

# WITHDRAWAL SHEET

## Clinton Library

Collection: Domestic Policy Council-Reed, Bruce  
 OA/Box: OA 18939  
 File Folder: America Works

Archivist: RDS

Date: 3/19/04

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. letter	Richard Greenwald to Reed re: America Works meeting, 1p (partial)	5/8/97	P6/B6

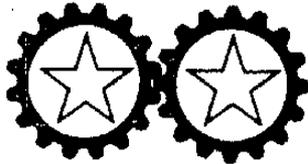
### RESTRICTIONS

**P1** National security classified information [(a)(1) of the PRA].  
**P2** Relating to appointment to Federal office [(a)(2) of the PRA].

**P3** Release would violate a Federal statute [(a)(3) of the PRA].  
**P4** Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].  
**P5** Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].  
**P6** Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

**B1** National security classified information [(b) (1) of the FOIA].  
**B2** Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].  
**B3** Release would violate a Federal statute [(b)(3) of the FOIA].  
**B4** Release would disclose trade secrets or confidential commercial financial information [(b)(4) of the FOIA].  
**B6** Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].  
**B7** Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].  
**B8** Release would disclose information concerning the regulation of financial institutions [(b)(9) of the FOIA].  
**B9** Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].



AMERICA WORKS.

Friday, September 26, 1997

The Honorable Alexis Herman  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Room S. 2018  
Washington, D.C. 20210

Dear Madam Secretary:

I am in receipt of your Draft Interim Planning Guidance for the Welfare-To-Work Formula Grants for Fiscal Year 1998. I have a major concern. The Department of Labor is giving up a tremendous opportunity to get private sector capital involved in welfare-to-work. The guidelines limit private sector match to one third of all potential match. By limiting the private sector's involvement, DOL is curbing creative uses of this funding by states. I ask that you remedy this, and influence the regulations to allow for unlimited private sector match.

No doubt, states and cities will be coming up with creative ideas to leverage Welfare-To-Work Grants funding, as they begin to submit plans to DOL during the coming months. One innovative idea that some State Welfare and Labor Administrators, with whom I have spoken, have been excited about, is using America Works as a mechanism for governments looking for ways to come up with matching funds.

America Works is prepared to put up the required matching funds for the new grant dollars coming to states. I am sure other intermediary organizations will do the same thing. As such, the benefits to governments would be that general state tax revenue would not be needed to support America Works Welfare-To-Work efforts around the country, and it would encourage states to draw down more of their match than they may do otherwise.

I hope that you are able to insure that private sector matching funds will be allowable up to 100% if a state so chooses. If you have any questions regarding this matter, please contact me at (212) 244-5627 extension 125.

Sincerely,

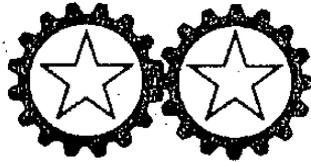
Peter Cove,  
Founder

cc: Bruce Reed  
Leslie Loble

*WR -  
America Works*

*Bruce,  
Do you have any  
advice? Peter*

*Cynthia -  
Maybe this is a  
good idea after all.  
-BR*



## AMERICA WORKS

*Cynthia -  
We shd talk to them.  
They'll support us  
on FLSA.*

*BR*

Thursday, March 20, 1997

Mr. Bruce Reed  
The White House  
Domestic Policy Council  
Second Floor/West Wing  
Washington, D.C. 20500

Dear Bruce:

We want to ask your help in arranging a meeting with the White House and HHS officials to resolve some problems in the implementation of welfare reform in New York. We believe the success of welfare reform in the country could be endangered if these policies are adopted in other cities.

America Works has been in the forefront of proposing policies that limit up-front training and education. Therefore we are in support of the bill's intent to move people quickly from welfare to work, by-passing the failed training and education strategies of the past. We also believe that for those who can not access private employment, a workfare experience can provide a training and orientation to work.

In New York City, however, the program emphasizes workfare at the expense of private sector jobs. The policy is that everyone called is assigned to workfare for six or more months. If they do not leave the rolls for failure to attend they are sent to a job search program for four weeks. If they do not find employment in four weeks they are sent back to workfare (some can go to literacy or GED).

We have been told that this strategy reduces the rolls and that this is the goal, not necessarily employment. All of this has given those on the left ample ammunition to discredit workfare and is the impetus for the union problems which are emerging.

City and State officials maintain that they are only allowed these activities as defined by HHS. There is a lifetime limit for job search of six weeks they say and the only other allowable activity is at least 20 hours a week of workfare. In addition, there is 20% maximum allowed for training activities. We have

explained that it takes us on average three-four months to get a person a job. But once they have secured one, they are off welfare-unlike workfare where the welfare grant is still given.

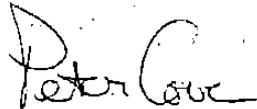
The Administration needs to take a close look at the relationship between workfare and welfare to work. A doctrinaire reliance on workfare as the first strike in welfare to work will fail to move many people into self sustaining employment. In Albany, New York, we work with half time workfare and half time America Works, a model which flexibly allows people to get jobs in the private sector quickly. It also allows people to be referred to us first. If a job is possible in the private sector, this siphons off many that would have otherwise been put routinely into a workfare assignment.

Will you set up a meeting to discuss this issue? We feel we might shed some light on very real practical problems. This may help HHS to provide guidelines that maintain the integrity of the Law and encourage private sector work.

Sincerely,



Lee Bowes,  
CEO



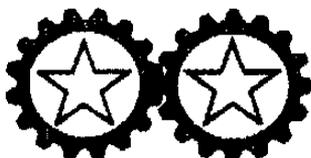
Peter Cove,  
Founder

cc: Lyn Hogan

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 1  
LISTED IN THE WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

THE FOLLOWING PAGE HAS HAD MATERIAL REDACTED. CONSULT THE  
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER FOR FURTHER  
INFORMATION.





## AMERICA WORKS

Thursday, March 20th, 1997

Mr. Bruce Reed  
The White House  
Domestic Policy Council  
Second Floor/West Wing  
Washington, D.C. 20500

Dear Bruce:

We want to ask your help in arranging a meeting with the White House and HHS officials to resolve some problems in the implementation of welfare reform in New York. We believe the success of welfare reform in the country could be endangered if these policies are adopted in other cities.

America Works has been in the forefront of proposing policies that limit up-front training and education. Therefore we are in support of the bill's intent to move people quickly from welfare to work, by-passing the failed training and education strategies of the past. We also believe that for those who can not access private employment, a workfare experience can provide a training and orientation to work.

In New York City, however, the program emphasizes workfare at the expense of private sector jobs. The policy is that everyone called is assigned to workfare for six or more months. If they do not leave the rolls for failure to attend they are sent to a job search program for four weeks. If they do not find employment in four weeks they are sent back to workfare (some can go to literacy or GED).

We have been told that this strategy reduces the rolls and that this is the goal, not necessarily employment. All of this has given those on the left ample ammunition to discredit workfare and is the impetus for the union problems which are emerging.

City and State officials maintain that they are only allowed these activities as defined by HHS. There is a lifetime limit for job search of six weeks they say and the only other allowable activity is at least 20 hours a week of workfare. In addition, there is 20% maximum allowed for training activities. We have

explained that it takes us on average three-four months to get a person a job. But once they have secured one, they are off welfare-unlike workfare where the welfare grant is still given.

The Administration needs to take a close look at the relationship between workfare and welfare to work. A doctrinaire reliance on workfare as the first strike in welfare to work will fail to move many people into self sustaining employment. In Albany, New York, we work with half time workfare and half time America Works, a model which flexibly allows people to get jobs in the private sector quickly. It also allows people to be referred to us first. If a job is possible in the private sector, this siphons off many that would have otherwise been put routinely into a workfare assignment.

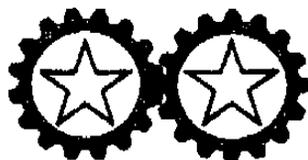
Will you set up a meeting to discuss this issue? We feel we might shed some light on very real practical problems. This may help HHS to provide guidelines that maintain the integrity of the Law and encourage private sector work.

Sincerely,

  
Lee Bowes,  
CEO

  
Peter Cove,  
Founder

cc: Lyn Hogan



## AMERICA WORKS

Wednesday, January 22, 1997

Andrew Cuomo, Secretary  
U.S. Department of Housing & Urban Development  
451 7th, SW  
Washington, D.C. 20410

RE: NATIONAL MODEL FOR WELFARE TO WORK

Dear Secretary Cuomo:

Congratulations on your new appointment! The President made a terrific choice. As well, congrats in receiving the innovation award. You deserved it.

You should have received a letter dated January 17, 1997, from Ricardo Gilmore, the General Counsel to the Housing Authority of the City of Tampa (THA), regarding a partnership effort that THA is undertaking with America Works (AW). If successful, this novel and intriguing idea of a public/private partnership could be a model for entrepreneurial Housing Authorities across the nation.

Over New Year's at the the Renaissance Weekend, President Clinton told me that America Works should be in every city the U.S. Supporting the initiative that THA is proposing, certainly would help to begin to move to action the President's thoughts.

Thank you for considering our request. Best wishes in the New Year and in your new position.

Sincerely,

Peter Cove,  
Founder

cc: Arthur Milligan Jr., Executive Director of THA  
Ricardo Gilmore, Esq., General Counsel to THA

01-24-97 17:02 813 228 7440

S S N

002

ONE BARNETT PLAZA • 101 E. KENNEDY BOULEVARD • SUITE 3200 • TAMPA, FLORIDA 33602 • (813) 228-9000 • FAX (813) 221-8811

**SALEM, SAXON & NIELSEN**

ATTORNEYS AT LAW

Professional Association

RECENTLY JOINED BY  
RICARDO L. GILMORE  
FORMERLY OF MORRISON, GILMORE & CLARKSTEVEN M. BERMAN  
J. PRAZIER CARRAWAY  
C. GRAHAM CAROTHERS, JR.  
LISA M. CASTELLANO  
BETH M. COLEMAN  
ROY J. FORD, JR.MARILYN MULLEN KEALY  
TROY M. LOVELL  
EVYD L. NETZER  
RICHARD A. NIELSEN  
BOARD CERTIFIED CIVIL TRIAL LAWYER  
LYNN V.H. RAMEYMARLAN B. RUSH  
RICHARD J. SALEM  
BERNICE S. SAXON  
SUSAN K. S. SCARCELLI  
JACQUELINE M. SPOTO  
DAVID J. TONGJOHN CRIDER  
OF COUNSEL

January 24, 1997

Mr. Andrew Cuomo  
Secretary  
U.S. Department of Housing  
and Urban Development  
451 7<sup>th</sup> Street S.W.  
Room 10139  
Washington, D.C. 20410RE: AMERICA WORKS OF NEW YORK, INC. - HOUSING AUTHORITY OF THE CITY OF  
TAMPA PARTNERSHIP EFFORT IN FLORIDA

Dear Secretary Cuomo:

Please be advised that this law firm serves as the General Counsel to the Housing Authority of the City of Tampa ("THA"). This letter is to inform you that America Works of New York, Inc. ("AW") and THA have begun to form a public/private partnership to provide a comprehensive program to aid welfare recipients residing in THA's public housing complexes primarily in exiting the welfare rolls of Florida and gaining meaningful and continuous employment. It is THA's and AW's mutual desire to use some U.S. Department of Housing and Urban Development ("HUD") funding to help accomplish this worthwhile and necessary goal. We are requesting that you designate an appropriate HUD executive staff member to help us work through the logistics of how such available HUD funding might be used for this purpose. This assistance is vital due to the innovative public/private partnership arrangement we are proposing.

As the Clinton administration prepares for its second term, there is a need for people to obtain gainful employment. The welfare reform initiative impacts greatly on many residents of public housing, and the future course of public housing in the nation. Potentially, our public/private partnership project could serve as a national model for success, especially relative to public housing authorities across the nation. This partnership could accomplish this objective by illustrating how a public/private partnership can provide an innovative solution to welfare reform.

THA is a high performing housing authority which has been a HUD recognized innovator of resident initiative and empowerment programs, as well as a leading housing authority in entrepreneurial and aggressive endeavors. For the past several years under the guidance and directorship of Mr. Audley Evans, and now under the directorship of Mr. Arthur Milligan, Jr., formerly the Executive Director of the Winston-Salem North Carolina Housing Authority (itself an innovative and progressive housing authority in its own right), THA has gone from being a troubled housing authority to an industry leader. THA designed and implemented the highly successful Resident Enterprise Assistance Program ("R.E.A.P."), which now serves as a national model for similar public housing resident initiative programs across the country. THA has already available the expertise, reputation, staff, facilities and HUD and municipal presence to partner with

01/24/97 17:02

813 228 7440

S S N

003

Mr. Andrew Cuomo  
January 24, 1997  
Page Two

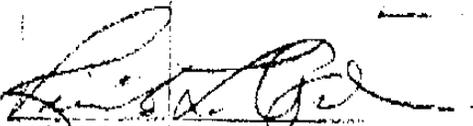
*AW* to accomplish the objectives of this public/private partnership in Florida. I have taken the liberty to enclose an annual report from *THA* for your convenience and edification.

*AW* is a privately owned for-profit corporation that places people on welfare in private sector jobs. *AW* has one hundred percent (100%) performance-based contracts with the states in which they are located, most notable of which is New York state, that ensure successful outcomes. Through the efforts of *AW*, private sector employers gain the benefit of ease of hiring and the commitment of *AW*'s support to the employee. The Government gains the benefit of a guaranteed return on its investment because *AW* only gets paid once someone is in a job and off the welfare rolls. The welfare recipient gains the benefit of a job, the support of *AW* to acquire skills to keep the job long term, and self esteem. Last but certainly not least, the taxpayer saves money. I have taken the liberty to enclose a brochure from *AW* for your convenience and edification.

Approximately One Million Ninety-eight Thousand Dollars (\$1,098,000.00) of *HUD* funding during the first year of our public/private partnership could effectively place approximately two hundred (200) welfare recipients into full time jobs. Those recipients could either get into a position to exit public housing or provide the housing authority with higher rents based on increased incomes if they remained. It is virtually a win-win situation. Once we have received assistance from your designee, available office space and partial staffing of *THA* would be used immediately, and within two (2) months of start-up, the partnership would be placing welfare recipients in jobs. During the next two (2) years the partnership projects that it could expand to three hundred (300) to five hundred (500) placements per year.

*THA* and *AW* sincerely hope that you look upon this venture favorably. Time is of the essence and both *THA* and *AW* are ready, willing, able and eager to proceed. We await your or your designee's timely response. Thank you for your time and consideration.

Sincerely,



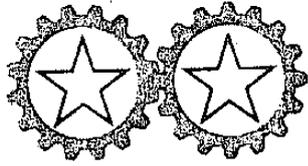
**RICARDO L. GILMORE, ESQ.**

RLG/tg

enclosures

cc: A. Milligan, Jr., Executive Director of *THA*, w/o enclosures  
R. Greenwald, *AW*, w/o enclosures  
K. Marchman, Assistant Secretary, Public and Indian Housing, *HUD*, w/o enclosures  
G. Cusar, Deputy Assistant Secretary, Office of Community Relations, *HUD*, w/o enclosures

h:\hwa\wcd\mstr\302(R:\1-1\mstr\hwa\green-verbita\0)



AMERICA WORKS

Dear Bruce.

So nice to see you on our panel at Hilton Head. Between my talk with you and about a 5 minute discussion with the

President on New Year's Day, I wanted to pass on a thought to both of you. (The President talked about the potential use of transfer payments such as Food Stamps, to offset wage and other employer costs for hiring welfare recipients.)

Our experience dictates a strategy that supports the expansion of intermediary organizations who bring to employers workers who are ready to work. Manpower Inc., for instance, does this for a different

workforce. But it provides the same service to companies.

Tax credits and wage subsidies are only as effective as their delivery mechanism. Unless packaged and offered by intermediary organizations, ones that qualify that the prospective worker is a good bet, the companies feel they are otherwise being stuck with a problem - albeit a subsidized one.

I have enclosed the findings of a meeting with employers we held at Senator Moynihan's request a few years ago. These findings support the need for intermediaries. We have some thoughts on how to use the WOC and other wage subsidy mechanisms to encourage the growth of intermediaries in the County. Please let us help if you decide to explore this.

M. Y. Best, PhD

- There is never the same accountability from public employment programs that employers get from a private placement firm.

#### *Tax Incentives Like The TJTC Are Not Effective*

The TJTC is unsuccessful

- It is virtually impossible to identify who is a welfare recipient during the hiring process.
- Processing the TJTC is done after an employee starts with a company.
- The paper work is too intensive to make it worth the employer's time.

#### *Pay For Training After Placement*

The employers biggest need in hiring welfare recipients is for an intermediary organizations to certify a person for a job. Employers want to ensure that the person they are hiring have the skills that fit their business environment. Once placed in a job, a voucher could be given to the employee or the employer for more training to upgrade their skills. Or, the voucher given to the employer directly to pay for needed training within the company.

#### *Mentoring Programs Are Successful*

Programs like the Police Athletic League, Project Match, Business Improvement District (BID), and America Works provide post placement support on the job site. These placements succeed because the employee receives intervention and job counseling. The counseling on the job may be critical to success. Employers need a qualified match for their jobs and a mentoring follow up service that will increase the likelihood of retention.

#### *Accountability*

Businesses are accountable for the products and services they provide. They resent government programs that place people in jobs who are on welfare who are not held to the same level of accountability. Programs such as BID are accountable to the businesses in the Times Square district which fund it. Thus, as David Osborne contends, the employer is treated as a customer. Beyond government job development programs being held accountable, businesses believe that welfare departments ought to be accountable for getting people off welfare.

**B: Recommendations to Congress to help employers credentialize prospective employees, have access to post placement support, and have incentives to facilitate upward mobility of their employees once in a job:**

- Enlist the media in a large public service campaign by promoting advocates, encouraging work and making employers and recipients aware of services (govt. has never been a good marketer of their services)
- Initiate a public awareness campaign about what welfare to work programs are successful and why
- Inject competition into the welfare reform discussion

- Create incentives for a market of intermediary organizations to connect welfare recipients to jobs (particularly since most private organizations do not work well with public ones)
- Make a job pay better than welfare
- Support Senator Moynihan's idea for a welfare advisory task force (similar to the President's economic one) to include private sector representatives
- Support work as a first strike to reduce welfare versus education and training
- Enable post placement support because it is contagious - when employers see America Works do it, they are influenced to do it also
- Supplement training that employers provide

**C: Comments by other participants included:**

*Work Is A Function Of Opportunity*

Why some programs work to get people in jobs and other do not have less to do with who comes through the program and more because of what the program offers. If program participants see potential for a job and independence, there is a greater likelihood they will be motivated to work versus participating in a training program with no good track record of placing people in jobs. Being seated with yellow pages and a telephone does not look like an opportunity to welfare recipients. This is common in Job Clubs.

*Entrepreneurial Values*

Organizations that are accountable have an incentive to be more efficient. America Works is trying to ensure retention, a large amount of its resources are going into finding a job for a candidate fast and even a larger amount into supporting its candidates in the job. Conversely, the motivation for some government sponsored training is to drag out the training for as long as possible in order to maintain funding.

*Education Failures Should Not Be Synonymous With Welfare*

Education and training should not be lumped in with what ails welfare. Welfare agencies should look at a variety of solutions when tackling welfare ensuring that no welfare recipient is left out.

*Inject Competition Into the Debate*

Agencies need to have an incentive. Injected with a dose of competition from the private sector they create the necessary incentives. Even if competition is scary for agencies (perhaps because job security is threatened), it is imperative as a catalyst. However, if you are going to change the welfare system, there has to be resources for it. Any major agency restructuring and changes in the delivery system have to be accompanied by resource assistance. Changing the incentives for agencies from eligibility and audits to job placement and support would be a major undertaking and would need support.

## Welfare Mothers Find Jobs Are Easier to Get Than Hold

By JASON DePARLE

Special to The New York Times

CHICAGO — Poor women leave the welfare rolls for jobs much more often than was previously thought, but the low-paying and sometimes unattractive work rarely provides a long-term solution to dependence, according to several recent studies.

Most of the women soon quit or lose the jobs and return to the welfare rolls. The reasons for leaving work can be as varied as economic problems, like low wages or the loss of insurance, and personal difficulties, like drug abuse or fights with bosses.

And at an employment program here near Cabrini-Green, the vast housing project, many women cite a complication rarely noted in official debate: jealous interference or even physical assault by boyfriends who felt threatened by the prospect of their independence.

The frequent cycling on and off the rolls challenges the common perception of a welfare mother as a woman who has never worked. And it suggests that Congress faces a doubly difficult challenge as it seeks to overhaul the system — not simply getting women into jobs, but keeping them there.

The women at Project Match, the employment program here, can recite long lists of jobs they have won and lost in between lengthy sojourns on public aid. They have bottled lotion, changed hotel beds and worked at convenience stores. They have fried hot dogs at horse tracks and cruised the aisles of catalogue

warehouses on roller-skates, filling customer orders.

Most of the women complained that the low-paying jobs left them nearly as poor as they had been on welfare, and in some cases caused them to lose their children's health insurance. But many also faulted themselves, lamenting what they called their bad attitudes or insufficient drive.

The most extensive study of welfare cycling comes from LaDonna A. Pavetti, a researcher at the Urban Institute in Washington. Ms. Pavetti found that 64 percent of the women coming on the welfare rolls for the first time left within two years. But more than three-quarters of those who left welfare eventually returned, and 45 percent returned within a year.

The policy implications of Ms. Pavetti's work are up for grabs. Some people have argued that the data make the case for placing strict time limits on assistance. They say the cycling shows that jobs are available but that welfare recipients lack the perseverance to keep them.

But others cite the cycling phenomenon to criticize time limits. They say it shows that the women are already motivated to work but are thwarted by forces beyond their control. The way to bolster employment, these people say, is to offer health insurance, child care, transportation

Continued on Page A14, Column 1

# Welfare Mothers Often Find That Jobs Are Easy to Get but Hard to Hold, R

Continued From Page A1

and wage subsidies, so that jobs become profitable.

Roslyn Hale, one Project Match participant, can serve as a case study of the difficulties of leaving welfare, having landed and lost a succession of jobs for reasons that alternately invite and discourage public sympathy. She worked as a hotel maid in the nearby business district for several years, she said, but lost the job after a fight in which she was accused of physically threatening her supervisor.

She then got a checkout job at a convenience store. But it required her to work the overnight shift, where drunks from a nearby bar taunted her and one threatened her at knife point. She left and found work at another convenience store, where she felt safer. But business took a downturn, and Ms. Hale was laid off. Now, at the age of 30, she is again supporting her 4-year-old son on a grant of about \$270 a month, along with food stamps.

Sometimes Ms. Hale blames economics for her problems. "All the low-class jobs mostly start for you at minimum wage," she said. And sometimes she blames herself. "I have an attitude," she admitted.

But most of all, she stresses that simply landing a job is no guarantee of gaining a foothold on a middle-class life. "I have worked, gotten on aid, worked, gotten off aid," she said, describing the pattern that prevails throughout her neighborhood.

Ms. Pavetti has refined much-publicized studies done by David T. Ellwood and Mary Jo Bane, former Harvard University professors who now are Assistant Secretaries at the Department of Health and Human



Todd Burbanck for the New York Times

Sometimes, boyfriends or husbands keep women from staying in jobs that keep them off welfare. Vanessa Williams of Chicago said she once quit a job because her boyfriend "used to come to the job and threaten me."

Services.

Mr. Ellwood and Ms. Bane found less fluctuation than did Ms. Pavetti because they used a different database, one that recorded whether a person had received aid in a given year. But Ms. Pavetti examined month-by-month records and found that women sometimes hopped on and off assistance several times in a year.

All three researchers studied the main Federal welfare program, Aid to Families With Dependent Children, which now supports more than 14 million people.

Ms. Pavetti's work has also unearthed new information about why

women leave the rolls. The earlier studies had estimated that of those who left, only 21 percent did so because they found work, while 30 percent left because they got married.

But Ms. Pavetti's study found that work was by far the most common reason for leaving the rolls, accounting for 46 percent of all exits. And other recent studies, using different data and time periods, have come up with even higher estimates.

Scholars generally used to divide welfare recipients into two categories, long-term and short-term, but Ms. Pavetti's work has led them to discuss a large third group: cyclers.

Ms. Pavetti estimated that about

40 percent of the women who began a welfare spell went on to fit the cycler category. They collected checks for more than 24 of the next 60 months, although their use of the system was intermittent. By contrast, only 18 percent became long-term users, collecting checks continuously for the five years that Ms. Pavetti examined. And 42 percent had short stays, using the system for less than 24 of the 60 months.

Ms. Pavetti noted that while long-term users were a small percentage of any group beginning a stay on welfare, they accounted for about two-thirds of the people on the rolls at a given moment.

Still, Ms. Pavetti said, researchers have little statistical basis for finding the reasons that people lose jobs. "We're only starting to understand what causes people to move on and off," she said.

Project Match has won a national reputation for following recipients after they get jobs, on the assumption that problems will arise. "People don't keep their first job," Toby Herr, the program's director,

When researchers from Northwestern University examined the program, they found that 46 percent of the women lost their first job within six months and 73 percent so within a year. Some of the reasons the researchers noted are commonly cited by advocates of welfare reform, including a lack of child care and health insurance.

But they also found that the women often lacked the social skills necessary for work. Many of the women presented the authority of supervisors, quarreled with co-workers, quarreled with customers or failed to respect time. Ms. Herr adds to the long list of employment hurdles interfering with welfare reform: resentful boyfriends, some of whom even follow the women to work and threaten them. She said one of the welfare system's goals is to work unless it found ways to improve the employment of women. "It's the untold story," she said. "The men are not working, but they don't want the women feeling that way. They don't want to think that the women are needed anymore."

Sitting in the Project Match office, Vanessa Williams agreed with Ms. Herr's theory, explaining that she had lost a succession of jobs because of disasters with men. She said, because the man she was living with was using her

## Hard to Hold, Research Suggests

Still, Ms. Pavetti said, researchers have little statistical basis for judging the reasons that people lose jobs. "We're only starting to understand what causes people to move on and off," she said.

Project Match has won a national reputation for following recipients after they get jobs, on the assumption that problems will arise. "People don't keep their first job," said Toby Herr, the program's director.

When researchers from Northwestern University examined the program, they found that 46 percent of the women lost their first jobs within six months and 73 percent did so within a year. Some of the reasons the researchers noted are those commonly cited by advocates for the poor, including a lack of child care or health insurance.

But they also found that the women often lacked the social skills necessary for work. Many of the women resented the authority of supervisors, quarreled with co-workers or customers or failed to report on time. Ms. Herr adds to the long list of employment hurdles interference of resentful boyfriends, some of whom even follow the women to work and threaten them. She said an overhaul of the welfare system would not work unless it found ways to also improve the employment of men.

"It's the untold story," she said. "The men are not working, and they don't want the women feeling better. They don't want to think they're not needed anymore."

Sitting in the Project Match office, Vanessa Williams agreed with Ms. Herr's theory, explaining how she had lost a succession of jobs because of disasters with men. She quit once, she said, because the man she was living with was using her absence

from the house to throw drug parties, when he was supposed to be baby-sitting. She left him, found a new boyfriend and landed a job at an automotive glass company that paid \$8.50 an hour.

But she said her new boyfriend also began using drugs. When she put him out by changing the lock, he knocked down the door, then burned it and beat her so badly that "I thought I was dead." Ms. Williams, who is 34, said she quit working "because he used to come to the job and threaten me."

Often, the women who leave jobs do so because they encounter several problems at once. When Alesia Waits explained why she left her telemarketing job, for instance, she first stressed the loss of health insurance. Her daughter injured herself by dropping a radio on her toe, and Ms. Waits, 26, found herself with a \$131 hospital bill. Reclaiming her insurance by returning to welfare, she said, "was a real relief."

But she also explained that she found the job dreary and the pay low, at \$5.25 an hour. The men on the other end of the telephone would sometimes turn the conversation from sales to sex. She got only two bathroom breaks every five-hour shift, she said, and her supervisor kept her under close watch. "I believe she was prejudiced," she said.

After another stay on welfare, Ms. Waits is now back at work, earning \$7.50 an hour at a racetrack concession stand, where she enjoys the company of her customers and the other workers. The job offers health insurance, and the government provides child care.

"You have to like where you're working at," she said. "And like the money. And have the benefits. And get a baby sitter. Then there's no reason for you to go on welfare."

DANIEL PATRICK MOYNIHAN, NEW YORK, CHAIRMAN

MAX BAUCUS, MONTANA  
DAVID L. BOREN, OKLAHOMA  
BILL BRADLEY, NEW JERSEY  
GEORGE J. MITCHELL, MAINE  
DAVID PRYOR, ARKANSAS  
DONALD W. RIEGLE, JR., MICHIGAN  
JOHN D. ROCKEFELLER IV, WEST VIRGINIA  
TOM DASCHLE, SOUTH DAKOTA  
JOHN BREAUX, LOUISIANA  
KENT CONRAD, NORTH DAKOTA

BOB PACKWOOD, OREGON  
BOB DOLE, KANSAS  
WILLIAM V. ROY, JR., DELAWARE  
JOHN C. DANFORTH, MISSOURI  
JOHN H. CHAFFEE, RHODE ISLAND  
DAVE DURENBERGER, MINNESOTA  
CHARLES E. GRASSLEY, IOWA  
ORRIN G. HATCH, UTAH  
MALCOLM WALLOP, WYOMING

# United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

LAWRENCE O'DONNELL, JR., STAFF DIRECTOR  
EDMUND J. MIHALSKI, MINORITY CHIEF OF STAFF

November 12

Peter Cove  
America Works  
704 Broadway  
New York, N.Y. 10003

Dear Mr. Cove:

I wanted to pick up on our earlier communications concerning welfare reform and the importance of involving the private sector.

While this nation has employed a variety of devices to encourage business interest in hiring welfare recipients, my impression is that none of them have been terribly effective. Grant diversion has never caught on with private firms, and the targetted jobs tax credit has also had a troubled past. Accordingly, I am interested in finding out whether some other approach might be more successful.

To that end, I thought it might make sense to pull together some private sector representatives to see whether they have any ideas on the subject. Is there some way to make grant diversion work? Does the whole notion of diverting the AFDC grant to the employer make sense from a business perspective? Are there better ways to get businesses interested?

America Works has had considerable experience getting welfare recipients jobs with private firms, so I suspect you will have a good idea as to who should be consulted. In any event, I will follow your efforts closely, and look forward to hearing what you find out.

My aide in the welfare area is Paul Offner of the Finance Committee staff. I would encourage you to contact him if you have any questions about this.

Sincerely,

  
Daniel Patrick Moynihan

**PRIVATE SECTOR ROLE IN THE WELFARE REFORM DEBATE**

**AGENDA**

**October 24th, 1994**

**Cooper Union School of Humanities**

**11:00 a.m. - 11:10 a.m.:**

**WELCOME**

America Works; Peter Cove and Lee Bowes

**11:10 a.m. - 11:20 a.m.:**

**OPENING REMARKS AND INTRODUCTIONS**

Paul Offner; Office of Senator Daniel Patrick Moynihan

**11:20 a.m. - 12:30 p.m.:**

**BUSINESS REPRESENTATIVES' REMARKS**

Robert Schrank - Moderator

**12:30 a.m. - 1:30 p.m.: (Lunch will be provided)**

**POLICY IMPLICATIONS**

Robert Schrank - Moderator

**1:30 p.m. - 2:30 p.m.:**

**CONGRESSIONAL RECOMMENDATIONS AND NEXT STEPS**

Robert Schrank - Moderator

**2:30 p.m. - 3:00 p.m.:**

**CLOSING REMARKS**

Paul Offner; Office of Senator Daniel Patrick Moynihan

LIST OF ATTENDEES

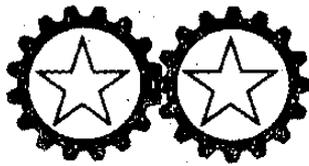
**BUSINESS REPRESENTATIVES**

1. Amalgamated Life New York  
Thomas Thompson 212-539-5000
2. American International Group New York  
Axel Freudmann 212-770-7000
3. ARAMARK New York  
Beth Chiaviello 203-623-1233
4. Bank of Boston Hartford  
Monica Marchese 203-727-5403
5. Bates USA New York  
Nancy Smith 212-297-7000
6. Brownstone Studio New York  
Ellen Flamholtz 212-883-1090
7. Grand Central Oyster Bar New York  
Jerry Brody 212-490-6650
8. National Bank of Detroit Indianapolis  
Robert A. O'Neil Jr. 317-266-7012
9. Rosenman and Colin New York  
Larry Emerson 212-940-8971

---

**OTHER PARTICIPANTS**

1. America Works New York  
Lee Bowes 212-244-5627
2. America Works New York  
Peter Cove 212-244-5627
3. America Works Boston  
Abe Levovitz 617-965-8875
4. Manpower Demonstration Research Corporation New York  
Judy Gueron 212-532-3200
5. Office of Senator Daniel Patrick Moynihan Washington  
Paul Offner 202-224-4515
6. Progressive Policy Institute Washington  
Will Marshall 202-546-0007
7. Progressive Policy Institute Washington  
Lyn Hogan 202-546-0007
8. Robert Schrank New York  
516-878-9590
9. The New York Post/Cooper Union New York  
Fred Siegel 212-353-4105
10. The Rockefeller Foundation New York  
Julia Lopez 212-869-8500



## AMERICA WORKS

### NOTES AND RECOMMENDATIONS

The following is a summary of the October 24th meeting that America Works sponsored to get private sector input on the welfare reform debate. The discussion centered on job placement and development and what employers thought would be helpful to them in hiring people on welfare.

#### A: Comments by employers on hiring welfare recipients:

Employers are interested in programs that are grounded in some type of social commitment to their communities, and of course feel that the best way they contribute to their communities is by providing jobs. The real question they pose to Congress is how can legislation enable them to employ people who are on welfare.

#### *Make Work Pay - Work Is Better Than Welfare*

Employers said they often encountered situations with employees transitioning from welfare to either pay them off the books or cut their hours back because of fear of losing housing or health insurance. Employers do not like that work to be perceived punitive (i.e. workfare).

#### *Intermediary Organizations Are Helpful*

Ultimately, what employers need are workers who fit their job requirements. Intermediary organizations such as America Works are used as good human resource tools. What is wanted is credentializing and entrepreneurial organizations that understand and value the needs of the employer like America Works:

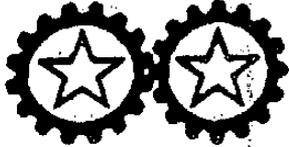
- America Works acts as an intermediary.
- The employer develops a business relationship with America Works.
- The employer learns to rely on it to provide them with the qualified employees.
- They have been screened to employers' standards.

#### *Government Job Development Programs Do Not Work*

Government programs, such as those sponsored by the Department of Labor, to get people jobs did not work. Businesses are leery of these programs. The general experience has been that the programs have mandatory hiring requirements that are unnatural to the way hiring is done in the business world:

- When employers work with these programs, there is little follow-up with the placements.
- The placements are cut off from support and the employer needs are never completely understood.
- This lack of thoroughness has convinced employers that public organizations do not know how to work with businesses.
- They do not create any standards for the welfare recipients to live up to.

<h1 style="margin: 0;">FAX</h1>	<b>AMERICA WORKS OF NEW YORK, INC.</b> 675 8th Avenue, 14th floor New York, NY 10018
---------------------------------	--



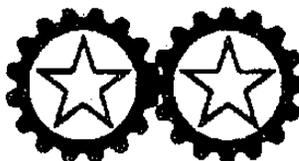
**AMERICA WORKS**

<b>Date</b>	
<b>Number of pages including cover sheet</b>	

<b>To: BRUCE REED</b>	
<b>Phone</b>	
<b>Fax Phone</b>	202 456 7028
<b>CC:</b>	

<b>From: PETER COVE</b>	
<b>Phone</b>	212-244-5627
<b>Fax Phone</b>	212-244-5628

<b>REMARKS:</b>
<input type="checkbox"/> Urgent <input type="checkbox"/> For your review <input type="checkbox"/> Reply ASAP <input type="checkbox"/> Please comment
<b>IF THERE ARE ANY QUESTIONS, PLEASE CONTACT THE OPERATOR AT (212)244-5627.</b>



## AMERICA WORKS

**DATE: JANUARY 30, 1997**  
**TO: BRUCE REED**  
**FROM: PETER COVE**  
**RE: WAGE SUBSIDIES.**

*Two weeks ago The Rockefeller Foundation ran a session in Washington to discuss the President's wage subsidy proposals. There were many members of the Administration in attendance, academics, researchers, America Works and National Alliance for Business.*

*Larry Katz, opened with his paper on how wage subsidies worked in a couple of programs. This was countered by others claiming that TJTC was canceled because of more recent studies showing these approaches didn't work. There was a general consensus that the wage subsidies should be used to help finance intermediaries. NAB and America Works were in agreement that what businesses really want are prepared workers, they'll use the subsidies if it comes with qualified workers and if the paperwork is handled by others.*

*When you write the wage subsidy legislation it would make sense it includes language that allows intermediaries to share the wage subsidy with the employer they are placing the person with (currently we do this with the Work Opportunity Credit). This will allow for an investment by intermediaries in resources to prepare and keep the person working. Without this approach the new program could go the way of TJTC.*

*Businesses will express interest in hiring welfare recipients but will have little experience in how to go about doing that. What this would provide would be a financial resource and an incentive in the marketplace for America Works and Project Chance type organizations to assist businesses.*

**cc: Lyn Hogan**

FAX to  
Christa  
66218

To: Bruce Reed  
From: Peter Cove  
Re: Presidential visit

The following are two scenarios for a Presidential visit:

1. Visit to America Works (4 blocks from Library)

The President would be able to talk with welfare recipients (up to 30-40) in their first week of work preparation. We will also pull in welfare recipients now working, some for years. These would all be companies we have placed these welfare recipients at. As well, we will have attend the CEO's of a number of companies that have hired welfare recipients from us.

Advantages-gets to see lots of welfare recipients and many CEO's. Gets to see A.W. in operation.

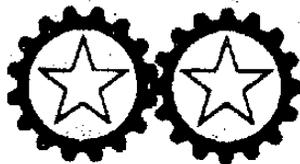
Disadvantages-does not see welfare recipients working

Companies that could come: See Sample Client List sent under separate fax.

2. Visit to a company where America Works has welfare recipients. This would probably be at either Bank Of New York, New York University or Viacom where Aramark has food catering sites. Aramark is a huge customer of ours. We have placed over 240 welfare recipients at their company. (Bruce-some of their sites are unionized, some not. I know NYU is unionized).

Advantages-President would see welfare recipients working.

Disadvantages-Getting approvals for another site could be difficult and time consuming. It might be hard to get other CEO's to come.



AMERICA WORKS

**SAMPLE CLIENT LIST**

*Amalgamated Life Insurance Company*

*American International Group*

*Aramark Corporation*

*Archer Management Services*

*Barney's New York*

*Bates U.S.A.*

*Conde Nast*

*Continental Insurance*

*Corcoran Group*

*The Dreyfus Corporation*

*Gensler and Associates*

*Health Insurance Plan*

*Kinko's*

*Kronish Lieb*

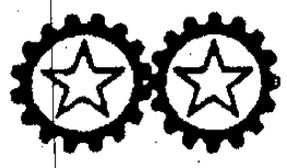
*Marriott Corporation*

*McGraw-Hill, Inc.*

*New York Health Plan*

# FAX

AMERICA WORKS OF NEW YORK, INC.  
675 6th Avenue, 14th floor  
New York, NY 10018



AMERICA WORKS

Date	
Number of pages including cover sheet	

To:	BRUCE REED
Phone	
Fax Phone	202-456-2878
CC:	

From:	PETER COVE
Phone	212-244-5627
Fax Phone	212-244-5628

**REMARKS:**

Urgent     For your review     Reply ASAP     Please comment

BRUCE - THIS IS A SAMPLE LIST OF OUR CLIENTS. WE HAVE HUNDREDS OF OTHERS. WE WOULD GET A GOOD TURNOUT OF CEO'S

IF THERE ARE ANY QUESTIONS, PLEASE CONTACT THE OPERATOR AT (212)244-5627.

# Career Choices<sup>SM</sup>

October 18, 1996

FAX to  
Peter Cove WR  
at America Works

Bruce Reed  
Deputy Assistant to the President  
for Domestic Policy  
Room 216, Old Executive Office Building  
Washington, DC 20500

Dear Mr. Reed:

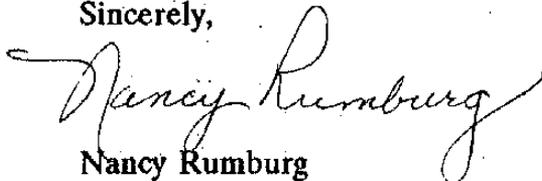
I read with interest an article in *The Wall Street Journal* concerning America Works, a company that finds jobs for welfare recipients. The article quoted you as saying "America Works is an important success story that we would like to duplicate elsewhere." We are interested in finding out how we can go about doing just that here in Reno, Nevada.

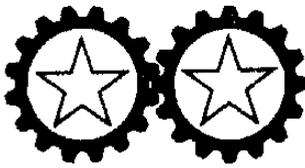
My daughter and I own Career Choices, which is a placement agency that is also licensed as a school. Currently we do vocational training in the clerical area as well as teaching job search skills to help our students find employment. Our classes are very short and designed to teach practical office and job search skills in a short amount of time in order to get our students placed quickly. We feel that with some modifications and additional staff we could do something very similar to America Works.

My reason for writing to you is to see if you have any suggestions about how we might go about providing this service in Nevada. If there is a contact we should make here in our area, do you know who that might be? I would also be interested in making a contact with America Works if you have their address and/or phone number.

Any suggestions you might have for us would be greatly appreciated.

Sincerely,

  
Nancy Rumburg



## AMERICA WORKS

Recently, America Works commissioned Dean Steve Cchen and Professor William Eirnicke of Columbia University to assess the true costs for government of America Works compared to other job training programs with similar missions. The enclosed paper summarizes their findings.

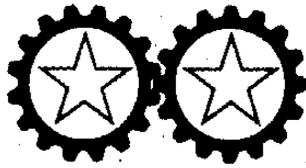
What you will see as you read this paper is that when America Works is compared to a typical JTPA provider and the Massachusetts Employment and Training (ET) Program, our model not only is efficient **but it is cost effective**. The authors focused on outcomes not process. The outcomes they measured involved former welfare recipients placed and retained in full time jobs that included health benefits. The results were that **America Works costs about one-fourth as much as a traditional JTPA provider, and nearly one-sixth the cost of Massachusetts' ET Program.**

We have had a successful model for over twelve years, and we know that the best way for government to get a return on its investment is to pay an organization only when a person on welfare is placed in a job, retained in that job, and off of welfare. While there is still limited data available that thoroughly examines the costs of welfare programs, MDRC and others concur that the most effective and least costly way to move people from welfare to self sustaining jobs is rapid connection to the labor market. That plus pay for performance have been the hallmark of America Works' success.

Peter Cove  
Founder

Lee Bowes  
Chief Executive Officer

Enclosure



## AMERICA WORKS

Thursday, July 20, 1995

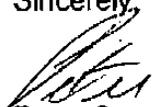
Mr. Bruce Reed  
Old Executive Office Building  
Room 216s  
Washington, D.C. 20501

Dear Bruce,

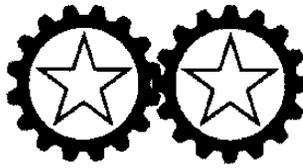
Thank you for your suggestion to approach Bruce Katz regarding our partnership with LISC and Centers for New Horizons to develop an America Works in Chicago. So you will know, I contacted Bruce Katz about the idea who passed us on to Joseph Shuldiner, the Acting Chairperson of the Chicago Housing Authority, and Edwin Eisendrath, the Secretary's Representative from HUD. We have a meeting planned next week to discuss our proposal to move 1000 people a year from welfare-to-work (most of whom live in HUD controlled public housing in Chicago's South Side).

Again, thank you. I will keep you posted as events develop.

Sincerely,



Peter Cove  
Founder



AMERICA WORKS

*WJ  
Amer. Works*

Monday, March 13, 1995

Bruce Reed  
Deputy Assistant to the  
White House  
Old Executive Office Building  
Room 216  
Washington, D.C. 20501

Dear Bruce,

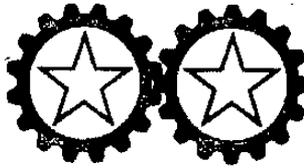
Enclosed please find two documents we have put together which we feel are useful in the welfare reform debate. Beneath the rhetoric of the welfare debate, where welfare reform hits reality there exists fundamental issues which are not being addressed. Enclosed you will find two brief papers discussing some of these issues. We will periodically be sending you similar papers on allied welfare topics.

Sincerely,

*Lee*  
Lee Bowes  
Chief Executive

*Peter*  
Peter Cove  
Founder

Enclosure



## AMERICA WORKS

### **SANCTIONING**

#### ***PROBLEM***

The welfare proposals call for cutting people off welfare for a number of reasons. Sanctioning has been allowed under welfare laws for 30 years, however sanctioning or closing cases for cause is extremely difficult. This problem needs to be addressed in welfare reform.

#### ***INTRODUCTION***

Up until 1993, America Works had been in New York and Connecticut in areas where participation in JOBS activities for welfare recipients were considered voluntary. Therefore whenever someone decided not to take a job or go on an interview or walked off a job without cause, they were allowed to without repercussions. However when we entered Indianapolis, it was clear that there were significant problems. Despite a dropping unemployment rate the welfare rolls were rising. It was the goal of the state welfare director to make participation in employment programs mandatory. Despite written and oral directives to the county welfare staff he could not initially get them to comply.

We also opened an America Works office in Albany County in New York. In this case we were told up-front they would use the service to mandate long term recipients that had been on welfare for five years. Failure to show up for any of the services America Works offered would result in sanctioning.

Although the threat of sanctioning was used and has been effective in getting people to take and stay in jobs, even in this aggressive county it is clear under the current laws sanctioning is almost impossible for AFDC.

**BACKGROUND-** Since the late 1960's there has been a requirement in federal welfare programs that employable women with children of a certain age are required to participate in work related activities. Under the old law once the youngest child turned six the mother was to be actively in an employment related activity. Under the Family Support Act once the youngest child turned three, and based upon a level of participation rate for the overall population, a welfare recipient must participate or face sanctioning. In the five states we have worked in, sanctioning has never been practiced. In part this is because there are a number of steps of notice and appeal required by a caseworker and in the

end they only close the parent's portion of the budget. In New York, a parent loses only \$77.00 a month. 92% of her assistance remains. This is because other support, such as food stamps, rise when the grant is lowered making the net loss for the recipient negligible. At the same time the governments savings are non-existent. When you factor in the administrative costs to sanction, it costs much more than it saves.

*EXAMPLE*

The following is an example of the process currently in place in Albany, New York.

Mary R. is sent to America Works for participation in the program. While at the initial classes Mary makes it clear she will only accept her ideal job. Mary is sent on a couple of interviews, fails to show-up for one and turns down a job offer which would pay \$7.00 an hour. When confronted about sanctioning she tells the America Works staff person that she knows little can be done. Even if she is sanctioned she knows how to get out of it and the small amount she loses will not matter to her.

A notice is sent to the welfare office regarding the case. The welfare office sends a letter of conciliation (this is sent by the JOBS counselor). The welfare recipient must come in or call within 14 days with an excuse. Excuses include, lack of adequate day care, illness, transportation problems, the job being an unreasonable distance or that the job would result in a loss of net cash for the family. Acceptance of the excuse is at the discretion of the counselor. Mary's excuses were not accepted by the counselor because America Works provided documentation.

If they fail to respond or the excuse is turned down then a ten day notice to discontinue the parents portion of public assistance is sent. This can be mediated at that time by a department mediator. Once the ten day notice is sent out the recipient can call for a Fair Hearing with the State. While waiting for a Fair Hearing nothing can be done to a persons grant. (When we entered New York City we were told by a City Official to advise welfare recipients to call for Fair Hearings whenever they got notices so nothing could happen to the case.) A Fair Hearing takes 60-90days to get and can be rescheduled. The Hearing is with an administrative law judge. Their decisions are generally final.

In the case of Mary R. the judge ruled she should be sanctioned. The administrative time to attend hearings, prepare documents, meet with Mary etc. took ten hours. Here is what happened to her grant.

Before the sanction Mary received \$536 plus \$268 in food stamps or \$804 per month (not including other benefits she received). After the sanction she

received \$431 plus \$296 in Food Stamps or \$727 plus other benefits. She only lost \$77.00

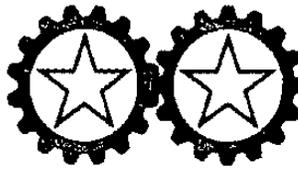
Albany County and other states do not keep data on sanctioning but it is clearly used very seldom and is too complicated to administer.

### ***ISSUE***

The regulations and laws regarding sanctioning are a combination of legislative action and court decisions. Currently it is enormously difficult to close a case of a recipient for cause. The time investment does not equal the cost savings. Many welfare recipients know they can exhaust the case workers, use many excuses and keep their case opened. One of the premises of the welfare reform proposals is that if a welfare recipient fails to participate in a job or training activity, they can be sanctioned. Current law will not allow that and in many states it will require more than an act of congress to change the system. The courts have legally mandated the government to provide these protections. None of the current information on welfare reform appears to be addressing this issue.

### ***NEXT STEPS***

- **Research areas that have stream-lined the sanctioning process.**
- **Find out what laws and regulations need to be changed to develop a more effective system.**



## AMERICA WORKS

"If I can state that I offered all welfare recipients the opportunity to have a private sector job, and they chose not to attend or refused employment, I would feel cutting the welfare rolls on that basis is right and proper." New York State Senator, Michael J. Hoblock, Jr.

### A ROLE FOR THE PRIVATE SECTOR IN PATAKI'S WELFARE REFORM STRATEGY

#### SUMMARY

America Works has been operating an initiative in the Tri-County area which has the potential to save the government \$27,975,000 in a year's period of time.

#### INTRODUCTION

All welfare proposals are going to require welfare recipients to work. America Works offers jobs for welfare recipients. This gives government the opportunity to refer people for private sector jobs not costly training or public jobs. If they don't participate they can be freely sanctioned. It is thus possible to avoid the arguments this program is just punitive. It makes the private sector the first avenue of opportunity for welfare recipients.

The Governor's plan takes the necessary steps to begin to overhaul the welfare system. *There is, however, a role for the private sector in employing recipients before the substantial costs of public sector employment have to be absorbed.* The savings in the model being proposed come principally from the sanctioning. But in this case the threat of sanction leads to jobs and reduced welfare expenditures not expensive training or public service jobs. The costs of keeping someone in a public job is anywhere from \$5,000-\$12,000. *Would we not prefer to put people into private jobs before we put them into public jobs?* Public jobs should be the fall back position.

The America Works model operating in Albany has used a mandatory and sanctioning approach to participation which has led to placing people into the private sector first. Public jobs are used as a back-up if private employment is not possible.

#### THE MODEL

- The tri-county Capitol District began contracting with America Works last April, 1994
- America Works opened an office and charged nothing to the local areas until a welfare recipient took a job. Most of the payment comes after the person has been working for 4 months with the final payment after

the person has worked for 7 months. (The State Department of Social Services has found that 83% are still off welfare after a year.)

- In Albany County the decision was made to make this a mandatory program. All welfare recipients were called to the County facilities and told failure to attend would result in sanctioning.

- After an orientation all people begin to attend classes for six weeks to learn skills and be available for interviews. Failure to come on time and absences will result in having a case sanctioned.

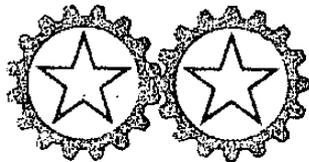
- Once offered a job, America Works provides counseling, child care, transportation assistance, and on the job training in conjunction with the private employer. Again failure to take or keep a job without a legitimate reason results in sanctioning.

- For any of those who are unable to be placed in a private sector job, America Works will notify the county welfare office and a public slot can be given for six months. At the conclusion of the six months, the person can be sent back to America Works for placement.

#### STATISTICS

To date America Works has placed 136 people into jobs. Only 35 have been billed to the state for a total cost of \$162,000. The remaining will be billed only when and if the person makes it to the fourth and the seven month of working.

The potential for those eligible for sanctioning is \$27,975,000 in savings. (The current system does not allow an AFDC case to be fully closed when a parent does not work. Also the recipients have a multitude of appeal systems that are lengthy. For the purposes of this analysis it is assumed cases will be able to be closed for failure to work.)



AMERICA WORKS

11/8/94

Hi Bruce:

This is the conclusion of  
HHS's leaks and lunacy.

Hope you are well. Please  
call on us if you need help  
next year with welfare legislation.

Best,

Peter

cc:

Jeremy

File:

WR-  
America  
Works



DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES  
Office of the Assistant Secretary, Suite 600  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

OCT 31 1994

Mr. Abraham Levovitz  
President  
America Works of New York, Inc.  
1215 Chestnut Street  
Newton Upper Falls, Massachusetts 02164

Dear Mr. Levovitz:

This is in response to your letter to Secretary Shalala expressing concern about continuing rumors that America Works is under investigation for possible embezzlement of Federal funds. Your letter was referred to the Administration for Children and Families which is responsible for administering the Aid to Families with Dependent Children and JOBS programs at the Federal level. Let me assure you that America Works is not under investigation.

As you know, the Office of the Inspector General (OIG) at the Department of Health and Human Services did receive a complaint alleging that America Works embezzled government funds. The Inspector General is required to investigate any complaints it receives. We have been informed by the OIG that there was an initial investigation but it was dropped because there was no basis to proceed. They anticipate no further action.

I have informed appropriate HHS staff about the Inspector General conclusion that there was no basis to proceed with an investigation. I regret any difficulty this may have caused you.

2 NOV 1994  
1994 BY THE ASSISTANT  
SECRETARY  
FOR CHILDREN AND  
FAMILIES  
OFFICE OF THE ASSISTANT  
SECRETARY  
FOR CHILDREN AND  
FAMILIES

Page 2 - Mr. Abraham Levovitz

Thank you for alerting us to this problem. Please let me know if I can be of further assistance.

Sincerely,



Mary Jo Bane  
Assistant Secretary  
for Children and Families

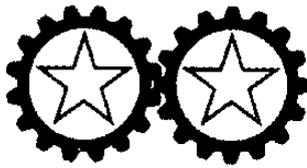
cc: Kenneth S. Apfel  
Assistant Secretary  
for Management and Budget

David T. Ellwood  
Assistant Secretary  
for Planning and Evaluation

June Gibbs Brown  
Inspector General

Mary Ann Higgins  
Regional Administrator  
Region II

Lavinia Limon  
Director  
Office of Family Assistance



## AMERICA WORKS

Nov. 16, 1994

Bruce Reed  
Deputy Assistant to the President for Domestic Policy  
Old Executive Office Building  
Room 216  
Washington, D.C. 20201

Dear Bruce:

Watching Newt Gingrich on C-Span Monday I was floored to hear him praise America Works. I knew he was aware of us but was unprepared for us being one of the first programs on his lips when it comes to welfare.

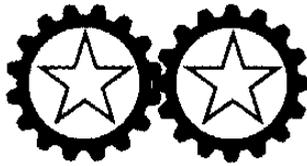
I think this offers the Administration at least one area of agreement with the Republicans. It will take work-particularly for all to understand the policy implications from our experience.

If you wish to help bring together the appropriate elected officials and/or their staff for a briefing let me know. I do see this as a unique opportunity for the country to harness private sector investment and expertise as well as guarantee that taxpayers get what they pay for in welfare to work programs.

Let me know your thoughts.

Warm Regards,

Peter Cove  
Founder



## AMERICA WORKS

October 31, 1994

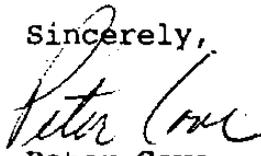
Dear Colleague:

Because of your interest in America Works, we are writing to draw attention to a recent article in the *Wall Street Journal* by Mayor Stephen Goldsmith of Indianapolis. The article is of importance for two reasons. First, Mayor Goldsmith accurately depicts, through the anecdote that includes America Works, the need to hold welfare bureaucracies accountable or no welfare reform will succeed. Second, that job-based totally performance driven contracting is the right route to take to get people off welfare and give the taxpayer a return on investment.

We are including, as well, articles written about our oldest company, America Works of Hartford, and our newest in Albany.

I hope you find these pieces interesting, and if you have thoughts you would like to share with us, please do so.

Sincerely,

  
Peter Cove  
Founder

Enclosures

# End the Welfare Delivery Monopoly

By STEPHEN GOLDSMITH

INDIANAPOLIS—Even if Congress and the president could find a magic bullet to "end welfare as we know it," the gun that would fire the bullet—the traditional welfare delivery system—is in such a state of disrepair that misfires would be the order of the day.

I recently spent an afternoon working with intake officers in the county welfare department here. The caseworkers I spoke with were well-intentioned, dedicated and caring. But their comments were revealing. Although most caseworkers want to see their clients become self-sufficient, they stressed that their job is to figure out what benefits the people who come into the office are eligible for, and to make sure that the right amount of money gets to the right people with the fewest errors. This focus makes all the difference.

America Works, a private company that finds jobs for people on welfare, recently opened an office in Indianapolis. Its biggest challenge? Getting welfare offices to send it enough potential clients. The company has jobs lined up and waiting for workers, but it has received an average of just 20 referrals a month from local caseworkers. Meanwhile, Indianapolis has 14,000 families on welfare.

## Best Deal in Town

What are the consequences for the welfare office when welfare recipients don't find jobs? There aren't any. By reimbursing almost all administrative costs incurred by local offices while imposing no meaningful performance requirements, the federal government offers the best deal in town: The more you spend, the more you get. Don't worry about results.

No matter what reforms are passed at the federal level, they must be accompanied by reform of the delivery system: We need a competitive, performance-based system with many different providers. They must be paid for how many people they get out of the welfare system, not how many people they keep in it.

A useful model is school reform—government could "charter" local welfare offices, with pay based on performance. This would allow innovative private providers of welfare to exist, take advantage of ex-

isting neighborhood-level institutions, and cause existing government welfare offices to produce results or go out of business.

With no penalties for failure and no rewards for success, you get cases like that of James Stokes. To the welfare system, Mr. Stokes was 492108552701, his case number. When the welfare office passed him off to the local unemployment office—the welfare office provided no job placement help of its own—Mr. Stokes took another number and waited in line. When an intake worker became available, Mr. Stokes would hand over his I.D. card, and would be assigned yet another number. If the

*America Works has jobs lined up and waiting for workers, but it has received an average of just 20 referrals a month from welfare department caseworkers.*

computer did not show any jobs for which Mr. Stokes appeared to be qualified, his visit would be dutifully logged in, and he would be sent on his way. If a match did occur, Mr. Stokes would receive a notice in the mail a few days later telling him to show up at a certain place at a certain time for an interview.

Explains Mr. Stokes: "I would have no idea what the job was, or who I was supposed to talk to, or how I was supposed to find transportation there." He was sent unprepared to interview for jobs that were often filled long before he arrived. He floated on and off welfare for eight years, and no one was held accountable.

Mr. Stokes's story is a real-life example of why "two years and out" fails as a reform unless the delivery system itself is changed. Mr. Stokes would continue to receive ineffective assistance in obtaining employment, while the federal government would continue to evaluate the performance of local offices based on such nonproductive measures as how many paperwork errors they make in a month. At the end of two years, he would either be denied benefits or, more likely, would be given a job at taxpayers' expense that offers him little chance of advancement.

Instead, Mr. Stokes found America Works. And in one week America Works

found Mr. Stokes a job as a line cook at a hotel restaurant, a position that the 28-year-old still holds almost a year later.

The immense variety of problems experienced by those who must at one time or other apply for welfare should be reflected in the delivery system. One size does not fit all. America Works gets paid for putting recipients in jobs. But there is a wide range of performance measures that could be employed. Depending on the desired outcome, government could reward charter welfare offices for every customer who obtains a GED, or for every teenage mother who attends school regularly, or

for every mother whose kids attend school regularly. A chartered welfare delivery system would also let government take advantage of some of the strongest forces for good in troubled neighborhoods.

The Care Center, a nonprofit organization closely affiliated with a local church, is one such organization in Indianapolis. Cramped into a 90-year-old former school building adjacent to the church, the Care Center provides health care, shelter for the homeless and battered, counseling, child care, a kitchen, and a food pantry.

The director of the center, Ernie Medcalfe, says he would be interested in contracting to provide welfare services because the Care Center's stabilizing influence in the neighborhood, its network through the church, and its understanding of the particular needs of the poor families in its neighborhood would make it a much better provider than government. He thinks he can do a superior job finding work for his neighborhood's welfare recipients and providing them with the support to keep working. And he is right. There are thousands of institutions like the Care Center in troubled neighborhoods across America. We natter about welfare reform while allowing these resources to go untapped.

What of the current employees of welfare offices? Although government is prob-

ably the worst possible provider of welfare delivery services, existing government offices could be given the opportunity to participate in a diverse pay-for-performance system. To succeed, they would have to fundamentally change their mission and culture. But accountability and competition are powerful catalysts.

In Indianapolis we used such catalysts to dramatically improve our child-support collections. For 12 years, I served as county prosecutor, which made me responsible for collecting child support. Unlike welfare and virtually every other government operation, local child-support collection offices receive a small incentive payment from the federal government for performance: 6% to 9% of collections.

We decided to make two fundamental changes in our office to change our culture and our mission. First, we decided to treat mothers who were trying to collect child support as our customers. Second, and most important, teams of employees were given an opportunity for financial bonuses based on the amount of money they collected for their customers.

## Surge in Collections

Dozens of changes followed. We created evening and Saturday hours. We let our customers make appointments—we wanted to resemble a private law firm as much as possible. We tried virtually every enforcement technique we could find, and even invented a few new ones. We used "most wanted" lists. We held amnesty programs. We used credit bureau reports. We put liens on houses and cars. We intercepted everything from tax checks to lottery winnings. And in 12 years, collections went from \$900,000 per year to \$36 million. When you free good government employees from the bad systems they work in, miraculous things can happen.

The existing welfare delivery system is a well-meaning but misguided monopoly. Break it up, encourage new and innovative providers, pay for the right results, and more people like Mr. Stokes will become producers of wealth instead of recipients of welfare.

Mr. Goldsmith, a Republican, is the mayor of Indianapolis.



# TIMES UNION

Sunday, August 28, 1994

Albany, New York

## Program Places Priority On People

### PLACEMENT PROGRAM COULD PLAY A ROLE IN WELFARE REFORM

BY ALAN D. ABBEY  
Business Writer

If the America Works program of placing welfare clients in jobs - judged preliminarily as a success in the Capital Region - continues to work, should it be expanded across the state and the U.S.?

That question could play a role in the current debate over welfare reform, which is a topic much on the minds of the public and the lips of politicians.

A July study by several statewide conservative policy organizations suggested New Yorkers believe the welfare system needs reform and might like a program such as America Works that puts people into jobs.

A majority of those surveyed said welfare makes able-bodied people dependent on government aid and that they favored placing time limits in benefits under certain conditions. The survey's respondents also strongly favored mandatory job training for people on welfare, with the government offering support in the form of transportation and child care.

"People seem to be saying if you temporarily fall on hard times they're willing to give you an extraordinary amount of assistance", Change-NY director Thomas Carroll said when the study was released. "But at some point they expect you to move into a private sector job."

How big could such a program get?

About 1.67 million New Yorkers receive welfare benefits through Aid to Families with Dependent Children grants or the Home Relief program for single adults without children, according to the state Department of Social Services.

In New York, the average AFDC recipient stays on welfare for less than 2½ years. A family of three receives about

\$577 a month and another \$220 in food stamps. Home Relief recipients, who receive \$350 a month, stay on an average of one year.

In the Capital Region, 34,839 people received some form of welfare in March, the latest figures available from DSS. That is about 4.5 percent of the region's total population and about one-half of the statewide average. Of the region's total welfare caseload in March, fewer than 15,000 were adults. Benefits paid that month totaled \$7.8 million in the four-county region.

Could many of the 15,000 adult welfare recipients be placed into jobs?

DSS official John Haley said the "supported work" model used by America Works has proven to be successful, but it is not the only model that should be used."

But he said expansion of it is limited by the money the Legislature has appropriated to the department for employment programs. He said the department will seek more funds from the Legislature next year for programs like America Works, as well as others that aim to put welfare recipients to work.

"More programs such as these are needed," Haley said.

Albany County Executive Michael J. Hoblock Jr. said America Works "is one of many programs and tools" that should be used.

"They have pre-employment training, a program that gets people ready for entry level positions and gives some very basic training. They deal with those that need less occupational training but more motivational help," Hoblock said. "We have many other programs in which you train or educate people for specific work forces."

Mark Dunlea, director of Hunger Action Network of New York State Inc., said America Works' program, despite its success, fails to address issues such as job creation.

"If you get people off welfare with training and motivate them it means somebody else has lost a job," Dunlea said. "An individual benefits but the larger community does not, job creation is not being addressed in a coordinated manner."



# TIMES UNION

Sunday, August 28, 1994

Albany, New York

## Program Places Priority On People

### AMERICA WORKS STRESSES JOB SKILLS AND SELF-ESTEEM

By Alan D. Abbey  
Business writer

Since opening its doors in March, America Works of New York Inc. has placed more than 40 Capital Region welfare recipients in jobs.

If the private, for-profit business continues to make placements at this pace through February 1996, it will reach its contractual goal of placing 325 Albany, Rensselaer and Schenectady County welfare recipients in jobs and will be paid more than \$1.6 million. It will earn far less if it falls short of those performance criteria.

While those figures and requirements are clear-cut, other questions surround the Boston-based firm's practices. One is whether the effort is worth the expense to the state and its taxpayers. Another question is whether welfare recipients themselves get anything of value from the six-week America Works training program and four-month follow-up.

So far, at least, government officials and America Works clients appear to be happy with the firm's performance. One local advocacy group for welfare recipients, while not openly critical, says laudatory praise of America Works is premature, however.

Chief among its supporters are people America Works has trained. Denise Van Ness, 35, a life-long welfare recipient now working at an Albany law firm, praised America Works for getting her ready to work and then finding her a job.

"They helped my self-esteem and confidence. At the point I went in I didn't have much," the well-dressed Van Ness said in an interview in a richly appointed conference room at the offices of Roemer & Featherstonhaugh. "I had skills I forgot about and the classes help you find skills you already have."

Van Ness, whose mother and grandmother were on welfare, is a file clerk at the law firm. The single mother of four said her daughters have noticed a difference in her manner since she began working.

"They seem to like me better," she said.

John Haley, contract manager with the Office of Employment Programs at the Department of Social Services, said America Works has been successful in the seven years it has had contracts with the state.

"They have met their contractual goals and have placed clients in jobs that pay enough to take them off public assistance," he said.

Haley said about 80 percent of America Works clients remain off welfare rolls for 15 months after their job placement. "It is safe to assume in a lot of cases they are still working," said Haley.

Locally, America Works doesn't have such a long track record. But Albany County Executive Michael J. Hoblock Jr. said he is satisfied with the firm's operations so far.

America Works' programs is a rigorous six-week course of confidence-building, resume-writing and training designed to prepare people for the workplace.

It isn't a job training program that teaches new skills. While it offers some brush-up work in the office skills such as computer data entry and typing, the firm practices more self-esteem building than anything else.

Nick Maldonado, a vinyl machine operator at Loudon Plastics in Scotia, said America Works got him so motivated about working "I got money for a hair cut. I started feeling better about myself."

Maldonado said he had been on welfare for three years and was not happy. It didn't provide enough sustenance for him, his girlfriend and their two-year old daughter. Other job placement and training programs in Schenectady County were pushing him toward jobs in fields he didn't like. At America Works, Maldonado said he gained the confidence to try something new. "I enjoyed working with people, but it was a choice I'd stopped looking at," he said.

Maldonado, who has been on the job at Loudon Plastics for several months, now has an opportunity to be named a supervisor on a second machine in his unit when the firm expands operations.

In Albany, the America Works program starts with a weeklong class that focuses on assessing skills and building self-esteem. In five all-day sessions clients must confront their fears with an instructor who works with them to build self-esteem and understanding of their skills. Only after getting through that program, which requires perfect, on time attendance, do clients receive training in dress, demeanor, interviewing and, finally, work skills. After six weeks in most cases, the client then goes to job interviews. If hired, the person is paid minimum wage by America Works for four months while the employer pays the full salary to America Works. The employer also receives a tax break for taking on the America Works client.

America Works says it earns that differential by maintaining regular contact with the clients, helping them with welfare agency paperwork and smoothing out transition problems such as finding transportation.

Only after four successful months with the private-sector employer does the America Works client go to that company's payroll. The local program's first clients are only now beginning to go on their new employers' payrolls and off welfare rolls.

Lois Ottman, office manager at Roemer & Featherstonhaugh, said she was happy to begin working with America Works and hired Van Ness because the careful selection, follow up and tax breaks offer a company benefits without risk. "I'd be foolish not to give it a try," Ottman said. "If I had a problem (with a worker) they would deal with it, not me. Fortunately, I've never had to do that."

Critics in other cities where America Works has been operating have questioned whether it costs too much or selects only the most motivated welfare clients for its placement program, thereby boosting its likely success rate.

Locally, welfare advocates at Hunger Action Network of New York State Inc, say they have similar concerns, but are reserving judgement. "I don't think people know if it is successful," said Mark Dunlea, executive director of the advocacy group. "We want the state to take a close look."

America Works chief executive Lee Bowes bristles at the criticism the firm is "creaming" the top of the welfare pool and selecting motivated people. "The data show we don't," she said flatly. "In Albany the average person we're working with has been on welfare five years versus the (statewide) average of two years or less. Half of our people do not have high school degrees, which the vast majority of welfare recipients have."

She said people who could get a job on their own wouldn't put themselves through six weeks in the America Works office and four months at the minimum wage. About half of the attendees at a recent America Works class said they had been ordered there by government agencies. Hoblock said the county didn't want the organization to take away people it could deal with and then get paid for it. "It was a major consideration that America Works not do the selection," Hoblock said. "We do the referral." Nonetheless, state officials concede the program has not been through a formal, in-depth evaluation.

"Is the money being spent worth the investment?" Haley said. "That question can only be answered when a formal evaluation is done. On the surface, a person who remains off public assistance for five months equals what we pay America Works. Put that together with retention figures and we're saying we're getting our money back. We think it's cost effective."

# The Hartford Courant.

Established 1764

Volume CLVI, Number 170 Copyright 1994, Hartford Courant, Co. Sunday, June 19, 1994

Newstand \$1.50

## For-profit firm touts welfare-to-work plan

BY VALERIE FINHOLM  
Courant Staff Writer

At a busy obstetrics office in Hartford, Ernestine Yuille Weaver is led through a maze of corridors to the file room where her 24-year old client is at work.

Six years ago, Weaver's client a high school dropout and mother of three, was unemployed and on welfare. Now she has a job, courtesy of America Works of Connecticut, a private company in Hartford that Weaver directs.

When national policymakers talk about welfare reform, they often mention the New York City-based America Works as a model for the future. The for-profit company is paid by welfare agencies to train and place welfare recipients in jobs.

Founded in Hartford in 1985, it has offices in New York, Albany and Indianapolis, with plans to expand to several other cities next year. The company operates on the frontier of welfare-to-work programs, which historically have been run by government and nonprofit agencies with mixed results.

Like the private education companies now trying to get contracts to run Connecticut schools, America Works has been both praised and derided for its profit-making status.

"The fact of the matter is nobody has ever beat them in terms of how they perform," said Sen. Joseph H. Harper Jr., D-New Britain, co-chairman of the state legislature's appropriations committee.

Harper—who spearheaded the legislation that gave America Works its start in Connecticut as a pilot program in 1985—called the company one of Connecticut's best-kept secrets."

America Works was supposed to get most of its clients from the state's welfare department, but for years many welfare workers never told their clients about the private company.

Instead, they were steered to non-profit programs paid for by the state. America Works got most of its clients through newspaper advertisements and word-of-mouth.

Referrals have picked up considerably under welfare Commissioner Audrey Rowe. That, coupled with the state's slowly improving economy, has boosted the company's business considerably, but America Works remains a tiny player in the state's job programs.

The company has reduced Connecticut's welfare rolls by 837 people. Having those welfare recipients trained and placed by America Works has cost the state nearly \$6 million since it started. It is virtually impossible to say how much the state would have spent had they remained on the welfare rolls, but a family of three on welfare costs the state about \$7,000 a year, not including health care costs paid under the Medicaid program.

There are 57,000 families now collecting Aid to Families With Dependent Children, the state's most used welfare program.



Ernestine Yuille Weaver, operations coordinator for America Works of Connecticut, a for-profit company in Hartford that finds work for welfare recipients, is in the firm's computer-training room.

Rowe, who wants to expand America Works' contract with the state, said many of her colleagues in other states are wary of private companies.

"There is this mentality of 'Why should people make money off of poor people?'...that anybody who works with poor people ought to be non-profit.

"I guess I'm more of a bottom-line person," she said. "I want to get the client out of the system. If they [America Works] can do the job...and be competitive fine, so be it."

Rowe's agency pays America Works \$5,200 for each Welfare recipient trained and placed in a job. The jobs must pay at least \$6.50 an hour and include benefits.

The majority of the fee is paid 60 days after a client starts work.

America Works has a different welfare-to-work philosophy than other state programs: The company puts getting a job before education.

"When people have math and vocabulary levels at fourth-and fifth grade levels, sending them to community colleges at taxpayers' expense isn't going to work out," said Lee Bowes, chief executive officer of America Works.

Bowes, who has trained as a social worker said the first step toward getting people off welfare is getting them work, not segregating them in job-training programs for the poor.

"We make them a partner with us. It meets their financial interests; it is not altruistic," she said. "Once you get people linked to the job market they start thinking about getting that high school degree or taking courses at night."

Weaver, a lawyer, left a job with the New Haven law firm of Wiggin & Dana to work for Bowes. She supervises a staff of eight.

During her recent visit to the obstetrics office, Weaver waited for her client in a hallway as clerical workers scurried back and forth.

"Pam" (Weaver asked that the Courant not publish the woman's real name) had been on welfare since she was 16 and had her first child.

At 24, she has three children—aged, 8, 5, and 2—and never has been married.

Like most of Weaver's clients, Pam's problems have not been with finding a job, but with keeping it. She has been on the welfare-work seesaw for years, bouncing from education programs - she got her high school equivalency degree through one - to jobs, and back to welfare.

Pam is one of 19 women Weaver visited on a recent Friday. The visits start the first week a client is on the job and continue for two months. During that time, America Works collects the client's salary and pays the worker minimum wage. The client also gets a partial welfare check from the state.

During that time, America Works provides counseling and helps with the domestic responsibilities that derail most new jobs for welfare recipients.

Weaver picks up bus passes, spends hours on the phone resolving welfare issues with the state, helps when day-care arrangements fall apart and even picks up sick children—all to keep her clients on the job.

She even solicited \$200 from a local charity recently so that one of her clients could get her gas turned back on.

No problem is too small for Weaver, 31; a level-headed woman with the no-nonsense air of a trusted aunt.

She once gently reminded a client to replace a missing button on a silk dress: The woman had caught it in the bus door on her way downtown to her new job at a financial services company.

During the visit to the obstetrics office, Weaver sensed that Pam wanted to talk. Once inside an unoccupied office, Pam confided that she was having trouble with a co-worker who was not doing her fair share of work.

Pam said she had complained about the woman to her boss.

"I suggest you don't mention this again," Weaver said firmly. "You are the new person here. You don't want to become a troublemaker. You're still trying to prove yourself, keep that in mind."

Pam agreed with Weaver's blunt assessment. "I need this job," she said. "I'm not going to mess this up. Work keeps me busy, the day goes by fast."

Weaver asked about Pam's children. Pam asked if her state child-care subsidy would be cut once she went off welfare. Weaver told her that it would be reduced, but, not cut off completely.

Pam had another question. She had been told that medical insurance for her children would cost \$125 a week through her company.

Weaver said she would check on that and later told the woman that her Medicaid coverage would be extended for at least a year.

Nine weeks later, Pam was still on the job, earning \$7 an hour—\$490 every two weeks after taxes. Her \$673-a-month welfare check had stopped; so had her food stamps of \$200 a month. She still receives a \$75-a-week state subsidy for child care, and so far the \$169-a-month rent on her subsidized Hartford apartment remains the same.

Pam said that she took Weaver's advice and never mentioned her problem with the co-worker again.

"They do that for the new people," she said. "I passed the test."

Welfare recipients come to America Works voluntarily. The company requires clients to attend a five-week course on how to look for a job, how to dress and how to act.

America Works rules are boot-camp strict - no absences or tardiness. Clients must dress as if they are going to work.

"I tell them that for the next five weeks this is your job and I am your supervisor," said instructor Patti Sirulnick.

At a recent session in the company's sunny offices above Union Station, Sirulnick told a group of four women and one man how to conduct job searches. She spoke about the way they should "network" by telling family, friends, acquaintances - even children's teachers - that they are looking for work.

On another day, the topic was job interviews. Sirulnick said a favorite question of employers is "Why do you want to work for this company?"

A Vernon man said he would reply, "I hear you pay well, have good benefits."

"Don't talk about money," Sirulnick warned.

At a session on wardrobe, she had common-sense advice.

"My No. 1 suggestion: This is Connecticut. It is a very conservative state."

She suggested a dark-colored suit for women, and named off-price and thrift stores where they could find nice suits and blazers at low cost.

On jewelry, she pointed to the hoop earrings that grazed one woman's shoulders and said: "You would never wear those, right?"

After completing the initial course, clients with a reading level below the ninth grade must enroll

in a self-paced high school equivalency degree program.

After that, those with few or no business or clerical skills may take an optional 22-week clerical skills course that includes word-processing classes.

Others go directly into job training.

For people with few job skills, Weaver gives an honest assessment and steers them to jobs in filing, food services and photocopying.

"You don't have any skills but you can acquire some," Weaver says. "You get your foot in the door. You have to start somewhere, and this is a pretty good way to start."

Most clients are realistic about their job expectations and many suffer from low self-esteem.

Some, however, must be told that going to work is more than "I want to look pretty and go to work"—a simplistic view that stems from years of watching television, Weaver said.

It was America Works' pitch for a performance-based contract that initially interested Harper in the company.

"America Works said, 'Don't pay unless we perform,'" said Harper, who was chairman of the General Assembly's labor committee when he was first approached by the company.

"I've preached this concept of performance-based contracting ever since," Harper said. "A lot of providers get their contracts renewed every year on a take-it-for-granted basis. They're never asked to show whether they're making any difference or progress."

Harper said he has been impressed with the sway America Works has had with local business.

The company eliminates the red tape of government-sponsored and nonprofit programs he said, "and takes the trainee under their sponsorship until they were ready to actually work."

"Education is fine, I'm all for that, but there are a lot of people caught up in the welfare system who have gotten their GEDs and still don't have jobs because that department has never really cared whether they've got them or not," Harper said.

"A lot of people are ready to go to work; it's just a question of motivation, helping them with the attitudinal stuff about accepting responsibility to go to work and helping them with the support."

Despite the support, 35 percent of America Works job placements fail within 60 days.

The same Friday that Weaver visited Pam, she visited a woman she had placed that week as a receptionist at Sonitrol Communications in Hartford.

She had spoken to the 34-year-old woman's new boss earlier in the day and knew that things were a bit rocky. When she greeted her client at the switchboard, the heavyset woman responded with a wan smile.

The woman told Weaver that she loved her new job, but said it was a challenge getting to know the faces that went with the extensions on the busy switchboard.

She also already had taken time off to attend a funeral and to attend a court hearing for her 16-year-old son.

"She seemed a little frazzled," Weaver said after leaving the office.

Four weeks later, Weaver removed the woman from the job and replaced her with another America Works client who is working out.

A previous America Works client, hired a year

ago by the company, has been prompted several times.

Bowes attributed some of the company's failed placements to Connecticut's welfare system, which provides some of the highest benefits in the nation.

"In Hartford there is a culture of welfare... a real attitude that it is OK to be on welfare and OK to have other kids," Bowes said, comparing the city with other cities in which America Works has offices.

That leads some people to decide that it is easier to stay on welfare.

"[They figure] 'I'm having a bad day, this isn't the greatest job, maybe I'll chuck it,'" Bowes said.

She sees Rowe, with her emphasis on welfare reform, starting to change that.

National experts, including Clinton administration officials, see America Works as promising but stress that there have been no longterm evaluations of it. The state is in the middle of doing such an evaluation now.

"Our sense is that this is a good program," said Claudette Beaulieu, spokeswoman for the Department of Social Services. "It is very credible in the business community. Why? Because they're a business. They don't suffer from the stigma, right or wrong, attached to a social services agency."

Automatic Data Processing in Windsor has hired two America Works employees and is happy with their work. One woman has been with the company five years and has been promoted several times. Another started eight months ago.

"America Works knows our business. They've checked it out and they know what we're looking for," Ayers said.

Ayers said she was particularly impressed with the follow-up from the company.

"They go through a trial period [60 days]; even after that Ernestine calls every once in a while and asks how she is working out," Ayers said.

Critics say that America Works skims the most motivated welfare recipients—people who could have found jobs without the company's help.

But Rowe said that the company's contract requires it to place a range of clients from those who have been on welfare for decades to those who have been on welfare for as little as three months.

She cited one example of a woman who had been on welfare for 18 years and now works at a bank.

Rowe said some of her colleagues in New York's social services department were critical "not with the program, but with the idea or concept of a venture such as this."

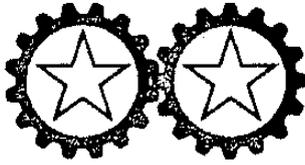
"I've never received anything, more concrete" than that Rowe said.

America Works president Abraham Levovitz declined to give out the privately held company's yearly earnings. He said America Works of Connecticut's gross annual revenues this year were \$550,000—the lowest of all of the company's offices.

"All I can tell you is it has not been a bonanza in the past three years" with Connecticut's dismal economy. "But we've stuck with it and I think it's going to pay off."

Bowes believes that the concept of privatization is just starting to be accepted.

"When we opened our office in Hartford, we were 10 years ahead of our time," she said. "Now we're really at our time."



# AMERICA WORKS

WR - America Works

April 1, 1994

Dear Colleague:

We are writing to follow up our mailing of a week ago which provided you with copies of the March 1st article from the New York Times, a fact sheet from the New York State Department of Social Services, and an article printed in the New York Post. We are enclosing here a letter that was sent from Commissioner Audrey Rowe of the Department of Social Services for the State of Connecticut to the New York Times. Commissioner Rowe wrote this letter to correct the inaccuracies in the Times article and to set the record straight on Connecticut's relationship with America Works.

America Works of New York, Inc.

enclosure



# STATE OF CONNECTICUT

DEPARTMENT OF SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

AUDREY ROWE  
COMMISSIONER

TELEPHONE  
(203) 566-2008

March 11, 1994

Howell Raines  
Editorial Board, 10th floor  
The New York Times  
229 West 43rd Street  
New York, NY 10036

Dear Mr. Raines:

I am writing in regard to a March 1, 1994 article, "For Job-Finding Concern, A Troubled Past." The article seriously distorts Connecticut's experience with America Works. Your reporter failed to include the positive aspects of America Works in Connecticut and I am writing to set the record straight.

Connecticut's experience with America Works has been a positive one, not a troubled one. Since 1985, we have contracted with America Works to provide an intensive, on-the-job training (OJT) program for Hartford-area recipients of Aid to Families with Dependent Children (AFDC). America Works has successfully helped nearly 800 AFDC recipients into private, unsubsidized jobs in Connecticut. Employers like America Works because it provides them with well-trained, motivated employees. Participants like America Works because they feel supported, encouraged and understood by their America Works counselors. America Works goes the extra mile for its participants, often helping them to resolve problems that arise long after leaving welfare.

And finally, your reporter attributes to me, out of context, a statement that America Works is our most costly program. America Works is but one of four OJT programs funded by the Connecticut Department of Social Services. The four OJT programs are the most expensive of our welfare to work programs. Each OJT contractor in Connecticut gets the same fee for a successful OJT placement: \$5,200.

Certainly, some AFDC recipients will need and choose employment, education or training programs other than America Works; but that is precisely why we offer a comprehensive array of services and programs in our state. America Works has successfully provided an avenue out of welfare for many Connecticut recipients and we are pleased to be able to offer this choice to our recipients.

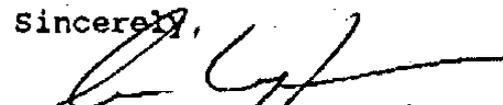
110 BARTHOLOMEW AVENUE • HARTFORD, CONNECTICUT 06106-2200

An Equal Opportunity / Affirmative Action Employer  
Printed on Recycled or Recovered Paper

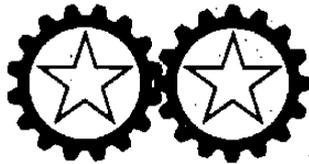
Howell Raines  
March 11, 1994  
Page 2

I am distressed and disappointed, however, that your reporter failed to include any of the positive statements my staff and I made during several conversations about America Works. In my experience, New York Times reporters usually want to write balanced, objective stories. I can only conclude that these facts were dismissed because they did not fit into the story the reporter had decided to tell.

Sincerely,



Audrey Rowe, Commissioner  
Connecticut Department of  
Social Services



AMERICA WORKS

*Wk America Works*

April 13, 1994

Dear Colleague:

We are enclosing a copy of an article that will be published in the upcoming Spring issue of the Manhattan Institute's City Journal. The article, "Welfare-to-Work: Just the Facts", definitively puts to rest any questions that were raised about America Works in the New York Times article of March 1st.

For further information about America Works, we recommend that you watch a nationally televised special narrated by Walter Cronkite which profiles our company. The program is scheduled to air on PBS on May 6th at 9 p.m. EST.

America Works of New York, Inc.

enclosure

# WELFARE-TO-WORK: JUST THE FACTS

Jan Rosenberg

**T**hree weeks after taking office, Mayor Rudolph Giuliani signed a contract with America Works, a for-profit company that places welfare recipients in private-sector jobs. In March, the *New York Times* published a critical front-page article about America Works by reporter Esther Fein. How accurate are the criticisms presented in her article?

Before we examine them, some background is in order. As Sol Stern and I reported in the Summer 1993 *City Journal*, America Works has been operating in New York City since 1988 under a contract with the state Department of Social Services. The company has placed 1,122 New Yorkers in jobs with major corporations, paying an average of \$9.00 an hour plus full medical benefits. The state contract calls for America Works to find jobs for 250 clients each year, but many more people are trying to get into America Works than it can accommodate under its contract.

An America Works client attends a week-long pre-employment class, then goes out on interviews and, if hired, works at a company for a four-month probationary period. During that time, the employer pays the client's standard wage to America Works, which in turn pays the client at minimum wage and provides counseling ser-

vices. The client continues to receive welfare for the four-month "supported work" period, though the size of the grant is diminished. America Works is paid \$995 when the employee is initially hired. Only if the employee is permanently "rolled over" onto the employer's payroll at the end of the probationary period is America Works paid the bulk of its fee (\$3,855) by the state. Three months later, if the worker is still on the job, America Works is paid a final \$650.

America Works' most important selling point is that unlike conventional training and education programs, it is performance-based. Its fee structure ensures that America Works has a very strong incentive to get its clients off the welfare rolls permanently. Fein's *Times* article questions whether America Works lives up to this promise. Many of the criticisms she recounts, however, are misleading:

• *America Works gets paid for enrolling clients whether they get jobs or not.* This claim was immediately refuted by officials in each state where the company does business. It is true that America Works' New York contract allows the firm to be paid for "simply" enrolling people in their pre-employment class. But America Works never actually bills the state unless a client is placed in a

City Journal  
The Manhattan Institute

job, according to both CEO Lee Bowes and state welfare officials. John Haley, New York State's contract manager for employment programs, explains that the enrollment-fee provision is standard in state employment contracts, because nonprofit providers said they could not afford to commit resources to recruiting and preparing people for work without "up front" money.

• *America Works "creams," selecting the most employable welfare recipients who would have found jobs on their own.* This seems unlikely, for three reasons. First, the average America Works client has been on welfare and out of the labor force for nearly five years.

Second, if the clients were able to find work on their own, they would have little reason to sit through a week-long pre-employment class, then work for four months at minimum wage (\$4.35 an hour) in hopes of being hired permanently. As Sol Stern and I wrote, it is more likely that America Works is successful with those welfare recipients who are willing to work but lack the interpersonal skills, self-confidence, and personal contacts necessary to find jobs.

Third, and perhaps most telling, nearly half of the firm's New York clients are referred after failing to find a job through HRA's BEGIN (Begin Employment Gain Independence Now) program.

• *There has been no full-scale experimental study to prove the worth of America Works' program.* This is true, but several years ago America Works owners Lee Bowes and Peter Cove urged

Michael Dowling, the state's commissioner of social services, to undertake such a study—and even offered to split the cost. But Dowling demurred because of the expense. (Dowling says he is now convinced that the state should do comparative research on all of its job training and placement contractors.)

In lieu of a controlled scientific study, America Works commissioned the accounting firm Ernst & Young to examine its outcomes. That study, completed in 1993, found 85 to 90 percent of workers still on the job a year after placement. By comparison, two recent studies of the city's job training and placement contractors, one conducted by the state comptroller and one by the Industrial Areas Foundation, concluded that these programs are so disorganized that a clear evaluation isn't even possible. New York City was unable to provide detailed records of the clients served, the services provided, and the actual outcomes of the programs—the bare essentials needed to assess these programs.

• *It costs too much to place a client through America Works.* Indeed, because the firm is paid from several different, unconnected sources—tax credits, diverted welfare grants, corporate wages for those in supported work, and the fee paid by the government entity with which it contracts—it is difficult to tell precisely how much the service actually costs. But any serious attempt to compare America Works with other training and placement providers will have to

examine both costs and outcomes. The firm's waiting lists and satisfied customers suggest it has passed the latter test.

Efforts like America Works are particularly vital in New York City. If President Clinton makes good on his "two years and off" welfare reform promise, cities and states will have to find ways of securing jobs for hundreds of thousands of welfare recipients. Many cities are likely to establish "workfare" programs in which clients do government work. But New York does not really have that option. There are some 125,000 employable adults on AFDC in New York City, according to Richard Nathan, an expert on jobs and poverty at the Rockefeller Institute: "Finding that number of jobs in the public sector would be equivalent to a one-third increase in the city's municipal work force." Substantial numbers of unionized city workers will likely be laid off in the current budget crunch, and any large-scale effort to replace them with welfare recipients is sure to set off a political firestorm. Thus, New York will have to rely largely on the private sector to employ its welfare clients.

There are those in the welfare bureaucracy and the nonprofit sector who, whether for reasons of ideology or self-interest, do not want to see welfare rolls reduced. Few jurisdictions in the nation have been more resistant to welfare reform than New York City. But Giuliani's decision to contract with America Works is a sign that the tide may be turning. ■

# NEW YORK POST

LATE CITY FINAL

Partly sunny, windy and cool / Date: FRIDAY, MARCH 11, 1994

WR - America Works

## POVERTY EMPIRE STRIKES BACK

**WHEN** it comes to reinventing government, America Works got there first.

In Washington, the Health and Human Services Department — and in New York, the Department of Transportation — are just coming around to the idea of performance-based contracts. This is for government the revolutionary idea of paying people on the basis of how much work gets done.

America Works, run by Lee Rowes, Peter Cove and Abe Levowitz, applies this market-oriented idea to placing welfare clients in private-sector jobs.

Since 1988, America Works has placed 1,122 New Yorkers — people who had been on welfare an average of almost five years — with such major companies as AIG Insurance, Macmillan and St. Martin's publishing houses and AFA, the food-service company. The jobs, which pay an average wage of almost \$9 an hour, provide full medical benefits.

An Ernst & Young study commissioned by America Works found that 85 to 90 percent of the people placed were still on the job a year later.

The beauty of all this is that America Works gets paid for these placements only gradually, depending on how long the individuals stay on the job and whether they get hired permanently.

How does it do it? America Works bypasses all the expensive — but unproductive — job-training programs in which the feds and HRA have invested so heavily. Instead, the America Works people focus on the basics, on the personal skills needed for work — like promptness and reliability.

Then they provide the network of business contacts that come with a middle-class upbringing, but are ordinarily unavailable to long-

### CITYWATCH



FRED SIEGEL

placed. America Works provides counseling and feedback for four months.

So what's the problem? Their success has been a terrible blow to those in government — and its almost wholly owned subsidiary, the non-profit poverty industry — who've invested so much in rejecting both the market and middle-class mores.

For years, some poverty professionals have watched the success of America Works — it won deserved praise from both Gov. Cuomo and Mayor Giuliani — with barely contained fury. For they correctly understood America Works' achievements as a reproach to their own rarely investigated failures.

On March 1, their fury found an outlet on the front page of The New York Times. Reporter Esther Fein collected all of the critics' carping and put them into a front-page "expose."

According to Fein, America Works has left a trail of discontent and deceptive business practices in its wake. She quotes disgruntled officials in Connecticut, Ohio and Massachusetts, while soft-pedaling the success described by both employers and welfare clients happily

ing to Connecticut Social Services Commissioner Audrey Rowe, America Works was no more successful than other placement programs — but was more expensive.

However, when asked by sociologist Jan Rosenberg (full disclosure: Jan Rosenberg is my wife) about the comments attributed to her, Rowe said her words were taken "totally out of context." Fein, she said, "was out to do an assassination."

Rowe's assistant was "stunned" in reading the article to discover that none of the mostly positive comments she conveyed were reported. Fein's article, she said, "doesn't express Connecticut's experience."

Rowe's major charge is that America Works is not, in fact, fully performance-based. She erroneously claims that the firm is paid \$800 up-front for, in Fein's words, "simply enrolling applicants in a week-long training program," and then another "\$1,855 only two days after a person is hired for a permanent job."

Wrong on both counts. To set the record straight, America Works receives its first payment — of \$900 — only after the initial job placement. It earns an additional \$3,200 after four months, only if the employer agrees to retain the client. Then there is a final \$800 if the worker is still on the job after seven months.

"We're very happy with America Works," says New York Social Services Commissioner



**OFF THE ROLLS:** Crystal Curry is now employed as a secretary at Macmillan, thanks to America Works.

pay for."

Fein concluded by quoting poverty industry spokesman Bob Greenstein, who's afraid the America Works idea might spread. "We just don't know," said Greenstein, "if what they do is good or if it's worth the price." They won't pass the test, he added, until there's a full-scale (and very expensive) statistical study done to prove their worth.

Sounds like a good idea — provided the study also includes all those city and state agencies that get paid whether or not people are placed in jobs.

Mitchell Sviridoff, a former Ford Foundation v.p., notes that America Works, with its waiting lists and satisfied customers, has already passed the market test.

Esther Fein! She thinks her finale in Reporting 101.

Fred Siegel is professor of History at The Cooper Union and a senior fellow at the

New York Post: W. A. Puchner Jr.

# 20 THE GREEN SHEET

UP - America Works

N.Y. Times; 3-1-94 p. 1

## For Job-Finding Concern, a Troubled Past

By ESTHER B. FEIN

Its promotion sounds irresistible. The company finds jobs for people on welfare, and, according to its news releases, the government pays nothing for the services until the applicants are hired and working in full-time permanent jobs.

Both Mayor Rudolph W. Giuliani and Gov. Mario M. Cuomo have hailed the company, America Works, as a profit-making solution to the welfare burden. Last month both were on hand as New York City announced that it was joining the state in an arrangement that would double the number of people the company would seek to place in jobs.

But an examination of the company's performance shows that America Works has left a trail of unhappy officials in other states. The company performed poorly and cost too much, those officials said, and in one case was accused of improperly billing expenses to the state. Cuomo and Giuliani administration officials say they knew nothing of this discontent before hiring America Works.

Moreover, the company's contracts show that contrary to its assertions that it gets paid for job



Joe R. Lopez/The New York Times

America Works applicants training last week in Manhattan.

placement alone, America Works gets nearly 20 percent of its \$5,500 fee simply for enrolling clients in its program — whether or not the welfare recipients get jobs.

And some social-policy experts have begun to question whether America Works is cost-effective, saying no scientific studies have

been done to evaluate how many of the welfare recipients the company placed could have found jobs on their own or through less expensive programs.

America Works got its first contract with New York State in 1989

Cont'd on next page

# THE GREEN SHEET 21

NY Times 3/1/94  
from previous page

to place several hundred welfare recipients a year with private employers. After four years, it had signed up more than 1,000 people, most of whom were still on the job three months after being hired.

Both the Mayor and the Governor have lauded America Works for turning some of the city's nearly 1.1 million government dependents into taxpayers. "The best thing about this place is the free-enterprise system," Mr. Cuomo said of the company, while Mr. Giuliani called it "one of New York and America's success stories."

The Governor even revealed in the ripple effect New York's support for the company would have nationwide. "If, as the governor or the mayor of New York, you say America Works on TV, they hear it out there and it's gold," he said.

But the praise stands in contrast with the experiences during the 1980's described by officials in Ohio, Massachusetts and Erie County, N.Y. In Ohio, the state slashed its contract with America Works in 1988, saying that the company charged too much and had found jobs for too few people in the two years it had been operating there. One board member said placement costs came to \$21,000 per person.

Ohio officials estimated that they lost millions of dollars dealing with America Works. "We had a very bad experience," said Gayle Channing, who was executive assistant for human services to former Gov. Richard F. Celeste when the state signed a contract with the company in 1984.

Peter Cove, the founder of America Works who is now mainly responsible for its marketing and promotion, said his company's problems in Ohio resulted from political sabotage in which the company was forced by a supportive Democratic governor onto Republican-run counties set on seeing it stumble.

Erie County, N.Y., decided not to renew a contract with America Works in 1988 amid criticism by local officials that the company did not find jobs for as many people as it had promised and that it would only work with the most motivated clients.

And in 1987 Massachusetts canceled its contract with a nonprofit employment agency started in Boston by Mr. Cove and later run by Lee Bowes, Mr. Cove's wife and now the chief operating officer of America Works.

## 'Problems About Ethics'

An investigation by the state's Inspector General and an independent audit found that money from the nonprofit group, Transitional Employment Enterprises, had been improperly used to help start America Works and that the state was wrongly billed for expenses like singing telegrams and health club dues.

"There were very serious problems about ethics and financial practices," said Phillip W. Johnston, who was the Secretary of Human Services in Massachusetts during the investigation. "The experience was not a happy one for us."

America Works is now exploring the possibility of getting a contract with Massachusetts, but its efforts are being resisted by officials who recall the state's experiences with Mr. Cove and Transitional Employment Enterprises.

Joseph Gallant, the state Commissioner of Public Welfare, wrote a memo last September to Charles D. Baker, the State Secretary for Health

and Human Services, outlining his concerns about America Works. In the memo he cited the company's fee, which he said was \$2,200 higher in New York and \$900 higher in Connecticut than similar job placement programs used by Massachusetts. He also recounted the state's history with Transitional Employment Enterprises and America Works.

## 'Political Vendetta'

Mr. Cove denied that he, Dr. Bowes, his company or T.E.E. had been involved in any wrongdoing, including the Inspector General's allegation that health club dues and singing telegrams were charged to the state. He said the allegations were "a personal political vendetta" by local officials against him, and he noted that the state investigation never resulted in an indictment.

Abraham Levovitz, a businessman from Brookline, Mass., who owns America Works, said he had heard "rumors and innuendo" about the company when he first considered investing in it in 1988. But after exploring the matter, he said, he concluded that the criticism stemmed from "jealous competitors" and politicians unwilling to concede that a profit-making venture should have a place in getting people off welfare. He strongly defended Mr. Cove and Dr. Bowes.

## Fees for Training Before Placement

Since coming to New York, America Works has attracted considerable attention both from the news media and national politicians, who point to a range of benefits for the government, which moves people off welfare, and businesses, which get a tax credit and have a four-month trial period in which the new employee is not on the payroll. Much of the acclaim centers on statements by America Works that it charges only for permanent job placements.

But the company's contracts with New York call for it to be paid about \$980 of its \$3,500 fee for simply enrolling applicants in a weeklong training course, and \$3,855 only two days after a person is hired for a permanent job.

In fact, since 1989 New York State has paid nearly \$1 million to America Works for people who never found permanent work — about \$12,000 for people who entered the course but never found jobs and about \$857,000 for people who did not stay in their full-time jobs for more than three months.

## A Failed Project

Dr. Bowes said the company does not actually take money for enrollment unless it makes a placement. But she later said the company "made an exception" in certain cases to recoup the costs of a failed pilot project with the state to place and train homeless people. The project, which she said the company took on at the state's request, "was a disaster, and we invested a lot of time, effort and money."

John Haley, the contract manager for the New York's Office of Employment Programs, said, however, that the America Works contract calls for a payment upon enrollment "and they have always charged us for it."

"They may have made up some of the money they lost at the back end on the homeless project by loading up on the front end," he said. "But they did charge for enrollments that did not result in jobs."

## Keeping the Promise Of Employment

Even so, the company has fulfilled its promise of helping the state move people off welfare. Through December, America Works had enrolled 1,936 welfare recipients in the city and had helped 923 of them find jobs. Of those, 767 were still working three months after they were hired permanently.

"We feel we've done a great job and delivered a great product," Dr. Bowes said.

State officials say it costs the government about \$9,700 a year to keep a family of three on welfare. But people who have studied welfare reform said that it was virtually impossible to measure the cost-effectiveness of America Works without a controlled examination of whether the people the company placed could have found jobs by themselves or through other programs.

"How much of their success is because the population they work with is more motivated?" said Douglas J. Benharov, an expert on welfare reform at the American Enterprise Institute.

New York officials said that while perhaps they should have been better informed about what happened with America Works elsewhere, they were pleased with the company's performance.

The state is currently in its fourth contract with America Works to find jobs for people receiving Aid to Families With Dependent Children, most of whom are women. Until now the state has paid 40 percent of the costs, with the Federal Government paying 60 percent. The city will now split the state's share for 450 new clients, at a cost of about \$500,000 for the city.

Ifene Marcus, the city's director of social services, said the administration did little if any research into the company and relied heavily on the state's confidence in America Works when the Mayor decided to join the state contract.

Michael J. Dowling, the state's Commissioner for Social Services, said he learned about the company after reading an article in 1987, and after speaking to people familiar with the company's work in Hartford, where it has been operating since 1985.

Connecticut officials said the company found permanent jobs for only 25 percent of the 3,311 people it enrolled. But given the poor state of the local economy, they said they were satisfied with its performance. Audrey Rowe, Connecticut's Commissioner for Social Services, said the success of America Works was comparable to other training and placement programs that the state uses. But she added that it was the most expensive.

After talking to Connecticut officials, Mr. Dowling met with Mr. Cove and encouraged him to bid for a job-placement contract with the state. America Works won the contract, and Mr. Dowling continues to praise it for being placement-oriented and having performance-based payments.

## Making Money In Several Ways

But while most other job-placement programs get paid only after a person has been on the job for 60 to 90 days, city and state officials said, America Works gets the bulk of its fee — \$3,855 — two days after a person has been placed. The remaining \$650 comes if the person is still there after three months.

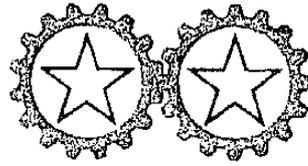
In addition to the placement fee, America Works also makes money in several other ways. During the four months that their clients are working for a private company on a trial basis, the clients are on the America Works payroll, receiving \$4.25 an hour, minimum wage. But America Works collects the worker's market-rate salary from the private employer, usually about \$7.25 an hour, Dr. Bowes said.

During those four months America Works is also entitled to collect about \$1,000 per person from the Federal Government, under an incentive program to share welfare savings with those who employ people on public assistance. And America Works is also entitled to about half the \$2,400 Federal tax credit that businesses get for each disadvantaged worker they hire. The rest goes to the companies that hire the employees from America Works.

Mr. Levovitz said that because of the corporate structure of America Works, he is able to use only about 10 percent of the tax credits.

America Works has recently begun working in Indianapolis and is negotiating to open offices elsewhere. Several social-policy analysts said they worry that other cities and states might invest millions of public dollars in America Works because of its reputation alone.

"The truth is we just don't know whether, even if what they do is good, it is worth the price," said Bob Greenstein, the executive director of the Center for Budget and Policy Priorities, a Washington research organization. "We need to know more about the return on taxpayers' dollars."



AMERICA WORKS

4/13/93

Hi Bruce:

Here is a confidential draft of the Ernst and Young study on us. Not much will change but it has not been released by them yet. You may talk about it, but pass it on only for confidential reading. It should be out in two weeks. Call if you have questions.

Best,  
Peter

**America Works  
Program Performance Survey  
October 27, 1993**

Post-It™ brand fax transmittal memo 7671		# of pages > 19
To Lee Bowes	From M. Forstenhauer	
Co.	Co.	
Dept.	Phone # 773-1781	
Fax # 614-0921	Fax #	

**Draft**

**America Works**  
*Program Performance Survey*

**DRAFT 10/27/93**

**Table of Contents**

Executive Summary.....2  
    Program Participant Report.....2  
    Company Survey.....3  
Scope and Methodology.....5  
    Participant Report.....5  
    Company Survey.....5  
    Errors.....5  
Program Participant Report.....7  
    Introduction.....7  
    Background.....7  
    Analysis.....8  
Company Survey.....16  
    Introduction.....16  
    Background.....16  
    Analysis.....16  
Conclusion.....18

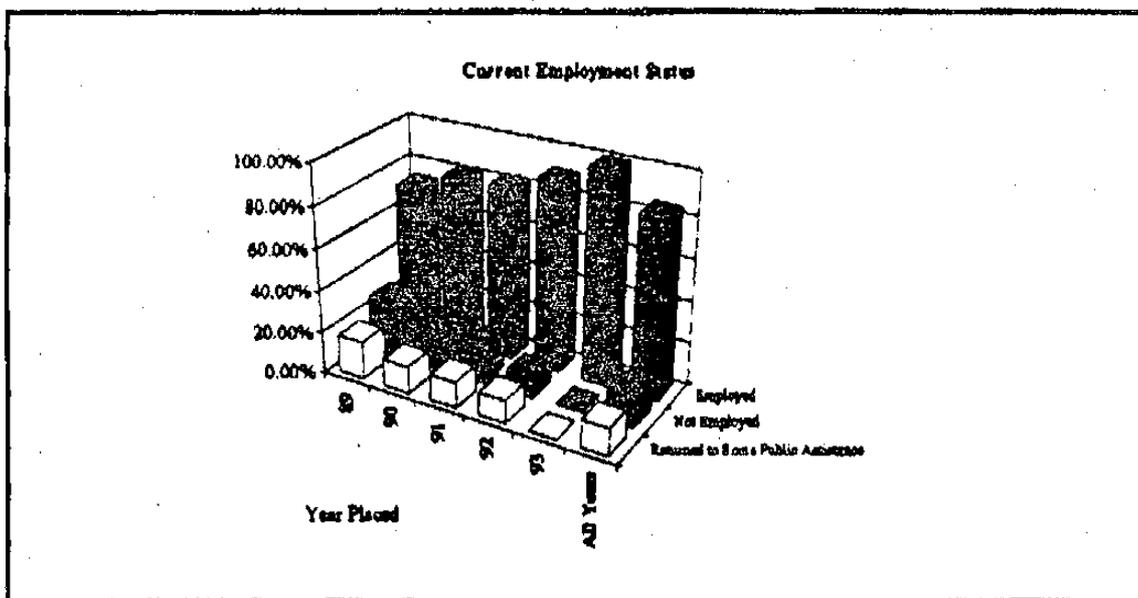
**America Works**  
*Program Performance Survey*

**DRAFT 10/27/93**

## Executive Summary

### Program Participant Report

America Works is a for-profit company that has placed approximately 740 welfare recipients into full-time jobs in industry. Ernst & Young and America Works conducted a survey examining the welfare histories, family status and current employment status, as indicated by the participants, and prepared this report on their success in moving from the welfare rolls to full-time employment.



Of the 341 individuals surveyed 85% are still employed, 7% have short-term occupations (i.e., student or homemaker) or are disabled. The remaining 8% unemployment rate compares favorably with the overall unemployment rate in New York City of 9.6%.

### Additional Findings

- 30% of the participants have been promoted and their raises and salaries are competitive with other individuals in similar positions.
- 69% of participants are still employed at the original jobs America Works placed them in.
- 33% of participants were eligible for Aid to Families with Dependent Children grants after starting with America Works. Only 18% were eligible as of March '93.
- Supplemental income grants to the participants were estimated to be an average of \$423 per month when starting with America Works, after a 4 month trial period they would have been reduced to ~\$78 per month and as of March '93 they would have been ~\$29 per month.
- 33% of participants who are working are still receiving some form of government benefits.
- Participants spent an average of 4.7 years on welfare.

## America Works Program Performance Survey

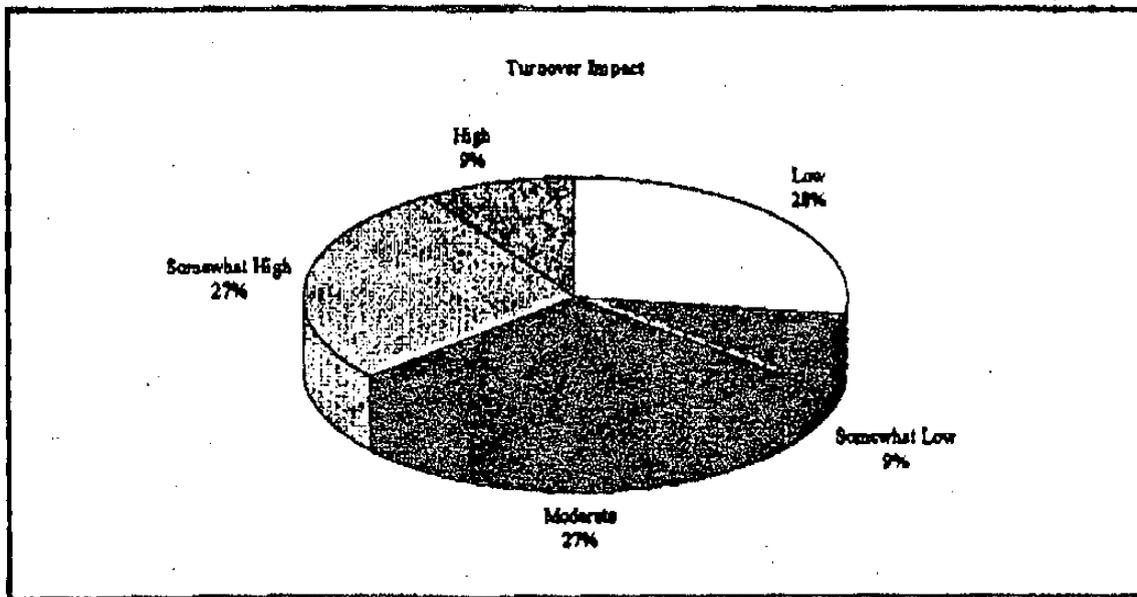
DRAFT 10/27/93

- Average monthly grants awarded to participants were ~\$1,033, including cash grants, food stamps and rent subsidies.
- 49% of the participants lived in some form of subsidized housing.
- The average number of children per participant was 2.1, 19% had a child under 3 years of age, and 43% had a child under the age of 6.
- Usage of children related programs by the participants is as follows:
  - 68% used WIC.
  - 43% used Publicly Funded Day Care.
  - 42% used Headstart.
  - 15% used Summer Youth Camps.
- 50% of the participants enrolled in a proprietary business school, 31% graduated and 6% actually acquired a job. They borrowed an average of \$3,234 in order to attend school.

## Company Survey

Additional questionnaires were sent to companies that have hired America Works program participants in the past. The survey examined hiring costs, number and status of America Works candidates hired, potential cost savings, turnover effects and the types and relative importance of the services America Works offers.

- 51% of the 36 companies surveyed indicated that America Works helped reduce their turnover in entry level positions.



About 37% of the companies surveyed indicated that there was a somewhat high to high impact on their turnover.

**America Works**  
*Program Performance Survey*

**DRAFT 10/27/93**

**Additional Findings**

- 94% indicated that the America Works Corporate Representative provided valuable services and the services most often used were as follows:
  - communication facilitation 59.40%
  - counseling 59.40%
  - servicing hiring needs 59.40%
  - outside support for workers 40.60%
  - on job the skill enhancement 18.80%
  - disciplinary actions 15.60%
  
- 10 companies, representing approximately 15% of the program participants placed, responded to the financial survey.
- 8 companies indicated that America Works saved their company money.
- Areas in which money was saved were hourly rate payments, Holidays and sick days, benefits, advertising costs, hiring costs and placement fees.
- 7 companies indicated an average saving per worker of ~\$2,449.

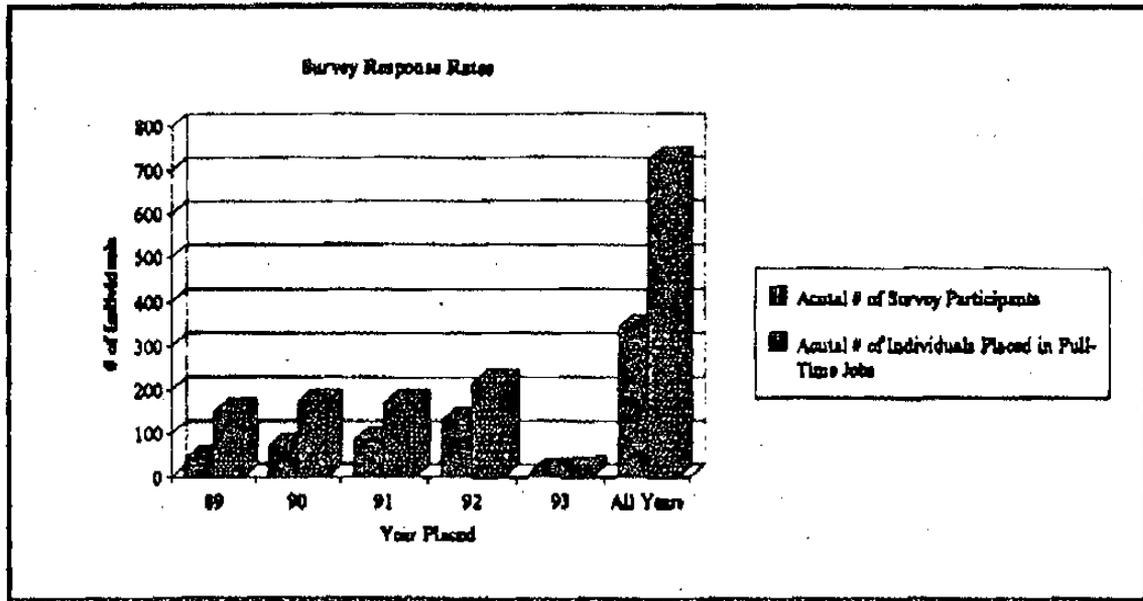
**America Works**  
*Program Performance Survey*

**DRAFT 10/27/93**

## Scope and Methodology

### Participant Report

During February and early March of 1993 America Works contacted by phone 341 or ~47 % of the 724 individuals it had placed in full-time jobs during the proceeding 4 years. A questionnaire designed by America Works and Ernst & Young was completed during the telephone interview and then forwarded to Ernst & Young for data entry and analysis.



### Company Survey

Ernst & Young mailed Surveys to 50 of America Works clients. 10 of the companies responded. Although the response rate was small, due primarily to the companies not having the financial data that was requested available, the companies that responded had hired approximately 106 or 15% of the 724 individuals placed by America Works.

Additionally, a follow-up questionnaire was sent by America Works to their client companies requesting information on non-financial issues. Approximately 38 companies responded to the follow-up questionnaire.

### Errors

All surveys are subject to a variety of sources of error, and it is common to include in surveys phrases such as "This survey has a margin of error of +/- 3%." Unfortunately, this is often misleading. Even the U.S. census is susceptible to several different sources of error, most of which cannot be accurately estimated.

All surveys are liable to several possible sources of error. The most important being:

**Non-response:** This is an error that is introduced if those who were interviewed differ from those who were not interviewed.

**America Works**  
*Program Performance Survey*

**DRAFT 10/27/93**

Random sampling error. Which may theoretically be substantial even on very large surveys. There is no way to calculate the maximum possible sampling error for a survey. All we can do is estimate the probabilities.

Question wording: Particularly where the survey is measuring an attitude or a future intention. In addition, question sequence can influence the responses, particularly to attitude questions.

Experimenter Bias: This is an error that may be introduced due to an attempt to interpret a subjects response in a favorable light by the interviewer.

Subject Bias: This is an error that can be introduced by the interviewee attempting to supply an answer that they believe will please the interviewer.

Additionally, it is often necessary or desirable to compare one group of individuals to another in order to obtain a more accurate representation of the results. In this report we were only attempting to examine individuals who were successfully placed by America Works in full-time jobs. No attempt was made to acquire information from individuals who were not successfully placed or from individuals who were placed or referred by other programs or who obtained full-time employment on their own. The reader is cautioned to bear in mind all of the above caveats when reading or interpreting the results presented in this report. However, we believe that the information contained in this report is a reasonably fair and accurate representation of those individuals who were successfully placed by America Works in full-time jobs and may be used to provide insights as to the performance of America Works' program.

**America Works**  
*Program Performance Survey*

**DRAFT 10/27/93**

## **Program Participant Report**

### **Introduction**

The firm of Ernst & Young was retained by America Works of New York to perform a survey of welfare recipients placed by America Works in full-time jobs. Ernst & Young examined the welfare histories, family status and current employment status as indicated by the program participants and prepared this report on their success in moving from the welfare rolls to full-time jobs.

An additional survey was used to evaluate the benefits to industry of using America Works services. Examined, were hiring costs, number and status of America Works candidates hired, potential cost savings, turnover effects and the types and relative importance of the services America Works offers.

The overall purpose of the two part survey is to attempt to document the advantages of using the types of services provided by America Works. Individuals who would be interested in this report are welfare recipients, taxpayers and Government agencies and any company interested in hiring welfare recipients. The Federal government as well as State and local governments throughout the country are currently addressing a variety of welfare reform issues. This report should make some small contribution to that effort.

### **Background**

America Works is a private for-profit company that places welfare recipients into paying jobs in industry. America Works receives a below-market hourly stipend from the hiring company during the first four months of the employment period (known as the trial period) and in turn both pays the applicants and provides on-the-job support. The applicant receives a performance evaluation every two weeks from which feedback is used to counsel the individual to improve his/her job skills and work attitudes. Additionally, America Works acts as a proxy with the social service agencies for the applicant. It ensures that the benefits the applicant is entitled to are continued or reduced in the appropriate manner.

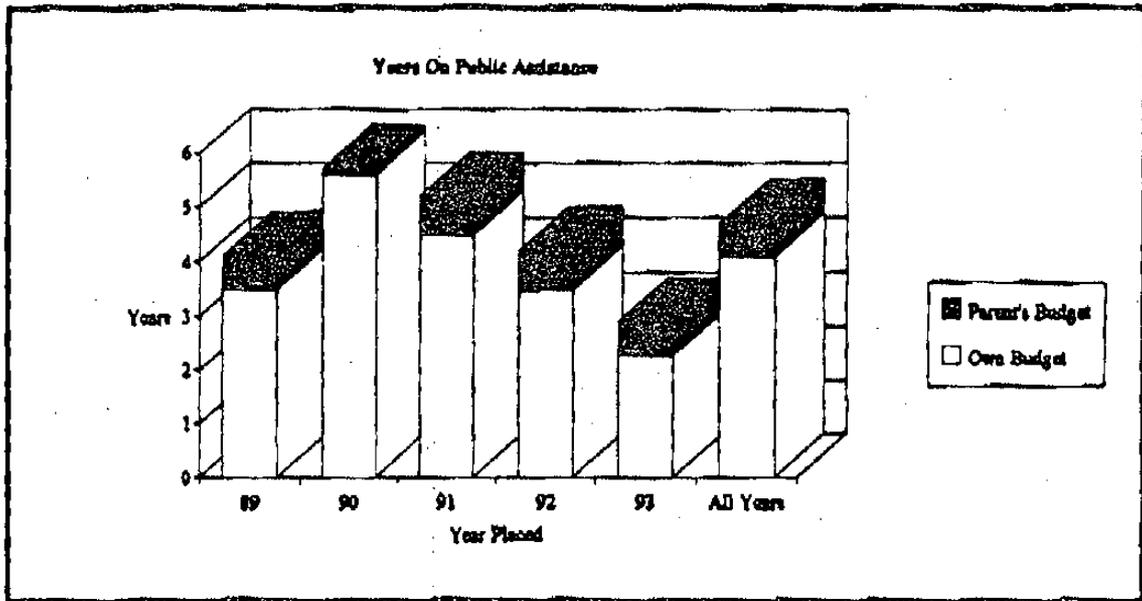
The hiring firm has a no-risk option regarding the applicant. If the applicant is hired after the trial period, then the employee's welfare benefits are adjusted accordingly. Some benefits such as public housing, daycare and Medicaid may continue for sometime afterward, usually for about one year.

For the purposes of this survey, program participants are those individuals who successfully completed their 4 month trial period and were permanently hired. The time period covered by this report was from April 1, 1989 to March 1, 1993.

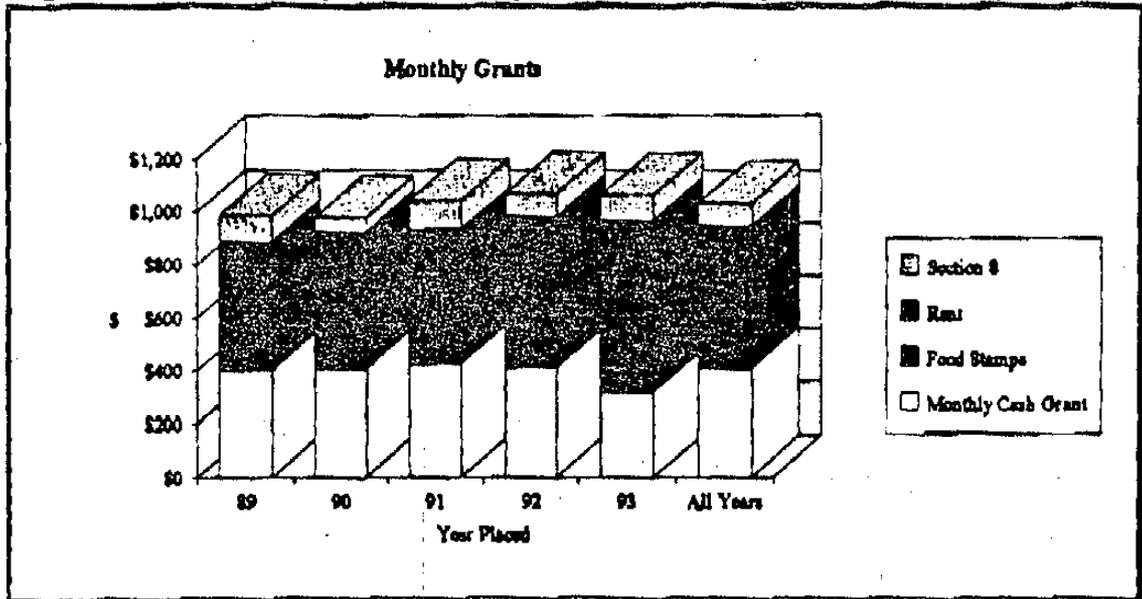
**America Works  
Program Performance Survey**

**DRAFT 10/27/93**

**Analysis**



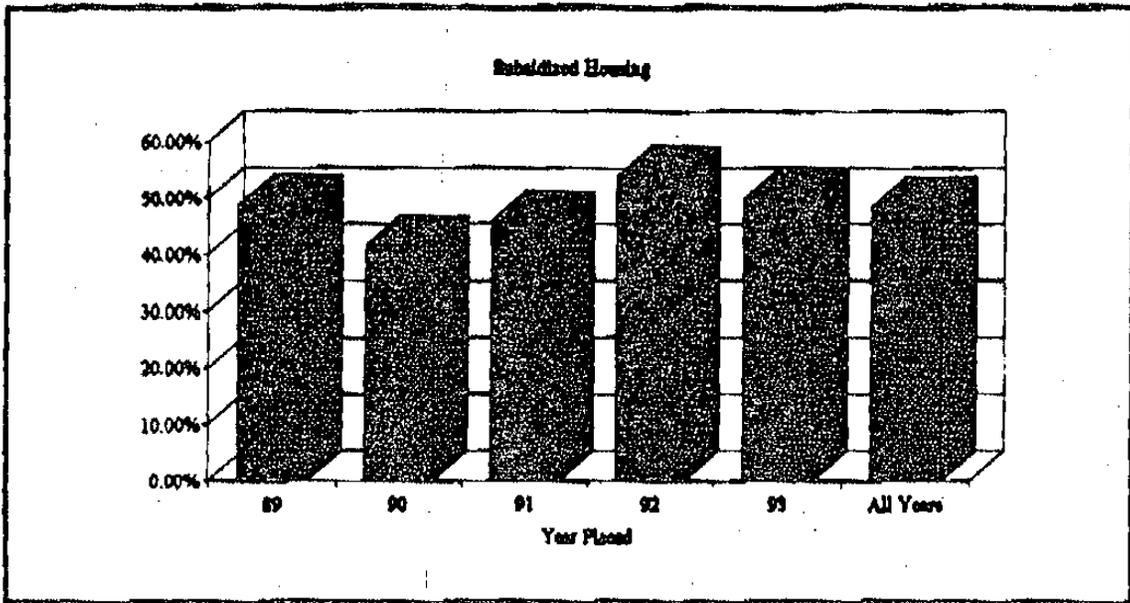
The average number of years spent on welfare for the group was 4.7. Those participants that spent time on their parent's budget listed an average of 6.4 years. However, only 16% of the group indicated they had been on their parent's budget. The number of years on public assistance ranged from a low of 2.9 years for those placed in '93 to a high of 5.7 for those placed in '90.



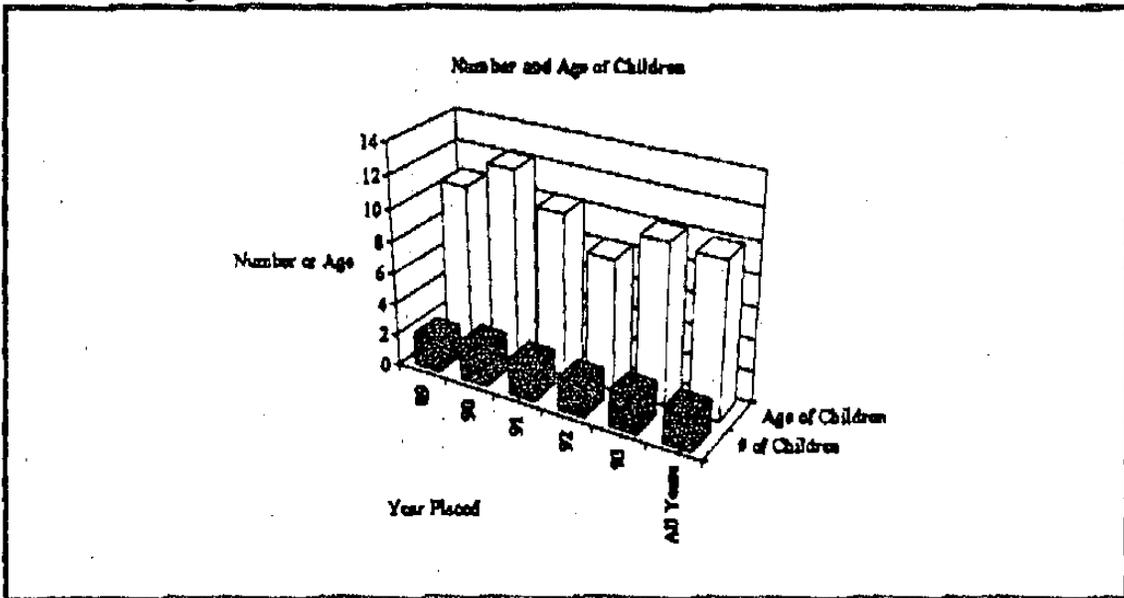
The average total monthly cash allotment for the group was \$1,033 per month, consisting of an average of \$416 per month in the form of a cash grant, \$188 a month for food stamps and \$278 for rent. Additionally, 20% of the group received a Section 8 grant of \$458 per month. This adds up, on average to about \$12,406 a year. On the basis of year placed, the total monthly grant ranged from \$985 in '89 to \$1,069 in '92. This is a relatively narrow range representing an 8.5% increase across 4 years.

**America Works  
Program Performance Survey**

**DRAFT 10/27/93**



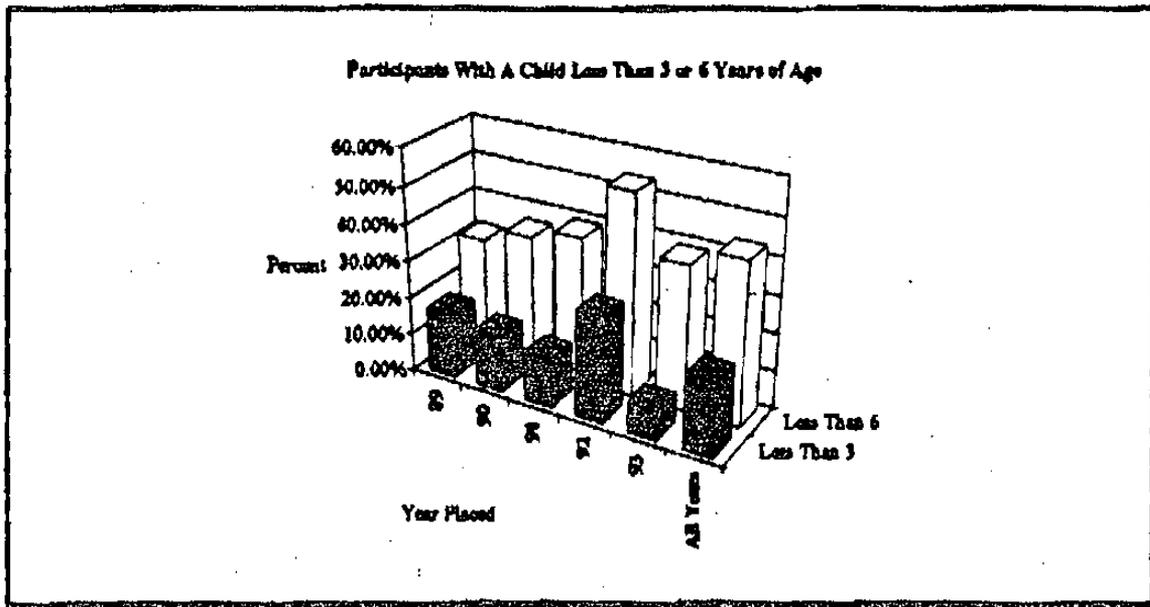
Overall 49% indicated that they lived in some form of subsidized housing. Thirty percent of the group indicated that they lived in public housing. Twenty percent indicated that they lived in Section 8 housing and an additional 12% said that they had stayed in a shelter. The average stay in a shelter ranged between 5-11 months.



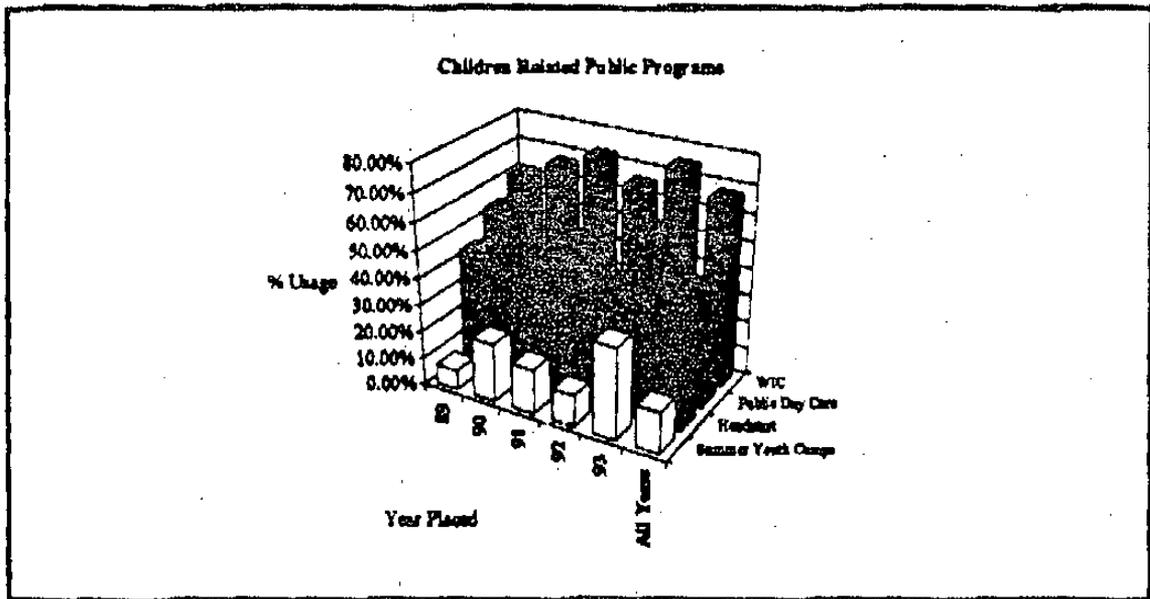
The average number of children for the group was 2.1. The average age of their children was approximately 10.

**America Works  
Program Performance Survey**

**DRAFT 10/27/93**



The number of participants who had a least one child of less than 3 years of age was 19%. The number of individuals with at least one child less than 6 years of age was 43%. On a year placed basis, the low for a child less than 3 was 7.7% in '93 and the high was 27.7% in '92. For a child less than 6, the low was 31.7% for '89 and the high was 53.9% for '92.



There were a number of supplemental programs used by the group. WIC, a special food program for women with dependent children, was the most heavily used at 68%. On average 1.5 children were on WIC for a period of about 3 years.

**America Works  
Program Performance Survey**

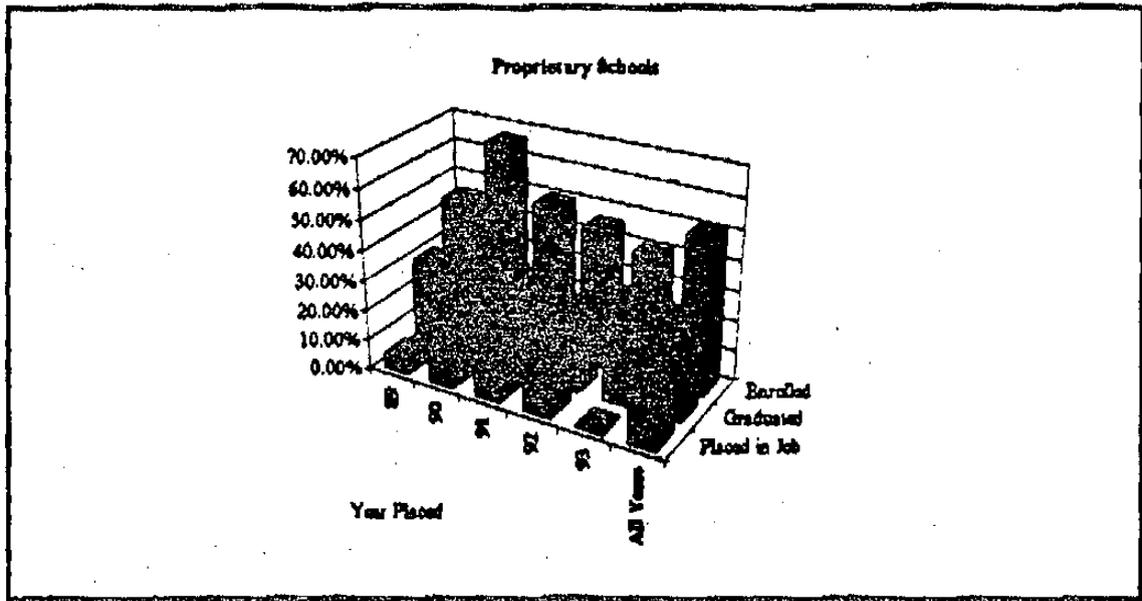
**DRAFT 10/27/93**

The next most utilized program was publicly funded day care. About 43% used this program. The average number of children was again around one and a half and the length of time used was again almost 3 years. The number of participants using day care dipped during '90, '91 and '92 and increased again for '93.

Forty-two percent of the participants used Headstart. The group had about 1.5 children in the program for two and a quarter years. By year placed, the number of participants using Headstart decreased from 44% in '89 to 25% in '93.

Summer Youth Camps was next with only 15% of the respondents having utilized them. The number of children attending was 1.6 and the length of time was almost 3 years. Summer Youth Camps only last for about 3 weeks during the summer so it is likely that the average total time spent in camps was really only 9 weeks.

Another major component of Public Assistance is Medicaid. Estimating the cost of Medicaid would add an additional \$417 a month to the welfare recipient's benefits. There are additional costs for other child and non-child related programs presented here that are too numerous and/or complicated to estimate.

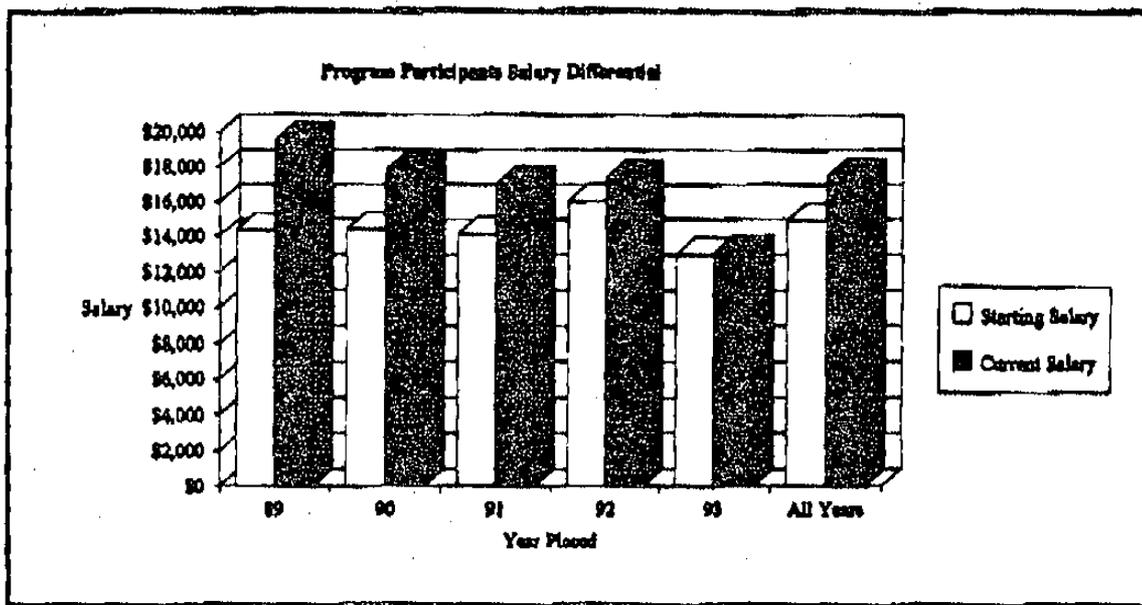


Approximately 50% indicated that they had enrolled in a proprietary business school, about 31% completed their training and only 6% actually acquired a job. Twenty-eight percent of the participants borrowed money to attend business school and they borrowed, on average, \$3,234 to do so. All of the above numbers remained relatively consistent when examined by year placed.

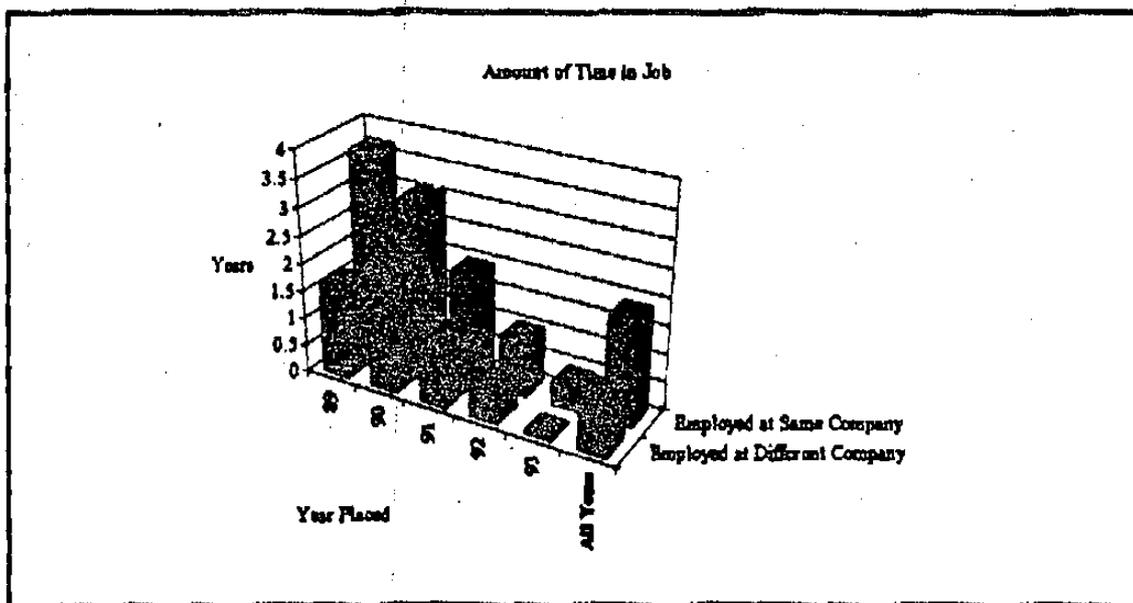
In addition to business schools, approximately 21% of the participants attended an employment training program sponsored by the public assistance agencies

**America Works  
Program Performance Survey**

**DRAFT 10/27/93**



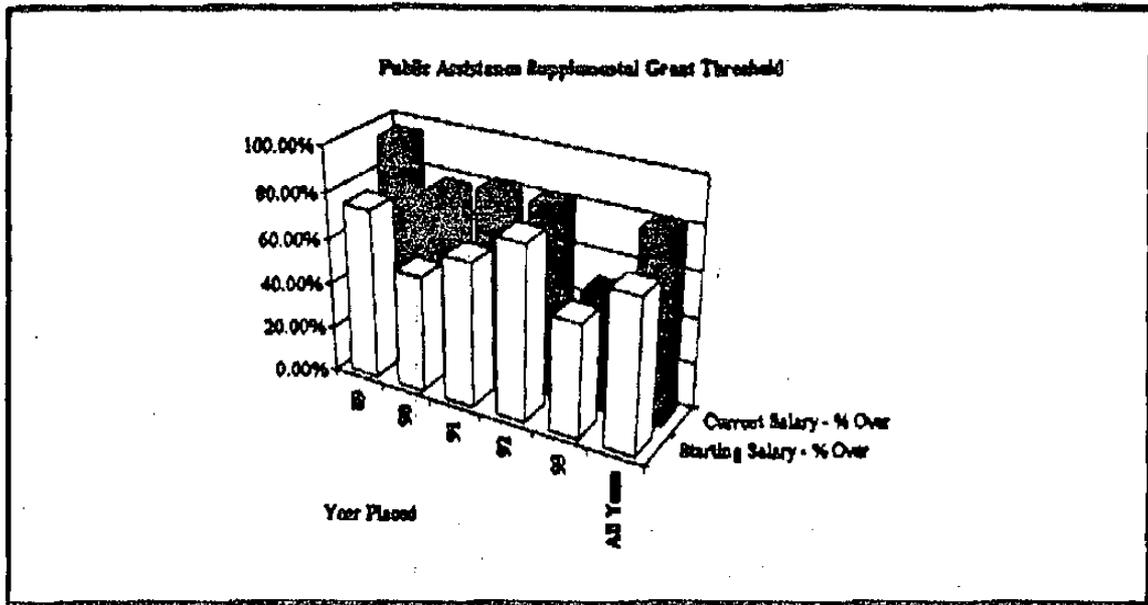
The chart above is based only on those participants who provided both a starting and current salary. The raises provided to the participants are comparable with other individuals in their positions in industry. The number of participants promoted ranged from 46% in '89 to none in '93 with the average for the group hovering around 30%. The number of times that participants had been promoted ranged from 2.3 in '89 to 1.3 in '92 with an overall average of 1.6. The number of promotions is mostly attributable to the length of time an individual is in their job.



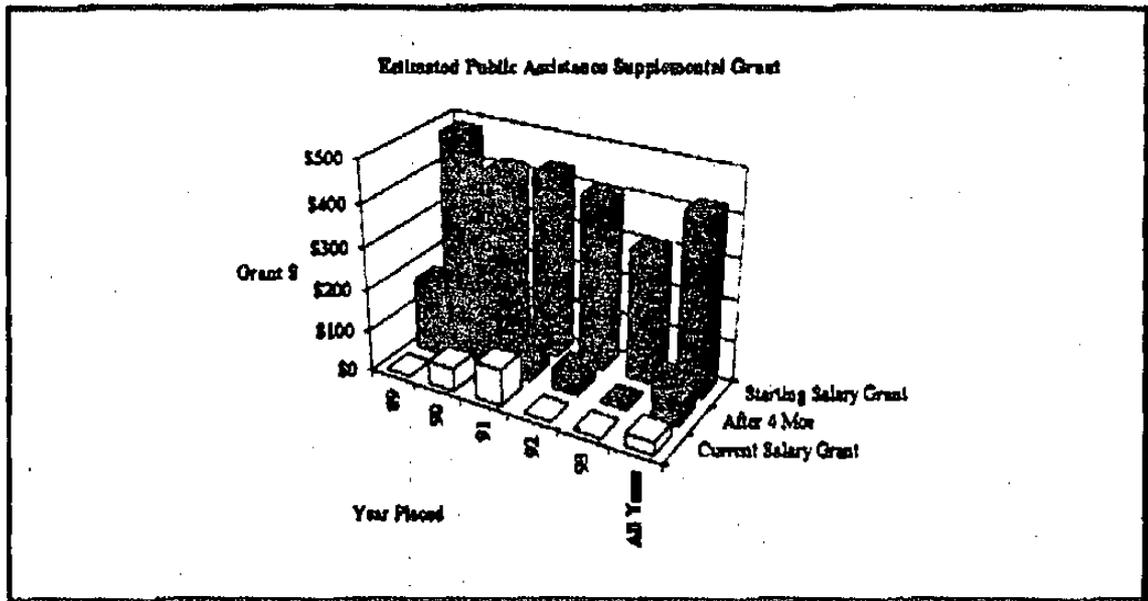
Those participants who remained with their original employer have been in their current jobs for an average of 1.87 years, while those who switched employers have been in their current jobs for only one year. Sixty-nine percent of participants are still employed at their original jobs. Given the clerical nature of the jobs, this is a favorable rate. The percentage remaining in their original jobs increased from about 60% in '89 to 100% in '93.

**America Works  
Program Performance Survey**

**DRAFT 10/27/93**



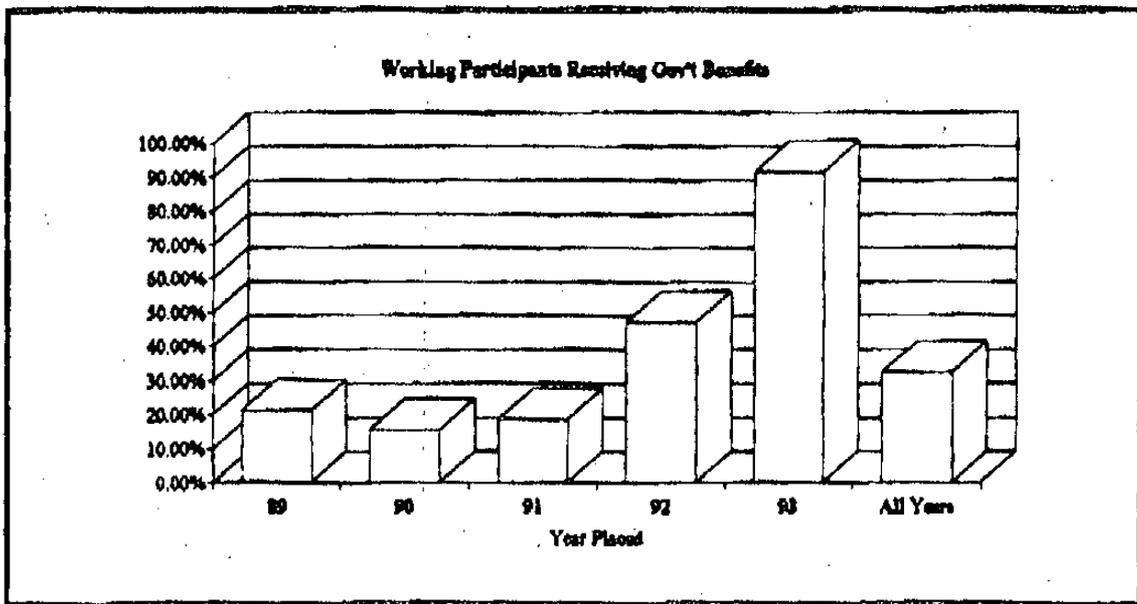
All of those placed in the 4 month trial are on Aid to Families with Dependent Children (AFDC). Depending on the grant size, size of family and the salary received the AFDC benefits will be reduced. While on America Work's payroll (during the 4 month trial) the average number of participants who were eligible to continue to receive a grant was 33% the average number currently eligible is only 18%.



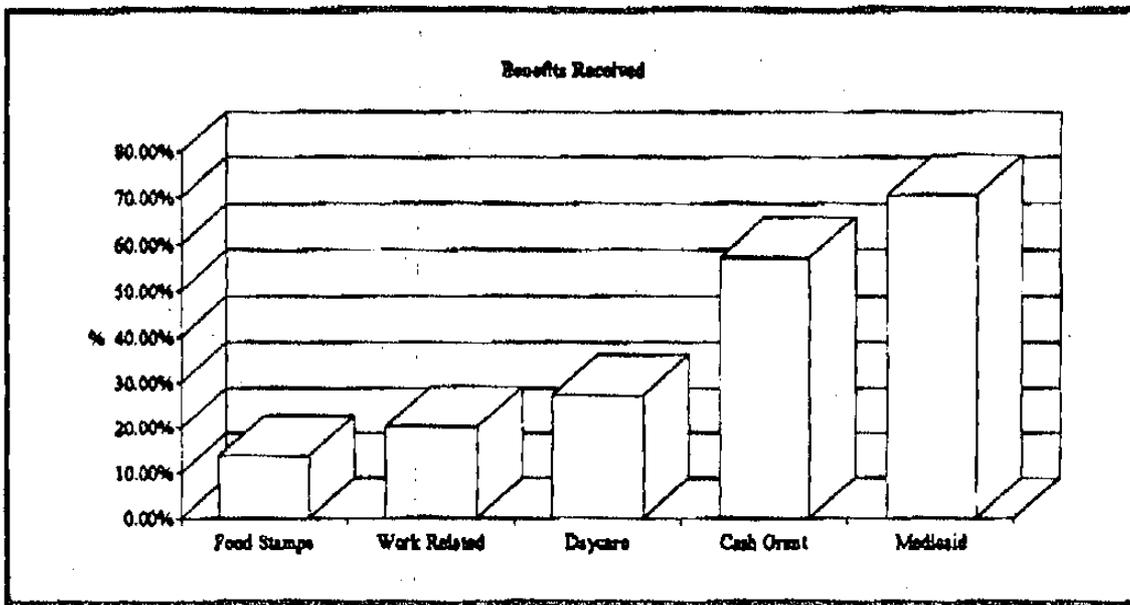
We have estimated the average supplemental grant amounts for those participants who were eligible to receive supplemental grants and who provided us with both a starting and current salary. The average supplemental grant available when the participants were on America Works payroll would be \$423. The average after 4 months when the trial period was finished and the applicant had transferred permanently to the company would have been reduced to ~ \$78. Currently it would be ~ \$29.

**America Works**  
*Program Performance Survey*

**DRAFT 10/27/93**



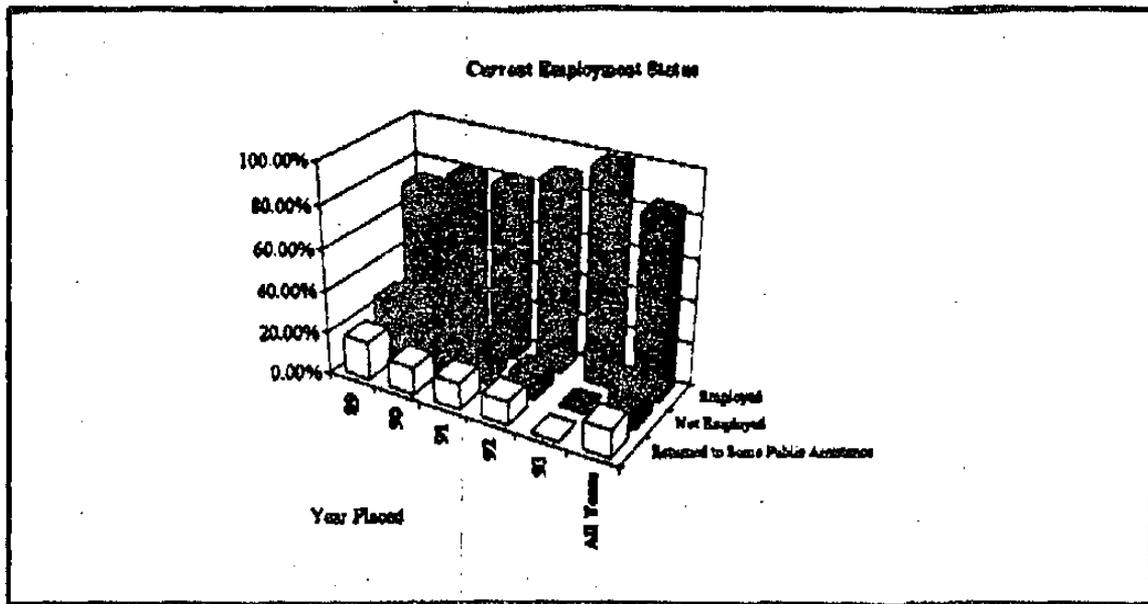
The average number of program participants who are working and still receiving government benefits is about 33%.



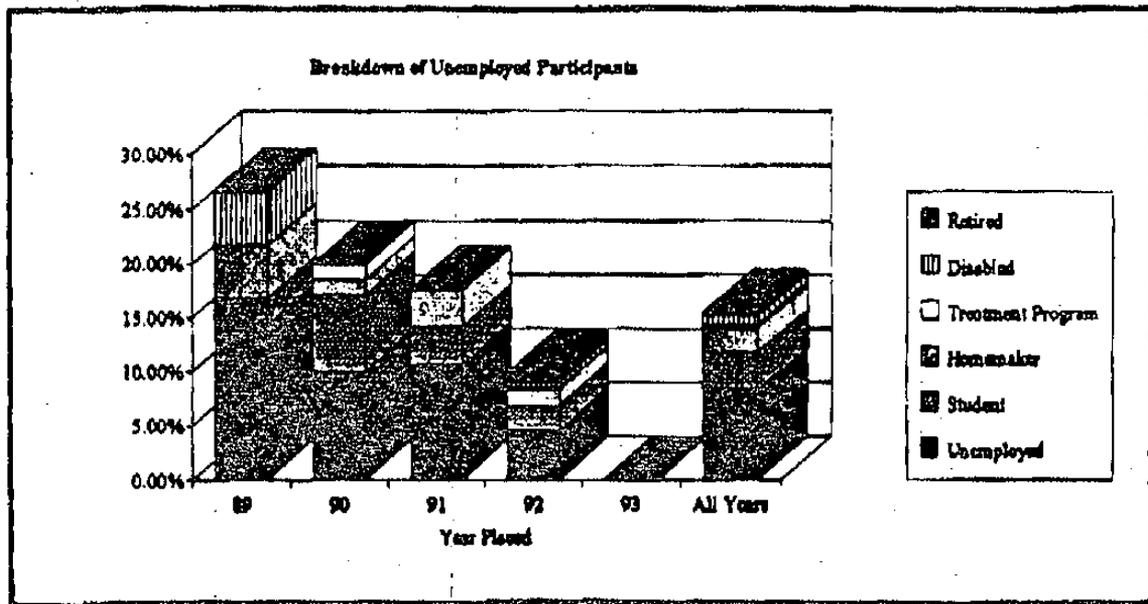
The type and amount of benefits received by those participants who are working and still receiving benefit is presented above. Medicaid at 70% is the most used of the benefits, but that still represents only 62 participants.

**America Works**  
*Program Performance Survey*

**DRAFT 10/27/93**



On average about 85% of the program participants are still employed with about 13% having returned to some form of Public Assistance. An examination of the of participants who are not currently employed reveals that about 8% are looking for work, 6% have found other occupations for the short term (e.g., student or homemaker) and the remaining 1% are undergoing treatment or have retired. Of the total about 13% have returned to some form of public assistance.



**America Works**  
*Program Performance Survey*

DRAFT 10/27/93

## Company Survey

### Introduction

Approximately 50 questionnaires were sent to companies that have hired America Works program participants in the past. The survey examined hiring costs, number and status of America Works candidates hired, potential cost savings, turnover effects and the types and relative importance of the services America Works offers. The response rate to this survey was less than satisfactory so an additional questionnaire requesting less detailed information was mailed by America Works.

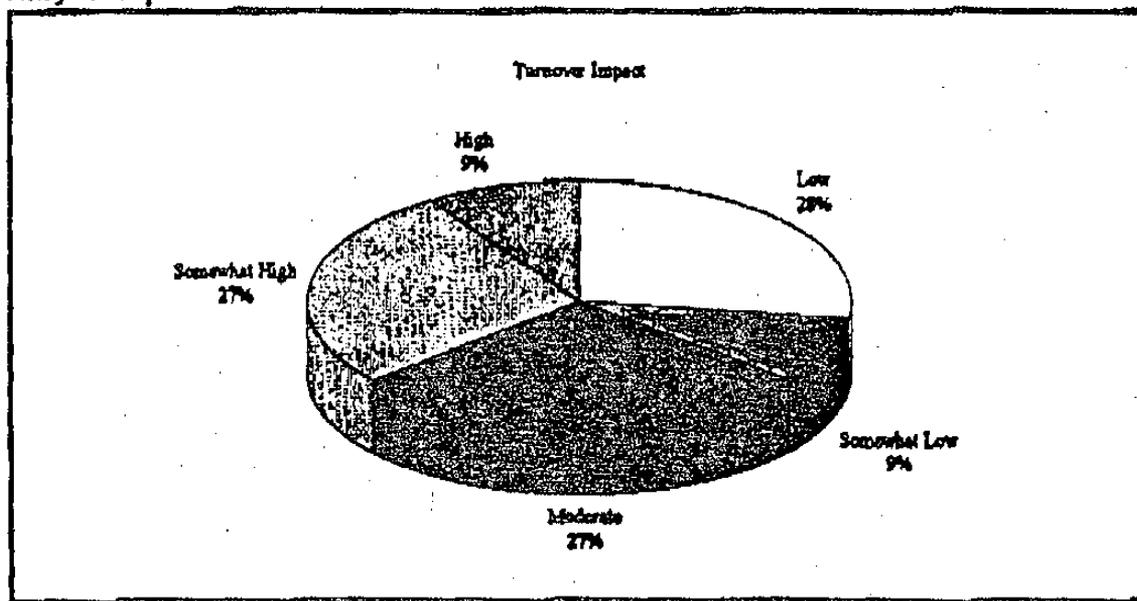
Subsequently, we provide the data as a general guideline only and make no representation that a company using America Works services would obtain these or similar results.

### Background

America Works provides initial screening, hiring, and training services for companies. After an applicant has been screened and placed in a job. They spend the first four months of their employment on America Works' payroll. During that trial period the company is billed an amount less than what their costs would be if they had hired someone directly. If the company decides that they want to make the individual a permanent employee. America Works transfers the individual to the companies' payroll and process tax credits, provided for by the state, which further reduces the company's costs. If on the other hand the company decides not to hire the individual there is no further obligation after the trial period ends.

### Analysis

51% of the 36 companies surveyed indicated that America Works helped reduce their turnover in entry level positions.

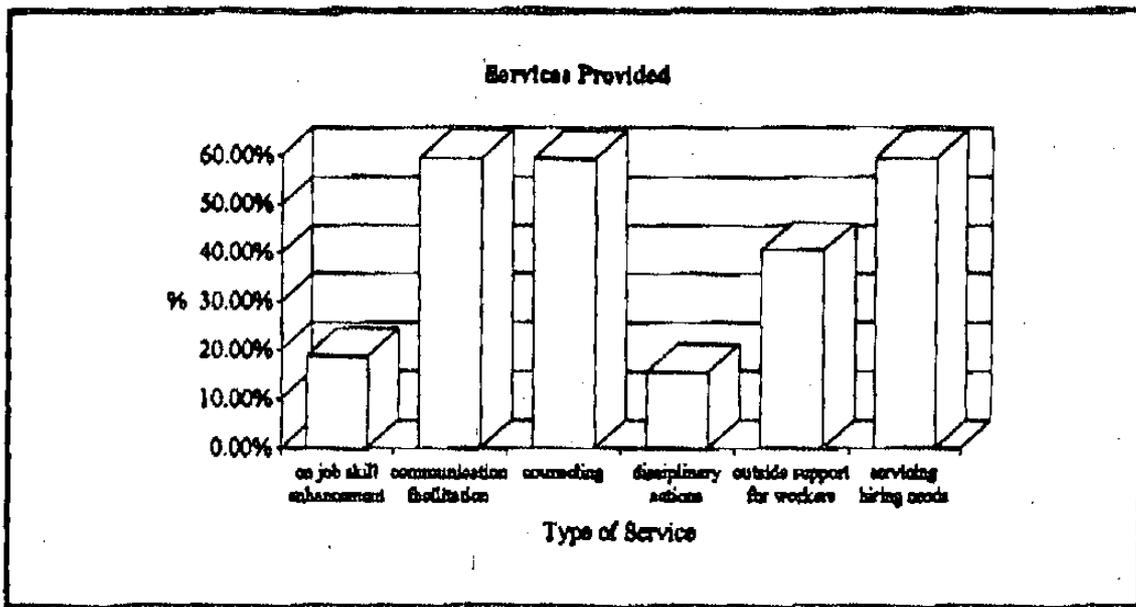


About 37% of the companies surveyed indicated that there was a somewhat high to high impact on their turnover.

**America Works**  
*Program Performance Survey*

**DRAFT 10/27/93**

94% indicated that the America Works Corporate Representative provided valuable services.



10 companies responded to the financial section of the survey. While not a large sample it was composed of America Works largest clients and does however represents approximately 15% of the program participants placed.

8 of the companies indicated that America Works saved them money. The areas in which money was saved were hourly rate payments, Holidays and sick days, benefits, advertising costs, hiring costs and placement fees.

7 of the companies indicated an estimated average saving per worker of ~\$2,449. The average number of workers among this group was 14.7 which resulted in a estimated net savings of approximately \$12,593 per company.

**America Works**  
*Program Performance Survey*

**DRAFT 10/27/93**

## Summary

For the four years that America Works has operated in New York, it has helped more than 700 welfare recipients obtain full-time jobs. Of that number about 85% are still full-time employees. Of the 15% who are not employed, about half have either undertaken to improve their opportunities by going to school or have taken time out to start or be with their families. The remaining half indicated that they are actively looking for work. Given that the March 1993 unemployment rate in New York City was 9.6%<sup>1</sup>, the number of unemployed participants is in line with the general economic conditions prevailing in New York City at that time.

The job retention rate, raises and promotions appear to indicate that the program participants have committed themselves to full-time employment. The data also indicates that in a few cases participants will remain on welfare while they work but most will come off Public Assistance within a few years.

The benefits to the companies that hire America Works individuals are a 4 month trial period in which to determine if the applicant is the right person for the job. This helps greatly in reducing hiring and turnover costs. Additionally, since the state continues Medicaid for about 6 months from the time the applicant starts his/her job, the company has reduced medical benefit expenses for the first year of the individual's employment.

We will leave it to the reader to draw their own conclusions regarding whether America Works is the answer for them. However, if you are a company with a social conscience and a need for entry level workers, America Works may be able to help you.

---

<sup>1</sup>Bureau of Labor Statistics New York City March 1993 unemployment rate

To: Bruce Reed  
From: Peter Cove

I have sent you my letter to Ellwood and the follow up memo to him asking for Mary Jo's attention. Could you please follow up. Much thanks. I will get back to you quickly on your request regarding the private sector.

WR - ~~JDA~~  
AMER  
WORKS

To: David Ellwood  
From: Peter Cove  
Re: Work Supplementation-Jo Bane

I have sent a letter to Mary Jo Bane and have followed up with five unreturned phone calls. Could you please speak with her about the issue of Work Supplementation Senator Moynihan's office asked me to take up with HHS. Much thanks. Call if we can be of any more help on welfare reform.

Dear David:

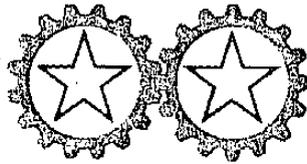
At the suggestion of Paul Offner I want to ask your assistance in changing the rules regarding work supplementation as described in the Family Support Act. My request is that The Secretary waive the "NEW JOB" requirement contained in section 484(c) which bars a participant from being assigned to "FILL ANY ESTABLISHED UNFILLED POSITION VACANCY" This request would cover only jobs in the private sector, not those in government. Section 482(C) (IV) contains a provision that might allow The Secretary to waive this restriction. This provision currently restricts welfare recipients from work supplementation in about 95% of the jobs in the private sector since these are unfilled existing jobs. The House and Senate both approved this change in H.R. 11 (see pg. 1284 of the Conference Report-section 102-1034) The whole bill was subsequently pocket vetoed by President Bush.

Senator Moynihan's staff (I believe Margaret Malone) got the agreement with AFSCME to delimit the NEW JOB provision to government jobs exclusively. I want to ask your help in freeing up this program in advance of any new welfare legislation so that the private sector may start hiring in larger numbers welfare recipients ready and willing to work. Given last year's legislative passage, Senator Moynihan's support, and the authority for The Secretary to waive the provision, this should be a simple and expeditious strategy for the Administration to uptick private hiring of previously dependent recipients of welfare.

I have enclosed testimony I presented in 1989 to Senator Moynihan's Subcommittee which details the problem. I will call you next week to discuss. Please call Paul Offner as well for any further background. Much thanks in advance for your help. It was an honor to be able to testify at the welfare hearing last week and to talk with you following the hearing. I look forward to the results of the working group's efforts and would be pleased to assist wherever possible.

Sincerely

Peter Cove  
Founder



AMERICA WORKS

WR - Amer. Works  
cc to —  
Pat Diamond +  
Bonnie Deane

July 14, 1993

I need this  
copy back.  
thanks

Mr. Bruce Reed,  
Deputy Assistant to the President  
for Domestic Policy  
Old Executive Office Building  
Washington, D.C. 20501

Dear Mr. Reed:

It was an honor to have the opportunity to brief you on welfare reform and America Works. We appreciate your taking the time to discuss these issues with us.

On your recommendation and with encouragement from Senator Breaux, we have drafted a proposal to develop a national demonstration project similar to what we discussed with you that would stimulate the private sector, reduce the expenditures of welfare dollars by government, and get people off welfare and into good jobs. That proposal is enclosed along with a recently released article in City Journal documenting some of the public policy obstacles we face.

We look forward to working with you further, please feel free to contact us or Richard Greenwald regarding any questions you may have at (212) 529-2900. If at all possible, a visit by the President would help focus on the critical element of a two year and off policy. I hope you are able to arrange that.

Sincerely,

  
Dr. Lee Bowes,  
CEO

  
Peter Cove,  
Founder

Enclosure

## WELFARE TO WORK DEMONSTRATION

**ISSUE - HOW TO REDUCE WELFARE DEPENDENCY, CREATE A REVENUE NEUTRAL MECHANISM TO FINANCE A JOB EFFORT, REDUCE THE BUDGET DEFICIT, STIMULATE PRIVATE INVESTMENT AND MAKE GOOD ON TWO YEARS AND OFF**

### **PURPOSE -**

Initiate a national demonstration of a fully performance based welfare to work program for 500,000 people annually for five years. Federally funded under the Family Support Act (FSA) but state implemented, private sector run welfare to work companies would be encouraged to invest in mounting programs which only if successful would be paid. This proposed demonstration is based upon America Works' successful nine year experience in two states. Review of America Works' experience and other programs focusing on jobs first as a welfare strategy suggest a major role for this type of approach. The key elements are:

°For five years place approximately 10% of the welfare population into jobs each year.

°Save 67.5 billion dollars during the five years in cost savings, half of which can be used to reduce the deficit and the other half can be reinvested into an increasing fund for welfare to work.

°Stimulate private capital investment into welfare to work programs.

°For the first time in welfare to work programs direct government to pay only for successful welfare reduction, not for programs regardless of their impact.

### **BACKGROUND -**

1. The Aid to Families With Dependent Children Program was established in the 1940's to help widows and their children. It has grown into a massive entitlement program.

2. There are over five million families on AFDC and the welfare rolls are growing. The costs have reached 150 Billion dollars. Of those on welfare, 60% stay for more than five years. Researchers say there is a trend toward longer term and intergenerational dependency.

3. Since the 1950's there have been a number of programs targeted at reducing dependency. In 1989 congress passed FSA. The JOBS piece of this legislation directs the states to design welfare to work strategies.

4. Simply stated there has been a debate in the field between those who believe in jobs versus those who believe that the

route out of dependency in through education. The regulations for FSA heavily emphasized literacy and education as the route out of welfare dependency.

5. The general consensus is that the employment and training systems have not been effective. Many welfare recipients have been through a number of training programs of business schools yet have failed to find employment. They have paid for process not outcome.

6. Since the FSA implementation States have not drawn down all of the funds the federal government made available. This is because the local municipalities can not get its law makers to allocate additional revenue to the welfare budgets which are escalating. Thus the funds are there for dependency but not to seek a way off.

7. Recent research evidence indicates that despite FSA regulations, a jobs first approach, not education, is more effective in reducing the welfare rolls. (See the Rockefeller Foundation studies, Riverside California's outcomes, MDRC research and the experience of America Works.)

8. Job placement efforts targeting private sector jobs can have the additional benefit of acting as an economic development tool. According to a recent Ernst and Young study conducted on the welfare recipients placed by America Works businesses averaged \$2,448 savings per worker.

#### **RECOMMENDATIONS -**

The creation of a two billion dollar per year demonstration for five years paying \$4,000 each placement. The placement fee would only be paid after a person had been working 90 days. The project would place 500,000 people a year. A 60% projected retention rate would yield:

500,000 welfare recipients X 60% retention = 300,000 X \$15,000 (the average cost to keep a family of three on welfare) X 3 years (the average length of time the family would have stayed on welfare without the program) X 5 years (the length of the demonstration) = 67.5 billion dollars in cost savings for the five years of the program. Some of the funds can come from the unexpended FSA obligation thereby reducing the need for new funds. The demonstration will have the following elements:

\*For each welfare recipient placed into a job a calculation of a cost savings to the taxpayer will be made. For as long as the individual remains off welfare a deposit will be made into the savings. Fifty percent will go into reducing the deficit and 50% will go into a new reinvestment fund. This fund will be a new entitlement for jobs pool. Based upon the above calculation 38.75 billion dollars would be available for future welfare to work programs.

\*The demonstration will be totally performance based. The organizations delivering the service will only get paid when a person goes into a full-time job and have retention of 90 days thereafter.

\*The demonstration will not require local match. It will be fully federally funded. However the program operation funds will be expanded by the use of Work Supplementation funds (see Jobs Regulations in FSA) for private sector jobs.

\*There will be an on-going evaluation of the effectiveness of the approach and the true costs savings.

\*Federal and participating State laws will be amended to allow reinvestment of savings from welfare into job programs which are paid only if they get a person off welfare.

#### **IMPLICATIONS -**

1. This will build the capacity through job placement to implement a two years and off welfare if that becomes policy.

2. A fund will be created out of welfare savings to fund employment efforts in the future.

3. Through the evaluation component there will be hard evidence of the outcomes and value of the demonstration.

4. The performance based contracting model, if proven to be more effective will be adopted throughout the employment and training system.

# CITY

JOURNAL

1950

Volume 1

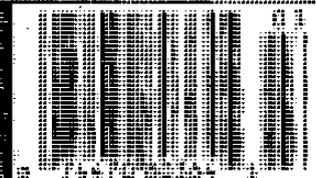
Number 1

1950

1950

1950

1950



# America Works

## A Venture to End Dependency

Jan Rosenberg  
and Sol Stern

New York City has had little success in moving welfare recipients to work. But a private company called America Works is placing hundreds of them in good, private-sector jobs. Its secret: stressing basic work habits and contacts with potential employers.

In February 1993, the *New York Times* carried a front-page story recounting the many frustrations suffered by a middle-aged woman trying to get off the welfare rolls and back into the labor market. The article appeared just two weeks after the inauguration of a new president who had pledged to "end the welfare system as we know it" by requiring stringent back-to-work programs for able-bodied recipients. But what really raised eyebrows was that the "welfare client" profiled in the article was actually Barbara Sabol, commissioner of the city's Human Resources Administration (HRA).

The normally press-shy Sabol gave the *Times* an exclusive account of how she had posed as a poor person and applied for welfare in order to learn how her agency treats its clients—not very well, she discovered. She described long waits in filthy, cockroach-infested offices. She said she had been "depersonalized" by the system, and was particularly critical of caseworkers in the city's BEGIN (Begin Employment Gain Independence Now) program, which was created to get recipients into the labor market. They seemed indifferent to her expressed desire to move from an unsatisfying mandatory work assignment with the city to a full-time job. "I mean, nobody saw my spark," Sabol said. She concluded that HRA should become more focused on helping welfare clients search for jobs as soon as they enter the system.

Did Sabol's experiment signal the beginning of a serious, long-overdue effort to apply David Osborne's concept of "entrepreneurial government"—making government social services more accountable and competitive—to the huge HRA bureaucracy? It appears not. Sabol has once again become largely "unavailable" to the press. From all indications, not much has been done to improve HRA's dismal record of helping welfare recipients break the cycle of dependency.

Indeed, a recent study by the Public Policy Institute concluded that the percentage of New York State's welfare recipients (of whom HRA's clients are the overwhelming majority) who move into paying jobs has actually dropped over the past several years. This happened despite new federal mandates imposed by the 1988 Family Support Act, which aimed to get welfare clients back to work. "Most states

---

*Research for this article was supported by the J.M. Kaplan Fund.*

leapt at the opportunity" to put the Family Support Act's requirements into effect, wrote the legislation's principal author, Senator Daniel Patrick Moynihan, in the report's introduction. "Not New York." The study faulted New York's "questionable decision to emphasize schooling to the exclusion of job experience."

In New York City, it was none other than Barbara Sabol who shifted the BEGIN program's emphasis away from securing immediate employment for welfare recipients. Instead, clients assigned to BEGIN are allowed to choose among various training and education options. "In some ultimate sense HRA still believes in the employment goal," says Lawrence Mead, a welfare researcher at New York University. "But so much priority is now given to reducing 'barriers' around recipients that few face any real pressure to go to work. BEGIN is inducting 2,500 new clients a month, but so many drop out and so few look for jobs that no impact on the caseload is discernible. HRA simply has not confronted the ethos of entitlement that surrounds welfare in New York."

### Road to Success

Yet even in New York City, there are model programs that successfully match long-term welfare clients with private-sector jobs. During her underground stint as a welfare client, Sabol might have asked her caseworker to refer her to a privately owned employment service called America Works. Or she might have called the company herself, as some welfare recipients do. Had she made that connection, Sabol's "spark" would certainly have been noticed. In fact, it is likely that she would have been quickly placed in an entry-level clerical job in a publishing firm, law office, or insurance company.

For the past five years, America Works has placed thou-

sands of welfare clients, with an average of between five and six years on the rolls, in private-sector jobs with an average starting salary of \$15,000 plus benefits. Employers have been overwhelmingly satisfied; America Works has a long list of companies that keep coming back, asking for more referrals from the welfare rolls. America Works has staked its survival as a profitable business on the proposition that welfare clients, properly motivated and helped with a limited amount of technical assistance, can be successful at getting and holding jobs.

Consider the case of 35-year-old Lenore Green. Other than two short-term jobs, she had been on public assistance all her adult life. Like Sabol, Green had a disappointing experience with HRA's BEGIN program. "They basically give you the yellow pages and tell you to start calling to find a job," she says. "They also do something they call 'networking,' where someone comes in and says that some company is hiring. And they tell you to read the *New York Times*. Well, I was doing that anyway."

When Green heard about America Works, she asked her caseworker to refer her to the firm, even though its offices are in lower Manhattan and she lives in the Bronx. When she made the trip, she found a businesslike facility, in contrast with the



A job-readiness class at America Works.

grim welfare offices she was used to visiting. A polite receptionist directed clients and visitors to the business lab, the pre-employment classroom, a small meeting room, and staff offices. America Works was humming with activity, and no one was waiting in line.

Green signed up, and after a week of pre-employment screening and "job readiness" training, she landed a two-week data-entry job. Immediately thereafter, she was sent on two interviews, each of which led to a job offer. She currently works in the claims department of the Amalgamated Life Insurance Company.

*America Works makes its money by contracting with state welfare agencies to place clients in jobs*

America Works functions as a kind of "old girls' network." (Most of its clients are women.) Staff members build relationships with employers and provide the connections to the job market that women on welfare usually lack. "After screening to make sure there's a fit with what the employer is looking for, they go out and represent you to the employer," Green says. "They help you get that interview."

America Works makes its money by contracting with state welfare agencies to place clients in jobs. The contract is performance-based: the company is paid (about \$4,000 per client in Connecticut and \$5,300 in New York) only after the client has completed a four-month probationary period with an employer. The state comes out ahead as well. For its fee of \$5,300, America Works estimates that it saves taxpayers \$22,000 a year, the cost of keeping a mother and two children on the welfare rolls in New York.

America Works is the brainchild of a husband-and-wife team, Peter Cove and Lee Bowes. Cove is a community activist, a veteran of the 1960s War on Poverty and various non-profit employment training

projects; Bowes is a sociologist. They launched America Works in the mid-1980s with \$1 million in start-up capital and the belief, based on their own experiences in the job-training field, that the primary obstacles preventing welfare clients from finding and retaining jobs are a lack of connections and gaps in interpersonal skills. Extended education and training programs are unnecessary, time-consuming diversions, Cove and Bowes argue. Further, they contend, clients with shaky self-confidence are best served by an early success in getting a job, not by long periods of preparation.

America Works' week-long training sessions are narrowly focused on the skills needed to land an entry-level job. A counselor works with clients on such basics as maintaining a businesslike personal appearance, speaking properly, preparing a résumé, showing up on time, and arranging child care. Attendance is strictly enforced: if a client is late to class, even by five minutes, she is dropped from the program, though she may enroll again at a later date. After completing the class, clients spend half their day in the company's business lab, working on typing, word processing, and other office skills while they wait for job interviews. During the remainder of their day, they can seek employment on their own.

Paula Phillips, an energetic former school-teacher who leads the training sessions, stresses that clients' success depends on their own motivation and effort. "How many of you were referred by BEGIN?" she asks a larger-than-average class of 46 crowded into the classroom one spring morning. Eight or nine women raise their hands. "Did they say that America Works will definitely find you a job?" Only a couple say yes, but she uses the occasion to nail home her point: "There are no guarantees. . . . If you want something to happen, you've got to make it happen." "But," she continues, "if we don't find people a job, we can't stay in business. We want to find jobs for as many people as possible."

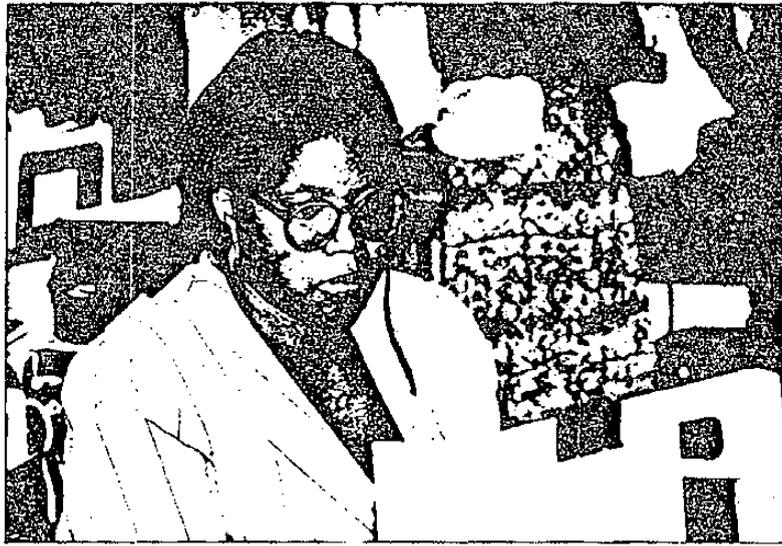
The company's entrepreneurial ethos is catching. We spoke with numerous women and men in

America Works classes who defied the stereotypes of long-term welfare clients steeped in a permanent culture of dependency. After waiting several months to be admitted to the program, they understood that they had to compete for jobs, were working very hard at improving their skills in the business lab, and were confident that they would succeed.

Employers are impressed with the workers' enthusiasm. "Their candidates really want to work," says the personnel director of a catalog company who, since 1989, has relied exclusively on America Works for filling entry-level positions.

"They have people who have been out of work and so they're willing to stay with a job for quite some time," says the manager of a law office. "They're willing to stay longer than other people who haven't been on public assistance. We're willing to take a chance on them; we get a dedicated and loyal employee. It's a win-win situation."

During the four-month probationary period, the employer pays an agreed-upon wage to America Works, which pays the employee minimum wage. (Employees' welfare grants are gradually reduced during their transition to permanent work.) The trial period allows the employer to evaluate the new employee's work habits and adaptability to the company culture. At the same time, America Works offers the employee services to ease the transition from dependency to the job market. America Works job counselors visit the worker on the job every week and meet with the employee's supervisor every other week to "troubleshoot." If there are problems with punctuality or attendance, or if the client needs help with child care or housing, the counselor will intervene. "Most problems new employees have show up quickly, in the first few months on the job. That's why the 'reps' are so useful," says one employer, singling out the baby-sitting problems that trip up even the most eager working mothers.



A trainee in the America Works business lab.

After the probationary period, the employee is paid a standard wage. The support America Works provides during the transition period is clearly effective; an estimated 85 to 90 percent of its clients are still in their jobs at the end of the first year.

### Going Against the Grain

Despite America Works' success, New York's social-service bureaucracy remains indifferent to its promise. The company is under contract with New York State to find jobs for 250 workers a year, but many more welfare clients are trying to get into America Works than it can accommodate under its contract. And the firm does not have a single contract with New York City. Indeed, it has been rejected four consecutive times for welfare-to-work contracts let by city agencies. Critics and city officials offer several explanations for the city's reluctance to embrace the firm's approach.

One charge is that America Works "creams," selecting the most job-ready clients, who would land jobs on their own anyway. A New York State welfare official disagrees. "That may have been true early on, when they were getting their clients from newspaper ads, but now more than half of their clients come after failing to find jobs through HRA's programs." And, indeed, why would people

who could find work on their own sit through a week of job-readiness classes and then spend four months working at minimum wage? It seems more likely that America Works is successful with those public assistance recipients who are willing to work but lack the interpersonal skills, self-confidence, and connections necessary to find work.

Another concern is cost. Cathy Zall, deputy commissioner of HRA, argues that America Works is much more expensive than other welfare-to-work programs and that the \$22,000 savings trumpeted by the company is exaggerated, because it assumes that none of the people placed in jobs by America Works would have found work on their own. Computing the exact savings from various welfare reform programs is complicated, but the Public Policy Institute report notes that America Works' placement fee "compares favorably with the \$8,259 per placement cost of the JOBS program," a federal initiative offering education and placement services.

Our interviews with welfare officials and independent analysts suggest that much of the criticism of America Works is driven by an underlying suspicion of a for-profit company operating on the belief that welfare clients can and should compete in the market economy. This approach directly challenges the institutional biases of much of the nonprofit world and the government bureaucracy.

*How could a company that places so many people in good jobs be judged as lacking "demonstrated effectiveness"?*

Some officials concede that such a bias exists. "It's very difficult for us in the social work professions to accept individuals who make a profit," says Audrey Rowe, Connecticut's commissioner of income maintenance, who became a champion of America Works after evaluating its performance under a state contract. "It's difficult to work through staff biases."

Michael Dowling, New York State's commissioner of social services, adds that while America



America Works cofounder Peter Cove says government must "bring in creative entrepreneurs" to help people off welfare.

Works has done "exceptional work," the state has come in for "criticism from the traditional employment and training agencies, from the nonprofit sector. They wanted to know why we were contracting with a for-profit agency."

Compounding the problem is the bureaucratic procedure by which contract proposals are judged, a process that elevates form over substance. In the competition for a recent welfare-to-work contract with the city's Department of Employment (which America Works lost), the final decision was made largely on the basis of the written "statement of purpose" in the contract proposal. The organization's success rate in actually placing and keeping recipients in jobs was a secondary consideration. In a proposal for another Department of Employment contract, America Works earned just one-quarter of the possible points for "demonstrated effectiveness." How, we asked our guide through the bureaucracy, could a company that was placing so many people in good, private-sector jobs be judged as lacking "demonstrated effectiveness"? The answer: "They just didn't write a very good proposal."

America Works recently found itself a new champion, Manhattan Borough President Ruth

Messinger. Having seen the company's good work for herself, Messinger tried to cut through the bureaucratic thicket by intervening directly with First Deputy Mayor Norman Steisel. Her letter to Steisel recommended that the city take a second look at how America Works could benefit New York's welfare reform effort.

Steisel's reply was, typically, more bureaucratish. He expressed regret that America Works had lost four straight competitions and explained that there just isn't enough money to fund all the worthy proposals. He encouraged America Works to keep trying. Finally, the deputy mayor assured Messinger that the Department of Employment was "looking forward to receiving additional proposals from America Works in response to future RFP's [requests for proposals]."

### **Beyond Left and Right**

Tomes have been written about the difficulties of getting long-term welfare recipients into the job market. Liberal and conservative critics alike insist on the almost insurmountable odds against ending welfare dependency. Conservatives tend to argue that long-term welfare clients won't work, because they have not developed the values and discipline—the "culture," if you will—that push people into the labor market. Liberals counter by arguing that the jobless poor can't work, pointing to a range of "structural barriers" that prevent minority and unskilled inner-city residents from succeeding in the private job market.

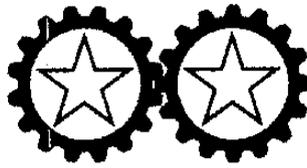
For many conservatives, the solution is something like economic shock therapy—reducing benefits or even taking people off welfare altogether. For their liberal counterparts, welfare reform must await major governmental intervention in the economy to create "decent" jobs.

America Works confounds the shared pessimism of both liberals and conservatives about the possibility of getting welfare recipients into jobs quickly. It points beyond the familiar "won't work" versus "can't work" argument, toward pragmatic, intermediate solutions.

### *America Works confounds the shared pessimism of both liberals and conservatives*

Peter Cove argues that success in welfare reform "must be measured by the obtaining of jobs, retention, and the resultant welfare cost reductions." Government should not pay for classroom programs, he says, but for "the job *acquisition* and *retention* that result. . . . This will immediately guarantee government getting what it pays for. It will bring in creative entrepreneurs and maintain only the successful ones."

These ideas, very much in keeping with President Clinton's stated goal of making government social services more effective and accountable, are worthy of attention in the coming national welfare reform debate. In New York City, meanwhile, hundreds of welfare recipients on America Works' waiting list deserve better. They too have "sparks" that ought to be recognized. ■



## AMERICA WORKS

January 9, 1994

### Friends of America Works

We are sending you this letter to thank you for your support over the past year and to update you on our organization. America Works was started ten years ago and people said then it was ten years ahead of its time. It would appear our time has come. By any standard 1994 has been the most successful in the history of this company. The year started with Mayor Giuliani doubling the size of the New York City company. After years of struggling to get the City's support of the city, it was refreshing to see a politician follow through on a campaign promise. Companies were established in Indianapolis and Albany. These companies both had initial start-up problems, not of finding jobs, but getting welfare recipients out of the welfare system. Now both are running well and we look forward to many future years of success. (See the enclosed article on the first year celebration of our success in Indianapolis.) Our Connecticut company had one of its best years as well.

We expect to be the subject of several research studies this year. In a study of America Works' placements conducted by New York State, 82% of our placements were still employed after 14 months, showing a much higher rate of independence from public assistance than other JOBS programs that the State funded.

We look forward to growth in many areas in 1995. A joint venture is being planned with LISC, a national organization which supports community development corporations building low income housing. We have proposed to enter into joint ventures with local CDCs to develop job opportunities for those living in these housing units. Two new sites are planned and initial negotiations have begun in Chicago as well. Inquiries from state and local governments about the potential for America Works developing new operations in their states have increased. It is anticipated that the demand will continue as the welfare debate continues.

There are two research findings which bode well for the growth of America Works and dispute the long held beliefs in the field of welfare that the solution to long-term dependency was education and training

programs. That notion was largely discredited by researchers at the Rockefeller Foundation and the Manpower Demonstration Research Corporation (MDRC), in which labor force attachment and on-the-job skills attainment proved to be much more effective in moving welfare recipients into the workforce. Another finding by the Urban Institute found that it isn't getting a job for welfare recipients that is difficult (60% get their own within a year) it is keeping that job. There is increased awareness of the need to provide support after the person gets a job. In fact we use the Urban Institute's results to answer the question often raised by the public about welfare reform- the jobs aren't there. Since 60% manage to find jobs within a year that isn't necessarily true.

The recent political trends reflect principles for which America Works has stood since its inception. We have always given taxpayers a good return on their investments and our business is getting welfare recipients jobs. The American public wants government accountability, not indiscriminate funding of unproven programs. America Works has seen that most on welfare can and want to work. We demonstrated that government can get what it pays for, and welfare recipients can be placed in private sector jobs if the effort to do so is based on sound business principles of accountability.

The demand for performance-based welfare to work approaches is being supported on both sides of the aisle. We won public praise from Mario Cuomo and Newt Gingrich, which covers a wide spectrum.

This year found us spending time in Washington working the Progressive Policy Institute (PPI), Congressional staff and with the President's Task Force on Welfare Reform. Although we did not see much impact of our ideas on the President's proposals to date, we do expect to find more receptivity in both the President's and Congress' proposals as the debate continues. PPI and the DLC both recognized the problems with the administration pursuing the traditional education and training response to welfare problems. This is true as well for the Hudson Institute which along with PPI will be sponsoring a conference on this subject January 25th on the Hill.

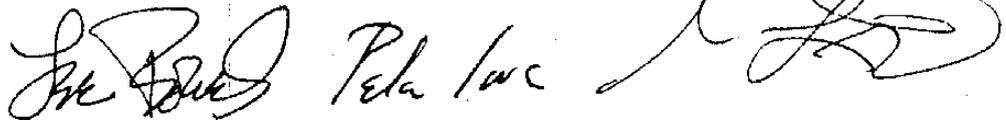
At the encouragement of Senator Moynihan, Paul Offner and America Works ran a conference of business people to recommend policies to the Senate Finance Committee that would increase hiring of welfare recipients. They did not propose more tax credits or increased wage subsidies as we might have expected them to do. They stated that basic education wasn't their concern, what they noted were attitudes toward and socialization to

work. The ability to be on time and reliable, take direction and behave appropriately in the work place are the biggest obstacles to hiring. They asked for the development of credentializing organizations that would refer appropriate low income candidates for jobs. They strongly admonished the state employment services and local government employment programs for their ineffective approaches and suggested that vouchers to employers to upgrade workers would be more useful than training before a job, as America Works has always contended.

On the policy front, keep your eyes on a proposal by David Riemer, Chief of Staff for Mayor Norquist of Milwaukee. His groundbreaking notion of Employment Maintenance Organizations to radically restructure job and income delivery from the State to the private sector is winning policy wonk converts. Write to him for a copy of his seminal paper. This type of approach to overhauling the present welfare and training systems into effective configurations will be taking shape in innovative ways in local communities with the help of Washington.

As the demand for our services increases we expect this next year to see substantial growth. Again our thanks to all of you who have supported our efforts to get welfare recipients jobs.

Happy New Year!

Three handwritten signatures in black ink. The first signature is 'Lee Bowes', the second is 'Peter Cove', and the third is 'Abe Levovitz'. The signatures are written in a cursive, flowing style.

Lee Bowes  
Peter Cove  
Abe Levovitz

Enclosure

# EDITORIALS

*"Let the people know the facts  
and the country will be saved."*

ABRAHAM LINCOLN

## A program that works

**T**he U.S. Department of Health and Human Services has given Gov. Evan Bayh approval to implement his welfare reform plan, which, among other things, cuts off benefits to "job ready" recipients after two years.

Republican legislators say the reforms don't go far enough and promise further restrictions during the upcoming Indiana General Assembly.

None of the plans will succeed, however, if we look only at the recipient side of the welfare equation.

We must reinvent the system itself.

Just ask welfare mothers and you'll hear a litany of horror stories. About caseworkers too caught up in paper to help recipients find work. About hours spent in food stamp lines that could be better spent in job interviews. About months devoted to training programs for jobs that may not exist.

One of the best examples of how to re-invent the delivery side — and the obstacles in doing so — is right here in

Indianapolis where America Works is celebrating its first anniversary today. And on the verge of placing its 100th welfare recipient into the work force.

Not at McDonald's, mind you, but at a bank or a binding company or a

hospital offering health care benefits and career potential.

"We're not just whittling down the welfare roles," says J. Patrick Jackson, director of operations for America Works of Indianapolis Inc. "We're taking someone who had been a drain on taxpayers and turning them into a taxpayer."

Unlike most job programs for welfare mothers, America Works is a for-profit business that only makes money when recipients find jobs — and keep them.

The company gets \$5,000 after a client has been at work for six months.

It's an arrangement with built-in incentive for success. To make money, America Works knows it must match the right people with the right jobs, while helping mothers solve critical issues of child care, medical care and transportation.

The biggest problem facing America Works isn't finding prospective employers. Indianapolis companies are thrilled to have a new job placement service in our present low unemployment economy.

The biggest problem is getting candidates for jobs. The majority of clients come to America Works after reading newspaper ads, not through referrals from welfare caseworkers as one would expect.

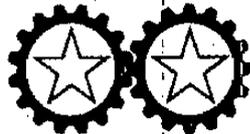
In one recent employment class at America Works, the candidates uniformly complained that they had been on welfare for years before a caseworker even suggested a job training or placement program.

And therein lies the problem.

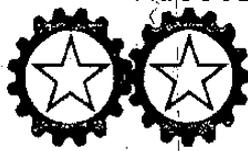
"What are the consequences for the welfare office when welfare recipients don't find jobs?" asks Mayor Stephen Goldsmith, who lured America Works to town. "There aren't any."

A story on today's op-ed page tells how another central Indiana community is reforming welfare effectively through innovation and cooperation.

No matter what other reforms occur, it is essential that the welfare system shift to a performance base with job placement.



AMERICA WORKS



## AMERICA WORKS

hospital offering health care benefits and career potential.

"We're not just whittling down the welfare roles," says J. Patrick Jackson, director of operations for America Works of Indianapolis Inc. "We're taking someone who had been a drain on taxpayers and turning them into a taxpayer."

Unlike most job programs for welfare mothers, America Works is a for-profit business that only makes money when recipients find jobs — and keep them.

The company gets \$5,000 after a client has been at work for six months.

It's an arrangement with built-in incentive for success. To make money, America Works knows it must match the right people with the right jobs, while helping mothers solve critical issues of child care, medical care and transportation.

The biggest problem facing America Works isn't finding prospective employers. Indianapolis companies are thrilled to have a new job placement service in our present low unemployment economy.

The biggest problem is getting candidates for jobs. The majority of clients come to America Works after reading newspaper ads, not through referrals from welfare caseworkers as one would expect.

In one recent employment class at America Works, the candidates uniformly complained that they had been on welfare for years before a caseworker even suggested a job training or placement program.

And therein lies the problem.

"What are the consequences for the welfare office when welfare recipients don't find jobs?" asks Mayor Stephen Goldsmith, who lured America Works to town. "There aren't any."

A story on today's op-ed page tells how another central Indiana community is reforming welfare effectively through innovation and cooperation.

No matter what other reforms occur, it is essential that the welfare system shift to a performance base with job placement as the No. 1 goal. To the credit of the Bayh administration, it now requires performance from all 33 job placement services that contract with welfare offices.

One possible sign of success: 124 Marion County welfare recipients got jobs from July to November of 1993. For the comparable period this year, 467 placements were made.

But performance must also be required from job training and education programs, which have received millions in tax dollars with no accountability. According to some studies, welfare mothers who complete job training have little better chance of finding work than those who don't.

Finally, performance must become a part of the system itself so caseworkers are forced to do more than process paperwork. Why not require them to send clients to programs like America Works at the moment a welfare application is made? Why not give them a bonus for every recipient they get into a meaningful job?

If our goal is merely to reduce the number of folks on welfare, caps on benefits may do the job.

If our goal is to turn welfare mothers into productive citizens, the America Works model guarantees long-term success.

Indiana's welfare America Works is celebrating its first anniversary today. And on the verge of placing its 100th welfare recipient into the work force.

Not at McDonald's, mind you, but at a bank or a binding company or a

# ADMINISTRATION FOR CHILDREN AND FAMILIES

## ALERT

**DATE:** February 3, 1994

**TO:** Regional Operations

**FROM:** Ann Schreiber  
Regional Administrator, Region II

**SUBJECT:** ALERT RE: OIG Investigation - Use of Federal Funds

The HHS/OIG Region II is investigating a complaint concerning America Works, Inc. and alleged embezzlement of Federal funds. Federal programs involved are refugee resettlement, JOBS and JTPA.

America Works has received much media attention during the past month because of the support it has received from NYC's Mayor, Rudolph Giuliani. Although the State of New York has had a contractual agreement with America Works of New York since (approximately) 1988, the City of New York had never entered into a similar agreement.

The January 20, 1994 edition of The New York Times (page B1), featured a photograph of Governor Mario Cuomo, Mayor Giuliani and NYSDSS Commissioner Michael Dowling as they announced the hiring of AWNY to find jobs for welfare recipients in NYC. The accompanying article described this action as "a dramatic shift in the city's strategy toward moving people off the welfare rolls" (the Dinkins administration favored extensive education and training, rather than quick job placement).

America Works is a privately owned, for-profit corporation which places welfare recipients into private-sector jobs. There are several "America Works" related corporations (America Works of New York (AWNY), America Works of Connecticut). America Works of New York, Inc. contracts with the State and receives full payment for its services only after an applicant has held a permanent full-time job for several months. AWNY recruits welfare recipients, provides them with training (basic skills, workplace attitudes and behaviors) and places clients in jobs. During the initial period of placement, the employer is contracting with AWNY. AWNY pays the employee directly, monitors work performance, job coaching and support services. In a sense, the relationship between employer, welfare client and AWNY is not unlike the relationship between an employer, temporary employee and temporary agency.

**For further information contact:** Ann Schreiber, Regional Administrator, (212) 264-2890

**RECOMMENDED DISTRIBUTION LIST IS:** Assistant Secretary; Principal Deputy Assistant Secretary; Deputy Assistant Secretary; Director, Office of Public Affairs and the appropriate Program Head(s)

ADMINISTRATION FOR CHILDREN AND FAMILI  
Office of the Assistant Secretary, Suite 600  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

February 8, 1994

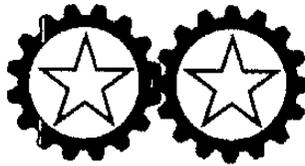
NOTE TO: Mary Jo Bane  
David Ellwood  
Wendell Primus  
Jeremy Ben-ami  
David Siegal  
Diann Dawson  
Lavinia Limon

*AWR - America  
Works*

We need to follow this closely.

Ann Rosewater

Attachment



## AMERICA WORKS

December 27, 1993

Mr. Bruce Reed  
Old Executive Office Building  
Room 216  
Washington, D.C. 20501

Dear Bruce,

Hope all is going well and you are having a good holiday season.

I thought I would share with you a letter Peter Cove received from Mary Jo Bane in response to his inquiry regarding grant diversion waivers. I know you are familiar with the issue, and thought you would be interested in her letter.

Sincerely,

Richard Greenwald

Enclosure



DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES  
Office of the Assistant Secretary, Suite 600  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

DEC 6 1993

Mr. Peter Cove  
Founder  
America Works of New York, Inc.  
704 Broadway  
New York, New York 10003

Dear Mr. Cove:

This is in response to your recent letter, which included your correspondence with David Ellwood, concerning one of the provisions of the Jobs Opportunities and Basic Skills Training (JOBS) program.

You request a waiver of section 484(c) of the Social Security Act (the Act), which specifies: "...No participant may be assigned under section 482(e) or (f) to fill any established unfilled position vacancy." Sections 482(e) and (f) are the provisions on the Work Supplementation program and the Community Work Experience program (CWEP) respectively.

Section 484(e) of the Act specifies that: "The provisions of this section [484] apply to any work-related programs and activities under this part, and under any other work-related programs and activities authorized (in connection with the AFDC program) under section 1115." Section 1115 of the Social Security Act is the provision that gives the Secretary the authority to waive provisions of title IV-A in order to undertake demonstrations. Since section 484(e) makes the participant protection provisions of section 484 apply to demonstrations under section 1115, this provision cannot be waived.

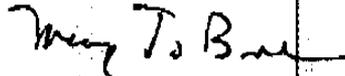
Your letter also referenced section 482(c)(IV) of the Act. We believe that you may have actually been referencing section 482(d)(1)(A)(ii)(IV) or section 482(d)(1)(B)(ii) since there is no section 482(c)(IV). Section 482(d)(1)(A)(ii)(IV) allows the Secretary to approve other work experience programs similar to CWEP. Section 482(d)(1)(B)(ii) allows a State to provide "such other education, training, and employment activities as may be determined by the State and allowed by regulations of the Secretary." While the restriction of section 484(c) does not apply to these provisions, there is no authority to divert AFDC grants under either of these provisions. The authority for grant diversion is limited to section 482(e), the work supplementation program, and does not extend to any other component activity.

Page 2 - Mr. Peter Cove

The unfilled established vacancy restriction in section 484(c) does not apply to on-the-job training (OJT) programs. A State might consider utilizing the OJT program to access established position vacancies.

I hope this information is helpful to you. Please contact me if I can be of further assistance.

Sincerely,



Mary Jo Bane  
Assistant Secretary  
for Children and Families

AMERICA WORKS

WR - America Works

DATE: 1/4/94

TO: Bruce Reed

COMPANY: The White House

FAX #: 1-202-456-7739

FROM: Peter Cove

America Works of New York, Inc.  
575 8th Avenue, 14th Floor  
New York, NY 10018

OUR FAX #: (212) 244-5628

MESSAGE: Hi Bruce - Some recent articles I thought you might want to see. Thanks for mentioning us to so many people. I want to talk with you about a private briefing we want to do for the task force. They need to better understand the policy pieces we represent so when they speak of us they know which policy they are advocating. Call me. Peter.

IF THERE ARE ANY QUESTIONS, PLEASE CONTACT THE OPERATOR AT (212) 244-5627

NUMBER OF PAGES: \_\_\_\_\_ (INCLUDING THIS COVER SHEET)

# WELFARE CRISIS

Benefits: The real cost		YEARLY BENEFITS	
PROGRAM	DESCRIPTION	Number of children on AFDC	Single adult on Home Relief
AFDC-Aid to Families with Dependent Children	Federal welfare program for families with children. Provides monthly cash benefits. Benefits vary from state to state. In New York, the city and state adds 100% to the federal monthly benefit.	86,924	---
Home Relief	State and city program which pays a monthly cash benefit and housing allowances to single, able-bodied adults that cannot find work, and who do not have children.	---	\$1,644
Food Stamps	Federal program provides food stamps for low-income persons and families. Program funded entirely by federal government.	2,556	852
Breakfast and Lunch Programs	Over a million New York kids participate in the federal program granting free and subsidized breakfasts and lunches during the school year. Funded by federal government.	347	---
W.I.C. Special Supplemental Food Program for Women, Infants and Children	Federal program that supplements food stamps with additional vouchers for food for women who are pregnant or have children under 5 years of age.	986	---
Medical	Federal medical program of which New York state and localities fund approximately 5% of the costs. Allows for 14 visits per year, 18 laboratory tests, 60 prescriptions, no limits on hospital or nursing home care, family planning services, and mental health services.	4,952	2,340
Housing	Federal and state government provides free housing, subsidies and grants for low-income persons.	5,653	2,580
HEAP - Home Energy Assistance Program	State program provides grants for low-income persons and families to subsidize utility bills.	75	75
Transportation	City provides free bus and subway passes to kids from low-income families.	900	---
Head Start	Federal Child Development program for 3- and 4-year-olds.	4,347	---
Total yearly benefits:		\$26,940	\$7,491

## They get a real charge out of helping others

By JACKIE ROTHENBERG

America Works gets people off welfare — for a fee. The private, for-profit company claims it can end its clients' dependence on welfare by placing them in private-sector jobs.

No fees — \$4,300 per person — are paid by the state.

Critics question the program's profit motive to an area that is traditionally unprofitable.

Supporters — who include Gov. Cuomo and Mayor Giuliani — say that's of little importance.

Richard Schwartz, Giuliani's senior adviser, says the key thing is "whether or not people's lives are being improved."

The Clinton administration showed no interest in America Works, rejecting

repeatedly the company's bids on projects.

A spokeswoman for the city's Department of Employment said officials liked America Works' model, but the program scored low in a competitive bidding process.

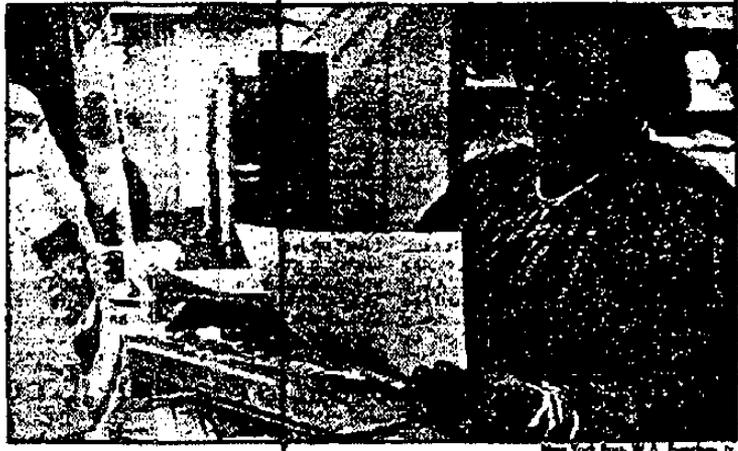
Company officials are hoping for better luck with Giuliani, who praised America Works during his mayoral campaign and at a Post Forum on Dec. 9.

America Works is run by Peter Cove and Lee Bowen, an entrepreneurial husband-and-wife team.

It places up to 500 workers annually, operating as kind of an "old girls" network. Ninety-eight percent of clients are women who've been on the dole about five years.

It finds them through

See **WORKS** on Page 18



**NO MORE YEARS:** Ilisa Hamilton, unemployed for five years and on welfare for three, enjoys her job as a data-entry operator on Wall Street.

## For mom, happiness is steady work

By JACKIE ROTHENBERG

Ilisa Hamilton has never been happier.

The 39-year-old mother of two was unemployed for five years and on welfare for three before discovering America Works.

Since September, she's been a data-entry operator

at GAT Integrated Financial Solutions on Wall Street.

"My life is much brighter now," she says. "I don't have this big black cloud over my head."

Hamilton, who lives in Queens, was one of countless weary women who made the rounds of employment agencies

and kept hearing the same thing: "We'll call you."

The call never came.

"Many times, I used to come home from interviews to tears," she says. "When you know you have the skills and you're able to do something, it's a hurting feeling."

Hamilton, who was spe-

By CHRISTOPHER RUDDY  
Part One of  
a continuing series

The city is facing an exploding welfare caseload that threatens to plunge it into deeper fiscal crisis.

One out of every seven New Yorkers now gets a welfare check — and new figures reveal that the number of people on public assistance is spiraling upward with no end in sight.

In fiscal 1993, the city spent \$2.5 billion on its two main welfare programs: Aid to Families with Dependent Children, and Home Relief, which grants benefits to single persons.

Of that money, about \$900 million came from the city directly.

Another \$600 million came from the state and the rest from the federal government.

Based on spending during the first five months of the current fiscal year, the 1993 figure is expected to be staggering \$2.8 billion — a \$400 million increase.

And that's about \$100 million more than the \$2.7 billion budgeted for welfare for fiscal 1992.

Shortfall would be made up by the city, state and feds.

Welfare increases, which have been substantial, are largely a result of the city's continuing recession and high unemployment," said

## 1 in 7 New Yorkers are now on the dole

### TOMORROW: How other states solve their welfare mess

Earl Weber, a spokesman for the City's Human Resources Administration.

The continually expanding public assistance rolls now include over 1.1 million persons. That's a 34 percent increase over the 822,320 people who were on welfare on Jan. 1, 1989, when David Dinkins took office as mayor.

About 10,000 more people are joining the welfare rolls every month.

Some 800,000 persons receive benefits under the AFDC program. A mother and two children, for example, get a monthly payment of \$177. The city and state each contribute 50 percent, with the federal government picking up the rest.

An additional 216,000 single persons receive benefits as part of the Home Relief program, which provides \$137 a month in cash and an additional \$205 for housing costs.

Home Relief is provided solely by the state and city governments, which split the cost 50-50.

Welfare recipients also receive Medicaid, food stamps, other housing benefits, child care and additional services. The city typically pays a significant share of these costs, which are not accounted for in HRA's budget.

Administrative costs alone exceed the amount of benefits disbursed. The HRA spends \$7.8 billion in city, state and federal money. But only \$2.5 billion of that goes directly to recipients in the two largest welfare programs.

During the campaign, Mayor Giuliani charged Dinkins and his administration for not fully participating in the Family Support Act, a 1986 federal program that has allowed the state, like Wisconsin and Michigan, to reduce caseloads by using federal funds for job training programs.

"The city has not succeeded in getting people off the rolls and into jobs," said Grinker. Giuliani's welfare adviser and an HRA commissioner under Koch, wrote in the CITY journal.

While Grinker acknowledges the recession has contributed to the skyrocketing rise in the welfare rolls, he claims HRA has made only "modest efforts" in encouraging clients to search for jobs.

Grinker cites HRA statistics which show that in fiscal 1992, only 61,000 recipients were enrolled in retraining or work-related activities.

Calls by The Post to HRA asking why the city had not fully utilized job retraining programs went unanswered.

Giuliani has lashed America Works, a for-profit group which has been rebuffed by the city's HRA, but which has helped and moved hundreds of welfare recipients off welfare into regular employment.



# Clinton's list-less on fixes for welfare

By MARYLYN BAURIE  
Post Correspondent

WASHINGTON — Health-care reform and a crack-down on crime top President Clinton's New Year's wish list — but welfare reform didn't get a mention.

On his first workday after the holidays, the president predicted Congress will pass a health-care plan — although not necessarily his own.

Speaking before a White House meeting of his health-care advisers, Clinton also pledged to push job training and an anti-crime package in 1994.

Conspicuously absent was his 1992 campaign pledge to end welfare "as we know it" and his controversial "two years and out" idea to get longtime welfare recipients off the federal dole.

Clinton spokeswoman Elm Doe Myers denied the president is downplaying welfare. "The president will also



Bill Clinton

No words for reforms.

have a comprehensive welfare-reform package this year," she said — but added that it won't happen until the nation's health woes are cured.

The Senate Finance Committee Chairman Daniel P. Moynihan (D-N.Y.) last week complained that the White House is dragging its feet.

One draft proposal being floated does not even mention how to pay for welfare reform, Moynihan said.

"When there's not a [dollar] number in there, you know there are problems. . . . Their problem is there's no money," Moynihan noted.

Selling costly welfare reform to Congress will be "very difficult," he warned.

There's been a split in the administration over whether to push health and welfare overhauls simultaneously or take on one battle at a time.

# THEY GET A CHARGE OUT OF HELPING OTHERS

WOMEN from Page 1  
word of mouth and referrals from social and government agencies.

Cove disputes the view that people on welfare don't want to work. "Having a job to go to is a very large part of why you get up in the morning."

"The system squeezes out the motivation because it tells them the opportunity's not there."

For Crystal Curry, who joined Macmillan Publishing in October as a receptionist and marketing assistant after nearly four years of unemployment, even "getting on the train with everybody" in the morning makes a difference.

She wants her two children to "grow up understanding that they have to work for a living to get what they want in life."

America Works, with offices in New York and Hartford, Conn., claims 85 percent of its referrals get permanent jobs.

A year after they're hired, 85 percent of them are still on the job.

Many companies keep coming back for more. Employers, who range from Fortune 500 compa-

nies to mom-and-pop operations, pay the 10-week welfare recipients an average of \$18,000 a year.

The companies are eligible for federal tax credits.

Supporters of America Works say that while the company gets \$4,000 from the state for every permanent job placement, the government shells out up to \$24,000 annually to keep a mother with two children on the welfare rolls.

The company only

paid when its workers are hired — a concept that elicits strong support from state and city officials.

"If they tell us don't pay them," says Michael Doyling, the state commissioner of social services. "We're paying for nothing."

The company currently only receives state money but Doyling is interested in approaching the city about joint city-state funding.

Welfare reform is one of the Giuliani administration's top priorities

# Here's the way America Works works

Here's how America Works operates:

It recruits welfare recipients, trains them in basic skills and workplace behavior and then places them in entry-level jobs.

Besides learning to use word processors and other equipment, clients learn about resume preparation, interview techniques and workplace demeanor and

appearance.

They learn to come to job interviews without too much make-up or guns in their mouths, prepared to answer — and ask — questions.

And they can't be even a minute late during training — just like they can't be late on the job.

When they get jobs, they're on America Works' payroll for the first four months.

During that time the employer contracts with America Works for their services.

America Works is paid the market wage for the job. The clients receive the minimum wage, as well as reduced welfare payments.

After four months, the clients keep their jobs, pay full pay and leave care.

America Works stays close to its clients during the four-month trial period, providing supervision and guidance and easing the transition from dependency to self-support.

Staff members guide clients through daily problems involving health, day care, transportation and personal traumas at home.

Jackie Rothstein

# NICE WORK IF YOU CAN GET IT

## TURNING A PROFIT ON WELFARE

DEBORAH DAVIS CAN'T SET OUT TO BE A test case in the great debate over how best to get people off welfare. It just happened, the way so much just happens to men and women on public assistance. But her tale is worth telling, because it's the kind of success story Rudy Giuliani says he'll deliver to many of the city's 1.1 million welfare recipients—and the kind that New York's minimalist social-service bureaucracy routinely chokes to death.

Davis, a 39-year-old mother of three from Brooklyn, was saved by an organization that the Thinkins administration refused to fund. She has sweeping black hair, enormous brown eyes, and a patient manner treated mightily during the five years she tried to break free of the dole. Today, she works in the records department of a midtown law firm but knows she might easily be spending her days in Flatbush, "sitting back and letting them send it to me," as she says. "The city didn't give a damn if I got off welfare—the system is geared to keep me in the system. When I finally got sick of doing nothing, my kids were thrilled. Mom's getting up every morning! She's leaving the house!"

Davis's welfare-to-work experiment started in 1989, when her husband checked out of her life and into a drug-treatment center. She had come skills—she'd worked in an office and a day-care center, and she'd taken a two-year clerical course at Adelphi Business Institute. She paid her tuition with government grants and \$2,500 in student loans, and in time began to suspect that her teachers knew no more about bookkeeping than she did. She finished the course but got no diploma or job-placement help because Adelphi was busy declaring bankruptcy and dodging fraud charges. (In 1989, a scandal erupted because Giuliani once represented Adelphi's owner.)

When she landed on welfare, Davis was babysitting on the side, living in an apartment for which one government agency paid another government agency \$246 a month. In time, penalties and interest turned her \$2,500 loan into a \$3,000 debt.

and Davis started looking for a way out. She joined the Work Experience Program, which lets welfare clients "earn" their checks with make-work jobs. Soon she saw that "this wasn't going to lead anywhere. It ended and I went home," she says.

Reading *Flatbush Life* one day, she noticed an ad offering jobs to people on assistance. She called and asked a question: "Is this just another program that's going to waste my time?" A voice told her it was not, and Davis rode the subway into Manhattan, arriving at the office of America Works—which may be the most sensible and inspired employment agency in the world. Unlike nonprofit job-placement



PRIVATE REVENUE: Cora (left) and Bowers of America Works.

groups that are paid whether they succeed or fail, America Works gets its full fee only if the client stays on the job for seven months—a market safeguard that could recharge the welfare industry: the profit-makers, the big question, the torpid sea of city caseworkers.

Two weeks after Davis arrived at America Works, the company ended welfare at \$17,000 a year—three times what she got on relief. In the past decade, the company—New York, Hartford, Indianapolis, and Boston—has helped some 5,000 welfare clients find jobs. So far, according to a review by the state Department of Social

Services, an astonishing 85 percent of them have kept their jobs at least a year. America Works (which is privately held and doesn't release its figures) says it is making a profit; it gets \$5,500 from the state for every client moved off the rolls (the state saves \$20,000 a year for every one). Bill Clinton's welfare-reform policy group is expected to embrace the model this week. And Giuliani says he'll look to it as part of his push for a city "embracing welfare reform rather than resisting it."

Minus that of the profit motive and loyal to a network of minority-run, nongovernment, the Thinkins administration reported five beta firms from America Works. One day, CEO Lee Bowers walked into a welfare office and saw a sign that helped her understand the bureaucratic mind: THERE'S NO LIGHT AT THE END OF THE TUNNEL. "All I wanted," says Bowers, who teaches public management at Columbia University, "was to prove that sign wrong."

Here's how she does it: An America Works client like Davis spends her first week in "preemployment orientation," a kind of temp' book camp about resume-writing, interview skills, and such basic job requirements as punctuality. Anyone late for a session leaves the program and goes to the end of a two-month waiting list. "It may sound harsh," says president Peter Cove, who is Bowers's husband, "but we're trying to instill motivation. There's no way to predict who will succeed or fail, so we've got to put them through some hoops to find out."

Two or more weeks are spent honing long-dormant skills—but Bowers doesn't worry much about training. "Entry-level job skills can be learned on the job; the emphasis on education in welfare-to-work has failed," she says. "What keeps people from getting jobs isn't a lack of training but a lack of motivation."

America Works provides those going to companies who use it to fill entry-level positions. The companies pay \$6 to \$9 an hour for food service and clerical jobs, and they get well-screened, eager workers (and a tax credit). The appeal isn't altruism but self-interest—what business is all about. The new employees stay on

the America Works payroll for 101 months, then join the firm if the boss is happy.

To keep the boss happy, America Works uses "corporate representatives" who act as guardian angels for new clients—putting out the small fires at work and home (athletic problems, day-care trouble, a housing-court appearance) that can consume a budding career. The social-service trade calls this the "supported work model." Cove and Bowers call it common sense. "You and I know how to juggle work and personal life," says Cove. "But people who aren't used to working haven't learned. So our representatives do what's needed to let these people concentrate on the job."

Davis got her job in her first interview, with the law firm Gibson, Dunn & Crutcher. The supervisor there had to replace a rewards assistant with twenty years on the job, and she'd soon five experienced candidates. But she hired Davis. "Call it benevolence with discernment," says the supervisor, Marilyn Wood-Jefferson. "I like the idea of helping, and she had the right disposition and a grasp of what we do. She's been with us five months. She's terrific."

On display here is the transformative power of work—a kind of take-home pay that isn't printed on W-2 forms. "Motivation is a function of opportunity," says Cove. "The old idea, that in order to get with services and education, then more them into the work force, just isn't true. Work in itself helps fix people up."

While the city snubbed America Works, the state rewarded it—Mayor Cuomo and Commissioner of Social Services Michael Dowling this year expanded their contract from 250 to 400 clients. Dowling sees the company as a small part of "a massive cultural change in how the welfare system does business. It's a wrenching thing, but I'm changing all of my contracts to be performance based. If we put out a lot of money, there should be measurable results—and the best measure is a job."

With city support, America Works could expand to 4,000 clients this year and 2,000 the next—still just a blip on the screen of 535,000 city households on assistance. The model can't help hard-core welfare dependents, but the idea of rewarding results, not intentions, could goose the whole system. If Giuliani and his new HRA chief, Marva Hannons, have the courage to do this, a loud, lovely yowl will rise up from the ranks of the sprawling and recalcitrant bureaucracy, and New York will enter the million-

The change would be welcomed by people like Debbie Davis, who is paying her own way now and just celebrated her best Christmas in years. "Clothes for the kids," she says. "They're teenagers now, they don't need toys." She gives a conspiratorial grin. "I did get them some jewelry. It'd never been able to afford."

# NICE WORK IF YOU CAN GET IT

## TURNING A PROFIT ON WELFARE

DEBORAH DAVIS DIDN'T SET OUT TO BE A test case in the great debate over how best to get people off welfare. It just happened, the way so much just happens to men and women on public assistance. But her tale is worth telling, because it's the kind of success story Rudy Giuliani says he'll deliver to many of the city's 1.1 million welfare recipients—and the kind that New York's misaimed social-service bureaucracy routinely chokes to death.

Davis, a 39-year-old mother of three from Brooklyn, was saved by an organization that the Dinkins administration refused to fund. She has swept-back hair, enormous brown eyes, and a patient manner tested mightily during the five years she tried to break free of the dole. Today, she works in the records department of a midtown law firm but knows she might as easily be spending her days in Flatbush, "sitting back and letting them send it to me," as she says. "The city didn't give a damn if I got off welfare—the system is geared to keep me in the system. When I finally got sick of doing nothing, my kids were thrilled: 'Mom's getting up every morning! She's leaving the house!'"

Davis's welfare-to-work experiment started in 1989, when her husband checked out of her life and into a drug-treatment center. She had some skills—she'd worked in an office and a day-care center, and she'd taken a two-year clerical course at Adelphi Business Institute. She paid her tuition with government grants and \$2,500 in student loans, and in time began to suspect that her teachers knew no more about bookkeeping than she did. She finished the course but got no diploma or job-placement help because Adelphi was busy declaring bankruptcy and dodging fraud charges. (In 1989, a scandalous scandal broke because Giuliani

Adelphi's "training" didn't help Davis when she landed on welfare, doing some baby-sitting on the side, living in an apartment for which one government agency paid another government agency \$246 a month. In time, penalties and interest turned her \$2,500 loan into a \$5,000 debt,

and Davis started looking for a way out. She joined the Work Experience Program, which lets welfare clients "earn" their checks with make-work jobs. Soon she saw that "this wasn't going to lead anywhere. It ended and I went home," she says.

Reading *Flatbush Life* one day, she noticed an ad offering jobs to people on assistance. She called and asked a question: "Is this just another program that's going to waste my time?" A voice told her it was not, and Davis rode the subway into Manhattan, arriving at the office of America Works—which may be the most sensible and inspired employment agency in the world. Unlike nonprofit job-placement



PRIVATE REFORM: Cove (left) and Bowes of America Works.

groups that are paid whether they succeed or fail. America Works gets its full fee only if the client stays on the job for seven months—a market safeguard that could recharge the welfare industry: the profit-makers, the do-gooders, the torpid sea of city caseworkers.

Two weeks after Davis arrived at America Works, she was placed in a job that pays \$17,000 a year—three times what she got on relief. In the past decade, the company—which has 50 employees at 4 offices in New York, Hartford, Indianapolis, and Boston—has helped some 5,000 welfare clients find jobs. So far, according to a review by the state Department of Social

Services, an astonishing 85 percent of them have kept their jobs at least a year. America Works (which is privately held and doesn't release its figures) says it is making a profit: it gets \$5,500 from the state for every client moved off the rolls (the state saves \$20,000 a year for every one). Bill Clinton's welfare-reform policy group is expected to embrace the model this week. And Giuliani says he'll look to it as part of his push for a city "embracing welfare reform rather than resisting it."

Mistrustful of the profit motive and loyal to a network of minority-run, nonprofit providers, the Dinkins administration rejected five bids from America Works. One day, CEO Lee Bowes walked into a welfare office and saw a sign that helped her understand the bureaucratic mind: THERE'S NO LIGHT AT THE END OF THE TUNNEL. "All I wanted," says Bowes, who teaches public management at Columbia University, "was to prove that sign wrong."

Here's how she does it: An America Works client like Davis spends her first week in "preemployment orientation," a kind of temp "boot camp" that teaches grooming, interview skills, and such basic job requirements as punctuality. Anyone late for a session leaves the program and goes to the end of a two-month waiting list. "It may sound harsh," says president Peter Cove, who is Bowes's husband, "but we're trying to instill motivation. There's no way to predict who will succeed or fail, so we've got to put them through some hoops to find out."

Two or more weeks are spent honing long-dormant skills—but Bowes doesn't worry much about training. "Entry-level job skills can be learned on the job; the emphasis on education in welfare-to-work has failed," she says. "What keeps people from getting jobs isn't a lack of training but a lack of connections."

America Works provides those connections through its network of 500 client companies who use it to fill entry-level positions. The companies pay \$6 to \$9 an hour for food-service and clerical jobs, and they get well-screened, eager workers (and a tax credit). The appeal isn't altruism but self-interest—what business is all about. The new employees "buy off

the America Works payroll for four months, then join the firm if the boss is happy.

To keep the boss happy, America Works uses "corporate representatives" who act as guardian angels for new clients—pulling out the small fires at work and home (attitude problems, day-care trouble, a housing-court appearance) that can consume a budding career. The social-service trade calls this the "supported work model." Cove and Bowes call it common sense. "You and I know how to juggle work and personal life," says Cove. "But people who aren't used to working haven't learned. So our representatives do what's needed to let these people concentrate on the job."

Davis got her job in her first interview, with the law firm Gibson, Dunn & Crutcher. The supervisor there had to replace a records assistant with twenty years on the job, and she'd seen five experienced candidates. But she hired Davis. "Call it benevolence with discretion," says the supervisor, Marilyn Wood-Jefferson. "I like the idea of helping, and she had the right disposition and a grasp of what we do. She's been with us five months. She's terrific."

On display here is the transformative power of work—a kind of take-home pay that isn't printed on W-2 forms. "Motivation is a function of opportunity," says Cove. "The old idea, that in order to get people going you've got to fix them up with services and education, then move them into the work force, just isn't true. Work in itself helps fix people up."

While the city snubbed America Works, the state embraced it—Mario Cuomo and Commissioner of Social Services Michael Dowling this year expanded their contract from 250 to 400 clients. Dowling sees the company as a small part of "a massive cultural change in how the welfare system does business. It's a wrenching thing, but I'm changing all of my contracts to be performance based. If we put out a lot of money, there should be measurable results—and the best measure is a job."

With city support, America Works could expand to 1,000 clients this year and 2,000 the next—still just a blip on the screen of \$35,000 city households on assistance. The model can't help hard-core welfare dependents, but the idea of rewarding results, not intentions, could goose the whole system. If Giuliani and his new HRA chief, Marvin Hammons, have the courage to do this, a loud, lovely yowl will rise up from the ranks of the sprawling and recalcitrant bureaucracy.

The change would be welcomed by people like Debbie Davis, who is paying her own way now and just celebrated her best Christmas in years. "Clothes for the kids," she says. "They're teenagers now, they don't need toys." She gives a conspiratorial grin. "I did get them some jewelry I'd never been able to afford."

JAN 04 '94 17:20

P. 5

WR - America Works

A NOTE ON THE LIMITS OF AMERICA WORKS AND COMPANY

Recently the press has been full of laudatory reports on profit making companies that have succeeded in placing welfare recipients in well-paying and lasting jobs. It is very understandable that such placements would be very attractive for all concerned. It also fits into the thinking of those who find privatization ideologically attractive. But before one jumps to conclude that such efforts can be a major part of the drive to place hundred thousands, if not millions, of welfare clients in paying jobs, please note:

1. As far as I can determine so far, these endeavors have not been submitted to any outside independent rigorous evaluation which other programs have been subject to.

2. Press reports on the success of these efforts ignore the very small number of welfare recipients that actually have been placed. Thus, America Works reports that it placed "approximately 740 welfare recipients" but the data cited about the fact that these previous welfare recipients continue to work where they have been placed, the pay they receive, etc., etc. -- is based on 341, a total of 290 who actually were reached.

3. Creaming is extremely likely to have taken place. Profit making companies would act against their most elementary self-interest if

they did not seek to place first those easy to place, few of which exist in any population. The available reports provide no information on the relevant attributes of those placed (e.g., are they high school graduates? with previous work experience? age? etc.).

The claim that these companies can train welfare recipients within one week to be effective employees strongly suggests that those few they did place are not typical, let alone hard-core, welfare recipients but atypical members of the program.

4. There is no evidence whatsoever, and no attempts were made to collect data, if the welfare clients hired (for which those who hire them are subsidized) did not simply displace others.

In conclusion: We need urgently to have an independent evaluation of these efforts. They may well be of some service, but to make them a main building stone of welfare reform may well turn out to build on shaky foundations.

Memo by Amitai Etzioni