appropriate. If the system is similar to the existing EA program, but designed as a true alternative to the first few months of welfare, the cost implications might be minimized.

[Note: The State of Utah has a diversion component in its welfare reform demonstration project. The very early results of this project suggest that further demonstrations would be fruitful.]

- Appendix A--Welfare Diversion/Family Stabilization Model
- Appendix B--Family Preparation Model
- Appendix C--Breathing Space Model

→ let people out of partic. restraints if they agree to get off ADC w/in 3 mos
Don't set up separate system.

APPENDIX A

A Welfare Diversion/Family Stabilization Model

Overview: Under this approach, the short-term period of assistance would be used to address the family crisis that causes the family to seek assistance, in the hope of keeping it from ever going on welfare. While such an approach might not be successful or appropriate for certain individuals, it would give States greater flexibility to meet the needs of families in crisis without requiring that they become destitute and dependent in the process.

This program is best suited for families whose crisis is essentially financial and/or related to the lack of a job. It could serve families which have faced a recent catastrophic disruption in their lives (such as the loss of housing), as well as those whose crisis has been evolving for a long period of time (i.e., whose eligibility for unemployment insurance has expired). Individuals who could not be expected to resolve their employability problems within four months would not be candidates for the welfare diversion program; they would continue to be served through the welfare system. For such individuals, the short-term period of assistance would serve as a family stabilization program. Individuals who are at moderate risk for dependency could be served through either system. [NOTE: The Utah program makes diversion available to those who agree to a denial of their AFDC application and are determined unlikely to need ongoing assistance.]

If a separate Work Support Agency is established (and communications with the welfare agency can be worked out), it would be appropriate to provide emergency assistance through such an agency.

Assumptions for this model:

- o All families entering the welfare system are facing a rather desperate financial situation. However, they come to the door with different prospects and needs.

Many of the families have prospects for long-term dependency because they have a limited ability to support themselves and to cope with life's stresses.

For others families, the need for cash assistance is an aberration, precipitated by a major disruption in the family's life or an unusual convergence of financial and family problems.

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For still others, the situation might be episodic because the family's financial situation, coping mechanisms, and ability to support itself are too tenuous to fully protect it when special needs arise.

- o Better supports for working families (e.g., in the form of an enhanced earned income tax credit and a more supportive employment service) [possibly together with child support assurance payments] will help families become more financially stable, make them less vulnerable in times of disruption, and less likely to need welfare assistance.
- o The financial stresses that bring families to seek assistance are often associated with other environmental and family stresses. At least for some families, it is important to address these latter stresses in order to achieve successful participation in education and training programs and successful transitions to self-support.
- o To keep families from coming into the welfare system unnecessarily, an alternative assistance system should be established which addresses not just the family's financial situation, but also the social service needs associated with its crisis.
- o For families with the most severe family and employability problems, early intervention is critical because it will be extremely difficult to get them prepared to participate successfully in the work force in less than two years.

Length of assistance:

- 1) Short-term cash assistance, in the form of emergency assistance, would be available for the equivalent of four months. (Utah's payment includes up to three months of benefits.) While a three-month limit would probably be preferable, some States might be slow in getting services together to resolve the family's crisis. Also, a good two-three months of job search and development assistance should be available before the family is forced into the welfare system.

For those receiving assistance through the welfare system (i.e., the family stabilization program), four months could be available as a "grace period" when no work requirements or financial sanctions would be imposed.

In either case, the period of time for which the short-term assistance is provided could count against the "24-month" time-limit.

- 2) In the case of emergency assistance, States would have the flexibility to advance payments in order to resolve a family's crisis. However, they should exercise care in doing so because any such payments would count against the 24-month limit to the same extent as assistance paid on a regular schedule. Further, if the family ran out of funds and needed to enter the regular welfare system before four months had expired, the family's access to other forms of short-term assistance would be curtailed. In no event would more than four months worth of cash assistance benefits be provided as emergency assistance.
- 3) Families needing just one or two months' worth of emergency assistance could come back for residual emergency assistance if they are again needy. Alternatively, they could go to the welfare system, with 22-23 months of eligibility remaining there.

Availability of Assistance and Services

- 1) For those in the welfare diversion (emergency assistance) program, the State would have to provide cash assistance, as well as:
 - a) job search services, including intensive job search and development services for those who had recent, unsuccessful experience looking for jobs on their own (or in FS or UI programs);
 - b) case management, counseling and family support services;
 - c) expedited child support services, where appropriate;
 - d) financial planning and tax assistance;
 - e) housing referrals;
 - f) child care referrals;
 - g) transportation assistance; and
 - h) education and training referrals.

(Utah deems diversion recipients to be AFDC recipients for three months. Thus they would have access to services through JOBS.)

Under all models, the welfare diversion model would be

available to those with a recent history of self-support and no serious impediments to continued self-support. However, in some models, access to the program could be much broader. States would therefore have the flexibility to add the following additional services, as appropriate: referrals to health screening and assessment, medical care, mental health services, substance abuse treatment, vocational rehabilitation services, and referral to community services.

- 2) Because of budget constraints, only individuals in needy families would be eligible on an entitlement basis for emergency cash assistance, child care, and education and training. Need would be established on a basis similar to the existing AFDC program, using similar rules for income and liquid assets. However, the family could have up to \$10,000 in equity value of an automobile, and there would not be monthly redeterminations of benefit levels.

(Like under the current system, the asset limits could provide some reward to or incentive for families who spend their resources rather than save. It is unlikely that there will be sufficient budget or political will available to extend eligibility and services to families with resources available, but modest changes to the general resource limit should be considered.)

Only two month's worth of emergency assistance could be provided before basic verification of income and circumstances. Any misrepresentation of circumstances would result in lifetime ineligibility for further emergency assistance, plus a penalty or fine equal to three times the amount of overpaid assistance.

- 3) Assistance to pay for child care, education, and training could be authorized for up to two years for individuals who would otherwise be eligible for AFDC, on a comparable basis (i.e., they could be deemed to be AFDC recipients). Other low-income families could get such benefits on the same basis as other families served by a Work Support Administration.

Families receiving special support for child care and/or education and training (as would-be recipients) could have separate clocks running to track their eligibility for such services. If they subsequently needed cash assistance, they would be able to receive it, but they would be expected to engage in work or work activities if they had received two years' worth of education and training services through the welfare diversion program. Child care would be available for anyone subject to work requirements or guaranteed work,

→ Why pick fight over ST/LT recaps?

→ Why create new benefits for a pop. that ~~was~~ doesn't get trapped by current system?

regardless of prior receipt.

- 4) The welfare diversion system would work best for families with a history of self-support and with no serious impediments to continued self-support. It would not be appropriate for:
 - a) teen parents who have not completed school;
 - b) families which are subject to oversight by the protective services or criminal justice systems;
 - c) individuals with serious basic skills deficiencies and no work history;
 - d) those with disabling physical or mental conditions (including serious substance abuse problems); and
 - e) pregnant women.

The above categories of individuals would participate in the family stabilization program and be referred by case workers in the welfare agency to appropriate support services.

During the first four months of assistance, case managers would work with these individuals to encourage them to utilize those services which would put them in the best position to participate successfully in education, training, and work. These would include a variety of family crisis services such as housing referrals, family support interventions, and substance abuse referrals. In addition:

- o Teen parents and pregnant teens would receive family planning and parenting services and encouraged to attend appropriate schooling.
- o They and other families with multiple risk factors might receive home visits as part of a case management system.
- o Pregnant women would receive family planning, parenting, health counseling and related services, where appropriate. Those with basic skills deficiencies might receive early referral to educational services.

Families who receive their initial assistance through the welfare program would convert to mandatory participants at the end of four months. They could opt to begin participation at any point during the first four months.

- 5) Individuals whose employability was uncertain could show up and receive assistance through either the emergency assistance program or the welfare system. Those who have difficulty keeping appointments or fulfilling application and verification requirements would be bumped to the welfare system.
- 6) Families who participate in the welfare diversion program, but are not successfully diverted and still need cash assistance, could obtain such assistance only through the welfare system. Upon entering the welfare system, they would be subject to participation requirements.

[If the idea of replacing welfare is still alive, there could be an alternative approach here to offer up to two years of education and training stipends, along with other education and training supports, as an alternative to welfare. Individuals who take this route would be eligible for job search assistance, financial support during job search, and work assignments when their stipends run out.]

Re-eligibility: Families who have not received emergency assistance in the past two years, and families who have received less than two years' worth of welfare and emergency assistance combined, may receive emergency assistance worth up to two months of benefits.

States would have the option to treat any subsequent emergency assistance as a loan program, with individuals expected to pay back assistance before qualifying for re-eligibility.

States could also impose good cause requirements. For example, they could deny emergency assistance to a family which voluntarily quit a job, without cause.

Model Adaptations Under A Human Development Model: Under Toby's model, individual families could choose whether to receive their initial assistance in the form of welfare or emergency assistance. Both programs would provide a full orientation on the two alternative programs, explaining the differences and implications of selecting one over the other. Those who opt for the welfare approach could choose either a four-month grace period or proceed immediately into a 24-month period of "intermediate" assistance.

Model Adaptations Under the Labor Force Attachment Model: Education and training support would be authorized only for those who were unsuccessful in locating jobs or for those who were successfully diverted and earned education and training credits

by supporting themselves. The amount of credits earned would depend on the length of time the family supported itself through unsubsidized employment. Also, the range of services provided through the welfare diversion program would be scaled back, and there would be no requirement to provide counseling, financial planning services, referrals to social or health-related services, family support services, or education and training referrals. Case management and assessment activities would be limited in scope also.

Model Adaptations for the Revised JOBS Model: Both the Work Support Agency and the welfare agency would conduct assessments, including evaluation of basic skills and identification of major employment obstacles. If the Work Support Agency is focused on services for "job-ready" individuals, those for whom significant employment barriers and social service needs (or needs for medical, mental health, rehabilitation, etc. services) are identified, would be referred to the welfare agency for further assessment, referral, and cash assistance.

Implications for the Intermediate Term Hopefully, under this model, a number of the most employable individuals and families will be diverted from the welfare system. Some, however, will come into the welfare system where they will be merged with other families who have received four months' worth of welfare benefits. It will be very important to establish a good system for communication, information sharing, and referrals between the two systems to provide continuity in services and to prevent duplication in assistance. Also, under both streams, many of those families facing the greatest instability should have begun receiving services which will help stabilize their lives and prepare them to work or participate more successfully in education, training and related services. By the time the 20-month period begins, welfare recipients should understand the nature of their rights and responsibilities in the system and be ready to begin participation at an appropriate level.

APPENDIX B

Family Preparation Program
(Short-Term Assistance "With Strings")

Overview: This program is one in which applicants to the welfare system would pass through on the way to economic independence or intermediate-term assistance. This is a 60-120 day phase of cash and other assistance which relies heavily on: 1) orientation of the applicant to the requirements of the welfare system and services available to foster independence; 2) evaluation and counseling regarding the short- and long-term needs of the family as they relate to economic independence; 3) provision of a menu of supportive services which should serve as a spring-board to economic independence for the family.

This program is not emergency assistance in the way most EA programs are now defined. It is designed for those persons who would otherwise meet the eligibility requirements for AFDC, or welfare as we know it. [We may wish to endorse a strictly emergency program which would make one-time rent or utility payments, or provide food or transportation costs on a one-time, or strictly limited, basis for families who have a regular means of support. However, such an EA program could have vastly different eligibility and would not necessarily feed into the regular assistance program.]

This program would be very similar to the intermediate-term, mandatory, program being considered. It may be viewed as an orientation to the intermediate program; however, if done deftly, it could serve as a diversion program because of the quality of services and support offered at the beginning of the family's contact with the system. The phase does not require the applicant to perform any particular activities, except to go through orientation and evaluation/counseling. Where the family circumstances call for obvious services (e.g., child support enforcement, drug/medical treatment, child care prior to job search, etc.), then the family applicant would be asked to enroll for those services as a condition of future support. These are the "strings" mentioned above. No sanctions would be imposed for failure to enroll in activities or participate during this first phase. However, the period would be treated somewhat like the current conciliation period. It would be used as an opportunity to identify and eliminate obstacles to participation. Individuals who do not show up would be actively pursued (through home visits if necessary), and staff would place great emphasis on the importance of participation and making progress towards self-sufficiency. Also, they would make note of the prospects for future sanctions.

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Economic independence is defined as non-reliance on cash assistance through the welfare system.

Assumptions in this model:

- Families that apply to the welfare system are usually in very fragile economic circumstances. While there is a proportion of families that come onto welfare and leave quickly, never to return, many lack the stability (i.e., education, work history, job opportunities, reliable child support, reliable child care, etc.) which allows permanent exit from the welfare rolls.
- Early intervention with an active and workable system of supportive services and psychological support is better than allowing a family to relax into a "breathing space" of cash assistance from which it will be harder to emerge in 3 or 4 months.
- Evaluation of the family's circumstances very early in the process helps even those relatively independent families to plan realistically and with some direction and support. Such planning is often hard to do alone and under the crisis circumstances which brings the family to the welfare system.

Length of Assistance:

- 1) The appropriate period of assistance is from 60 to 120 days. Persons who have start dates for jobs, or who have not worked long enough to have built up a reasonable reserve, should receive extensions of cash assistance without further mandatory activity.
- 2) This period of assistance will count toward the 2-year limit.

Availability of Assistance and Services:

- 1) Besides cash, the State agency would make the following services available as needed and appropriate: orientation/counseling for applicants, food stamps, job bank, day care vouchers or referrals, housing referrals, medical care, transportation assistance, child support enforcement, GED programs, etc.

These services would be offered to all persons, as needed, who would qualify for economic assistance under eligibility standards.

TRANSITIONAL SUPPORT DRAFT PAPER, FOR DISCUSSION ONLY, 10/1/93

- 2) Some services would be available to all persons who appeared to need them (e.g., child support enforcement, day care referrals; referrals to GED program); other services would be available to persons passing some presumptive tests after initial screening (e.g., food stamps, housing referrals, transportation assistance, job bank); other services would require verification of eligibility (e.g., day care vouchers, medical care, cash assistance).
- 3) Activities expected of recipients:
 - orientation and counseling - group or individual meeting with an interim case worker to learn of the service menu and expectations for participation in the intermediate program;
 - participation in an individual evaluation session with a case manager to outline the family needs and develop an independence plan;
 - enrollment in needed services (e.g., child support enforcement, housing referral, job bank, drug rehabilitation, pre-natal or well-baby treatment, etc.);
 - regular reporting-in on progress on the independence plan.
- 4) This type of short-term assistance should be available in general to all recipients.

The following situations would be treated as special case situations:

- Persons who are suffering from some short-term disability, such as late-stage pregnancy, or an acute illness, could be excused from some activities (e.g., enrolling in job bank, or child care referral). However, if they are able to come into the welfare office and apply for benefits, they should be able to attend orientation and (perhaps) evaluation sessions.
- (Non-parent) custodial relatives of dependent children would be excused from activities, but provided information on available services.

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- Persons who are suffering through a time-limited work lay-off period with no unemployment benefits would be excused.
- 5) This is a simple, but highly individualized program. Its success will depend upon the applicant's sense that there is an overall expectation of independence inculcated within the system. The caseworker/manager is there to get the applicant started and to offer whatever services can be provided to move the applicant in the right direction. Thus, there are no special exclusionary rules except one: at the end of two years the applicant is expected to work. Whether the applicant works in a better paying private-sector job or in a public-sector job for welfare rates is going to depend on the quality of orientation and preparation during this initial phase and throughout the mandatory period.

Re-eligibility:

Because families in this economic category are often living under extremely unstable circumstances, it is possible for a family to find itself repeatedly in crises through job loss, illness, pregnancy, loss of child care, etc. Under such circumstances it is likely that families would reapply for welfare after having been independent for a reasonable period.

Blanket rules about recurring enrollment are dangerous. On one hand, if 4 or 5 years pass between applications for assistance, and it appears that the family has been relatively independent during such a period, and if it appears that with a bit of counseling and support they get back on their feet, then we should consider letting the family have a new 60-120 day period without heavy mandated activity.

If, on the other hand, the family appears very unstable and with frequent contacts with the system, then it seems that they should be placed in an intermediate status right away, with mandated activities and a large amount of support.

APPENDIX C

Breathing Space Model

Overview: This option minimizes mandates during the first few months of assistance. AFDC recipients would be given a short, one-time opportunity to receive cash assistance and basic counseling with no mandatory program participation.

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Assumptions:

- 1) Recipients should sort themselves out; people who can find an alternative to welfare on their own have some time to do so. There is some question whether welfare staff and the tools available to them are particularly effective at identifying the most appropriate individuals for participation.
- 2) Program resources are limited and should be reserved for those who need more intensive services over a longer period.
- 3) Welfare agencies may not have the capacity to provide extensive services immediately to all new enrollees.
- 4) More information needs to be gathered on the value of up-front intensive services.

Time Period:

Any family qualifying for welfare for the first time would be able to collect cash assistance for a 90-day period on an unconditional basis. A family could receive assistance on this basis only once. If they left and re-entered, they would be immediately placed under the (mandatory participation) rules of the longer-term assistance program. The reason for this "first-time only" rule is because people who apply for welfare multiple times are likely to require more attention and should begin participating more quickly. By nature of their return to the rolls, they would be self-sorting themselves into the category of individuals needing intervention.

Interaction with the Time Limit:

This period would be counted towards a family's total time on cash assistance. Including short-term assistance in the time limit avoids the accusation that this is just another loophole to lengthen the effective eligibility period. Exemptions that are granted on the basis of identifiable hardship will be more defensible.

Access to Assistance:

States must grant cash assistance using the same eligibility requirements as during the mandatory period. States must assess the applicant's needs for financial assistance and to provide basic information and counseling about available services. Recipients have the right to participate in any of the programs offered to mandatory participants and can be added immediately to any waiting list. States are encouraged, but not required, to have adequate capacity to offer assistance to individuals in the first 90 days. They are also encouraged, but not required, to offer inducements to those leaving early.

Exceptions to the Breathing Space:

Clearly some classes of participants are very unlikely to leave welfare on their own in three months. For instance, teen mothers who have not finished high school and have no work experience are unlikely to benefit from a laissez-faire approach. Therefore, program rules could be set up to make teen parents and other appropriate categories of high-risk individuals ineligible for the normal breathing space.

At the same time, if the time-limit rules allow re-eligibility to be established after a long period of time, such as five years, families might again be given breathing space when they come back.

JOB SEARCH / 1ST MODEL

SANCTIONS DURING THE TRANSITIONAL SUPPORT PERIOD

Background. Current law calls for progressive monetary sanctions against non-exempt individuals who fail to comply in meeting requirements under the JOBS program, refuse to accept available employment, or quit jobs--unless they have good cause. These sanctions take the form of removal the amount allowed for the individual's needs when the size of the family's AFDC payment is computed. When the sanctioned individual is the parent or other caretaker in the family, the check can be taken away from his or her control and issued to a third party in the form of a protective payment.

Prior to any sanction action, States must enter into a conciliation process with non-cooperating individuals to see if any disputes about cooperation can be resolved without a sanction. Also, individuals have the right to request a hearing prior to the imposition of a sanction.

The first time an individual is sanctioned, the sanction runs until the failure to comply ceases. Any second sanction must run at least three months. Any third or subsequent sanction must run at least six months.

For AFDC-UP cases, the needs of both parents are removed unless the second parent participates in the JOBS program or meets certain other specific requirements. This policy has proven very problematic because sometimes second parents are unable to participate due to no fault of their own. Prior to the passage of the Family Support Act of 1988, the entire family was denied benefits if the principal earner in an AFDC-UP case was subject to sanction.

Sanction rates for JOBS programs vary significantly across States, and in some States vary considerably from office to office. In part, these differences reflect differences in the extent to which the programs are focusing on voluntary or mandatory participation. However, they also reflect differences in program philosophy, saturation, administrative priorities, and views of the efficacy of such actions.

The experience of some of the best-known welfare demonstration projects, including the Riverside GAIN program, the Teen Parent Demos and Ohio's LEAP, suggest that sanctions--especially in the context of a strong supportive strategy--can be an effective tool for obtaining participation and improving program impacts. Results from other programs (such as the Illinois job search program) which emphasized sanctions heavily, but provided little participant support, suggest that sanctions in the wrong context

can be unproductive.

Issue I: Size of Sanction

OPTIONS:

- A. Generally maintain current law, but remove only the needs of the non-complying individual even in UP cases.
- B. Allow whole family sanctions.
- C. Eliminate sanctions during the transitional period.
- D. Allow States greater flexibility in setting the size of the sanction, within certain monetary limits. This could include flexibility to increase the size of the financial penalty for extended or recurrent incidents of non-compliance.

RECOMMENDATION: OPTION A, with OPTION D as a demonstration option.

No

Discussion.

- 1) While some have proposed that whole-family sanctions be imposed during the transitional period, stronger sanctions should not be necessary under a time-limited system, where individuals face strong incentives to take jobs and work on their employability.
- 2) Sanctions affect the well-being of children, as well as the non-complying adult. In the absence of any clear indication that there is a problem with the size of the sanction, restraint in expanding the size of sanctions seems indicated.
- 3) Families who are unwilling to work may lose all cash support after the period of transitional support. Experience with this part of the program could provide some valuable information about the effects of withdrawing assistance from families--in terms of the potential effects on children, family stability, and the child welfare system. From this experience, we would have a better basis for deciding whether allowing whole-family sanctions would make sense.
- 4) The effect of whole-family sanctions would need special consideration in developing a definition of the time-limited period. If sanction months did not count as months of assistance, the penalty would be largely mitigated. If they did count, then the family could face a substantially

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shorter time-limit. The latter policy would be less problematic if the sanctioned individuals had access to services during this period (see Issue VII).

Our assumption is that periods during which individual sanctions are imposed have no effect on the length of the transitional support period.

- 5) While our experience with teen parents suggests that some change in the level of financial rewards and penalties might be effective, other evidence suggests that this is not a particularly promising area. Additional information might therefore be helpful.
- 6) Some have argued that, in a time-limited system, it makes little sense to impose sanctions against uncooperative individuals since the impending time limit should provide adequate motivation for individuals to participate faithfully in activities. However, experience has shown that the threat of financial sanctions is a useful tool for getting needy recipients through the door. It helps ensure that families that are at highest risk receive early attention and get access to valuable resources that might otherwise be diverted to families who are capable of self-support.

Issue II. Bonuses vs. Sanctions

OPTIONS:

- A. Maintain current law, with its focus on sanction vs. rewards.
- B. Allow some State experimentation, on a demonstration basis.
- C. Give States the flexibility to develop their own reward and penalty systems.

RECOMMENDATION: OPTION A.

Discussion:

- 1) The Ohio LEAP experience suggests that some change in the level of financial reward, perhaps in combination with sanctions, might be effective. However, given that the impact of bonuses in LEAP appears to be modest at best, and the bonus policies in Washington's FIP and New York's CAP did not produce positive impacts, we would give this area a low priority in setting an evaluation strategy.

In the absence of information supporting the effectiveness of bonuses, and aware that bonuses would increase program costs, it would be imprudent to pursue use of bonuses.

- 2) It is unclear whether it would be helpful to experiment with policies such as increases in the monetary size of sanction for subsequent failures or other variations of current sanction policies.

Issue III. Program Interface.

OPTIONS:

- A. Maintain current system.
- B. Provide that Food Stamp and housing benefits do not go up when welfare benefits are reduced due to sanctions.
- C. Provide that Food Stamp benefits are subject to sanction when AFDC recipient receiving Food Stamps is subject to sanction.

RECOMMENDATION: ASSUME UNSANCTIONED AFDC BENEFIT AMOUNT WHEN CALCULATING FOOD STAMP AND HOUSING BENEFITS.

YES

Discussion.

- 1) To a large extent the effect of AFDC sanctions is currently undermined because assistance provided under other programs automatically goes up as cash assistance is reduced. ✓
- 2) Under current rules, it is very difficult to determine what the overall impact of an AFDC sanction on a family's financial status might be. Most sanctioned families benefit from increases in Food Stamp benefits. However, other changes are more idiosyncratic because they are less commonly received (e.g., 25-30 percent of AFDC recipients receive housing benefits) and often are calculated less frequently.
- 3) The Food Stamp program currently has a provision which allows Food Stamp benefits to be reduced when a JOBS sanction is imposed. However, this Food Stamp penalty is seldom invoked because it is only allowed when JOBS requirements are comparable to those in the Food Stamp E&T program. This restriction would have to be eliminated for Option C to go into place. ← DO IT
- 4) For non-cooperation cases, Food Stamps has no minimum

sanction; all sanctions are curable. Also the standard sanction period remains at two-months; there is no increase in the length of sanction for subsequent failures. For AFDC to have the same sanction period as Food Stamps would require a reduction in AFDC sanctions.

- 5) HUD could be affected by stronger AFDC sanctions since sanctioned families might well be more negligent about paying their rent.
- 6) An argument could be made for joint Food Stamp sanctions if stronger sanctions were desired, the safety net was otherwise considered adequate, and joint sanctions were deemed feasible. However, given the differences in current sanction policies, joint sanctions might be difficult to implement.
- 7) This is a promising area for review by the Program Simplification group.

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Issue IV: Sanction Process.

OPTIONS:

- A. Leave current process in place.
- B. Allow States to develop expedited sanction processes.
- C. Put Federal limit on the length of time allowed for conciliation (e.g., two-four weeks)
- D. Eliminate the requirement for conciliation.

✓

NO CLEAR RECOMMENDATION ON HOW FAR TO MOVE THE SYSTEM.

Discussion.

- 1) JOBS workers have expressed some dissatisfaction with the requirements for conciliation prior to the imposition of a sanction. They feel that the conciliation requirements, particularly when viewed in combination with the fair hearings and "cure" provisions, make the sanctions process too time-consuming and cumbersome to be effective or worthwhile.
- 2) It is generally accepted that rewards and punishments must occur reasonably close in time to the precipitating event in order to be effective. Some JOBS operators feel the current system does not allow this.

- 3) A prolonged sanctions process can impinge on the ability of States to adequately serve the most disadvantaged recipients by increasing the amount of "down" time between assignments.
- 4) The efficacy of a sanction system is undermined if staff are unwilling or unable to invest the time needed to sanction non-compliers.
- 5) Some administrators who strongly support sanctions also feel the current conciliation and "good cause" processes, when used in conjunction with a strong case management system, can be successful in promoting participation without financial penalty. It is possible that the procedural requirements cause a bigger problem in States with staffing problems. Changing the process may not be the best response to the problem.
- 6) While States have had a lot of complaints about conciliation, and some seem reluctant to use sanctions because of it, we do not know that it is universally disliked.
- 7) Any change to the process would need to be consistent with due process requirements under Goldberg v. Kelley.
- 8) It is our hope and expectation that stronger sanction processes would only be allowed in the context of stronger support systems. However, we do not know how to assure that.

Issue V: Length of Initial Sanction

OPTIONS:

- A. Maintain current law (no minimum period).
- B. Allow States to impose a minimum one-month initial sanction, on a demonstration basis.
- C. Give States a general option to impose a minimum one-month initial sanction.
- D. Create a minimum first-month sanction.

NO CLEAR RECOMMENDATION ON HOW FAR TO MOVE THE SYSTEM.

Discussion.

- 1) First sanctions are now curable at any time. Some States

✓
Make it
easier for
caseworkers
- not a
hassle

have complained that this makes it too easy for recipients to game the system; it enables them to maintain their benefits by complying only on a sporadic basis.

State dissatisfaction with the conciliation process has been evident before. The vast majority of States which elected to operate WIN Demonstration projects in the early 1980's substantially pared down or eliminated the WIN conciliation process.

- 2) The current system can be very burdensome administratively. If a minimum sanction were available, it might be easier for States to resolve cases of non-cooperation.
- 3) There is some interest in Option D; however, we are unsure about recommending it when changes to the conciliation process are being considered and we cannot guarantee what kinds of information, case management, counseling and supportive services are being made available to recipients.

Issue VI. Minimum Sanctions for Job Refusal or Job Quits.

OPTIONS:

- A. Maintain current law and apply the same sanctions for job refusals and voluntary job quits as for other types of noncooperation.
- B. Apply a fixed three-month sanction for all incidents.
- C. Apply a standard three-month sanction for the first such incidence and a six-month sanction for subsequent incidents.

RECOMMENDATION: OPTION C; impose standard three or six-month sanctions.

YES!

Discussion.

- 1) The current system treats failure to accept a job and voluntary job quits no differently than the failure to accept an education and training assignment. However, in terms of their potential effects on welfare dependency and welfare costs, the former actions can be much more serious. First, they are seldom reversible; recipients cannot normally change their minds and get a job back. Second, the consequences may be felt for several months because there may be no ready opportunity to get an alternative job. Finally, sanctions in these cases may be easier to "cure"

because recipients can easily claim willingness to cooperate, and their claims cannot be easily tested.

- 2) The Food Stamp program has fixed 90-day sanctions for voluntary quit situations. It imposes such sanctions also for incidents which occur within the 60-day period prior to application. ✓
- 3) In the AFDC-UP program, if the principal earner refuses a job within the 30-day period prior to application, the family is ineligible. Also, families are denied benefits for 30 days following the onset of the principal earner's unemployment, regardless of the reason for unemployment.
- 4) If the system imposes a serious time limit, the need to address voluntary quits as a special situation is diminished.
- 5) While we might prefer a policy which did not sanction individuals for actions taken prior to application, such a policy would be inconsistent with Food Stamp (and UI) policy and might be rejected on that basis. At the same time, it could be argued that sanctions for quitting or refusing jobs would only be imposed against those who had been fully advised of the consequences of their actions. It might be advisable for the Program Simplification group to look at this issue. ✓

Issue VII. Access to Services.

OPTIONS:

- A. Maintain current law and deny sanctioned individuals access to services.
- B. Allow sanctioned individuals who agree to cooperate access to employment, education, training, and related support services.

RECOMMENDATION: OPTION B; allow sanctioned individuals to access services. ✓ NO

Discussion.

- 1) Under current law, individuals who are sanctioned are denied access to services. In the case of an initial sanction, this policy does not create any problem because the sanction ends (i.e., "is cured") when the individual begins cooperating. However, subsequent sanctions run for a minimum period of three or six months depending on which

number sanction it is. Thus, even when an individual is cooperating, he or she may be shut out from services for as long as six months.

- 2) Under a time-limited system, denial of services would be detrimental to both the individual and to the State agency because it wastes time that might be needed to get an individual employable in the private labor market.

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TEENAGE PARENTS IN A TRANSITIONAL SUPPORT PROGRAM

Background

Through the passage of the Family Support Act of 1988, the Congress gave special recognition to the needs of teenage parents on AFDC. The Family Support Act provides that State welfare agencies specifically target teen parents for JOBS services. Numerous studies have documented that teenage parents often have multiple needs and are at very high risk of long-term poverty and the associated negative consequences. While childbearing as a teen does not, in and of itself, result in these outcomes for all young mothers and their children, it is significantly associated with lower earnings, lower educational attainment, and longer welfare use for the mothers and reduced cognitive development and social and emotional well-being for their children.

Several recent reports provide a useful context from which to consider appropriate programs for teen parents on AFDC. One is the recent GAO survey of State JOBS programs' service delivery to teen parents. The report title reflects the findings: States Move Unevenly to Serve Teen Parents in JOBS, July 1993. The GAO study indicates that in the 16 States included in the study, the percentage of teens parents who were enrolled in the JOBS program ranged from 7 percent to 53 percent. Further, the report indicates that of the teens who were classified as mandatory, 66 percent had never been enrolled in JOBS. The study also indicates that enrollment does not always lead to high school completion -- up to 35 percent were found to have not completed their education often due to another pregnancy or other personal or family problems. However, the report indicates that teen parents who received an enhanced service such as parenting classes, were more likely to complete their educations than those who did not receive such services. The report suggests that many States have not fully implemented the provisions of the Family Support Act for teen parents and may have difficulty mounting appropriate service delivery programs for their teen parent population.

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SCHOOL

A second report is the evaluation of the Ohio Department of Human Services' "Learning, Earning and Parenting" (LEAP) demonstration. In the LEAP demonstration, pregnant or parenting teens were required to attend school (high school, alternative schools, ABE programs, or GED preparation programs). Those who attended regularly received a monthly bonus payment of \$62; those who failed to meet the requirement received \$62 less than their normal AFDC benefit in each month they failed to comply without good cause. While some counties had more difficulty than others in implementing the program, it was operated statewide. The evaluation report indicates that pregnant and parenting teens on AFDC who

participated in the program were significantly more likely to attend high school or GED programs than were control group members. The study also found that it is effective to target teen parents who are attending school rather than waiting until they dropout before intervening with appropriate program services. The LEAP program was more effective with younger teens and those still in school than with older dropouts; however, the program was still effective in increasing participation for those who had dropped out of school. Excerpts from briefing materials on the demonstration are attached.

Another recent evaluation report is based on the experience of the States of Illinois and New Jersey in the operation of the "Teen Parent Demonstration." These programs generally included provisions which were very similar to the JOBS program provisions for teen parents and they were found to be effective in significantly increasing the likelihood that teen parents participate in an appropriate education, training or employment program. The demonstrations involved universal participation of all teen parents who were randomly assigned to the program regardless of age, school status, or age of child and provided fairly intensive case management services as well as other support services such as child care, transportation and supplemental instruction in life-skills, parenting, and family planning. Teens in the demonstrations were required to participate in program activities expected to promote future economic self-sufficiency-education, skills training and employment. Teen parents who did not comply with program requirements were subject to a fiscal sanction of approximately \$160 for each month they failed to comply without good cause. As with the LEAP findings, early intervention was found to be effective. A table on program impacts excerpted from one of the evaluation reports is attached.

The Center for Population Options has estimated that the public will spend approximately \$51,000 over the next 20 years for each family that receives public assistance following the birth of a child to a teen. Such estimates lend importance to the need to give teen parents on welfare high priority for services for them to attain the educational and vocational skills necessary to help them become economically self-sufficient. Because of the youthfulness of these parents, it is important to also focus on their needs as parents and the needs of their young children. The FY 1991 Characteristics and Financial Circumstances of AFDC Recipients publication indicates that there were approximately 293,000 teenage mothers on AFDC. The table reflecting this number is attached.

Issue 1: Coverage

Current policies under the JOBS program exempt from program

requirements teen parents who are under 16, attending school full-time, in their second or third trimester of pregnancy, or have completed high school/GED. In addition, once a teen completes high school or attains the age of 20, the exemption for caring for a child under the age of 3 (or, at State option, age 1) often results in the teen/young parent no longer being required to further participate in the JOBS program.

OPTIONS:

- A. Maintain current exemptions.
- B. Eliminate current exemptions for parents under the age of 20.
- C. Eliminate exemption of caring for young child for those who begin the program as a teen parent.
- D. Eliminate current exemptions for parents under the age of 20 and eliminate the exemption for caring for a young child for those who begin the program as a teen parent.

RECOMMENDATION: Option D. All teen parents would be required to participate in education, training or employment activities. The requirement to participate would continue after the teen completes high school or attains a GED or attains the age of 20. The findings from the recent studies of education and training programs for teen parents support this position.

20 is key - teen

YES!

Issue 2: Transitional Assistance

Under a transitional assistance program, AFDC recipients may have a limited period under which to receive cash assistance.

OPTIONS:

- A. The definitions and rules for the transitional assistance program would be the same for teen parents as for other recipients.
- B. Provide alternative policies specifically for teen parents. Such policies would allow extensions of cash assistance as long as the teen parent was pursuing a high school diploma as an initial activity or in combination with another activity.

RECOMMENDATION: Option B. The experience of the Teen Parent demonstration indicates that the average age of teen parents when they begin to receive AFDC is about 17 years old. However, from

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5 to 10 percent of the teens across the three sites were below age 15. Depending on their age and the level of education achievement, it may take several years for a teen to complete high school before they can participate in other activities leading to self-sufficiency. Extensions of transitional support while they are pursuing secondary education should be provided.

Deny independent support

Issue 3: Two-generational program

Under current JOBS policies, States are not required to provide parenting/child development instruction but may do so as a supportive service (at a lower matching rate).

OPTIONS:

- A. Maintain current policy of State flexibility and reimbursement at the lower matching rate.
- B. Require States to provide parenting instruction to teen parents; reimbursement at the supportive services matching rate.
- C. Establish parenting instruction as a required component to be provided to teen parents in JOBS with reimbursement at the same level as other component activity.

RECOMMENDATION; Option C. Given that research¹ indicates that children in poverty, and particularly those in AFDC families, experience a higher degree of risk for poor outcomes on many indicators of health and well-being, including higher rates of serious illness, lead poisoning, nutritional deficiencies, and developmental delay, and the added factor of the relative immaturity of the parent, incorporating social support and parenting instruction into the education, training and employment program for young parents is likely to enhance the future prospects for self-sufficiency for the next generation as well as increase the probability of higher levels of program participation among the teens (see GAO study cited above). States can be given flexibility regarding methods of providing the services, either in combination with other components or as a separate component.

OK

¹ Klerman, L. "Improving the Health of Infants and Young Children in Poverty." Paper prepared for the National Center for Children in Poverty, Columbia University, New York, 1988.

Smith, S., Blank, S., Bond, J. "One Program, Two Generations: A Report of the Forum on Children and the Family Support Act." The Foundation for Child Development, 1990.

Issue 4: Case management

Under JOBS, there is no prescribed approach to case management for teen parents. States may establish specialized case management units to serve teen parents exclusively or teens may be served by the same case managers who serve adult participants.

OPTIONS:

- A. Maintain current policy of State flexibility.
- B. Require States to provide specialized case management for teen parents. This may be specialized units whose case managers serve only teen parents or selected case managers who are assigned the teen parent cases. Such case managers should be provided with training to help them meet the needs of teen parents.

RECOMMENDATION: Option B. Given the relative level of immaturity of the parents, the multiple needs of teen parents and their young children, and the lessons learned from the studies cited in the Background section, providing case managers who are specially trained to help meet the needs of teen parents and their children is likely to increase and promote full participation. ??

Issue 5: Bonuses or Sanctions

Under current law, teen parents who are in the JOBS program are subject to the same sanction provisions as are adults who do not comply with program participation requirements. The Ohio LEAP demonstration provided bonuses when teens complied with program requirements and sanctions when they did not. However, the study design does not allow us to assess the independent effect of the sanctions vs the bonuses or the financial provisions alone since there was a fairly strong case management component with the program also. The Teen Parent demonstrations which produced statistically significant impact on participation included the equivalent of the current JOBS sanction, i.e., removal of the non-complying individual's needs from the AFDC grant calculation, but allowed that the grant amount be restored upon compliance regardless of whether it was a first or subsequent sanction. While sanctions were viewed as important in gaining teen parent participation, there was no test of a sanction vs non-sanction or sanction/bonus combination approach.

OPTIONS:

- A. Maintain current policies.

- B. Allow States the option of providing bonuses which would be matched as AFDC benefit payments.
- C. Conduct demonstrations to test the effectiveness of sanctions vs. bonuses.

RECOMMENDATION: OPTION A. There is not sufficient evidence to support a change of policy. Because the relative effect of the bonus or sanction would be expected to vary based on the State AFDC payment level and because there is, obviously, no way to test all combinations of dollar values for the sanctions and bonuses, demonstrations would still leave many unanswered questions related to the appropriate level and mix of the bonuses and sanctions which could be expected to be effective. Sanctions and bonuses also need to be considered in the context of related programs policies. Under current law, the reduction in AFDC due to a sanction is offset by increased Food Stamp benefits, and, in some instances perhaps, decreased housing costs. These program policy interactions should be given some attention.

Issue 6: Teens Who Are Not Parents

Under the JOBS program, dependent children under the age of 16 who are not in school are not required to participate in any activity, including school.

OPTIONS:

- A. Maintain current policies.
- B. Require dependent children to attend school regularly.
- C. Allow States the option of including teens who are dependent children and who have demonstrated high-risk of being school dropouts as mandatory JOBS participants, requiring school attendance, and providing them and their families with necessary support services.

RECOMMENDATION: Option C. There have been no research findings to date regarding the effectiveness of a school attendance requirement for non-parent dependent children in AFDC families². However, many of these children are at high risk of dropping out of school and, for many, of becoming teen parents. Given the findings of the

² The Wisconsin Learnfare demonstration is now being evaluated based on a random assignment research design. Early findings should be available within the next year to 18 months. Several other states have implemented demonstrations including school attendance requirements but the findings will not be available for some time.

studies discussed in the Background section that early intervention with young parents is effective, a targeted school attendance policy operated in conjunction with school district drop-out prevention programs could help reduce the risks of school dropout for non-parent teens on AFDC.

Other Issues

There were other issue areas considered in relation to transitional assistance for teen parents for which there was not adequate time to fully explore or which may be addressed in other subject areas. These include: mandating, rather than making optional, the requirement that AFDC be provided to never-married minor parents only if they live with a parent or other adult or in an adult-supervised, supportive settings, with limited exceptions; linking transitional assistance eligibility or payments to other responsible social behavior, such as obtaining appropriate preventive health care and immunizations for young children or limiting eligibility for increased benefits for additional children; or liberalizing the UP prior work/school history requirements for minors who are married.

YES
YES
?

Attachments

- A - Table 21 from FY 91 AFDC characteristics data
- B - Excerpt from LEAP briefing materials
- C - Excerpt from Teen Parent report
- D - Subgroup Members



Transitional Support Group Paper; For Discussion Only 10/1/93

→ SEND TO EVERY MEMBER + GOVERNOR

Attachment A

TABLE 21
AFDC MOTHERS (UNDER 20) OF YOUNGEST CHILD IN THE SAMPLE UNIT
BY MOTHERS' AGE
OCTOBER 1990 - SEPTEMBER 1991

STATE	TEENAGE MOTHERS AGE 11-19	11-14 YEARS	15 YEARS	16 YEARS	17 YEARS	18 YEARS	19 YEARS
U.S. TOTAL	293,443	2.0X	2.4X	5.3X	9.7X	33.4X	47.2X
ALABAMA	4,551	1.7	.8	5.9	9.2	30.3	52.1
ALASKA	261	**	**	**	**	33.3	68.8
ARIZONA	3,070	**	3.0	3.0	10.4	29.9	53.3
ARKANSAS	1,797	1.4	1.4	2.8	12.7	29.6	52.1
CALIFORNIA	39,939	**	4.3	10.0	44.3	77.1	111.1
COLORADO	3,021	**	1.2	4.7	8.8	36.4	60.0
CONNECTICUT	3,863	**	2.7	6.1	7.7	49.9	80.0
DELAWARE	687	**	**	**	**	11.1	33.3
DIST. OF COLUMBIA	1,600	**	**	**	**	11.1	33.3
FLORIDA	13,993	1.3	6.1	5.3	10.9	22.6	46.6
GEORGIA	7,988	**	3.5	**	8.8	45.5	44.4
HAWAII	683	**	**	4.2	16.2	45.5	44.4
IDAHO	450	**	**	8.8	12.2	29.9	50.0
ILLINOIS	18,908	**	1.4	3.3	10.7	26.6	44.4
INDIANA	847	1.2	4.4	9.0	9.0	33.3	55.5
IOWA	1,195	1.1	1.2	1.1	11.1	7.7	44.4
KANSAS	1,927	**	1.4	**	8.8	11.1	44.4
KENTUCKY	4,897	**	2.8	5.5	16.7	47.7	77.7
LOUISIANA	4,586	**	2.1	3.3	11.1	47.7	77.7
MAINE	1,451	**	1.1	5.5	4.4	8.8	5.5
MARYLAND	4,774	**	1.2	5.5	9.9	44.4	8.8
MASSACHUSETTS	5,935	2.8	1.4	6.6	8.8	22.2	47.7
MICHIGAN	16,837	**	1.4	5.5	11.1	26.6	44.4
MINNESOTA	4,034	1.1	2.3	9.9	10.0	44.4	11.1
MISSISSIPPI	5,415	**	2.3	2.2	4.4	33.3	55.5
MISSOURI	6,447	**	2.2	5.5	12.2	44.4	11.1
MONTANA	2,445	**	2.2	3.3	2.2	44.4	44.4
NEBRASKA	1,283	**	2.2	3.3	2.2	44.4	44.4
NEVADA	1,072	**	**	2.6	2.2	2.6	7.7
NEW HAMPSHIRE	391	**	**	**	1.1	6.6	7.7
NEW JERSEY	7,986	**	1.1	4.4	9.9	33.3	44.4
NEW MEXICO	1,689	2.2	4.4	2.2	1.1	5.5	4.4
NEW YORK	22,286	2.2	4.4	2.4	8.8	44.4	44.4
NORTH CAROLINA	8,071	2.2	3.6	10.8	8.8	22.2	44.4
NORTH DAKOTA	358	**	**	**	**	3.3	5.5
OHIO	14,646	**	2.1	5.5	11.1	44.4	44.4
OKLAHOMA	2,266	**	2.1	5.5	1.1	44.4	44.4
OREGON	1,909	**	**	**	1.1	44.4	44.4
PENNSYLVANIA	1,921	**	1.1	3.3	2.2	44.4	44.4
RHODE ISLAND	1,383	**	**	1.1	1.1	44.4	44.4
SOUTH CAROLINA	2,571	**	2.9	9.9	12.2	44.4	44.4
SOUTH DAKOTA	336	**	**	**	2.2	44.4	44.4
TENNESSEE	7,071	**	1.9	3.3	2.2	44.4	44.4
TEXAS	16,224	**	1.9	9.9	10.0	44.4	44.4
UTAH	2,047	**	2.2	2.2	2.2	44.4	44.4
VERMONT	432	6.2	**	**	**	44.4	44.4
VIRGINIA	6,835	**	1.1	3.3	6.6	44.4	44.4
WASHINGTON	1,189	1.1	1.2	3.3	1.1	44.4	44.4
WEST VIRGINIA	2,998	**	4.4	4.4	7.7	44.4	44.4
WISCONSIN	5,480	.7	**	**	7.7	44.4	44.4
WYOMING	416	**	**	**	**	44.4	44.4
GUAM	103	**	**	**	**	44.4	44.4
PUERTO RICO	1,252	**	**	5.9	5.9	44.4	44.4
VIRGIN ISLANDS	18	**	**	**	**	44.4	44.4

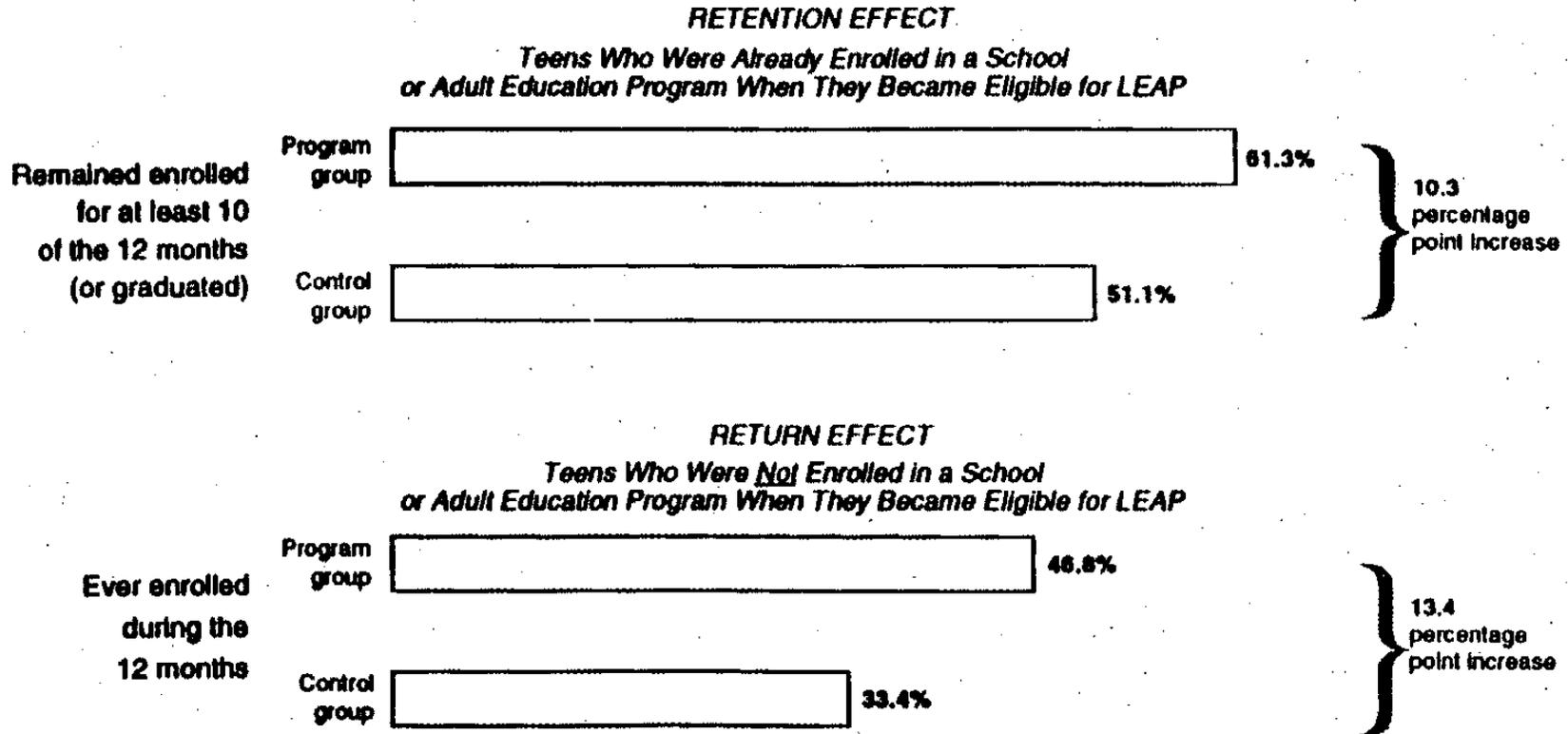
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21 ??

Attachment B

FIGURE 2

LEAP's FIRST-YEAR IMPACTS ON HIGH SCHOOL AND ADULT EDUCATION RETENTION AND RETURN



VII-9

NOTE: Rounding may cause slight discrepancies in calculated differences.

TABLE ES-3

OUTCOMES AND ESTIMATED PROGRAM IMPACTS
Teen Parent Demonstrations

Outcome Measures	Regular- Services Group Mean	Enhanced- Services Group Mean	Estimated Impact	
			Level	Percent Change
Activity Levels and Choices (Two Years Following Intake)				
School, Job Training, or Employment (Percent)	66.4	78.8	12.4 **	18.7 **
Percent of Months Active	27.5	35.2	7.7 **	28.0 **
In School (Percent)	29.3	41.6	12.3 **	42.0 **
In Job Training (Percent)	22.6	26.8	4.2 **	18.6 **
Employed (Percent)	43.1	48.2	5.1 **	11.8 **
In Job Club (Percent)	6.7	24.9	18.2 **	273.7 **
Income, by Source (Two Years Following Intake)				
Monthly Earnings	\$114	137	\$23 **	20.0 **
Monthly AFDC Benefits	\$261	242	\$-19 **	-7.3 **
Percent of Months Receiving AFDC	80.9	78.3	-2.6	-3.2
Monthly Food Stamp Benefits	\$127	\$125	\$-2	-1.6
Percent of Months Receiving Food Stamps	70.2	67.7	-2.5 **	-3.6 **
Monthly Child Support	\$23	\$20	\$-3	-13.0
Social and Demographic Status (at Follow-Up)				
Percent with Income Below Poverty	86.2	84.9	-1.3	-1.5
Living with Supportive Adult (Percent)	50.0	51.5	1.5	3.0
Living with Spouse or Male Partner (Percent)	8.8	9.9	1.1	12.5
Paternity Established (Percent)	46.2	49.8	3.6 **	7.8 **
Receiving Regular Financial Support from Child's Father (Percent)	10.0	9.3	-0.7	-7.0
In Regular Contact with Child's Father (Percent)	26.1	27.9	1.8	6.9
Number of Repeat Pregnancies	1.00	1.01	0.01	1.0
Number of New Births	0.60	0.64	0.04 *	6.6 *
Sample Size	1,924 - 2,275	1,943 - 2,284	3,867 - 4,559	3,867 - 4,559

SOURCE: Earnings, AFDC, food stamp, and child support data are from administrative records. All other data are from follow-up surveys conducted an average of 28 months after sample intake. The larger sample sizes pertain to those outcome measures derived from administrative data sources.

*Statistically significant at the 10 percent level, two-tailed test.

**Statistically significant at the 5 percent level, two-tailed test.

Attachment D

Transitional Support Group

Teen Parent Subgroup

Members:

Karen Armstrong, ASPE
David Arnaudo, ACF
Nancye Campbell, ACF
Mareia Cromer, OS
Audrey Pendleton, DoEd

PERSONS WITH DISABILITIES IN AFDC HOUSEHOLDS

This paper discusses the extent to which people with disabilities participate in the AFDC program, services they receive, and policy options for welfare reform. The first section provides information from several studies that estimate the number of people with disabilities who are AFDC recipients. The research reviewed showed that estimates range from one in three families to one in nine families on AFDC include at least one member with a disability. However, because the research focused on functional, physical, and sensory impairment, it likely under reports hidden disabilities such as learning disabilities and mental impairments. In most AFDC households the person with the disability is the female caretaker. The second section outlines assessment practices and the array of services that are currently available under the AFDC and JOBS programs. In the final section of the paper broad policy options are presented.

The primary purpose of this paper is to focus attention on the prevalence of disabilities among AFDC recipients, and to highlight that under the present system their service needs are not being addressed. The hope is that this information will assist the Working Group in deciding how to address the needs of this population. **Because there are substantial knowledge gaps regarding the number of AFDC recipients with disabilities and their service needs, the most prudent option at this time may be to conduct demonstrations.**

Because many AFDC recipients with disabilities will need a transitional period that exceeds two years, some of the issue group members believe that it would be best to have a separate track for people with disabilities. Keeping those with disabilities in the two-year transitional system, but allowing extensions because of greater service needs, may undermine the time limit. However, it is the view of most of the staff involved in compiling this draft that having a separate track would be counter to the principle of inclusion that has been guiding disability policy in recent years. There would be a great deal of mistrust in the disability community of a separate track. Keeping people with disabilities in the transitional system but allowing extensions where treatment and rehabilitation plans indicate that more time is needed would emphasize the expectation that all clients can work. Note, that under either case, **people with disabilities would not be exempted from participation.** This would be consistent with a program model based on the philosophy that everyone can and should be doing something to move towards self-sufficiency. However, this would require a substantial commitment of resources to conduct appropriate assessments and insure that treatment and habilita-

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TRANSITIONAL SUPPORT GROUP PAPER, FOR DISCUSSION ONLY, 10/1/93
tion slots would be available.

I. AFDC Receipt Among Persons with Disabilities and Their Caretakers

This section presents information on the prevalence and type of disabilities among AFDC heads of household and other members of AFDC households.

Administrative information on AFDC recipients who have disabilities is limited. While "deprivation due to incapacity" is one of the eligibility categories for AFDC, administrative data identify incapacity as a reason for eligibility only if recipients do not qualify for another reason (for example, as a single parent). As a result, the number of AFDC recipients with disabilities is underestimated. For this reason, administrative data are not used for this paper.

A. Prevalence of Disability Among Heads of AFDC Households

The prevalence of disabilities among AFDC recipients is examined in three studies -- Zill et al., 1991, Doyle et al., 1990, and Michele Adler, 1993. In addition, a limited number of other studies discuss the prevalence of specific disabilities among AFDC recipients and their families.

Doyle and Adler used self-reports of functional limitations to estimate disability.¹ Zill also used self-reports to determine prevalence rates for various conditions that may limit employability.

Doyle's (1990) estimates were based on the 1984 SIPP. In brief, she found that:

- o approximately 5 percent of adults receiving AFDC had a severe disability. A severe disability was defined as needing assistance with ADLs or IADLs.

¹Activities of Daily Living (ADLs) include dressing, eating, or personal hygiene. Inability to perform any of these without assistance is generally proxied to indicate a severe disability.

Instrumental Activities of Daily Living (IADLs) include light housework, meal preparation, taking a walk. Inability to perform these is proxied to indicate a less severe disability.

Sensory/physical functions include seeing, hearing, lifting 10 pounds and climbing a flight of stairs. Inability to perform one or more of these is proxied to indicate a moderate disability.

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- o An additional 12 percent were unable to perform one or more physical or sensory functions, or had difficulty in performing two or more sensory functions.
- o 16.7 percent of adult AFDC recipients had a substantial functional limitation.
- o 13.7 percent of adults receiving AFDC reported that they had a limitation that prevented work. Another 4 percent reported that they were unable to work full time or work regularly.

Adler (1993) used 1990 data and the same definitions of disability as Doyle. She estimated that:

- o 6 percent of women on AFDC had a severe disability. This compares to a 1.8 percent prevalence rate among women age 15-45 who have never received AFDC.
- o Another 13 percent had a substantial functional limitation, resulting in a total of 18.8 percent of women on AFDC having a disability.

Adler described other characteristics of AFDC recipients with disabilities. For example, nearly 60 percent of those with disabilities have not finished high school compared to 44 percent of those without disabilities. However, there is no difference in the percentage of AFDC women ever employed based on the presence of a disability. ✓

Note that the number of adults reporting that they had conditions that limited work was less than the number estimated to have disabilities. Only 60 percent of those estimated to have a disability reported that they had a health condition that prevented work. Also, 6.7 percent of those who were estimated to have no disabilities reported having conditions that limited work. For this latter group the work limitations included mental illness, mental retardation, or episodic conditions such as cancer. ✓

Neither Adler nor Doyle analyzed in-depth the type of disabilities that were reported. Adler found that "bad back" was the most prevalent condition reported among those who specified their disability. Other conditions reported were arthritis, respiratory trouble, and "other".

Zill, et al. (1991) used the Current Population Survey, the National Health Interview Survey, and the National Longitudinal Survey of Youth to estimate the employability of AFDC mothers. They found:

- o Using the CPS, that 5.7 percent of AFDC mothers had a disability. This estimate is the percentage of AFDC women who reported that the reason they did not work in the previous year is because they were ill or had a disability.
- o Using the National Health Interview Survey, that 5 percent of AFDC mothers stated that they were unable to perform a "major activity", usually defined as working at a paid job or housework, depending on the labor force attachment of the respondent.
- o An additional 6 percent reported that they were limited in the kind or amount of the major activity they could undertake.
- o Using the NLSY, roughly five percent of AFDC mothers were estimated to have a health limitation that prevented work, and another five percent had an impairment that limited the kind or amount of work they could do.

Note that in each case these estimates are lower than those by Doyle et al., and Adler.

B. Prevalence of Disability Among Other Members of AFDC Households

As mentioned above, Doyle and Adler both estimated that roughly one in six adults receiving AFDC have a disability that may be severe enough to limit work. However, many households that receive AFDC include another member with a disability. In such a case, the AFDC recipient may need to care for this other person, thus making training and employment more difficult. Currently, caretakers needed in the home to care for someone who is ill or incapacitated are exempt from participation in JOBS.

Adler estimated that:

- o almost one-quarter of AFDC women with disabilities also have a child with a disability
- o 10 percent of AFDC women without disabilities have a child with a disability.

When the disabilities of other adults are considered, 38.6 percent of AFDC women with disabilities and 19 percent of AFDC women without disabilities have another disabled person in the household.

Estimates of the number of other household members with a disability, using a different definition of disability, yield similar results. Another method of determining whether another person in the household has a disability is to examine the extent to which others receive benefits from the Supplemental Security Income (SSI) program or the Disability Insurance (DI) program. The definitions of disability in these programs is generally regarded as being difficult to meet. Thus, receipt of SSI or DI indicates the presence of a severe disability.

AFDC Quality Control data indicate that roughly 7 percent of AFDC households include a person who receives SSI. Unpublished analyses by ASPE staff using SIPP estimate that children receiving SSI are present in 12 percent of AFDC households, which is comparable to Adler's estimate of 12.8 percent of AFDC households including a child with a disability. When adults receiving DI are included in the analysis, a total of 16 percent of AFDC households receive income from the SSI or DI programs, indicating the presence of another person with a disability. This is less than the 22.7 percent estimate by Adler.

While SSI administrative data do not identify households that also receive AFDC, SSI data on income and family structure support the survey data. According to unpublished data from SSA, more than half of the 623,000 children who received SSI benefits in December 1992 lived with one parent. Of these, 80 percent lived in families in which there were no parental earnings (i.e., they had either no income, or had only unearned income). This suggests that many of these households may be eligible for and receiving AFDC benefits.

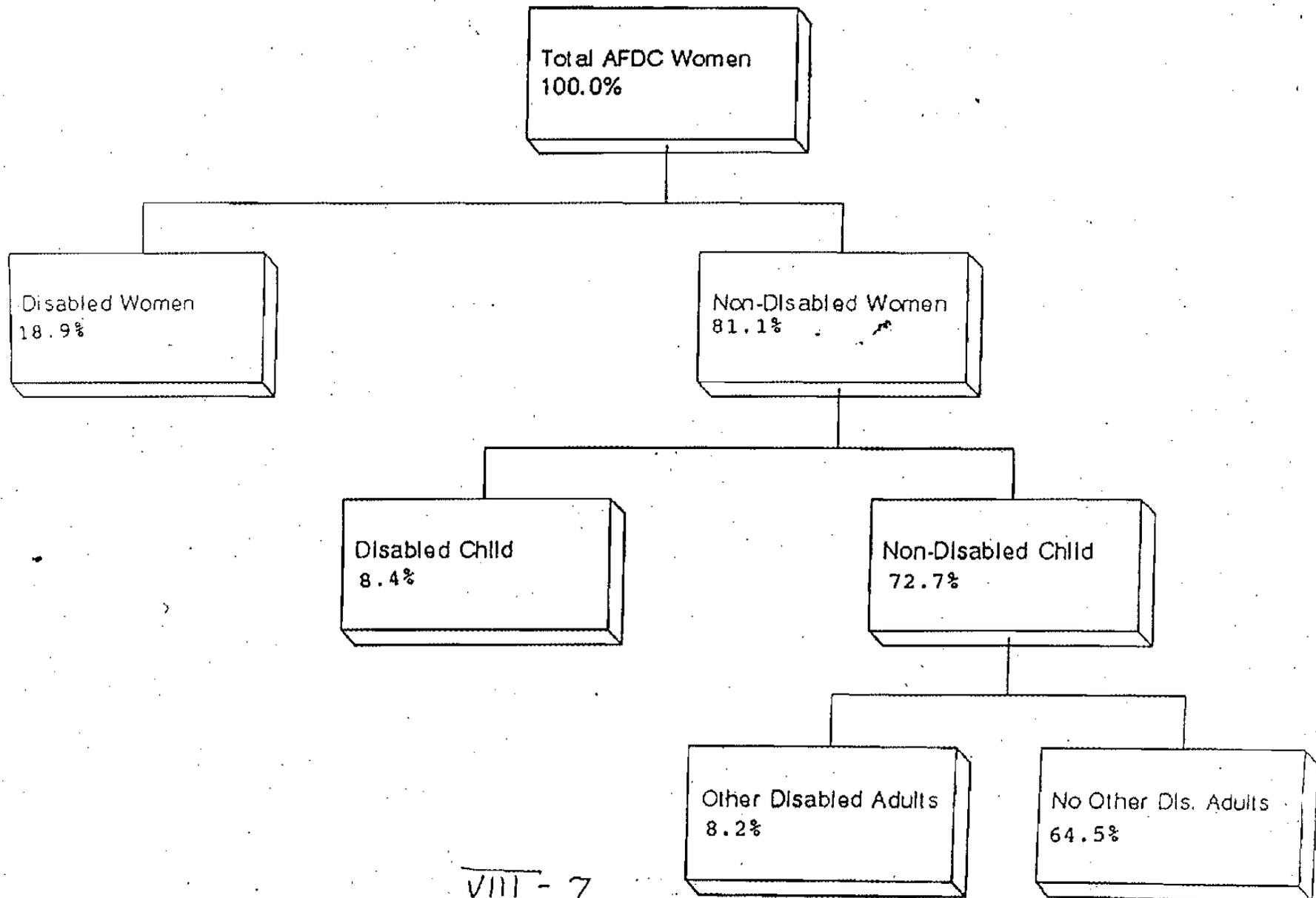
Using tabulations from the CPS, Zill estimated that a household member other than the mother had a disability in roughly 5.5 percent of AFDC households. This compares to an estimate of 2.5 percent for all families with children.

Total Number of AFDC Households in Which Someone Has a Disability

Chart 1, from Adler (1993), illustrates the number of AFDC households where at least one person has a disability. This chart uses the self-reports of the ability to perform ADLs and IADLs, and physical and sensory functions to estimate disability. **Adler estimates that over one in three AFDC households include someone with a disability.** In one in five households, the female caretaker is the person with the disability.

CHART 1

AFDC Disability Chart



However, Zill reported disability prevalence rates substantially less than Adler. Using tabulations from the CPS, they estimated that one in nine AFDC households included someone with a disability. In half of those cases, the person was the AFDC mother, and in half another person in the household had a disability.

Note that the presence of another person with a disability may or may not have an impact on the degree to which women receiving AFDC can engage in training or work. For example, children with disabilities generally attend school during the day. Similarly, the presence of another adult with a disability does not necessarily mean that the AFDC recipient is needed in the home to care for that person. ✓

C. Substance Abuse

The studies by Doyle and Adler did not include in-depth analyses of the types of disabilities that AFDC women have. Indeed, there are few studies of any type that examine prevalence of particular disabilities among AFDC recipients. There is some data on alcohol and other substance related problems of AFDC recipients, as well as data on the prevalence of learning disabilities among AFDC recipients. The data presented below on these disabilities is important, because these are likely highly under-reported in Adler and Doyle, who tended to focus on physical or sensory impairments. Of note, reports of prevalence of drug use may not be valid for estimating whether alcohol or other drug usage may be disabling or limit work, or if treatment may be warranted.

In general, it is estimated that 2% of the general population over age 12 have problems related to substance abuse that are so severe that they require long-term and perhaps permanent intervention due to the chronic, relapsing nature of the disorder. There are no estimates that relate specifically to AFDC. Nonetheless, given the higher incidence of use reported by AFDC recipients, it is likely that more than 2 percent of AFDC recipients have severe problems related to substance abuse.

Zill reported that 12 percent of AFDC mothers have three or more alcohol-related problems. An alcohol-related problem is defined as an affirmative response to the following types of questions: "Has drinking ever interfered with your work on a job?"; or, "During the past year, have you awakened the next day not being able to remember things you had done while drinking?".

Zill did not report on illicit drug use, except marijuana. Differences between AFDC and non-AFDC mothers in "first reported use in adolescence" or "ever used marijuana" were not statisti-

cally significant.

A draft study by Colliver, Caces, and Quinn reports on the prevalence of substance abuse among AFDC recipients. This study reports that 12.6 percent of mothers in AFDC households report past month illicit drug use (most frequently marijuana), compared to 5.2 percent of all mothers (note, however, that AFDC mothers tend to be younger than "all mothers", and that younger mothers have higher rates of usage). Over 1 percent of AFDC mothers reported weekly cocaine use over the past year. In addition, 9.1 percent of women in AFDC households report binge drinking three or more times in the past month.

Again, these statistics do not necessarily indicate addiction or the need for treatment. However, they do suggest that substance abuse is a barrier to self-sufficiency for many AFDC recipients that needs to be addressed either before or simultaneously with education, training, and employment.

D. Learning Disabilities

The number of AFDC recipients with learning disabilities is unknown, primarily due to a lack of formal investigation into the question. However, a 1990 Department of Labor Research and Evaluation report states that,

...non-empirical studies suggest between 50 and 80 percent of students in adult basic education programs (generally those reading below the seventh grade level) probably have learning disabilities.

The report also states that there is evidence of a high correlation between learning disabilities and functional illiteracy, especially among those who are economically disadvantaged. Given these two factors, and combined with proportion of AFDC recipients who are estimated to have depressed reading levels, the report estimates that approximately 25 to 40 percent of all adults on AFDC and in the JOBS program may have learning disabilities.

A report by the HHS Inspector General supports the conclusion that many AFDC recipients have learning disabilities. Given the magnitude of the estimates of the number of recipients with learning disabilities, and the fact that in many cases these disabilities are undiagnosed and unknown, people with learning disabilities probably are under-reported in the studies on the overall prevalence of disabilities in the AFDC population.

E. Other Disabilities

It is important to note that much of the research discussed does not capture many conditions AFDC recipients or their children may have. These conditions include fetal alcohol syndrome, fetal alcohol effects, lead poisoning, and depression and other mental illnesses. These impairments also limit functioning and need to be included in the assessment process.

F. One State's Experience

Utah recently received a waiver which allows that State to remove most participation exemptions under the JOBS program. One of the exemptions that was removed was the exemption due to incapacity. As a result, Utah has been making efforts to detect the presence of a disability among its AFDC recipients. Early experience indicates that the following percentages of clients have the listed "risk factors". Of note, the percentages are not additive, since recipients can have more than one risk factor.

<u>Risk Factor</u>	<u>Percentage</u>
History of Chemical Dependence	6.2
Developmental Disabilities/ Mental Retardation	.4
Family Illness	5.4
Incapacitated Person	3.5
Learning Disability	2.6
Mental/Emotional History	10.7
Physical Disability	5.4
Applied for SSI/DI	3.2

These risk factors indicate a lower prevalence of learning and physical disabilities than the research previously reported suggests. Much of the difference in learning disabilities may be in the screens used to detect the presence of a disability, and which recipients receive those screens. Of note, the highest risk was for mental health conditions, which has not been extensively explored in other research. Overall, the difference between these risk factors and the previous prevalence estimates indicates the uncertainty surrounding how many AFDC recipients have impairments that may limit work.

II. Current Practices in Assessment and Treatment/Rehabilitation

A. JOBS Participation

All non-exempt AFDC recipients are required to participate in the JOBS program. Reasons for exemption include illness, incapacitation, or needed in the home to care for a family member who is ill or incapacitated, or caretaker of a child less than age 3 (1 at State option). As a result, large percentages of AFDC recipients are not required to participate in the JOBS programs.

B. Assessment

An interview is conducted by intake personnel when an initial application for AFDC is filed. In some instances this interview may include questions about barriers to employability. However, this screen generally focuses on financial eligibility.

AFDC recipients who show up at the JOBS office usually receive a more thorough assessment. This assessment includes questions on barriers to employability. For example, 55 percent of States surveyed by the HHS Office of Inspector General (OIG) included questions on substance abuse, and 45 percent included questions on emotional health problems. Because JOBS programs vary by State, the rigor of the screening devices varies substantially. Note that the screening is either self-administered or is conducted by case managers. Although the case managers generally have college degrees, it is likely that many do not have training in assessing the presence of a disability.

Information provided by some regional offices on State programs indicates that there is little effort exerted by States to look for non-visible disabilities (such as learning disabilities) as part of the intake evaluation process.

C. Referral

As stated above, recipients who are ill, incapacitated, or caring for a person with a disability are exempt from participation in the JOBS program. Therefore, if the initial screening detects the presence of a condition that may impair the recipient's ability to work, that recipient may receive no further services.

When a work impairment is detected, the general procedure is to refer the recipient to the relevant services, such as substance abuse treatment, physical or mental health services, or vocational rehabilitation. According to the OIG, in most cases referral consists solely of giving the client a telephone number or making a telephone call. There may or may not be additional



follow up.

III. Policy Options Under Welfare Reform

This section outlines several policy options for assessment and providing services to AFDC recipients with disabilities. In some instances these options reflect existing program models. Also, the state of program knowledge and experience in this area is somewhat limited. Therefore it may be most prudent to encourage demonstrations or encourage State flexibility within Federal guidelines.

A. Assessment

Currently, federally-sponsored training programs in the area of basic skills have high drop-out rates.² One reason is the failure to adequately determine the presence of disabilities, including learning disabilities, as well as hearing and vision disabilities. These hidden disabilities, often undetected through the school years, continue to create barriers to successful training unless they are diagnosed and remedial action taken.

Current State practices for screening for people with disabilities would be insufficient under a time-limited AFDC program. A time-limited program, where recipients would be faced with losing assistance after the transitional period, must ensure that people with disabilities are identified so that appropriate services can be provided.

Many of the tools needed for screening for the presence of disabilities are currently available in the market. The costs for effective screens can be low. In most instances these screens identify who might need more rigorous, professional evaluation. This additional assessment can be costly. However, the assessments may be covered in varying degrees under health care reform, or can be conducted by the State vocational rehabilitation agency.

The National Institute for Literacy (NIFL) has made the development of an effective and valid screening device for

²A 1989 report by the Southport Institute for Policy Analysis states:

While 3-4 million people enroll in basic skills programs each year, many programs report that 50-70 percent drop out after the first few weeks, and most of those who remain achieve at best small gains in their reading abilities.

learning disabilities a high priority. An effective screening device has been the focus of two recent grant awards. It may be appropriate to work cooperatively with NIFL to develop a screening device designed specifically for AFDC recipients. Further, while State flexibility may be desirable, many States may not have the resources to develop appropriate screening tools. Therefore, the Federal government may wish to establish model screening tools.

It may be appropriate not to have disability screening at the initial intake interview, except for those who are applying for benefits due to incapacity. Presently intake screens are used to identify those who may be exempt under JOBS. Screens used at the JOBS office may then be used to refer participants to the appropriate services, including referral for more rigorous assessments.

POLICY OPTIONS FOR TREATMENT/HABILITATION

1. Refer clients in need of vocational rehabilitation to the State vocational rehabilitation agency

All States have vocational rehabilitation (VR) agencies that provide vocational and other related services to eligible people who have severe disabilities that limit their ability to work. Under this option, whenever the initial JOBS screening indicates the potential existence of a disability the client would be referred to the State VR agency for further assessment and subsequent services.

Typically, when referrals are made to VR agencies, the client fills out an application for services, the agency collects medical data on the client to determine whether or not the client is eligible, and then the client is interviewed by a counselor. Counselors often make the initial determination of medical eligibility. If the client is eligible for VR services, the counselor and the client decide what services are most appropriate for the client's employment goals.

Presently, costs for VR services are shared between the Federal government and the States. The Federal share is about 80 percent of costs. In some States services are provided to all clients who are eligible; however, many States do not have the resources to serve all eligible clients. Those States must select for services those who have the most severe disabilities.

Note that not all AFDC recipients who are referred to the VR agency may be eligible for services. For example, if an AFDC recipient lacks job skills or has human capital needs in an area

unrelated to the disability, the VR agency may decide that habilitation is unlikely to result in employment and thus not serve the client. Further, some may be deemed to have disabilities that are not severe enough to require VR services, particularly in those States that serve only those with severe disabilities. Therefore, if this option is selected, the order of selection for services criteria must be changed so that AFDC recipients with disabilities would be entitled to or have priority selection for VR services. Note, however, that in recent years VR systems have been criticized for not serving those with severe disabilities, and that the system has been moving toward serving those with the most severe disabilities first. ??

The VR system is also sometimes criticized for inconsistency. Counselors have discretion in deciding what services may be offered to a client; as a result, clients are not always treated equally.

Finally, the VR system is subject to resource constraints. Some State systems may not be able to absorb large numbers of AFDC recipients. This problem may be alleviated by allowing JOBS funds to be used to reimburse State VR agencies. ?

2. Use a services integration approach to providing services.

Most of the services that recipients with disabilities need are presently available within the community. Therefore, instead of creating new programs we could ensure that existing programs serve AFDC clients. good

A services integration approach is being used in one of the demonstration counties in Utah where most exemptions from JOBS requirements have been removed. Under this model, all appropriate agencies are cooperating to ensure that recipients receive the necessary services. The JOBS program has paid for the creation of an assessment center where assessment services for each agency can be co-located and clients can be assessed for services from multiple agencies in one day.

One advantage of a services integration approach is that services from numerous Federal and State funding streams can be accessed. Federal funds are already available for almost all services that clients would need. As a result, services can be provided without the JOBS program providing the funding.

A services integration model may be easier to develop on a local level than prescribe from the top down, in part because it would be difficult to force relationships among service providers who may not normally interact.

Of note, this option, and the option discussed below, are similar to the VR model discussed above. One difference is that JOBS may or may not pay for services, whereas the VR system often pays providers.

3. Contract with local agencies and organizations to provide assessment and treatment/habilitation services.

This option avoids some of the problems that may be encountered in the two previous options. Many localities have public and non-profit community rehabilitation facilities that provide a wide range of treatment and rehabilitation services. Whereas AFDC recipients may not be eligible for services under the VR system, contracting with providers would guarantee that slots would be available. One problem with a services integration approach is maintaining accountability and responsibility. Contracting out services, even if the contracts are to other public sector providers, may alleviate such problems and would also guarantee that slots would be available.

However, contracting out such services may result in more costs being incurred by the AFDC and JOBS programs as opposed to the existing funding streams for those services. BAD

4. Test different approaches to providing assessment and treatment/habilitation on a demonstration basis.

With a few exceptions, there is little experience in providing comprehensive assessment and treatment/habilitation services to a large number of AFDC recipients with disabilities. In fact, as discussed earlier in this paper, it is unclear just how many AFDC recipients would require such services. As a result, it may be most prudent to test assessment models and service models before implementing nationwide requirements to serve AFDC recipients with disabilities.

Additional Policy Issues

1. Determining the Appropriate Time Limit for Persons with Disabilities

Public policy concerning people with disabilities has been moving towards the principle of inclusion rather than exclusion. With the passage of the Americans with Disabilities Act, the goal of providing opportunities for people with disabilities to participate in all aspects of society has been codified.

It will be important to send the message that we have expectations of persons with disabilities. The current policy of exempting persons with disabilities from JOBS is not looked upon with universal favor by disability advocates. JOBS programs are viewed by some as providing good opportunities. At the same time, it is important to be aware that many recipients who have disabilities and who need treatment or habilitation will need more than two years to receive services related to their impairments and the necessary education or training so that they will no longer need cash assistance. Therefore, policies must be developed to extend the time period for people with disabilities who are making a good faith effort.

The additional time required to prepare an individual with a disability for a job will vary. For example, some physical, visual, or auditory disabilities can be mechanically addressed, so time extensions may not be necessary. However, some mental disorders or a learning disability could easily require two to three years of treatment or remediation. In addition to the time allowed for services necessary to address the disability, it is possible that the disability has resulted in other human capital deficiencies. As a result, even more time may be needed to meet those needs before full- or part-time work can be expected.

However, policies to extend the time limit for people with disabilities must be careful that extensions are flexible enough to meet the unique needs of individuals, but strict enough that the effect of a time limit is not undermined. As stated earlier, Adler found that there was no difference in the percentage of AFDC women ever employed based on the presence or absence of a disability, indicating that many recipients with disabilities can work. Further, the average time a person spends in the public rehabilitation system is about two years, indicating that long extensions to the two year transitional period generally would not be needed. Nonetheless, there would be many cases where an extension would be warranted, although there is not enough experience to suggest what an appropriate extension would be.

One option would be to require all people assessed to have a disability to have a treatment/habilitation plan. Activities engaged in as a result of this plan could be counted for the purposes of participation. Initial time extensions established by professionals would be included in the plan, which subsequently would be monitored for progress or effort. If necessary, a cap could be placed on the percentage of recipients that a State could have in the extended time period status.

2. Cost and Financing

Costs

At this point we have gathered limited information on the costs of providing services to AFDC recipients with disabilities. This lack of information on costs suggests that it may be best to first operate demonstration projects for treating AFDC recipients with disabilities. OK

The public rehabilitation system costs a little over \$2 billion per year, and has about 200,000 successful rehabilitants per year. Of note, the VR system serves people with severe physical and mental disabilities, so their costs are probably much higher than the costs of serving AFDC recipients would be.

Treatment for substance abuse and remediation for learning disabilities are two areas where information was collected.

The costs for available federally-funded substance abuse treatment slots ranges from \$3,800 to over \$19,000 (for more expensive residential treatment). One reliable estimate is that \$5,800 could provide somewhat effective treatment for one person per episode. It has also been estimated that the average duration for an effective treatment model is five and a half months. Thus, the rough cost for one "treatment slot", serving about 2.2 people per year, is about \$12,800 per year. Added to this cost would be the necessary child care and other support services that AFDC recipients may need. GOP
IDEA

It should be noted that there is presently a shortage of treatment slots. It is estimated that current capacity can meet approximately 58 percent of treatment needs. Requiring treatment for AFDC recipients who need it could result in fewer slots being available for the people who are not AFDC recipients, which raises equity and efficiency concerns.

Like treatment for substance abuse, remediation costs for learning disabilities also vary a great deal. Variables include the remediation approach used (e.g. phonics), student/teacher ratios, and whether the provider is a non-profit community organization or private, profit-making organization. Understanding these constraints, costs for remediation range from \$500 to \$3000 per client. Adequate remediation services with some life skills development would cost around \$1200 per client.

Financing

Financing issues are related to the treatment options discussed previously. For example, if a VR model is selected, then costs for treatment and habilitation would be incurred by the VR system. However, as noted, the VR system has its own resource constraints. As a result, it may be appropriate to allow State VR agencies to use JOBS funds to pay for the State share of VR costs. The services integration model would utilize existing services in the community and their respective funding streams. Finally, the option of contracting with local providers may result in much of the costs being incurred by the JOBS program.

One important factor in this discussion of financing is the extent to which assessment and treatment services may be covered under health care reform. As information was being gathered for this draft, relevant coverage issues in the President's plan were still evolving. However, the plan's coverage of substance abuse treatment will allow for inpatient and residential treatment, professional outpatient treatment, and intensive non-residential treatment services.

TRANSITIONAL SUPPORT GROUP PAPER, FOR DISCUSSION ONLY, 10/1/93

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AFDC-UP

Overview. In order to qualify for AFDC, there must be children who are deprived of parental support and care. In most cases, children are deprived because at least one parent is absent. However, two-parent families can qualify if there is deprivation due to the incapacity of a parent or due to unemployment of the principal earner in the family. Families that qualify on the basis of incapacity are covered under the regular AFDC program and are counted as "basic" cases. Families that qualify on the basis of unemployment are called AFDC-UP (Aid to Families with Dependent Children--Unemployed Parents) cases. Special conditions of eligibility apply to such cases. The most significant are: 1) the 100-hour rule which prevents families with two healthy parents from getting benefits unless the parent who has served as the principal earner is employed less than 100 hours a month; and 2) the "quarters-of-work" test which prevents such families from receiving assistance unless the principal earner has had a substantial recent work history.

Until the Family Support Act of 1988, States had an option whether or not to provide assistance to two-parent families through AFDC-UP. While the program was optional, about half the States provided such benefits. In the other twenty-to-twenty-five States, the only two-parent families that received assistance were ones where at least one parent was incapacitated.

While it is difficult to develop convincing empirical evidence, many feel that the additional requirements for AFDC-UP eligibility have contributed in some way to the decline of the two-parent family, especially among low-income populations. As the number of single-parent families continues to increase, there seems to be renewed interest in eliminating special eligibility rules for two-parent families. However, there is not universal agreement on this point. ??

It is not the responsibility of the Transitional Support Group to resolve this issue. However, in our discussions about developing appropriate service strategies and time-limit rules, we took note of this side discussions and leaned towards policies which provided greater comparability in the treatment of the two types of cases.

Traditionally AFDC-UP cases have been treated differently under work programs.

In general, the principal earner has been subject to more rigorous work requirements than other parents (e.g., there were mandatory referrals to employment offices).

The financial sanctions imposed when the principal earner failed to meet participation requirements were much more severe. Until the JOBS rules came into effect, the entire family would lose benefits if the principal earner failed to cooperate. Under JOBS, a sanction can result in a penalty against either one or both parents.

Also, under JOBS, both parents are subject to participation requirements (unless otherwise exempt); traditionally, only the principal earner had been subject to requirements.

Finally, under the Family Support Act, a special participation requirement was established for AFDC-UP cases. Beginning with FY 1994, States are expected to get large percentages of their AFDC-UP cases into actual work activities for at least 16 hours a week. Education and training generally do not count, although there is an exception included for those under the age of 25 who lack a high school education; these individuals can participate in educational activities. For 1994, the percentage expected to be in activities is 40 percent, but the expectation increases every year, rising to 75 percent by 1997.

While there is considerable logic and philosophical support for expecting more rigorous participation from AFDC-UP cases (in general, they are in a better position to participate in work), special AFDC-UP rules can be questioned on other grounds.

1) A very substantial portion of AFDC-UP cases can be expected to go off welfare within one year of coming on. Focusing on AFDC-UP cases is contrary to a strategy which calls for focusing limited resources on potential long-stayers.

2) Research on employment and training programs has shown mixed impacts for programs targeted on AFDC-UP cases. Thus, it is questionable whether focusing on these groups will produce the highest return on the public investment.

3) To the extent that two-parent families have more difficulty qualifying for benefits (either in terms of cash or services) or keeping benefits (in terms of sanction policies), there could be some disincentive for families to form. ?

Characteristics of the AFDC-UP Caseload.

There are some general differences in the characteristics of AFDC-UP and basic AFDC cases. (See appendix A for more details.)

In summary:

AFDC-UP cases tend to be larger, with more children, and a larger age range of children.

A significant portion have parents who are well into middle age. (In part this may reflect problems that young couples have meeting the "quarters-of-work" requirement.) At the same time, disability, in the form of SSI eligibility, is less common.

As expected, UP cases tend to have closer ties to the labor force. A moderate portion have automobiles.

Except perhaps in California, the UP caseload is much less diverse racially and ethnically than the regular caseload. (This probably reflects in part the smaller population of intact black families.)

Contrary to expectations, there are a fair number of UP cases that do not have two parents in the case. Since the "standard filing unit" was enacted in 1984, the general rule has been that all parents in the home should be included in the filing unit. The main problem here seems to be that, in California, there are a substantial number of cases with two parents in the home, but one or both parents lacks satisfactory immigration status and is therefore ineligible for AFDC. (ISSUE: Should some kind of community service or family obligation be imposed in these cases even where the adult is not receiving assistance?)

Anecdotal evidence had suggested that substance abuse was a significant problem in AFDC-UP cases. The prevalence data discussed in another paper suggests that the UP caseload does not have disproportionate problems in this area.

Based on this overview of the AFDC-UP program and AFDC-UP caseload, it is easy to see that there are special factors working for and against AFDC-UP families in their move towards self-sufficiency. The presence of two parents in the home, their greater attachment to the labor force, and their better access to transportation make such a move easier. At the same time their larger family size and the presence of young children in greater numbers make the move more difficult.

Of course, as the UP data helps illustrate, the AFDC caseload looks quite different in different parts of the country. This diversity suggests some caution in setting national policy regarding how UP cases should be served.

Exemption policies.

OPTIONS:

- A. Require participation by both parents, even if there is a young child.
- B. Require participation by both parents unless the State finds it more advantageous to have one parent in work activities and one responsible for the care of the child.

MAJORITY RECOMMENDATION: NO SPECIAL EXEMPTIONS; ENCOURAGE PARTICIPATION TAILORED AROUND CHILD CARE NEEDS.

OK

Discussion.

- 1) If the program in general is moving to a full participation model, it makes sense that both parents in UP cases would be subject to participation requirements. The traditional concept of a single breadwinner is no longer the sound basis for public policy.
- 2) In today's economy it is less likely that one parent alone will be able to earn enough to support the family. It is unclear that welfare work policies should establish the pattern or expectation of single-parent support.
- 3) A two-parent participation policy may be more costly for the government, at least in the short run, because of child care costs.
- 4) States should have flexibility and be encouraged to design participation requirements which minimize the need for child care expenditures. For example, they should explore work and assignments (including part-time, school-hour, evening, and in-home assignments) which would enable parents to share child care responsibilities. However, there are circumstances when such expenditures might be indicated, and States need some discretion in this area.
- 5) We intend that AFDC-UP families with special needs (such as responsibility for the care of a disabled child or elderly relative) would receive reasonable accommodation in terms of establishing reasonable and appropriate participation requirements and extensions to the time limit. A decision on whether an exemption, extension, or special treatment were appropriate, in this case would depend on the level of care involved. One parent could qualify for an exemption if the care needs were extensive enough.

Targeting to AFDC-UP Cases.

Discussion.

- 1) Research suggests that early, intensive intervention in AFDC-UP cases may not be a productive use of resources. It therefore should not be forced by Federal policy. However, programs to promote early entry into the labor force might be more appropriate. In general, the research suggests that AFDC-UP cases might receive lower priority for education, training, and support services; however, such a policy would fly in the face of our interest in treating AFDC-UP cases more comparably. Also, there are AFDC-UP cases which are susceptible to long-term dependency.
- 2) Federal policy in this area should not be too prescriptive because there are considerable differences in the AFDC-UP caseload in different parts of the country. Furthermore, if changes are made in the eligibility requirements for AFDC-UP cases, the future AFDC-UP caseload may be much different than has historically been the case. First, there may be a higher level of cases that are actively participating in the labor force and need a different service strategy. Secondly, there may be many more cases that are at-risk for long-term welfare stays because they lack work histories and have poorer educational backgrounds. For these families, earlier and more intensive interventions could provide a better payoff than research suggests.

RECOMMENDATION: TO THE EXTENT POLITICALLY FEASIBLE, DE-EMPHASIZE EARLY AND INTENSIVE INTERVENTIONS FOR AFDC-UP CASES; ELIMINATE REQUIREMENTS FOR UP CASES TO PARTICIPATE IN WORK ACTIVITIES IF SUCH REQUIREMENTS REDUCE OPPORTUNITIES FOR OTHER FAMILIES.

NO ?

Sanctions.

Discussion.

- 1) Under the Family Support Act, sanction policies for AFDC-UP cases and regular cases became much more similar. Whole-family sanctions were eliminated; sanctions were applied only to non-cooperating parents and to their spouses if their spouses were not also participating. The second-spouse provision did cause some problems because the second spouses were not always in position to participate; e.g., sometimes they were working or sick. These problems have been alleviated by policy changes over time.
- 2) With broader participation and narrower exemption policies

anticipated, it makes sense to have comparable AFDC-UP and regular AFDC policies. Sanctionable actions would affect the sanctionable individual's portion of the grant. Two-parent sanctions would be imposed only if both parents were expected to participate and failed to do so.

RECOMMENDATION: PARALLEL THE POLICY FOR REGULAR AFDC CASES; APPLY THE SANCTION ONLY TO THE NON-COOPERATING INDIVIDUAL.

Appendix A

An Overview of the AFDC-UP Caseload

Following is some information pulled together from the AFDC QC data to help inform the development of policies appropriate for the AFDC-UP caseload.

First, in spite of the extension of the AFDC-UP program under the Family Support Act, AFDC-UP cases still comprise only about 6 percent the total AFDC caseload.

The California UP caseload represents about 39 percent of the national caseload. Therefore, California statistics tend to dominate the national numbers. Since the California statistics are not representative in a number of respects, we have compiled separate statistics for California and the rest of the country.

At the end of the text are some tables with more detailed information.

UP cases without two parents

Outside of California, most UP cases (93.2%) have two parents in the case. In California, there are a fair number of UP cases (i.e., 20,540 out of 102,699 cases) with one or no parents in the case.

In California, most UP cases without two parents do have parents otherwise in the household. A majority of these cases (almost 12,000) have parents who are illegal aliens, and more than 1,100 cases have a parent on SSI. However, for a substantial portion of the cases, there is no obvious reason why parents who are inside the household are outside the case. 77

Outside California, a substantial majority of UP cases without two parents appear not to have two parents in the home; of 10,757 UP cases without two parents, 6431 report no parent in the home and outside the budget group. Less than 15 percent of these less-than-two-parent cases have illegal parents, and less than three percent have a parent on SSI. More than 5 percent are receiving restricted payments (presumably these would be sanction or mismanagement cases).

In both California and the other States, it is quite rare for UP cases without parents to have another adult in the case.

General differences between UP and Basic Cases

UP cases are about four to five times as likely to own a car (but

still less than one-quarter do).

UP cases are much less likely to have a household member or an adult household member on SSI.

The ethnic/racial make-up of UP cases is much different. Outside of California, UP is largely a white assistance program. Inside California, UP cases are fairly evenly distributed among white, Hispanic, and other non-black populations. The basic caseload is largely black and white, but also includes a substantial number of Hispanics.

Outside of California, UP cases use public and subsidized housing to the same extent as the basic caseload. Inside California, it is rare for UP cases to receive housing assistance; UP cases depend almost entirely on private housing.

Participation in self-initiated education and training is fairly comparable between the basic and UP caseloads.

UP cases are much more apt to have earnings than regular cases, and they are more apt to have unemployment income--especially in California. UP cases are two to three times as likely to be employed and twice as likely to be in the labor force, but unemployed (vs. not employed).

UP cases are much more apt to have several (i.e., three or more) children--especially in California, to have infants and toddlers, and to have two or more children under age 6. Thirty-seven percent of basic cases have no children under age 6.

UP cases are as likely to have school-aged children as basic cases.

The older of the two parents in UP cases seem to be appreciably older than parents in basic cases and the number of young "older" parents (i.e., under age 20-25) seems much smaller. However, these data need to be looked at carefully because of the large number of basic and California UP cases without any parent.

Figures on the age of the head of the household suggest a different, less clear picture. The California UP cases still seem to have substantially older adults, but the distribution for the other UP cases is quite similar to that for the basic caseload. As might be expected, for basic cases, figures on the age of the head-of-household and the oldest parent are similar. For UP cases, the figures for the oldest parent and head-of-household groups differ considerably, with household heads tending to be younger than older parents.

DATA SUPPORTING THIS DISCUSSION

National Caseload

Basic	4,051,161
UP	260,550
Total	4,311,711

UP Caseload

National	260,550
CA	102,699
Other	157,851

Data on UP Cases Without 2 Parents

	<u>CA</u>	<u>Other</u>
Total UP cases	102,699	157,851
Cases w/ 2 parents	82,160	147,094
Cases w/out 2 parents	20,540	10,757
Cases w/ 0 parents	11,982	2,685
Cases w/ 0 adults	11,481	2,259
Cases w/out 2 parents in case, but parents in home	19,398	4,326

Of Cases without 2 Parents

Total	20,540	10,757
Cases w/ illegal parents	11,982	1,360
Cases w/ SSI parents	1,141	243
Cases w/ restricted payments	0	584

DIFFERENCES BETWEEN BASIC AND UP CASES

	<u>Basic</u>	<u>UP/CA</u>	<u>UP/Other</u>
<u>Car Ownership</u>			
Vehicle	5.8%	27.8%	20.0%
<u>SSI Recipients in Household</u>			
SSI Adult	6.2%	1.7%	0.7%
SSI Member	7.4%	2.2%	1.9%
<u>Race/Ethnicity</u>			
White	37.4%	30.6%	75.9%
Black	41.3%	7.2%	9.6%
Hispanic	16.3%	28.3%	8.8%
Other	5.0%	33.9%	5.7%
<u>Housing Arrangements</u>			
Public Housing	9.6%	1.7%	7.8%
Subsidy	13.7%	6.7%	11.8%
Private Housing	63.8%	91.1%	62.5%
Free rent	7.0%	0.0%	3.0%
Shared Housing	1.7%	0.0%	0.6%
Own home	3.7%	0.6%	14.0%
<u>Earnings/Employment Situation</u>			
Earnings	7.3%	16.7%	19.0%
Unemployment Income	0.6%	8.3%	3.0%
Parent Employed	5.5%	17.2%	10.5%
Parent Unemployed	9.8%	19.4%	19.4%
Parent Not Employed	65.2%	57.8%	64.9%

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DIFFERENCES IN NUMBER OF CHILDREN

	<u>Basic</u>	<u>UP/CA</u>	<u>UP/Other</u>
<u>No. of children</u>			
0	2.6%	0.0%	0.0%
1	42.9%	20.0%	27.5%
2	29.8%	32.2%	32.5%
3	15.4%	25.6%	22.6%
4	6.0%	12.2%	9.9%
5+	3.2%	10.0%	7.6%

No. of children < 6

0	39.6%	26.7%	24.1%
1	38.8%	32.2%	40.7%
2	16.6%	29.4%	24.1%
3	4.1%	8.9%	8.9%
4 or more	0.9%	2.8%	2.2%

Age of Youngest Child

< 1	9.6%	10.6%	14.9%
1 ≤ 2	19.6%	32.2%	29.8%
2 ≤ 3	10.5%	11.7%	11.8%
3 ≤ 6	20.7%	18.9%	19.3%
6 ≤ 12	26.4%	21.1%	18.5%
13 ≤ 18	10.6%	5.6%	5.7%

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DIFFERENCES IN AGES OF ADULTS

<u>Age of Oldest Parent</u>	<u>Basic</u>	<u>UP/CA</u>	<u>UP/Other</u>
16-17	1.0%	0.6%	0.2%
18-19	5.6%	1.7%	1.3%
20-25	23.9%	13.3%	19.6%
26-30	20.5%	14.4%	23.2%
31-35	16.0%	15.0%	23.4%
36-40	9.6%	20.6%	15.6%
41-50	6.7%	16.1%	11.2%
No parent	15.0%	11.7%	1.7%
Other	1.7%	6.6%	3.8%

<u>Age of Household Head</u>	<u>Basic</u>	<u>UP/CA</u>	<u>UP/Other</u>
16-17	1.2%	2.2%	0.4%
18-19	5.7%	2.2%	3.4%
20-25	24.8%	14.4%	27.7%
26-30	21.5%	16.1%	23.4%
31-35	17.2%	16.7%	19.3%
36-40	10.8%	16.7%	14.0%
41-50	9.1%	16.1%	8.4%
Other	9.7%	15.6%	3.4%

TRANSITIONAL SUPPORT DRAFT PAPER, FOR DISCUSSION ONLY, 10/1/93

TRANSITIONAL SUPPORT IN THE CONTEXT OF REINVENTING GOVERNMENT

Overview. On September 7, Vice President Gore issued the report on his National Performance Review. It contained innumerable suggestions about how to make the Federal government operate more effectively and efficiently. It talked about moving a way from a system characterized by complacency and entitlement towards a system characterized by initiative and empowerment, and it talked in many ways about focusing more on what the government gets for its dollars than its expenditure process. The report also cited the Administration's welfare reform initiative as an important part of the Reinventing Government initiative.

In this context, we think it is important to think about whether potential changes to the welfare system would be consistent with the directions suggested by the National Performance Review. Obviously the ideal proposal from that perspective is to convert the welfare system from a program funded on an open-ended entitlement basis to one funded on a performance basis. Unfortunately, we did not feel that such a drastic change could be made overnight. A major problem with converting to such a system is reaching agreement on what goals do we want such a system to achieve. A second problem is determining how we could measure whether it is meeting its goals. As the experience of the JTPA program and the JOBS programs has shown, performance systems are more difficult to develop than one would think. Great care has to be taken to ensure that secondary (but nevertheless very important) goals are not thwarted when standards and measures are put into place.

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TEAM

Short of that, we have tried to become more outcome- rather than process-focused and to provide State and local governments flexibility in deciding how to manage their programs. We have also tried to look at the issues from a cost-conscious point of view. In particular, we tried to keep some of the following interests in the back of our minds when evaluating the options before us:

- 1) cutting back to basics;
- 2) re-engineering to cut costs;
- 3) decentralizing decision-making;
- 4) holding programs accountable;
- 5) giving program operators the tools they need;
- 6) enhancing the quality of worklife;
- 7) giving customers a voice and a choice;
- 8) empowering State and local government;
- 9) eliminating regulatory overkill;
- 10) exerting leadership;
- 11) making service organizations compete.

Some will argue that we will not fix the system until we totally transform it into a performance-driven system. However, we have identified a number of lesser policy options which should move the system in the right direction. A number of these are discussed in other papers. We have not attempted to lay out recommendations in this paper (in part because we ran out of deliberation time). Nevertheless, we thought it would be helpful to at least get some ideas on the table for this purpose.

Possible Short-Term Strategies

- A. Greater flexibility in how programs are administered by eliminating the single State agency requirement;
- B. Encourage more individual discretion in the type of support services offered (e.g., relocation programs) [NOTE: this could be in the context some costs controls.];
- C. Conduct consumer surveys of recipients to identify how well they are being served;
- D. Establish a Federal expectation of equitable treatment and/or reasonable accommodation;
- E. Promote contracting for E&T services when there is reason to believe general services are not meeting the needs of welfare recipients;
- F. Promote continued evaluation of work activities, but with a more aggressive effort to distribute of information on program effectiveness;
- G. Change the funding structure for the JOBS program (see Appendix A for further discussion);
- H. Promote greater use of competitively-bid, performance-based contracting (see Appendix B for discussion of one model);
- I. Support Federal, State and local reviews and audits of educational and training programs to determine whether they are effectively serving welfare recipients;
- J. Provide incentive funding for CET-model programs and other innovative programs which tie education and training services more directly to work;
- K. Provide a pool of Federal R & D funds for further study

of effective service models;

- L. Give States more flexibility to meet the needs of participants through one or more of the following approaches:
- a) promote use of individualized service plans (whether for the entire caseload or only for those with special needs);
 - b) amend section 403 of the Social Security Act to restore authorization for general service expenditures under IV-A;
 - c) encourage discretion in State and local programs, consistent with their State and local procurement rules, to provide social services based on individual circumstances;
 - d) encourage innovation practices through a Federal and/or State incentive systems;
 - e) allow families to have an automobile of higher value when needed for employment, participation in employment and training activities, or special family circumstances (such as medical needs);
 - f) allow substantially more flexibility to States to pay for services and to provide counseling and other follow-up services to former AFDC recipients; or
 - g) eliminate the 20-hour rule.

Appendix A

Changing the Financial Incentives for State JOBS Programs

Currently, there is no financial incentive in the JOBS allocation formula to encourage States to help welfare recipients find and keep jobs. Instead, funds are distributed according to a combinations of fixed match rates and the Federal Medicaid match rate. How frequently recipients are able to find employment and how long they retain their jobs does not affect JOBS funding. States whose welfare clients have poor employment rates may get the same reimbursement as States with above-average rates since they are paid on a cost rather than performance basis.

A reinventing government approach looks to rewarding what works. When States are able to place more recipients who can retain their jobs, their success in doing so should be rewarded. However, other factors would also need to be part of the reward formula. To encourage successful programs, a floor could be set for the Federal match rate for JOBS expenditures (e.g., 50 percent). Based on sampling throughout the year, the Federal government could determine overall State success rates. States that performed above average or well based on some preset performance measures could receive higher match rates (e.g., up to a maximum rate of 75 percent).

An alternative incentive system could provide higher matching rates for expenditures during the first two years and lower matching rates for individuals after two years (whether in subsidized work, work experience, or extended benefit status).

If either of these approaches seems viable, they need to receive additional staff work, in part to ensure that States with the most disadvantaged caseloads are not unduly disadvantaged.

Appendix B

America Works

One private organization that is remunerated on the basis of performance is America Works, founded in 1985 in Hartford, Connecticut. By 1991, this company had managed to place about 2,000 welfare recipients in existing private and government sector jobs, with a solid job retention rate. America Works operates as a temporary employment agency, recruiting welfare recipients, providing them basic interviewing and job skills training, and job placements. Employers pay America Works about half of what they would otherwise pay when hiring through a regular temporary agency, and America Work diverts a portion of the employee's wages. Welfare agencies give fixed-rate payments to America Works based on its success in placing recipients and keeping them employed. After a four-month trial period, America Works estimated that 70 percent of employees are retained.

Case managers at America Works have a strong incentive to help employees retain their jobs since bonuses and commissions are offered on that basis. As a result, case managers will help mediate between employer and employee, and even help with occasional transportation and babysitting glitches.

To the extent that such organizations can save Federal/State dollars and obtain good results for clients, they should be encouraged. The proliferation of organizations like America Works could be aided by disseminating information to States about how the prototype operates, cutting down the red tape needed to set up and fund such organizations (e.g., by simplifying the Work Supplementation program rules), setting up demonstrations, and granting waivers as needed.

Before a decision is made to go this route, however, we recommend that the program be further investigated. There is some concern that the results may be attributable to "creaming" (i.e., working with the most employable recipients who would have found steady employment anyway, without this kind of program intervention).

OK,
Let's
Do it

TRANSITION SUPPORT GROUP

COST TABLES FOR EMPLOYMENT AND TRAINING SERVICES

N.B. -- The numbers in the attached table are indicative of a range of costs for different component activities which can be found under the JOBS program. These numbers were compiled from education and training programs and demonstrations in three Departments--Health and Human Services, Labor and Education. These costs have been compiled without an attempt to achieve complete standardization or comparability, nor do they capture the substantial variation which exists within and across States. In addition, when provided by other Departments, no attempt was made to verify their accuracy. They should therefore be used with caution. While they offer insights into the costs of these services, and will be useful to modelers making judgements about how to cost different activities, any restructured program can be expected to operate under different assumptions, timeframes and capacity constraints which could substantially alter the actual costs of these activities.

Working Document
Cost Subgroup
10-1-93

COST ESTIMATES FOR EDUCATION, TRAINING AND SUPPORT SERVICES:

TRANSITIONAL SUPPORT PROGRAM (1992 dollars)

Agency/Program	Category	Introductory Services		Non-vocational Education			Job Skills/ Voc. Education
		Case Management	Registration/ Assessment	Basic/ Adult Ed.	High School/ GED	Post-Secondary	
Department of Education	Cost/Participant			\$1,660		\$7,760, \$5,622*	
	Duration (months)			4.6		12	
Department of Labor JTPA	Cost/Participant			\$1,537			\$2,447
	Duration (months)			3.4			4.3
Department of Labor (Job Corps)	Cost/Participant			\$961			\$2,081
	Duration (months)			7.6			7.6
Department of Labor (JobStart Demo)	Cost/Participant	\$1,120	\$635	\$1,511			\$1,759
	Duration (months)			1.5			2.9
DHHS (JOBS)	Cost/Participant		\$108		\$670	\$616	\$788
	Duration (months)		0.7		5.5	6.3	6.5
DHHS Mass. ET Program	Cost/Participant		\$343		\$893***	\$121	\$1,063
	Duration (months)						
DHHS (Teen Parent Demo)	Cost/Participant						
	Duration (months)						
DHHS (Welfare to Work Demos)	Cost/Participant	\$205	\$155	\$154		\$2,006	\$2,251
	Range**	\$112-\$348	\$122-\$188			\$1,159-\$3,525	\$1,974-\$2,684

* The figures are the average annual costs of post-secondary school attendance for students receiving and for students not receiving AFDC, respectively. The numbers represent estimates of the full cost of post-secondary school attendance, including tuition and fees, room and board, books and transportation.

** The welfare to work demonstrations differed substantially in scope and structure, and consequently there is considerable variation in unit costs. To capture the variation, a range of unit costs is presented. Duration data for welfare to work demonstrations are not available on a consistent basis and in a standard format.

*** Figure represents the cost per participant for persons in the following activities: high school, classes to prepare for the GED, ESL classes and adult basic education classes.

COST ESTIMATES FOR EDUCATION, TRAINING AND SUPPORT SERVICES:
TRANSITIONAL SUPPORT PROGRAM (1992 dollars)

XI-3

Agency/Program	Category	Pre-Employment Activities			Employment Activities				AB E & T	Trans- portation
		Job Readiness	Job Placement/ Development	Job Search	On-the-Job Training	Work Suppl.	CWEP			
Department of Education	Cost/Participant Duration (months)									
Department of Labor JTPA	Cost/Participant Duration (months)			\$344 2.7	\$1,876 2.4					
Department of Labor (Job Corps)	Cost/Participant Duration (months)		\$316 7.6							\$224 7.6
Department of Labor (JobStart Demo)	Cost/Participant Duration (months)	\$420	\$301							
DHHS (JOBS)	Cost/Participant Duration (months)	\$367 1.7		\$239 2.0	\$1,234 2.5	\$799 3.2	\$459 3.6			
DHHS Mass. ET Program	Cost/Participant Duration (months)		\$704			\$3,442	\$1,125			\$38
DHHS (Teen Parent Demo)	Cost/Participant Duration (months)							\$2,737 5.4		
DHHS (Welfare to Work Demos)	Cost/Participant Range**	\$254 \$122-\$387	\$167	\$245; \$274* \$24-\$659* \$102-\$446*	\$354***, \$2,564 \$2,466-\$2,661		\$607 \$354-\$1,196			\$61 \$30-\$93

* The average for individual job search is \$245; for group job search the average is \$274. The top range (\$24-\$659) is for individual job search and the bottom (\$102-\$446) for group job search.

** The welfare to work demonstrations differed substantially in scope and structure, and consequently there is considerable variation in unit costs. To capture the variation, a range of unit costs is presented. Duration data for welfare to work demonstrations is not available on a consistent basis and in a standard format.

*** This figure does not include payments to employers.

NOTES TO COST ESTIMATE CHART**General**

1. All cost figures are in 1992 dollars.
2. The cost per participant is average total cost per participant. An average monthly cost per participant can be arrived at by dividing the cost per participant by the duration (where available).
3. Duration figures for the Department of Education Basic/Adult Education entry and for the Department of Labor JOBSTART entries were originally reported in hours. These numbers were converted into monthly figures by assuming 20 hours per week, 4.3 weeks per month. The duration data from the National Job Training Partnership Act (JTPA) study, originally reported in days, were converted into months by assuming 30.4 days per month.

Department of Education

1. Cost and duration figures for Basic/Adult Education are rough estimates.

Department of Health and Human Services**JOBS**

1. JOBS cost and duration data were drawn from state reports (rather than from an independent evaluation).
2. JOBS cost figures represent only those expenditures incurred by the State agency operating the JOBS program and claimable for activities under Title IV-F of the Social Security Act. For this reason, JOBS cost figures may not represent the full cost of the services provided. States may not claim reimbursement under JOBS for those services that are already provided through other funding sources.

The JOBS cost numbers include both the Federal and the State share.

3. The JOBS cost data are from FY 1991, as 1992 cost data are not yet available. FY 1991 was, however, the first year States reported expenditure data by component, and the figures should be viewed accordingly.

4. While the cost data are from FY 1991, the duration data are from FY 1992, the first year for which such information is available.

Massachusetts Employment and Training (ET) Program

1. Massachusetts ET costs represent only direct costs to the program and do not include, for example, costs incurred by JTPA-funded programs or public schools.

Welfare to Work Demonstrations

1. As mentioned in the footnote on the first page of the matrix, the welfare to work demonstrations varied widely in design, and consequently the reported unit costs differ substantially.
2. Data were drawn from the following welfare to work demonstrations:

Illinois WIN Demonstration Program (Cook County)
 Maine Training Opportunities in the Private Sector Program
 Maryland Employment Initiatives (Options Program, Baltimore)
 New Jersey WIN Grant Diversion Project
 Saturation Work Initiative Model (San Diego)
 Virginia Employment Services Program

Food and Nutrition Service, Department of Agriculture

1. Cost data by component were not available for education and training programs operated as part of the Food Stamp Employment and Training (E&T) program.

SOURCES FOR COST ESTIMATES

Department of Education

Data were provided by Mike Carpenter of the Office of Management and Budget at the Department of Education.

Department of Labor

Job Training Partnership Act (JTPA)

Preliminary cost estimates from the National JTPA Study were supplied by Larry Orr of Abt Associates.

Job Corps

Employment and Training Administration, U.S. Department of Labor. 1991. *Job Corps in Brief: Program Year 1991*.

JOBSTART

Cave, George and Fred Doolittle. 1991. *Assessing JOBSTART: Interim Impacts of a Program for School Dropouts*. New York: MDRC.

Department of Health and Human Services

JOBS

Data were provided by the Division of Program Evaluation, Office of Family Assistance, Administration for Children and Families, Department of Health and Human Services.

Massachusetts Employment and Training (ET) Program

Nightingale, Demetra Smith et. al. 1991. *Evaluation of the Massachusetts Employment and Training Program*. Washington, D.C.: The Urban Institute Press.

Teenage Parent Demonstration

Hershey, Alan M. and Marsha Silverberg. 1993. *Costs of Mandatory Education and Training Programs for Teenage Parents on Welfare: Lessons from the Teenage Parent Demonstration*. Mathematica Policy Research report submitted to the Department of Health and Human Services.

Welfare to Work Demonstrations

Data were drawn from MDRC final impact reports on the following welfare to work demonstrations:

Illinois WIN Demonstration Program (Cook County)
Maine Training Opportunities in the Private Sector Program
Maryland Employment Initiatives (Options Program, Baltimore)
New Jersey WIN Grant Diversion Project
Saturation Work Initiative Model (San Diego)
Virginia Employment Services Program